

**AuMake
International
Limited**
Annual Report
30 June 2018



AuMake
International Limited

Company information

2018 AuMake International Limited Annual Report

AuMake International Limited (AuMake) is an ASX listed retailer connecting Australian suppliers directly with the daigou and Chinese tourist markets.

ACN

ACN 150 110 017

Directors

Keong Chan (Executive Chairman)
Jiahua (Joshua) Zhou (Managing Director)
Gang Xu (Non-Executive Director)
Quentin Flannery (Non-Executive Director)
Lingye (Lyn) Zheng (Non-Executive Director)

Company Secretary

Peter Zhao

Registered office

42 Percy Street Auburn NSW 2144

Principal place of business

42 Percy Street Auburn NSW 2144

Share register

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

Auditor

RSM Australia Partners
Level 32, Exchange Tower,
2 The Esplanade
Perth WA 6000
Level 13, 60 Castlereagh Street
Sydney NSW 2000

Solicitors

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

Stock exchange listing

AuMake International Limited shares are listed on the Australian Securities Exchange (ASX code: AU8)

Website

aumake.com.au



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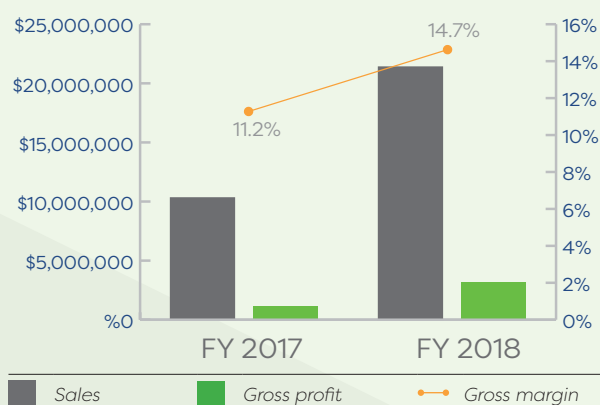
Financial highlights

2018 Financial Year overview

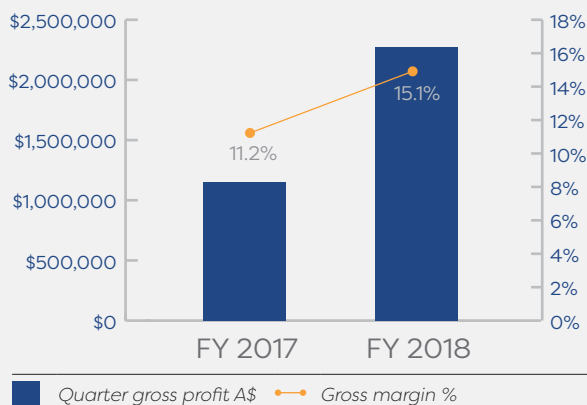
- Year-on-year (YOY) sales up 107% to \$21.4m
- Gross profit growth of 172% to \$3.1m, with gross margin increase of 3.5% to 14.7%
- Same store* gross profit growth of 97%
- Significant sales of owned brand products, representing 4% of annual sales
- Inventory levels well-managed through accelerated growth phase of the business
- Operating expenses stabilised demonstrating strong leverage on cost base
- Operational breakeven expected during 2019 Financial Year (FY2019)
- Strong cash position of \$10.7m; business well-funded for growth

*Original five retail stores at the time of relisting

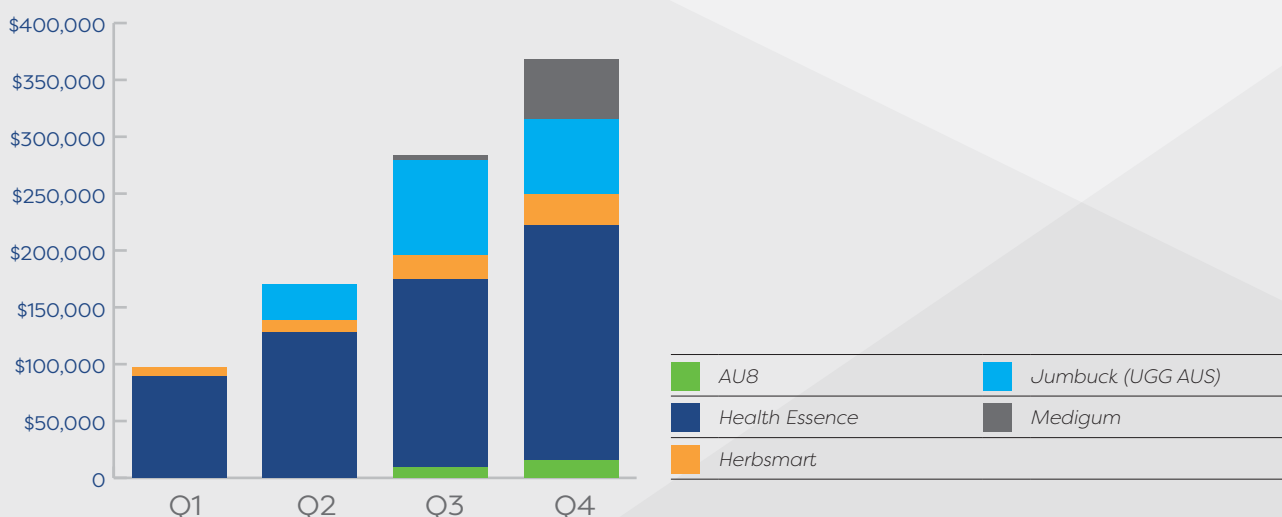
Sales, gross profit and margin proforma 2017



Same store gross profit margin proforma 2017



Quarter on quarter owned brand product sales



One-off normalised EBITDA loss of \$4.86 million, excluding non-cash and one-off expenses for company restructuring and ASX listing costs, represents investment to establish AuMake in its foundation year. The company is now well positioned for long-term sustainable growth and is expected to reach operational breakeven during FY19.

Proforma profit and loss statement

	Statutory 2018	Proforma* 2017	
Income Statement as per Financials:			
	\$,000	\$,000	
Revenue	21,383	10,311	Sales and gross profit up by 107% and 172% respectively
Cost of sales	(18,240)	(9,157)	
Gross profit	3,143	1,154	
Gross margin	14.7%	11.2%	Gross margin up by 3.5%
Other income	187	-	
Administrative expenses	(2,062)	(114)	Operating expenses include establishment costs for head office infrastructure, key personnel and marketing in foundation year
Employee benefits expense	(3,797)	(562)	
Rent and outgoings expenses	(1,163)	(438)	
Marketing expenses	(967)	-	
Travel and accommodation expenses	(197)	(4)	
Normalised EBITDA	(4,856)	36	
Restructuring/relisting expenses	(1,596)	-	One-off and non-cash expenses occurred as a result of ASX listing
Share based payment expense (facilitator shares)	(470)	-	
Share based payment expense (options and performance shares)	(3,127)	-	
Impairment of intangible assets	(544)	-	One-off and non-cash expenses not related to operational cost of the business
Depreciation and amortisation	(158)	(16)	
Loss on disposal of assets	(27)	-	
Inventory write down	(438)	-	
Loss before income tax expenses	(11,216)	20	
Income tax expense	(16)	(8)	
Loss after income tax expense for the year	(11,232)	12	
Exchange differences on translation of foreign operations	110	-	
Statutory NPAT	(11,122)	12	

**Proforma profit and loss statement of AuMake Australia Pty Ltd for the year ended 30 June 2017 prior to ASX listing.*

Chairman's message

Dear Shareholders

The 2018 Financial Year (FY18) has been transformative for AuMake. Since our ASX listing in October 2017 we have delivered on significant milestones which provide a solid foundation for our future growth, including expanding our distribution network, strategic brand acquisitions and alliances, operational progress and momentum in our financial performance.

Expanding distribution network

During the year, we opened four new AuMake retail stores across Sydney (NSW) with each store specifically targeted to one of our key customer segments. These include the launch of the company's flagship George Street store in Sydney CBD which is focused on Chinese Free Independent Tourists and the unique world-first Daigou Hubs in Haymarket and Burwood which enable Australian suppliers to directly interact with daigou and livestream these interactions to audiences back in China. Each of these initiatives have spearheaded the growth in recognition of the AuMake brand and quality of our offering.

We also opened our first store in China (Xiamen Daigou Hub) in early June to service the expanding network of daigou returning home and wanting to continue their relationship with the AuMake brand. From the launch in early June to financial year end, over 200 daigou members have been signed, with sales of \$3,000 per week and growing.

We consolidated one original AuMake store in Eastwood (NSW) with those customers serviced by another existing Eastwood store. In May, we further expanded our Australian store footprint with the acquisition of Kiwi Buy bringing the total number of stores in Sydney to 13. The Kiwi Buy store network and brand, which is well known within the Chinese tourist and daigou markets, brings with it a valuable online presence, leveraging a 38,000 Chinese tourist and daigou member database.

Further capturing opportunities to be leveraged from our online presence and community, during FY18 we enhanced the company's online offering via WeChat and our e-commerce stores - www.aumake.com and www.kiwibuy.com - with around 1,000 online members being added each week since May 2018.

An AuMake storefront on the JD.com platform in China was also launched 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.

Strategic acquisitions and alliances

During the year we entered into strategic alliances with the Australian Made Campaign, Sydney Chinese Tourist Guide Association, Itrip.com and Chemsave pharmacies to further strengthen our distribution reach and brand strength.

Acquiring or developing owned brands to maximise margin and profitability continues to be a focus for AuMake. During FY18, the company acquired the Health Essence, Jumbuck and UGG AUS brands and trademarks; developed a proprietary range of UAF certified honey under the Medigum brand; and developed a range of skincare products under the AU8 label.



