

Aumake Australia Pty Limited

ABN 96 168 835 489

Annual Report - for the year ended 30 June 2017

Aumake Australia Pty Limited
Director's report
For the year ended 30 June 2017

The director presents the report, Aumake Australia Pty Limited (the "company") for the year ended 30 June 2017.

Director

Jiahua Zhou was the sole director of Aumake Australia Pty Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

Principal activities

The company purchases and distributes Australian products to primarily Chinese customers via franchised offline retail stores and wholesale via its warehouse.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Review of operations

The profit for the company after providing for income tax amounted to \$13,551 for the year ended 30 June 2017.

During the year, the company established a warehouse to support inventory storage and distribution for its franchised stores.

Significant changes in the state of affairs

On 10 February 2017 and as later varied on 20 March 2017 and 26 June 2017, the company entered into a binding terms sheet with ITM Corporation Ltd ("ITM") pursuant to which ITM agreed to acquire 100% of the issued capital in the company, which resulted in the effective merger of ITM and the company. The merger was completed on 30 June 2017.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during this financial year and up to the date of this report.

Aumake Australia Pty Limited
Director's report
30 June 2017

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 2001. The contract of insurance prohibits disclosure of the nature of 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.

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 on the following page.

This report is made in accordance with a resolution of director, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the director



Director
Jiahua Zhou

Dated: 25 JULY 2017
Sydney

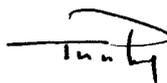
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Aumake Australia Pty Limited for the year ended 30 June 2017, 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 AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 25 July 2017

Aumake Australia Pty Limited
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For the year ended 30 June 2017

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General information

The financial statements cover Aumake Australia Pty Limited as an individual entity. The financial statements are presented in Australian dollars, which is Aumake Australia Pty Limited's functional and presentation currency.

Aumake Australia Pty Limited is a proprietary company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

7 Bourke Street
North Parramatta
NSW 2151

Principal place of business

7 Bourke Street
North Parramatta
NSW 2151

A description of the nature of the company's operations and its principal activities are included in the director's report, which is not part of the financial statements.

Aumake Australia Pty Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Revenue			
Sales revenue	3	10,311,378	3,061,281
Expenses			
Cost of sales		(9,156,697)	(2,823,143)
Rental expense		(438,353)	(52,825)
Employees benefits expense		(581,506)	(173,403)
Administrative expenses		(94,050)	-
Depreciation		(15,689)	-
Other expenses		(3,558)	(3,949)
		<hr/>	<hr/>
Profit before income tax expense		21,525	7,961
Income tax expense		<hr/> (7,974)	<hr/> (4,047)
Profit after income tax expense attributable to the owners of Aumake Australia Pty Limited		13,551	3,914
Other comprehensive income		<hr/> -	<hr/> -
Total comprehensive income attributable to the owners of Aumake Australia Pty Limited		<hr/> 13,551	<hr/> 3,914

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Aumake Australia Pty Limited
Statement of financial position
As at 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	250,244	5,786
Inventories	5	1,900,800	117,000
Trade and other receivables	7	172,745	-
Total current assets		<u>2,323,789</u>	<u>122,786</u>
Non-current assets			
Other receivables	7	111,211	-
Plant and equipment	6	118,612	-
		<u>229,823</u>	<u>-</u>
Total assets		<u>2,553,612</u>	<u>122,786</u>
Liabilities			
Current liabilities			
Trade and other payables	8	264,518	102,337
Income tax payable	9	7,974	4,047
Borrowings	10	1,127,772	-
Provisions	11	26,558	5,530
Total current liabilities		<u>1,426,882</u>	<u>111,914</u>
Non-current liabilities			
Borrowings	10	67,076	-
Total current liabilities		<u>67,076</u>	<u>-</u>
Total liabilities		<u>1,493,898</u>	<u>111,914</u>
Net assets		<u>1,059,714</u>	<u>10,872</u>
Equity			
Issued capital	12	1,035,391	100
Retained earnings		24,323	10,772
Total equity		<u>1,059,714</u>	<u>10,872</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Aumake Australia Pty Limited
Statement of changes in equity
For the year ended 30 June 2017

