

June 2018 Quarterly Report

Highlights

Quarterly Financials

- **Continued material improvement** in financial performance for the June 2018 quarter:
 - > **Sales:** \$7.04m¹ (March 2018 quarter: \$5.13m) **up 37%**
 - > **Gross profit:** \$1.08m (March 2018 quarter: \$0.82m) **up 31%**
 - > **Gross margin:** 15.4% (March 2018 quarter: 16.0%) **stable** despite seasonal low for Chinese tourist visits to Australia
 - June month – **16.7%** gross margin
- **Owned Brand Sales:** \$374,000 (March 2018 quarter: \$273,000) **up 37%**
- **Strong same store² growth** of 19% (sales) and 10% (profit) over the March 2018 quarter
- **Operating cashflow:** Significant **44% decrease in operating expenditure** from \$3.05m (March 2018 quarter) to \$1.71m (June 2018 quarter)
 - > Reflecting increasing gross profitability and operational cost stability
 - > **Current trend indicating total operational cost breakeven during 2019 financial year**

Notes

1. Includes all Australian retail and online operations, including four weeks of Kiwi Buy trading.
2. Some stores include Parramatta, Hurstville, Pitt St, CBD, Eastwood, Townhall flagship store, Haymarket Daigou Hub and Auburn warehouse showroom.



Burwood Daigou
Hub opening



Highlights (continued)

Quarterly Activities

Australian Retail Stores:

- Increasing revenue and gross profit despite tourist low season
- Successful opening of Burwood Daigou Hub in early June 2018
- Acquisition and smooth integration of five (5) Kiwi Buy stores strengthening AuMake's position in the Sydney market for daigou and Chinese consumers
- Consolidation of two original AuMake stores in Eastwood

Online:

- Launch of AuMake JD.com store front
- Acquisition of www.kiwibuy.com and associated App
- 16% increase in WeChat members to 58,000 (50,000 in March 2018 quarter)
 - > With the addition of Kiwi Buy an average of 1,000 WeChat members are being added per week

AuMake Owned Brands

- Introduction of 'AU8' skincare product range during the quarter achieving consistent sales
- Focus on the creation of a number of new products within existing owned brand categories and creation of new product categories
- Chemsave partnership announced in April and 32 AuMake product display units introduced to Chemsave pharmacies in NSW and ACT, with Victoria and Queensland to follow in September. Early sales encouraging

China

- Formal launch of Xiamen Daigou Hub in early June 2018 with recruitment of over 200 Daigou members and sales of \$3,000 per week and growing
- Negotiations with a number of significant China based distributors are in advanced stages for distribution of AuMake owned brand products in China

Growth and Outlook

- With Australian domestic operations stable, the Company is focusing on leveraging its leadership position to open distribution channels in China to provide exponential growth opportunities
- Strong growth outlook with further consistent financial improvement anticipated for September 2018 quarter
- New revenue stream with high margin added from promoting Australian brands into China, approximately \$120,000 in receipts with further forward booked orders are expected in September 2018 quarter



Burwood Daigou Hub



AuMake Owned Brand products in Chemsave store



AU8 products in Chemsave store



Kiwi Buy World Square (Sydney) store



(Sydney, Australia) – AuMake International Limited (AuMake or the Company) is pleased to provide the following report and associated Appendix 4C in relation to the June 2018 quarter.

Quarterly Financial Review

Material improvement in overall financial performance

Financial performance has continued to materially improve during the June 2018 quarter:

- Record sales¹: \$7.04m (up 37%)
- Record gross profit: \$1.08m (up 31%)
- Stable gross margin: 15.4% (16.9% month of June 2018)

AuMake Owned Brand Sales of \$374,000 for the June quarter represent a 37% increase in sales and 35% increase in gross profit relative to the March 2018 quarter.

- During the period, ‘AU8’ skincare was added to AuMake’s owned brand range with pleasing initial sales results. The positive sales trend for the AU8 range is continuing and represented 4% of total owned brand sales for the period.

Same store² growth continued strongly in the June quarter, with a 19% sales and 10% profit increase over the March 2018 quarter.

Operating cashflow has improved significantly this quarter with a 44% decrease in expenditure from \$3.05 million (March 2018 quarter) to \$1.71 million. This pleasing result can be attributed to continued improvement in gross profitability against a stabilising cost base and improved operational efficiencies.

As can be observed from this quarterly report, the Company is making strong progress towards **total operational breakeven during the 2019 financial year** and looks forward to updating the market accordingly. This includes all operational and marketing costs related to existing retail stores (including the Xiamen Daigou Hub in China), online and ecommerce activities, and corporate head office (including employee costs).

The Company does not anticipate any capital raising to fund its operations as it is sufficiently capitalised to execute its growth strategies over the next 12–18 months. Any additional future sales and subsequent profitability from new China or Australian based distribution initiatives (such as Chemsave and JD.com) have not been factored into this assessment of operational breakeven.