Operational progress

We have made good operational progress across the business, including moving our corporate headquarters to Auburn NSW with expanded warehouse facilities and the integration of the Kiwi Buy business, to maximise the back-office synergies from the acquisition.

Our employees, who provide the key point of difference in the AuMake experience, have also increased in number from six to 36 with the recruitment of key corporate staff to enhance our capacity and capability across marketing, procurement and finance. Our store staff numbers also increased from 10 to 44 with the addition of new stores and Kiwi Buy.

Financial momentum

Delivering on our strategic initiatives has resulted in AuMake gaining financial momentum, with the company making significant progress during FY18. Sales grew 107% from FY17 to FY18 (\$21.4 million) and gross profit from \$1.1m to 3.1m (172% increase), with AuMake owned brands reaching \$920k for FY18. With strong focus on costs and stabilisation of the Australian operations following the ASX listing, the Board anticipates total operational breakeven during the 2019 financial year.

Whilst the existing operational and financial focus is on achieving breakeven, the Board of AuMake is implementing a strategy for our growth in China. AuMake's distribution network in Australia and brand recognition in China as an ASX listed company, provides us with a number of opportunities to provide significant shareholder returns.

I am very proud of AuMake's achievements to date and, on behalf of the Board, wish to take this opportunity to thank our shareholders, staff, suppliers and strategic partners for their commitment to the company.

We look forward to building on the strong foundations we've achieved in our first year and delivering on the anticipated opportunities for growth, development and consolidation in FY19 and beyond.

Keong Chan
Executive Chairman

About AuMake

AuMake International Limited

AuMake is an ASX listed retailer connecting Australian suppliers directly with the influential daigou and Chinese tourist markets via its growing distribution network of AuMake and Kiwi Buy retail and e-commerce stores, in addition to strategic partnerships, including Chemsave and JD.com. The Australian operations are complemented in China by AuMake's newly established sales hub in Xiamen.

AuMake at a glance



Our customers

400,000 daigou within Australia and 1.4 million* Chinese tourists per annum and growing



Partnerships

AuMake owned product distribution expanded via Chemsave pharmacies (Australia) and an online store front on JD.com (China)



Our team

80 (predominantly bilingual) team members across the business



Australian suppliers

400 suppliers from start-ups to popular national brands



Australian retail stores

Eight AuMake and five Kiwi Buy stores in Sydney, NSW



Product categories

Healthcare (supplements and food); skin, body care and cosmetics; dairy products and baby food (including infant formula); and wool and leather products



China store footprint

Daigou sales hub in Xiamen China



Owned brands

Herbsmart (healthcare), Health Essence (supplements), Medigum (medicinal honey), AU8 (skincare), Jumbuck (wool) and UGG AUS (wool and leather)



Online

AuMake and Kiwi Buy online stores with a growing database of over 80,000 members



Alliances

Retail Supporter of Australian Made Campaign Limited and strategic alliance with Sydney Chinese Tourist Guide Association

*<https://qz.com/1258898/chinese-tourists-in-australia-now-outnumber-visitors-from-new-zealand/>



AuMake owned brands



AuMake store network



Chemsave distribution network



Kiwi Buy store network



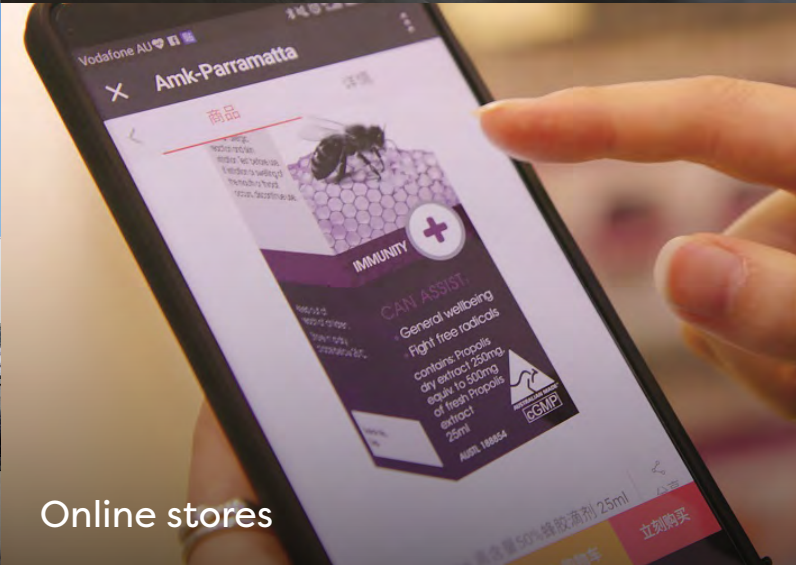
Warehouse facility (Auburn, NSW)



China store footprint



AuMake head office (Auburn, NSW)



Online stores

AuMake's foundation year 2017 – 2018

2017



August

Initial Public Offering (IPO)
Opened 21.08.17. Closed early and oversubscribed on 11.09.17

October

ASX listed (05.10.17)
AU8 opens at 8 cents and closes at 23.5 cents

November

Flagship store opening
George Street, Sydney, NSW

Strategic acquisitions
Health Essence, Jumbuck, UGG AUS

2018



January

\$14 million capital raising
To accelerate strategy implementation

February

Strategic partnership with leading Chinese, Australian travel focused, online booking platform iTrip.com

March

Daigou Hub Haymarket (Sydney, NSW) opening
First-of-its-kind retail format



April

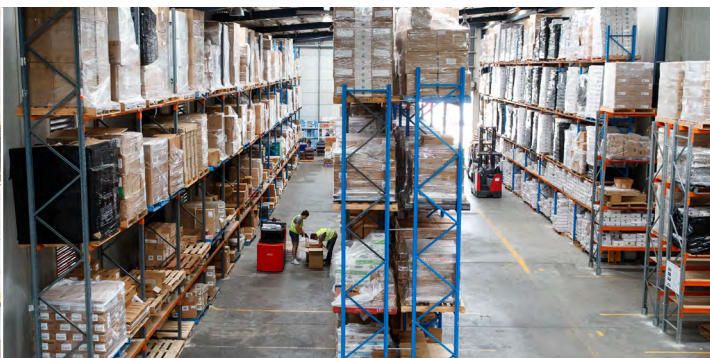
Strategic partnership with Chemsave
Distribution of owned brand product in up to 150 pharmacies across Australia



May

Acquisition of Kiwi Buy
Five Sydney retail stores in key daigou and Chinese tourist areas, plus online store

AuMake's first year has been transformative with significant milestones achieved providing a solid foundation for our future growth.



Corporate head office opens in Auburn (NSW, Sydney)
Includes expanded warehouse facilities

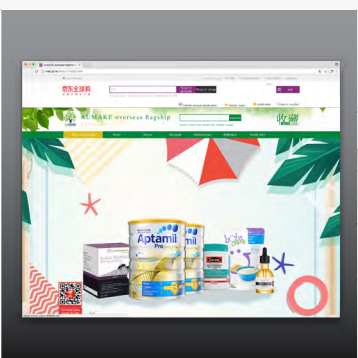
Alliance partnership with Australian Made Campaign Limited



Daigou Hub combines leading edge technology with face-to-face engagement of Australian suppliers direct to daigou and consumers in China

Development of Medigum Medicinal Honey owned brand

Auburn Warehouse Showroom opening (Sydney, NSW)



June

AuMake store front launched on JD.com in China

Au8 owned brand skincare launch

Daigou Hub Burwood (Sydney, NSW) opening

Daigou Hub Xiamen (China) opening

Board of directors

AuMake's board was formally appointed on 29 September 2017

Keong Chan

Executive Chairman

Bachelor of Commerce and Master of International Customs Law and Administration

Mr Chan spent his early career working with PWC Australia and Deloitte in Canberra, Sydney and Perth and has deep experience on corporate matters in relation to capital raisings, initial public offerings, back door listings, mergers and acquisitions, and takeovers and divestments.

A co-founder of ITM Corporation Limited, Mr Chan has also been a director on the boards of a number of ASX listed companies and has accumulated a vast network of relationships across a number of industries, bringing these connections and his expertise to his role as Executive Chairman of AuMake.

Jiahua (Joshua) Zhou

Managing Director

Bachelor of Management and Master of International Business

Mr Zhou is the co-founder of AuMake Australia. Prior to setting up the business, Mr Zhou worked in the Australian tourism industry for 10 years in roles which included the coordination of business and government delegations from China. His retail business acumen was honed working in duty free retail and sales management. This direct experience with both Chinese and Australian culture has provided Mr Zhou with a sound understanding of how to maximise the opportunities for Australian/Chinese retailing which he now brings to AuMake.

Ms Lingye (Lyn) Zheng

Non-Executive Director

Ms Zheng is co-founder of AuMake Australia. She has over 10 years of retail experience, particularly in the areas of product design, development and procurement, quality assurance and retail price modelling. Prior to coming to Australia Ms Zheng studied and worked in Spain, Germany and Austria for 20 years.

Ms Zheng's retail experience and knowledge of the Australian daigou and broader consumer markets in China is invaluable in her roles as AuMake Purchasing Manager and on the board as Non-Executive Director.

Quentin Flannery

Non-Executive Director

Bachelor of International Business with a minor in Mandarin

Mr Flannery brings a wealth of commercial and China experience to his position at AuMake, with more than ten years' experience working on exports into Asia in his previous role working in the marketing department of a large Australian based, Chinese owned coal mining company and his current position as a Director in the family office of Flannery Family Office.

In his role, Mr Flannery is involved in a wide range of companies across a number of industries including energy production, emerging and mature technologies, commercial and residential property development and resources.

