



ASX Release
28 February 2017

99 Wuxian delivers solid operating growth

Hong Kong, 28 February 2017: 99 Wuxian, (ASX: NNW) (“99 Wuxian” or “the Company”), is pleased to announce its results for the 12 months ended 31 December 2016.

Highlights¹:

- Total registered user base of 64.3 million as at 31 December 2016, up 18% from 54.5 million as at 31 December 2015
- Record 155.7 million transactions completed on the platform in FY2016, up 174% from 56.8 million transaction in FY2015
- Gross Transaction Value (GTV) of RMB 14.2 billion (AUD 2.9 billion) in FY2016, up 5% from RMB 13.6 billion (AUD 2.8 billion) in FY2015
- Net revenue of RMB 302.3 million (AUD 61.1 million) in FY2016, up 57% from RMB 192.3 million (AUD 38.9 million) in FY2015
- Underlying² EBITDA of RMB 14.6 million (AUD 2.9 million) in FY2016, decreasing by 34% from RMB 22.0 million (AUD 4.5 million) in FY2015
- Continuous growth of the reward point redemption and employee benefit redemption platforms
- Continuous execution of the growth strategy of increasing registered users and user engagement

99 Wuxian delivered solid operating growth in FY2016. Registered user base increased to a total of 64.3 million, number of transactions increased to a record high of 155.7 million, and GTV climbed to RMB 14.2 billion (AUD 2.9 billion), contributed by the constant execution of the Company's growth strategy of increasing user base and enhancing user engagement.

As to the financial results, the Company reported net revenue after business tax and relevant surcharge (“Revenue”) of RMB 302.3 million (AUD 61.1 million) in FY2016 with a 57% increase on FY2015, underlying EBITDA of RMB 14.6 million (AUD 2.9 million) in FY2016 decreasing by 34% compared with FY2015, and net loss of RMB 4.4 million (AUD 0.9 million) in FY2016. The decline in the underlying EBITDA was primarily the result of launching marketing initiatives like offering promotions to users to enhance their engagement with the platform and thus increase the user active rate and transactions on the platform, as well as lowering the purchasing barrier of new mobile commerce users. The net loss of RMB 4.4 million (AUD 0.9 million) in FY2016 was mainly caused by both the decline in the underlying EBITDA and the interest expense of RMB 8.0 million (AUD 1.5 million) accrued on the RMB 140 million (AUD 29.9 million³) loan from Grand Ease Holdings Limited (“Grand Ease”) (an associated entity of the CEO, Amalisia Zhang)

¹ RMB translated into AUD using the average rate of AUD/RMB 4.9448 for FY2016 and FY2015 to eliminate the exchange rate impact, except otherwise stated. The information for FY2016 has not been audited or reviewed.

² Underlying information excludes exceptional items (exchange gains and losses). 99 Wuxian considers underlying information to be a more suitable indicator of operating performance. References to ‘underlying’ information are to non-IFRS financial information. Non-IFRS financial information has not been audited or reviewed.

³ RMB translated into AUD using the spot rate of AUD/RMB of 4.6877 as at 15 December 2015.

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for the initial payment for the acquisition of Jiangsu Ofpay E-commerce Limited (“Ofpay”), while the Company expects that the interest expense will stop being accrued when the divestment of Ofpay is completed as the loan will be extinguished as one of the payment methods of the consideration from Amalisia Zhang who has offered to acquire 40% of the equity interest in Ofpay.

Summary Financials:

(see Appendix A for AUD summary financials)

RMB, 31 December year end	FY2015	FY2016 ⁴	Growth
Revenue	192,334,487	302,315,180	57%
Gross profit	128,204,582	104,628,905	(18%)
Gross margin (%)	66.7%	34.6%	(3,205bps)
Underlying EBITDA	22,035,341	14,565,484	(34%)
Statutory EBITDA	21,501,800	14,779,389	(31%)
Underlying PBT	16,733,684	(781,008)	(105%)
Statutory PBT	16,200,143	(567,103)	(104%)
Statutory NPAT	10,200,187	(4,385,137)	(143%)

Key Performance Metrics:

(see Appendix A for AUD summary metrics)

RMB, except user and transaction numbers	FY2015	FY2016	Growth
Registered users	54,514,538	64,348,816	18%
Transactions	56,823,020	155,701,837	174%
Gross Transaction Value (GTV)	13,598,533,720	14,215,961,307	5%
Average Transaction Value (ATV)	239	91	(62%)

CEO Amalisia Zhang commented: “China’s mobile commerce continued to grow rapidly in FY2016, and 99 Wuxian expanded in line with the trend. 99 Wuxian delivered solid operating growth in the year, with operational figures reaching record high. This has further strengthened our determination in continuing to execute our growth strategy of growing registered users and enhancing user engagement, relying on which we can expand our scale and capture the market opportunities in China. In the growing China market, it is important for companies to expand their scale. Expanding the scale of transactions is the most important target for 99 Wuxian.”

