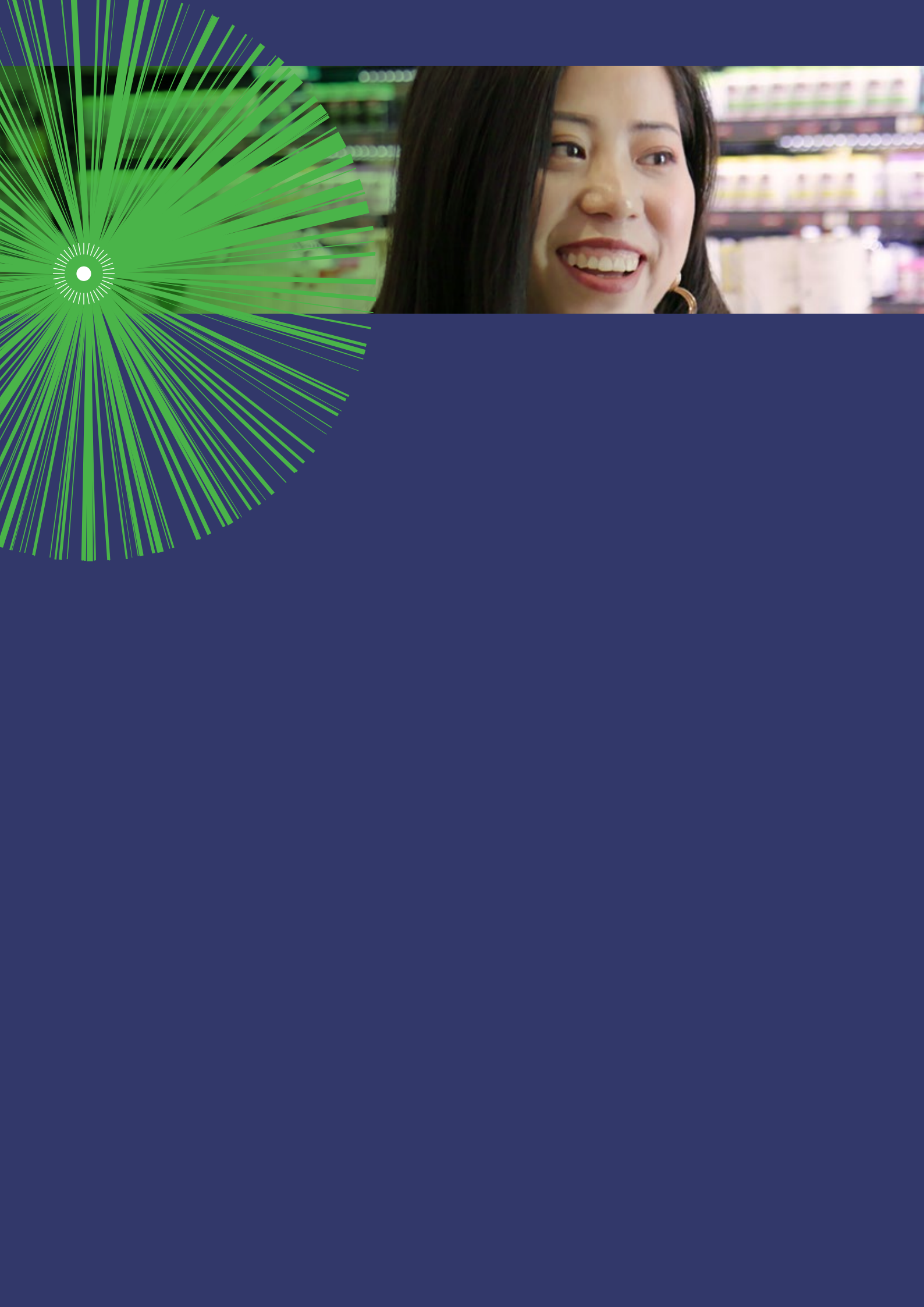


# PROSPECTUS

Public Offering of Ordinary Shares

AUGEND LTD  
(TO BE RENAMED **"AUMAKE INTERNATIONAL LIMITED"**)  
ACN 150 110 017







# PROSPECTUS

For an offer of 50,000,000 Shares at an issue price of \$0.08 per Share to raise \$4,000,000, with the ability to accept over subscriptions to raise up to a further \$2,000,000 (**Public Offer**).

The Prospectus also contains an offer of 1 Share at an issue price of \$0.08 (**Cleansing Offer**) for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the Australian Securities Exchange (ASX) Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

## IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**



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# SECTION 1

# Corporate directory

## DIRECTORS

**Mr Keong Chan<sup>6</sup>**  
Non-Executive Director and  
proposed Executive Chairman

**Mr Robert Di Russo<sup>1</sup>**  
Non-Executive Director

**Mr Derek Jones<sup>1</sup>**  
Non-Executive Director

## PROPOSED DIRECTORS

**Mr Jiahua (Joshua) Zhou<sup>2</sup>**  
Proposed Managing Director

**Mr Gang Xu<sup>2</sup>**  
Proposed Executive Director

**Mr Quentin Flannery<sup>2</sup>**  
Proposed Non-Executive Director

**Ms Lingye (Lyn) Zheng<sup>2</sup>**  
Proposed Non-Executive Director

## COMPANY SECRETARY

**Mr Keong Chan<sup>3</sup>**

## PROPOSED COMPANY SECRETARY

**Mr Peter Zhao<sup>4</sup>**

## CURRENT ASX CODE

AUG

## PROPOSED ASX CODE

AU8

## REGISTERED OFFICE

**Augend Ltd**  
Suite 8, 1297 Hay Street  
West Perth WA 6005  
Telephone: (08) 9322 6009

**ITM Corporation Limited**  
Suite 8, 1297 Hay Street  
West Perth WA 6005  
Email: [info@aumake.com.au](mailto:info@aumake.com.au)  
Website: [www.aumake.com.au](http://www.aumake.com.au)

**AuMake Australia Pty Ltd**  
7 Bourke Street  
North Parramatta NSW 2151

## INVESTIGATING ACCOUNTANT

**RSM Corporate Australia Pty Ltd**  
8 St Georges Terrace,  
Perth WA 6000

## AUDITOR<sup>5</sup>

**RSM Australia Partners**  
8 St Georges Terrace,  
Perth WA 6000

## LAWYERS

**Steinepreis Paganin  
Lawyers and Consultants**  
Level 4, 16 Milligan Street  
Perth, WA 6000

## SHARE REGISTRY<sup>5</sup>

**Computershare Investor Services Pty Ltd**  
Level 11, 172 St Georges Terrace  
Perth, WA 6000  
Telephone: +61 (08) 9323 2000

1 To resign from the Board on Settlement of the Acquisition.

2 To be appointed, subject to Shareholder approval at the General Meeting, with effect from Settlement of the Acquisition.

3 To resign upon Settlement of the Acquisition.

4 To be appointed with effect from Settlement of the Acquisition.

5 These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

6 Keong Chan will be appointed as the Executive Chairman with effect from Settlement of the Acquisition.

## SECTION 2

# Important information

### 2.1 CONSOLIDATION

Unless stated otherwise, all references to securities of the Company as set out in this Prospectus assume that the Consolidation, for which Shareholder approval is being sought at the General Meeting to be held on 12 September 2017, has occurred.

### 2.2 CHANGE IN NATURE AND SCALE OF ACTIVITIES AND RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

At the General Meeting to be held on 12 September 2017, the Company is seeking Shareholder approval for a change in nature and scale of its activities.

The Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-admission to the Official List. In the event the Condition (defined below) is not satisfied or the Company does not receive conditional approval for re-admission to the Official List then the Company will not proceed with the Offers and Applicants will be reimbursed their Application monies (without interest).

### 2.3 INCORPORATION BY REFERENCE

The Company acknowledges that some potential investors may speak Mandarin as their first language, rather than English and as such, in accordance with Section 712(4) of the Corporations Act, this Prospectus incorporates by reference the Mandarin version of this Prospectus dated 21 August 2017. If required, investors can request a copy of the Mandarin version of this Prospectus in accordance with Section 712(5) of the Corporations Act by contacting the Company Secretary, Peter Zhao, on +61 8 9322 6009.

### 2.4 GENERAL

This Prospectus is dated 21 August 2017 and was lodged with the ASIC on that date. The ASX, ASIC and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No person is authorised to give information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares, the subject of this Prospectus, are subject to certain risks as set out in Section 10.

## 2.5 INVESTMENT ADVICE

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

## 2.6 CONDITIONAL OFFER

The Public Offer is conditional on the satisfaction (or waiver) of the Conditions Precedent to the Acquisition Agreement, save for the condition relating to the raising of funds pursuant to the Public Offer (**Condition**).

Accordingly, the Offers under this Prospectus are effectively inter-conditional on the successful completion of each other part of the Acquisition.

There are no conditions to the Cleansing Offer other than ASX approval for quotation of the Share.

In the event that Shareholders do not approve all of the Acquisition Resolutions at the General Meeting, the Offers will not proceed and no Shares will be issued pursuant to this Prospectus. If this occurs, Applicants will be reimbursed their application monies (without interest).

## 2.7 WEBSITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website [www.aumake.com.au](http://www.aumake.com.au). If you are accessing the electronic version of this Prospectus to make an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Proposed Company Secretary, Peter Zhao, on +61 8 9322 6009.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

No document or information included on our website is incorporated by reference into this Prospectus.

## 2.8 FORWARDING-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on several assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and our management.

## SECTION 2

# Important information

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Sections 5D and 10 of this Prospectus.

### 2.9 PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

### 2.10 DEFINED TERMS

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 16 of this Prospectus.

### 2.11 TIME

All references to time in this Prospectus are references to Australian Western Standard Time.

### 2.12 RISKS

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Refer to Section 10 for details relating to risk factors.

### 2.13 ENQUIRIES

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offers, please call the Proposed Company Secretary, Peter Zhao, on +61 8 9322 6009.



## SECTION 3

# Indicative timetable

The indicative timetable at the date of this Prospectus is as follows<sup>1</sup>:

ACTION	DATE
Despatch of Notice of General Meeting	9 August 2017
Lodgement of Prospectus with the ASIC	21 August 2017
Opening Date of the Public Offer	21 August 2017
General Meeting held to approve the Acquisition	12 September 2017
Closing Date for the Public Offer <sup>1</sup>	18 September 2017
Issue of Shares under the Public Offer and Shares to be issued pursuant to the Acquisition Agreement	2 October 2017
Settlement of the Acquisition <sup>2</sup>	2 October 2017
Closing Date of the Cleansing Offer <sup>1</sup>	3 October 2017
Re-quotation of Shares (including Shares issued under the Public Offer) on ASX	6 October 2017

#### Notes

1. The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date of the Public Offer and the Cleansing Offer or close the Offers early without prior notice. The Company also reserves the right not to proceed with any of the Offers at any time before the issue of Shares to Applicants.
2. The above stated date for Settlement of the Acquisition is only a good faith estimate by the Directors and may have to be extended.



## SECTION 4

# Chairman's letter

Dear Investor

**On behalf of the Board of Directors of Augend Ltd (to be renamed “AuMake International Limited”) (Company). I am pleased to present you with this Prospectus and the opportunity to increase your existing shareholding or to become a new shareholder in the Company.**

This opportunity occurs as the Company proposes to transition to a wholesale and retail business selling a variety of Australian products including cosmetics, vitamins, long-life milk and baby products through its proposed acquisition of ITM. The Company's goal is to become a leading Australian retail brand for daigou and Chinese tourists seeking to purchase Australian products and to become a primary partner for Australian suppliers wishing to directly connect with these customers. The Company believes the market opportunity has significant growth potential. In 2016, approximately 1.2 million Chinese visited Australia spending in total an estimated \$9.2 billion during their stay.<sup>1</sup> In addition, there are an estimated 40,000 daigous in Australia and growing, who have the potential to reach 50 million Chinese customers<sup>2</sup>.

As announced on 30 June 2017, the Company has entered into the Acquisition Agreement with ITM under which the Company has agreed to acquire 100% of ITM. ITM has recently completed the acquisition of complementary business AuMake Australia.

In accordance with the Acquisition Agreement, the Company will issue 95,083,151 Shares to the ITM Shareholders as consideration for the acquisition of their ITM Shares, in addition to 50,000,000 Performance Shares to the founding shareholders of ITM. A summary of the Acquisition Agreement and the other material agreements are outlined in Section 14.

Following the Settlement of the Acquisition, the Company will focus on the development of the consolidated business of ITM and AuMake Australia to be referred to throughout this disclosure document as the “AuMake Business”.

Under this Prospectus, the Company is seeking to raise \$4,000,000 through the issue of 50,000,000 Shares at a price of \$0.08 per Share with the ability to accept oversubscriptions to raise a further \$2,000,000 to fund the continued development of the AuMake Business.

The Company will seek the necessary Shareholder approvals required for Settlement of the Acquisition (including the resulting change to the nature and scale of the Company's activities and the issue of the Consideration Shares to the ITM Shareholders), and the issue of Shares under the Public Offer, at its General Meeting to be held on 12 September 2017.

As a Board, we are very excited about the future direction and opportunities available to the Company. We invite you to consider all the information and the Public Offer set out in this Prospectus and take appropriate independent professional advice about whether the Public Offer is appropriate for you.

Yours sincerely

**Keong Chan**  
*Executive Chairman*

<sup>1</sup> China Market Profile 2017 – Tourism Australia

<sup>2</sup> “daigou: the extra 50 million customers hiding in plain sight”, Sydney Morning Herald, June 2016

## SECTION 5

# Investment overview

ITEM	SUMMARY	FURTHER INFORMATION
<b>A. COMPANY</b>		
<b>Who is the issuer of this Prospectus?</b>	Augend Ltd (ACN 150 110 017) (ASX: AUG).	
<b>Who is Augend Ltd?</b>	<p>Augend Ltd (formerly known as 'Titan Energy Services Limited') historically focused on the provision of drilling, accommodation, logistics, catering and equipment rental services predominantly to the Western Australian energy, oil &amp; gas and infrastructure industries.</p> <p>On 21 December 2015, the Company and its subsidiaries were placed into voluntary administration and subsequently entered into a deed of company arrangement on 15 April 2016 (<b>DOCA</b>).</p> <p>The DOCA was fully effectuated on 16 June 2016 and control of the Company reverted to the directors of the Company.</p> <p>As announced on 30 June 2017, the Company has entered into the Acquisition Agreement pursuant to which the Company has agreed to acquire 100% of the ITM Shares, including the business and assets of ITM from the ITM shareholders.</p> <p>Settlement of the Acquisition will amount to a significant a change in the nature and scale of the Company's activities as contemplated by ASX Listing Rules 11.1.3.</p>	Section 6.1
<b>How will the Acquisition be implemented?</b>	<p>At the Company's General Meeting, to be held on 12 September 2017, the Company will seek the approval of its Shareholders to change the Company's focus to a wholesale and retail company.</p> <p>At the General Meeting, Shareholders will consider resolutions relating to the change in the nature and scale of the Company's activities, as well as resolutions required for Settlement of the Acquisition and undertaking the Public Offer.</p> <p>The Company proposes to change its name to "AuMake International Limited" in conjunction with Settlement of the Acquisition, which in the Board's opinion will be better suited to the Company's new strategic direction.</p>	Sections 6.2, 6.5 and 6.6

## SECTION 5

# Investment overview

ITEM	SUMMARY	FURTHER INFORMATION
<b>Who is ITM?</b>	<p>ITM Corporation Limited was incorporated on 30 April 2015 in Western Australia. ITM is based in Perth, Western Australia and operates a wholesale and retail business which sells a variety of Australian products including cosmetics, vitamins, long-life food, drink, and baby products to primarily Chinese customers resident in both Australia and China. ITM operates, an online sales platform together with a warehouse located in Perth, Western Australia.</p> <p>On 10 February 2017, ITM acquired a complementary business in Aumake Australia Pty Ltd.</p>	Section 8.2
<b>Who is Aumake Australia?</b>	<p>AuMake Australia Pty Ltd was incorporated on 31 March 2014 in New South Wales and sells similar products to ITM to a similar customer demographic. AuMake Australia operates an online sales platform <a href="http://www.aumake.com.au">www.aumake.com.au</a>, together with five (5) retail stores and a warehouse located in Sydney, New South Wales.</p>	Section 8.3
<b>B. BUSINESS MODEL OF AUMAKE</b>		
<b>How will the AuMake Business generate income?</b>	<p>Following Settlement of the Acquisition, the Company intends to focus on the development of the consolidated business of AuMake Australia and ITM, referred to as the "AuMake Business" in this Prospectus.</p> <p>The Company proposes to generate revenue through the sale of trusted Australian products to its customers and to further develop the AuMake Business. The Company's customers will be able to purchase Australian products:</p> <ul style="list-style-type: none"> <li>a) wholesale directly from the AuMake Business' owned and operated warehouses;</li> <li>b) directly via AuMake Australia's existing five (5) retail stores with an additional flagship store to open in Sydney's CBD later in 2017; and</li> <li>c) online via AuMake Australia's e-commerce platform (<a href="http://www.aumake.com.au">www.aumake.com.au</a>).</li> </ul> <p>Every purchase of a product through one of the three methods listed above will result in the generation of income for the AuMake Business.</p> <p>The AuMake Business will utilise an asset-lean business model to respond quickly and flexibly to market changes. The AuMake Business does not currently manufacture their own products and instead sources all their products from third party manufacturers and distributors. The AuMake Business has relationships with a number of Australian suppliers. In order to mitigate any supply risk or supply chain issues, the AuMake Business does not purchase more than 5% of any product from any single supplier, except for Swisse, Jurlique and Comvita.</p>	Section 8.5(b)



ITEM	SUMMARY	FURTHER INFORMATION
<b>Who are the AuMake Business' customers and what is the market opportunity?</b>	<p>The Company's goal is to become a leading Australian retail brand for daigou and Chinese tourists seeking to purchase Australian products and to become the primary partner for Australian suppliers wishing to directly connect with these customers.</p> <p>A daigou (which means to buy on behalf of) is anyone based outside China, who shops for goods on behalf of a customer resident on mainland China. Typically, daigous are students who are studying overseas, Chinese tourists or people who have migrated from China and are living in Australia.</p> <p>The Company believes the market opportunity has significant growth potential. In 2016, approximately 1.2 million Chinese visited Australia spending in total an estimated \$9.2 billion during their stay<sup>1</sup>. In addition, there is an estimated 40,000 daigou in Australia, who have the potential to reach 50 million Chinese customers<sup>2</sup>.</p>	Section 8.5(a), 9.1 and 9.2
<b>What are the strategies to grow the AuMake Business?</b>	<p>The strategies to be implemented by the Company to grow the AuMake Business include:</p> <ul style="list-style-type: none"> <li>a) the establishment of additional retail stores to grow the AuMake Business' national footprint and brand presence;</li> <li>b) fostering relationships with new and existing Australian producers and suppliers to offer a larger product range to customers;</li> <li>c) the development of a limited number of the AuMake Business' own products for sale via outsourced contract manufacturing of popular products to Australian standards;</li> <li>d) implementing a strategic marketing campaign to increase brand awareness and credibility. This will include targeting the Chinese tourist market (through both delegation/tour groups and free independent travellers);</li> <li>e) implementing a new management and operational structure to increase efficiencies and reduce costs; and</li> <li>f) the development of a single consolidated online sales platform to provide customers based in both Australia and China with a streamlined solution for the sourcing, purchasing and delivery of Australian products.</li> </ul>	Section 8.5(e)
<b>What are the key dependencies of the Company's business model?</b>	<p>The key factors that the Company will depend on to meet its objectives are:</p> <ul style="list-style-type: none"> <li>a) establishing and maintaining current supply agreements with reliable, qualified industry partners;</li> <li>b) ongoing demand for products sold by the AuMake Business; and</li> <li>c) ongoing senior management expertise.</li> </ul>	Section 8.5(f)

