

25 January 2021

Q2 FY21 Quarterly Report – Capitalised to grow social e-commerce business model for ANZ brands

Sydney, Australia – Aumake Limited (**ASX: AUK, Aumake, or the Company**), operator of an online platform that connects Asian influencers with high-quality and authentic Australian brands, is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 31 December 2020 (Q2 FY21).

Summary

- Launched the first stage of Aumake’s pioneering Australian-based social e-commerce marketplace that will incorporate social e-commerce capabilities found in similar high growth online platforms of Pinduoduo Inc (NASDAQ: PDD) and Douyin (Tik Tok), enabling Australian brands to connect directly with Asian influencers and their social networks
- Aumake’s new social e-commerce marketplace leverages its significant existing networks within the Asian influencer community and trusted brand relationships
- Secured \$7 million via an over-subscribed Placement to fund the acceleration of Aumake’s social e-commerce marketplace, including extensive technology buildout to incorporate popular marketing features such as short-form video and group buying capability
- Strategic realignment culminating in company name and ticker change to Aumake Limited and ASX:AUK

Operational Metrics

- Online active user growth increasing from 1,500 to more than 17,200, with over 85% of these new users based in mainland China
- Entered into a licensing agreement with Rachael Finch’s Kissed Earth to exclusively promote the brand in China – the first direct brand signed to Aumake’s social e-commerce platform
- Continued conversion of instore traffic to online social e-commerce platform
 - Physical store rationalisation program to begin in Q3 FY21

Financial Metrics

- Total online Gross Merchandise Value (GMV) of \$3.2m, up 60% over Q1 FY21
- Physical store revenue of \$0.8m, down 35% on Q1 FY21, consistent with strategy to divert instore traffic to online marketplace
- Operational cash outflow of \$2.7m with increased investment into technology development of social e-commerce platform and marketing activities to drive active user growth
- Cash balance of \$9.04m as at 31 December 2020

Executive Chairman, Mr Keong Chan said:

“It was a defining quarter for Aumake as the business changed its strategic focus to prepare for an online future. The launch of our social e-commerce platform introduces this innovative business model to Australia, which has provided explosive growth to a new generation of online platforms in China including Pinduoduo, Douyin (Tiktok), Meituan and Tencent.

“We have invested significant time and resources over the course of 2020 analysing new Chinese consumer technology and business model trends. These new online business models provide a more effective means of building brand equity in Asia and will revolutionise how Australian and New Zealand brands market themselves to younger and more sophisticated Chinese and Asian consumers. Over the past five years, young Asian consumers have changed the way they purchase products and Australian and New Zealand brands have not adjusted to these changes. Aumake’s new social e-commerce platform will enable unprecedented engagement with Asian influencers and consumers.

“At the heart of our vision is an online platform which replicates the feeling of shopping instore with friends. Our social e-commerce marketplace will deliver a real sense of value, providing users with the ability to aggregate orders with friends and people outside their immediate social circle. Brands will be able to use our platform to engage with our customers’ social networks and to promote and deliver their products to our customers without middlemen, such as wholesalers and retailers.

Leading social e-commerce platforms such as Pinduoduo describes itself as a “combination of Disneyland and Costco” and Douyin (Tik Tok) as a “...a music short-video community focused on the new generation”. These platforms have combined social networks and application of consumer technology such as the use of artificial intelligence, to change the online experience from individualistic to something to be shared with friends. Aumake will create its own unique online business model which combines these concepts of fun, social and value while also embedding a deep sense of authenticity and quality, characteristics that are inherent to products from our part of the world.

“With the successful capital raising of \$7 million, we are now well-funded to develop the platform, attract talented people and execute the next stage of our strategic growth plan to bring our vision to life.

“Aumake firmly believes that China with its 1.4 billion population and ~\$140b of annual trade with Australia, and South East Asia in general, will continue to provide significant long-term opportunities for brands across all product categories. This includes fresh food, which has been positively reinforced by consumer behavioural changes due to COVID-19 and the region’s reliance on clean, green products that Australia and New Zealand produce.”

