

March 2020 Quarterly Report

Highlights

- **Business response to COVID-19**
 - Securing and investing into growth of online revenue streams
 - Reduced operating cost base by 70%, including suspension of trading at all offline stores on 30 March 2020
- **Financial**
 - Cash receipts - \$13.3m
 - Revenue – \$11.2m
 - Gross margin – 35.4%
 - Cash at bank at end of March quarter – \$10.0m
 - Material improvement in cashflow towards end of March quarter due to effective cost management and success in growing online sales
- **Significantly leaner business** with new growth in online sales channels and exceptionally well positioned to benefit from the return of tourists from Asia

(Sydney, Australia) – AuMake International Limited (**AuMake** or the **Company**), a specialist Australian retailer catering to the Asian market, is pleased to provide its March 2020 quarterly update.

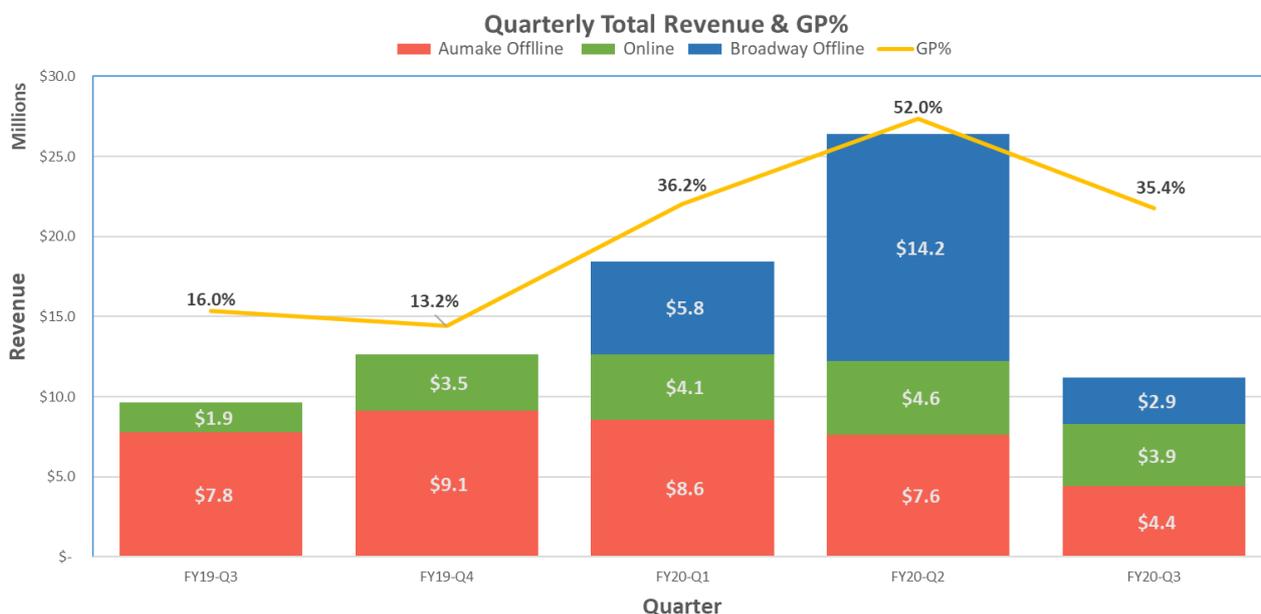
Quarterly Financial Performance

The chart below (**Diagram 1**) provides consecutive quarterly financial performance with the following observations for the March 2020 quarter:

- **Broadway offline** – Prior to the cessation of visits by Chinese tour groups at the end of January 2020, AuMake continued to see the significant positive impact of the Broadway acquisition on total group revenue and gross margin. The COVID-19 related travel ban at the end of January 2020 resulted in a material reduction of Broadway offline revenue for February and March 2020.
- **AuMake offline** – A gradual reduction in AuMake offline revenue during the March quarter, as a result of decreasing foot traffic due to increasing Australian government restrictions on physical movement to limit the spread of COVID-19, culminated in the decision to suspend trading at all offline stores on 30 March 2020.
- **Online** – Online revenue for the quarter continued to perform well and grew as a percentage of total revenue with the temporary reduction of revenue from offline channels.



