AuMake
International Limited

Annual Report 30 June 2020

AuMake
International Limited

ACN
ACN 150 110 017

Directors
Keong Chan (Executive Chairman)
Jiahua (Joshua) Zhou (Managing Director)
Jacky Yang (Executive Director)
Quentin Flannery (Non-Executive Director)
Oliver Horn (Non-Executive Director)

Company secretary
David Franks

Registered office
Suite 1.01, 22–36 Mountain Street
Ultimo, NSW 2007, Australia

Principal place of business
Suite 1.01, 22–36 Mountain Street
Ultimo, NSW 2007, Australia

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

Auditor
RSM Australia Partners
Level 32, Exchange Tower, 2 The Esplanade
Perth WA 6000

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

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

Website
www.aumake.com.au

AuMake International Limited (AuMake) is a specialist retailer providing a contemporary shopping experience to Asian customers seeking high-quality and authentic Australian and New Zealand products.

Chairman's letter

Dear Shareholders,

The 2020 Financial Year (FY20) has been one of significant challenges and exciting new opportunities for the Company. The FY20 first half saw the continued trend of strong Asian tourist numbers in Australia and New Zealand, driving in-store sales growth for the Company. The global COVID-19 pandemic significantly impacted our performance in the second half as Australia closed its international borders from March. These travel restrictions on tourists and foreign students resulted in a significant reduction in business activity, forcing the Company to close our physical stores in March. While we have re-opened three stores, visitor numbers remain down on normal trading levels.

Whilst COVID-19 has impacted physical store trading, we have not been idle, using this period to invest in building our online presence and product offering. Our growing database and improved online experience allow us to reach a vast number of customers in China via our trusted travel agent relationships. We know from these partnerships that brand Australia is still very strong in the minds of the Chinese consumer.

AuMake remains committed to innovation, providing a contemporary shopping experience for our online and in-store customers with high quality and authentic local products. We're excited by the opportunity to cater to the changing retail tastes of the Chinese customer.

Online growth strategy

The Company launched the new Broadway Online platform in February 2020. Since launch more than 10,000 unique China-based consumers have visited the platform. The platform had over 3,000 unique visitors in the last two weeks of the financial year alone due to a refreshed user interface and marketing promotions. The steady increase in visitor numbers demonstrates both the opportunity and growth potential of our online platforms.

The increasing website traction is complemented by the Company's growing database of over 40,000 unique visitors. AuMake's database provides a deep target pool for direct online marketing of new high-quality and high-margin products. The ability to utilise existing customer data for marketing outreach will deliver an increase in repeat online purchasing from customers located in China and delivers an important and differentiated source of future sales growth for AuMake.

We recently announced an exciting technology partnership with Shenzhen Jiezhou Technology Co, Ltd ("JieZhou"), who is partly owned by Ant Financial Services Group, which will open up new growth opportunities in the future.

The online platform will be a permanent feature of the AuMake business in FY21 and beyond and will complement the eventual return of Asian tourists to the Company's physical stores.

Re-opening our physical store network

Social distancing restrictions required us to temporarily close the AuMake physical store network on 31 March 2020. Since then, three of the six metropolitan Sydney stores have reopened. Foot traffic through our stores has been steadily increasing but remains down on levels experienced pre-COVID-19. We will continue to monitor store activity and profitability and look forward to the progressive re-opening of stores during FY21.

The store closures enabled us to implement substantial changes to our flagship store. We have invested to improve the customer experience with a refreshed store layout, presentation and expanded product offering. We believe this is a significant step in differentiating the AuMake brand and stores as providers of a desirable and high-quality shopping experience.

Advancing our technological footprint

In a continued effort to improve the customer experience, we rolled out Buy-Now-Pay-Later (BNPL) services from Chinese providers Alipay and Tencent in our physical stores and online platforms. Alipay's BNPL feature has over 190 million users, and Tencent BNPL feature can be used by its 1.1 billion customer base. BNPL is revolutionising the way consumers shop globally, including in China, and will be available to AuMake's in-store and online customers.

Staff

The safety of our employees and customers remains a key priority for the business. On behalf of the senior management team and Board, I would like to thank all our stakeholders, including employees, suppliers, travel agents, tour guides, landlords and shareholders, for their continued support during these challenging operating conditions. AuMake will emerge as a leaner and more contemporary business as a result of this pandemic.

Outlook for FY21 and beyond

AuMake's focus on high-margin products through our online stores has set the stage for a more diversified revenue stream. We are working closely with Chinese tourist agencies to provide a superior online shopping experience to our customers, increasing high-margin online sales which further supports in-store revenue. Our June quarter performance is a great example of how we are building momentum online, while preparing our physical stores for the eventual return of tourists and international students. With our technology partner JieZhou, we are planning to launch our next generation online platform in October 2020.

Despite continued border closures due to COVID-19, AuMake continues to grow and remains committed to its FY21 strategic objectives. These include improving the in-store customer experience in our flagship venues, reinvigorating product mix to cater for changing consumer tastes, increasing the proportion of high-quality and high-margin own brand products, continued investment in expanding our online retail platforms and growing our existing 40,000 unique visitor database.

As a Board we are very proud of how our business has responded to the unprecedented challenges of COVID-19 and we look forward to delivering value for shareholders in FY21.

Keong Chan,
Executive Chairman

AuMake provides a contemporary omnichannel shopping experience

AuMake platform

Lifestyle stores in Australia and New Zealand combined with a growing online presence, enables AuMake to provide high-quality products to consumers based in mainland China and other Asian countries.

Physical store network

15 lifestyle stores located in key tourist and community areas across Australia and New Zealand

AuMake's stores and products are specifically designed to appeal to its customer demographic

Staff are all multi-lingual and trained to provide a memorable shopping experience for AuMake's customers while in-store

Online

AuMake is building a growing online presence to drive repeat purchasing

Online is now a way of life for the Chinese consumer

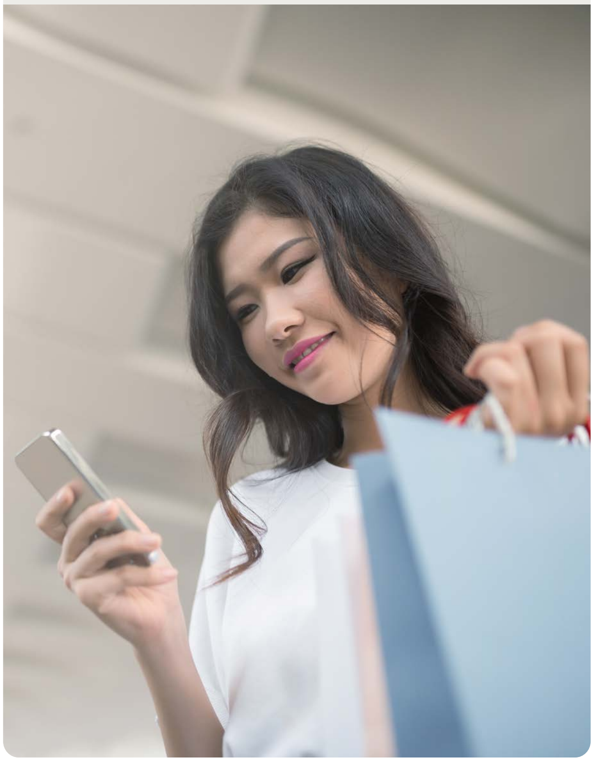
The online strategy leverages the Company's network of travel agents in China to target customers who have previously visited or are planning to visit its stores in Australia and New Zealand

Database

AuMake collects the names, emails and WeChat addresses of all customers who make in-store purchases

A growing database of over 40,000 provides a deep target pool for its online platform

Repeat online purchasing from customers physically located in China who want access to authentic Australian and New Zealand products will deliver an important and differentiated source of growth for AuMake



Key FY20 operating highlights

1 *Healthcare supplements and food*

2 *Skin and body care & cosmetics*

3 *Dairy products & baby food*

4 *Wool & leather*

Medicinal honey — MEDIGUM

Health supplements — healthessence AUSTRALIA

Wool and leather — UGG

Wool products — JUMBUCK UGG ORIGINAL

The temporary closure of AuMake's physical store network due to COVID-19 has enabled the Company to significantly improve its in-store experience, refreshing store layout, presentation and expanding product categories.