Operating cashflow commentary

Operating cash outflows of \$2.7m included:

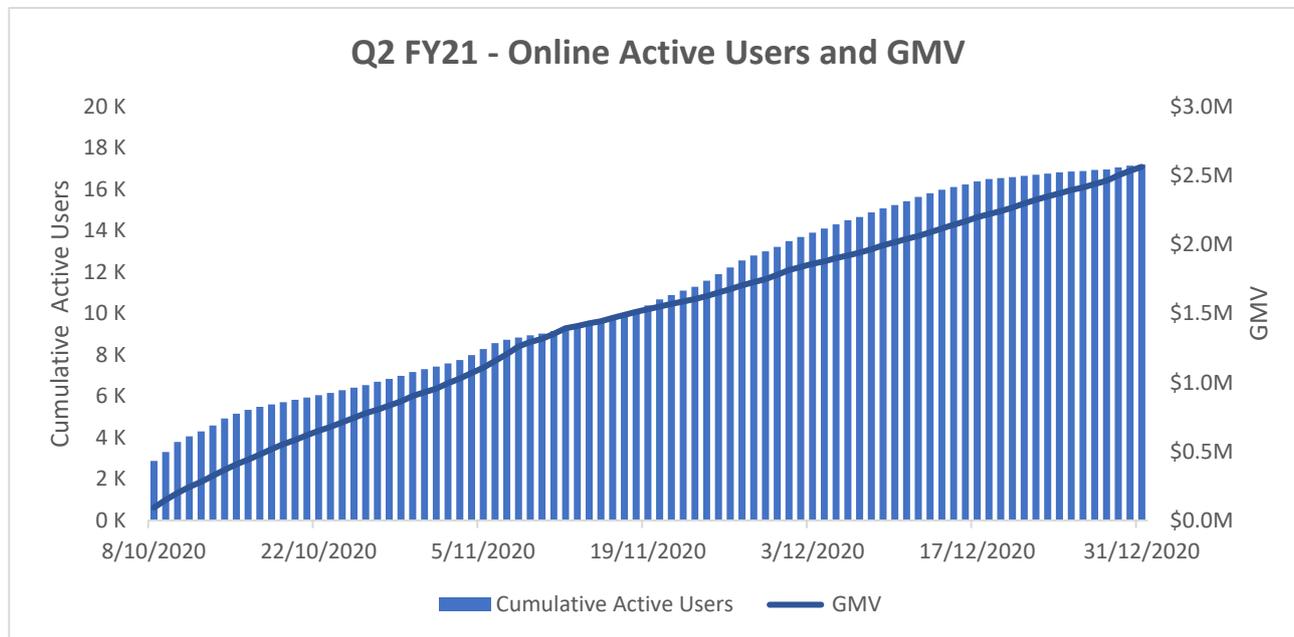
- \$1.0m in additional inventory in response to increased actual and forecast demand;
- \$0.3m in additional marketing and promotion expenses to drive active user growth; and
- \$0.25m to fund development of the first stage of the social e-commerce platform and additional online labour resources.

Cash balance of \$9.04m as at 31 December 2020 with an additional \$0.895m cash inflow subject to shareholder approval at the Company’s next general meeting, scheduled during Q3 FY21.

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

- Item 6.1 consists of \$214k director’s fees and \$21k rental expenses to a related party; and
- Item 6.2 comprises \$71k as part of the consideration payment for the Broadway business to a related party.

Online operations



During the quarter, Aumake commenced its evolution from a traditional retailer to an operator of a social e-commerce marketplace.

Online activities to date have focused on growing active users and GMV through increased marketing investment in Asia. During the quarter, Aumake collaborated with a marketing agency in Hong Kong to promote its social e-commerce platform via popular social media channels, including WeChat, KanTV, Tou Tiao and Douyin (Tik Tok). As a result of this marketing campaign, online GMV increased 60% over Q1 FY21 with 30% of users making a repeat purchase.

In addition to acquiring new users from external sources, the marketing investment also enabled Aumake to convert its existing 40,000 unique visitor database into registered active users and consolidate all users from the Company's previous channels (WeChat networks, websites, physical stores, tourism networks) onto the one online platform.

As part of its active user acquisition strategy and to encourage user registration, the Company concentrated its marketing on popular ANZ brands which are easily recognisable by Asian consumers. As a result, infant formula and health supplement product categories continued to feature heavily, comprising 75% of total online GMV.

Aumake's existing online platform is the first iteration of its social e-commerce marketplace and development is underway to implement popular social e-commerce capabilities, including group buying, short-form video and gamification across its Android/iOS apps and website interfaces. The implementation of these social e-commerce features is anticipated to drive customer lifetime value through enhanced user experience and lower customer acquisition costs, due to the virality of marketing via social networks.

Physical store operations

While physical stores continue to play an important part in Aumake's business model, they are increasingly serving as traffic collection points, focussed on converting physical foot traffic to the online marketplace. This transition has already commenced with physical store revenue declining 35% compared to the prior quarter, however this was materially offset by strong online GMV growth.