<sup>1</sup> China Market Profile 2017 – Tourism Australia

<sup>2</sup> "daigou: the extra 50 million customers hiding in plain sight", Sydney Morning Herald, June 2016

## SECTION 5

# Investment overview

ITEM	SUMMARY	FURTHER INFORMATION
<b>C. KEY INVESTMENT HIGHLIGHTS</b>		
<b>What are the key investment highlights?</b>	<p>The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:</p> <ul style="list-style-type: none"> <li>a) the AuMake Business will provide investors with direct exposure to the daigou and Chinese tourist markets without the need to invest in multiple ASX-listed companies that supply similar products to the Chinese market;</li> <li>b) an increase in the AuMake Business' retail store network and improved online platform will increase the number of daigou and Chinese tourists that engage with the AuMake Business, which increases the influence the Company intends to have on the buying behaviour of Chinese consumers in relation to products sold by the AuMake Business;</li> <li>c) the AuMake Business sells products from established brands and has growing revenue streams;</li> <li>d) the cosmetics, vitamins, long-life food and drink and baby product categories in which the AuMake Business operates are currently benefitting from increased demand in Australia and China;</li> <li>e) the proposed senior management of the Company has many years of experience in the retail industry; and</li> <li>f) if successful in achieving its business objectives, the Company may create and deliver significant shareholder value.</li> </ul>	Section 6.3
<b>D. KEY RISKS</b>		
<b>What are the key risks of an investment in the Company?</b>	<p>The business, assets and operations of the Company, including after Settlement of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Shares of the Company.</p> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk mitigation measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.</p> <p>Based on the information available, a non-exhaustive list of the key risk factors affecting the Company are as follows:</p> <p><b>Risks relating to the Change in Nature and Scale of Activities</b></p> <ul style="list-style-type: none"> <li>a) The Company may not be able to meet the requirements for re-quotations of Shares on the ASX.</li> <li>b) There will be dilution effects on existing Shareholders from the issue of securities under the Acquisition Agreement and the Public Offer, and Shareholders may face further dilution risk in future.</li> </ul>	Section 10

ITEM	SUMMARY	FURTHER INFORMATION
What are the key risks of an investment in the Company? (Continued)	<p><b>Risks specific to the AuMake Business</b></p> <p>c) A disruption to the AuMake Business' supply chain, or if a manufacturer chooses to discontinue or recall production of a certain product, would adversely affect the AuMake Business' ability to meet consumer needs and ultimately be of detriment to the financial performance and future prospects of the Company.</p> <p>d) Changes by the Chinese or Australian governments which may impact the demand or supply of Australian products sold by the AuMake Business due to changes to taxation, customs, transport or other legislation or policies.</p> <p>e) Following Settlement of the Acquisition the Company will operate in the wholesale and retail industry and business-specific risks could impact on its value and performance through brand and reputational damage, regulation, competition, a loss of key personnel or failures by outside parties.</p> <p>f) Unforeseen expenditures relating to the Acquisition or the Offers may affect the financial performance of the Company.</p> <p>g) Failure to properly manage the implementation of the Company's strategies for further growth of the AuMake Business.</p> <p><b>General risks</b></p> <p>a) If the funds raised under the Public Offer are insufficient, the Company may require additional capital in the form of debt or equity.</p> <p>b) Regulatory changes to taxes, laws or accounting practice.</p>	
<b>E. DIRECTORS AND KEY MANAGEMENT PERSONNEL</b>		
Who are the Directors and Proposed Directors?	<p>It is proposed that upon Settlement of the Acquisition:</p> <p>a) Mr Gang Xu, Mr Jiahua (Joshua) Zhou, Mr Quentin Flannery and Ms Lingye (Lyn) Zheng will be appointed to the Board;</p> <p>b) Mr Keong Chan will remain on the Board; and</p> <p>c) Mr Robert Di Russo and Mr Derek Jones will resign from the Board.</p> <p>The profiles of each of the Directors and Proposed Directors are set out in Sections 11.2 and 11.3. Details of the personal interests of each of the above individuals are set out in Section 11.6.</p>	Section 11

## SECTION 5

# Investment overview

ITEM	SUMMARY	FURTHER INFORMATION
<b>F. FINANCIAL INFORMATION</b>		
<b>How has the Company been performing?</b>	<p>The Company is currently listed on the ASX and its financial history, including its 2014, 2015 and 2016 annual reports can be found on the Company's ASX announcements platform (ASX: AUG) on <a href="http://www.asx.com.au">www.asx.com.au</a>.</p> <p>The audited statement of financial position for the Company as at 30 June 2017 and the audited financial information for ITM and AuMake Australia for the financial years 2015 and 2016 are set out in the Investigating Accountant's Report in Section 12.</p>	Section 12
<b>What is the financial outlook for the Company?</b>	The reviewed pro-forma statement of financial position for the Company as at 30 June 2017 (which assumes Settlement of the Acquisition and completion of the Public Offer) is set out in the Investigating Accountant's Report in Section 12.	Section 12
<b>Does the Company have sufficient funds for its activities?</b>	The funding for the Company's short to medium term activities will be generated from a combination of the money raised under the Public Offer and, existing cash reserves.	Section 7.4
<b>G. OFFERS</b>		
<b>What is the purpose of the Public Offer?</b>	<p>The purpose of the Public Offer is to position the Company to achieve the objectives set out in Section 7.3 and to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules.</p> <p>The satisfaction of Chapters 1 and 2 of the ASX Listing Rules is sought to gain approval by the ASX for reinstatement of the Company's Shares to quotation.</p> <p>The purpose of the Public Offer is also to provide sufficient working capital to meet the Company's objectives stated in this Prospectus.</p> <p>On completion of the Public Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.</p> <p>The Company intends to apply funds raised from the Public Offer, together with existing cash reserves, following reinstatement of the Company to quotation on the official list of the ASX in the manner set out in the table in Section 7.4.</p>	Sections 7.1 & 7.4



ITEM	SUMMARY	FURTHER INFORMATION																																																												
What is being offered under and what is the purpose of the Cleansing Offer?	<p>The Cleansing Offer is an offer of 1 Share at an issue price of \$0.08.</p> <p>The purpose of the Cleansing Offer is to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (e.g. Shares issued on conversion of the Convertible Notes).</p> <p>You should not complete a Cleansing Offer Application Form unless specifically directed to do so by the Company.</p>	Section 7.2																																																												
What will the Company's capital structure look like after completion of the Offers and the Acquisition	<table><tr><th></th><th>SHARES (MINIMUM SUBSCRIPTION)</th><th>SHARES (MAXIMUM SUBSCRIPTION)</th><th>PERFORMANCE SHARES</th><th>OPTIONS</th></tr><tr><td>Current</td><td>90,044,877</td><td>90,044,877</td><td>Nil.</td><td>Nil</td></tr><tr><td>Post Consolidation (6:1)</td><td>15,007,480</td><td>15,007,480</td><td>Nil</td><td>Nil</td></tr><tr><td>Capital Raising</td><td>50,000,000</td><td>75,000,000</td><td>Nil</td><td>Nil</td></tr><tr><td>ITM Consideration Shares</td><td>95,083,151</td><td>95,083,151</td><td></td><td>Nil</td></tr><tr><td>Performance Shares to be issued to management of the Company</td><td>Nil.</td><td>Nil.</td><td>50,000,000<sup>1</sup></td><td>Nil</td></tr><tr><td>Conversion of Convertible Notes</td><td>42,937,500</td><td>42,937,500</td><td></td><td></td></tr><tr><td>Conversion of Convertible Loan</td><td>5,000,000</td><td>5,000,000</td><td>Nil</td><td>Nil</td></tr><tr><td>Facilitator Shares</td><td>5,875,000</td><td>5,875,000</td><td>Nil</td><td>Nil</td></tr><tr><td>Proposed Options</td><td>Nil</td><td>Nil</td><td>Nil</td><td>5,000,000<sup>2</sup></td></tr><tr><td>Cleansing Offer</td><td>1</td><td>1</td><td>Nil</td><td>Nil</td></tr><tr><td>TOTAL</td><td>213,903,132</td><td>238,903,132</td><td>50,000,000</td><td>5,000,000</td></tr></table> <p>Notes:</p> <p>1. Performance Shares to be issued on the terms and conditions set out in Section 15.3.</p> <p>2. 5,000,000 Proposed Options to be issued to Proposed Director, Mr Quentin Flannery on the terms and conditions set out in Section 15.4.</p>		SHARES (MINIMUM SUBSCRIPTION)	SHARES (MAXIMUM SUBSCRIPTION)	PERFORMANCE SHARES	OPTIONS	Current	90,044,877	90,044,877	Nil.	Nil	Post Consolidation (6:1)	15,007,480	15,007,480	Nil	Nil	Capital Raising	50,000,000	75,000,000	Nil	Nil	ITM Consideration Shares	95,083,151	95,083,151		Nil	Performance Shares to be issued to management of the Company	Nil.	Nil.	50,000,000 <sup>1</sup>	Nil	Conversion of Convertible Notes	42,937,500	42,937,500			Conversion of Convertible Loan	5,000,000	5,000,000	Nil	Nil	Facilitator Shares	5,875,000	5,875,000	Nil	Nil	Proposed Options	Nil	Nil	Nil	5,000,000 <sup>2</sup>	Cleansing Offer	1	1	Nil	Nil	TOTAL	213,903,132	238,903,132	50,000,000	5,000,000	Section 8.10
	SHARES (MINIMUM SUBSCRIPTION)	SHARES (MAXIMUM SUBSCRIPTION)	PERFORMANCE SHARES	OPTIONS																																																										
Current	90,044,877	90,044,877	Nil.	Nil																																																										
Post Consolidation (6:1)	15,007,480	15,007,480	Nil	Nil																																																										
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Cleansing Offer	1	1	Nil	Nil																																																										
TOTAL	213,903,132	238,903,132	50,000,000	5,000,000																																																										
Is the Public Offer underwritten?	The Public Offer is not underwritten.	Section 7.1(b)																																																												
What is being offered and who is entitled to participate in the Public Offer?	<p>The Company is offering 50,000,000 Shares at an issue price of \$0.08 per Share to raise \$4,000,000 with the ability to accept oversubscriptions to raise up to a further \$2,000,000.</p> <p>Only residents of Australia may participate in the Offer.</p>	Section 7.1																																																												
Will I be guaranteed a minimum allocation under the Public Offer?	No, the Company is not in a position to guarantee a minimum allocation of Shares under the Public Offer.	Section 7.7																																																												

## SECTION 5

# Investment overview

ITEM	SUMMARY	FURTHER INFORMATION
<b>What are the terms of the Shares offered under the Offers?</b>	A summary of the material rights and liabilities attached to the Shares under the Offers are set out in Section 14.2.	Section 14.2
<b>Will any Securities be subject to escrow?</b>	<p>Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Securities on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</p> <p>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p>	Section 8.14
<b>Will the Shares be quoted?</b>	Application for quotation of all Shares to be issued under the Offers will be made to the ASX no later than 7 days after the date of this Prospectus.	Section 7.8
<b>What are the key dates of the Offers?</b>	The key dates of the Offers are set out in the indicative timetable in Section 3.	Section 3
<b>What is the minimum investment size under the Public Offer?</b>	Applications under the Public Offer must be for a minimum of \$2000 worth of Shares (25,000 Shares) and thereafter, in multiples of \$1000 worth of Shares (12,500 Shares).	Section 7.1(c) and 7.6
<b>Are there any conditions to the Offers?</b>	<p>The Public Offer is conditional on the satisfaction (or waiver) of the Conditions Precedent of the Acquisition Agreement, save for the condition relating to the Public Offer (<b>Condition</b>).</p> <p>If the Condition is not satisfied, the Acquisition and the Public Offer will not proceed.</p> <p>There are no conditions to the Cleansing Offer other than the ASX approval for quotation of the Share.</p>	Section 2.5
<b>H. USE OF PROCEEDS</b>		
<b>How will the proceeds of the Public Offer be used?</b>	<p>The Public Offer proceeds will be used by the Company for:</p> <ul style="list-style-type: none"> <li>a) payment of the expenses associated with the Offers and the Company's readmission to the Official List;</li> <li>b) business development through fostering relationships with new and existing Australian producers and suppliers to offer a larger product range to Chinese;</li> </ul>	Section 7.4 and 14.8

ITEM	SUMMARY	FURTHER INFORMATION
How will the proceeds of the Public Offer be used? (Continued)	<p>c) the development of AuMake Business' own products for sale via outsourced contract manufacturing of popular products to Australian standards;</p> <p>d) implementing strategic marketing activities targeting the Chinese tourist market (both through delegation/tour groups and free independent travellers);</p> <p>e) to increase product inventory across all of the AuMake Business' retail stores and warehouses;</p> <p>f) the development of a single consolidated online sales platform to provide customers based in both Australia and China with a streamlined solution for the sourcing, purchasing and delivery of Australian products; and</p> <p>g) for working capital purposes.</p> <p>A detailed table setting out the proposed use of funds raised under the Public Offer is set out in Section 7.4.</p>	
<b>H. ADDITIONAL INFORMATION</b>		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Public Offer.	
What are the tax implications of investing in Shares?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	Section 7.5
Where can I find more information?	<ul style="list-style-type: none"> <li>• By speaking to your sharebroker, solicitor, accountant or other independent professional adviser;</li> <li>• By reviewing the Company's public announcements, which are accessible from the ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> under the ASX code "AUG";</li> <li>• By visiting <a href="http://www.aumake.com.au">www.aumake.com.au</a>;</li> <li>• By contacting the Proposed Company Secretary, Peter Zhao, on +61 8 9322 6009; and</li> <li>• By contacting the Share Registry on +61 8 9323 2000.</li> </ul>	

# AUMAKE GROWTH STRATEGIES

## Growing the retail footprint

New stores over the next 12 - 24 months will be added to the store network via acquisition and/or organic growth across Sydney, Melbourne, Brisbane and Perth. This will allow deeper brand saturation which opens up further growth opportunities.



## Supplier partnerships

Building on existing partnerships with over 250 suppliers, AuMake is fostering relationships with new and existing Australian producers and suppliers to introduce new quality products to daigou and Chinese tourists, to meet expectations and demand within the Chinese community.



## AuMake owned products

AuMake owned products will be developed in key categories for sale across the company's retail network. Produced via third party contract manufacturing to stringent Australian standards these products will attract higher gross margins compared to leading brands in the category.



## MARKET OPPORTUNITY



<sup>1</sup>The Chinese Daigou industry is estimated to turnover

**500bn**

renminbi a year globally (AUD\$96.4 billion)



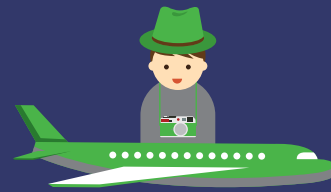
<sup>2</sup> **40,000**

Australian based daigou operate from around

**1200** stores and reach approx.

<sup>4</sup> **50m**

Chinese consumers per annum



<sup>3</sup> A record

**1.2m**

Chinese visitors came to Australia in 2016

<sup>1</sup> "Five Australian consumer goods on China's top demand list", Sydney Morning Herald 10 March 2017

<sup>2</sup> "Five Australian consumer goods on China's top demand list", Sydney Morning Herald 10 March 2017; daigou: the extra 50 million customers hiding in plain sight", Sydney Morning Herald, June 2016

<sup>3</sup> ABS, "Short-Term Visitor Arrivals, Top 10 Source Countries in 2016 Calendar Year, Australia, Trend Series", February 2017; Chinese tourist survey, CLSA, July 2017

<sup>4</sup> daigou: the extra 50 million customers hiding in plain sight", Sydney Morning Herald, June 2016





## Building brand equity

A strategic integrated marketing campaign will be implemented over the next 12 months to further build on AuMake's market position as the leading ASX listed company in the daigou and Chinese tourist industries.



## Online platform

Development of a single consolidated online sales platform to provide customers based in both Australia and China with a streamlined solution for sourcing, purchasing and delivery of Australian products. All customers that visit an AuMake store while in Australia, should be able to purchase products when they return to China.



## Renewed focus on the Chinese tourist industry

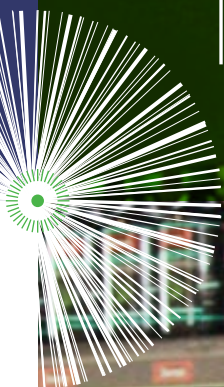
Chinese tourists traveling in Australia via delegation/tour groups or as free independent travellers are highly motivated to find new and exciting Australian products to show their friends and family in China. Tailored marketing activities will capture this audience and further build on AuMake's reputation as a trusted retail partner for Chinese consumers.





## SECTION 6

# Transaction overview



## **6. TRANSACTION OVERVIEW**

### **6.1 THE COMPANY**

The Company (formerly known as 'Titan Energy Services Limited') historically focussed on the provision of drilling, accommodation, logistics, catering and equipment rental services predominantly to the Western Australian energy, oil & gas and infrastructure industries.

On 21 December 2015, the Company and its subsidiaries were placed into voluntary administration and subsequently entered into a deed of company arrangement on 15 April 2016 (**DOCA**).

The DOCA was fully effectuated on 16 June 2016 and control of the Company reverted to the current directors of the Company. More recently the Company has been looking to pursue new investments.

### **6.2 THE ACQUISITION**

As announced on 30 June 2017, the Company entered into the Acquisition Agreement pursuant to which the Company agreed to acquire 100% of the ITM Shares, including the business and assets of ITM from the ITM Shareholders.

ITM has recently completed the acquisition of a complementary business, Aumake Australia.

Upon Settlement of the Acquisition, the Company will shift its focus towards the development of the consolidated business of ITM and AuMake Australia, being the AuMake Business.

A detailed description of the AuMake Business is set out in Section 8.

### **6.3 KEY INVESTMENT HIGHLIGHTS**

The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:

- (a) the AuMake Business will provide investors and suppliers with direct exposure to the daigou and Chinese tourist market without the need to invest in multiple ASX-listed companies that supply similar products to the China market;
- (b) an increase in the Aumake Business' retail store network and improved online platform, will increase the number of daigou and Chinese tourists that engage with the AuMake Business, which increases the influence the Company intends to have on the buying behaviour of Chinese consumers in relation to products sold by the AuMake Business;
- (c) the AuMake Business sells products from established brands and has growing revenue streams;
- (d) the cosmetics, vitamins, long-life food and drink and baby product categories in which the AuMake Business operates are currently benefitting from increased demand in Australia and China;
- (e) the proposed senior management of the Company has many years of experience in retail industry; and
- (f) if successful in achieving its business objectives, the Company may create and deliver significant shareholder value.

### **6.4 SUSPENSION AND RE-ADMISSION TO ASX**

The Company historically focused on the provision of drilling, accommodation, logistics, catering and equipment rental services predominantly to the Western Australian energy, oil and gas and infrastructure industries. Therefore, the Acquisition, if successfully completed, will represent a significant change in the nature and scale of the Company's operations to a wholesale and retail company.

The ASX has indicated that this change in the nature and scale of the Company's activities will require:

- (a) the approval of Shareholders; and



- (b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

If Shareholder approval to the proposed change in nature and scale of the Company's activities is obtained, then subject to the passing of each other Acquisition Resolution (see Section 6.5 below for further details), the Company will not be reinstated to Official Quotation until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and is re-instated to trading.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and
- (b) the Company must satisfy the "assets test" as set out in ASX Listing Rule 1.3.

It is expected that the conduct of the Offers pursuant to this Prospectus will enable the Company to satisfy the above requirements.

Applicants should be aware that the ASX will not re-instate the Company to Official Quotation until the Company re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by the ASX to the Official List. In the event that the Company does not receive conditional approval for re-admission to the Official List, the Company will not proceed with the Offers and will repay all application monies received by it regarding this Prospectus (without interest).

