

Post Broadway acquisition update

August 2019 highlights

- **Highest recorded monthly:**
 - > **Total revenue** – \$7.27 million (102%% increase pcp)
 - > **Total gross profit** – \$1.45 million (167% increase pcp)
 - > **Total owned brand revenue** – \$330,000 (65% increase pcp)
- **Increase in total gross margin** to 20%
(vs 15% August 2018 and 14.7% June 2019 quarter)
- **Significant EBITDA (unaudited) improvement to near break-even** (-\$90k)
during low season month of August
- **Broadway business increased tour group visitation and revenue**
by 124% and 70% pcp respectively
- **Online sales continued to perform strongly**, comprising 26% of total sales
- **AuMake materialising as a platform** for a new wave of scalable profitability
in the Asian/Chinese thematic

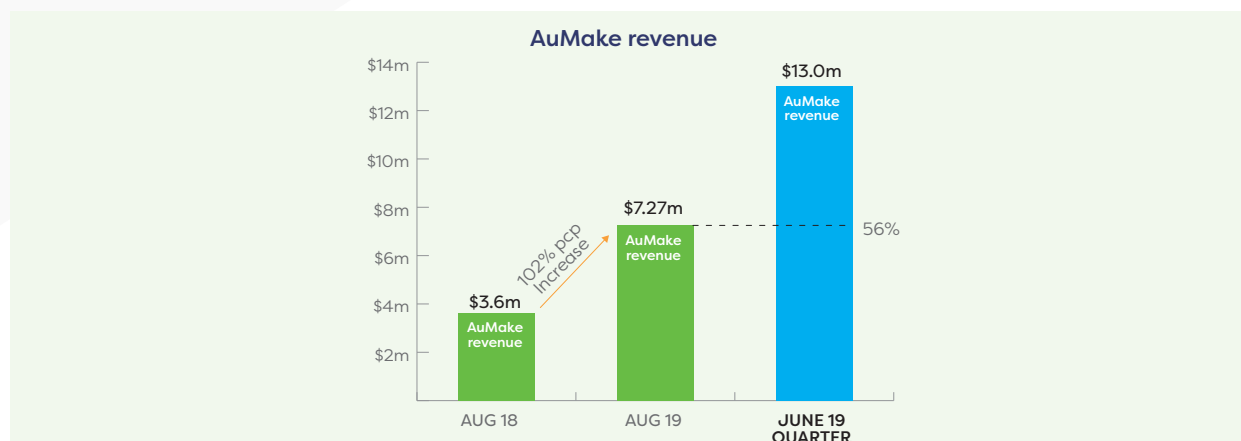
AuMake International Limited (“**AuMake**” or the “**Company**”) wishes to provide a performance update for the month of August, post-Broadway acquisition, which has exceeded initial management expectations.



Total revenue

Total revenue reached \$7.27 million for the month of August which represents a 102% increase on prior corresponding period (pcp) and 56% of the revenue for the June 2019 quarter (\$13.0m).

Broadway performed exceptionally well, with revenue reaching \$3.0 million (70% increase pcp), exceeding AuMake management expectations of \$2.0 million revenue. This performance was driven by a 124% pcp increase in the number of tour groups visiting the Broadway store network.



