

June Quarterly Report

Record number of transactions driving sales of new brands and online traffic

Highlights

- Strategic change in product mix during the quarter (vs March qtr) **increased**:
 - > Total transactions by 27%
 - > Total sales by 31%
 - > Total gross profit by 12%
 - > Sales of new brand products by 6% (up 48% YoY)
 - > Sales of AuMake owned brand products by 11% (up 68% YoY)
 - > Online sales by 89%
 - Increased net profitability from increased online sales
 - Continued decrease in operating cash outflow in line with strong progress towards profitability
 - Strong balance sheet post Broadway acquisition with \$5.5m cash on hand and \$6.0m inventory
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- Significant progress with JD.com during quarter with online store performing well and access to further distribution channels within the JD.com business
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- Broadway acquisition settlement on 23 July 2019
 - > 80% increase YoY in tour group visitation for July
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- AuMake is making very strong progress towards its goal of becoming a highly profitable, high growth, Australian multi-channel brand building platform for the Chinese market

(Sydney, Australia) AuMake International Limited (AuMake or the Company) is pleased to provide the following report and associated Appendix 4C in relation to the June 2019 quarter.

Using well-known products to drive traffic

During the June 2019 quarter, AuMake strategically increased the supply of popular products (infant formula and health supplements) to increase new visitors and total transactions. This strategy proved highly effective with significant increases in total sales, total gross profit, owned brand sales and online traffic, during what is traditionally a subdued trading quarter for daigou and Chinese tourists.

Increased new transactions, total sales and total gross profit

During the quarter, as a result of increased traffic, material increases were observed across the following financial metrics:

	June Qtr 2019	March Qtr 2019	% change
Total transactions	101,000	79,600	+27%
Total Sales	\$13.0m	\$9.9m	+31%
Total gross profit	\$1.9m	\$1.7m	+12%

Total gross margin ~~was~~ adjusted slightly from 17.0% to 14.7%, which was in line with budgeted expectations given the increased supply of well-known lower margin products.

With the continued consolidation of the daigou industry and phasing out of smaller operators, AuMake is able to cost effectively acquire new customers using well-known products to serve as a conduit to new brands and online sales.

As a result of this traffic driving strategy, 70% of the total gross profit growth was achieved via sales of new brand products.



Increased sales of new and owned brand products

The following table illustrates the growth in sales of new brand products (30%+ gross margin) and AuMake owned brand products:

	June Qtr 2019	March Qtr 2019	June Qtr 2018
Sales of new brand products (greater than 30% margin)	\$1.20m	\$1.13m	\$0.81m
AuMake owned brand product sales	\$0.62m	\$0.56m	\$0.37m

Products within the health supplements and skincare/cosmetics categories feature heavily in products which carry margins of 30% or greater.

Within AuMake's owned brand portfolio, Health Essence and Medigum honey continue to perform strongly. AuMake is currently investing in the development of new SKUs within its owned brand portfolio, particularly within the Health Essence health supplement range.

Increased online sales and net profitability

A number of new offline and online strategies were implemented during the quarter to migrate a greater percentage of offline sales to AuMake's online platform.

	June Qtr 2019	March Qtr 2019	% change
Online sales	\$3.6m	\$1.9m	+89%
Online sales as a % of total sales	28%	19%	

Growing online sales is a key strategic focus for the Company, with products sold online leveraging net profitability by up to three times in comparison to offline sales. This is a result of efficiencies stemming from online product orders being picked, packed and dispatched directly from the AuMake distribution centre.

The migration of offline sales to the online platform also allows for sales growth and the promotion of new brands to a wider audience, beyond the borders of traditional offline stores.

AuMake primarily uses WeChat and web based platforms as integrated components of its online platform. The Company has been trialling and assessing new technologies (including social ecommerce technology) during the quarter to improve customer experience and drive greater brand awareness and repeat sales.

AuMake will provide further information regarding the performance of its online platform towards the end of this calendar year.

Direct channels to China

Significant progress was made during the quarter to maximise the partnership with JD.com, with updates provided to the market on 15 and 19 July 2019.