## 6.5 SHAREHOLDER APPROVAL OF ACQUISITION RESOLUTIONS

At the Company's General Meeting the Company will seek the approval of Shareholders for a number of resolutions required for Settlement of the Acquisition.

It is a condition to Settlement of the Acquisition, that each of the following resolutions is approved by Shareholders:

- (a) the significant change in the nature or scale of the Company's activities to become a wholesale and retail company, for which Shareholder approval is required under ASX Listing Rule 11.1.2;
- (b) the consolidation of the Company's capital on a 1:6 basis;
- (c) the issue of 95,083,151 Shares to the ITM Shareholders (**Consideration Shares**);
- (d) the issue of 50,000,000 Performance Shares to the founding shareholders of ITM, on the terms and conditions set out in Section 15.3;
- (e) the issue of 42,937,500 Shares upon conversion of 229 unsecured convertible notes (**Conversion Shares**) (refer to Section 14.2 for a summary of the Convertible Note Deeds);
- (f) the issue of 5,000,000 Shares to Mr Keong Chan, a Director of the Company, upon conversion of a \$200,000 interest free convertible loan (**Convertible Loan Shares**) (refer to Section 14.3 for a summary of the Convertible Loan Agreement);
- (g) the issue of up to 75,000,000 Shares under the Public Offer;
- (h) the appointment of Mr Gang Xu, Mr Jiahua Zhou, Mr Quentin Flannery and Ms Lingye Zheng as Directors of the Company on and from Settlement;
- (i) the issue of 5,000,000 Options to Mr Quentin Flannery, a Proposed Director of the Company, on the terms and conditions set out in Section 15.4 (**Director Options**);
- (j) the issue of 5,875,000 Shares to Tourville Investments Pty Ltd, an entity controlled by Mr Keong Chan, in consideration for the introduction and facilitation of the Acquisition (**Facilitator Shares**); and
- (k) the change of the Company's name to "AuMake International Limited".



(each, an **Acquisition Resolution**).

If any of the Acquisition Resolutions are not approved by Shareholders the Acquisition (including the Offers under this Prospectus) will not be completed.

## **6.6 CHANGE OF NAME**

Subject to Shareholder approval being obtained, the Company will change its name to “AuMake International Limited” on Settlement of the Acquisition, which in the Company’s opinion will be better suited to the Company’s new strategic direction.

## SECTION 7

# Details of the offers



## 7. DETAILS OF THE OFFER

### 7.1 THE PUBLIC OFFER

Pursuant to this Prospectus, the Company will be offering 50,000,000 Shares at an issue price of \$0.08 per Share to raise \$4,000,000 (**Minimum Subscription**).

The Shares offered under the Public Offer will rank equally with the existing Shares on issue. Refer to Section 15.2 for a summary of the terms of Shares.

#### (a) Oversubscriptions

The Company also reserves the right to accept oversubscriptions of up to a further 25,000,000 Shares at an issue price of \$0.08 per Share to raise up to a further \$2,000,000. The maximum amount which may be raised under the Public Offer is accordingly \$6,000,000 (**Maximum Subscription**).

#### (b) Not underwritten

The Public Offer is not underwritten.

#### (c) Minimum application amount

Applications under the Public Offer must be for a minimum of \$2,000 worth of Shares (25,000 Shares) and thereafter, in multiples of \$1000 worth of Shares (12,500 Shares).

#### (d) Eligible participants

To participate in the Public Offer you must be a resident of Australia. See Section 7.10 for further details.

Accordingly, the Company is not in a position to guarantee a minimum application of Shares under the Public Offer.

#### (e) Quotation and trading

Application for quotation of the Shares issued under the Public Offer will be made to the ASX no later than seven (7) days after the date of this Prospectus. See Section 7.8 for further details.

No Shares issued pursuant to the Public Offer will be subject to any escrow requirement by the ASX.

### 7.2 THE CLEANSING OFFER

The Cleansing Offer is an offer of 1 Share at an issue price of \$0.08.

The Share offered under the Cleansing Offer will rank equally with the existing Shares on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 15.2.

The purpose of the Cleansing Offer is to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (e.g. Shares issued on conversion of the Convertible Notes).

An application for the Share under the Cleansing Offer must be made using the Cleansing Offer Application Form. You should not complete a Cleansing Offer Application Form unless specifically directed to do so by the Company.

Application for quotation of the Share issued under the Cleansing Offer will be made to the ASX no later than seven (7) days after the date of this Prospectus. See Section 7.8 for further details.

### 7.3 PURPOSE OF THE PUBLIC OFFER

The primary purpose of the Public Offer is to:

- (a) assist the Company to meet the re-admission requirements of the ASX under Chapters 1 and 2 of the ASX Listing Rules (see Section 6.5 for further details); and
- (b) to provide the Company with additional funding to progress the development and marketing of the AuMake Business, to provide the Company with sufficient working capital to enable sustainable growth and to meet its anticipated overhead and administrative expenses as set out in this Prospectus.

The Company intends on applying the funds raised under the Public Offer along with its current cash reserves in the manner detailed in Section 7.4.

## 7.4 USE OF FUNDS

The Company intends to apply funds raised from the Public Offer, together with existing cash reserves, following re-admission to the Official List of the ASX (for the purpose of satisfying the ASX's requirements for re-listing following a significant change to the nature and scale of the Company's activities) as follows:

USE OF FUNDS	AMOUNT	%	AMOUNT	%
Existing cash reserves of the Company <sup>1</sup>	\$300,000	7%	\$300,000	5%
Funds raised under the Public Offer	\$4,000,000	93%	\$6,000,000	95%
<b>TOTAL</b>	<b>\$4,300,000</b>	<b>100%</b>	<b>\$6,300,000</b>	<b>100%</b>
Increase product inventory	\$2,200,000	52%	\$3,400,000	54%
Development of consolidated online sales platform	\$400,000	9%	\$500,000	8%
Development of the Company's own products for sale via OEM and contract manufacturing	\$300,000	7%	\$500,000	8%
Business development	\$100,000	2%	\$200,000	3%
Development and implementation of strategic marketing campaign	\$300,000	7%	\$500,000	8%
Working Capital <sup>2</sup>	\$485,488	11%	\$565,488	9%
Expenses associated with the Offers and the Acquisition	\$514,512	12%	\$634,512	10%
<b>TOTAL</b>	<b>\$4,300,000</b>	<b>100%</b>	<b>\$6,300,000</b>	<b>100%</b>

### Notes:

- Being the combined estimated cash reserves of the Company and ITM upon Settlement of Acquisition, assuming completion by 31 August 2017 and assuming expenditure by the entities of \$1,000,000.
- Includes administration cost of running the business, including cost of paying salaries to staff as well as general corporate costs including rent and the provision of service to the Company.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 10).

The Board believes that the funds raised from the Public Offer, combined with existing funds, will provide the Company with sufficient working capital at anticipated expenditure levels to achieve its objectives set out in this Prospectus.

## **7.5 TAXATION**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## **7.6 APPLICATIONS**

Applications for Shares under the Public Offer must be made using the relevant Application Form. By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by no later than 5.00pm (WST) on the Offer Closing Date, which is currently scheduled to occur on 18 September 2017.

Applications under the Public Offer must be accompanied by payment in full in Australian currency by cheque or via BPAY in accordance with the instructions set out in the Application Form.

The Company reserves the right to extend the Closing Date or to close the Offers early.

If you require assistance in completing an Application Form, please contact the Share Registry on +618 9323 2000.

## **7.7 ISSUE OF SHARES AND ALLOCATION POLICY**

### **(a) General**

Subject to the satisfaction of the Condition (see Section 2.5), the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date and in accordance with the timetable set out in Section 3.

### **(b) Public Offer**

The allocation of Shares under the Public Offer will be determined by the Board in its absolute discretion.

There is no guaranteed allocation of Shares under the Public Offer.

The Board reserves the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the Applicant as soon as practicable after the Offer Closing Date.

The Company's decision on the number of Shares to be allocated to an applicant will be final.



**(c) Defects in applications**

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

**(d) Interest**

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

## **7.8 ASX LISTING**

The Company will apply for Official Quotation of all Shares issued under this Prospectus within seven (7) days after the date of this Prospectus. However, Applicants should be aware that the ASX will not commence Official Quotation of any Shares until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of the ASX to be re-admitted to the Official List. As such, the Shares may not be able to be traded for some time after the close of the Offer.

If the Shares are not admitted to Official Quotation by the ASX before the expiration of 3 months after the date of this Prospectus, or such period as varied by the ASIC, or if the ASX otherwise rejects the Company's application for re-admission to the Official List, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest. In those circumstances, the Company will not proceed with the Acquisition.

The fact that the ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

## **7.9 CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM AND ISSUER SPONSORSHIP**

The Company participates in the Clearing House Electronic Sub-register System (CHES). ASX Settlement Pty Ltd, a wholly owned subsidiary of the ASX, operates CHES. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of Shares can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Shareholders may request a holding statement at any other time, however a charge may be made for such additional statements.

## **7.10 APPLICANTS OUTSIDE AUSTRALIA – GENERAL INFORMATION**

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Shares in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia and

New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept the Public Offer.

If you are outside Australia, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that there has been no breach of any such laws and all relevant approvals have been obtained.

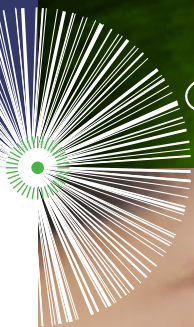
Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

#### **7.11 ENQUIRIES**

If you have any queries in relation to the Offers, please contact the Proposed Company Secretary Peter Zhao, on +61 8 9322 6009.

## SECTION 8

# Overview of the Company & the AuMake Business



## 8. OVERVIEW OF THE COMPANY AND THE AUMAKE BUSINESS

### 8.1 BUSINESS OVERVIEW AND FUTURE DIRECTION OF THE COMPANY

As announced on 30 June 2017, the Company has entered into the Acquisition Agreement to acquire 100% of the ITM.

ITM has recently completed the acquisition of a complementary business AuMake Australia. The consolidated business of AuMake Australia and ITM, being the “AuMake Business”, operates a wholesale and retail business selling Australian products to primarily Chinese customers resident in both Australia and China.

Following Settlement of the Acquisition, the corporate structure of the combined group will be:



Upon Settlement of the Acquisition, the Company will be renamed “AuMake International Limited” and will shift its focus towards the development of the AuMake Business.

### 8.2 BACKGROUND ON ITM

ITM was incorporated on 30 April 2015 and is based in Perth, WA. ITM operates a wholesale business which sells a variety of Australian products including cosmetics, vitamins, long-life food, drink, and baby products via its warehouse located in Belmont, Western Australia to primarily Chinese customers resident in Perth and China.

On 10 February 2017 and as later varied on 20 March 2017 and 26 June 2017, ITM entered into a binding term sheet pursuant to which ITM agreed to acquire 100% of AuMake Australia, which resulted in the effective merger of ITM and AuMake Australia.

### 8.3 BACKGROUND ON AUMAKE AUSTRALIA

AuMake Australia was incorporated on 31 March 2014 in New South Wales. AuMake Australia is a complementary business to ITM which sells similar products to a similar customer demographic and operates an online sales platform [www.aumake.com.au](http://www.aumake.com.au), together with five (5) retail stores and a warehouse located in North Parramatta, New South Wales.

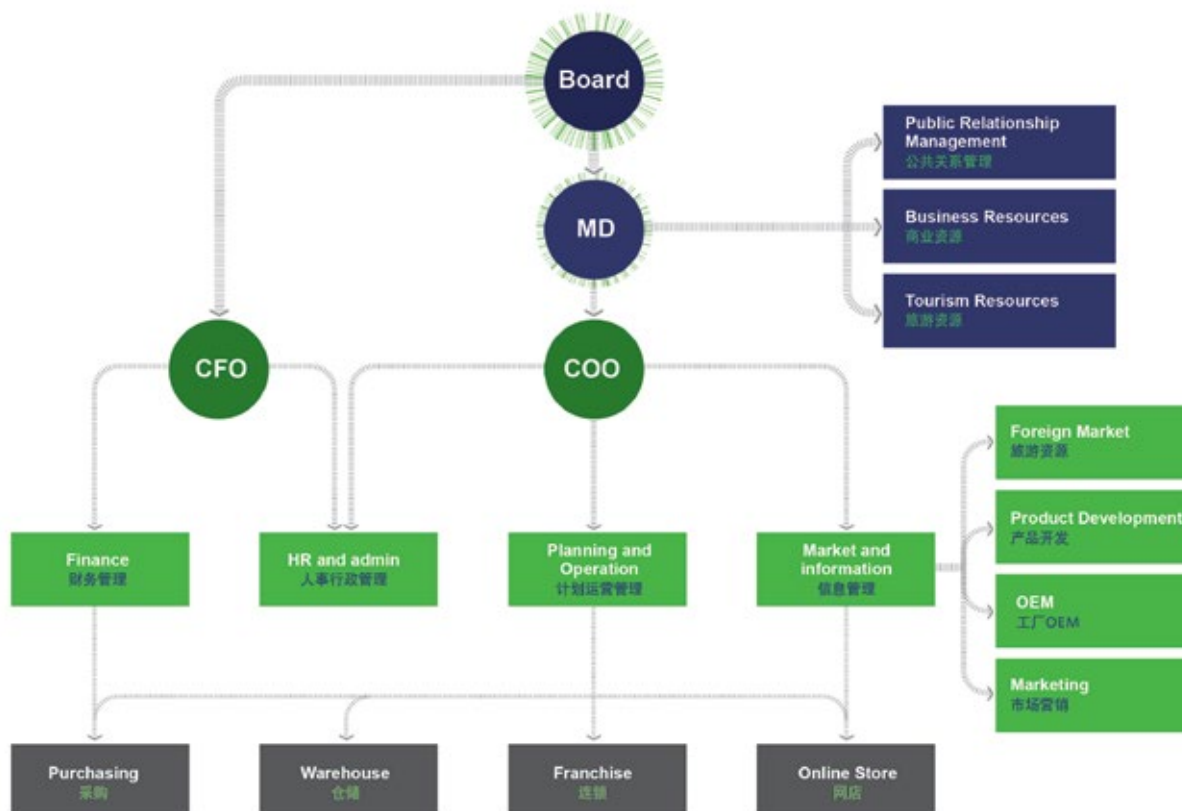
### 8.4 ACQUISITION SYNERGIES

The recent merger of ITM and AuMake Australia has delivered significant synergies for the consolidated AuMake Business, including the sharing of executive management, warehousing, supply management and intellectual property.

The AuMake Business now has 23 experienced staff operating a more streamlined and efficient business covering both the east and west coasts of Australia, with clear roles and responsibilities assigned to senior management as set out in the diagram below.



## Organisational structure – AuMake International Limited



## 8.5 BUSINESS MODEL OF THE COMPANY

### (a) General

The Company, through the Acquisition, will operate a wholesale and retail business generating revenue via the AuMake Business' online sales platform, warehouses and retail stores.

The AuMake Business has an existing customer base through its retail presence and brand equity in the daigou and Chinese tourist markets. The AuMake Business provides its customers a comprehensive shopping experience, knowledgeable bilingual staff and delivery services both domestically and to China through third party agents.

The Company seeks to take advantage of the ever-growing willingness and desire of Chinese consumers to purchase safe and healthy Australian products from trusted sources. The Company's goal is to become a leading Australian retail brand for daigou and Chinese tourists seeking to purchase safe Australian products and the primary partner for Australian suppliers wishing to directly connect with these customers.

A daigou (which means to buy on behalf of) is anyone based outside China, who shop for goods on behalf of a customer resident on mainland China. Typically, daigous are students who are studying overseas, Chinese tourists or people who have migrated from China and are living in Australia (refer to Section 9 for further details).

Customers can visit one of the AuMake Business' owned and operated store to purchase a range of Australian products sourced from over 250 Australian manufacturers and suppliers. The number of suppliers the AuMake Business sources its products from mitigates the supply risk faced by many smaller operators in Australia.

Currently, customers living in China have three main avenues through which to purchase Australian made products:

- via online sales platforms (in market and overseas);
- through friends and family living in Australia (daigou); and
- through friends and family visiting Australia as tourists.

For individuals purchasing Australian products on behalf of family and friends living in China the process is neither streamlined nor convenient with most customers forced to travel to numerous retailers where stock may or may not be available.

The AuMake Business seeks to streamline the entire sourcing, purchasing and delivery process and provide its customers with convenient shopping solution, whether through a physical store or online, and a tailored customer shopping experience for the purchase of Australian made products.

The AuMake Business' operations seek to benefit Australian manufacturers and suppliers who wish to promote their products to Chinese customers as an alternative to expensive and risky marketing efforts directly into the large Chinese market. Australian producers and suppliers can engage directly with the AuMake Business to gain immediate exposure to Chinese customers via the AuMake Business' direct connection to the growing daigou and Chinese tourist sales channel (refer to Section 9 for further details).

#### **(b) Operation and Revenue Generation Model of the AuMake Business**

The AuMake Business' customers are able to purchase Australian products:

- wholesale directly from the AuMake Business' owned and operated warehouses in both Perth and Sydney;
- directly via the AuMake Business' existing five (5) retail stores; or
- online via the AuMake Business' e-commerce platform.

The AuMake Business' five existing retail stores located in Parramatta, Haymarket, Eastwood (two stores) and Hurstville, will be complemented by the opening of a flagship store in Sydney's George Street in late 2017.

The AuMake Business provides its customers with a variety of delivery services (including both local and international delivery) to customers depending on how much they wish to pay and speed of delivery. Delivery services are provided by third parties and title and risk associated with all products and delivery is transferred to the customer upon the payment of their order meaning that the AuMake Business does not need to obtain costly export licences and export protection insurance. The AuMake Business itself does not provide any delivery services and instead facilitates the necessary arrangements between customers and third-party agents.

As an Australian company subject to Australian standards of governance, taxation and regulation, the AuMake Business seeks to bring greater transparency and compliance to what is currently a largely fragmented industry.