The Company is reinvigorating its product mix to cater for changing consumer tastes, increasing the proportion of high-quality and high-margin own brand products available via its physical and online stores. AuMake will maintain a focused product range of approximately 500 stock keeping units (SKUs), ensuring a highly efficient supply and inventory chain.

AuMake fast-tracked its online strategy in FY20, launching the Broadway Online platform in February. Broadway Online caters to China-based consumers with high-quality and high-margin own brand products with more than 10,000 unique visitors already visiting the site. The new ecommerce platform complements the Company's direct marketing database of more than 40,000 users, which will continue to deliver an increase in repeat purchasing from existing customers in China.

The introduction of Buy-Now-Pay-Later payment services from leading Chinese-owned providers Alipay and Tencent, enables AuMake to build traction with a younger Asian customer demographic. AuMake customers will now be able to utilise credit facilities, including interest free or daily incurring interest loans, to pay for products both in-store and online.

Overview of financial performance

In FY20 the Company delivered operating revenues of $60m representing 35% growth when compared to FY19.

Key financial metrics for the FY20 year included:

- FY20 total **group revenue of $60m** (up 35% vs FY19) due to acquisition of Broadway business
- **Total group gross profit of $25.3m** (up 232% vs FY19) delivering a gross profit margin of 42.2% (up 145% vs FY19)
- **Online sales of $14.7m** (up 130% vs FY19) with gross profit of $2.1 m (up 158% vs FY19)
- Gross margin of 42.2% (up 145% vs FY19), due to increase in sales of higher margin products
- **Operational cash inflow of $3.0m** for FY20 (outflow of $6m in FY19), including significant investment in online growth and in-store customer experience on re-opening

The improving online margin reflects the range of premium quality products and an increasing proportion of own brand products.

Whilst managing operational costs, the Company continued to re-deploy resources to increase investment in long term growth drivers, particularly its AuMake and Broadway Online platforms and improving the in-store experience.

The net cash position of $8.2m places AuMake in a strong position to continue to invest for future growth.

Board of directors

Mr Keong Chan GAICD

Executive Chairman
Bachelor of Commerce and Master of International Customs Law and Administration

Mr Chan spent his early career working with Big 4 accounting firms in Canberra, Sydney and Perth and has significant corporate experience in capital raisings, initial public offerings, mergers and acquisitions, takeovers and divestments.

Mr Chan is a member of the Australian Institute of Company Directors

Mr Quentin Flannery MAICD

Non-Executive Director
Bachelor of International Business with a minor in Mandarin

Currently the Director of several family companies, Mr Flannery brings a wealth of experience across corporate and commercial matters.

Mr Flannery was appointed marketing manager for Yancoal Australia, one of Australia's largest coal mining companies. Mr Flannery is also a Director for emerging hedge fund manager Elysian Capital, energy supplier Sunset Power International, coal mining company Delta Coal, and is the Chairman of the medical device start-up Field Orthopaedics.

Mr Joshua Zhou

Managing Director
Bachelor of Management and Master of International Business

Mr Zhou is the founder of AuMake. Mr Zhou worked in the Australian tourism industry for 10 years in roles which included the coordination of business and government delegations from China.

Mr Oliver Horn GAICD

Non-Executive Director
Bachelor of Business Administration (with Honours)

Mr Horn was most recently Managing Director of Swisse Wellness for Australia and New Zealand (ANZ) and North America, having previously held senior operational leadership positions at Treasury Wine Estates across ANZ, Europe, Middle East and Africa.

Mr Horn is a member of the Australian Institute of Company Directors.

Mr Jacky Yang

Executive Director

Mr Yang is a highly experienced Asian focussed tourism professional with over 20 years of experience in the Asian tourist retail industry. During this time he cofounded and built the Broadway business to a turnover of over $30 million per annum.

AuMake International Limited
Directors' report

30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of AuMake International Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of AuMake International Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jiahua (Joshua) Zhou
Gang Xu (Resigned on 18 November 2019)
Quentin Flannery
Lingye (Lyn) Zheng (Resigned on 18 November 2019)
Jacky Yang (Appointed on 18 November 2019)
Oliver Horn (Appointed on 18 November 2019)

Principal activities

During the financial year the principal activities of the consolidated entity was sale of Australian products via its online e-commerce store, AuMake retail stores and Broadway retail stores located across Australia and New Zealand.

Dividends

The consolidated entity have not declared any dividend during the period.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $5,147,947 (30 June 2019: $7,757,237).

Significant changes in the state of affairs

On 23 July 2019, AuMake International Limited completed the acquisition of the Broadway business. As detailed in the acquisition announcement on 17 April 2019, AuMake issued 17.2m ordinary shares at $0.151 per share (voluntary escrowed for two years) and paid $5.6m in cash and shares, as the first tranche of consideration for the Broadway business, followed by $4.3m deferred cash consideration and $4.3m deferred equity consideration.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Likely developments and expected results of operations

AuMake will continue to increase our market share in a daigou market that continues to rationalise and consolidate. The company anticipates significant growth from the Broadway acquisition with substantial benefits to be gained from expanding Broadway's product mix (including AuMake's owned brands), providing online services to allow for repeat purchases and increasing the number of tour groups that visit the Broadway and AuMake offline stores.

The acquisition of Broadway exemplifies one of AuMake's key strengths in the industry, which is our ability to identify brand building businesses and to capitalise on their growth potential by providing access to our operational resources and growing brand equity. We will continue to look for further acquisition opportunities where it makes sense for our business, is aligned to our core competencies and adds shareholder value.