Gang Xu

Non-Executive Director

Bachelor of Science, Masters of Business Administration and Master of Science Engineering

Mr Xu has more than 20 years of senior management experience in Australian ASX listed companies in both executive and Non-Executive Director roles, including KTL Technologies Limited, UraniumSA Ltd and Hylea Metals Limited. Mr Xu is also co-founder of ITM Corporation Limited.

Mr Xu has previously served as Finance and Marketing Manager for Sino Gold Limited and was Marketing Manager for LG Household Chemicals in Beijing, marketing FMCGs in China.

Mr Xu brings this valuable experience and familiarity with the dynamic cross-border business environment between Australia and China to his role as Director of AuMake.

From left to right: Gang Xu, Jiahua (Joshua) Zhou, Ms Lingye (Lyn) Zheng, Keong Chan and Quentin Flannery.



Directors' report

Directors

The following were directors of AuMake International Limited for FY18, unless otherwise stated.

Derek Jones (Non-Executive Director – resigned 29 September 2017)

Robert Di Russo (Non-Executive Director – resigned 29 September 2017)

Keong Chan (Non-Executive Director; appointed as Executive Chairman on 29 September 2017)

Jiahua (Joshua) Zhou (Managing Director – appointed 29 September 2017)

Gang Xu (Executive Director – appointed 29 September 2017, resigned as Executive Director and appointed as Non-Executive Director on 1 April 2018)

Quentin Flannery (Non-Executive Director – appointed 29 September 2017)

Lingye (Lyn) Zheng (Non-Executive Director – appointed 29 September 2017)

Principal activities

During the financial year the principal activities of the consolidated entity was the sale of Australian products via its online e-commerce store and AuMake retail stores located in Sydney, New South Wales.

Dividends

The directors did not pay any dividends during the period. The directors do not recommend the payment of a dividend in respect to FY18.

Review of operations

The losses for the consolidated entity after providing for income tax and non-controlling interest amounted to \$11,232,861 (30 June 2017: \$862,156).

Significant changes in the state of affairs

During the period, the Company completed acquisition of 100% of the share capital of ITM Corporation Limited and relisted on the Australian Securities Exchange (ASX) on 5 October 2017. The Company successfully raised \$6 million in new capital to fund its retail operations. Subsequently, the company raised a further \$14 million in capital in January 2018, to accelerate its growth strategy.

Matters subsequent to the end of the financial year

There have not been any matters or circumstances that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations, the results of those operations or the state of affairs in future financial years.

Likely developments and expected results of operations

AuMake continues to increase its retail store presence and proprietary ownership of the daigou and Chinese tourist distribution network in Australia, with further growth of the store network beyond Sydney planned over the coming 12 months. Expansion of the AuMake owned brand portfolio is also intended, which will further improve margins across the business.

The improving financial performance of AuMake's Australian operations will fund the opportunities and strategic focus on growing distribution channels for AuMake product in China during FY19.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Keong Chan (Appointed 29 September 2017)	
Title:	Executive Chairman
Qualifications:	Bachelor of Commerce and Master of International Customs Law and Administration
Other current directorships:	Non-Executive Director and Company Secretary of Hylea Metals Limited and Superior Lake Resources Limited
Former directorships (last three years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	12,316,709 ordinary shares
Interests in options:	None
Contractual rights to shares:	12,500,000 performance shares
Name: Jiahua (Joshua) Zhou (Appointed 29 September 2017)	
Title:	Managing Director
Qualifications:	Bachelor of Management and Master of International Business
Other current directorships:	None
Former directorships (last three years):	None
Special responsibilities:	None
Interests in shares:	40,410,339 ordinary shares
Interests in options:	None
Contractual rights to shares:	22,115,384 performance shares
Name: Gang Xu (Appointed 29 September 2017)	
Title:	Non-Executive Director
Qualifications:	Bachelor of Science, Masters of Business Administration and Master of Science Engineering
Other current directorships:	None
Former directorships (last three years):	Non-Executive Director of Hylea Metals Limited and RMA Energy Limited
Special responsibilities:	None
Interests in shares:	17,177,572 ordinary shares
Interests in options:	None
Contractual rights to shares:	12,500,000 performance shares

AuMake International Limited Directors' report
30 June 2018

Name:	Quentin Flannery (Appointed 29 September 2017)
Title:	Non-Executive Director
Qualifications:	Bachelor of International Business with a minor in Mandarin
Other current directorships:	None
Former directorships (last three years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	10,833,333 ordinary shares
Interests in options:	5,000,000 options
Contractual rights to shares:	None

Name:	Lingye (Lyn) Zheng (Appointed 29 September 2017)
Title:	Non-Executive Director
Qualifications:	None
Other current directorships:	None
Former directorships (last three years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last three years)' quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Mr Peter Zhao was appointed as the Company Secretary on 29 September 2017. Peter is a member of CPA Australia and has comprehensive experience in Australian reporting requirements especially AIFRS Accounting, current auditing and tax legislation and *Corporations Act 2001*, ASIC and ASX listing rules.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full board		Audit and Risk	
	Attended	Held	Attended	Held
Keong Chan	6	6	1	1
Jiahua (Joshua) Zhou	6	6	-	1
Gang Xu	6	6	-	1
Quentin Flannery	5	6	1	1
Lingye (Lyn) Zheng	6	6	-	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The maximum aggregate remuneration payable to Non-Executive Directors currently stands at \$300,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of AuMake International Limited:

- Keong Chan (Executive Chairman)
- Jiahua (Joshua) Zhou (Managing Director)
- Gang Xu (Non-Executive Director)
- Quentin Flannery (Non-Executive Director)
- Lingye (Lyn) Zheng (Non-Executive Director)

AuMake International Limited Remuneration report
30 June 2018

2018								
	Short-term benefits		Post-employment benefits	Share-based payments				
	Cash salary and fees*	Other **	Super-annuation	Equity-settled options	Total	Fixed remuneration	Short-term incentive	Long-term incentive
	\$	\$	\$	\$	\$	%	%	%
Non-Executive Directors:								
Gang Xu	93,000	-	-	-	93,000	100	-	-
Quentin Flannery ¹	32,000	-	-	-	32,000	100	-	-
Lingye Zheng	32,000	-	-	-	32,000	100	-	-
Executive Directors:								
Keong Chan	160,139	-	12,508	-	172,647	100	-	-
Jiahua Zhou	178,681	24,363	13,696	-	216,740	100	-	-
	495,820	24,363	26,204	-	546,387			

* Cash salary and fees includes fees paid or due to be paid and movement in annual leave entitlements for the period.

** This includes non-cash monetary benefits for the motor vehicle under finance lease and the running costs of the motor vehicle.

1. Mr Quentin Flannery also received 5,000,000 options with a total fair value of \$246,816 during the period he was a director, however these were not in consideration for his role as a Director.

The remuneration of the directors was for the period between the reverse acquisition (i.e. after ASX listing) 5 October 2017 and 30 June 2018.

2017								
	Short-term benefits		Post-employment benefits	Share-based payments				
	Cash salary and fees*	Other **	Super-annuation	Equity-settled options	Total	Fixed remuneration	Short-term incentive	Long-term incentive
	\$	\$	\$	\$	\$	%	%	%
Executive Directors:								
Robert DiRusso	6,000	-	-	-	6,000	-	-	-
Derek Jones	6,500	-	-	-	6,500	-	-	-
Keong Chan	19,000	-	-	-	19,000	-	-	-
	31,500	-	-	-	31,500	-	-	-

* Cash salary and fees includes fees paid or due to be paid and movement in annual leave entitlements for the period.

The remuneration of the directors was for the legal parent, AuMake International Limited (formerly Augend Ltd) for 2017 financial year.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Keong Chan
Title:	Executive Chairman
Agreement commenced:	29 September 2017
Term of agreement:	Permanent without specific term
Details:	Base salary of \$220,000 per year plus superannuation of 9.5%. Payment of termination benefit on termination by employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation

Name:	Jiahua (Joshua) Zhou
Title:	Managing Director
Agreement commenced:	29 September 2017
Term of agreement:	Permanent without specific term
Details:	Base salary of \$250,000 per year plus superannuation of 9.5%. Payment of termination benefit on termination by employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation

Name:	Gang Xu
Title:	Non-Executive Director
Agreement commenced:	29 September 2017
Term of agreement:	Permanent without specific term
Details:	Base fee of \$48,000 per year

Name:	Quentin Flannery
Title:	Non-Executive Director
Agreement commenced:	29 September 2017
Term of agreement:	Permanent without specific term.
Details:	Base fee of \$48,000 per year

AuMake International Limited Remuneration report
30 June 2018

Name:	Lingye (Lyn) Zheng
Title:	Non-Executive Director
Agreement commenced:	29 September 2017
Term of agreement:	Permanent without specific term
Details:	Base fee of \$48,000 per year

Share-based compensation

There are no shares, options or performance rights issued to the key management personnel as part of the compensation during the year ended 30 June 2018 (30 June 2017: Nil).

