

29 October 2021

Q1 FY22 Quarterly Report

HIGHLIGHTS

Financial

- Reopening of international borders positions Aumake for strong growth.
- Aumake significantly improves operational cashflow with 33% improvement in operational outflow (\$1.84m to \$1.23m QoQ) while generating the same online revenue of \$1.8m for the quarter (\$1.8m June 2021 quarter).
- Physical stores closed for majority of quarter due to COVID-19 lockdown in Sydney, NSW providing future revenue upside against decreasing cost base as lockdown is lifted.
- \$2.6m cash at bank.

Operational

- New brands added to Aumake's social e-commerce marketplace including skincare, health supplement and fresh milk products.
- Aumake enters into an exclusive two-year freight services agreement with Wiseway Group Limited, a leading provider of integrated logistics solutions and freight services.
- New brand development partnership signed with the Prizm Group, one of New Zealand's largest brand incubators and digital agencies, providing Aumake access to an existing pool of over 100 New Zealand brands.
- International borders reopening with international students returning December 2021.

Corporate

- Strategic placement with Australian based Bluestone Fund Management raising \$500,000.
- Non-Executive Director and Company Secretary appointments.
- Implementation of a number of strategic initiatives to strengthen the business in response to ongoing geopolitical and regulatory changes in key markets.

Financial overview

Operational cashflow

Quarterly online revenue was consistent with the previous quarter (\$1.8m vs \$1.8m QoQ) showing positive signs of recovery in the sector.

During the quarter, Aumake undertook an analysis of data including purchasing behaviour of its 35,000 registered social e-commerce platform users to identify "influencers" (customers who have the capacity to purchase products for their social networks) which resulted in the identification of 3,400 influencers with 2,600 influencers added during the quarter. The influencer uptick during the September quarter resulted from a focussed and targeted and effective promotion through Aumake's official WeChat channel which saw readership increase by 100%, leading to a greater number of user registrations. 60-day repeat purchasing rates also increased by 10% QoQ. Increasing number of influencers and repeat purchase rates bode well for future online performance and the Company will continue to monitor online behaviour as international borders reopen.

Physical store revenue was negatively impacted due to the closure of physical stores as a result of COVID-19 lockdown measures for the majority of the September quarter. The Company will shortly reopen physical stores in a staged approach, providing revenue and active user registration upside given the easing in COVID-19 restrictions in Australia and return of students from December 2021 expected to accelerate active user traffic growth on Aumake's social e-commerce platform against a decreasing operating cost base in coming quarters.

Products popular with customers continued to be across infant formula, health supplements and skin care product categories.

Investing cashflow

The Company closed four (4) non-core physical stores on favourable terms during the quarter which will provide significant ongoing cost savings to the business (\$151,000 net one-off termination costs incurred as a result).

The Company paid the final instalment for the acquisition of the Broadway Group of \$532,000 (announced 17 April 2019) which forms an important part of Aumake's tourism business strategy.

Aumake is well capitalised with \$2.6m cash at bank including \$0.25m received in early October 2021 from a placement to Australian-based Bluestone Fund Management.

Introduction of new brands to the social e-commerce platform

Aumake's existing brand portfolio consists of new, well-known and Aumake-owned brands, across dairy, skincare, health supplement and food-based product categories. The best-selling brands based on revenue are in the infant formula product range however gross profit contribution is overweight towards new brands (including owned brands), particularly in skincare and health supplements product categories.

New brands (including owned branded health supplement "Juene" and "Health Essence") comprise 5% of total online revenue however, generate over 30% of gross profit underlining the importance of regularly introducing new products to the online marketplace.

The Company is pleased to report that new brands Lionia (skincare), Single Estate Dairy (fresh milk) and Honey Spring (health supplement) demonstrated initial sales during the quarter utilising the Company's influencer-led social e-commerce platform. Aumake has been actively adding new brands onto its online platform across skincare, health supplement and fresh milk product categories during the September quarter. The addition of new brands underlines the Company's ability to identify purchase trends, track consumer feedback, utilise data and deliver on consumer demands in key sectors.

Aumake is continuing to add and trial new brands to its online platform including perishable products. The Company will update the market as required in the event of material improvements in new brand performance which will further accelerate with the return of international students and tourists.

Expanding distribution capability in Australia & New Zealand – Exclusive freight services agreement

As announced on 23 September 2021, to complement the Company's current export related activities, Aumake and Wiseway, a leading provider of integrated logistics solutions and freight services, signed an initial two-year exclusive freight services agreement to meet consumer demand for Australian and New Zealand products. This agreement is the result of a strong multi-year working relationship with Wiseway and locks in new operational pathways globally.

