

99 Wuxian Limited Independent Expert's Report

22 February 2017

Table of Contents

1.0 INTRODUCTION.....	1
2.0 SUMMARY OF OPINION.....	2
2.1 Fairness of the Proposed Transaction.....	2
2.2 Reasonableness of the Proposed Transaction	3
2.3 Expert’s Opinion on the Proposed Transaction.....	4
2.4 Other Considerations for 99 Wuxian Non-Associated Shareholders	5
3.0 THE PROPOSED TRANSACTION.....	6
3.1 Background to the Proposed Transaction	6
3.2 Description of the Proposed Transaction	7
3.3 Description of the Key Parties Involved in the Proposed Transaction.....	8
3.4 Strategic Rationale for the Proposed Transaction	8
4.0 SCOPE OF REPORT AND METHODOLOGY FOR ASSESSMENT	10
4.1 Scope of Report	10
4.2 Methodology for Assessment.....	11
5.0 BACKGROUND OF THE COMPANIES INCLUDING 99 WUXIAN AND OFPAY	13
5.1 Company Overview of 99 Wuxian	13
5.2 Equity Structure of 99 Wuxian	13
5.3 CDI Performance of 99 Wuxian	14
5.4 Historical Financial Information of 99 Wuxian	17
5.5 Company Overview of Ofpay	20
5.6 Historical Financial Information of Ofpay	20
6.0 VALUATION OF 99 WUXIAN’S INTEREST IN OFPAY	24
6.1 Our Valuation Approach	24
6.2 CME Valuation of Ofpay within the Proposed Transaction	25
6.3 Market Based Valuation.....	29
6.4 Adopted Value for Ofpay	30
7.0 ASSESSMENT OF FAIRNESS.....	31
7.1 Value of 40% Interest in Ofpay	31
7.2 Value of the Consideration Offered in the Proposed Transaction	31
7.3 Assessment of the Fairness of the Proposed Transaction to the Non-Associated Shareholders ...	34
8.0 REASONABLENESS OF THE PROPOSED TRANSACTION	35
9.0 SOURCES OF INFORMATION	41
10.0 REPRESENTATIONS, INDEMNITIES AND WARRANTIES.....	42
10.1 Indemnities.....	42
10.2 Representations and Warranties	42
11.0 EXPERIENCE, DISCLAIMERS AND QUALIFICATIONS	43

APPENDIX A: INDUSTRY OVERVIEW	44
A.1 E-commerce and M-commerce Industry in China	44
A.2 Telecommunications Industry in China	45
A.3 Virtual Product Market	45
APPENDIX B: COMMON VALUATION METHODOLOGIES	46
B.1 Discounted Cash Flows (DCF)	46
B.2 Capitalisation of Maintainable Earnings (CME)	46
B.3 Asset Based Valuation (ABV)	46
B.4 Market Based Valuation (MBV)	47
APPENDIX C: CONTROL PREMIUM ANALYSIS	48
APPENDIX D: COMPARABLE TRADING COMPANIES AND TRANSACTION ANALYSIS	49
D.2 Trading Multiples of Comparable Companies	49
D.3 Transaction Multiples	52

Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- (a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- (b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the non-associated shareholders of 99 Wuxian Limited ('99 Wuxian' or 'the Company') in relation to the sale of 99 Wuxian's 40% equity interest in Jiangsu Oipay E-Commerce Limited ('Oipay') to Ms Zhang for RMB200 million ('the Proposed Transaction').

Further details of the Proposed Transaction are set out in Section 3.0. The scope of this Report is set out in detail in Section 4.0. This Report provides an opinion on whether or not the Proposed Transaction is fair and reasonable to non-associated 99 Wuxian shareholders.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately A\$70,000. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. In January 2016 BDO CFQ provided independent advice to 99 Wuxian in relation to convertible notes. This advice was unrelated to the Proposed Transaction. BDO CFQ has not provided any other professional services to either 99 Wuxian or Ofpay in the last 2 years. BDO Limited (incorporated in Hong Kong) has previously provided audit services to 99 Wuxian and is currently the engaged auditor of 99 Wuxian. BDO China Shu Lun Pan Certified Public Accountants LLP has previously provided audit services to Ofpay and is currently the engaged auditor of Ofpay. The signing directors of this report do not provide audit services to either 99 Wuxian or Ofpay. The signing directors of this report also do not hold any shares in 99 Wuxian or Ofpay and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