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 on 29 September 2017)
Title:	Bachelor of Commerce and Master of International Customs Law and Administration
Qualifications:	Executive Chairman
Experience and expertise:	Mr Chan joined the Board on 29 September 2017. Mr Chan spent his early career working with Big 4 accountings firms in Canberra, Sydney and Perth and has significant corporate experience in capital raisings, initial public offerings, mergers and acquisitions, and takeovers and divestments. 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.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive director of Hylea Metals Ltd Non-Executive chairman Superior Lake Resources Limited Non-Executive chairman Metalsearch limited
Special responsibilities:	Member of the Audit and Risk Committees
Interests in shares:	12,626,709 ordinary shares
Interests in options:	None
Contractual rights to shares:	12,500,000 performance shares

Name:	Jiahua (Joshua) Zhou (Appointed on 29 September 2017)
Title:	Managing Director
Qualifications:	Bachelor of Management and Master of International Business
Experience and expertise:	Mr Zhou is the co-founder of AuMake Australia and joined the Board on 29 September 2017. 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.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	40,477,339 ordinary shares
Interests in options:	None
Contractual rights to shares:	21,250,000 performance shares

Name:	Jacky Yang (Appointed on 18 November 2019)
Title:	Executive Director
Qualifications:	Bachelor of pharmacy
Experience and expertise:	Mr Yang joined the Board on 18 November 2019. Mr Yang is a highly experienced Asian focussed tourism professional with over 20 years of experience in the Asian tourist retail industry. During this time he co-founded and built the Broadway business to a turnover of over $30 million per annum, which was ultimately acquired by AuMake in July 2019. Mr Yang’s long standing and established relationships throughout the entire tourist supply chain, including with travel agents in China and ANZ, will provide valuable insight to the Board as it focuses on the cont’d growth of AuMake in the Asian tourist market.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	6,199,330 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Gang Xu (Resigned on 18 November 2019)
Title:	Non-Executive Director
Qualifications:	Bachelor of Science, Masters of Business Administration and Master of Science Engineering
Experience and expertise:	Mr Xu is one of the founders of ITM Corporation Ltd. Mr Xu has more than 25 years in senior management experience serving Australian public and ASX listed companies in both Executive Director and Non-Executive Director capacities for companies including KTL Technologies Limited, UraniumSA Ltd and Riva Resources Limited. Mr Xu is particularly familiar with the dynamic cross-border business environment between Australia and China. Mr Xu's professional career commenced as a geologist and then expanded to senior business roles in China, Australia as department manager, chief country representative and Managing Director. Mr Xu served as the Finance and Marketing Manager for Sino Gold Limited and was Marketing Manager for LG Household Chemicals Beijing, marketing fast moving consumer goods in China.
Other current directorships:	Non-Executive Director of Dynasty Resources Limited
Former directorships (last 3 years):	Non-Executive Director of Hylea Metals Limited and RMA Energy Limited
Special responsibilities:	None
Interests in shares:	17,169,490 ordinary shares (Resigned on 18 November 2019)
Interests in options:	12,500,000 performance shares (Resigned on 18 November 2019)
Contractual rights to shares:	12,500,000 performance shares

Name:	Quentin Flannery (Appointed on 29 September 2017)
Title:	Non-Executive Director
Qualifications:	Bachelor of International Business with a minor in Mandarin
Experience and expertise:	Currently the Director of several family companies, Quentin brings a wealth of experience across corporate and commercial matters. Quentin was appointed marketing manager for Yancoal Australia, one of Australia's largest coal mining companies, where he quickly progressed to the role of managing all export thermal coal sales. Responsible for negotiation, business development and customer management, Quentin helped oversee the growth of Yancoal's presence throughout Asia, managing a portfolio with a value of over AUD1 billion. Since joining the board in 2017, Quentin has brought more than a decade of experience across a range of industries including exports, energy production, emerging technologies and both commercial and residential property development. Quentin is a member of the Australian Institute of Company Directors, and holds a Bachelor of International Business, Chinese Languages from the Queensland University of Technology. Quentin is also a Director for emerging hedge fund manager Elysian Capital, energy supplier Sunset Power International, coal mining company Delta Coal, and is the Chairman of the medical device start-up Field Orthopaedics. Quentin is also the Director of the Flannery Foundation, which supports a large range of charities, and is a corporate ambassador for the Australian charity Act for Kids.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Audit Committee, and member of Risk Committee
Interests in shares:	19,914,999 ordinary shares
Interests in options:	5,000,000 options
Contractual rights to shares:	None

Name:	Oliver Horn (Appointed on 18 November 2019)
Title:	Non-Executive Director
Qualifications:	Bachelor of Business Administration (with Honours), GAICD
Experience and expertise:	Mr Horn joined the Board on 18 November 2019. Mr Horn is currently Executive Director and Group Chief Executive Officer for Elixinol Global (ASX:EXL). Elixinol Global operates in the global hemp foods and cannabis sector with operations in the Americas, Europe and ANZ. Prior to this, Mr Horn was the Managing Director of Swisse Wellness for Australia and New Zealand (ANZ) and North America and previously also held senior operational leadership positions at Treasury Wine Estates across ANZ, Europe, Middle East and Africa. With an established track record for exponential growth in established and emerging markets Mr Horn has extensive experience in servicing Chinese consumers in Australia, a deep knowledge of the vitamins, minerals and supplements (VMS) category, a track record of premium brand building and a passion for creating businesses with a positive and thriving workplace culture.
Other current directorships:	Executive Director of Elixinol Global Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Risk Committee, and member of Audit Committee
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

Name:	Lingye (Lyn) Zheng (Resigned on 18 November 2019)
Title:	Non-Executive Director
Qualifications:	None
Experience and expertise:	Lyn Zheng is a co-founder of AuMake Australia. Ms Zheng is responsible for product selection and procurement across all the AuMake Australia's stores. With over 10 years of practical retail procurement experience in the local Daigou market and broader consumer market in China, she has a proven record in the areas of brand and product design and development, product pricing and products quality assurance.
Other current directorships:	None
Former directorships (last 3 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 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr. David Franks (appointed on 20 March 2020)
Mr. Peter Zhao (resigned on 20 March 2020)

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 2020, and the number of meetings attended by each director were:

	Full board		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**
Keong Chan	7	7	1	1
Jiahua (Joshua) Zhou	7	7	–	1
Gang Xu	1	1	–	1
Quentin Flannery	7	7	1	1
Lingye (Lyn) Zheng	1	1	–	1
Jacky Yang	6	7	–	1
Oliver Horn	6	6	1	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 have 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 directors 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.

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) (Resigned on 18 November 2019)
- Quentin Flannery (Non-Executive Director)
- Lingye (Lyn) Zheng (Non-Executive Director) (Resigned on 18 November 2019)
- Jacky Yang (Executive Director) (Appointed on 18 November 2019)
- Oliver Horn (Non-Executive Director) (Appointed on 18 November 2019)

2020	Short-term benefits		Post-employment benefits	Share-based payments		
	Cash salary and fees* $	Other $	Superannuation $	Equity-settled options $	Total $	Fixed remuneration %
Non-Executive Directors:						
Gang Xu	20,000	–	–	–	20,000	100
Quentin Flannery	40,000	–	–	–	40,000	100
Lingye Zheng	20,000	–	–	–	20,000	100
Oliver Horn	21,600	–	–	–	21,600	100
Executive Directors:						
Keong Chan	200,256	–	17,417	–	217,673	100
Jiahua Zhou	227,564	–	19,792	–	247,356	100
Jacky Yang	171,581	–	14,419	–	186,000	100
Other KMP:						
Peter Zhao	167,077	–	14,820	–	181,897	100
	868,078	**–**	**66,448**	**–**	**934,526**	

2019	Short-term benefits		Post-employment benefits	Share-based payments		
	Cash salary and fees* $	Other ** $	Superannuation $	Equity-settled options $	Total $	Fixed remuneration %
Non-Executive Directors:						
Gang Xu	48,000	–	–	–	48,000	100
Quentin Flannery	48,000	–	–	–	48,000	100
Lingye Zheng	145,628	–	9,275	–	154,903	100
Executive Directors:						
Keong Chan	241,154	–	20,900	–	262,054	100
Jiahua Zhou	274,038	–	23,750	–	297,788	100
	756,820	**–**	**53,925**	**–**	**810,745**	

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

There are no long-term incentives ('LTI') and short-term incentives ("STI") paid to the directors during the year ended 30 June 2020 (30 June 2019: Nil).

