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28 October 2020

Q1 FY21 Business Update

Sydney, Australia – AuMake International Limited (**ASX: AU8**, **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 30 September 2020 (Q1 FY21).

Financial Highlights

- Total revenue $3.2m and gross margin 18.0%
    - Online revenue $2.0m from AU8's traditional retail model
    - Physical store revenue increased 83% vs Q4 FY20
- Operational cash outflow of $1.2m for the quarter ($1.3m cash outflow Q4 FY20) inclusive of investment into new online platform
- Cash balance **o**f $6.2m as of 30 September 2020

Operational Highlights

- Continued servicing of loyal AuMake customers on existing online platform
- Strategic redirection of resources to development of new online platform and future social e-commerce marketplace platform with technology partner Shenzhen Jiezhou Technology Co, Ltd.
- Development of extensive marketing campaign to support the launch, targeting over 15 million viewers during October across Australia, New Zealand and China
- Physical stores continue to perform well with increasing foot traffic

Outlook

- Activity on the new online platform has been ahead of expectations and we will continue to keep the market informed of the progress

Executive Chairman, Mr Keong Chan said:

"As announced on 8 October 2020, AuMake has made a transformative strategic change to its business model towards an online future that will bring the latest consumer technology trends in China to Australian brands. Our focus during the September quarter squarely centred on this change which saw a reallocation of resources and the launch of our new online platform in early October.

"Our longer-term online strategy including the development of the social e-commerce marketplace provides us with growth opportunities for the future that is not predicated on but will only strengthen when borders open particularly given our strength in the Asian tourist industry.

"We have continued to service our current loyal customers and will reactivate as many as possible on our new online platform. We will also reduce our physical store footprint over the next 12 months however they will serve as valuable strategic assets once international borders open and will be an important part of our broader online strategy.

"There are strong activity levels on the new online platform with a record number of new members who have never shopped through AuMake before. This is in line with our influencer acquisition strategy as part of our broader strategy. We look forward to updating the market on the ongoing roll out, member and gross merchandise value growth of the new online platform."

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Quarterly Financial Performance Summary

- Total revenue decreased 19% to previous quarter due to decision to cease supply of low margin products to non-core/strategic business customers
- Total gross margin unaffected (18.3% Q4 FY20 vs 18.0% Q1 FY21)
- Online revenue was relatively stable with a 13% decrease to Q4 FY20 due to seasonal factors
- Physical store revenue increased by 83% over Q4 FY20
- Efficient cost management (including investment into the new online platform) and government assistance saw operational cashflow outflow fall to $1.2 million for the quarter

	Q3 FY20	Q4 FY20	Q1 FY21
Operating cashflow	-$1.5m	-$1.3m	-$1.2m

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

- Item 6.1 consists of $120,163 director's fees and $37,105 rental expenses to a related party; and
- Item 6.2 consists of $132,938 is related to the consideration payment for the Broadway business to a related party.

Online operations

AuMake continued to service customers via AuMake Online with stable activity rates largely due to the high usage rate of customers who are loyal to the AuMake brand. Broadway Online also continued to perform well with margins above 50% due to its ability to promote AuMake owned brand products.

AuMake's new online platform and future social e-commerce marketplace will eventually consolidate AuMake Online and Broadway Online customer databases onto the one platform.

As highlighted above, there has been significant focus on the development of the new online platform during the September quarter.

The gradual reopening of physical stores will also facilitate member growth on the new online platform and future social e-commerce marketplace by acting as 'funnels' for physical store traffic to go online.

Physical store operations

During the quarter, AuMake progressively re-opened three stores to cater to increased foot traffic and easing of restrictions in these areas. Initial sales within the newly opened stores have been better than expected. To date, the Company has re-opened four of its 14 physical stores.

In line with AuMake's focus to an online business model, AuMake aims to rationalise its physical store footprint. While the Company's business model is shifting away from traditional retail, physical stores will continue to play an important role in converting in-store traffic to the new online platform and future marketplace. This will be especially important as international borders start opening, international students return and Asian tourism resumes.

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Outlook

The Company is continuing to effectively manage its cashflow including investment into the new online platform and is well capitalised with $6.2m cash at bank at the end of the quarter.

To reflect the evolution of AuMake, the Company is changing its name and ticker code to “Aumake Limited” subject to shareholder approval at the upcoming AGM.

AuMake looks forward to updating the market shortly on the progress of its new online platform.

ENDS

This announcement has been authorised for release by the Board of AuMake International 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 International

AuMake (ASX:AU8) 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 14 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.