“In FY2016 the number of transactions increased by 174% compared with FY2015. This reflects the execution of our growth strategy focusing on expanding the scale of transactions by increasing registered users and user engagement. In FY2016 99 Wuxian initiated effective marketing campaigns with business partners to acquire new users, and enhance user engagement and stickiness, and some of the campaigns were innovative like the ICBC draft program and fans carnival. The campaigns triggered large user traffic, enlarged our user base

⁴ FY2016 information has not been audited or reviewed.

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and improved user engagement. GTV benefited from the sharp increase in transactions, while the decline in ATV made the GTV increase not as sharp as the number of transactions. Actually the movement in ATV helped the expansion of transaction scale. The current market preference is featured by virtual products with low unit price, and 99 Wuxian, together with its business partners, has caught up with the ATV preference. Besides, ATV movement could lower the purchasing barrier of new mobile commerce users. User acquisition and engagement and scale expansion are taken seriously by both 99 Wuxian and its business partners out of strategic considerations.”

“99 Marketplace, Incentive Cloud Service and iBenefit constitute the business landscape of 99 Wuxian. The Company is always working hard to develop the three businesses by adding new business partners, and boarding the business partners of one business line onto another two. Apart from our traditional business partners from the financial sector, the Company is now securing business partners from the industrial sector as well, especially for the iBenefit and Incentive Cloud Service businesses. Also, we keep a close eye on consumer behavior and taste, and make adjustment in our product mix accordingly to cater to the needs of users.”

Commenting on the result, Chairman Ross Benson said: “99 Wuxian operates in China’s massive mobile commerce market, and the positive external environment lays the foundation for the continuous business growth. Moreover, 99 Wuxian operates under a B2B2C model, which means the Company acquires users from business partners and has really low customer acquisition cost, while other companies are still burning cash to acquire users with significantly higher costs.”

“99 Wuxian is uniquely positioned to capture the massive market opportunities, and is a gateway for investors to participate in China’s massive mobile commerce market.”

Business Partner and Merchant Portfolio:

Business Partners:

The Company continues to secure valuable business partners and to expand its reach in China. So far the Company has established relationships with more than 250 business partners, up from 71 business partners by 2015, reflecting the continued adoption and success of the platform.

The Company is actively focusing on developing new channels to market while also continuing to board the business partners of one business onto another two.

Merchants:

The Company maintains a select universe of around 130 top-tier merchants who offer virtual and physical products and services for purchase through 99 Wuxian’s platform. The Company carefully manages the merchant mix and reviews the qualifications of merchants regularly to ensure high quality offerings.

The Company actively monitors and manages its product and merchant mix in response to evolving user demand. 99 Wuxian has a strong pipeline of new products for release over the

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medium and long term and will continue to optimise its product mix to enhance user satisfaction and obtain higher commissions.

Divestment of Ofpay:

99 Wuxian entered into a conditional agreement to acquire Ofpay, a leading upstream wholesaler of online transaction services and products in 2015. An initial payment of RMB 160 million (AUD 34.1 million³) was made to the Original Vendors funded by a non-recourse loan from Grand Ease for RMB 140 million (AUD 29.9 million³) under the 2015 Grand Ease Loan Agreement with a Convertible Note embedded. Deferred payments up to a maximum of RMB 297.4 million (AUD 63.5 million³) would be paid upon certain historical performance targets and consent from the Company being achieved.

In December 2016, an agreement was entered into among the Company, Amalisia Zhang, the Original Vendors and an Investment Group, agreeing to transfer 40% of the equity interest in Ofpay to Amalisia Zhang for consideration of RMB 200 million (AUD 37.9 million⁵), 35% of the equity interest in Ofpay to the Investment Group for consideration of RMB 175 million (AUD 33.2 million⁵), and 25% of the equity interest in Ofpay back to the Original Vendors for nil consideration. The consideration of RMB 175 million (AUD 33.2 million⁵) from the Investment Group will be finally paid to the Original Vendors, which, alongside with the 25% of the equity interest in Ofpay to be transferred back to the Original Vendors, will extinguish 99 Wuxian's conditional obligation of the deferred payments to the Original Vendors.