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.

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.

Name:	Jacky Yang
Title:	Executive Director
Agreement commenced:	1 August 2019
Term of agreement:	Permanent without specific term.
Details:	Base fee of $200,000 per year. Payment of termination benefit on termination by employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation.

Name:	Oliver Horn
Title:	Non-Executive Director
Agreement commenced:	11 November 2019
Term of agreement:	Permanent without specific term.
Details:	Base fee of $48,000 per year.

Name:	Peter Zhao
Title:	Group General Manager and Chief Financial Officer
Agreement commenced:	1 July 2017
Term of agreement:	Permanent without specific term.
Details:	Base fee of $180,000 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 2020 (30 June 2019: Nil).

Additional information

The loss of the consolidated entity for the three years to 30 June 2020 are summarised below:

	2020	2019	2018	2017(*)
Sales revenue	60,056,562	44,346,500	21,382,822	1,194,452
EBITDA	(768,851)	(7,165,415)	(11,058,686)	(862,156)
EBIT	(4,392,721)	(7,743,317)	(11,216,760)	(862,156)
Loss after income tax	(5,147,947)	(7,757,237)	(11,232,861)	(862,156)

(*) 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.

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

	2020	2019	2018	2017(*)
Share price at financial year end ($)	0.05	0.14	0.23	N/A
Total dividends declared (cents per share)	Nil	Nil	Nil	Nil
Basic earnings per share (cents per share)	(1.55)	(2.79)	(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	Additions*	Disposals/ other	Balance at the end of the year
Ordinary shares				
Keong Chan	12,316,709	310,000	–	12,626,709
Jiahua (Joshua) Zhou	40,410,339	67,000	–	40,477,339
Gang Xu	17,169,490	–	(17,169,490)*	–
Quentin Flannery	16,623,333	3,291,666	–	19,914,999
Lingye (Lyn) Zheng	–	–	–	–
Jacky Yang	–	2,164,477	–	2,164,477
Oliver Horn	–	–	–	–
Peter Zhao	–	324,283	–	324,293
	86,519,871	6,157,426	(17,169,490)	75,507,807

(*) Gang Xu resigned on 18 November 2019.

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 and end of the year
Options over ordinary shares	
Quentin Flannery	5,000,000
	5,000,000

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	Disposals/other	Balance at the start and end of the year
Ordinary shares			
Keong Chan	12,500,000	–	12,500,000
Jiahua (Joshua) Zhou	21,250,000	–	21,250,000
Gang Xu	12,500,000	(12,500,000)*	–
Quentin Flannery	–	–	–
Lingye (Lyn) Zheng	–	–	–
Jacky Yang	–	–	–
Oliver Horn	–	–	–
Peter Zhao	–	–	–
	46,250,000	(12,500,000)	33,750,000

(*) Gang Xu resigned on 18 November 2019.

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

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	1,550,000
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 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 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 200*1. 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.

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 25 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 25 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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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
Executive Chairman

31 August 2020
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 2020, 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.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 31 August 2020

TUTU PHONG
Partner

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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

Suite 1.01, 22–36 Mountain Street
Ultimo, NSW 2007, Australia

Principal place of business

Suite 1.01, 22–36 Mountain Street
Ultimo, NSW 2007, Australia

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 31 August 2020. 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 2020

	Note	Consolidated 2020 $	2019 $
Revenue			
Sales revenue	4	60,056,562	44,346,500
Other income	5	1,263,128	165,120
Expenses			
Cost of sales		(34,707,746)	(36,720,197)
Administrative expenses		(3,647,775)	(1,179,719)
Employee benefits expense		(8,145,742)	(7,340,456)
Rent and outgoings expenses		(290,793)	(2,305,134)
Marketing expenses		(15,223,835)	(1,372,904)
Travel and accommodation expenses		(166,353)	(301,494)
Share based payment expense (options and performance shares)	22	(12,052)	(2,333,884)
Depreciation and amortisation		(3,623,870)	(577,902)
Loss on disposal of assets		(649,471)	(1,481)
Inventory write down		–	(121,766)
Loss before income tax expense		(5,147,947)	(7,743,317)
Income tax expense	6	–	(13,920)
Loss after income tax expense for the year		**(5,147,947)**	**(7,757,237)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	20	249,216	(286,725)
Total comprehensive loss attributable to owners of AuMake International Limited		**(4,898,731)**	**(8,043,962)**
		Cents	**Cents**
Loss per share for loss from continuing operations attributable to the owners of AuMake International Limited			
Basic and dilutive earnings per share	33	(1.55)	(2.79)

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 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	7	8,228,008	10,015,853
Trade and other receivables	8	807,109	734,021
Inventories	9	1,732,702	5,088,130
Other assets	10	91,671	281,974
Total current assets		10,859,490	16,119,978
Non-current assets			
Plant and equipment	11	2,297,636	2,665,492
Right-of-use asset	12	14,782,275	–
Intangibles	13	16,250,898	2,373,059
Other assets	14	1,208,928	1,264,237
Total non-current assets		34,539,737	6,302,788
Total assets		45,399,227	22,422,766

Statement of financial position as at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Liabilities			
Current liabilities			
Trade and other payables	15	11,218,101	3,671,720
Borrowings	16	193,274	50,229
Provisions	17	471,277	788,552
Lease liabilities	18	2,425,055	–
Total current liabilities		14,307,707	4,510,501
Non-current liabilities			
Borrowings	16	43,148	78,762
Lease liabilities	18	12,893,822	–
Other payables	15	2,127,000	–
Total non-current liabilities		15,063,970	78,762
Total liabilities		29,371,677	4,589,263
Net assets		16,027,550	17,833,503
Equity			
Issued capital	19	35,954,542	32,873,815
Reserves	20	5,546,115	5,284,848
Accumulated losses	21	(25,473,107)	(20,325,160)
Total equity		16,027,550	17,833,503

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 2020

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	26,519,602	3,237,689	(12,567,923)	17,189,368
Total comprehensive loss for the year	–	(286,725)	(7,757,237)	(8,043,962)
Transactions with owners in their capacity as owners:				
Issue of share for acquisition of subsidiary	6,771,908	–	–	6,771,908
Share issue costs (Note 20)	(417,695)	–	–	(417,695)
Share-based payments – Options and performance shares (Note 22)	–	2,333,884	–	2,333,884
Balance at 30 June 2019	32,873,815	5,284,848	(20,325,160)	17,833,503

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	32,873,815	5,284,848	(20,325,160)	17,833,503
Total comprehensive loss for the year		249,216	(5,147,947)	(4,898,731)
Transactions with owners in their capacity as owners:				
Issue of share for acquisition of subsidiary	2,609,000	–	–	2,609,000
Share issue costs (Note 20)	(28,273)	–	–	(28,273)
Share-based payments – Options and performance shares (Note 22)	500,000	12,051	–	512,051
Balance at 30 June 2020	35,954,542	5,546,115	(25,473,107)	16,027,550