During the quarter \$700,000 was invested in opening the Burwood Daigou Hub (June 2018), in addition to minor refurbishments and equipment upgrades in three (3) existing stores.

In relation to the Appendix 4C:

- Slight timing difference between sales and cash receipts arose from Kiwi Buy acquisition
- the Company purchased \$6.272 million of inventory comprising of \$5.972 million COGS and \$300,000 in additional inventory for the five (5) newly acquired Kiwi Buy stores.

Strong financial position

At the end of the June 2018 quarter, the Company’s financial position is \$15.1 million for current assets (cash at bank was \$10.7 million with \$3.6 million in inventory).

Further detail in relation to the Company’s overall financial performance is provided below under Quarterly Activities.



AuMake Owned Brand products in Chemsave store



AU8 owned brand

Notes

1. Includes all Australian retail and online operations, including four weeks of Kiwi Buy trading.
2. Same stores include Parramatta, Hurstville, Pitt St, CBD, Eastwood, Townhall flagship store, Haymarket Daigou Hub and Auburn warehouse showroom.



Review of Quarterly Activities

Australian Retail Stores

Overall sales and gross profit have continued to increase, despite a seasonal low with a percentage of Chinese tourists avoiding Australian winter.

AuMake closed one of two original stores in Eastwood (235 Rowe Street) in May, with customers consolidated to the nearby store at 174 Rowe Street. 235 Rowe St had lower than average gross margin and after its closure in May, the group gross margin has increased by almost 1% in the month of June.

The Burwood Daigou Hub opened in early June 2018 and is now one of the Company's best performing stores with an average gross margin of 16%. Located in Burwood, a key and influential daigou community in Sydney, the Burwood Daigou Hub has further improved AuMake's brand recognition and reputation with this primary target customer.

The integration of Kiwi Buy and its five (5) Sydney based retail stores was a successful transition with a positive financial contribution from the first week of June 2018 at an average gross margin of 20% across all five locations. The Company remains highly optimistic of continued strong financial contribution from this acquisition.



Burwood Daigou Hub

Online

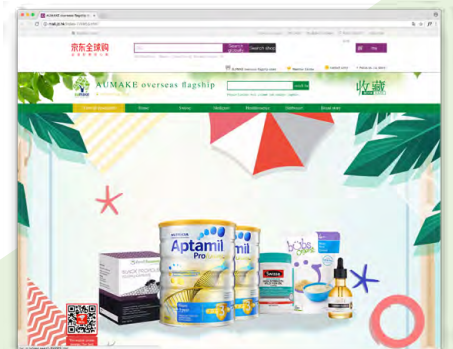
During the quarter, AuMake opened a storefront on the JD.com platform in China for the primary promotion of AuMake owned brand products. This significant achievement followed many months of rigorous due process, validating AuMake's position in the market as a supplier and distributor of Australian products into China.

As a result of early positive sales growth via the platform, the Company is in discussion with JD.com on a wider collaboration, which the market will be updated on at the appropriate time.

The acquisition of Kiwi Buy, including www.kiwibuy.com and the Kiwi Buy App, has significantly increased AuMake's online capability. Current trends indicate that approximately 50% of Kiwi Buy sales are received via www.kiwibuy.com and the Kiwi Buy App. In addition, the Company is also experiencing an average growth of 1,000 WeChat members per week to its online database.



Kiwi Buy store



AuMake storefront on JD.com



AuMake Owned Brands

AU8, a newly developed skincare product range, was launched during the quarter. The range includes a mouth freshener, serums and creams. Early sales trends are positive with the range representing 4% of total owned brand sales for the June quarter.

AuMake allocated significant resources during the quarter to expedite the creation of new products within existing and new categories, in recognition of their contribution to gross profitability.

Following the announcement of the Chemsave partnership in April, AuMake product display units were introduced to 32 Chemsave pharmacies in New South Wales and the ACT, with positive sales momentum. The rollout to Victoria and Queensland Chemsave stores will continue over the next two months. A dedicated marketing program to promote AuMake products in Chemsave catalogues is scheduled during the September 2018 quarter.



AU8 Skincare product

China

Since the formal opening of the Xiamen Daigou Hub in mid May 2018, the Hub has recruited over 200 Daigou members and is achieving average sales of \$3,000 per week at the end of the June 2018 quarter and growing.

The Company has also been approached by a number of high profile and well-known distributors in China including E-commerce platforms to discuss the distribution of AuMake owned brand products in China. This reflects AuMake's success in increasing the popularity of new products with daigou and Chinese tourists through its operations in Australia. This enhances the appeal for China based distributors to promote and sell the same products in China.

While the Company continues to focus on the growth of its Australian operations, AuMake also recognises the strategic importance of distribution channels to China and is dedicating appropriate resources to capitalise on these opportunities for exponential growth.





Growth and outlook

Keong Chan, Execution Chairman states:

“The June 2018 quarter has been another period of strong growth and progress for AuMake.