Glossary

Reference	Definition
99 Wuxian	99 Wuxian Limited
A\$ or \$	Australian dollars
ABV	Asset-based valuation
Ms Zhang	Ms Amalisia Zhang, the CEO of 99 Wuxian Limited as at the date of this Report
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Board, the	The board of directors of the Company
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDO CFQ, BDO (QLD) or any of its partners, directors, agents or associates
CDI	CHESS Depositary Interests each representing a beneficial interest in a fully paid ordinary share
CEO	Chief Executive Officer
Chao Yang	Nan Jing Chao Yang He Feng Enterprise Management Partnership (Limited Partnership)
CY	Calendar Year
Company, the	99 Wuxian Limited
Corporations Act, the	The Corporations Act 2001
Directors, the	The directors of the Company from 8 November 2016 to the 27 March 2017
DCF	Discounted cash flow
EGM	Extraordinary General Meeting
First Supplemental Agreement	The Supplemental Agreement between 99 Wuxian and Mr Shi and Mr Xue signed 8 October 2016
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 31 December
GTV	Gross Transaction Value
Handpal	Shanghai Handpal Information Technology Services Co. Ltd
HY	Half year to the date ended on 30 June
IFRS 10	International Financial Reporting Standard 10: Consolidated Financial Statements
Investment Contract	The investment contract dated December 2016 in relation to Ms Amalisia Zhang purchasing a 40% interest in Ofpay from 99 Wuxian
Investors, the	The ten Chinese entities, led by ShenZhen VC, purchasing a 35% interest in Ofpay for a consideration of RMB175 million
IPO	Initial public offering
KPI	Key performance indicators
Loan Agreement, the	The loan agreement between 99 Wuxian, Ms Zhang, Shanghai Handpal and Grand Ease signed 16 January 2017
m-commerce	Mobile commerce
Management, the	The management of 99 Wuxian including Chief Financial Officer Henry Chen
MBV	Market-based valuation

Reference	Definition
Non-Associated Shareholders, the	The holders of fully paid ordinary shares or CDIs in the Company that are not associated with the parties involved with the Proposed Transaction
Notice of Meeting, the	The Notice of Meeting and Explanatory Statement prepared by 99 Wuxian for the meeting to be held on or about 27 March 2017
Mr Shi	Mr Shi ZhengChuan, one of the original founders of Ofpay
Mr Xue	Mr Xue Li, one of the original founders of Ofpay
Ofpay	Jiangsu Ofpay E-commerce Limited
Original Vendors	The original founders of Ofpay including Mr Shi and Mr Xue
PRC	People's Republic of China
Proposed Transaction, the	The sale of 40% interest in Ofpay from 99 Wuxian to Ms Zhang for RMB200 million
Report, this	This independent expert's report prepared by BDO CFQ and dated 22 February 2017
RG 111	Regulatory Guide 111: Content of Expert Report, issued by ASIC
RGs	Regulatory guides published by ASIC
RMB	Renminbi, the official currency of the PRC
Shareholder	The holders of fully paid ordinary shares or CDIs in the company (Ratio 1 CDI for 1 share)
ShenZhen VC	ShenZhen Capital Group Co., Ltd
Second Supplemental Agreement	The Supplemental Agreement between 99 Wuxian and Mr Shi and Mr Xue signed 28 October 2016
Third Supplemental Agreement	The Supplementary Agreement of Investment Agreement between The Investors, Ms Zhang, the Original Vendors, Shanghai Handpal and Chao Yang dated December 2016
VWAP	Volume weighted average price
We, us, our	BDO Corporate Finance (QLD) Ltd

The Non-Associated Shareholders
C/ - The Non-Associated Directors
99 Wuxian Limited
Level 26, 56 Pitt Street,
Sydney, NSW, Australia, 2000

22 February 2017

Dear Non-Associated Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders and the non-associated CDI holders (together referred to as 'the Non-Associated Shareholders') of 99 Wuxian Limited ('99 Wuxian' or 'the Company') in relation to the sale of its 40% equity interest in Jiangsu Oipay E-commerce Limited ('Oipay') to Ms Amalisia Zhang ('Ms Zhang') for RMB200 million ('the Proposed Transaction'). Ms Zhang, who owns Grand Ease Holdings Limited ('Grade Ease'), is the largest shareholder of 99 Wuxian. Ms Zhang is also the current CEO of 99 Wuxian and a related party to the Company.