#### **(c) Products**

There are four main categories of product offered by the AuMake Business across approximately 460 single stock keeping units, being:

- 1) healthcare (supplements and food);
- 2) skin, body care and cosmetics;
- 3) dairy products and baby food (including infant formula); and



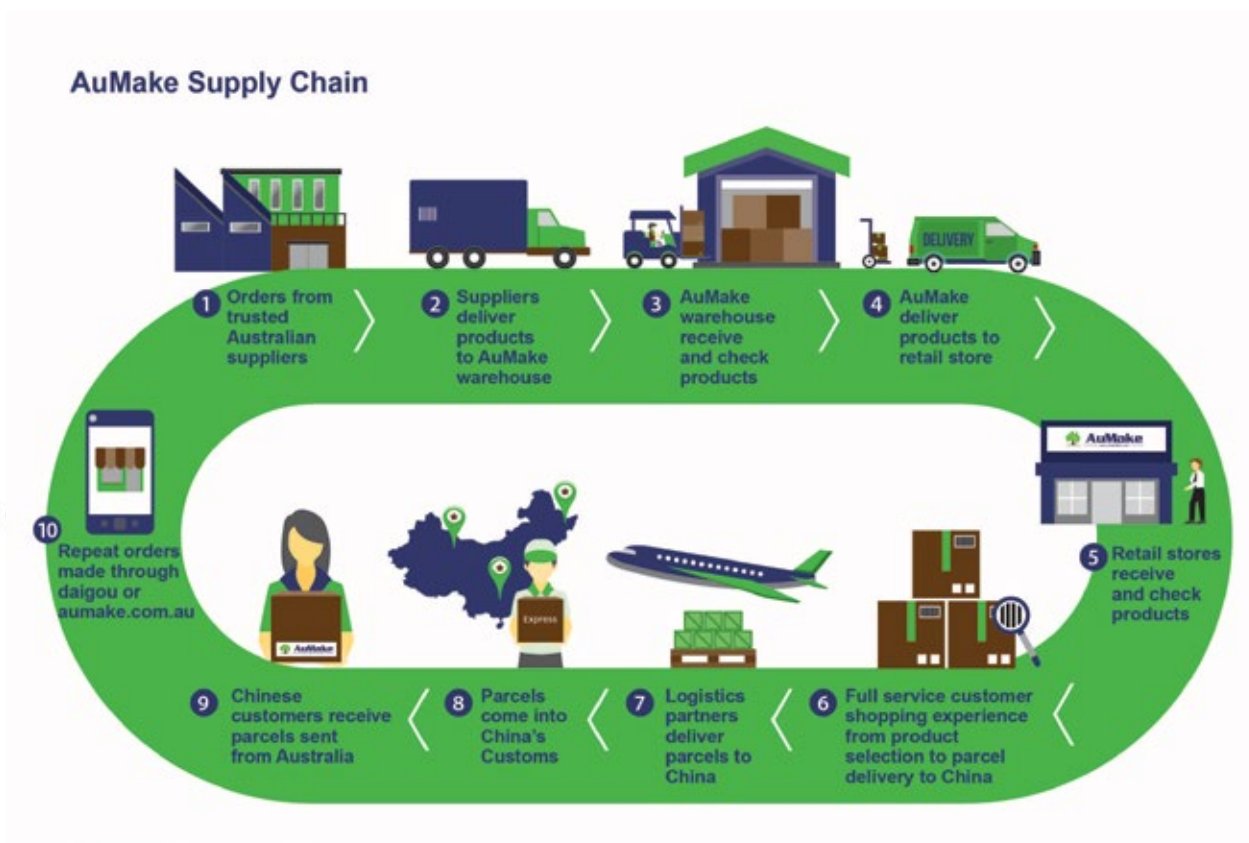
4) wool and leather.

The product mix is made up of popular Australian brands, as well as unique high margin and private label merchandise. The AuMake Business is continually working with Australian suppliers and manufacturers to offer new and in demand products to its customers. Instore staff are bilingual and trained for product knowledge, which supports suppliers with the introduction of new products to the Chinese market.

#### (d) Supply Chain

The AuMake Business' supply chain management, from product selection to customer delivery, begins with mutually beneficial direct relationships with over 250 Australian suppliers and manufacturers with no single supplier supplying more than 5% of a specific product, except Swisse, Jurlique and Comvita. Products are then delivered to one of the AuMake Business' two (2) owned and operated warehouses where they are quality checked and sorted prior to either being sold directly from the warehouses or being delivered to one of the AuMake Business' five (5) owned and operated retail stores located throughout Sydney, New South Wales.

Products are once again checked upon receipt instore before being ready for customer selection. The AuMake Business' selling proposition is that it offers its daigou and Chinese tourist customers a one-stop-shopping experience with knowledgeable bilingual speaking staff and instore logistics services, for direct mail of customer purchases to residents both in Australia and China.



#### (e) Growth Strategies of AuMake

While retaining an Australian focus, the AuMake Business is implementing a number of strategic priorities to increase its market presence in the Australian wholesale and retail markets and to broaden its availability and accessibility to consumers. The Company intends to leverage the increased demand for Australian made products

by overseas customers both within Australia through the AuMake Business' retail stores and warehouses and internationally through the AuMake Business' online sales platform.

Funds raised from the Public Offer together with existing cash reserves will be deployed towards the increased working capital anticipated to enable sustainable growth of the AuMake Business and to increase product inventory. Six key factors that the Board consider are critical to delivering the future growth of the AuMake Business are:

- i. **Growing the retail footprint** - New stores over the next 12 - 24 months will be added to the store network via acquisition and/or organic growth across Sydney, Melbourne, Brisbane and Perth. This will allow deeper brand saturation which opens up further growth opportunities. The Company considers the east coast of Australia an important primary market based on: the large Chinese population size in Australia; greater numbers of visiting Chinese tourists compared to other regions of Australia; and its proximity to key suppliers.
- ii. **Supplier partnerships** - Building on existing partnerships with over 250 suppliers, the AuMake Business is fostering relationships with new and existing Australian producers and suppliers to introduce new quality products to daigou and Chinese tourists, to meet customer expectations and demand within the Chinese community.
- iii. **Company owned products** - Company owned products will be developed in key categories for sale across the company's retail network. Produced via third party contract manufacturing to stringent Australian standards these products will attract higher gross margins compared to leading brands in the category.
- iv. **Building brand equity** - A strategic integrated marketing campaign will be implemented over the next 12 months to further build on the AuMake Business' market position as the leading ASX listed company in the daigou and Chinese tourist industries.
- v. **Renewed focus on the Chinese tourist industry** - Chinese tourists traveling in Australia via delegation/tour groups or as free independent travellers are highly motivated to find new and exciting Australian products to show their friends and family in China. Tailored marketing activities will capture this audience and further build on the AuMake Business' reputation as a trusted retail partner for Chinese consumers.
- vi. **Online Platform** - Development of a single consolidated online sales platform to provide customers based in both Australia and China with a streamlined solution for sourcing, purchasing and delivery of Australian products. All customers that visit an AuMake Business store while in Australia, will, following the development of the online sales platform, be able to purchase products when they return to China.

**(f) Key Dependencies of the Business Model**

The key factors that will influence the Company's ability to meet its objectives are:

**I. MANUFACTURER AND SUPPLY AGREEMENTS**

The Company's intended operating model will rely on the supply of products to improve operational efficiencies and allow for an asset-light, streamlined business. Stable and ongoing manufacturer and supply agreements with long-term manufacturers and suppliers will promote efficiency and reduce costs, however the Company aims to regularly investigate the market to review pricing, quality and overall service levels. The Company intends to manage outsourcing risks by:

- a. ensuring that counterparties are financially sound with a good reputation;
- b. reviewing counterparty proposals for the requisite authorisations and approvals from certifying bodies; and

- c. maintaining close working relationships with senior staff and production teams at all stages of the manufacturing process.

The Aumake Business currently purchases products directly and indirectly from well-known companies such as Blackmores, Swisse, A2 Milk, Bellamy's and other trusted brands.

## II. MANAGEMENT EXPERTISE

The proposed senior management and directors of the Company have years of experience in various aspects crucial to the success of the AuMake Business (see Sections 11.2 and 11.3 for full details).

## 8.6 INTELLECTUAL PROPERTY

ITM has registered and protected the following trademarks:

AUSTRALIAN TRADEMARK NUMBER	TRADEMARK DESCRIPTION
Trademark 1719171	<ul style="list-style-type: none"> <li>The words 'ITM' and the 'ITM' logo.</li> </ul>
Trademark 1781230	<ul style="list-style-type: none"> <li>The 'Aucean' logo associated with ITM's online sales platform</li> </ul>
Trademark 1781231	The word 'Aucean' associated with ITM's online sales platform
Trademark 1591417	The word 'AuMake' and the 'AuMake' logo associated with AuMake Australia's online sales platform.

## 8.7 FUNDING

The funding for the Company in the short to medium term following re-admission to the Official List will be met by fundraising from the offer of Shares pursuant to the Public Offer and by the Company's existing cash reserves (see Section 7.4 for further details). As and when further funds are required, either for existing or future developments, the Company will consider both raising additional capital from the issue of securities and/or from debt funding.

## 8.8 FINANCIAL INFORMATION

### (a) Historical financial information

The Investigating Accountant's Report contained in Section 11 of this Prospectus sets out:

- i. the audited Statement of Financial Position of the Company as at 30 June 2015, 30 June 2016 and 30 June 2017;
- ii. the audited Statement of Financial Position of ITM as at 30 June 2016 and 30 June 2017;
- iii. the audited financial information for ITM and AuMake for the financial years ending 30 June 2015, 30 June 2016, 30 June 2017; and
- iv. the reviewed pro-forma Statement of Financial Position of the consolidated entities (after Settlement of the Acquisition and Settlement of the Acquisition) as at 30 June 2017.

Investors are urged to read the Investigating Accountant's Report in full.

The full financial statements for the Company for its financial years ended 30 June 2015 and 30 June 2016, which includes the notes to the financial statements, can be found on the Company's ASX announcements platform (ASX: AUG) on [www.asx.com.au](http://www.asx.com.au).

### (b) Forecast

The Directors have considered the matters set out in the ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of AuMake are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## 8.9 DIVIDEND POLICY

It is anticipated that, post-Settlement of the Acquisition, the Company will focus on the development of the AuMake Business. This will likely require significant funding. Accordingly, the Company does not expect to declare any dividends during this period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Board and will depend on the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business, and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

## 8.10 CAPITAL STRUCTURE

The expected capital structure of the Company following completion of the Offers and all related matters (assuming no Options are exercised) will be as follows:

	SHARES (MINIMUM SUBSCRIPTION)	SHARES (MAXIMUM SUBSCRIPTION)	PERFORMANCE SHARES	OPTIONS
Current	90,044,877	90,044,877	Nil	Nil
Post Consolidation (6:1)	15,007,480	15,007,480	Nil	Nil
Public Offer	50,000,000	75,000,000	Nil	Nil
Consideration Shares	95,083,151	95,083,151		Nil
Performance Shares to be issued to management of the Company	Nil	Nil	50,000,000 <sup>1</sup>	Nil
Conversion of Convertible Notes	42,937,500	42,937,500		
Conversion of Convertible Loan	5,000,000	5,000,000	Nil	Nil
Facilitator Shares	5,875,000	5,875,000	Nil	Nil
Proposed Options	Nil	Nil	Nil	5,000,000 <sup>2</sup>
Cleansing Offer	1	1	Nil	Nil
<b>TOTAL</b>	<b>213,903,132</b>	<b>238,903,132</b>	<b>50,000,000</b>	<b>5,000,000</b>

### Notes:

1. Performance Shares to be issued on the terms and conditions set out in Section 15.3.
2. 5,000,000 Proposed Options to be issued to Proposed Director, Mr Quentin Flannery, on the terms and conditions set out in Section 15.4.

## 8.11 SUBSTANTIAL SHAREHOLDERS

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue:

SHAREHOLDERS	SHARES	%
Silktree Investments Pty Ltd <Peter Vassileff Super A/C>	10,000,000	11.1
Sandy Beach Corporation Pty Ltd	4,500,000	5.0

On Settlement of the Acquisition and completion of the Offers, the following Shareholders are expected to hold 5% or more of the total number of Shares on issue:

SHAREHOLDERS	SHARES	%
Mr Jiahua Zhou	40,410,340	16.9
Mr Gang Xu	17,097,572 <sup>1</sup>	7.1
Mr Keong Chan	12,316,709 <sup>3</sup>	5.1

**Notes:**

1. Comprising of 9,805,556 Shares held by Chen & Xing Pty Ltd ATF The Gang Xu Super Fund, with the trustee being an entity controlled by Mr Xu and 7,292,016 Shares held by LC Alliance Pty Ltd, an entity controlled by Mr Xu.
2. Comprising of 11,875,000 Shares held by Ilwella Pty Ltd, an entity controlled by Mr Flannery, and 2,500,000 Shares held by Maximum Flannery Pty Ltd ATF Finco Investment Trust.
3. Comprising of 2,004,209 Shares held by Duret Holdings Pty Ltd, an entity associated with Mr Chan and 10,312,500 Shares held by the Chan Family Trust.

## 8.12 RESTRICTED SECURITIES

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Securities on issue (including a proportion of the Consideration Shares, Performance Shares and Options) may be classified by the ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company intends to apply to the ASX for a waiver from certain restriction requirements that might otherwise apply to Consideration Shares on the basis that a majority of the ITM Shareholders:

- (a) paid cash for their ITM Shares; and
- (b) have held their ITM Shares for a substantial period of time prior to the Acquisition of ITM by the Company.

Subject to this waiver, a proportion of the Consideration Shares may be restricted from trading for a period of up to 24 months after the date of re-admission of the Company to the Official List. The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on the ASX (which reinstatement is subject to the ASX's discretion and approval).

## 8.13 TOP 20 SHAREHOLDERS

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offers and prior to the Shares re-commencing trading on the ASX.



## SECTION 9

# Industry overview





## 9. INDUSTRY OVERVIEW

### 9.1 AUSTRALIAN DAIGOU INDUSTRY

The Company intends to leverage off the increasing number of daigous in Australia, which supplies a number of Australian products to the Chinese market, including infant formula and dairy products, healthcare supplements and skincare products.

The rise in the number and influence of daigou on product purchases has grown with Chinese consumers' lack of trust in products made in China and previous experiences with counterfeit overseas brands being sold in the market<sup>2</sup>. As a result, there has been an increasing appetite for directly sourcing Australian products, and a heavy reliance by Chinese consumers on their family and friends living in Australia (or other trusted countries) to recommend and purchase products on their behalf – hence the term daigou.

The Chinese daigou industry which is a retail channel for the purchase of products globally is estimated to turnover 500 billion renminbi a year (\$96.4 billion).<sup>3</sup> The Australia to China daigou market consists of an estimated 40,000 daigou and up to 1200 stores in Australia sending 100 to 200 parcels a day back to China.<sup>4</sup>

It is estimated that Australian daigous reach approximately 50 million Chinese customers for Australian suppliers.<sup>5</sup> Some analysts estimate that daigous sent as much as \$600 million in Australian products to China last year.<sup>6</sup> Of the 3503 attendees at eCommerce China's conference in Sydney in 2017, each daigou sold to their own social circle of up to 1200 people in some instances.<sup>7</sup>

In December 2016, there were 155,511 international students from China which represented an increase of 22% from December 2015<sup>8</sup>, with Chinese students in Australia saying as many as eight (8) in ten (10) of them are daigous.<sup>9</sup>

### 9.2 AUSTRALIAN CHINESE TOURIST MARKET

The Company, through its proposed operations and growth strategy, intends to maximise the opportunity the increasing Chinese tourist market offers. Australia is now the fourth most desirable destination for Chinese tourists - up from tenth just two years ago — following the extension of access by the Chinese Government in providing 10-year frequent-traveller visas to Chinese mainlanders.<sup>10</sup>

According to the Australian Bureau of Statistics (**ABS**) the number of Chinese visitors to Australia has more than doubled over the past five years. Short-term trips from China have grown from 500 in 1976 to 1.2 million in 2016, (trend series) making it the country with the highest growth rate in that period<sup>11</sup>.

New South Wales remained the most popular destination for overseas visitors in 2016, claiming nearly 38 per cent of all short-term trips, followed by Victoria (25 per cent) and Queensland (22 per cent).<sup>12</sup>

One Chinese cultural expert said an estimated \$700 million would be spent by Chinese tourists in July and August 2016 on souvenirs, cosmetics, luxury items, clothing and pharmaceuticals.<sup>13</sup>

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<sup>2</sup> "Chinese consumers no local trust", China Skinny, April 2016

<sup>5</sup> "Five Australian consumer goods on China's top demand list", Sydney Morning Herald 10 March 2017

<sup>4</sup> "Five Australian consumer goods on China's top demand list", Sydney Morning Herald 10 March 2017

<sup>5</sup> daigou: the extra 50 million customers hiding in plain sight", Sydney Morning Herald, June 2016

<sup>6</sup> "China craves foreign products. Students in Australia supply them", New York Times, May 2017

<sup>7</sup> daigou: the extra 50 million customers hiding in plain sight", Sydney Morning Herald, June 2016

<sup>8</sup> Australian Department of Education and Training International Student Data Monthly Summary, February 2017

<sup>9</sup> "China craves foreign products. Students in Australia supply them", New York Times, May 2017

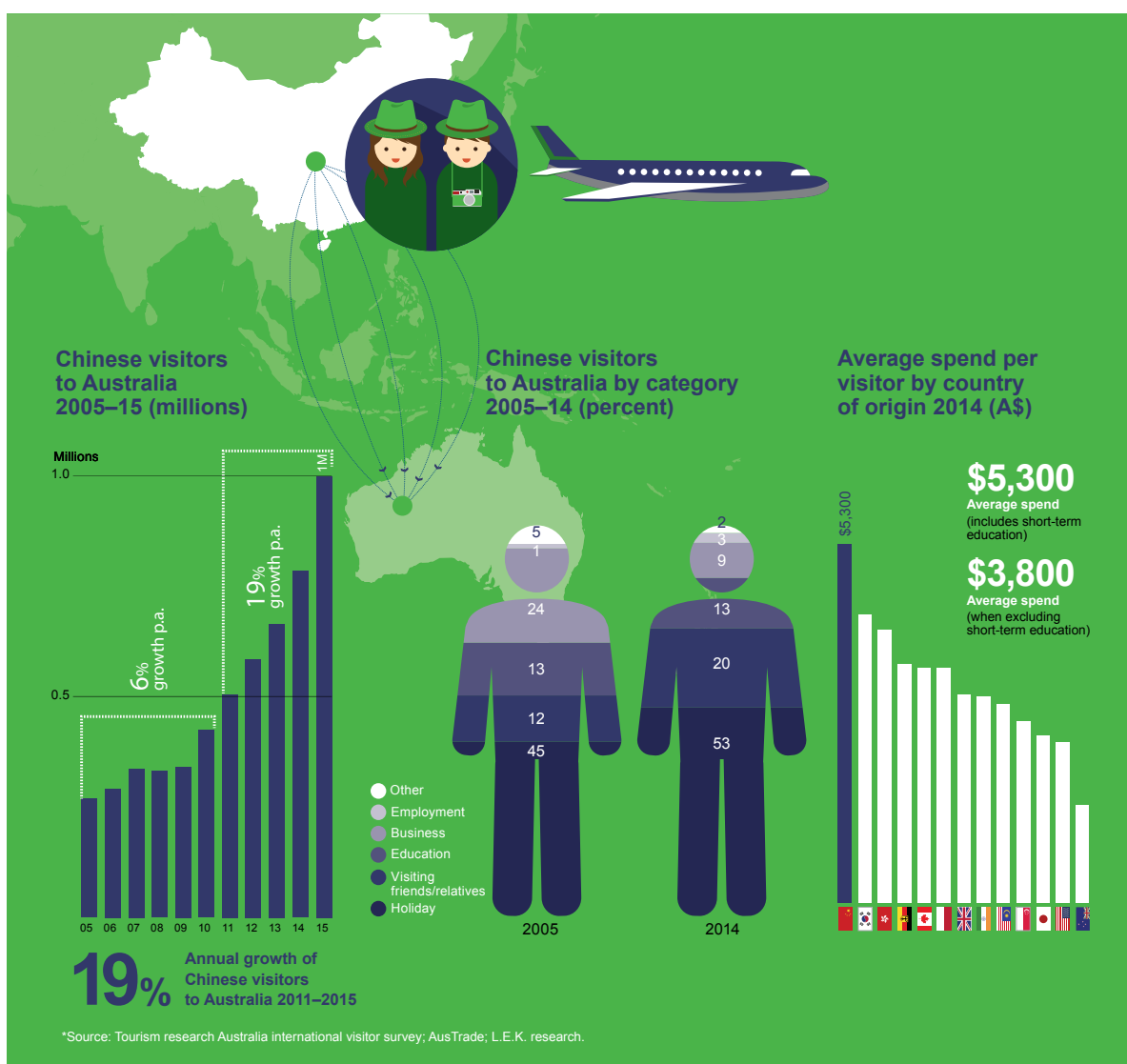
<sup>10</sup> "Australia moves up Chinese travel bucket list", The Australian, July 2017; Chinese tourist survey, CLSA, July 2017

<sup>11</sup> ABS, "Short-Term Visitor Arrivals, Top 10 Source Countries in 2016 Calendar Year, Australia, Trend Series", February 2017