The stabilisation of operational costs and increasing profitability from the AuMake business, including the Kiwi Buy acquisition, has allowed management to work towards the achievement of total operational breakeven during the 2019 financial year.

The achievement of operational breakeven will be a significant milestone given the scale of the AuMake business, which now encompasses thirteen (13) retail stores in Sydney, one (1) Daigou Hub in China, online functionality and a corporate head office consisting of 30 experienced staff in the areas of marketing, procurement and finance to cater for the growth of our business.

An additional and reoccurring revenue stream is from the promotion and marketing of Australian brands into China utilising the AuMake platform. Receipts of \$120,000 and further forward booked orders are expected in the September 2018 quarter.

With the increasing robustness of domestic operations, the Company is shifting focus to growing its distribution channels into China. As mentioned in this report, a number of China based distributors have approached AuMake to explore the possibility of distributing AuMake owned brands given their rising popularity in the daigou and Chinese tourist markets.

The Company is also focusing on the creation of new products within existing owned brand product categories and sees significant opportunity in the development of entirely new product categories. The formalisation of arrangements for distribution into China are anticipated to have a significant impact on overall profitability.

This is possible only because of the distribution channels that we are creating in Australia, which gives us the necessary credibility and brand recognition in China; and in a relatively short period of time we are now able to tangibly engage with that market in a material way.

The board and senior management of AuMake are pleased with the June 2018 quarterly performance and anticipate even stronger growth for the September 2018 quarter as the Kiwi Buy acquisition is fully absorbed and the initiatives highlighted above further mature.”



AuMake and Chemsave executives at the launch of partnership



Kiwi Buy World Square store

—Ends—



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AuMake International Limited (formerly Augend Ltd)

ABN

150 110 017

Quarter ended ("current quarter")

June 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 6,959 | 21,036 |
| 1.2 Payments for | | |
| (a) research and development | - | (37) |
| (b) Cost of goods sold (including purchasing of additional inventory for new stores) | (6,272) | (20,751) |
| (c) advertising and marketing | (170) | (627) |
| (d) leased assets | (429) | (1,152) |
| (e) staff costs | (1,462) | (3,230) |
| (f) administration and corporate costs | (305) | (1,915) |
| (g) Bank guarantee for leased property (refundable at end of lease) | (83) | (573) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 25 | 61 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | (16) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (related to one off listing expenses) | 26 | (249) |
| 1.9 Net cash from / (used in) operating activities | (1,711) | (7,453) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (706) | (2,130) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | 17 |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | (274) |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | (706) | (2,387) |

| | | |
|---|-------------|---------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | 20,000 |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | (483) |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (16) | (62) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (proceeds from shares issue pending on allotment) | - | - |
| 3.10 Net cash from / (used in) financing activities | (16) | 19,455 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 13,177 | 1,129 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (1,711) | (7,453) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (706) | (2,387) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | (16) | 19,455 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of quarter | 10,744 | 10,744 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances | 3,699 | 3,103 |
| 5.2 Call deposits | 7,045 | 10,074 |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 10,744 | 13,177 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 129 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |
| N/A | |

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |
| N/A | |

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |
| N/A | | |

| 9. Estimated cash outflows for next quarter* | \$A'000 |
|---|-----------------|
| 9.1 Research and development | (50) |
| 9.2 Cost of goods sold (including investment in additional inventory for new stores and own products) | (10,000) |
| 9.3 Advertising and marketing | (300) |
| 9.4 Leased assets | (430) |
| 9.5 Staff costs | (1,300) |
| 9.6 Administration and corporate costs | (500) |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | (12,580) |

* Table does not include estimated cash inflows in relation to receipts from customers

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions |
|---|--------------|
| 10.1 Name of entity | N/A |
| 10.2 Place of incorporation or registration | N/A |
| 10.3 Consideration for acquisition or disposal | N/A |
| 10.4 Total net assets / (liabilities) | N/A |
| 10.5 Nature of business | N/A |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

About AuMake

AuMake International Limited is an ASX listed retail company connecting Australian suppliers directly with daigou and Chinese tourists.

AuMake engages with the growing and influential daigou and Chinese tourist markets, by offering a one-stop-shop retail network. This includes a range of Australian products across four main categories including:

- healthcare (supplements and food)
- skin, body care and cosmetics
- dairy products and baby food (including infant formula)
- wool and leather products.

Customers of AuMake value the full service offering which includes knowledgeable bilingual staff, multiple payment options (including WeChat, Alipay and Unionpay) and an in-store logistics service for the delivery of products to anywhere in the world including China.

aumake.com.au

INVESTORS

Keong Chan, Executive Chairman
keong.chan@aumake.com.au

MEDIA

Lynn Semjaniv, Sauce Communications
lynn@saucecommunications.com.au
or 0481 004 797



Twitter: [@AuMakeAus](https://twitter.com/AuMakeAus)
Instagram: [@aumake](https://www.instagram.com/aumake)
LinkedIn: www.linkedin.com/company/aumake



AuMake
International Limited