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	100	6,858	6,958
Profit after income tax expense for the year	-	3,914	3,914
Other comprehensive income for the year, net of tax	-	-	-
	-	3,914	3,914
<i>Transactions with owners in their capacity as owners:</i>			
Shares issued during the year	-	-	-
Balance at 30 June 2016	100	10,772	10,872
	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	100	10,772	10,872
Profit after income tax expense for the year	-	13,551	13,551
Other comprehensive income for the year, net of tax	-	-	-
	-	13,551	13,551
<i>Transactions with owners in their capacity as owners:</i>			
Loan forgiven by parent entity classified as issued capital	1,035,291	-	1,035,291
Balance at 30 June 2017	1,035,391	24,323	1,059,714

The above statement of changes in equity should be read in conjunction with the accompanying notes

Aumake Australia Pty Limited
Statement of cash flows
For the year ended 30 June 2017

		30 June 2017	30 June 2016
		\$	\$
Cash flows from operating activities	Note		
Receipts from customers		10,178,997	3,061,281
Payments to suppliers and employees		(10,936,080)	(2,945,975)
Income tax paid		<u>(4,047)</u>	<u>(2,939)</u>
Net cash (used in)/from operating activities	17	<u>(761,130)</u>	<u>112,367</u>
Cash flows from financing activities			
Proceeds from capital raising		1,035,292	-
Repayment of borrowings		<u>(29,704)</u>	<u>(125,056)</u>
Net cash from/(used in) financing activities		<u>1,005,588</u>	<u>(125,056)</u>
Net increase/(decrease) in cash and cash equivalents		244,458	(12,689)
Cash and cash equivalents at the beginning of the financial year		<u>5,786</u>	<u>18,475</u>
Cash and cash equivalents at the end of the financial year	4	<u>250,244</u>	<u>5,786</u>

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

Aumake Australia Pty Limited
Notes to the financial statements
For the year ended 30 June 2017

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, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the shareholders of Aumake Australia Pty Limited. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Aumake Australia Pty Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

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 company'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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Note 1. Significant accounting policies (continued)

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 changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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 current when: it is expected to be realised or intended to be sold or consumed in 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 current when: it is expected to be settled in 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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value on an 'average cost' basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company 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.

Employee benefits

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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.

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.

Aumake Australia Pty Limited
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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.

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 company for the annual reporting period ended 30 June 2017. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The director evaluates estimates and judgements incorporated in the financial report based on historical knowledge and best current available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. In the opinion of the directors, there are no critical judgements and estimates in this financial report.

Note 3. Revenue

	30 June 2017 \$	30 June 2016 \$
Sale of retail goods	<u>10,311,378</u>	<u>3,061,281</u>
	<u>10,311,378</u>	<u>3,061,281</u>

Note 4. Cash and Cash Equivalents

Cash on hand	100	100
Cheque account	<u>250,144</u>	<u>5,686</u>
	<u>250,244</u>	<u>5,786</u>

Aumake Australia Pty Limited
Notes to the financial statements
For the year ended 30 June 2017

Note 5. Inventories

Inventories	<u>1,900,800</u>	<u>117,000</u>
	<u>1,900,800</u>	<u>117,000</u>

Note 6. Plant and equipment

Motor vehicles – at cost	134,300	-
Less: Accumulated depreciation	<u>(15,688)</u>	<u>-</u>
	<u>118,612</u>	<u>-</u>

30 June 2017	30 June 2016
\$	\$

Note 7. Trade and other receivables

Current

Trade receivables	132,381	-
Prepayments	<u>40,364</u>	<u>-</u>
	<u>172,745</u>	<u>-</u>