<sup>12</sup> ABS, "Short-Term Visitor Arrivals, Top 10 Source Countries in 2016 Calendar Year, Australia, Trend Series", February 2017

A report by Deloitte Access Economics also reinforces that international tourist visitation in Australia is at record highs, and spending by tourists is exploding as well<sup>14</sup>. The strong growth in tourism over recent years is expected to continue during 2017, adding a key supplementary market for Australian retailers<sup>14</sup>. Chinese tourists spend around \$1.4 billion per year in Australia.<sup>14</sup>

According to a report by L.E.K. Consulting visitors are more likely to buy Australian products and services after they return to China, with their average annual spend rising by 40% after their trip<sup>15</sup>. Chinese visitors to Australia are already alert to the attractions of Australian products, particularly meat, dairy, wine and vitamins<sup>15</sup>. Before their first visit to the country, 71% already bought Australian goods and services regularly<sup>15</sup>. However, this rose to 97% after the visit. Average spending on Australian goods and services rose from \$2,700 per year to \$3,700 per year after their visit: a 40% increase<sup>15</sup>. Such changes in spending are fuelling the growth of Australian companies in the Chinese market.<sup>15</sup>



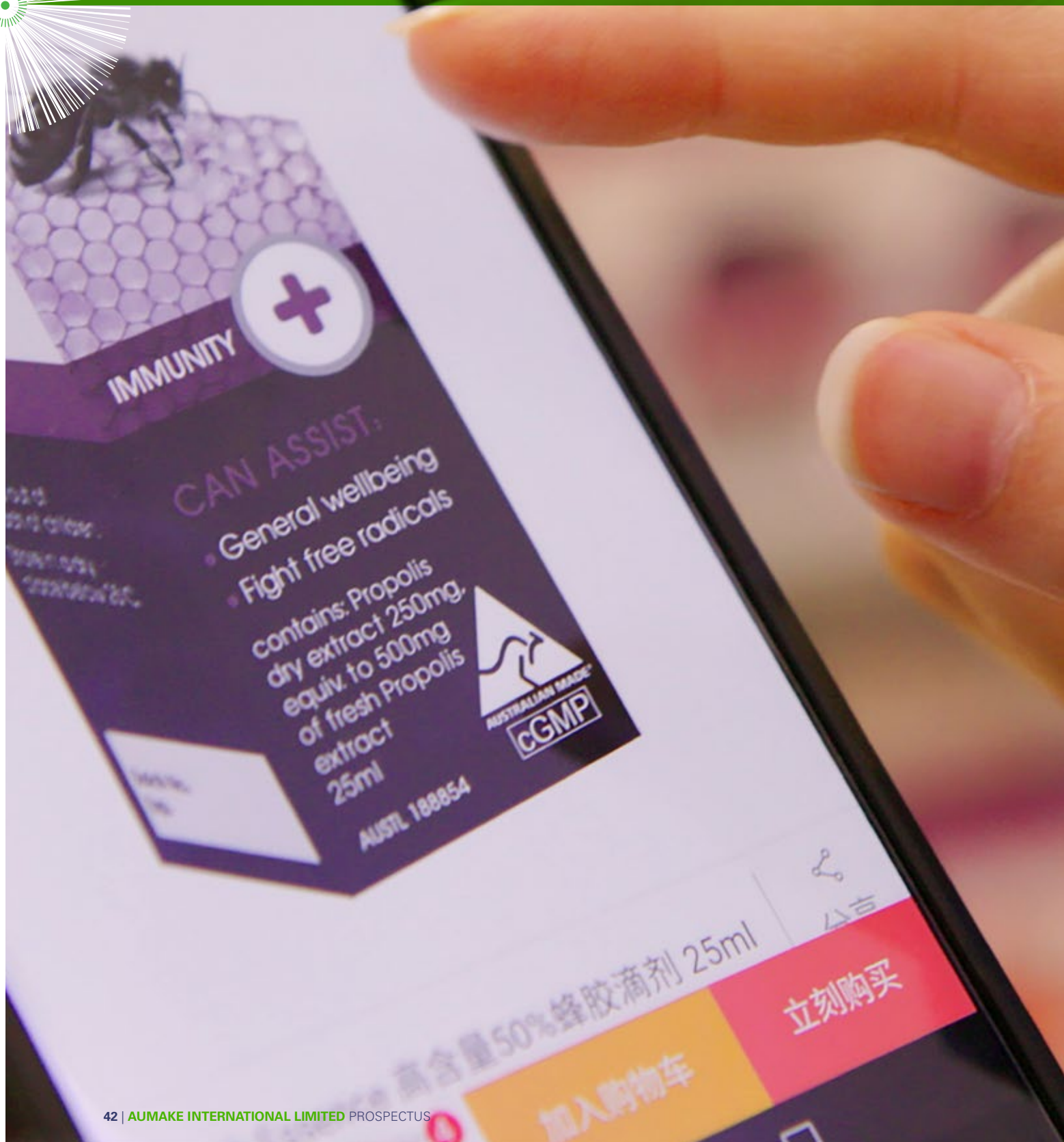
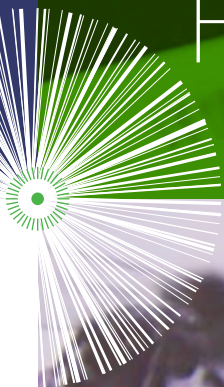
<sup>13</sup> "July is shaping up as a missed opportunity for Chinese travellers", news.com.au, June 2016

<sup>14</sup> Year of the Tourist Retail Forecasts February 2017 Public Executive Summary Released 10th March 2017, Deloitte Access Economics

<sup>15</sup> L.E.K. Consulting, "Enter the Dragon, How the China tourism boom is transforming Australia"

## SECTION 10

# Risk factors



## 10. RISK FACTORS

The business, assets and operations of the Company, including after Settlement of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Shares of the Company. The Company's Shares comprise a speculative investment, particularly as it is proposed for the Company's business after the Acquisition to comprise participation in the infant food sector and its associated business.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to.

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from the Aumake Business, parties contracted to or associated with the Aumake Business, and the Acquisition Agreement and other agreements, including, but not limited to, those summarised in this Prospectus.

The risks and uncertainties described below are not intended to be exhaustive and this Prospectus does not take into account the personal circumstances, financial position or investment requirements of any particular person. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company, ITM and Aumake Australia and consequently Applicants. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Acquisition is as follows:

### 10.1 RISKS SPECIFIC TO THE AUMAKE BUSINESS

#### (a) Acquisition of ITM

There are several specific risks involved for the Company, and consequently its Shareholders, in the acquisition of ITM, including risks specific to the AuMake Business, which include the following non-exhaustive list:

##### i. Brand and Reputation

The AuMake Business' key business assets include brand names and related intellectual property of the business. A number of factors may adversely affect these key business assets, including:

- a. potential disputes or litigation with suppliers, customers, employees or other third parties;
- b. adverse media coverage (including social media);
- c. failure to deliver products which meet customer expectations; and
- d. other risks to the AuMake Business' brand names and intellectual property which are beyond the Company's control.

These factors can erode the AuMake Business' public reputation and adversely affect the AuMake Business' supply streams by decreasing demand for the AuMake Business' products and causing interference with key supply relationships, distributors and employees. Cumulatively this could detrimentally affect the value associated with the AuMake Business.

##### ii. Change in Regulation

There is a continuing risk for the AuMake Business that local laws and/or regulations in Australia and China with respect to the operation of its customers may change. There is a risk that changes to the regulatory environment may materially detrimentally affect the way the AuMake Business currently operates (including obligations altering the manufacturing processes, ingredients, shelf life, marketing and export/import processes).

The potential detrimental flow on effects from these regulatory changes could significantly affect the sale or production of the AuMake Business' products as a result of:

- a. regulatory changes which restrict or entirely prevent access to particular markets in which the AuMake Business may source its products (amendments to importation or exportation regulations);
- b. regulatory changes which change the product packaging requirements and disclosure obligations (including labelling and country of origin requirements containing minimum dietary disclosures); or
- c. the introduction of taxation measures which specifically reference food items.

The Company not aware of any current issues or any impending regulatory changes in Australia which may affect its supply, manufacture and distribution networks. However, there is a continuing residual risk from potential regulatory changes, particularly in China, which may materially alter the AuMake Business' revenues and/or increase its costs which could diminish the Company's financial performance.

### **iii. Supply**

The AuMake Business relies on a number of suppliers and manufacturers with respect to its product range. Risks in respect of supply and manufacturing hinges upon the AuMake Business' reliance on a concentration and consistency of key suppliers and manufacturers.

A disruption to this supply chain, or if a manufacturer chooses to discontinue production, could adversely affect the AuMake Business' ability to meet consumer needs and ultimately be of detriment to the business's financial performance and future prospects. However, given that there are alternative suppliers and manufacturers within Australia that the Aumake Business could seek to partner with, the Company considers it low risk.

### **iv. Competition**

The Company's future financial performance and overall success in the market will rest upon the successful implementation of strategies to compete with other businesses. Some of these competitors have advantageous access to capital and resources. Those competitors may be given both financial and marketing assistance.

The Company's strategies may be adversely impacted by the number and size of its competitors who may participate in the market with a more aggressive pricing structure, innovative technologies and/or agile supply and distribution networks more adept than those of AuMake.

### **v. Failure to grow**

The success and potential growth of the AuMake Business is dependent on its ability to grow its store footprint and to source/offer a wide range of products to the market. If the Company is unable to do so, the result could be a reduced or negative rate of growth. The AuMake Business may also fail to grow as a result of inadequate marketing or insufficient consumer interest.

### **vi. Reliance on key personnel**

The development of the AuMake Business has been largely due to the effort, experience and leadership of its management team. The AuMake Business is also dependent on the continued service of its existing development personnel because of the complexity of its technologies. Despite the Company's best efforts to attract and retain key personnel, there is no assurance that the Company will be able to retain the services of such persons. The Company's ability or inability to attract and retain key personnel could have a material effect upon the Company's business, results of operations and financial condition.



**vii. Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to current and potential products, distribution channels and points of sale. There can be no assurance that the Company will be able to attract and retain such organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

Given the highly concentrated nature of Australia's daigou retail market, disruption by any of the major retailers in the Coles-Wesfarmers or Woolworths Group could have a material adverse impact on the Company's financial performance. The Company is focused on expanding the Aumake Business' distribution footprint to mitigate this risk, as well as to benefit from margin accretive opportunities available outside Australia.

**viii. Product contamination and recall**

Being a distributor of food products, the AuMake Business is subject to a risk of product contamination and/or product recall that could have a material adverse effect on the AuMake Business' brand and stock levels and thereby its financial performance and future prospects.

**ix. Management of growth**

There is a risk that management of the Company will not be able to implement its growth strategy after Settlement of the Acquisition. The capacity of the Company's management to properly implement the strategic direction of the Company may affect the Company's financial performance.

As part of its business strategy, the Company may make acquisitions of, or significant investments in, additional complementary companies or prospects (although no such acquisitions or investments are currently planned, other than the Acquisition). Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

## **10.2 RISKS RELATING TO THE CHANGE IN NATURE AND SCALE OF ACTIVITIES**

**(a) Re-quotation of Shares on ASX**

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

**(b) Dilution risk**

The Company currently has 15,007,480 Shares on issue (on a post-Consolidation basis). Upon Settlement of the Acquisition (assuming that the Public Offer is fully subscribed and there are no further issue of Shares) a total of up to 95,083,151 Consideration Shares will be issued to the ITM Shareholders, up to 75,000,000 Shares will be issued to investors under the Public Offer, up to 42,937,500 Conversion Shares will be issued upon conversion of the Convertible Notes, up to 5,000,000 Convertible Note Shares will be issued upon conversion of the Convertible Note and up to 5,875,000 Facilitator Shares will be issued to Tourville Investments Pty Ltd, an entity controlled by Director Mr Keong Chan, and:

- i. the existing Shareholders will retain approximately 6.28% of the Company's issued Share capital;

- ii. the ITM Shareholders (or their nominee/s) will hold approximately 39.80% of the Company's issued Share capital;
- iii. investors under the Public Offer will hold approximately 31.39% of the Company's issued Share capital;
- iv. Tourville Investments Pty Ltd, an entity controlled by Director Mr Keong Chan will hold approximately 2.46% of the Company's issued Share capital;
- v. the convertible note holders will hold approximately 17.97% of the Company's issued Share capital; and
- vi. through the issue of the Convertible Note Shares, Mr Keong Chan's holding in the Company increasing by 2.09% of the Company's issued Share capital.

If the Proposed Options and Performance Shares to be issued are exercised or convert the holdings of the existing Shareholders in the Company will be further diluted.

There is also a risk that the interests of Shareholders will be further diluted in the event of future capital raisings required in order to fund the development of the AuMake Business.

### 10.3 GENERAL RISKS

#### (a) Additional requirements for capital

The funds raised under the Public Offer are considered sufficient to meet the immediate business objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of the activities and potential research and development. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

#### (b) Trading price of Shares

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including, inflation rates and interest rates, variations in the general market for listed stocks, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

The share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

**(c) Future capital requirements**

Further funding may be required by the Company to support its ongoing activities and operations, including the need to develop new products, improve existing products, enhance its operating infrastructure and to acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms (or at all) at the relevant time. Any inability to obtain additional funding (or inability to obtain funding on reasonable terms) will adversely affect the financial condition and financial performance of the Company.

**(d) Potential acquisitions risk**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

**(e) Market conditions risk**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- i. general economic outlook;
- ii. interest rates and inflation rates;
- iii. currency fluctuations;
- iv. changes in investor sentiment towards particular market sectors;
- v. the demand for, and supply of, capital; and
- vi. terrorism or other hostilities.

The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular.

**(f) General economic and political risks**

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any activities that may be conducted by the Company.

**(g) Regulatory risk**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

## **10.4 INVESTMENT SPECULATIVE**

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's Shares.

## SECTION 11

# Board and management





## 11. BOARD AND MANAGEMENT

### 11.1 DIRECTORS AND KEY PERSONNEL OF THE COMPANY

As at the date of this Prospectus, the Board comprises of:

- (a) Mr Keong Chan – Non-executive Director and Company Secretary;
- (b) Mr Robert Di Russo – Non-executive Director; and
- (c) Mr Derek Jones – Non-executive Director.

It is proposed that upon Settlement of the Acquisition:

- (a) Mr Jiahua (Joshua) Zhou will join the Board as Managing Director;
- (b) Mr Gang Xu will join the Board as Executive Director;
- (c) Mr Quentin Flannery and Ms Lingye Zheng will join the Board as a Non-executive Directors;
- (d) Mr Keong Chan will remain on the Board as Executive Chairman;
- (e) Mr Peter Zhao will join as Company Secretary;
- (f) Mr Derek Jones and Robert Di Russo will resign from the Board; and
- (g) Mr Keong Chan will resign as Company Secretary.

The Company is aware of the need to have sufficient management to properly manage the AuMake Business and the Board will continually monitor the management roles in the Company. The Board may look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company.

### 11.2 CURRENT DIRECTORS OF THE COMPANY

The profiles of each of the current Directors are set out below:

#### **Mr Keong Chan – Non-executive Director and Company Secretary**

Mr. Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, initial public offerings, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards.

Mr. Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.

The Board has considered Mr Chan's independence and considers that he will not be an independent Director.

#### **Mr Robert Di Russo – Non-executive Director**

Mr Di Russo is a director of Capo & Co. Formerly from a big 4 accounting firm, Mr Di Russo has extensive experience in all matters of compliance, tax planning/structuring and has amassed considerable experience in the small to medium business advisory space. He is a member of the Institute of Chartered Accountants with a Post-Graduate Diploma in Taxation from University of Melbourne Law School.

#### **Mr Derek Jones – Non-executive Director**

Mr Jones has over 30 years of experience in global capital markets including 12 years as a stockbroker in Perth and brings a strong network of institutional/corporate relationships to the Company. He holds a Bachelor of Business degree from Curtin University.



### 11.3 PROPOSED DIRECTORS OF THE COMPANY

The profiles of each of the Proposed Directors are set out below:

#### **Mr Jiahua (Joshua) Zhou – Proposed Managing Director**

Mr Zhou is the founder of AuMake Australia. Mr Zhou has worked in the Australian tourism industry for over 10 years in roles which have included the coordination of business and government delegations from China. From this experience, Mr Zhou has worked with a range of Chinese visitors which has given him a deep understanding of how Chinese and Australian cultures combine.

From working with formal duty free stores in Sydney Australia, Mr Zhou has gained extensive Australian retail sales and management experience which has helped him understand how to successfully run retail stores and sell Australian products to both local and visiting Chinese customers.

In 2010, Mr Zhou established the first AuMake Australia retail store in Parramatta, New South Wales, serving as a souvenir store to mainly overseas tourists. Mr Zhou has grown AuMake Australia's retail presence into a network of five (5) retail stores and a warehouse located in Sydney, New South Wales.

Mr Zhou holds a Bachelor of Management from Yanen University, Fujian China and Master of International Business from University of Western Sydney.

The Board has considered Mr Zhou's independence and considers that he will not be an independent Director.

#### **Mr Gang Xu – Proposed Executive Director**

Mr Xu is one of the founders of ITM Corporation Limited. Mr Xu has more than 20 years in senior management experience serving Australian public and ASX listed companies in both Executive Director and Non-Executive Director capacities for companies including KTL Technologies Limited, UraniumSA Ltd and Riva Resources Limited. Mr Xu is particularly familiar with the dynamic cross-boarder business environment between Australia and China.

Mr Xu's professional career commenced working in Chinese government agencies as a geologist and then expanded to senior business roles in China, Australia and Korea as department manager, chief country representative and Managing Director.

Mr Xu served as the Finance and Marketing Manager for Sino Gold Limited and was Marketing Manager for LG Household Chemicals Beijing, marketing fast moving consumer goods in China.

Mr Xu completed his Masters of Business Administration at Boise State University in the US. He holds Master of Science Engineering degree with China National Nuclear Corporation and Bachelor of Science degree with Nanjing University in the People's Republic of China. Mr Xu is a member of AusIMM.

Mr Xu is the founder and has been a director of ASX listed Riva Resources Limited (formerly Dragon Energy Limited) since 2006.

The Board has considered Mr Xu's independence and considers that he will not be an independent Director.

#### **Mr Quentin Flannery – Proposed Non-Executive Director**

Mr Quentin Flannery holds a Bachelor of International Business with a minor in Mandarin from Queensland University of Technology, Australia. Mr Flannery is currently working as a Director in his family office which is involved in a range of different industries. Those industries include energy production, emerging and mature technology companies, commercial and residential property development and resources.

Mr Flannery has more than ten years' experience working with exports into Asia having previously worked in the marketing department of a large Australian based, Chinese owned coal mining company. As Marketing Manager, he was responsible for the thermal coal sales and marketing for the company into Asia.

The Board has considered Mr Flannery's independence and considers that he will be an independent Director.

**Ms Lingye Zheng – Proposed Non-Executive Director**

Over the last 20 years Ms Zheng has studied and worked in Spain, Germany and Austria.

In 2007, Ms Zheng came to Australia and two years later, she founded AuMake Australia together with her husband Mr Jiahua (Joshua) Zhou. Ms Zheng is responsible for purchasing across all the AuMake Australia's stores.

The Board has considered Ms Zheng's independence and considers that she will not be an independent Director.

## **11.4 SENIOR MANAGEMENT**

The profiles of the proposed senior management of the Company who are key personnel are set out below:

**Mr Peter Zhao – Chief Financial Officer and Company Secretary**

Peter Zhao is an Australian Certified Practising Accountant with over 10 years' experience in Corporate Governance and Risk Advisory services. Prior to joining AuMake, Peter was a manager of RSM's Perth Assurance and Advisory Services Division and the Head of the RSM China Practice Group in Western Australia.