AuMake leverages its strong relationships in China and continues to invest in the development of further offline and online channels to China, as these channels leverage brand equity and provide the opportunity for significant sales growth, without material financial investment.

Settlement of Broadway acquisition

Settlement of the acquisition occurred on 23 July 2019 and at the time of settlement, July tour group visitation had increased 80% year-on-year.

Broadway and AuMake operational teams have been focussing on changes to the product mix (including the introduction of AuMake owned brand products), introducing online sales functionality and increasing the number of Chinese travel agencies that in turn increases tour group visitation.

Strong growth in tour group visitation is anticipated to continue, positioning Broadway as the dominant Chinese travel retailer in Australia and forming a key part of the AuMake brand building platform.



Outlook

The June quarter represented an important period of growth for AuMake through the strategic use of well-known products to drive new transactions, sales of new brand products and the conversion of offline traffic to the Company's online platform.

The acquisition of Broadway also changes AuMake's sales, profit and new brand growth profile materially moving forward, with offline stores now located in Cairns, Gold Coast, Sydney, Melbourne, Auckland and Rotorua.

Keong Chan, Executive Chairman, states:

"AuMake does not operate to simply resell well-known brands but instead we use well-known brands to grow new brands.

We are also very pleased to have Broadway as a part of our business, as it allows us to change the way Chinese tourists experience new brands which is an amazing opportunity. Our growing relationship with JD.com is also a testament to our increasing relevance in the Australian new brand growth story.

Despite existing negative sentiment towards daigou, AuMake knows how important daigou have been, and will continue to be, for the creation of new brands. We will continue to invest in the daigou channel, however, we will increasingly use technology to do this rather than traditional offline stores. This is a significant area of innovation for us and we look forward to updating the market in this regard.

Servicing daigou is only a part of our business model.

AuMake now combines the power of Chinese tourists and direct channels to China with daigou, so that our future growth can come from our brands rather from investment into physical infrastructure.

With these channels in place, we now have the foundation to become what AuMake has always set out to be, a highly profitable, high growth, Australian multi-channel brand building platform for the Chinese market."

-Ends-

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

AuMake International Limited (formerly Augend Ltd)

ABN

150 110 017

Quarter ended ("current quarter")

June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,968	44,842
1.2 Payments for		
(a) research and development	-	-
(b) cost of goods sold	(11,056)	(37,895)
(c) forward purchased inventory	(550)	(1,152)
(d) advertising and marketing	(314)	(1,421)
(e) leased assets	(653)	(2,393)
(f) staff costs	(1,555)	(6,334)
(g) administration and corporate costs	(651)	(1,882)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	208
1.5 Interest and other costs of finance paid	-	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	37
Net cash from / (used in) operating activities	(1,799)	(5,995)
Forward purchased inventory	550	1,152
Net cash from / (used in) operating activities (excluding forward purchased inventory)	(1,249)	(4,843)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(64)	(698)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(300)	(373)
2.6 rental bond guarantee (refundable at end of lease)	(25)	(252)
2.7 Net cash from / (used in) investing activities	(389)	(1,323)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	6,555	6,555
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(16)	(63)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (proceeds from shares issue pending on allotment)	-	-
3.10 Net cash from / (used in) financing activities	6,539	6,492

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,629	10,737
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,799)	(5,995)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(389)	(1,323)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,539	6,492
4.5	Effect of movement in exchange rates on cash held	(16)	53
4.6	Cash and cash equivalents at end of quarter	9,964	9,964

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,964	3,629
5.2	Call deposits	2,000	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,964	5,629

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	216
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

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

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

9. Estimated cash outflows for next quarter*	\$A'000
9.1 Research and development	-
9.2 Cost of goods sold (including investment in additional inventory for new stores and own products)	(12,000)
9.3 Advertising and marketing	(200)
9.4 Leased assets	(620)
9.5 Staff costs	(1,500)
9.6 Administration and corporate costs	(500)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(14,820)

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

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

Compliance statement

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

Sign here: Date:
(Director/Company secretary)

Print name:

Notes

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