The Proposed Transaction is subject to approval under ASX Listing Rule 10.1 from the Non-Associated Shareholders. A more detailed discussion of the Proposed Transaction is set out in Section 3.0. The scope of this Report and the basis for assessing the Proposed Transaction is set out in detail in Section 4.0.

In this Report, BDO CFQ has expressed an opinion as to whether or not the Proposed Transaction is 'fair and reasonable' to the Non-Associated Shareholders. We understand this Report will be provided to the Non-Associated Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. This Report has been prepared solely for the use of the Non-Associated Shareholders immediately prior to the Proposed Transaction to provide them with information relating to the Proposed Transaction. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work together with the other information provided to 99 Wuxian shareholders in conjunction with this Report, including the Notice of Extraordinary General Meeting and Explanatory Memorandum prepared by 99 Wuxian and dated on or about 3 March 2017 ('the Notice of Meeting').

This Report does not address circumstances specific to individual 99 Wuxian shareholders. A 99 Wuxian shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their own particular circumstances including, for example, their taxation considerations and risk profile. 99 Wuxian shareholders should obtain their own professional advice in relation to their own circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

2.0 Summary of Opinion

This section is a summary of our opinion and does not substitute for a complete reading of this Report.

We recommend that 99 Wuxian shareholders consult their own professional advisers, carefully read all relevant documentation provided (including the Notice of Meeting and Explanatory Memorandum) and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

2.1 Fairness of the Proposed Transaction

Our assessment of the fairness of the Proposed Transaction to the Non-Associated Shareholders is set out in Section 7.0 of this Report. To assess whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have:

- a) Determined the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang to be in the range of RMB150 million and RMB200 million (refer to Section 6.0 of this Report). Our valuation specifically had regard to 99 Wuxian owning a minority interest in the unlisted company;
- b) Determined the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction (refer to Section 7.2 of this Report). In summary, the value we have adopted for the individual components of the consideration is as follows:
 - i. Cash: RMB20 million (refer Section 7.2.1);
 - ii. Deferred Consideration: RMB32.5 million to RMB37.5 million (refer Section 7.2.2). This value is less than the RMB40 million face value as we are of the view that the interest rate received by 99 Wuxian does not sufficiently compensate 99 Wuxian for the risk of the loan; and
 - iii. Loan Extinguishment: RMB79 million to RMB94 million (refer Section 7.2.3). This value is less than the face value of RMB140 million as 99 Wuxian will also be foregoing an embedded option that enables them to convert the loan to shares at \$0.1244 per share; and
- c) Compared the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang with the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction (refer to Section 7.3).

The Proposed Transaction is considered to be fair to the Non-Associated Shareholders if the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction is equal to or greater than the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang.

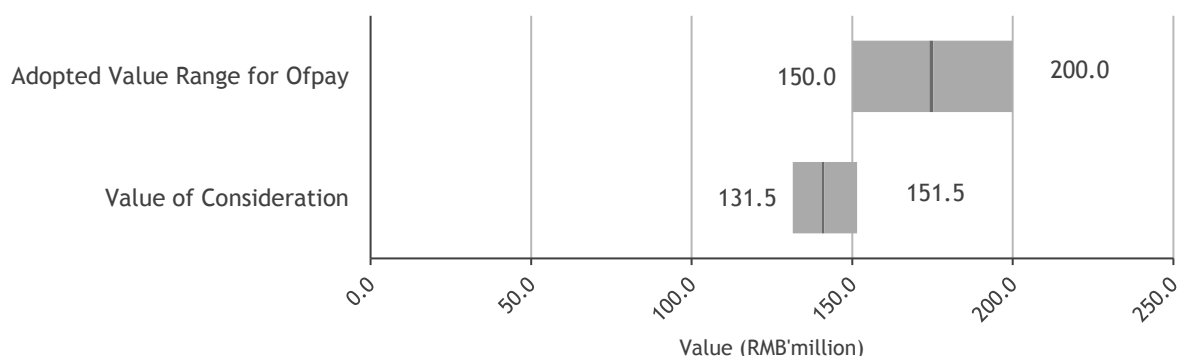
Table 2.1 and Figure 2.1 below summarise the range of values used to assess the fairness of the Proposed Transaction. A more detailed assessment of the fairness of the Proposed Transaction is set out in Section 7.0.