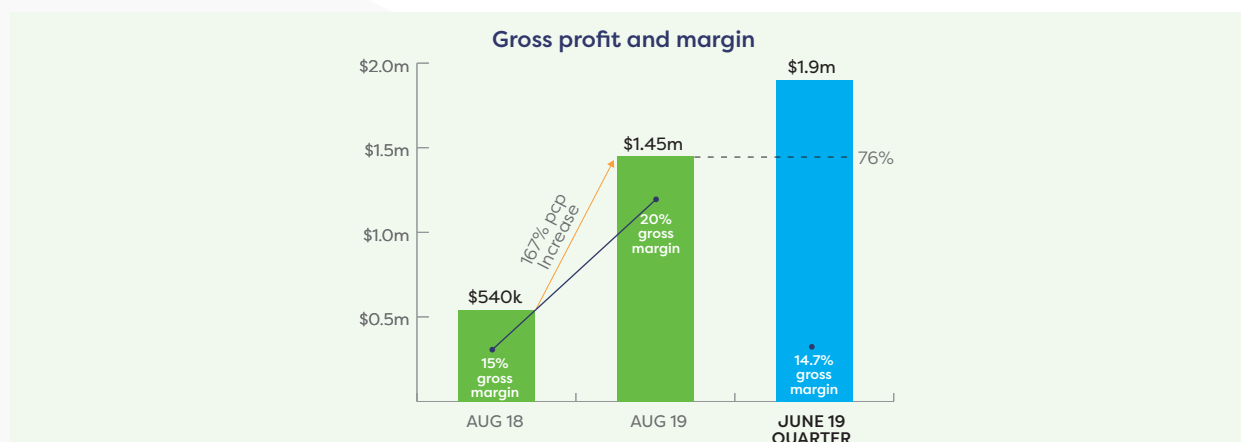
This strong growth clearly exemplifies Broadway’s market leading position and strength of long-standing relationships with travel agencies in both Australia and China. Pleasingly, significant growth opportunities exist for Broadway to expand the number of travel agencies it engages with, as a main driver of tour group visitation. Broadway currently engages with approximately 50 travel agencies on a day-to-day basis in China – nearly 28,000 travel agencies operating in China as at 2016¹.

Broadway will also commence hosting Korean tour groups from October onwards, providing an additional and exciting source of tour group visitation and potential revenue.

The existing AuMake business performed well during the month, with revenue of \$4.2 million (17% increase pcp) driven by increasing stability in the daigou market and material increases in the performance of Sydney CBD stores from natural traffic.

Total gross profit margin, gross profit and EBITDA

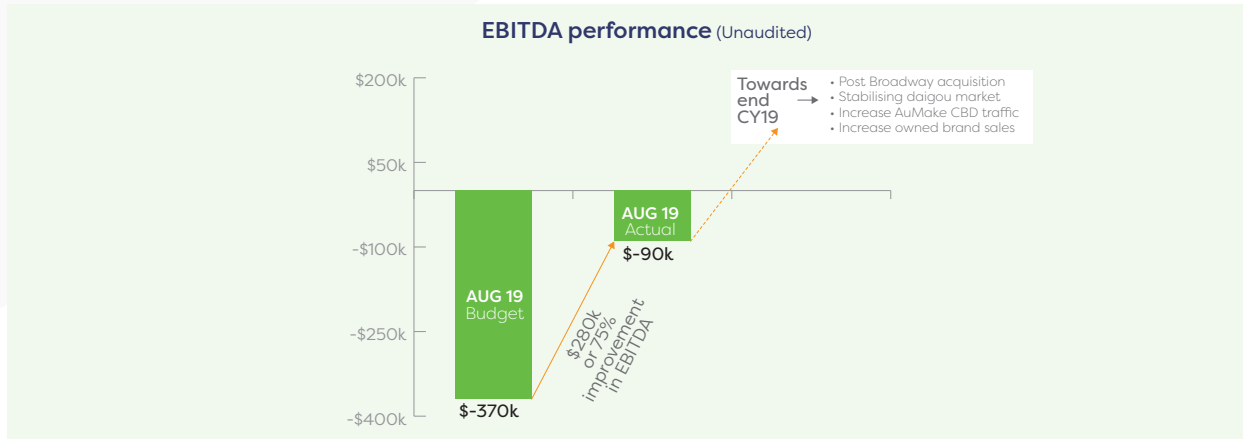
Total group gross margin for the month of August increased to 20% (compared to 15.0% pcp and 14.7% during June 2019 quarter) corresponding to a gross profit of \$1.45 million (167% increase pcp and \$1.9 million during June 2019 quarter).



¹ <https://www.statista.com/statistics/277244/number-of-travel-agencies-in-china/>



Group wide EBITDA performance improved significantly for the month of August from a budgeted position of (-\$370,000) to a near break-even actual of (-\$90,000). This is a notable achievement given that August is traditionally a low season month and provides strong confidence for positive EBITDA during high season (October to March) and FY20.