He has gained solid knowledge and working experience of Australian reporting requirements especially AIFRS Accounting, current auditing and tax legislation and Corporation Act, ASIC and ASX requirements through providing assurance services and financial advices to ASX listed companies, foreign companies, public companies, large proprietaries, not for profit organizations, etc.

In his role in RSM China Practice Group, he was managing working relationships with stakeholders in Australia and China and facilitating inbound and outbound investments between the two countries.

Mr Zhao holds a Bachelor of Accounting and Finance from Edith Cowan University.

## **11.5 CURRENT DIRECTORS OF ITM**

**Mr Keong Chan – Director and Company Secretary**

Please refer to Mr Chan's biography in Section 11.2 above.

**Mr Gang Xu – Director**

Please refer to Mr Xu's biography in Section 11.3 above.

**Mr Jiahua (Joshua) Zhou –Director**

Please refer to Mr Zhou's biography in Section 11.3 above.

## **11.6 PERSONAL INTERESTS OF DIRECTORS**

Directors are not required under the Company's Constitution to hold any Shares to be eligible to act as a director.

Details of the Directors' and Proposed Directors' remuneration and relevant interest in the Securities of the Company upon completion of the Offers (and on a post-Consolidation basis) and Settlement of the Acquisition are set out in the table below:

DIRECTOR	REMUNERATION FOR YEAR ENDED 30 JUNE 2015	REMUNERATION FOR YEAR ENDED 30 JUNE 2016	PROPOSED REMUNERATION FOR CURRENT FINANCIAL YEAR	SHARES	PERFORMANCE SHARES <sup>7</sup>	OPTIONS
<b>EXISTING DIRECTORS</b>						
Mr Keong Chan	-	\$10,000	\$120,000	12,316,709 <sub>1</sub>	12,500,000 <sup>2</sup>	Nil
Mr Robert Di Russo	-	\$6,000	-	-	-	Nil
Mr Derek Jones	-	\$6,000	-	-	-	Nil
<b>PROPOSED DIRECTORS</b>						
Mr Gang Xu	-	-	\$120,000	17,097,572 <sub>3</sub>	12,500,000 <sup>4</sup>	Nil
Mr Jiahua Zhou	-	-	\$120,000	40,410,339	22,115,384 <sup>5</sup>	Nil
Mr Quentin Flannery	-	-	\$36,000	7,500,000 <sup>6</sup>	-	5,000,000 <sup>8</sup>
Ms Lingye Zheng	-	-	\$36,000	Nil	-	Nil

**Notes:**

1. Comprising, subject to Shareholder approval at the general Meeting, 12,316,709 Shares held by Duret Holdings Pty Ltd.
2. Comprising, subject to Shareholder approval at the General Meeting, 6,250,000 Class A Performance Shares and 6,250,000 Class B Performance Shares.
3. Comprising, subject to Shareholder approval at the General Meeting, 9,805,556 Shares held by Chen & Xing S/F and 7,292,016 Shares held by LC Alliance Pty Ltd.
4. Comprising, subject to Shareholder approval at the General Meeting, 6,250,000 Class A Performance Shares and 6,250,000 Class B Performance Shares.
5. Comprising, subject to Shareholder approval at the General Meeting, 11,057,692 Class A Performance Shares and 11,057,692 Class B Performance Shares.
6. Comprising, subject to Shareholder approval at the general Meeting, 5,625,000 Shares held by Ilwella Pty Ltd and 1,875,000 Shares held by Maximus Flannery Pty Ltd ATF Finco Investment Trust.
7. To be issued on the terms and conditions set out in Section 15.3.
8. To be issued on the terms and conditions set out in Section 15.4.

The Company's Constitution provides that the remuneration of Non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The Shareholders have approved the payment of fees to the Non-Executive Directors which in aggregate cannot exceed \$500,000 per annum, although this may be varied by

#### **11.7 DIRECTOR PARTICIPATION IN THE PUBLIC OFFER**

None of the Directors or Proposed Directors intend on participating in the Public Offer.

#### **11.8 AGREEMENTS WITH DIRECTORS**

The agreements the Company has entered into with Directors and Proposed Directors are contained in Section 14.

## SECTION 12

# Investigating account's report





[www.rsm.com.au](http://www.rsm.com.au)

Dear Directors

ITM had entered into an agreement to acquire AuMake Australia Pty Ltd (“AuMake”) in February 2017, which was completed on 30 June 2017 (“AuMake Acquisition”).

Upon settlement of the Acquisition, the Company will shift its focus towards the development of the AuMake Business.

### Historical financial information

You have requested RSM Corporate Australia Pty Ltd (“RSM”) to review the following historical financial information of the Company included in the Prospectus at the Appendix to this Report:

- The statements of financial performance and cash flows of the ITM for the 14 months ended 30 June 2016 and the year ended 30 June 2017;
- The statements of financial performance and cash flows of the AuMake for the 15 months ended 30 June 2015 and the two years ended 30 June 2016 and 30 June 2017; and
- The consolidated statement of financial position of the Company and its controlled entities as at 30 June 2017.

(together the “Historical Financial Information” attached at the Appendix to this Report).

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of the International Financial Reporting Standards and the Company’s adopted accounting policies.

The Historical Financial Information has been extracted from:

- The financial statements of ITM for the period from incorporation on 30 April 2015 to 30 June 2016, and the year ended 30 June 2017 which were audited by RSM Australia Partners in accordance with Australian Auditing Standards. The audit reports issued for the period ended 30 June 2016 and the year ended 30 June 2017 were unqualified opinions.
- The financial statements of AuMake for the period from incorporation on 31 March 2014 to 30 June 2015 and the two years ended 30 June 2016 and 30 June 2017, which were audited by RSM Australia Partners in accordance with Australian Auditing Standards. The audit reports issued for the period ended 30 June 2015 and the two years ended 30 June 2016 and 30 June 2017 were unqualified opinions.
- The financial statements of the Company for the year ended 30 June 2017, which were audited by RSM Australia Partners in accordance with Australian Auditing Standards. The audit report issued for the year ended 30 June 2017 was a Disclaimer of Opinion. The basis for the Disclaimer of Opinion resulted as, on 21 December 2015, the Company was placed into voluntary administration. Following the appointment of the administrators (and subsequently liquidators to the subsidiaries), the powers of the directors of the Company were suspended and the administrators (and subsequently liquidators to the subsidiaries) assumed control of these companies’ business, property and affairs. Due to the circumstances, the directors were unable to obtain all the necessary books and records pertaining to the consolidated entity. New directors were appointed 14 April 2016. On 17 June 2016, the Company was released from administration following the settlement of the DOCA. Accordingly, the auditors were unable to determine whether adjustments might have been necessary in respect of the financial position as at 30 June 2016 and financial performance, including cash flows, for the year then ended. The auditors noted they have not become aware of any matter that made them believe that the amounts recorded in the statement of financial position as at 30 June 2017 are materially misstated, however the impact of opening balances on financial performance and cash flows for the year ended 30 June 2017 prevented the auditor from expressing an opinion on the financial report as a whole.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

## Pro forma historical financial information

You have requested RSM to review the pro forma historical consolidated statement of financial position as at 30 June 2017, referred to as “the Pro Forma Historical Financial Information”.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company after adjusting for the effects of the subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report. The stated basis of preparation is the recognition and measurement principles of the International Financial Reporting Standards applied to the Historical Financial Information and the events or transactions to which the subsequent events and pro forma adjustments relate, as described in Note 1 of the Appendix to this Report, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position or statement of financial performance.

## Directors’ responsibility

The Directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

## Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- A consistency check of the application of the stated basis of preparation, to the Historical and Pro Forma Historical Financial Information;
- A review of the Company’s and its auditors’ work papers, accounting records and other documents;
- Enquiry of directors, management personnel and advisors;
- Consideration of subsequent events and pro forma adjustments described in Note 1 of the Appendix to this Report; and
- Performance of analytical procedures applied to the Pro Forma Historical Financial Information.

A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusions

### Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendix to this Report, and comprising:

- The statements of financial performance and cash flows of the ITM for the 14 months ended 30 June 2016 and the year ended 30 June 2017;

- The statements of financial performance and cash flows of the AuMake for the 15 months ended 30 June 2015 and the two years ended 30 June 2016 and 30 June 2017; and
- The consolidated statement of financial position as at 30 June 2017 of the Company and its controlled entities,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 2 of the Appendix to this Report.

#### **Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in the Appendix to this Report, and comprising the pro forma consolidated statement of financial position as at 30 June 2017 of the Company and its controlled entities are not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix of this Report.

#### **Restriction on Use**

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

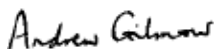
#### **Responsibility**

RSM has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM has not authorised the issue of the Prospectus. Accordingly, RSM makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

#### **Disclosure of Interest**

RSM does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. RSM will receive a professional fee for the preparation of this Report.

Yours faithfully



A J GILMOUR  
Director

## Appendix A – Historical and Pro Forma Financial Information

### ITM CORPORTION LIMITED STATEMENT OF FINANCIAL PERFORMANCE FOR THE 14 MONTHS ENDED 30 JUNE 2016 AND THE YEAR ENDED 30 JUNE 2017

	Year ended 30-Jun-17 Audited \$	14 months ended 30-Jun-16 Audited \$
<b>Revenue</b>		
Sales of products	1,194,452	135,761
Interest received	1,849	-
Other income	30,565	3,524
	<b>1,226,866</b>	<b>139,285</b>
<b>Expenses</b>		
Cost of sales	(1,198,184)	(136,203)
Employee benefits expense	(158,252)	(119,809)
Directors	(120,000)	-
Marketing expenses	(110,077)	(164,449)
Website & Application Development Costs	(53,089)	(33,876)
Travel & Accommodation	(54,608)	(65,643)
Administrative expenses	(349,382)	(92,211)
Rental	(45,431)	-
<b>Loss before income tax</b>	<b>(862,156)</b>	<b>(472,906)</b>
Income tax	-	-
<b>Total comprehensive loss</b>	<b>(862,156)</b>	<b>(472,906)</b>

Investors should note that past results are not a guarantee of future performance.



## Appendix A – Historical and Pro Forma Financial Information

### AUMAKE AUSTRALIA PTY LIMITED STATEMENT OF FINANCIAL PERFORMANCE FOR THE 15 MONTHS ENDED 30 JUNE 2015 AND THE TWO YEAR ENDED 30 JUNE 2016 AND 30 JUNE 2017

	Year ended 30-Jun-17 Audited \$	Year ended 30-Jun-16 Audited \$	15 months ended 30-Jun-15 Audited \$
<b>Revenue</b>			
Sales of products	10,311,378	3,061,281	2,249,863
<b>Expenses</b>			
Cost of sales	(9,156,697)	(2,823,143)	(2,196,494)
Wages & Salaries	(561,604)	(173,403)	(36,364)
Marketing expenses	(886)	-	-
Travel & Accommodation	(2,671)	-	-
Administrative expenses	(113,952)	(3,949)	(2,208)
Depreciation	(15,689)	-	-
Rental	(438,353)	(52,825)	(5,000)
<b>Profit before income tax</b>	<b>21,525</b>	<b>7,961</b>	<b>9,797</b>
Income tax	(7,974)	(4,047)	(2,939)
<b>Total comprehensive income</b>	<b>13,551</b>	<b>3,914</b>	<b>6,858</b>

Investors should note that past results are not a guarantee of future performance.

## Appendix A – Historical and Pro Forma Financial Information

### ITM CORPORATION LIMITED STATEMENT OF CASH FLOWS FOR THE 14 MONTHS ENDED 30 JUNE 2016 AND THE YEAR ENDED 30 JUNE 2017

	Year ended 30-Jun-17 Audited \$	14 months ended 30-Jun-16 Audited \$
<b>Cash Flows related to Operating activities</b>		
Receipts from product sales and related debtors	1,149,095	118,044
Payments to suppliers and employees	(2,029,606)	(590,356)
Other income	30,565	-
Interest received	1,849	3,524
<b>Net Operating Cash Flows</b>	<b>(848,097)</b>	<b>(468,788)</b>
<b>Cash Flows related to Investing activities</b>		
Cash obtained from acquisition of a subsidiary	250,244	-
Loan to a related party	(91,980)	-
Investment in subsidiary	(1,035,292)	-
<b>Net Investing Cash Flows</b>	<b>(877,028)</b>	<b>-</b>
<b>Cash Flows related to Financing activities</b>		
Proceeds from issue of shares	20,000	817,388
Proceeds from borrowings	2,490,000	-
<b>Net Financing Cash Flows</b>	<b>2,510,000</b>	<b>817,388</b>
Net Increase in cash held	784,875	348,600
Cash and cash equivalents at the beginning of the financial year	344,555	-
Exchange rate adjustments	-	(4,045)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,129,430</b>	<b>344,555</b>

Investors should note that past results are not a guarantee of future performance.

## Appendix A – Historical and Pro Forma Financial Information

### AUMAKE AUSTRALIA PTY LIMITED STATEMENT OF CASH FLOWS FOR THE 15 MONTHS ENDED 30 JUNE 2015 AND THE TWO YEARS ENDED 30 JUNE 2016 AND 30 JUNE 2017

	Year ended 30-Jun-17 Audited \$	Year ended 30-Jun-16 Audited \$	15 months ended 30-Jun-15 Audited \$
<b>Cash flows from operating activities</b>			
Receipts from customers	10,178,997	3,061,281	2,249,863
Payments to suppliers and employees	(9,900,788)	(2,945,975)	(2,356,544)
Income tax paid	(4,047)	(2,939)	-
Net cash from operating activities	274,162	112,367	(106,681)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	-	-	100
Proceeds from borrowings	-	-	125,056
Repayment of borrowings	(29,704)	(125,056)	-
Net cash used in financing activities	(29,704)	(125,056)	125,156
Net increase/(decrease) in cash and cash equivalents	244,458	(12,689)	18,475
Cash and cash equivalents at the beginning of the financial year	5,786	18,475	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>250,244</b>	<b>5,786</b>	<b>18,475</b>

Investors should note that past results are not a guarantee of future performance.

## Appendix A – Historical and Pro Forma Financial Information

### AUGEND LIMITED CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	ITM Audited 30-Jun-17 \$	Augend Audited 30-Jun-17 \$	Pro forma Adj. Min. Unaudited 30-Jun-17 \$	Pro forma Adj. Max. Unaudited 30-Jun-17 \$	Pro forma Min. Unaudited 30-Jun-17 \$	Pro forma Max. Unaudited 30-Jun-17 \$
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	5	1,129,430	4,260	3,485,488	5,363,488	4,619,178	6,497,178
Trade and other receivables		196,301	-	-	-	196,301	196,301
Inventory	6	2,023,750	-	(1,100,000)	(1,100,000)	923,750	923,750
Other assets	7	295,468	2,126	(91,980)	(91,980)	205,613	205,613
<b>Total current assets</b>		<b>3,644,948</b>	<b>6,385</b>	<b>2,293,508</b>	<b>4,171,508</b>	<b>5,944,841</b>	<b>7,822,841</b>
<b>Non-current assets</b>							
Property, plant & equipment		118,612	-	-	-	118,612	118,612
Intangible assets	4	1,901,012	-	-	-	1,901,012	1,901,012
<b>Total non-current assets</b>		<b>2,019,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,019,624</b>	<b>2,019,624</b>
<b>Total assets</b>		<b>5,664,572</b>	<b>6,385</b>	<b>2,293,508</b>	<b>4,171,508</b>	<b>7,964,465</b>	<b>9,842,465</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	8	413,272	36,000	-	-	449,272	449,272
Interest bearing liabilities	9	2,542,977	-	(2,490,000)	(2,490,000)	52,977	52,977
Provisions		34,532	-	-	-	34,532	34,532
Related party loans	10	1,100,000	91,980	(1,191,980)	(1,191,980)	-	-
<b>Total current liabilities</b>		<b>4,090,781</b>	<b>127,980</b>	<b>(3,681,980)</b>	<b>(3,681,980)</b>	<b>536,781</b>	<b>536,781</b>
<b>Non-current liabilities</b>							
Interest bearing liabilities	9	67,076	-	-	-	67,076	67,076
<b>Total non-current liabilities</b>		<b>67,076</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,076</b>	<b>67,076</b>
<b>Total liabilities</b>		<b>4,157,857</b>	<b>127,980</b>	<b>(3,681,980)</b>	<b>(3,681,980)</b>	<b>603,857</b>	<b>603,857</b>
<b>Net assets</b>		<b>1,506,715</b>	<b>(121,595)</b>	<b>5,975,488</b>	<b>7,853,488</b>	<b>7,360,608</b>	<b>9,238,608</b>
<b>Equity</b>							
Issued capital	11	2,841,777	51,248,114	(43,602,028)	(41,724,028)	10,487,863	12,365,863
Reserves	12	-	-	220,000	220,000	220,000	220,000
Accumulated losses	13	(1,335,062)	(51,369,709)	49,357,516	49,357,516	(3,347,255)	(3,347,255)
<b>Total equity</b>		<b>1,506,715</b>	<b>(121,595)</b>	<b>5,975,488</b>	<b>7,853,488</b>	<b>7,360,608</b>	<b>9,238,608</b>

The unaudited consolidated pro forma statement of financial position represents the audited statement of financial position of the Company as at 30 June 2017 adjusted for the pro forma transactions outlined in Note 1 of this Appendix. It should be read in conjunction with the notes to the historical and pro forma financial information.

## Appendix A – Historical and Pro Forma Financial Information

### 1. Introduction

The financial information set out in this Appendix consists of the consolidated statement of financial position as at 30 June 2017 and the consolidated statements of financial performance and cash flows for the 15 months ended 30 June 2015 and the years ended 30 June 2016 and 30 June 2017 (“Historical Financial Information”) together with a pro forma consolidated statement of financial position as at 30 June 2017, reflecting the Directors’ pro forma adjustments (“Pro Forma Historical Financial Information”).

The Pro Forma Historical Financial Information has been compiled by adjusting the consolidated statements of financial position of the Company for the impact of the following subsequent events and pro forma adjustments.

#### Adjustments adopted in compiling the Pro Forma Historical Financial Information

The Pro Forma Historical Consolidated Information has been prepared by adjusting the Historical Financial Information to reflect the financial effects of the following pro forma transactions which are yet to occur, but are proposed to occur immediately before or following completion of the Offer:

#### Pro Forma Adjustments

- (i) The issue of 50,000,000 fully paid ordinary shares in the Company at \$0.08 each to raise \$4,000,000 before costs under the Minimum Offer and the issue of 75,000,000 fully paid ordinary shares in the Company at \$0.08 each to raise \$6,000,000 before costs under the Maximum Offer pursuant to the Prospectus;
- (ii) The payment of cash costs related to the Offer estimated to be \$514,512 under the Minimum Offer and \$636,512 under the Maximum Offer;
- (iii) Completion of the Acquisition of the Company by ITM through the issue of 95,083,151 Shares (“Consideration Shares”) and the issue of 50,000,000 performance shares (“Performance Shares”) to the ITM Shareholders;
- (iv) The issue of 42,937,500 Shares upon conversion of 229 unsecured convertible notes (“Conversion Notes”) in settlement of a \$2.29 million Convertible Notes liability;
- (v) The issue of 5,000,000 Shares to Mr Keong Chan, a Director of the Company, upon conversion of a \$200,000 interest free convertible loan (“Convertible Loan Shares”);
- (vi) The issue of 5,000,000 options over fully paid ordinary shares, exercisable at \$0.20 each with a 5-year expiry period (“Options”) to Mr Quentin Flannery, a Proposed Director of the Company;
- (vii) the issue of 5,875,000 Shares to Tourville Investments Pty Ltd, an entity controlled by Mr Keong Chan, in consideration for the introduction and facilitation of the Acquisition (“Facilitator Shares”);
- (viii) The settlement of a \$1,100,000 loan from a director (“Director’s Loan”) through providing stock on hand with an historical cost of the Director’s Loan amount; and
- (ix) An offer of 1 share at an issue price of \$0.08 (“Cleansing Offer”) for the purpose of section 708A(11) of the Corporations Act.