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 2020

		Consolidated	
	Note	**2020 $**	**2019 $**
Cash flows related to operating activities			
Receipts from product sales and related debtors		62,414,848	45,588,740
Payments to suppliers and employees		(60,692,207)	(51,689,625)
Other income		1,263,128	22,256
Interest received		23,366	142,864
Income tax paid		–	(13,920)
Net cash outflow from/(used in) operating activities	32	**3,009,135**	**(5,949,685)**
Cash flows related to investing activities			
Payments for plant and equipment	11	(961,193)	(674,221)
Acquisition of intangibles		(4,963,000)	–
Secured deposits paid		54,308	(606,581)
Net cash outflow used in investing activities		**(5,869,885)**	**(1,280,802)**
Cash flows related to financing activities			
Proceeds from issue of shares		3,109,000	7,000,000
Share issue costs		(28,273)	(417,695)
Interest paid		(2,676)	(4,127)
Repayment of the borrowings		(2,005,146)	(61,278)
Net cash inflow from financing activities		**1,072,905**	**6,516,900**
Net (decrease) increase in cash held		(1,787,845)	(713,587)
Cash and cash equivalents at the beginning of the financial year		10,015,853	10,737,214
Effects of exchange rate changes on cash and cash equivalents		–	(7,774)
Cash and cash equivalents at the end of the financial year	7	**8,228,008**	**10,015,853**

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

30 June 2020

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.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	10,387,306
Operating lease commitments with option to extend as at 1 July 2019 (AASB 117)	17,704,241
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7% (AASB 16)	13,343,494
Short-term leases not recognised as a right-of-use asset (AASB 16)	(482,109)
Right-of-use assets (AASB 16)	12,861,385
Lease liabilities – current and non-current (AASB 16)	(12,861,385)
Reduction in opening retained profits as at 1 July 2019	–

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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.

Going concern

As disclosed in the financial statements, the Group incurred a loss of $5,147,947 and outflows from investing activities of $5,869,885 for the year ended 30 June 2020. As at that date, the Group had net current liabilities of $3,448,217.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to manage cash flows in line with available funds and to secure funds by raising additional capital from equity markets, as and when required.

The Directors believe that there are reasonable grounds that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group held a positive cash position of $8,228,000 as at 30 June 2020 and has prepared a cash flow forecast to manage cash in line with available funds;
- The ability of the Group to further scale back certain parts of their activities that are non-essential so as to conserve cash;
- The ability to defer payments to major creditors such as consideration payments and commission payments to travel agents based on existing strong relationships;
- The ability to have access to a Coronavirus SME Guarantee Scheme financing facility of up to $1,000,000 guaranteed by the Federal Government; and
- the Group expects to be successful in sourcing further capital from the issue of additional equity securities to fund its ongoing operations, as and when required.

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 28.

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 2020 and 30 June 2019 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

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Travel commission

Revenue generated from the travel commission is recognised at the point in time when the customers are introduced to the tour agencies.

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.

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 flows presentation 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.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be 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 a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of investments

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is 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

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.

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 3 years.

Agency relationships

Agency relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 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.

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 are 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 values 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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates.

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.

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, New Zealand and China. Segment revenues are allocated based on the country in which the customer is located. Assets are located in Australia, New Zealand and China. As the contribution from China is insignificant to the Group, no separate disclosure is necessary.

Note 4. Revenue

	Consolidated 2020 $	Consolidated 2019 $
Revenue from contracts with customers		
Sale of goods	60,056,562	44,346,500

Revenue from contracts with customers are recognised at the point in time, when the customer obtains control of the goods, which is generally at the time of delivery.

	Consolidated 2020 $	Consolidated 2019 $
Geographical		
Australia	53,183,490	44,346,500
New Zealand	6,873,072	–
Sale of goods	60,056,562	44,346,500

Note 5. Other income

	Consolidated 2020 $	Consolidated 2019 $
Other income	1,239,762	22,256
Interest income	23,366	142,864
	1,263,128	165,120

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:

	Consolidated	
	2020 $	**2019 $**
Accounting loss before tax	(5,147,947)	(7,743,317)
Income tax benefit at 30% (2019: 27.5%)	(1,544,384)	(2,129,412)
Tax effect of non-allowable items and temporary differences	725,275	775,753
Unrecognised tax losses	819,109	1,367,579
Income tax expense/(benefit) attributable to loss from ordinary activities	–	13,920

c) Unrecognised deferred tax balances

Previous year deferred tax asset	3,684,012	2,316,433
Tax losses at 30% (2019: 27.5%)	1,984,064	1,367,579
Net unrecognised deferred tax asset at 30% (2019: 27.5%)	5,668,076	3,684,012

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	
	2020 $	**2019 $**
Cash at bank	8,070,585	7,868,775
Term deposits	78,345	2,042,766
Cash on hand	79,078	104,312
	8,228,008	10,015,853

The weighted-average interest rate on cash and cash equivalents at 30 June 2020 was 0.5% (2019: 3.3%).

Note 8. Current assets – trade and other receivables

	Consolidated	
	2020 $	**2019 $**
Trade receivables	383,508	571,036
	383,508	571,036
Other receivables	423,601	161,775
Interest receivable	–	1,210
	423,601	162,985
	807,109	734,021

All trade receivables are non-interest bearing. Refer to Note 23 for further information on financial instruments.

Allowance for expected credit losses

There is no allowance for expected credit losses recognised as at 30 June 2020 (30 June 2019: Nil).

Note 9. Current assets – inventories

	Consolidated	
	2020 $	**2019 $**
Finished goods	1,983,793	5,339,221
Less: provision for impairment	(251,091)	(251,091)
	1,732,702	5,088,130

Note 10. Current assets – other assets

	Consolidated	
	2020 $	**2019 $**
Prepayments	91,671	281,974

Note 11. Non-current assets – plant and equipment

	Consolidated	
	2020 $	**2019 $**
Leasehold improvements – at cost	2,397,592	2,445,196
Less: Accumulated depreciation	(606,106)	(457,455)
	1,791,486	1,987,741
Plant and equipment – at cost	712,348	580,266
Less: Accumulated depreciation	(390,902)	(195,454)
	321,446	384,812
Motor vehicles – at cost	208,703	292,721
Less: Accumulated depreciation	(108,552)	(128,121)
	100,151	164,600
Capital work in progress	84,553	128,339
	2,297,636	2,665,492

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 $	Capital work in progress $	Total $
Balance at 30 June 2018	2,033,163	359,578	209,898	–	2,602,639
Additions	355,802	190,980	–	127,439	674,221
Disposals	(15,306)	(8,138)	–	–	(23,444)
Depreciation expense	(371,507)	(172,751)	(33,644)	–	(577,902)
Foreign exchange differences	(14,411)	15,143	(11,654)	900	(10,022)
Balance at 30 June 2019	1,987,741	384,812	164,600	128,339	2,665,492

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Capital work in progress $	Total $
Balance at 30 June 2019	1,987,741	384,812	164,600	128,339	2,665,492
Additions	792,525	163,868	–	4,800	961,193
Disposals	(550,557)	(31,507)	(25,451)	(48,586)	(656,101)
Depreciation expense	(438,009)	(195,448)	(39,073)	–	(672,530)
Foreign exchange differences	(214)	(279)	75	–	(418)
Balance at 30 June 2020	1,791,486	321,446	100,151	84,553	2,297,636

Note 12. Non-current assets – right-of-use assets

	Consolidated	
	2020 $'000	2019 $'000
Right-of-use asset	17,431,455	–
Less: Accumulated depreciation	(2,649,180)	–
	14,782,275	–

Additions to the right-of-use assets during the year were $17,431,000.

The consolidated entity leases land and buildings for its offices and retail outlets under agreements of between two to eight years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases plant and equipment under agreements of between three to seven years.