Table 2.1: Fairness of the Proposed Transaction

	Section	Low Value (RMB' millions)	Mid Value (RMB' millions)	High Value (RMB' millions)
Value of 40% interest in Ofpay	6.4	150.0	175.5	200.0
Value of the consideration offered	7.2	131.5	141.5	151.5

Source: BDO CFQ analysis

Figure 2.1: Fairness of the Proposed Transaction



Source: BDO CFQ analysis

Having regard to the information set out in Table 2.1 and Figure 2.1, it is our view that the value of the consideration to be received by 99 Wuxian under the Proposed Transaction is less than our valuation range of 99 Wuxian's 40% interest in Ofpay.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that in the absence of a superior offer or any other information the Proposed Transaction is **Not Fair** to the Non-Associated Shareholders as at the date of this Report.

2.2 Reasonableness of the Proposed Transaction

2.2.1 Advantages and Disadvantages

Table 2.2 summarises the potential advantages and disadvantages to the Non-Associated Shareholders of the Proposed Transaction. 99 Wuxian shareholders should refer to Sections 8.1 and 8.2 of this Report for a more detailed discussion of the advantages and disadvantages associated with the Proposed Transaction.

Table 2.2: Potential Advantages and Disadvantages of the Proposed Transaction

Advantage	Disadvantage
<ul style="list-style-type: none"> Efficiently facilitates the unwinding of a material portion of funding to acquire Ofpay initially. 	<ul style="list-style-type: none"> The Proposed Transaction is not fair.
<ul style="list-style-type: none"> The Proposed Transaction is the only proposal before the Company to divest Ofpay. 	<ul style="list-style-type: none"> No exposure to any potential growth in the value of Ofpay.
<ul style="list-style-type: none"> No requirement to raise capital or dilute shareholders ownership interest. 	<ul style="list-style-type: none"> Loss of synergistic value.
<ul style="list-style-type: none"> Reduced selling costs. 	<ul style="list-style-type: none"> Sale of Ofpay was not completed through a formal sales process.
<ul style="list-style-type: none"> Improved working capital position. 	<ul style="list-style-type: none"> Realisation of tax liability associated with the sale of interest in Ofpay.
<ul style="list-style-type: none"> Continuing relationship with Ofpay. 	
<ul style="list-style-type: none"> Possible improved market sentiment given negative feedback from shareholders in relation to Ofpay acquisition 	