Additional information

The loss of the consolidated entity for the two years to 30 June 2018 are summarised below:

	2018	2017*
Sales revenue	21,382,822	1,194,452
EBITDA	(11,050,877)	(862,156)
EBIT	(11,208,951)	(862,156)
Loss after income tax	(11,232,861)	(862,156)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017*
Share price at financial year end (\$)	0.23	N/A
Total dividends declared (cents per share)	Nil	Nil
Basic earnings per share (cents per share)	5.81	1.81

* 30 June 2017 financial information is that of ITM Corporation Limited as a result of the reverse acquisition accounting. The three years prior to 30 June 2017 are deemed not to be relevant for comparison as the reverse acquisition occurred during the year ended 30 June 2018 and therefore the consolidated entity was engaged in a different business prior to this.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of reverse acquisition	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Keong Chan	-	12,316,709 ^a	-	-	12,316,709
Jiahua (Joshua) Zhou	-	40,410,339 ^b	-	-	40,410,339
Gang Xu	-	17,097,572 ^c	80,000	-	17,177,572
Quentin Flannery	-	7,500,000 ^d	3,333,333	-	10,833,333
Lingye (Lyn) Zheng	-	-	-	-	-
	-	77,324,620	3,413,333	-	80,737,953

a As approved at the general meeting held on 12 September 2017:

- 2,812,500 shares were issued as conversion shares for the convertible note;
- 5,000,000 shares were issued as convertible loan shares;
- 2,004,209 shares were issued as consideration shares as an existing ITM Corporation Limited shareholder and;
- 2,500,000 shares were issued as facilitator shares.

b The shares were issued as approved at the general meeting held on 12 September 2017 as consideration shares as an existing ITM Corporation Limited shareholder.

c As approved at the general meeting held on 12 September 2017:

- 15,285,072 were as consideration shares as an existing ITM Corporation Limited shareholder and;
- 562,500 shares were issued as conversion shares for the convertible note;
- 1,250,000 shares were issued as facilitator shares.

d. As approved at the general meeting held on 12 September 2017:

- 625,000 shares were issued as conversion shares for the convertible note and;
- 6,875,000 shares were issued as share placement under the Public Offer.

AuMake International Limited Remuneration report 30 June 2018

Option holding

The number of options over ordinary shares in the company held during the financial year by each key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Quentin Flannery	-	5,000,000	-	-	5,000,000
	-	5,000,000	-	-	5,000,000

* The options were granted as approved at the general meeting held on 12 September 2017 as director options. These were not in consideration for his role as a Director.

Performance shares

The number of performance shares in the company held during the financial year by each key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted*	Vested	Balance at the end of the year
Ordinary shares				
Keong Chan	-	12,500,000	-	12,500,000
Jiahua (Joshua) Zhou	-	22,115,384	-	22,115,384
Gang Xu	-	12,500,000	-	12,500,000
Quentin Flannery	-	-	-	-
Lingye (Lyn) Zheng	-	-	-	-
	-	47,115,384	-	47,115,384

* The performance shares were granted as approved at the general meeting held on 12 September 2017, as founding ITM Corporation Limited shareholders.

Other transactions with key management personnel and their related parties

i. Transactions with related parties

	2018	2017
Duret Holdings Pty Ltd - related party to Keong Chan	\$	\$
Consultants fees	(22,000)	-
Marketing expenses	(22,300)	-
Total paid during the year	(44,300)	-

	2018	2017
Maximus Flannery Pty Ltd - related party to Quentin Flannery	\$	\$
Options received	246, 816	-
Total during the period	246, 816	-

Key management personnel	Number options granted during the year	Grant date	Fair value per Option	Exercise price per option	Expiry date	Number options vested during the year
Quentin Flannery	5,000,000	12 September 2017	\$0.049	\$0.20	12 September 2022	5,000,000

ii. Outstanding balances arising from sales/purchases of goods and services

During the year ended 30 June 2017, AuMake Australia Pty Ltd acquired inventory from the Director, Jiahua (Joshua) Zhou, at a value of \$1,100,000. At 30 June 2017, a liability of \$1,100,000 remained payable to the Director. This amount was fully repaid as of 30 June 2018.

iii. Loans with key management personnel and their related parties

During the year ended 30 June 2017, a convertible loan of \$200,000 was provided to ITM Corporation Limited by Duret Holdings Pty Ltd, an entity related to the director, Keong Chan. During the year ended 30 June 2018, this amount was fully repaid via conversion to 5,000,000 shares.

During the year ended 30 June 2017, a convertible note of \$150,000 was provided to ITM Incorporation Limited by Duret Holdings Pty Ltd, an entity related to the director, Keong Chan. During the year ended 30 June 2018, this amount was fully repaid via conversion to 2,812,500 shares.

During the year ended 30 June 2017, a convertible note of \$30,000 was provided to ITM Corporation Limited by LC Alliance Pty Ltd, an entity related to the director, Gang Xu. During the year ended 30 June 2018, this amount was fully repaid via conversion to 562,500 shares.

There were no further transactions with Directors including their related parties, not disclosed above or in Note 23.

Voting and comments made at the Company's 2017 Annual General Meeting (AGM)

At the 2017 AGM, 99.99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of AuMake International Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
12 September 2017	12 September 2022	\$0.20	5,000,000
22 January 2018	22 January 2023	\$0.20	5,150,000
22 January 2018	22 January 2023	\$0.20	2,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Performance shares

50,000,000 performance shares, comprising 25,000,000 Class A Performance Shares and 25,000,000 Class B Performance Shares to founding shareholders (including directors mentioned above) of AuMake Subsidiary¹. The fair value of these performance rights has been included as part of the consideration for the transaction in accordance with the relevant accounting standard.

- **Class A Performance Share:** each Class A Performance Shares will vest into one share upon AuMake International Limited achieving total sales revenue of \$25,000,000 at an average of 13% gross profit margin over a 12 month period based on AuMake International Limited's audited accounts (Class A Milestone); and
- **Class B Performance Share:** each Class B Performance Shares will vest into one share upon AuMake International Limited achieving total sales revenue of \$60,000,000 at an average of 13% gross profit margin over a 12-month period based on AuMake International Limited's audited accounts (Class B Milestone).

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

¹ On 5 October 2017, AuMake International Limited (formerly Augend Ltd), the legal parent and legal acquirer, completed the acquisition of ITM Corporation Limited ("AuMake Subsidiary").

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Keong Chan
Director

30 August 2018
Sydney

Auditor's independence declaration



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of AuMake International Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that appears to read 'Tutu Phong'.

TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2018

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

General information

The financial statements cover AuMake International Limited as a consolidated entity consisting of AuMake International Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is AuMake International Limited's functional and presentation currency.

AuMake International Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

42 Percy Street
Auburn NSW 2144

Principal place of business

42 Percy Street
Auburn NSW 2144

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2018. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income for the year ended 30 June 2018

Consolidated

	Note	2018 \$	2017 \$
Revenue			
Sales revenue	4	21,382,822	1,194,452
Other income	5	187,382	32,414
Expenses			
Cost of sales		(18,239,827)	(1,198,184)
Administrative expenses		(2,062,409)	(389,195)
Employee benefits expense		(3,797,386)	(331,341)
Rent and outgoings expenses		(1,162,915)	-
Marketing expenses		(966,677)	(110,077)
Travel and accommodation expenses		(197,134)	(60,225)
Restructuring/relisting expenses	28	(1,595,722)	-
Share based payment expense (facilitator shares)	18	(470,000)	-
Share based payment expense (options and performance shares)	21	(3,127,327)	-
Impairment of intangible assets		(544,461)	-
Depreciation and amortisation		(158,074)	-
Loss on disposal of assets		(26,839)	-
Inventory write down		(438,193)	-
Loss before income tax expense		(11,216,760)	(862,156)
Income tax expense	6	(16,101)	-
Loss after income tax expense for the year		(11,232,861)	(862,156)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		110,362	-
Total comprehensive loss attributable to owners of Aumake International Ltd		(11,122,499)	(862,156)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic and diluted loss per share (cents per share)		(5.81)	(1.81)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position as at 30 June 2018

Consolidated

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	7	10,737,214	1,129,430
Trade and other receivables	8	539,272	196,301
Inventories	9	3,357,612	2,023,750
Other assets	10	570,952	164,230
Total current assets		15,205,050	3,513,711
Non-current assets			
Plant and equipment	11	2,602,639	118,612
Intangibles	12	2,073,059	1,901,012
Other assets	13	657,656	131,237
Total non-current assets		5,333,354	2,150,861
Total assets		20,538,404	5,664,572
Liabilities			
Current liabilities			
Trade and other payables	14	3,014,496	1,513,272
Borrowings	15	62,800	2,542,977
Provisions	16	144,271	34,532
Total current liabilities		3,221,567	4,090,781
Non-current liabilities			
Borrowings	17	127,469	67,076
Total non-current liabilities		127,469	67,076
Total liabilities		3,349,036	4,157,857
Net assets		17,189,368	1,506,715
Equity			
Issued capital	18	26,519,602	2,841,777
Reserves	19	3,237,689	-
Accumulated losses	20	(12,567,923)	(1,335,062)
Total equity		17,189,368	1,506,715

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in equity for the year ended 30 June 2018

Consolidated	Issued capital	Reserves	Accumulated losses	Total equity
Balance at 1 July 2016	896,343	-	(472,906)	423,437
Loss after income tax expense for the year	-	-	(862,156)	(862,156)
Total comprehensive loss for the year	-	-	(862,156)	(862,156)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued	1,945,434	-	-	1,945,434
Balance at 30 June 2017	2,841,777	-	(1,335,062)	1,506,715

Consolidated	Issued capital	Reserves	Accumulated losses	Total equity
Balance at 1 July 2017	2,841,777	-	(1,335,062)	1,506,715
Loss after income tax expense for the year	-	-	(11,232,861)	(11,232,861)
Other comprehensive income for the year	-	110,362	-	110,362
Total comprehensive loss for the year	-	110,362	(11,232,861)	(11,122,499)