The consolidated entity leases office equipment under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 13. Non-current assets – intangibles

	Consolidated	
	2020 $	2019 $
Goodwill	10,509,851	2,373,059
Agency relationships – at cost	6,043,208	–
Less: Accumulated amortisation	(302,161)	–
	5,741,047	–
Total	16,250,898	2,373,059

Reconciliations

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

Consolidated	Agency Relationships $	Goodwill $	Total $
Balance at 1 July 2018	–	2,073,059	2,073,059
Additions through business combinations (Note 29)	–	300,000	300,000
Balance at 30 June 2019	–	2,373,059	2,373,059
Additions through business combinations (Note 29)	5,741,047	8,136,792	13,877,839
Balance at 30 June 2020	5,741,047	10,509,851	16,250,898

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated	
	2020 $'000	**2019 $'000**
AuMake	2,373,059	300,000
Broadway	8,136,792	–
	10,509,851	300,000

Aumake

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 4 years together with a terminal value.

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

a) 12.5% pre-tax discount rate;

b) Projected average revenue growth rate of 48% per annum to fourth year then being constant going forward;

c) Gross margin increased by 1.0% from the current financial year; and

d) Employee benefits, operating costs and overheads to increase by 1.30% from the current financial year.

The discount rate of 12.50% 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 inputs above are reasonable and justified, based on the marketing efforts.

There were no other key assumptions.

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) Discount rate to increase by more than 1.40% per year before goodwill would need to be impaired, with all other assumptions remaining constant; or

b) Terminal growth rate to reduce by more than 2% before goodwill would need to be impaired, with all other assumptions remaining constant.

c) Projected average revenue growth rate to drop by more than 34% per annum 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.

Broadway

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 4 years together with a terminal value.

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

a) 12.5% pre-tax discount rate;
b) Projected average revenue growth rate of 47% per annum to fourth year and being constant going forward;
c) Gross margin increased by 1.0% from the current financial year; and
d) Employee benefits, operating costs and overheads to increase 1.30% from the current financial year.

The discount rate of 12.50% 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 above inputs are reasonable and justified, based on the marketing efforts.

There were no other key assumptions.

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) Discount rate to increase by more than 1.40% per year before goodwill would need to be impaired, with all other assumptions remaining constant; or
b) Terminal growth rate to reduce by more than 2% before goodwill would need to be impaired, with all other assumptions remaining constant.
c) Projected average revenue growth rate to drop by more than 28% per annum 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 14. Non-current assets – other assets

	Consolidated	
	2020 $	**2019 $**
Security deposits	1,208,928	1,264,237

Note 15. Trade and other payables

	Consolidated 2020 $	2019 $
Current		
Trade payables	2,459,692	2,810,330
Other payables[1]	4,986,875*	500,000
Payment in advance	12,443	3,408
Accrued expenses[2]	3,759,091	357,982
	11,218,101	3,671,720

	Consolidated 2020 $	2019 $
Non-current		
Other payables[1]	2,127,000*	–

Refer to Note 23 for further information on financial instruments.

1. The total current and non-current other payables of $7,113,875 represents the second tranche of the Broadway consideration payment consisting of $4,481,000 non-cash share based payments and $2,632,875 in cash based payments.

2. The total accrued expenses balance includes accrued commission of $3,623,000 payable to travel agents and agencies.

Note 16. Borrowings

	Consolidated 2020 $	Consolidated 2019 $
Current		
Credit card facility	160,017	–
Finance lease liability – motor vehicles	33,257	50,229
	193,274	50,229

Borrowings

	2020 $	2019 $
Non-current		
Finance lease liability – motor vehicles	43,148	78,762

The financial lease liability is payable as follows:

30 June 2020	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
Less than one year	33,863	(606)	33,257
Between one and five years	43,933	(785)	43,148
	77,796	**(1,391)**	**76,405**

30 June 2019	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
Less than one year	53,171	(2,942)	50,229
Between one and five years	80,153	(1,391)	78,762
	133,324	**(4,333)**	**128,991**

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

Note 17. Current liabilities – provisions

	Consolidated 2020 $	2019 $
Employee benefits provision	471,277	788,552

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 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 18. Lease liabilities

	Consolidated 2020 $'000	2019 $'000
Current		
Lease liability	2,425,055	–

	Consolidated 2020 $'000	2019 $'000
Non-current		
Lease liability	12,893,822	–

Refer to note 23 for further information on financial instruments.

Note 19. Equity – issued capital

	Consolidated			
	2020 Shares	**2019 Shares**	**2020 $**	**2019 $**
Ordinary shares – fully paid	332,436,698	312,079,202	35,494,542	32,873,815

Movements in ordinary share capital

Consolidated	**2020 No. of shares**	**$**	**2019 No. of shares**	**$**
At the beginning of the financial year	312,079,202	32,873,815	270,366,572	26,519,602
Add:				
Share issued at acquisition of business – Broadway Group	17,232,496	2,609,000	–	–
Share issued at acquisition of subsidiary – Kiwibuy Australia Pty Ltd	–	–	1,087,630	271,908
Share issued at capital raising	3,125,000	500,000	40,625,000	6,500,000
Share issue costs	–	(28,273)	–	(417,695)
At the end of the financial year	332,436,698	35,954,542	312,079,202	32,873,815

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 20. Equity – reserves

	Consolidated 2020 $	Consolidated 2019 $
Options reserve (a)	1,473,262	1,461,211
Performance shares reserve (b)	4,000,000	4,000,000
Foreign currency translation reserve (c)	72,853	(176,363)
	5,546,115	5,284,848

a) Options reserve

Movements in option reserve

Consolidated	2020 No. of securities	$	2019 No. of securities	$
At the beginning of the financial year	10,250,000	1,461,211	12,150,000	727,327
Issue/(forfeited) of options to employees in pursuant to Employee Share Option Plan ('ESOP') with an exercise price of $0.20	(1,700,000)	–	(1,900,000)	–
Amortisation of expense on options issued in prior year[1]	–	12,051	–	733,884
At the end of the financial year	8,550,000	1,473,262	10,250,000	1,461,211

1. The value disclosed above is the portion of the fair value of the options recognised as an expense in each reporting period in accordance with the requirements of AASB 2. Remaining amount will be recognised in future reporting periods over the vesting period.

b) Performance shares 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 22 and Note 29 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 2020 $	Consolidated 2019 $
At the beginning of the financial year	(176,363)	110,362
Exchange difference on translation of foreign operations	249,216	(286,725)
At the end of the financial year	72,853	(176,363)

Note 21. Equity – accumulated losses

	Consolidated	
	2020 $	**2019 $**
Accumulated losses at the beginning of the financial year	(20,325,160)	(12,567,923)
Loss after income tax expense for the year	(5,147,947)	(7,757,237)
Accumulated losses at the end of the financial year	(25,473,107)	(20,325,160)

Note 22. Share-based payments

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

		Consolidated	
		2020 $	**2019 $**
Amortisation of expense on directors and employee options (Note 20)	22(a)	12,052	733,884
Performance shares	22(b)	–	1,600,000
		12,052	2,333,884

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.

