

30 April 2021

Q3 FY21 Quarterly Report: Cost-effectively scaling social e-commerce marketplace

Sydney, Australia – Aumake Limited (**ASX: AUK, Aumake, or the Company**), operator of an emerging Australian-based social e-commerce marketplace that connects Asian influencers and consumers with high-quality and authentic Australian and New Zealand brands, is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 31 March 2021 (Q3 FY21).

Summary

- Majority of required technology investment for Aumake's B2B2C social e-commerce platform now completed, creating the foundation for accelerated active user and new brand GMV growth expected to ramp up in Q4 FY21
- Upgraded online platform to customised WeChat mini program, providing Aumake with significant competitive advantages to other Australia based platforms
- The Aumake WeChat mini program has been specifically developed to support the growth of influencers and their businesses, incorporating group buying and live-streaming functionality
- Established partnership with award-winning Hangzhou-based social e-commerce team to drive influencer acquisition, active user growth and new brand sales

Operational Metrics

- Active users have increased almost 40% over the quarter to more than 24,000
 - 85% of registered users are based in mainland China
 - 16% of active users made a repeat purchase during the quarter
- 140+ Australian and New Zealand brands
- Five physical stores currently open in Sydney, with ongoing store divestment program underway

Financial Metrics

- Total revenue of \$2.65m during the quarter, down 33% on Q2 FY21 due to seasonal closure of logistics leading up to and including Chinese New Year, however strong recovery during March 2021 with revenue of \$1.0m
 - Online Gross Merchandise Value (GMV) of \$2.1m
 - Physical store revenue of \$0.58m
- Operational cash outflow of \$2.0m during the quarter, including increased investment into technology buildout and strengthening of supply chain to support influencer, active user and GMV growth
- Cash balance of \$6.7m as at 31 March 2021

Cashflow commentary

Operating cash outflows of \$2.0m for the quarter included:

- Investment into technology buildout, including expansion of in-house technology team;
- Investment into establishing Hangzhou social e-commerce team;
- Marketing and promotion expenses to drive active user growth;
- Inventory requirements; and
- One-off expenses related to staff redundancies and make good costs related to termination of one Sydney CBD store;

Investing cashflow outflow of \$0.7m related to Broadway and brand acquisition payments.

Cash balance of \$6.7m as at 31 March 2021, including \$0.895m from the issuing of new shares and options under the shareholder-approved Tranche 2 Placement with capital raising costs paid during the quarter.

Payments made to related parties and their associates shown in the Appendix 4C are as follows:

- Item 6.1 consists of \$391,534 Director's fees and \$20,768 rental expenses to a related party; and
- Item 6.2 comprises \$71,000 as part of the consideration payment for the Broadway business to a related party.

Online commentary

Aumake has this quarter completed the majority of its stage two technology buildout with significant enhancements to user experience, functionality and back-end capability, including the development of a WeChat mini program specifically designed to support the growth of influencers and their businesses. Aumake's WeChat mini program is unique in the market as it is agnostic for influencers and end consumers.

The Aumake WeChat mini program includes new features and functionality such as:

- **Group buying** – Enables influencers to share products with their social networks, aggregate orders and receive a better price. Influencers and users can share the experience of buying a new brand or product with their friends and family.
- **Advanced account management tools** – Influencers can now utilise purchasing behaviour data to tailor recommendations to their social network with insights on what products are being bought, transaction order value, quantities and product categories.
- **Loyalty program** – Influencers now earn loyalty points to receive better pricing on products, discounts and priority access to new brands and products.
- **Live streaming** – Influencers can actively engage with their social network through live videos to demonstrate and promote new products. Purchasing and group buying capability is available directly through the live stream video.

To support this ongoing platform development, Aumake has increased its in-house technology team and appointed external provider ShopEx, one of China's largest e-commerce software solution providers. Completion of advanced stage two development is anticipated to occur mid-June.

As part of its influencer and active user acquisition strategy, Aumake has established a partnership with an award-winning social e-commerce team in Hangzhou, China. The partnership provides the Company with extensive influencer contacts in China and access to a highly qualified team that collectively has more than 25 years' social e-commerce experience. Aumake will also leverage the Hangzhou team's local ability to quickly identify emerging product trends in China.

The online upgrade and partnership with Hangzhou ensure Aumake is well positioned to continue to cost-effectively scale its social e-commerce marketplace, accelerating active user growth from the current 24,000 registered users.