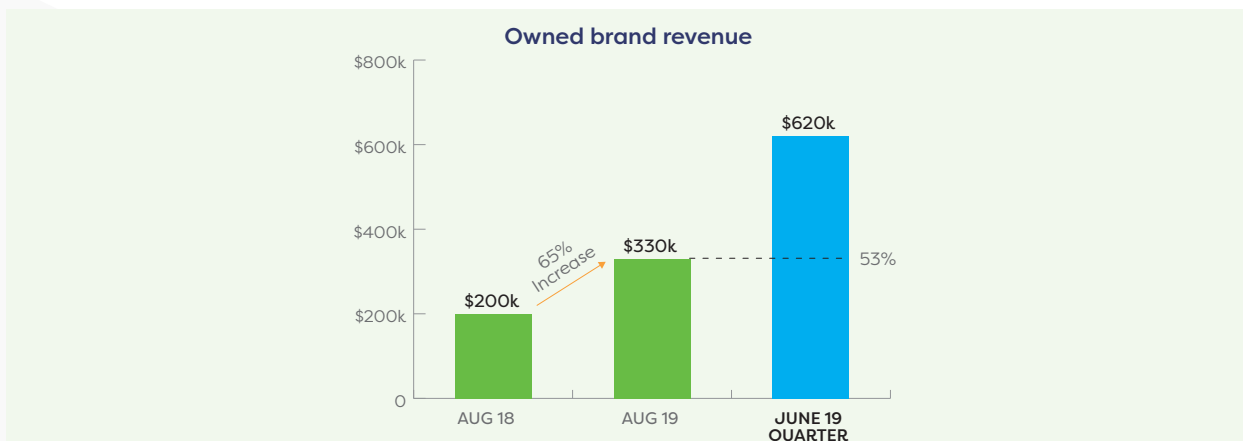


Key drivers for this growth were a significant increase in Chinese tourist visitation to both Broadway and AuMake stores, in addition to a reinvigoration of AuMake’s store product mix featuring a greater percentage of owned brand products.

The purpose of providing an EBITDA (unaudited) result in this announcement is to communicate the significant preliminary impact that the recent Broadway acquisition has had on the AuMake business. Management is continuing to integrate the acquisition, implement growth opportunities and realise synergies and as such, the Company will only provide EBITDA results in audited financials in the future.

Owned brand product sales

Owned brand product revenue reached \$330,000 in August, representing the highest ever monthly revenue recorded for this segment (65% increase pcp and compared to \$620,000 June 2019 quarter) including a contribution of \$60,000 from Broadway. Health Essence health supplements and AU8 skincare owned brand products featured prominently.



This owned brand revenue result achieved during the traditionally low seasonal month of August is highly encouraging as it provides optimism that owned brand sales will be higher than previously anticipated during high season and FY20.



Online

Online revenue for the existing AuMake business reached \$1.1 million and comprised circa 26% of total revenue for the month of August. The Company is assessing several online options for the Broadway business, including the creation of a proprietary tourist database that collects valuable data (such as average spend, purchasing habits, residence in China etc.) and to allow future repeat purchases from Broadway customers.

Strategic direction

Recent investor focus in relation to the Asian/Chinese thematic has focussed on a selection of infant formula and health supplement brands, which is predominantly serviced by the daigou channel.

Industry data and recent financial results point to significant margin compression and increasing competition for companies operating in these product categories, which is natural over the course of time and as markets mature.

Recognising the increasingly competitive landscape in these product categories, AuMake has focussed on the creation of a scalable and profitable platform that brings together critical components for sustainable brand creation in the Asian market.

A key part of this strategic focus has been the acquisition of Broadway which reflects AuMake's deep understanding of the market, and its ability to identify and materialise new scalable profitability in the Asian/Chinese thematic.

Daigou will continue to form part of AuMake's business model, however the rise of the Chinese tourist and their propensity to purchase new high margin products, provides an exciting and unexplored avenue to build new brands for the Chinese market.

The Company does not intend to provide ongoing monthly updates, however management felt it was necessary to communicate the exceptional and highly encouraging impact of Broadway on the AuMake business, which has exceeded management expectations for the month of August.

AuMake looks forward to providing further detail regarding its strategic direction and financial/operational progress in the coming months.

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