2020

Grant date	**Expiry date**	**Exercise price**	**Balance at start of year**	**Exercised during the period**	**Forfeited during the period**	**Balance at end of the period**	**Vested & exercisable at end of the period**
			Number	Number	Number	Number	Number
12/09/2017	12/09/2022	$0.20	5,000,000	–	–	5,000,000	5,000,000
22/01/2018	22/01/2023	$0.20	3,250,000	–	(1,700,000)	1,550,000	–
22/01/2018	22/01/2023	$0.20	2,000,000	–	–	2,000,000	–
			10,250,000	–	(1,700,000)	8,550,000	5,000,000

2019

Grant date	Expiry date	Exercise price	Balance at start of year	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number
12/09/2017	12/09/2022	$0.20	5,000,000	–	–	5,000,000	5,000,000
22/01/2018	22/01/2023	$0.20	5,150,000	–	(1,900,000)	3,250,000	–
22/01/2018	22/01/2023	$0.20	2,000,000	–	–	2,000,000	–
			12,150,000	–	(1,900,000)	10,250,000	5,000,000

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

2019	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	3,250,000	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 2019 ($)	246,816	631,485	582,910

b) Performance shares

Grant date	Expiry date	Balance at start of year	Granted during the period	Exercised during the period	Exercised during the period	Vested & exercisable at end of the period
		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 29 for further information relating to these performance shares.

2020

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	100%	2,000,000
	50,000,000			4,000,000

2019

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	100%	400,000
	50,000,000			2,400,000

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

Note 23. 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:

	Consolidated	
	2020 $	**2019 $**
Financial assets		
Cash and cash equivalents	74,508	1,081,426
Trade and other receivables*	–	910,982
Total financial assets	74,508	1,992,408
Financial liabilities		
Trade and other payables*	4,889	3,457,796
Total financial liabilities	4,889	3,457,796

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

At the reporting date, the consolidated entity had the following exposures to foreign currency in New Zealand Dollar (NZD$) that are not designated in cash flow hedges:

	Consolidated	
	2020 $	**2019 $**
Financial assets		
Cash and cash equivalents	2,055,874	–
Trade and other receivables*	23,208	–
Total financial assets	2,079,082	–
Financial liabilities		
Trade and other payables*	1,325,836	–
Total financial liabilities	1,325,836	–

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

Note 23. Financial risk management

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 24. 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 2020 $	2019 $
Short-term employee benefits	868,077	756,820
Post-employment benefits	66,448	53,925
	934,525	840,745

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

	2020 $	2019 $
EC Capital Trust – related party to Jacky Yang		
Consideration payments to Broadway vendor companies	(2,481,500)	–
Rent and outgoings	(535,322)	–
Total paid during the year	(3,016,822)	–

EC Capital Pty Ltd (EC Capital) is a trustee of EC Capital Trust, of which Jacky Yang is a beneficiary. EC Capital holds a non-controlling interest in Maxbuy; and a controlling interest in Broadway Tax, Gold Port and Coral Legend. As such, Broadway Tax, Maxbuy, Gold Port and Coral Legend are related parties of the Company by virtue of their association with Mr Yang.

Note 25. Remuneration of auditors

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

	Consolidated 2020 $	2019 $
Audit – RSM Australia Partners		
Audit or review of the financial statements	130,500	105,000
	130,500	105,000

Note 26. Contingent assets and liabilities

Contingent assets

The Directors are not aware of any contingent assets as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2020 of $476,867 (2019: 276,505) to various landlords.

Other than the above, there is no contingent liability as at 30 June 2020 and 30 June 2019.

Note 27. Commitments

	Consolidated	
	2020 $	**2019 $**
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	–	1,681,885
One to five years	–	8,705,421
	–	10,387,306
Capital commitments	–	153,711
Capital commitments on the acquisition of Jumbuck Australia Pty Ltd	–	400,000

Operating lease commitments in prior year 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 16.

There are no other material commitments as at 30 June 2020 (2019: Nil).

Note 28. Parent entity information

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

Statement of financial position

	2020 $	2019 $
Assets		
Current assets	104,815	6,416,302
Non-current assets	22,724,143	16,575,058
Total assets	22,828,958	22,991,360
Liabilities		
Current liabilities	6,801,408	740,892
Non-current liabilities	–	65,962
Total liabilities	6,801,408	806,854
Net assets	16,027,550	22,184,507
Equity		
Issued capital	73,295,683	77,490,409
Reserve	5,442,114	5,461,211
Accumulated losses	(62,710,247)	(60,767,113)
Total equity	16,027,550	22,184,507

Statement of profit or loss and other comprehensive income

	2020 $	2019 $
Loss for the year	(1,943,134)	(3,692,957)
Total comprehensive loss	(1,943,134)	(3,692,957)

Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as of 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019 other than as disclosed in Note 26.

Commitments

The parent entity had no capital commitments as at 30 June 2020 and 30 June 2019.

Note 29. Business combinations

AuMake International Limited ("AuMake") had entered into an Acquisition Agreement with Broadway Australia Pty Ltd. ("Broadway") in July 12, 2019 for a total consideration of $14.18 million. Management has since finalised the purchase price allocation exercise and identified the fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition.

Broadway operates eight (8) store locations in Australia and New Zealand ("ANZ"), focused on inbound Chinese tourists. Broadway primarily focuses on the sale and distribution of products similar to AuMake, including health supplements, infant formula, wool, food products and other consumables. Broadway predominantly service Chinese tourists but has recently engaged with new markets in Japan and Korea.

Details of the acquisition are as follows:

	Fair value $
Net assets acquired	–
Purchase consideration	
Cash paid	7,090,000
Shares issued to the vendor	7,090,000
Total consideration	14,180,000
Representing:	6,043,208
Identifiable intangible assets acquired – Agency relationships	8,136,792
Goodwill recognised	14,180,000

On 3 September 2018, Kiwibuy Australia Pty Ltd, a subsidiary of AuMake International Limited completed the acquisition of the business assets held by One Shop International Pty Ltd, One Shop Australia Pty Ltd and Milan Station Pty Ltd (together known as 'Kiwi Buy') via the issue of 1,087,630 shares. This acquisition did not include the acquisition of the issued capital of 'Kiwi Buy'. This acquisition is deemed to be a business combination and the details of the acquisition are as follows:

	Fair value $
Net assets acquired	–
Purchase consideration:	
Cash paid	28,093
Shares issued to the vendor (*)	271,907
Total consideration	300,000
Goodwill recognised	300,000

(*) Value of shares issued as part of the purchase consideration is based on fair value of the shares on acquisition date.

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:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**30 June 2020 %**	**30 June 2019 %**
Parent entity			
AuMake International Limited (formerly Augend Ltd)	Australia		
Name of controlled entity			
ITM Corporation Ltd	Australia	100%	100%
Aumake Australia Pty Ltd	Australia	100%	100%
Jumbuck Australia Pty Ltd	Australia	49%	49%
168 Express Pty Ltd	Australia	100%	100%
Newera Australia Pty Ltd	Australia	100%	100%
Kiwibuy Australia Pty Ltd	Australia	100%	100%
Medigum Honey Pty Ltd	Australia	50%	50%
One Kangaroo Ltd	China	100%	100%
Syd Star Pty Ltd	Australia	100%	–
Gold Harbour Pty Ltd	Australia	100%	–
Round Forest Pty Ltd	Australia	100%	–
M Best Pty Ltd	Australia	100%	–
Broadway Australia Pty Ltd	Australia	100%	–
AUBW Pty Ltd	New Zealand	100%	–

Note 31. Events after the reporting period

On 17 August 2020, AuMake International Limited issued 36,417,816 ordinary shares (voluntary escrow for two years) as the second tranche Broadway acquisition share consideration payment as detailed in the acquisition announcement on 17 April 2019.