The Pro Forma Historical Financial Information has been presented in abbreviated form and does not contain all the disclosures usually provided in an Annual Report prepared in accordance with the *Corporations Act 2001*.



## Appendix A – Historical and Pro Forma Financial Information

### 2. Statement of significant accounting policies

#### (a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board and the *Corporations Act 2001*.

The Pro Forma Financial Information presented in the Prospectus has been compiled by adjusting the statement of financial position of the Company and reflecting the Directors' pro forma adjustments.

The significant accounting policies that have been adopted in the preparation and presentation of the historical and the Pro forma Historical Financial Information are:

#### (b) Basis of measurement

The historical and pro forma financial information has been prepared on the historical cost basis except for financial instruments classified at *fair value through profit or loss*, which are measured at fair value.

#### (c) Functional and presentation currency

These historical and pro forma financial information has been presented in Australian dollars which is the Company's functional currency.

#### (d) Principles of consolidation

The historical and pro forma financial information incorporates the assets, liabilities and results of entities controlled by the Company at the end of the pro forma reporting period. A controlled entity is any entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated entity have been eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

#### (e) Going concern

The historical and pro forma financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

#### (f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### *Sale of goods*

Sale of goods revenue is recognised upon dispatch of goods, which is where the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts

##### *Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

## Appendix A – Historical and Pro Forma Financial Information

### (g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 30 to 90 days.

### (i) Foreign currency translation

Both the functional and presentation currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### (k) Business combinations

The historical and pro forma financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit and loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

## Appendix A – Historical and Pro Forma Financial Information

### (l) Plant and equipment

#### (i) Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

#### (ii) Subsequent costs

Subsequent costs are only included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these subsequent costs will flow to the Company and the cost of the item can be measured reliably. Ongoing repairs and maintenance are recognised as an expense in profit and loss during the financial year in which they are incurred.

#### (iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office Equipment – over 5 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### (iv) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

#### (v) De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### (k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

### (l) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### (m) Share-based payment transactions

The Company provides benefits to employees and other parties in the form of share based payments, whereby the employees and parties provide services in exchange for shares and other securities in the Company. The cost of the equity settled share based payment transactions is determined by reference to the fair value of the equity instruments granted.

The fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/ and or service conditions are fulfilled ("vesting period").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) The grant date fair value;
- (ii) The extent to which the vesting period has expired; and
- (iii) The number of equity instruments that, in the opinion of the Directors of the Company, will ultimately vest.

## Appendix A – Historical and Pro Forma Financial Information

### (m) Share-based payment transactions (cont.)

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for equity instruments that do not ultimately vest, except for equity instruments where vesting is conditional upon a market condition.

### (n) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## Appendix A – Historical and Pro Forma Financial Information

### (o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



## Appendix A – Historical and Pro Forma Financial Information

### 3. Reverse acquisition of Augend

The proposed acquisition of ITM (the legal subsidiary) by the Company (the legal parent) is deemed to be a reverse acquisition as the substance of the transaction is such that the existing shareholders of ITM will obtain control of the Company. However, the Company is not considered to meet the definition of a business under AASB 3 *Business Combinations* (AASB 3) and, as such, it has been concluded that the Acquisition cannot be accounted for in accordance with the guidance set out in AASB 3. Therefore, consistent with the accepted practice for transactions similar in nature to the Acquisition, the Acquisition has been accounted for in financial information of the legal acquirer (the Company) as a continuation of the financial statements of the legal acquiree (ITM), together with a share based payment measured in accordance with AASB 2 *Share Based Payment* (AASB 2), which represents a deemed issue of shares by the legal acquiree (ITM), equivalent to current shareholders interest in the Company after the Acquisition. The excess of the assessed value of the share based payment over the net assets of the Company has been expensed to the income statement as a listing fee.

The Company (legal parent, accounting acquiree) will issue 95,083,151 ordinary shares and 50,000,000 performance shares to ITM's shareholders who, as a result, will own approximately 86.4%<sup>1</sup> of the combined entity at settlement of the Acquisition prior to the Offer. The remaining 13.6% will be owned by the current shareholders of the Company.

As there is no current market for ITM shares, the pro forma fair value of 100% of the Company is assessed as \$1,200,598 immediately prior to the Acquisition.

Consequently, a listing expense of \$1,322,193 has been expensed to the income statement which represents the excess of the deemed fair value of the share based payment less the pro forma net liabilities of the Company of \$121,595, immediately prior to settlement of the Acquisition, as set out below.

	Note	Unaudited Pro-forma 30-Jun-17 \$
Cash and cash equivalents	5	4,260
Other assets	7	2,126
Trade and other payables	8	(36,000)
Related party loans	10	(91,980)
<b>Net assets of the Company acquired on reverse acquisition</b>		<b>(121,595)</b>
Assessed fair value of asset acquired:		
- Post-consolidation Company shares on issue		15,007,480
- Post-consolidation value per share under the Prospectus		\$0.08
Deemed fair value of share-based payment, assessed in accordance with AASB 2 <sup>1</sup>		1,200,598
<b>Pro-forma listing expense recognised on reverse acquisition</b>		<b>1,322,193</b>

1. Calculations do not reflect the impact of the Offer or the Performance Shares

## Appendix A – Historical and Pro Forma Financial Information

### 4. Business combination

On 30 June 2017, ITM completed the acquisition of 100% of the issued capital of AuMake which resulted in the effective merger of ITM and AuMake for the total consideration transferred of \$2,960,725.

The AuMake Acquisition has been accounted for in the ITM financial statements as at 30 June 2017 and has been treated as a business combination in accordance with AASB 3 Business Combinations. At the date of the Prospectus, ITM had not yet completed the accounting for the AuMake Acquisition. In particular, the assets and liabilities of AuMake (including intangible assets) have only been determined provisionally as the independent valuations were not finalised.

	Note	AuMake Audited 30-Jun-17 \$	Adjustments \$	Pro-forma Unaudited 30-Jun-17 \$
<b>Assets</b>				
Cash and cash equivalents		250,244	-	250,244
Trade and other receivables		132,381	-	132,381
Other assets		151,575	-	151,575
Inventory		1,900,800		1,900,800
Property, plant & equipment		118,612		118,612
Intangible assets recognised		-	1,901,012	1,901,012
Total assets		2,553,612	1,901,012	4,454,624
<b>Liabilities</b>				
Trade and other payables		264,518	-	264,518
Interest bearing liabilities		94,848	-	94,848
Provisions		34,532	-	34,532
Related party loans	10	1,100,000	-	1,100,000
Total liabilities		1,493,898	-	1,493,898
<b>Net assets of AuMake acquired</b>				<b>2,960,726</b>
Scrip consideration paid to vendors of AuMake				1,925,434
AuMake loan from ITM forgiven on acquisition				1,035,291
<b>Total consideration</b>				<b>2,960,725</b>

## Appendix A – Historical and Pro Forma Financial Information

### 5. Cash and cash equivalents

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Cash and cash equivalents		1,129,430	4,619,178	6,497,178
Augend cash and cash equivalents as at 30 June 2017			1,129,430	1,129,430
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Cash acquired in the Acquisition	1(iii)		4,260	4,260
Proceeds from the Offer pursuant to the Prospectus	1(i)		4,000,000	6,000,000
Cash costs of the Offer	1(ii)		(514,512)	(636,512)
			3,489,748	5,367,748
<b>Pro-forma cash and cash equivalents</b>			<b>4,619,178</b>	<b>6,497,178</b>

### 6. Inventory

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Inventory		2,023,750	923,750	923,750
Augend inventory as at 30 June 2017			2,023,750	2,023,750
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Settlement of Director's Loan through provision of stock on hand	1(viii)		(1,100,000)	(1,100,000)
<b>Pro-forma trade and other receivables</b>			<b>923,750</b>	<b>923,750</b>

## Appendix A – Historical and Pro Forma Financial Information

### 7. Other assets

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Other assets		295,468	205,613	205,613
Augend other assets as at 30 June 2017			295,468	295,468
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Other assets acquired in the Acquisition	1(iii)		2,126	2,126
Elimination of loan from ITM to Augend on consolidation	1(iii)		(91,980)	(91,980)
			(89,855)	(89,855)
<b>Pro-forma other assets</b>			<b>205,613</b>	<b>205,613</b>

### 8. Trade and other payables

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Trade and other payables		413,272	449,272	449,272
Augend payables as at 30 June 2017			413,272	413,272
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Trade and other payables acquired in the Acquisition	1(iii)		36,000	36,000
<b>Pro-forma trade and other payables</b>			<b>449,272</b>	<b>449,272</b>

## Appendix A – Historical and Pro Forma Financial Information

### 9. Interest bearing liabilities

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Current interest bearing liabilities		2,542,977	52,977	52,977
Augend current interest bearing liabilities as at 30 June 2017			2,542,977	2,542,977
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Conversion of Convertible Notes liability to equity	1(iv)		(2,290,000)	(2,290,000)
Conversion of Convertible Loans liability to equity	1(v)		(200,000)	(200,000)
			(2,490,000)	(2,490,000)
<b>Pro-forma current interest bearing liabilities</b>			<b>52,977</b>	<b>52,977</b>
<b>Non-current interest bearing liabilities</b>		<b>67,076</b>	<b>67,076</b>	<b>67,076</b>

### 10. Related party loans

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Related party loans		1,100,000	-	-
Augend related party loans as at 30 June 2017			1,100,000	1,100,000
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Related party loan to ITM acquired on the Acquisition	1(iii)		91,980	91,980
Related party loan to ITM eliminated on consolidation	1(iii)		(91,980)	(91,980)
Settlement of related party loan through provision of stock on hand	1(viii)		(1,100,000)	(1,100,000)
			(1,100,000)	(1,100,000)
<b>Pro-forma related party loans</b>			<b>-</b>	<b>-</b>



## Appendix A – Historical and Pro Forma Financial Information

### 11. Issued capital

	Note	Number of shares Min	Pro Forma Min \$	Number of shares Max	Pro Forma Max \$
Augend issued share capital as at 30 June 2017		15,007,480	2,841,777	15,007,480	2,841,777
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>					
Fully paid ordinary shares issued at \$0.08 pursuant to this Prospectus	1(i)	50,000,000	4,000,000	75,000,000	6,000,000
Cash costs associated with the Offer net of costs incurred to date	1(ii)	-	(514,512)	-	(636,512)
ITM Consideration Shares issued on the Acquisition	1(iii)	95,083,151	1,200,598	95,083,151	1,200,598
Shares issued on conversion of Convertible Notes	1(iv)	42,937,500	2,290,000	42,937,500	2,290,000
Shares issued on conversion of Convertible Loan	1(v)	5,000,000	200,000	5,000,000	200,000
Facilitator Shares issued	1(vii)	5,875,000	470,000	5,875,000	470,000
Cleansing Offer Share	1(viii)	1	-	1	-
		198,895,652	7,646,086	223,895,652	9,524,086
<b>Pro-forma issued share capital</b>		<b>213,903,132</b>	<b>10,487,863</b>	<b>238,903,132</b>	<b>12,365,863</b>

### 12. Reserves

	Note	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Reserves		-	220,000	220,000
Augend reserves as at 30 June 2017			-	-
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>				
Cost of Options issued to directors	1(vi)		220,000	220,000
<b>Pro-forma reserves</b>			<b>220,000</b>	<b>220,000</b>

## Appendix A – Historical and Pro Forma Financial Information

### 12. Reserves (cont.)

#### (a) Options

Pursuant to the Offer, the Company will issue 5,000,000 Options to Mr Quentin Flannery, a Proposed Director of the Company. The pro forma fair value of the Options \$0.22 million.

The Options have been valued using a standard binomial pricing model based on the fair value of a Company share at the grant date, using the following assumptions:

Assumptions	Options
Stock price	\$ 0.08
Exercise price	\$ 0.20
Expiry period	5 years
Expected future volatility	90%
Risk free rate	2.0%
Dividend yield	0%

The terms and conditions for each set of Lead Manager Options are set out in section 15.4 of the Prospectus.

### 13. Accumulated losses

	Audited 30-Jun-17 \$	Pro-forma Minimum 30-Jun-17 \$	Pro-forma Maximum 30-Jun-17 \$
Accumulated losses	(1,335,062)	(3,347,255)	(3,347,255)
Augend accumulated losses as at 30 June 2017		(1,335,062)	(1,335,062)
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Listing fee recognised on reverse acquisition		(1,322,193)	(1,322,193)
Cost of Options issued to directors		(220,000)	(220,000)
Cost of Facilitator Shares issued		(470,000)	(470,000)
		(2,012,193)	(2,012,193)
<b>Pro-forma accumulated losses</b>		<b>(3,347,255)</b>	<b>(3,347,255)</b>

### 14. Related party disclosure

Following completion of the Offer, the Directors of the Company will be Jiahua (Joshua) Zhou, Gang Xu, Quentin Flannery and Lingye (Lyn) Zheng. Directors' holdings of shares, directors' remuneration and other directors' interests are set out in section 11 of the Prospectus.

### 15. Commitments and contingent liabilities

The company no capital commitments or contingent liabilities at 30 June 2017.

## Appendix A – Historical and Pro Forma Financial Information

### 16. Controlled entities

Consolidated Entities	Country of Incorporation	Pro forma interest held
Augend Limited	Australia	Parent
ITM Corporation Ltd	Australia	100%
AuMake Australia Pty Ltd	Australia	100%
Nanjing Sonata Trading Co. Ltd.	China	100%

## SECTION 13

# Corporate governance



## 13. CORPORATE GOVERNANCE

### 13.1 ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, commensurate with the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by the ASX Corporate Governance Council (**Recommendations**). The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on the Company's corporate governance procedures, policies and practices can be obtained from the Company website [www.aumake.com.au](http://www.aumake.com.au).

### 13.2 BOARD OF DIRECTORS

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

### 13.3 COMPOSITION OF THE BOARD

Election of Board members is substantially the province of the Shareholders in a general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.



Following Settlement, the Board is proposed to consist of five members. The Company has adopted a Nominations Committee Charter, but has not formally adopted a nominations committee. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity as to justify the formation of a nominations committee. The responsibilities of a Nomination Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

#### **13.4 IDENTIFICATION AND MANAGEMENT OF RISK**

Due to the size of the Company and the number of Directors, no formal risk management committee has been established. The Board recognises that, due to the Company, all Directors have responsibilities to recognise risks, bring them to the attention of the other Directors and actively apply controls to manage risks.

#### **13.5 ETHICAL STANDARDS**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

#### **13.6 INDEPENDENT PROFESSIONAL ADVICE**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising during their duties.

#### **13.7 REMUNERATION ARRANGEMENTS**

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

#### **13.8 TRADING POLICY**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of Shares in the Company by its key management personnel (i.e. Directors and employees). The policy generally provides that Directors and employees should advise the company secretary, or in his absence, a Director, of any purchase or sale of Shares in Augend Ltd (to be renamed 'AuMake International Limited') within two business days.

#### **13.9 EXTERNAL AUDIT**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

#### **13.10 AUDIT COMMITTEE**

Due to the size and structure of the Company, the Company has not established a formal audit committee. The Board, having the ability to seek external independent and individual advice at the Company's expense, believes that this facility provides a sufficient mechanism for a Director to gain assurance of the integrity of the financial statements of the Company and the independence and opinion of the external auditor.

### **13.11 DIVERSITY POLICY**

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

### **13.12 DEPARTURES FROM RECOMMENDATIONS**

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's departures from the Recommendations will also be announced prior to admission to the official list of the ASX.

## SECTION 14

# Material contracts



## 14. MATERIAL CONTRACTS

### 14.1 ACQUISITION AGREEMENT

Settlement The key terms of the Acquisition Agreement are as follows:

- (a) **(Acquisition):** The Company agrees to acquire and the ITM Shareholders each agree to sell all of their ITM Shares, free from encumbrances, including the business and assets of ITM, for the consideration detailed below;
- (b) **(Consideration):** in consideration for the Acquisition, the Company will issue 95,083,151 Shares (on a post-Consolidation basis) to the ITM Shareholders (or their nominees) in proportion to their existing interest in ITM;
- (c) **(Performance Shares):** subject to the satisfaction or waiver of the Conditions Precedent (defined below), the Company agree to issue of an aggregate 50,000,000 Performance Shares (on a post-Consolidation basis) to the founding ITM Shareholders, on the terms and conditions set out in Section 15.3;
- (d) **(Conditions Precedent):** completion of the Acquisition is conditional upon the satisfaction or waiver of the following Conditions Precedent:
  - i. **Company Due Diligence:** completion of financial, legal and technical due diligence by the Company on ITM, its business and operations;
  - ii. **ITM Due Diligence:** completion of financial, legal and technical due diligence by ITM on the Company, its business and operations;
  - iii. **Shareholder Approvals:** the Company obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act 2001 (Cth) (**Corporations Act**) or any other law to allow the Company to lawfully complete the matters set out in the Acquisition Agreement (together the **Shareholder Approvals**);
  - iv. **Regulatory Approvals:** the Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Acquisition Agreement, including but not limited to, approval to reinstatement to the Official List following completion of the Acquisition on satisfactory conditions by the Company;
  - v. **Third Party Consents:** the Company and ITM obtaining all necessary third party consents to allow the Company to lawfully complete the matters set out in the Acquisition Agreement;
  - vi. **Consolidation:** completion of the Consolidation of capital by the Company as required for the Company to be reinstated to the Official List following completion of the Acquisition;
  - vii. **Re-compliance Capital Raising:** completion of the Public Offer by the Company using a Prospectus to raise a minimum of not less than \$4,000,000 and up to \$6,000,000;
  - viii. **Performance Shares:** the Company obtaining approval from the ASX that the terms of the Performance Shares satisfy the ASX Listing Rule 6.1. The Parties will agree any necessary amendments to the terms of the Performance Shares required to obtain the ASX approval;
  - ix. **No Material Adverse Change:** there being no material adverse change in the circumstances of the Company or ITM prior to completion of the Acquisition;
  - x. **Company's Financial Position:** the Company providing evidence to ITM's satisfaction that at completion of the Acquisition, the Company will have a cash balance of at least \$4,100,000 and total liabilities not exceeding \$100,000;
  - xi. **Company Warranties:** none of the Company's representations and warranties contained in the Acquisition Agreement becoming untrue, incorrect or misleading prior to completion of the Acquisition; and

- xii. **ITM Warranties:** none of ITM's representations and warranties contained in the Acquisition Agreement becoming untrue, incorrect or misleading prior to completion.
- (e) **(Board Changes):** on completion of the Acquisition, Messrs Robert Di Russo and Derek Jones will retire and Mr Gang Xu, Mr Jiahua (Joshua) Zhou, Mr Quentin Flannery and Ms Lingye Zheng will be appointed as directors. Mr Keong Chan will remain a director of the Company upon completion of the Acquisition;
- (f) **(Proposed Options):** subject to the satisfaction or waiver of the Conditions Precedent, the Company agrees to issue 5,000,000 Options (on a post-Consolidation basis) to Proposed Director, Mr Quentin Flannery, on the terms set out in Section 15.4;
- (g) **(Facilitation Fee):** subject to the satisfaction or waiver of the Conditions Precedent, the Company will issue to Tourville Investments Pty Ltd (or its nominees), a company controlled by Director Mr Keong Chan, 5,875,000 Shares (on a post-Consolidation basis) in consideration for the introduction and facilitation of the Acquisition to the Company and ITM;
- (h) **(Change of name)** on completion of the Acquisition, the Company will change its name to "Aumake International Limited".