<i>Transactions with owners in their capacity as owners:</i>				
Allotment of shares following conversion of convertible notes	2,290,000	-	-	2,290,000
Allotment of shares following conversion of convertible loan	200,000	-	-	200,000
Issue of share for acquisition of subsidiary	1,200,598	-	-	1,200,598
Share-based payments - facilitator shares	470,000	-	-	470,000
Share issued	20,100,000	-	-	20,100,000
Share issue costs	(582,773)	-	-	(582,773)
Share-based payments - options and performance shares	-	3,127,327	-	3,127,327
Balance at 30 June 2018	26,519,602	3,237,689	(12,567,923)	17,189,368

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows for the year ended 30 June 2018

Consolidated

	Note	2018 \$	2017 \$
Cash flows related to operating activities			
Receipts from product sales and related debtors		21,540,850	1,149,095
Payments to suppliers and employees		(29,029,043)	(2,029,606)
Other income		95,270	30,565
Interest received		61,516	1,849
Net cash outflow from operating activities	32	(7,331,407)	(848,097)
Cash flows related to investing activities			
Cash obtained from acquisition of subsidiaries		18,979	250,244
Payments for plant and equipment		(2,416,251)	-
Loan to a related party		-	(91,980)
Investment in subsidiary		-	(1,035,292)
Net cash outflow from investing activities		(2,397,272)	(877,028)
Cash flows related to financing activities			
Proceeds from issue of shares		20,000,000	20,000
Share issue costs		(582,773)	-
Proceeds from borrowings*		-	2,490,000
Interest paid		(7,809)	-
Repayment of the borrowings		(33,975)	-
Net cash inflow from financing activities		19,375,443	2,510,000
Net Increase in cash held		9,646,764	784,875
Cash and cash equivalents at the beginning of the financial year		1,129,430	344,555
Effects of exchange rate changes on cash and cash equivalents		(38,980)	-
Cash and cash equivalents at the end of the financial year		10,737,214	1,129,430

*Borrowings in 2017 were related to the convertible notes and loans that were converted into shares upon ASX listing during FY18.
The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

30 June 2018

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Reverse acquisition accounting

On 5 October 2017, AuMake International Limited (formerly Augend Ltd), the legal parent and legal acquirer, completed the acquisition of ITM Corporation Limited ("AuMake Subsidiary"). The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead the acquisition has been treated as a group recapitalisation, using the principles of reverse acquisition accounting in AASB 3 Business Combinations given the substance of the transaction is that AuMake Subsidiary has effectively been recapitalised. Accordingly, the consolidated financial statements have been prepared as if AuMake Subsidiary has acquired AuMake International Limited, not vice versa as represented by the legal position. The recapitalisation is measured at the fair value of the equity instruments that would have been given by AuMake Subsidiary to have exactly the same percentage holding in the new structure at the date of the transaction.

Notes to the financial statements

30 June 2018

The impact of the group restructure on each of the primary statements is as follows:

Statement of profit or loss and other comprehensive income

- The 30 June 2018 statement of profit or loss and other comprehensive income comprise 12 months of AuMake Subsidiary and 268 days of AuMake International Limited.
- The 30 June 2017 comparative statement of profit or loss and other comprehensive income comprise 12 months of AuMake Subsidiary.

Statement of financial position

- The statement of financial position as at 30 June 2018 represents both AuMake International Limited and AuMake Subsidiary.
- The comparative statement of financial position at 30 June 2017 represents AuMake Subsidiary.

Statement of changes in equity

- The 30 June 2018 statement of changes in equity comprises AuMake Subsidiary's equity balance at 1 July 2017, its loss for the period and transactions with equity holders for the 12 months. It also comprises AuMake International Limited's transactions with equity holders in the past 268 days from the acquisition date and the equity balances of AuMake International Limited and AuMake Subsidiary as at 30 June 2018.
- The 30 June 2017 comparative statement of changes in equity comprises 12 months of AuMake Subsidiary.

Statement of cash flows

- The 30 June 2018 statement of cash flows comprise 12 months of AuMake Subsidiary and 268 days of AuMake International Limited.
- The 30 June 2017 comparative statement of cash flows comprise 12 months of AuMake Subsidiary.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AuMake International Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. AuMake International Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is AuMake International Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods and the risks and rewards are transferred to the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

AuMake International Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime subsequent to 30 June 2018. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flow purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average cost basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-10 years
Motor vehicle	5-8 years

Plant and equipment (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three (3) years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Employee benefits (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made, an additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair value of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of AuMake International Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Comparative figures

The comparative financial information presented as of and for the twelve months ended 30 June 2017 is for ITM Corporation Limited.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and the consolidated entity expects the impact to be insignificant as there is no hedge instrument in the consolidated entity as at the date of these financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 and the consolidated entity expects the impact to be insignificant.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. This is likely to impact the accounting treatment of the consolidated entity's leases but the impact of its adoption is yet to be finalised by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees, directors and external consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

The Directors have considered the requirements of AASB 8 - Operating Segments and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments.

Following the adoption of AASB 8, the identification of the consolidated entity's reportable segments has not changed. During the period, the consolidated entity considers that it has only operated in one segment, being operating a multi-brand, omni-channel retail business.

The consolidated entity is domiciled in Australia. Revenue from external customers is generated from Australia and China. Segment revenues are allocated based on the country in which the customer is located. Assets are located in Australia and China.

Note 4. Revenue

	Consolidated	
	2018 \$	2017 \$
<i>Sales revenue</i>		
Sale of goods	21,382,822	1,194,452

Note 5. Other income

	Consolidated	
	2018 \$	2017 \$
Other income	95,270	30,565
Interest	92,112	1,849
	187,382	32,414

Note 6. Income tax expense

(a) Income tax recognised in profit/loss

No income tax is payable by the Company entities as it recorded a loss for income tax purposes for the year.

(b) Numerical reconciliation between income tax expense and the loss before income tax

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	2018 \$	2017 \$
Accounting loss before tax	(11,216,760)	(862,156)
Income tax benefit at 27.5% (2017: 28.5%)	(3,084,609)	(245,714)
Tax effect of non-allowable items and temporary differences	1,736,063	-
Unrecognised tax losses	1,364,647	245,714
Income tax expense/(benefit) attributable to loss from ordinary activities	16,101	-

(c) Unrecognised deferred tax balances

Previous year deferred tax asset	378,169	132,455
Tax losses at 27.5% (2017: 28.5%)	1,938,264	245,714
Net unrecognised deferred tax asset at 27.5% (2017: 28.5%)	2,316,433	378,169

A deferred tax asset attributable to income tax losses has not been recognised at the reporting date as the probability criteria disclosed in note 1 is not satisfied and such benefit will only be available if the consolidated entity can satisfy the tax loss recoupment test as defined in each taxation jurisdiction.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2018 \$	2017 \$
Cash at bank	3,646,072	410,361
Term deposits	7,040,621	701,881
Cash on hand	50,521	17,188
	10,737,214	1,129,430

The weighted-average interest rate on cash and cash equivalents at 30 June 2018 was 0.75% (2017: 0.26%).

Note 8. Current assets - trade and other receivables

	Consolidated	
	2018 \$	2017 \$
Trade receivables	325,976	196,301
	325,976	196,301
Other receivables	182,700	-
Interest receivable	30,596	-
	213,296	-
	539,272	196,301

All trade receivables are non-interest bearing. Refer to Note 22 for further information on financial instruments.

Note 9. Current assets - inventories

	Consolidated	
	2018 \$	2017 \$
Finished goods	3,569,972	2,023,750
Less: provision for impairment	(212,360)	-
	3,357,612	2,023,750

Note 10. Current assets - other assets

	Consolidated	
	2018 \$	2017 \$
Prepayments	570,952	40,364
Other assets	-	123,866
	570,952	164,230

Note 11. Non-current assets - plant and equipment

	Consolidated	
	2018 \$	2017 \$
Leasehold improvements - at cost	2,106,709	-
Less: accumulated depreciation	(73,546)	-
	2,033,163	-
Plant and equipment - at cost	420,728	-
Less: accumulated depreciation	(61,150)	-
	359,578	-
Motor vehicles - at cost	292,721	134,300
Less: accumulated depreciation	(82,823)	(15,688)
	209,898	118,612
	2,602,639	118,612

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total
Balance at 1 July 2016	-	-	-	-
Additions	-	-	134,300	134,300
Depreciation expense	-	-	(15,688)	(15,688)
Balance at 30 June 2017	-	-	118,612	118,612
Additions	2,098,751	277,978	103,857	2,480,586
Additions through business combinations	6,314	134,689	57,523	198,526
Disposals	-	-	(44,111)	(44,111)
Depreciation expense	(79,439)	(52,652)	(25,983)	(158,074)
Foreign exchange differences	7,537	(437)	-	7,100
Balance at 30 June 2018	2,033,163	359,578	209,898	2,602,639

Note 12. Non-current assets - intangibles

	Consolidated	
	2018 \$	2017 \$
Goodwill	2,073,059	1,901,012

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$
Balance at 1 July 2016	-
Additions through business combinations	1,901,012
Balance at 30 June 2017	1,901,012
Additions through business combinations (note 29)	172,047
Impairment	-
Amortisation expense	-
Balance at 30 June 2018	2,073,059

Impairment testing

Goodwill acquired through business combinations has been allocated to one cash-generating unit, being the consolidated entity.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a one-year projection period approved by the Board and extrapolated for a further four (4) years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow model:

- a) 16.9% pre-tax discount rate;
- b) 5% per annum projected revenue growth rate;
- c) Gross margin increased by 8% from the current average; and
- d) Employee benefits, operating costs and overheads to increase in line with revenue.

The discount rate of 16.8% pre-tax reflects management's estimate of the time value of money, the consolidated entity's weighted average cost of capital adjusted for the business and the risk-free rate.