Source: BDO CFQ analysis

2.2.2 Information in Relation to Impact of Embedded Put Option on the Fairness Assessment

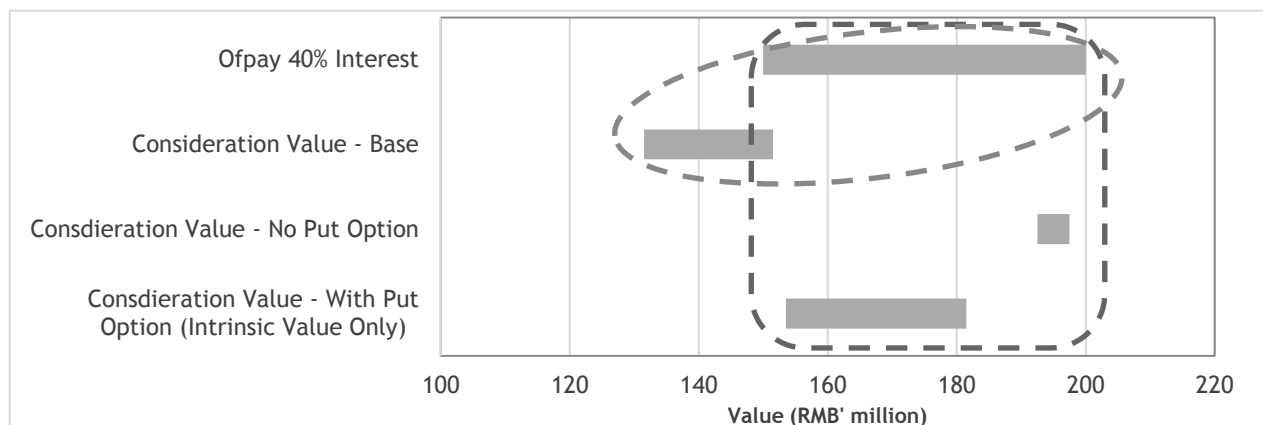
In addition to the advantages and disadvantages set out in Table 2.2 above, we note that a significant factor driving the consideration to be less than the value of a 40% interest in Ofpay is the value of the put option embedded in the RMB140 million loan owing to Ms Zhang. If this loan is extinguished then 99 Wuxian will also lose its ability to exercise this option. To assist in providing information to Non-Associated Shareholders we have set out additional information in relation to the embedded put option in Section 8.3 below. In summary, for the reasons set out in Section 8.3, the Directors have instructed us that they have no intention to exercise the put option if they cannot raise the funds to acquire a 100% interest in Ofpay, irrespective of whether the Proposed Transaction is approved or not. Having regard to this information, we recalculated our fairness assessment having regard to two sensitivities as follows:

- Excluding the put option entirely from our assessment; and
- Excluding the time value component of the put option and adopting a value based on the intrinsic value of each put option.¹

¹ The value of a put option prior to maturity comprises intrinsic value and time value. Intrinsic value represents the value that would be derived by the holder of a put option by exercising the put option. Intrinsic value is calculated as the exercise price minus CDI price at the time. Time value represents the premium a rational investor would pay over the put options current intrinsic value based on the probability that the put option will increase in value. In order for a holder of a put option to realise value for the time value, the option would need to be sold.

Figure 2.2 below summarises the impact on our fairness assessment having regard to the two sensitivities referred to above. The blue dotted line represents the fairness assessment from Figure 2.1. The red dotted line shows the way in which the fairness assessment would change having regard to the sensitivity analysis referred to above.

Figure 2.2: Impact on Fairness Assessment from Sensitivity Analysis



Source: BDO CFQ analysis

Having regard to Figure 2.2 above, we note:

- Excluding the put option from our assessment results in the consideration moving towards the upper end of our valuation range for a 40% interest in O'pay; and
- Excluding the time value component of the put option and adopting a value based on the intrinsic value of each put option results in the value of the consideration falling within the value of a 40% interest in O'pay.

2.2.3 Potential Position of 99 Wuxian Shareholders if the Proposed Transaction is Not Approved

If the Proposed Transaction is not approved then the potential position of 99 Wuxian shareholders may include the following:

- 99 Wuxian will retain a 40% interest in O'pay;
- 99 Wuxian will look for alternative means to dispose of the asset;
- Possible dilution of shares from convertible note to Ms Zhang;
- 99 Wuxian will not be able to recover the costs incurred in the Proposed Transaction; and
- The 99 Wuxian share price may differ materially.

The above factors are discussed in more detail in Section 8.4 of this Report.

2.2.4 Conclusion on Reasonableness

After considering the advantages, disadvantages and other considerations summarised above and set out in further detail in the balance of this Report, it is our view that, in the absence of a superior offer or any other information, the Proposed Transaction is **Reasonable** as at the date of this Report.

2.3 Expert's Opinion on the Proposed Transaction

In our opinion, in the absence of a superior offer or any other information, the Proposed Transaction is **Not Fair but Reasonable** to the Non-Associated Shareholders as at the date of this Report.

We strongly recommend that the Non-Associated Shareholders also have regard to the information set out in the balance of this Report before deciding whether to vote in favour of or against the Proposed Transaction.

2.4 Other Considerations for 99 Wuxian Non-Associated Shareholders

Before forming a view on whether or not to approve the Proposed Transaction, we strongly recommend that 99 Wuxian shareholders:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them, including this Report and the Notice of Meeting and Explanatory Memorandum; and
- Consider their specific circumstances.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the information presented in this Report within a short period. BDO CFQ is not responsible for updating this Report in the event that those circumstances change.