The Acquisition Agreement also contains representations, warranties and conditions considered standard for an agreement of its nature.

## 14.2 CONVERTIBLE NOTE DEEDS

ITM has procured valid subscriptions from investors (**Subscribers**) for a total of 229 unsecured convertible notes each with a face value of \$10,000 equating to a total value of \$2,290,000 (**Convertible Notes**).

In accordance with the terms of the Acquisition Agreement, each Convertible Note will automatically convert into Shares at a conversion price equal to a 33% discount to the issue price of Shares to be issued under the Public Offer.

Each Convertible Note accrues interest at a rate of 3% per annum from the date of subscription until the date the notes are converted payable in cash.

As such, the Company will issue an aggregate 42,937,500 Shares to the Subscribers upon the automatic conversion of the Convertible Notes.

The Convertible Notes otherwise contain terms and conditions that are considered standard for agreements of its nature.

## 14.3 CONVERTIBLE LOAN

On 5 August 2016, ITM and Mr Keong Chan, a Director of the Company, entered into a convertible loan agreement pursuant to which Mr Chan agreed to provide ITM with an interest free loan for \$200,000 for working capital purposes (**Convertible Loan**).

In accordance with the terms of the Acquisition Agreement, the Convertible Loan will automatically convert into Shares at a conversion price equal to a 50% discount to the issue price of Shares to be issued under the Public Offer.

As such, the Company will issue an aggregate 5,000,000 Shares to Mr Chan (or his nominee) upon the automatic conversion of the Convertible Loan.

The Convertible Loan otherwise contain terms and conditions that are considered standard for agreements of its nature.

## 14.4 EXECUTIVE SERVICES AGREEMENTS

The Company has entered into executive services agreements (**Executive Service Agreement** or **Executive Services Agreements** as the context requires) as outlined below commencing on the date the Company is admitted to the Official List until such time that each Executive Services Agreement is validly terminated in accordance with its terms (**Term**).

The position and remuneration of each of the executives commencing on the date the Company is admitted to the Official List is set out below:



- Jiahua Zhou will be appointed as the Managing Director of the Company and is entitled to a base salary of \$120,000 per annum to be reviewed annually;
- Gang Xu will be appointed as an Executive Director of the Company and is entitled to a base salary of \$120,000 per annum to be reviewed annually; and
- Keong Chan will be appointed as the Executive Chairman of the Company and is entitled to a base salary of \$120,000 per annum to be reviewed annually.

In addition, Peter Zhao (**CFO Agreement**) was appointed as the Chief Financial Officer of the Company commencing on 1 July 2017 until such time that it is validly terminated in accordance with the CFO Agreement. Mr Zhao is entitled to a salary of \$10,000 per month to be reviewed upon the Company's admission to the Official List and to be reviewed on 30 June each year thereafter.

Each executive may also be entitled to (subject to the satisfaction of specified milestones) a performance-based bonus above their respective salary. Each of the Executive Services Agreements contain various other terms and conditions that are considered standard for agreements of this nature, including those relating to termination of employment.

#### 14.5 NON-EXECUTIVE LETTERS OF APPOINTMENT

The Company entered into non-executive letters of appointment with Mr Quentin Flannery and Ms Lingye (Lyn) Zheng (**Non-Executive Agreements** or **Non-Executive Agreement** as the context requires) pursuant to which both Mr Flannery and Ms Zheng were appointed as non-executive directors of the Company effective until the Company's next annual general meeting at which point each director must retire and stand for re-election pursuant to the Company's Constitution.

Mr Flannery will be remunerated \$36,000 per annum and Ms Zheng will be remunerated \$36,000 per annum. Mr Flannery and Ms Zheng are also entitled to additional payments for devoting special attention to business outside the scope or ordinary duties and is entitled to reasonable expenses properly incurred whilst undertaking their respective duties as well as equity or other incentive based remuneration.

Both Mr Flannery and Ms Zheng will be entitled to be reimbursed reasonable expenses incurred in performing their duties, including the cost of attending Board meetings, travel, accommodation and entertainment where agreed to by the Board.

#### 14.6 DEEDS OF INDEMNITY, INSURANCE AND ACCESS

The Company has entered into deeds of indemnity, insurance and access with each of its existing Directors and Proposed Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers and other documents provided to the Board in certain circumstances.

## SECTION 15

# Additional information



## **15. ADDITIONAL INFORMATION**

### **15.1 LITIGATION**

As at the date of this Prospectus, neither the Company nor ITM nor any of their respective subsidiaries are involved in any material legal proceedings and the Directors and Proposed Directors are not aware of any legal proceedings pending or threatened against the Company or ITM or any of their respective subsidiaries.

### **15.2 RIGHTS AND LIABILITIES ATTACHING TO SHARES (INCLUDING SHARES TO BE ISSUED UNDER THE OFFERS)**

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- i. each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ii. on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- iii. on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors' determine.

**(d) Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

**(e) Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

**(f) Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

**(g) Future increase in capital**

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and other Securities as they shall, in their absolute discretion, determine.

**(h) Variation of rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

**(i) Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### **15.3 RIGHTS ATTACHING TO PERFORMANCE SHARES**

The rights attaching to the Performance Shares are set out below:

- (a) **(Performance Shares)** Each Class A Performance Share and Class B Performance Share (together and each being a **Performance Share**) is a share in the capital of the Company.
- (b) **(General meetings)** Each Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**). Holders have the right to attend general meetings of Shareholders.
- (c) **(No voting rights)** A Performance Share does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.
- (d) **(No dividend rights)** A Performance Share does not entitle the Holder to any dividends.



- (e) **(No rights to return of capital)** A Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (f) **(Rights on winding up)** A Performance Share does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.
- (g) **(Not transferable)** A Performance Share is not transferable.
- (h) **(Reorganisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (i) **(Application to ASX)** The Performance Shares will not be quoted on the ASX. However, if the Company is listed on the ASX at the time of conversion of the Performance Shares into fully paid ordinary shares (Shares), the Company must within 10 Business Days apply for the official quotation of the Shares arising from the conversion on the ASX.
- (j) **(Participation in entitlements and bonus issues)** A Performance Share does not entitle a Holder (in their capacity as a holder of a Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (k) **(No other rights)** A Performance Share gives the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

#### **Conversion of the Performance Shares:**

- (l) **(Conversion on achievement of milestone)** Subject to paragraph (m), a Performance Share in the relevant class will convert into one Share upon achievement of:
  - i. **Class A Performance Share:** each Class A Performance Shares will vest into one Share upon the Company achieving total sales revenue of \$25,000,000 at an average of 13% gross profit margin over a 12 month period based on the Company's audited accounts (**Class A Milestone**); and
  - ii. **Class B Performance Share:** each Class B Performance Shares will vest into one Share upon the Company achieving total sales revenue of \$60,000,000 at an average of 13% gross profit margin over a 12 month period based on the Company's audited accounts (**Class B Milestone**).
- (m) **(Deferral of conversion if resulting in a prohibited acquisition of Shares)** If the conversion of a Performance Share under paragraph (l) would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) (**General Prohibition**) then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:
  - i. Holders may give written notification to the Company if they consider that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
  - ii. The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (m)i within seven days (7) if the Company considers that the conversion of a Performance Share may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
- (n) **(Lapse of Performance Share)** each Performance Share shall expire on the date that is five (5) years from the date of issue (**Expiry Date**) if the relevant Milestone attached to that Performance Share has not been achieved, at which time the Company will redeem the relevant Performance Shares in accordance with paragraph (p) below.



- (o) **(Redemption if Milestone not achieved)** If the relevant Milestone is not achieved by the Expiry Date, then each Performance Share in the relevant class will be automatically redeemed by the Company for the sum of \$0.00001 within 10 Business Days of the Expiry Date.
- (p) **(Conversion procedure)** The Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Share within 10 Business Days following the conversion.
- (q) **(Ranking upon conversion)** The Share into which a Performance Share may convert will rank pari passu in all respects with existing Shares.

## 15.4 TERMS OF OPTIONS

The terms and conditions of the Options proposed to be issued to Quentin Flannery are as follows:

### (a) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

### (b) Exercise Price

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**).

### (c) Expiry Date

Each Option will expire at 5:00 pm (WST) on the date which is five (5) years from the date of issue of the Options (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### (d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

### (e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

### (f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

### (g) Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- i. issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- ii. if required, give the ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with the ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- iii. if admitted to the official list of the ASX at the time, apply for official quotation on the ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)ii for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with the ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**(h) Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the issued shares of the Company.

**(i) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(j) Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

**(k) Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

**(l) Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

## **15.5 INTERESTS OF DIRECTORS AND PROPOSED DIRECTORS**

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:

- i. its formation or promotion; or

- ii. the Offers; or

the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (c) as an inducement to become, or to qualify as, a Director; or
- (d) for services provided in connection with:
  - i. the formation or promotion of the Company; or
  - ii. the Offers.

## 15.6 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity relating to the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (c) the formation or promotion of the Company;
- (d) any property acquired or proposed to be acquired by the Company in connection with:
  - i. its formation or promotion; or
  - ii. the Offers; or
- (e) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (f) the formation or promotion of the Company; or
- (g) the Offers.

RSM Corporate Australia Pty Ltd has acted as Investigating Accountant of the Company and has prepared the Investigating Accountant's Report which is included in Section 12 of this Prospectus. The Company estimates it will pay RSM Corporate Australia Pty Ltd a total of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSM Corporate Australia Pty Ltd has not received fees from the Company except for those received for preparation of the Independent Accountants's Report.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers. The Company expects that it will pay Steinepreis Paganin \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has acted for the Company and has received \$40,000 in fees (excluding GST and disbursements) from the Company for legal services provided to the Company.

RSM Australia Partners has acted as Auditor of the Company. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSM Australia Partners has received \$10,000 (excluding GST) in fees from the Company for services provided to the Company.

## 15.7 CONSENTS

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 15.7:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;

- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

RSM Corporate Australia Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 11 of this Prospectus in the form and context in which the information and report is included. RSM Corporate Australia Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

RSM Australia Partners has given its written consent to being named as Auditor of the Company in this Prospectus. RSM Australia Partners has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Ltd has given its written consent to being named as share registry of the Company in this Prospectus. Computershare Investor Services Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

The Proposed Directors have each given their written consent to being named as the proposed directors of the Company and to all other information relevant to them in this Prospectus. The Proposed Directors have not withdrawn their consents prior to the lodgement of this Prospectus with the ASIC.

## 15.8 EXPENSES OF THE OFFERS

The total expenses of the Offers (excluding GST) are estimated to be approximately \$514,512 for the Minimum Subscription or \$636,512 for the Maximum Subscription and are expected to be applied towards the items set out in the table below:

ITEM OF EXPENDITURE	MINIMUM SUBSCRIPTION (\$4,000,000)	MAXIMUM SUBSCRIPTION (\$6,000,000)
ASIC fees	\$2,400	\$2,400
ASX fees	\$77,112	\$79,112
Broker Fees	\$240,000	\$360,000
Legal fees	\$100,000	\$100,000
Investigating Accountant's fees	\$10,000	\$10,000
Printing and Distribution	\$25,000	\$25,000
Miscellaneous	\$60,000	\$60,000
<b>TOTAL</b>	<b>\$514,512</b>	<b>\$636,512</b>

## 15.9 CONTINUOUS DISCLOSURE OBLIGATIONS

As the Company is admitted to the ASX's Official List, the Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website ([www.aumake.com.au](http://www.aumake.com.au)) after the

ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

#### **15.10 ELECTRONIC PROSPECTUS**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form and fully read those documents. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain an electronic copy of this Prospectus from the website of the Company at [www.aumake.com.au](http://www.aumake.com.au).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **15.11 GOVERNING LAW**

The Offers and the contracts formed on return of an Application Form are governed by the laws applicable in Western Australia, Australia. Each person who applies for Shares pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.



## SECTION 16

# Directors authorisation



## 16. DIRECTORS AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director and each Proposed Director has consented to the lodgement of this Prospectus with the ASIC.



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Keong Chan

**Director**

**For and on behalf of**

**AUGEND LTD**

## SECTION 17

# Glossary





## 17. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**\$** means an Australian dollar.

**Acquisition** means the acquisition of the ITM Shares from the ITM Shareholders in accordance with the terms and conditions set out in the Acquisition Agreement.

**Acquisition Agreement** means the Acquisition Agreement between the Company, ITM and the ITM Shareholders dated 30 June 2017.

**Acquisition Resolutions** means those Shareholder resolutions referred to in Section 6.5 of this Prospectus to be considered at the General Meeting, as described in further detail in the Notice of Meeting.

**General Meeting** means the meeting of Shareholders to be held on 12 September 2017 at which the Shareholders will consider and vote on the resolutions outlined in the Notice of Meeting including the Acquisition Resolutions.

**Applicant** means a person or other entity that applies for Shares under this Prospectus.

**Application Form** means an application form attached to or accompanying this Prospectus relating to the Public Offer.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means the Australian Securities Exchange Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** or **Listing Rules** means the official listing rules of ASX.

**AuMake Australia** means AuMake Australia Pty Ltd (ACN 168 835 489).

**Aumake Business** means the consolidated business of AuMake Australia and ITM.

**Board** means the board of Directors as constituted from time to time.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.

**Cleansing Offer** means the offer of 1 Share as set out in Section 7.2.

**Cleansing Offer Application Form** means the application form attached to or accompanying this Prospectus relating to the Cleansing Offer.

**Cleansing Offer Closing Date** means the closing date of the Cleansing Offer as set out in the indicative timetable in the Key Offer Information Section of this Prospectus (subject to the Company reserving the right to extend the Cleansing Offer Closing Date or close the Cleansing Offer early).

**Closing Date** means the closing date of the Public Offer as set out in the indicative timetable in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Public Offer early).

**Company** means Augend Ltd (ACN 150 110 017) (to be renamed "AuMake International Ltd").

**Condition** has the meaning set out in Section 2.6.

**Conditions Precedent** means the conditions precedent of the Acquisition Agreement as set out in section 14.1.

**Consideration Shares** means 95,083,151 Shares.

**Consolidation** means the consolidation of the issued securities of the Company existing at the date of the Notice of Meeting on a one (1) for six (6) basis (rounded up to the nearest whole number).

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**ITM** means ITM Corporation Limited (ACN 605 374 570).

**ITM Shareholders** means:

- (a) Chen & Xing Pty Ltd ATF The Gang Xu Super Fund;
- (b) LC Alliance Pty Ltd;
- (c) Ms. Xuefeng Shen;
- (d) Mr Jie Chen;
- (e) Duret Holdings Pty Ltd;
- (f) Silktree Investments Pty ATF Peter Vassileff Super A/C;
- (g) Peter Vassileff ATF Pitch Investment A/C;
- (h) New Age Group Co Limited;
- (i) Mr Xiangjun Bai;
- (j) Ashling Turner;
- (k) Mr Joel Peter Fishlock ATF Ivanhoe Investments a/c;
- (l) Mr Jiahua Zhou; and
- (m) Mr Guoxian Zheng.

**ITM Shares** means 100% of the issued shares of ITM.

**Notice of Meeting** means the notice of General Meeting and explanatory statement of the Company released on the ASX on 9 August 2017 in relation to the General Meeting.

**Offers** means the Cleansing Offer and the Public Offer or either one of them as the context requires.

**Official List** means the official list of the ASX.

**Official Quotation** means official quotation by the ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share, issued on the terms and conditions set out in Section 15.4.

**Optionholder** means a holder of an Option.

**Performance Shares** is a share in the capital of the Company awarded to Directors or employees of the Company on satisfactory delivery of performance hurdles, issued on the terms and conditions set out in Section 15.3.

**Public Offer** means the offer pursuant to this Prospectus, as set out in Section 7.1 of 50,000,000 Shares at an issue price of \$0.08 per Share to raise \$4,000,000, with the ability to accept oversubscriptions of a further \$2,000,000 through the issue of an additional 25,000,000 Shares at an issue price of \$0.08 per Share.

**Proposed Directors** means Mr Jiahua (Joshua) Zhou, Mr Gang Xu, Mr Quentin Flannery and Ms Lingye (Lyn) Zheng who will be appointed to the Board of the Company upon Settlement of the Acquisition.

**Prospectus** means this prospectus.

**Section** means a section of this Prospectus.

**Security** means a security issued or to be issued in the capital of the Company, including a Share or an Option.

**Settlement** means Settlement of the Acquisition in accordance with the terms of the Acquisition Agreement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time as observed in Perth, Western Australia.



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ACN 150 110 017

(outside Australia) +61 3 9415 4000

This Application Form is important. If you are in doubt as to how to deal with it, please contact your professional advisers before deciding whether to apply for Shares. You should read the Augend Ltd Prospectus dated 21 August 2017 and any relevant Supplementary Prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant Supplementary Prospectus (whether in paper or electronic form).

<b>A</b> I/we apply for <table border="1" style="display: inline-table; border-collapse: collapse; width: 100px; height: 30px; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table> Shares at A\$0.08 per Share								<b>B</b> I/we lodge full Application Money <table border="1" style="display: inline-table; border-collapse: collapse; width: 150px; height: 30px; vertical-align: middle;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>													

or such lesser number of Shares which may be allocated to me/us.

<b>B</b> PAY	<a href="http://WWW.AUMAKEINVESTORS.COM.AU">WWW.AUMAKEINVESTORS.COM.AU</a>	<b>IF YOU WISH TO PAY YOUR APPLICATION MONEY VIA BPAY®, VISIT THE AUMAKE OFFER WEBSITE <a href="http://WWW.AUMAKEINVESTORS.COM.AU">WWW.AUMAKEINVESTORS.COM.AU</a> TO MAKE AN ONLINE APPLICATION.</b>
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[illegible]

**D** Enter the postal address - include State and Postcode

Unit	Street Number	Street Name or PO Box/Other information

City/Suburb/Town	State	Postcode

E

Enter your contact details

Contact Name

Telephone Number - Business Hours

(

)

Email Address

<b>F</b> <b>CHESS Participant</b>									
Holder Identification Number (HIN)									
<b>X</b>									

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the issuer sponsored subregister.

**G Payment details** - Please note that funds are unable to be directly debited from your bank account

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A\$

**Make your cheque, bank draft or money order payable to 'Augend Ltd' and cross it 'Not Negotiable'.**

- I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant Supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of Augend Limited.

See overleaf for completion guidelines ➡

Sample:000001/000001/:12

## How to complete this Application Form

### A Number of Shares applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 25,000 Shares (A\$2,000.00). Applications for greater than 25,000 Shares must be in multiples of 12,500 Shares (A\$1,000.00).

### B Application Money

Enter the amount of Application Money. To calculate the amount, multiply the number of Shares applied for in section A by the Issue Price of A\$0.08.

### C Applicant Name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

### D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

### E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

### F CHES

Augend Limited will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Augend Ltd and allocated a Securityholder Reference Number (SRN).

### G Payment

Make your **cheque, bank draft or money order** payable in Australian dollars to **'Augend Limited'** and cross it **'Not Negotiable'**. Cheques must be drawn from an Australian bank. Cash will not be accepted. The total payment amount must agree with the amount shown in section B. Complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as dishonoured cheques may not be represented and may result in your Application being rejected. Paperclip (do not staple) your cheque to the Application Form. Receipts will not be forwarded. Funds cannot be directly debited from your bank account. If you wish to pay your Application Money via **BPAY**, visit the AuMake Offer website [www.aumakeinvestors.com.au](http://www.aumakeinvestors.com.au) to make an online application.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Augend Limited is upon and subject to the terms of the Prospectus and the Constitution of Augend Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm AEST on the Closing Date. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

**Computershare Investor Services Pty Limited, GPO Box 52, MELBOURNE VIC 3001**

Neither CIS nor Augend Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

### Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

### Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Augend Ltd. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund





**AuMake International Limited**  
7 Bourke Street  
North Parramatta NSW 2151