Physical store network commentary

Aumake is currently operating five physical stores in the Sydney area, which generated \$0.577m in revenue during the quarter. Physical store revenue has continued to increase from the traditional quiet period during Chinese New Year holidays in February 2021, with returning foot traffic in the Sydney CBD area.

During the quarter, the Company initiated its physical store rationalisation program. This involved the identification of non-core physical stores, engagement of leasing agents to actively divest those non-core stores and redundancy of physical store staff, which will positively impact future operating cashflow.

Remaining stores continue to play an important role in servicing Aumake's local customer base, assisting in converting physical traffic to the online marketplace. In future, physical stores will serve as showrooms with low-margin popular products primarily being delivered from warehouse or supplier, rather than collected in-store.

Outlook

Aumake's new social e-commerce marketplace aligns with the global shift from offline to online retail and closely follows new retail methods in Asia. It provides Australian and New Zealand brands with an effective channel to seamlessly promote, sell and deliver products to consumers in China.

Over the coming quarter, Aumake will leverage its Hangzhou partnership to onboard new registered active users and convert these end-consumers to small business influencers. The Hangzhou team's expertise in identifying emerging consumer trends complements enhanced back-end reporting functionality, providing greater insights into products and brands that are resonating with active users. These insights will drive the launch of targeted new direct marketing campaigns, promoting new Australian and New Zealand brands and products such as collagen powder and higher-value skincare products.

Aumake will continue to invest in its technology development, adding new social marketing functionality that improves user experience, drives influencer interaction and sales conversion.

ENDS

This announcement has been authorised for release by the Board of Aumake Limited.

Corporate

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About Aumake Limited

Aumake Limited (ASX:AUK) operates an emerging social e-commerce marketplace that directly connects Asian influencers with high-quality and authentic Australian brands. It offers the best possible prices, end-to-end customer service and a comprehensive product range – all on one integrated platform. Aumake also operates physical stores, located in key precincts on Australia's east coast and in New Zealand, delivering a fully integrated online and in-store shopping experience for Asian consumers.

Over 140 Australian and New Zealand brands are available on Aumake's online platform such as:

Dairy (including infant formula)	Health supplements	Skincare	Mother & Baby	Food & Consumables
<ul style="list-style-type: none"> A2 Milk Aptamil Bellamys Bubs Devondale Karicare Maxigenes Pediasure 	<ul style="list-style-type: none"> Bioisland Blackmores Health Essence Healthy Care Juene Nutrition Care Ostelin Swisse 	<ul style="list-style-type: none"> Aesop Antipodes Cemoy Dermatix Eaaron G&M Kissed Earth Lucas Unichi 	<ul style="list-style-type: none"> Aussia BioOil Femfresh Lifespace Menevit QV 	<ul style="list-style-type: none"> Brookfarm Comvita DU'IT Ensure Herbsmart Hydrodol MGO Nulax

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Aumake Limited

ABN

150 110 017

Quarter ended ("current quarter")

March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,717	10,074
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,467)	(9,479)
(c) advertising and marketing	(475)	(2,163)
(d) leased assets	(450)	(1,270)
(e) staff costs	(1,337)	(3,244)
(f) administration and corporate costs	(458)	(1,560)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(14)	(34)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	468	1,642
1.8 Other (provide details if material)	12	19
1.9 Net cash from / (used in) operating activities	(2,003)	(6,009)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(147)	(178)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	(717)	(1,781)
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 rental bond guarantee paid / (refunded)	111	(22)
2.6 Net cash from / (used in) investing activities	(753)	(1,981)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	895	6,987
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(372)	(372)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	523	6,615

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	9,037	8,175
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,003)	(6,009)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(753)	(1,981)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	523	6,615
4.5	Effect of movement in exchange rates on cash held	(76)	(72)
4.6	Cash and cash equivalents at end of period	6,728	6,728

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,728	9,037
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,728	9,037

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	412
6.2	Aggregate amount of payments to related parties and their associates included in item 2	71
<p>The balance in 6.1 is consisting of \$391,534 director's fees and \$20,768 rental expenses to a related party; and</p> <p>The balance in 6.2 \$70,750 is related to the consideration payment of Broadway business.</p>		
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	N/A	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	2,003
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,728
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,728
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

Date: 30 April 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.