The consideration of RMB 200 million (AUD 37.9 million⁵) from Amalisia Zhang will be paid by way of: the payment of RMB 20 million (AUD 3.8 million⁵) in cash; the repayment and discharge of the total amount owing (including all interest) of RMB140 million (AUD 29.9 million³) to Grand Ease and the cancellation of the Convertible Note; and a Vendor Finance, in the form of a secured loan (on arms lengths terms) in the amount of RMB 40 million (AUD 7.6 million⁵) from 99 Wuxian to Amalisia Zhang for a maximum 3 year term, secured over all of the fully paid ordinary shares on issue in 99 Wuxian held by Grand Ease, and bearing interest at the Renminbi deposit rate provided by China Merchants Bank, Hong Kong Branch plus a 50% premium.

The divestment of Ofpay and the payment methods of the consideration from Amalisia Zhang are subject to the approval of the Extraordinary General Meeting ("EGM").

The divestment of Ofpay will generate a premium of RMB 40 million (AUD 7.6 million⁵).

The divestment of Ofpay will exempt the Company from all its conditional payment obligations associated with the Ofpay acquisition deal, and enable it to focus on its own B2B2C business.

Strategy and Outlook:

⁵ RMB translated into AUD using the spot rate of AUD/RMB of 5.2744 as at 8 February 2017.

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Looking forward, the Company will continue to execute its growing strategy of scale expansion by increasing registered users and enhancing user engagement, and focus on playing the role of the gateway connecting our business partners' customers and employees with high quality merchants for transactions.

99 Wuxian believes that the massive opportunities in the mobile commerce market in China will extend into the future. The huge consumption demand and purchasing power in China, alongside with the constantly improving internet infrastructure, will continue to drive the growth of mobile commerce. 99 Wuxian will continue to capture these opportunities and create value for our shareholders.

99 Wuxian is committed to delivering better outcomes in FY2017 by both capitalizing the market opportunities and improving the internal operating efficiency to achieve better financial performance.

For further information, please contact:

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About 99 Wuxian Limited:

99 Wuxian is a leading provider of online and mobile commerce solutions in China through its three core mobile commerce offerings:

- 99 Marketplace – A leading and reputable mobile commerce platform integrated with Chinese mobile banking application connecting bank customers with high quality merchants for a wide range of products and services.
- ICS – An online mobile rewards & points program for China's large banks, insurance companies and other major financial institutions.
- iBenefit – A mobile incentive and rewards program for employees from some of China's large and medium state owned enterprises and private companies.

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Appendix A

Summary Financials:

AUD	FY2015	FY2016	Growth
Revenue	38,896,313	61,138,000	57%
Gross profit	25,927,152	21,159,381	(18%)
<i>Gross margin (%)</i>	<i>66.7%</i>	<i>34.6%</i>	<i>(3,205bps)</i>
Underlying EBITDA	4,456,265	2,945,616	(34%)
Statutory EBITDA	4,348,366	2,988,875	(31%)
Underlying PBT	3,384,097	(157,945)	(105%)
Statutory PBT	3,276,198	(114,687)	(104%)
Statutory NPAT	2,062,811	(886,818)	(143%)
Cash and cash equivalents	8,135,602	8,753,143	8%

Note: RMB translated into AUD using the average rate of AUD/RMB 4.9448 for FY2016 and FY2015, to eliminate the exchange rate impact. Cash and cash equivalents as at 31 December 2016 and as at 31 December 2015 translated into AUD using the 31 December 2016 spot rate of AUD/RMB 5.0286 to eliminate the exchange rate impact. Financial information for FY2016 has not been audited or reviewed.

Key Performance Metrics:

AUD	FY2015	FY2016	Growth
Gross Transaction Value (GTV)	2,750,067,489	2,874,931,505	5%
Average Transaction Value (ATV)	48	18	(62%)

Note: RMB translated into AUD using the average rate of AUD/RMB 4.9448 for FY2016 and FY2015 to eliminate the exchange rate impact.

Reconciliation of Statutory to Underlying Results:

RMB	FY2015	FY2016
Statutory EBITDA	21,501,800	14,779,389
Other gains and losses	(533,541)	213,905
Underlying EBITDA	22,035,341	14,565,484
Depreciation and amortisation	(5,346,861)	(6,456,636)
Net interest expense	45,204	(8,889,856)
Underlying PBT	16,733,684	(781,008)

Note: Financial information for FY2016 has not been audited or reviewed.