The Company is currently undertaking a physical store rationalisation program, reducing store count and reconfiguring required stores to provide a better customer experience and aid conversion to its online platform. Newly configured stores will focus on new product offerings and the Company's online service, with popular products being primarily delivered from 1P/3P logistics providers.

Renewed new brand focus - Kissed Earth

In December 2020, Aumake entered into a licensing agreement with Rachael Finch's Kissed Earth brand to exclusively promote the product range in China. The agreement with Kissed Earth represents the first direct brand signed to Aumake's new social e-commerce marketplace.

Founded by well-known Australian TV personality Rachael Finch and Michael Miziner, the Kissed Earth product range spans several in-demand product categories including collagen, skincare, health food, supplement powders and bars, and the brand in the process of developing additional verticals.

The brand has already attracted strong Asian influencer interest with Aumake receiving initial Kissed Earth product orders of more than \$100,000 in its first 48 hours of promotion. This high level of interest highlights the opportunity for Aumake's social e-commerce marketplace to help Asian influencers diversify the range of new Australian brands and products that they promote to Asian consumers.

Capital Raising

Towards the end of the quarter, Aumake secured binding commitments of A\$7 million (before costs) via a Placement of 116,666,667 new shares at \$0.06 per share, inclusive of a 1:2 free attaching option.

Supported by new and existing institutional and sophisticated investors, the Placement was led by a cornerstone investment by Mr Steven Hu and co-investors. A former partner of a large Hong Kong-based venture capital firm and based in Shenzhen, Mr Hu has been an active investor in China's consumer technology space for more than a decade.

In addition, all AUK Directors committed to participate in the raise under the same terms as the Placement for a total amount of \$750,000.

Funds raised will enable Aumake to accelerate the technology development of its social e-commerce platform, including incorporating popular consumer marketing tools and features, as well as increased promotion of the platform and new brand marketing campaigns in Asia.

Tranche 1 of the Placement, (101,749,999 shares) was issued during the first week of 2021. The proposed issue of attaching options and Tranche 2 new shares (including the issue of securities to Directors) are subject to shareholder approval, which will be sought via an Extraordinary General Meeting in the first quarter of 2021.

Outlook

The Company is encouraged by the current progress of its social e-commerce platform, which is already generating strong active new user growth and repeat purchasing. The recent capital raise and strong balance sheet supports the technology development, commercial rollout and marketing activities, which will significantly increase the platform's visibility in mainland China. In addition, Aumake will continue to invest in direct marketing campaigns for new brands and the introduction of profit-sharing models to drive influencer interaction and sales conversion.

The Company looks forward to updating the market on its progress.

ENDS

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

Corporate

Keong Chan

Executive Chairman

T: +61 2 8330 8844

keong.chan@Aumake.com.au

Investor Enquiries

Craig Sainsbury

Market Eye

M: 0428 550 499

craig.sainsbury@marketeye.com.au

Media Enquiries

Tristan Everett

Market Eye

M: 0403 789 096

Tristan.everett@marketeye.com.au

About Aumake Limited

Aumake Limited (ASX:AUK) operates an online platform 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.

Appendix 4C

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

Name of entity		
Aumake Limited		
ABN	Quarter ended ("current quarter")	
150 110 017	December 2020	
Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,944	7,357
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,238)	(7,011)
(c) advertising and marketing	(815)	(1,688)
(d) leased assets	(474)	(820)
(e) staff costs	(1,095)	(1,907)
(f) administration and corporate costs	(523)	(1,102)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	5
1.5 Interest and other costs of finance paid	(10)	(20)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	432	1,175
1.8 Other (provide details if material)	(8)	5
1.9 Net cash from / (used in) operating activities	(2,784)	(4,006)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(532)	(1,063)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) property, plant and equipment	-	(30)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(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 (refundable at end of lease)	-	(134)
2.6	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(532)	(1,227)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,092	6,092
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)	-	-
3.10	Net cash from / (used in) financing activities	6,092	6,092

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,227	8,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,784)	(4,006)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(532)	(1,228)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,092	6,092
4.5	Effect of movement in exchange rates on cash held	34	4
4.6	Cash and cash equivalents at end of period	9,037	9,037

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	9,037	6,227
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)	9,037	6,227

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	236
6.2	Aggregate amount of payments to related parties and their associates included in item 2	71

The balance in 6.1 is consisting of \$214,800 director's fees and \$20,768 rental expenses to a related party; and

The balance in 6.2 \$70,750 is related to the consideration payment of Broadway business.

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

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)	(2,784)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	9,037
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	9,037
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.2

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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

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: 25 January 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.