Management believes the projected 5% revenue growth rate is conservative and justified, based on the acquired business achieving significantly higher growth rates since acquisition.

There were no other key assumptions.

Based on the above, the recoverable amount of the goodwill exceeded the carrying amount by \$15,205,627.

Note 12. Non-current assets - intangibles (continued)

Sensitivity

As disclosed in note 1, the Directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The key sensitivity is as follows:

- a) Forecast revenue would need to decrease by more than 13% per year before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's recoverable amount to be less than the carrying amount.

If there are any significant negative changes in the key assumptions on which the goodwill is based, this may result in an impairment charge for the goodwill.

Note 13. Non-current assets - other assets

	Consolidated	
	2018 \$	2017 \$
Security deposits	657,656	131,237

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2018 \$	2017 \$
Trade payables	1,590,620	204,785
Other payables	668,617	1,234,940
Payment in advance	208,982	-
Accrued expenses	546,277	73,547
	3,014,496	1,513,272

Refer to Note 22 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2018 \$	2017 \$
<i>Current</i>		
Finance lease liability - motor vehicles*	62,800	27,772
Convertible notes**	-	2,515,205
	62,800	2,542,977

* Refer to Note 17 for further details.

** The convertible notes were converted into shares upon ASX listing during the year.

Note 16. Current liabilities - provisions

	Consolidated	
	2018 \$	2017 \$
Employee benefits provision	144,271	34,532

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. The consolidated entity expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 17. Non - current liabilities - borrowings

	Consolidated	
	2018 \$	2017 \$
Finance lease liability - motor vehicles	127,469	67,076

The financial lease liability is payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	67,787	(4,987)	62,800
Between one and five years	131,889	(4,420)	127,469
	199,676	(9,407)	190,269

The finance lease liability is secured by a charge over the underlying finance leased asset.

Note 18. Equity - issued capital

(a) Ordinary shares

Consolidated

	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	270,366,572	427,874,178	26,519,602	2,841,777

Movements in ordinary share capital

Consolidated	2018 No. of shares	\$	2017 No. of shares	\$
At the beginning of the reporting period	427,874,178	2,841,777	427,874,178	2,841,777
Less:				
Elimination of existing AuMake Subsidiary shares	(427,874,178)	-	-	-
Add:				
Existing AuMake International Ltd on acquisition (post 6 for 1 basis on consolidation)	15,007,480	-	-	-
Allotment of shares following conversion of convertible notes	42,937,500	2,290,000	-	-
Allotment of shares following conversion of convertible loan	5,000,000	200,000	-	-
Issue of share for acquisition of subsidiary	95,083,151	1,200,598	-	-
Facilitator shares	5,875,000	470,000	-	-
Share issued at acquisition of subsidiary - Jumbuck Australia Pty Ltd	350,877	100,000	-	-
Share issued at capital raising	106,112,564	20,000,000	-	-
Share issue costs	-	(582,773)	-	-
At the end of the reporting period	270,366,572	26,519,602	427,874,178	2,841,777

Ordinary shares participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of and amounts paid on the shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 19. Equity - reserves

Consolidated	2018 \$	2017 \$
	727,327	-
Options reserve (a)	2,400,000	-
Performance shares reserve (b)	110,362	-
Foreign currency translation reserve (c)	3,237,689	-

(a) Options reserve

Movements in option reserve

Consolidated	2018 No. of securities	\$	2017 No. of securities	\$
At the beginning of the reporting period	-	-	-	-
Issue of options to director, Quentin Flannery as part of the acquisition with an exercise price of \$0.20	5,000,000	246,816	-	-
Issue of options to employees in pursuant to Employee Share Option Plan (ESOP) with an exercise price of \$0.20	7,150,000	480,511	-	-
At the end of the reporting period	12,150,000	727,327	-	-

(b) Performance share reserve

The performance share reserve is related to the 50,000,000 performance shares, comprising 25,000,000 Class A Performance Shares and 25,000,000 Class B Performance Shares to founding shareholders of AuMake Subsidiary – refer to Note 21 and Note 28 for further information relating to these performance shares.

(c) Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Movements in foreign currency translation reserve

Consolidated	2018 \$	2017 \$
At the beginning of the reporting period	-	-
Exchange difference on translation of foreign operations	110,362	-
At the end of the reporting period	110,362	-

Note 20. Equity – accumulated losses

	Consolidated	
Consolidated	2018 \$	2017 \$
Accumulated losses at the beginning of the financial year	(1,335,062)	(472,906)
Loss after income tax expense for the year	(11,232,861)	(862,156)
Accumulated losses at the end of the financial year	(12,567,923)	(1,335,062)

Note 21. Share-based payments

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Note	30 June 2018 \$	30 June 2017 \$
Director options issued as part of the acquisition	21(a)	246,816	-
Employee options issued as per Employee Share Option Plan (ESOP)	21(a)	480,511	-
Performance shares	21(b)	2,400,000	-
		3,127,327	-

a) Options

All options granted to key employees, consultants and advisors of the company are for ordinary shares in AuMake International Limited which confer a right of one ordinary share for every option held.

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the period	Exercised during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number
12 September 2017	12 September 2022	\$0.20	-	5,000,000	-	5,000,000	5,000,000
22 January 2018	22 January 2023	\$0.20	-	5,150,000	-	5,150,000	-
22 January 2018	22 January 2023	\$0.20	-	2,000,000	-	2,000,000	-

Notes to the financial statements
30 June 2018

The following table sets out the assumptions made in determining the fair value of the options granted during the financial year using the Black-Scholes option pricing model:

	Options granted 12 September 2017	Options granted 22 January 2018	Options granted 22 January 2018
Expected volatility (%)	100	100	100
Risk free interest rate (%)	1.86	1.86	1.86
Weighted average expected life of options (years)	5	5	5
Expected dividends	Nil	Nil	Nil
Option exercise price (cents)	20	20	20
Share price at grant date (cents)	8	48	48
Fair value of option (cents)	4.9	40.6	40.6
Number of options	5,000,000	5,150,000	2,000,000
Expiry date	12 September 2022	22 January 2023	22 January 2023
Vesting date	12 September 2017	22 January 2021	22 January 2020
Value recognised as of 30 June 2018 (\$)	246,816	303,636	176,875

b) Performance shares

Grant Date	Expiry date	Balance at start of year	Granted during the period	Exercised during the period	Consolidated during the period	Balance at end of the period	Vested & exercisable at end of the period
		Number	Number	Number	Number	Number	Number
12 September 2017	12 September 2022	-	50,000,000	-	-	50,000,000	-
		-	50,000,000	-	-	50,000,000	-

The performance share reserve is related to the 50,000,000 performance shares, comprising 25,000,000 Class A Performance Shares and 25,000,000 Class B Performance Shares to founding shareholders of AuMake Subsidiary – refer to note 28 for further information relating to these performance shares.

Type	Shares/rights	Underlying share price	Probability %*	Value (\$)
Class A	25,000,000	\$0.08	100%	2,000,000
Class B	25,000,000	\$0.08	20%	400,000
	50,000,000			2,400,000

*The probability estimated by the management is over the expiry date of the performance shares.

Note 22. Financial risk management

Financial risk management objectives

The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior management under direction of the Board. The Board provides principles for overall risk management, as well as policies covering specific areas.

The consolidated entity is not materially exposed to changes in interest rates in its activities.

The company's financial instruments comprise mainly of deposits with banks, trade receivables and trade payables.

The company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, and liquidity risk.

Foreign currency risk

The consolidated entity has transactional currency exposures. Such as exposure arose from sales or purchases by an operating entity in currencies other than the functional currency.

At the reporting date, the consolidated entity had the following exposures to foreign currency in Chinese Yuan Renminbi (CNY\$) that are not designated in cash flow hedges:

	2018 AUD\$	2017 AUD\$
Financial assets		
Cash and cash equivalents	2,472,316	-
Trade and other receivables*	429,015	-
Total financial assets	2,901,331	-
Financial liabilities		
Trade and other payables*	3,413,317	-
Total financial liabilities	3,413,317	-

*Includes loans with parent entity and other entities within the consolidated entity.

Credit risk

The maximum exposure to credit risk by class of recognised financial assets at reporting date is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Cash and security deposits are held with financial institutions with high credit ratings.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

Liquidity risk

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligation related to financial liabilities. Management monitors the rolling forecasts of the consolidated entity's cash and financial assets on the basis of expected cashflows. This is generally carried out at a local level in the operating companies of the consolidated entity in accordance with the practice and limits set by the group. In addition, the consolidated entity's liquidity management policy involves preparing forwarding looking cash flow analysis in relation to its operational, investing and financial activities.

Note 23. Related party transactions

a) Parent entity

AuMake International Limited is the parent entity.

b) Subsidiary

Interests in subsidiaries are set out in Note 30.

c) Key management personal compensation

Disclosures relating to key management personnel are set out as below and the Remuneration Report included in the Directors' Report.