The partnership provides several strategic growth opportunities, including diversification into new markets in Southeast Asia along with the development of new product categories.

Growth initiatives in New Zealand

Aumake's exports from New Zealand have grown by 17% FY21 YoY, representing a key growth market for the Company. China remains New Zealand's largest trading partner in goods, and anecdotal evidence supports this, with products such as wine selling out in China and suppliers struggling to keep up with demand.

Strategic placement – Bluestone Fund Management Pty Ltd (Bluestone)

As announced on 5 October 2021, Australian-based Bluestone Fund Management completed a capital raising of \$500,000 at \$0.025 per share. This strategic placement allows the Company to accelerate its growth strategy online and increase its market share of Australian and New Zealand premium brands and products into the Asian market.

This relationship allows Aumake to be able to tap into Bluestone's impressive network of over 700,000 SMEs located throughout China across a number of industries including tourism, media, health, wholesale and retail distribution. Aumake's online marketplace platform provides a new channel for these SMEs to access high-quality Australian and New Zealand products.

New board appointments

On 23 August 2021, Aumake announced the appointment of Lisa Wynne as Company Secretary. Lisa is an experienced Company Secretary with over fifteen years of board level experience across a number of ASX & TSX listed companies.

Ian Thubron joined Aumake as Non-Executive Director on 8 September 2021. Ian is a 30-year veteran of the marketing and communications industry and has worked with some of the world's most admired brands especially in the Chinese market. He is currently a non-executive director of Good Samaritan Enterprises, Amana Living, Integrated Marketing Technology, and Chairs in the Blue Tree Project.

Related party payments

Related party payments for the quarter of \$273,918 comprised of director's fees and wages paid to directors or their related parties and \$41,894 rental expenses paid to entities associated with a director.

Aumake Managing Director, Joshua Zhou commented:

"The September quarter was a pivotal turning point in Aumake's repositioning for the future as we have started to achieve the benefits from cost restructuring initiatives undertaken earlier this year. Simultaneously, we have added to existing growth and implemented revenue generation opportunities, including key partnerships with premier logistics provider Wiseway Group and New Zealand-based brand incubator and digital agency Prizm Group.

With the reopening of international borders, Aumake will be a significant player in the future of Asian tourism to Australia and New Zealand through our relationships with some of Asia's largest travel agents and tourism partners, providing opportunities for dynamic growth.

We have addressed the challenging impacts of the COVID-19 pandemic over the last 18 months by reducing costs, continuing to invest in our social e-commerce platform, focusing on our relationships with close partners in the travel industry and maintaining the retention of dedicated staff.

We are now well-positioned to increase our market share in the Australian and New Zealand tourism industry, which prior to COVID-19 was on track to generate \$100 million in revenue for FY20.

Importantly, the return of international students and tourists will see the re-energisation of a valuable and cost-effective marketing channel for premium Australian and New Zealand goods via Aumake's physical store network, which will see us increasingly use third party operated physical stores, and our social e-commerce platform to grow and diversify our business offering."

ENDS

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

Corporate

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About Aumake Limited

Aumake operates a scalable business model that utilises physical retail stores (through a combination of key Aumake operated stores and a network of third-party stores) and a social e-commerce online platform that facilitates the promotion of new brands and products to Asian markets.

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")

Sept 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,823	1,823
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,456)	(1,456)
(c) advertising and marketing	(301)	(301)
(d) leased assets	(250)	(250)
(e) staff costs	(865)	(865)
(f) administration and corporate costs	(494)	(494)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(32)	(32)
1.6 Income taxes paid	61	61
1.7 Government grants and tax incentives	237	237
1.8 Other (provide details if material)	7	7
1.9 Net cash from / (used in) operating activities	(1,266)	(1,266)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(1)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	(532)	(532)
	(c) property, plant and equipment	(151)	(151)
	(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	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(684)	(684)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	250	250
3.10	Net cash from / (used in) financing activities	250	250

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,265	4,265
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,266)	(1,266)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(684)	(684)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	250	250
4.5	Effect of movement in exchange rates on cash held	69	69
4.6	Cash and cash equivalents at end of period	2,634	2,634

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	2,634	4,265
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)	2,634	4,265

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	316
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>The balance in 6.1 consists of \$273,918 director's fees and wages paid to directors or their related parties and \$41,894 rental expenses paid to a related party.</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.	<div style="border: 1px solid black; padding: 5px; min-height: 100px;"> <p>N/A</p> </div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,266
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,634
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,634
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.1
<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?	
<p>Answer: n/a</p>	
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?	
<p>Answer: n/a</p>	
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?	
<p>Answer: n/a</p>	
<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: 29 October 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.