Non-Current

Bonds	<u>111,211</u>	<u>-</u>
	<u>111,211</u>	<u>-</u>

Note 8. Trade and other payables

30 June 2017	30 June 2016
\$	\$

Trade and other payables	213,103	98,119
Net GST payable	<u>51,415</u>	<u>4,218</u>
	<u>264,518</u>	<u>102,337</u>

Note 9. Income tax payable

Income tax payable	<u>7,974</u>	<u>4,047</u>
	<u>7,974</u>	<u>4,047</u>

Aumake Australia Pty Limited
Notes to the financial statements
For the year ended 30 June 2017

	30 June 2017 \$	30 June 2016 \$
Note 10. Borrowings		
<i>Current</i>		
Loan - motor vehicles	27,772	-
Loan – shareholder *	1,100,000	-
	<u>1,127,772</u>	<u>-</u>
<i>Non-Current</i>		
Loan - motor vehicles	67,076	-
	<u>67,076</u>	<u>-</u>

* The shareholder loan is interest free, unsecured and settlement is expected to occur within the next 12 months, refer to Note 15.

Note 11. Provisions

Provision for annual leave	26,558	5,530
	<u>26,558</u>	<u>5,530</u>

Note 12. Equity - issued capital

	2017 Shares	2016 Shares	30 June 2017 \$	30 June 2016 \$
Ordinary shares - fully paid	100	100	1,035,391	100
	<u>100</u>	<u>100</u>	<u>1,035,391</u>	<u>100</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2016	100		100
Loan forgiven by parent entity classified as issued capital *	30 June 2017	-	-	1,035,291
Balance	30 June 2017	100		1,035,391

*\$1,035,291 is related to a loan owing to ITM Corporation Ltd (“ITM”). Upon completion of the acquisition of the company by ITM, the loan has been reclassified to issued capital as the loan was forgiven.

Note 13. Contingent liabilities and contingent assets

The company had no contingent liabilities and contingent assets as at 30 June 2017.

Aumake Australia Pty Limited
Notes to the financial statements
For the year ended 30 June 2017

Note 14. Commitments

	30 June 2017	30 June 2016
	\$	\$
Within one year	385,079	-
After one year but not more than five years	730,282	-
	<u>1,115,361</u>	<u>-</u>

Note 15. Related party transactions

During the year, the company acquired inventory from the Director, Jia Hua Zhou, at a value of \$1,100,000. At 30 June 2017, a liability of \$1,100,000 remained payable to the Director.

Other than noted above, the company had no other loans provided by or to key management personnel during the year.

Note 16. Events after the reporting date

There are no matters or circumstances that have arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 17. Reconciliation of loss after income tax to net cash from operating activities

	2017	2016
	\$	\$
Profit after income tax expense for the year	13,551	3,914
Depreciation	15,689	-
Change in operating assets and liabilities:		
Inventory	(683,800)	8,000
Provision	21,028	5,530
Income tax provision	3,927	1,108
Trade and other receivables	(283,957)	-
Trade and other payables	152,432	93,814
	<u>(761,130)</u>	<u>112,366</u>
Net cash (used in)/from operating activities		

Aumake Australia Pty Limited
Director's declaration
For the year ended 30 June 2017

In the director's opinion:

- the company is not a reporting entity because there are currently no users dependent on general purpose financial statements;
- the attached financial statements and notes thereto comply with the Accounting Standards as described in Note 1;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of director made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Director
Jiahua Zhou

Dated: 25 JULY 2017
Sydney

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUMAKE AUSTRALIA PTY LIMITED**

Opinion

We have audited the financial report of Aumake Australia Pty Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Company is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 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 Company 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, 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 and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 Company 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 Company or to cease operations, or have no realistic alternative but to do so.

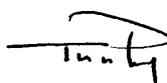
Auditor's Responsibilities for the Audit of the Financial Report

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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 25 July 2017