The aggregate compensation made to key management personnel of the consolidated entity is set out below:

	Consolidated	
	2018 \$	2017 \$
Short-term employee benefits	520,183	31,500
Post-employment benefits	26,204	-
Share-based payments	-	-
	546,387	31,500

d) Other transactions with key management personnel and their related parties

i. Transactions with related parties

	2018 \$	2017 \$
Duret Holdings Pty Ltd - related party to Keong Chan		
Consultants fees	(22,000)	-
Marketing expenses	(22,300)	-
Total paid during the year	(44,300)	-

	2018 \$	2017 \$
Maximus Flannery Pty Ltd - related party to Quentin Flannery		
Options received	246,816	-
Total during the period	246,816	-

Key management personnel	Number options granted during the year	Grant date	Fair value per option	Exercise price per option	Expiry date	Number options vested during the year
Quentin Flannery	5,000,000	12 September 2017	\$0.049	\$0.20	12 September 2022	5,000,000

Note 23 Related party transaction (continued)

ii. Outstanding balances arising from sales/purchases of goods and services:

During the year ended 30 June 2017, AuMake Australia Pty Ltd acquired inventory from the Director, Jiahua (Joshua) Zhou, at a value of \$1,100,000. At 30 June 2017, a liability of \$1,100,000 remained payable to the Director. This amount was fully repaid as of 30 June 2018.

iii. Loans with key management personnel and their related parties

During the year ended 30 June 2017, a convertible loan of \$200,000 was provided to ITM Corporation Limited by Duret Holdings Pty Ltd, an entity related to the director, Keong Chan. During the year ended 30 June 2018, this amount was fully repaid via conversion to 5,000,000 shares.

During the year ended 30 June 2017, a convertible note of \$150,000 was provided to ITM Incorporation Limited by Duret Holdings Pty Ltd, an entity related to the director, Keong Chan. During the year ended 30 June 2018, this amount was fully repaid via conversion to 2,812,500 shares.

During the year ended 30 June 2017, a convertible note of \$30,000 was provided to ITM Corporation Limited by LC Alliance Pty Ltd, an entity related to the director, Gang Xu. During the year ended 30 June 2018, this amount was fully repaid via conversion to 562,500 shares.

There were no further transactions with Directors including their related parties, not disclosed above or in Note 23.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia partners:

	Consolidated	
	2018 \$	2017 \$
<i>Audit service - RSM Australia Partners</i>		
Audit or review of the financial statements	110,000	68,100
<i>Other services - RSM Australia Partners</i>		
Investigating Accountant's Report	10,000	-
	120,000	68,100

Note 25. Contingent assets and liabilities

Contingent assets

The Directors are not aware of any contingent assets as at 30 June 2018 and 30 June 2017.

Contingent liabilities

ITM Corporation Limited (ACN 605 374 570) (ITM) a 100% held subsidiary of the Company, will own 50% of the 'Health Essence' trademark.

From 1 November 2019, ITM has an option to acquire the remaining 50% of the Health Essence trademark from Aussia Australia Pty Ltd (ACN 095 891 795) via the issue of AuMake fully paid ordinary shares. Should ITM choose to exercise this option, the methodology used to value the 50% interest in the Health Essence trademark is calculated as 30% of the average annual sales of Health Essence branded products.

There is no other contingent liability as at 30 June 2018.

Note 26. Commitments

	Consolidated	
	2018 \$	2017 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,473,543	439,528
One to five years	4,348,418	757,506
	5,821,961	1,197,034

Operating lease commitments includes contracted amounts for various retail outlets, warehouse and offices under non-cancellable operating leases expiring within three to six years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease liability commitments are as disclosed in Note 17.

There are no other material commitments as at 30 June 2018 (2017: Nil).

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of financial position

	2018 \$	2017 \$
Assets		
Current assets	7,374,397	6,385
Non-current assets	9,997,657	-
Total assets	17,372,054	6,385
Liabilities		
Current liabilities	182,686	127,980
Non-current liabilities	-	-
Total liabilities	182,686	127,980
Net assets/liabilities	17,189,368	(121,595)
Equity		
Issued capital	71,136,197	51,248,114
Reserve	3,127,327	-
Accumulated losses	(57,074,156)	(51,369,709)
Total equity	17,189,368	(121,595)

Statement of profit or loss and other comprehensive income

	2018 \$	2017 \$
Loss for the year	(5,704,447)	(253,673)
Total comprehensive loss	(5,704,447)	(253,673)

Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as of 30 June 2018 and 30 June 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017 other than as disclosed in Note 25.

Commitments

The parent entity had no capital commitments as at 30 June 2018 and 30 June 2017.

Note 28. Reverse acquisition accounting

On 5 October 2017, AuMake International Limited (formerly Augend Ltd), the legal parent and legal acquirer, completed the acquisition of ITM Corporation Limited ("AuMake Subsidiary"). The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead the acquisition has been treated as a group recapitalisation, using the principles of reverse acquisition accounting in AASB 3 Business Combinations given the substance of the transaction is that AuMake Subsidiary has effectively been recapitalised. Accordingly, the consolidated financial statements have been prepared as if AuMake Subsidiary has acquired AuMake International Limited, not vice versa as represented by the legal position. The recapitalisation is measured at the fair value of the equity instruments that would have been given by AuMake Subsidiary to have exactly the same percentage holding in the new structure at the date of the transaction.

As the activities of AuMake International Limited would not constitute a business based on the requirements of AASB 3, the transaction has been accounted for as a share-based payment under AASB 2. The excess of the deemed consideration over the fair value of AuMake International Limited, as calculated in accordance with the reverse acquisition accounting principles and with AASB 2, is considered to be a payment for a group restructure and has been expensed.

AuMake International Limited is the legal acquirer of AuMake Subsidiary in this transaction and the consideration for the acquisition was the issue by AuMake International Limited of:

- 95,083,151 fully paid ordinary shares in AuMake International Limited in accordance with reverse asset acquisition accounting principles the consideration is deemed to have been incurred by AuMake Subsidiary in the form of equity instruments issued to AuMake International Limited shareholders. The acquisition date fair value of this consideration has been determined with reference to the fair value of the issued shares of AuMake International Limited immediately prior to the acquisition and has been determined to be \$1,200,598; and
- 50,000,000 performance shares, comprising 25,000,000 Class A Performance Shares and 25,000,000 Class B Performance Shares to founding shareholders of AuMake Subsidiary. The fair value of these performance rights has been included as part of the consideration for the transaction in accordance with the relevant accounting standard.
 - > **Class A Performance Share:** each Class A Performance Share will vest into one share upon AuMake International Limited achieving total sales revenue of \$25,000,000 at an average of 13% gross profit margin over a 12 month period based on AuMake International Limited's audited accounts (Class A Milestone); and
 - > **Class B Performance Share:** each Class B Performance Share will vest into one share upon AuMake International Limited achieving total sales revenue of \$60,000,000 at an average of 13% gross profit margin over a 12-month period based on AuMake International Limited's audited accounts (Class B Milestone).

As AuMake International Limited is deemed to be the acquiree for accounting purposes, the carrying values of its assets and liabilities are required to be recorded at fair value for the purposes of the acquisition. No adjustments were required to the historical values to effect this change.

Notes to the financial statements
30 June 2018

Consideration

	\$
95,083,151 fully paid ordinary vendor shares	1,200,598
50,000,000 performances shares*	Nil
Total value of consideration	1,200,598

Fair Value of AuMake International Limited at acquisition:

Cash	17,496
Trade and other receivables	164,732
Trade and other payables	(393,392)
Related party loan	(183,960)
Fair value of net liabilities	(395,124)
Excess of consideration provided over the fair value of net liabilities at the date of acquisition expensed, being group restructuring and relisting costs	1,595,722

* Performance shares were issued as additional consideration, valued at nil, as the probability of performance milestones being met was assessed as less than probable on the date of reverse acquisition.

Note 29. Business combinations

On 28 February 2018, AuMake Australia Pty Limited, a subsidiary of AuMake International Limited, acquired 100% of the ordinary shares of Da Xue Li Health and Technology Ltd for nil consideration. This is a company registered in Xiamen, the People's Republic of China. It was acquired to operate the company's Xiamen Daigou Hub and provide customer services to online customers.

At the time these financial statements were authorised for issue, the Company had not yet completed the accounting for the acquisition of the business of Da Xue Li Health and Technology Ltd. In particular, the fair value of assets and liabilities disclosed below had only been determined provisionally as the independent valuations were not finalised.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	3,136,823
Trade and other receivables	15,747
Plant and equipment	39,732
Trade and other payables	(3,332,737)
Employee benefits	(27,187)
Net liabilities acquired	(167,622)
Representing:	
Cash paid or payable to vendor	-
Goodwill recognised	167,622

Note 29. Business combinations (continued)

On 31 March 2018, ITM Corporation Limited, a subsidiary of AuMake International Limited, acquired 100% of the ordinary shares of 168 Express Pty Ltd for nil consideration. This is a freight and logistic business and operates in the transportation division of the consolidated entity after acquisition. It was acquired to better streamline its warehouse logistic function in order to increase operating efficiencies.

At the time these financial statements were authorised for issue, the company had not yet completed the accounting for the acquisition of the business of 168 Express Pty Ltd. In particular, the fair value of assets and liabilities disclosed below had only been determined provisionally as the independent valuations were not finalised.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	1,428
Trade and other receivables	25,609
Plant and equipment	93,320
Trade and other payables	(21,405)
Interests bearing liabilities	(82,334)
Employee benefits	(21,043)
Net liabilities acquired	(4,425)
Representing:	
Cash paid or payable to vendor	-
Goodwill recognised	4,425

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / country of incorporation	Ownership interest	
		30 June 2018 %	30 June 2017 %
Parent entity			
AuMake International Limited (formerly Augend Ltd)	Australia		
Name of controlled entity			
ITM Corporation Ltd	Australia	100%	-
AuMake Australia Pty Ltd	Australia	100%	-
Jumbuck Australia Pty Ltd	Australia	49%	-
168 Express Pty Ltd	Australia	100%	-
Newera Australia Pty Ltd	Australia	100%	-
Kiwibuy Australia Pty Ltd	Australia	100%	-
Medigum Honey Pty Ltd	Australia	50%	-
AU8 Media Pty Ltd	Australia	100%	-
Da Xue Li Health and Technology Ltd	China	100%	-

Note 31. Events after the reporting period

There have not been any matters or circumstances that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations, the results of those operations or the state of affairs in future financial years.