Apart from the above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

	Consolidated	
	2020 $	**2019 $**
Loss for the year	(5,147,947)	(7,743,317)
Adjustments for:		
Share-based payment	261,267	2,333,884
Interest expenses	2,676	4,127
Depreciation of property, plant and equipment	672,530	577,902
Depreciation of right-of-use assets	2,649,180	–
Net loss on disposal of non-current assets	656,518	1,481
Amortisation of intangible assets	302,161	–
Changes in operating assets and liabilities		
Trade and other receivables	118,216	(194,749)
Trade and other payables	456,381	157,224
Inventories	3,355,428	(1,730,518)
Provisions	(317,275)	644,281
Net cash outflow from/(used in) operating activities	3,009,135	(5,949,685)

Note 33. Loss per share

	Consolidated	
	2020 $	**2019 $**
Basic and diluted loss per share (cents)	(1.55)	(2.79)
Net loss used in the calculation of basic loss per share and diluted loss per share	(5,147,947)	(7,757,237)
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share and diluted loss per share	302,232,494	277,969,443

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

Directors' declaration

30 June 2020

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 2020 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
Executive Chairman

31 August 2020
Sydney

Independent auditor's report to the members of AuMake International Limited

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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 2020, 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 2020 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.

RSM

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
Going Concern Refer to Note 1 in the financial statements	
For the year ended 30 June 2020, the Group incurred a loss of \$5,147,947 and had net cash outflows from investing activities of \$5,869,885 for the year ended 30 June 2020. As at that date, the Group had net current liabilities of \$3,448,217. The directors' have prepared the financial report on a going concern basis based on a cash flow forecast which considers the factors disclosed in Note 1. We determined this assessment of going concern to be a key audit matter due to the significant judgements involved in preparing the cash flow forecast.	Our audit procedures included: • Assessing the appropriateness and mathematical accuracy of the cash flow forecast prepared by management; • Challenging the reasonableness of the key assumptions used in the cash flow forecast; • Critically assessing the directors' reasons of why they believe it is appropriate to prepare the financial report on a going concern basis; and • Assessing the adequacy of the going concern disclosures in the financial report.
Intangible assets Refer to Note 13 in the financial statements	
The Group has consolidated goodwill of \$10,509,851 and agency relationships of \$5,741,047 as at 30 June 2020 relating to its acquisition of the businesses in the prior year and the current year. Management performs an annual impairment test on the recoverability of the Group's intangible assets. We determined this area to be a key audit matter due to the size of the 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 CGU and the discount rate applied.	Our audit procedures included: • Assessing management's determination that the goodwill should be allocated to two CGUs based on the nature of the Group's business; • Assessing the valuation methodology used in the model; • Challenging the reasonableness of key assumptions used in the model; • Reviewing sensitivity analysis over the key assumptions used in the model; • Checking the mathematical accuracy of the model; and • Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.
Acquisition of Broadway Group Refer to Note 29 in the financial statements	
On 23 July 2019, the Company completed the acquisition of the Broadway business. The purchase consideration was \$14,180,000. The accounting for this acquisition is a key audit matter because it involves management judgement in determining the acquisition date, appropriate acquisition accounting treatment, fair value of assets acquired, liabilities assumed and purchase consideration.	Our audit procedures included: • Determination that the acquisition met the definition of a business in accordance with Accounting Standards; • Assessing management's determination of the acquisition date, fair value of consideration paid, assets acquired and liabilities assumed; and • Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.

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 2020, 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: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

RSM

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 2020.

In our opinion, the Remuneration Report of AuMake International Limited, for the year ended 30 June 2020, 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.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2020

Shareholder information

30 June 2020

The shareholder information set out below was applicable as at 19 August 2020.

a) Distribution of holdings of fully paid ordinary shares

Range	Total holders	Units
1 – 1,000	1,304	141,621
1,001 – 5,000	753	2,105,425
5,001 – 10,000	462	3,803,610
10,001 – 100,000	1,076	39,549,676
100,001 Over	360	323,254,182
Rounding		
Total	**3,955**	**368,854,514**

2,342 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	ZHOUS AUSTRALIA HOLDING PTY LTD <ZHOUS AUSTRALIA HOLDING A/C>	40,410,339	10.96
2	MS NANCY ZHANG	12,780,471	3.46
3	CHINA RISE FINANCIAL HOLDING INVESTMENT CO LTD	11,500,000	3.12
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,442,587	3.10
5	MS LIESL CHAN <CHAN FAMILY A/C>	10,312,500	2.80
6	ILWELLA PTY LTD	10,161,111	2.75
7	CITICORP NOMINEES PTY LIMITED	8,349,409	2.26
8	LC ALLIANCE PTY LTD	7,168,777	1.94
9	GUOPING YAO	6,819,404	1.85
10	MS NANCY ZHANG	5,737,826	1.56
11	WONG KING MAN	4,444,444	1.20
12	LERWICK PTY LIMITED <COWAN SUPER FUND A/C>	4,175,093	1.13
13	EC CAPITAL PTY LTD <EC CAPITAL A/C>	4,034,853	1.09
14	MR PETER VASSILEFF <PITCH INVESTMENTS A/C>	3,975,000	1.08
15	MR JIE CHEN	3,910,000	1.06
16	LIVING BEACH PTY LTD <PISAN SUPERFUND A/C>	3,738,900	1.01
17	JING WANG	3,671,456	1.00
18	JAF CAPITAL PTY LTD	3,600,000	0.98
19	MR GUOXIAN ZHENG	3,480,000	0.94
20	JIEMING XIONG	3,427,800	0.93
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**163,139,970**	**44.23**
Total Remaining Holders Balance		**205,714,544**	**55.77**

c) Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	8,550,000	5
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	40,477,339	10.97
Ilwella Pty Limited	19,914,999	5.4
Nancy Zhang	18,518,297	5.02

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

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 2020	29,926,635
Ordinary shares	23 July 2021	17,232,496
Ordinary shares	17 August 2022	36,417,816
		83,576,947

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 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

	30 June 2020	30 June 2019
Revenues from ordinary activities up 35%	$60,056,562	$44,346,500
Loss from ordinary activities after tax attributable to the owners of AuMake International Limited down 34%	$5,147,947	$7,757,237
Loss for the year attributable to the owners of AuMake International Limited down 34%	$5,147,947	$7,757,237

Comments

Please refer to page 7 "Overview of financial performance" section of the Company's annual report for the year ended 30 June 2020 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	4.0	5.0

4. Control gained or lost over entities having material effect

Group of entities:	Broadway Group of Companies
Date control gained:	23 July 2019

	$
Contribution of such entities to the reporting entity's loss from ordinary activities before income tax during the period (where material)	52,593
Loss from ordinary activities before income tax of the controlled group of entities for the whole of the previous period (where material)	N/A

5. Details of associates and joint venture entities
There are no associates or joint venture entities..

6. Audit qualification or review
The financial statements have been audited and an unqualified opinion has been issued.

7. Attachments
The Annual Report of AuMake International Limited for the year ended 30 June 2020 is attached.

8. Signed

Keong Chan
Executive Chairman

Date: 31 August 2020
Sydney

AuMake International Limited

Twitter: @AuMakeAus
Instagram: @aumake
LinkedIn: www.linkedin.com/company/aumake

www.aumake.com.au