Diagram 1



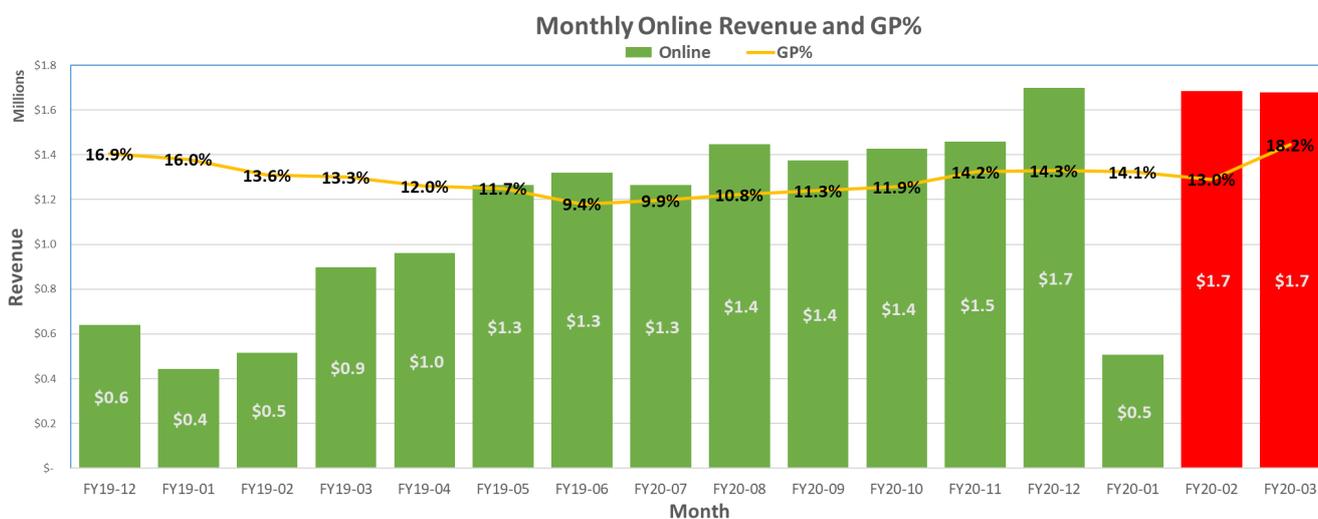
Dairy related, health supplement and skincare products continue to feature prominently with owned & exclusive brand product sales comprising 15% of total revenue for the quarter.

Cash receipts were \$13.3m for the March quarter including \$2.1m received from larger customers where limited credit terms are provided.

Online performance

The Company’s online business consists of three WeChat stores operated under the AuMake and Broadway brands, which allows the Company to engage with its customers online, and provides the ability to search, pay and organise delivery of products with the convenience of their mobile devices whether they are located in Australia or China.

Diagram 2





The chart above (**Diagram 2**) provides the monthly financial performance of online with the following observations for the March 2020 quarter:

- A significant reduction in online revenue for the month of January 2020 due to the compounding impact of COVID-19 on demand and logistics channels traditionally being closed for the Chinese New Year period (seasonality).
- A reallocation of staffing and financial resources from offline to online in late January 2020 to secure and grow existing online channels, given the anticipated change in consumer buying behaviour.
- Dramatic rebound in online activity post Chinese New Year period as reflected in February 2020 online revenue matching record high revenue achieved in December 2019.
- Repeat of record high monthly revenue in March 2020 with 40% increase in gross margin to 18.2% (February 2020 13.0%) due to the introduction of Broadway online in late February 2020, which has increased total owned and exclusive brand online sales by 200% via its tourism partner network.

The Company is currently in the process of assessing a number of options to materially improve the performance of its WeChat stores and growth of other online channels.

Cashflow management

From late January 2020, the Company moved quickly to implement cost mitigation measures in anticipation of uncertain trading conditions during the period of the COVID-19 pandemic:

- Significant downsizing of head office and store level staffing levels (including a 50% reduction in Board, executive and management remuneration from 1 March 2020)
- Reducing offline store trading hours culminating in total suspension of offline stores on 30 March 2020
- Cancelling or deferring all non-essential expenditure

The Company has also been working closely with key creditors (travel agents and product suppliers) to collaboratively manage the cashflow impact of COVID-19 over the CY20 period.

Cost mitigation measures and creditor management processes undertaken by the Company have resulted in cash at bank being \$10.0m for the end of the March quarter. The Company will continue to carefully manage cash at bank to ensure operational and corporate commitments are met for CY20.

The Company will continue to reduce its operating cost base including obtaining JobKeeper assistance for relevant staff and negotiating rental relief with landlords pursuant to the National Mandatory Code of Conduct.

With these measures and government assistance, AuMake anticipates a 70% reduction in total operating cost base relative to the period prior to and during the period of the COVID-19 pandemic.



Outlook

With the emergence of COVID-19 during the quarter, the Company's financial priority was to ensure that its balance sheet was sufficient to navigate CY20. This has been achieved by securing and growing existing online revenue streams and reducing the Company's operating cost base to cater for a reduction in revenue during the period of the COVID-19 pandemic.

However, given the latest information, the Company is optimistic that offline stores may resume trading as soon as conditions allow and will continue to monitor the situation closely.

Future online and offline revenue will be generated off a materially leaner operating cost base given the ongoing nature of the majority of cost mitigation measures implemented during the quarter.

The Company continues to work closely with travel agents during a difficult period and has observed considerable consolidation in the sector during the quarter. AuMake is well positioned for the eventual resumption of Asian tourism visitation. Chinese travel agents are reporting significant interest from Chinese tourists wanting to visit Australia & New Zealand when travel restrictions are lifted.

The Company will continue to update the market as the situation develops.

ENDS

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

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