Note 32. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2018 \$	2017 \$
Loss for the year	(11,232,861)	(862,156)
Adjustments for:		
Share-based payment	3,597,327	-
Listing fee	1,595,722	-
Interest expenses	7,809	-
Depreciation	158,074	-
Net loss on disposal of non-current assets	26,839	-
Impairment of intangible assets	544,461	-
Changes in operating assets and liabilities		
Trade and other receivables	(788,713)	(172,399)
Trade and other payables	(216,836)	125,413
Inventories	(1,132,969)	61,045
Provisions	109,740	-
Net cash outflow from operating activities:	(7,331,407)	(848,097)

Note 33. Loss per share

	2018 \$	2017 \$
Basic loss per share (cents)	(5.81)	(1.81)
Diluted loss per share (cents)	(5.81)	(1.81)
a) Net loss used in the calculation of basic loss per share and diluted loss per share	(11,232,861)	(862,156)
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share and diluted loss per share	193,469,052	94,095,497

Options have not been included in the calculation of dilutive loss per shares as the options are anti-dilutive.

Note 34. Acquisition of Jumbuck Australia Pty Ltd

On 8 November 2017, ITM Corporation Limited, a subsidiary of AuMake International Limited, acquired 49% of the ordinary shares of Jumbuck Australia Pty Ltd, that is an Australian wool product manufacturer. This acquisition provides the company with the capacity to introduce of wool products as a new core product category and direct exposure to the significant daigou and Chinese tourist demand for Australian wool products.

Details of the acquisition are as follows:

	Fair value \$
Plant and equipment	65,474
Trade and other payables	(24,612)
Employee benefits	(48)
Net assets acquired	40,814
Representing:	
Purchase consideration paid and payable by AuMake International Limited:	
Ordinary shares issued at Tranche 1 *	100,000
Ordinary shares to be issued at Tranche 2 **	400,000
	500,000
Impairment of intangible asset	(459,186)
	40,814

The consideration for this acquisition is as follows:

* Tranche 1 – acquired 49% of Jumbuck Australia Pty Ltd immediately and issued \$100,000 of AuMake fully paid ordinary shares (subject to a 12-month voluntary escrow).

**Tranche 2 – On and after 1 October 2020, the Company has the option to acquire the remaining 51% of Jumbuck Australia Pty Ltd for A\$400,000 of AuMake fully paid ordinary shares which will be subject to a 12-month voluntary escrow. The issue price of these fully paid ordinary shares will be based on a 5-day VWAP at the time of settlement of tranche 2.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Keong Chan

Director

30 August 2018

Sydney



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUMAKE INTERNATIONAL LIMITED

Opinion

We have audited the financial report of AuMake International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Acquisition of ITM Corporation Limited Refer to Note 28 in the financial statements	
<p>On 4 October 2017, the Company completed the acquisition of ITM Corporation Limited pursuant to a binding term sheet by issuing 95,083,151 shares and 50,000,000 performance shares.</p> <p>When the transaction was completed, the shareholders of ITM Corporation Limited held 86.4% of the combined entity. Therefore, the Company determined that it was the accounting acquiree and ITM Corporation Limited was the accounting acquirer. The Company did not meet the definition of a business under AASB 3 <i>Business Combinations</i> as at the date of the transaction. Therefore, the transaction was accounted for using the principles of reverse acquisition accounting.</p> <p>We identified the acquisition of ITM Corporation Limited as a key audit matter due to the technical complexity of the accounting treatment, the significant management judgment required in determining the acquiring entity, the fair value of consideration paid and whether the accounting acquiree met the definition of a business under AASB 3 <i>Business Combinations</i>.</p>	<p>Our audit procedures in relation to the Company's accounting for the acquisition ITM Corporation Limited included:</p> <ul style="list-style-type: none"> • Reviewing the binding term sheet in order to obtain an understanding of the transaction and the related accounting considerations; • Critically evaluating management's determination that ITM Corporation Limited was the acquiring entity and that the acquired entity did not meet the definition of a business; • Evaluating the timing and appropriateness of the accounting treatment and the consideration of the acquisition based on the binding term sheet; and • Assessing the compliance of the financial presentation and disclosures with the requirements of Australian Accounting Standards.
Impairment of goodwill Refer to Note 12 in the financial statements	
<p>The Group has consolidated goodwill of \$2.07 million relating to its acquisition of the businesses in the prior year and the current year.</p> <p>Management performs an annual impairment test on the recoverability of the goodwill as required by Australian Accounting Standards.</p> <p>We determined this area to be a key audit matter due to the size of the goodwill balance and because the directors' assessment of the value-in-use of the cash generating unit (CGU) involves judgement about the future underlying cash flows of the business, the profit margin and the discount rate applied.</p>	<p>Our audit procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> • Assessing management's determination that the goodwill should be allocated to one CGU based on the nature of the Group's business; • Assessing the valuation methodology used; • Challenging the reasonableness of key assumptions, including the cash flow projections, expected revenue growth rates and the discount rate; • Reviewing management's sensitivity analysis over the key assumptions used in the models; • Checking the mathematical accuracy of the cash flow model and reconciling input data to supporting evidence, such as approved budget and considering the reasonableness of the budget; and • Assessing the compliance of the financial presentation and disclosures with the requirements of Australian Accounting Standards.



Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of AuMake International Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Tutu Phong".

TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2018

Shareholder information 30 June 2018

The shareholder information set out below was applicable as at 23 August 2018.

a) Distribution of holdings of fully paid ordinary shares

Range	Total holders	Units	% Units
1 - 1,000	1,510	180,921	0.07
1,001 - 5,000	1,157	3,314,228	1.23
5,001 - 10,000	616	5,121,281	1.89
10,001 - 100,000	1,193	41,357,830	15.30
100,001 Over	255	220,392,312	81.52
Rounding			-0.01
Total	4,731	270,366,572	100.00

1,779 shareholders hold less than a marketable parcel of shares, being a market value of less than \$500.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Rank	Name	Units	% of Units
1.	JIAHUA ZHOU <ZHOUS AUSTRALIA HOLDING DISCRE>	40,410,339	14.95
2.	CHINA RISE FINANCIAL HOLDING INVESTMENT CO LTD	11,500,000	4.25
3.	MS LIESL CHAN <CHAN FAMILY A/C>	10,312,500	3.81
4.	CHEN & XING PTY LTD <THE GANG XU SUPER FUND A/C>	8,123,856	3.00
5.	MR GUOXIAN ZHENG	7,131,236	2.64
6.	MR JIE CHEN	6,300,000	2.33
7.	LC ALLIANCE PTY LTD	6,228,766	2.30
8.	NEW AGE GROUP CO LIMITED	6,105,527	2.26
9.	MS XUEFEN SHENG	5,871,944	2.17
10.	WONG KING MAN	4,444,444	1.64
11.	MR PETER VASSILEFF <PITCH INVESTMENTS A/C>	3,975,000	1.47
12.	CITICORP NOMINEES PTY LIMITED	3,911,122	1.45
13.	ILWELLA PTY LTD	3,750,000	1.39
14.	SAFARI CAPITAL PTY LTD	3,582,395	1.33
15.	ILWELLA PTY LTD	3,111,111	1.15
16.	MR BRIAN JOSEPH FLANNERY	2,737,500	1.01
17.	MRS PEGGY ANN FLANNERY	2,737,500	1.01
18.	MR DOMINIC VIRGARA	2,310,000	0.85
19.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,262,471	0.84
20.	QIANG CHEN	2,222,222	0.82
Totals: Top 20 Holders of Ordinary Fully Paid Shares (Total)		137,027,933	50.68
Total Remaining Holders Balance		133,338,639	49.32

Shareholder information 30 June 2018

c) Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	10,750,000	11
Performance Rights issued as part of the consideration for reverse acquisition	50,000,000	4

d) Substantial holders

Substantial holders in the company are set out below:

Ordinary shares		
	Number held	% of total shares issued
Jiahua Zhou	40,410,339	14.9
Gang Xu	17,177,572	6.4

e) Restricted securities

There are no restricted shares on issue.

f) Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares	5 October 2019	74,196,952
Ordinary shares	7 November 2018	350,877
		74,547,829

INVESTORS

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MEDIA

Lynn Semjaniv, Sauce Communications
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Instagram: @aumake
LinkedIn: www.linkedin.com/company/aumake
website: aumake.com.au



AuMake
International Limited

AuMake International Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	AuMake International Limited
ACN:	150 110 017
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

	30 June 2018	30 June 2017
Revenues from ordinary activities up 1,658%	\$21,570,204	\$1,226,826
Loss from ordinary activities after tax attributable to the owners of AuMake International Limited up 1,203%	\$11,232,861	\$862,156
Loss for the year attributable to the owners of AuMake International Limited up 1,203%	\$11,232,861	\$862,156

Please refer to page 2 “Financial Highlights” section of the Company’s annual report for the year ended 30 June 2018 for further detail in relation to the normalisation of results through the isolation of one-off and non-cash expenses.

Dividends

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>5.6</u>	<u>(0.1)</u>

4. Control gained or lost over entities having material effect

During the period the Company completed the acquisition of 100% of the share capital of ITM Corporation Limited. The transaction was completed on 4 October 2017 and the Company relisted on ASX on 4 October 2017.

5. Details of associates and joint venture entities

There are no associates or joint venture entities.

AuMake International Limited
Appendix 4E
Preliminary final report

6. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

Signed

Signed



Keong Chan
Director
Sydney

Date: 30 August 2018