3.0 The Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 3.1 provides the background to the Proposed Transaction;
- Section 3.2 details the Proposed Transaction;
- Section 3.3 describes the key parties involved in the Proposed Transaction; and
- Section 3.4 details the strategic rationale for the Proposed Transaction.

3.1 Background to the Proposed Transaction

3.1.1 99 Wuxian's Initial Acquisition of Ofpay

On 16 December 2015, 99 Wuxian announced that its wholly owned subsidiary had entered into a binding conditional agreement to acquire Ofpay. At the time of acquisition, the Company believed that the acquisition of Ofpay would strengthen the competitive position of 99 Wuxian within the mobile commerce (m-commerce) sector and that synergies arising from the acquisition of Ofpay would bring opportunities for the Company to increase the scale of its operations and revenue base.

The consideration for the acquisition of Ofpay is summarised as follows:

- Initial payments of RMB160 million (A\$34.1 million) made between 5 September 2014 to 20 November 2015. These payments were funded by a combination of cash at bank (RMB20 million) and a RMB140 million unsecured loan facility from an entity associated with the Company's CEO Ms Zhang, Grand Ease Holdings Limited; and
- Three deferred payments up to a total maximum of RMB297.4 million (A\$63.5 million), contingent upon KPI targets in net profits being achieved for 2014, 2015 and 2016. The Deferred Payments were payable between 31 December 2015 to 30 June 2017.

Following the initial payment of RMB160 million, 99 Wuxian owned 100% of Ofpay, however formed the view based on PRC legal advice that 99 Wuxian was not entitled to control Ofpay as the deferred payments remained outstanding.

3.1.2 Funding for the Deferred Payments

Subsequent to the acquisition of Ofpay, Ofpay achieved the KPI targets set out in the initial agreement between 99 Wuxian and Ofpay.

99 Wuxian announced that it expected to fund the remaining deferred payments to Ofpay using a combination of available cash supplemented by private equity placements and debt and/or convertible notes. The Directors have informed us that in December 2015, JP Morgan was continuing to run a capital raising process whereby the Directors believed there would be funding forthcoming for the Ofpay deferred payments at valuations that were significantly higher than market pricing at the time.

Ultimately the Directors have advised that they were unable to implement an effective funding solution at acceptable prices due to market conditions being unfavourable and the Australian market sentiment towards Chinese listings in Australia. Without funding for the deferred payments to Ofpay, 99 Wuxian was exposed to default risks and the Directors formed the view that the lowest risk and most appropriate option in the circumstances was to exit the investment in Ofpay.

3.1.3 Removal of 99 Wuxian's Obligation to make Deferred Payments and Exit of Investment

As a result of 99 Wuxian being unable to fund the deferred payments, the Company entered into negotiations with the original vendors of Ofpay, Mr Shi Zhengchuan ('Mr Shi') and Mr Xue Li ('Mr Xue') (collectively the 'Original Vendors') to exit the investment in Ofpay and avoid making the deferred payments.

On 10 October 2016, the Company announced that it had signed a supplemental agreement ('the First Supplemental Agreement') with Mr Shi and Mr Xue dated 8 October 2016 regarding the original deferred payment for Ofpay. The intention of the First Supplemental Agreement is as follows:

- 99 Wuxian retains an ownership interest of 40% in Ofpay which has been fully funded with its initial payment of RMB160 million (A\$34.1 million); and
- The remaining 60% shares of Ofpay, being the proportion of the company represented by the three deferred payments of up to a maximum of RMB 297.4 million (A\$63.5 million) which have not been paid are transferred back to the Original Vendors. Following the transfer of the 60% interest in Ofpay, 99 Wuxian was released from its deferred payment obligations.

On 28 October 2016, the Company signed a second supplemental agreement with Mr Shi and Mr Xue ('the Second Supplemental Agreement'). The Second Supplemental Agreement conditionally supersedes the First Supplemental Agreement and results in the following:

- Rather than transfer the 60% interest in Ofpay back to the Original Vendors, 99 Wuxian will retain a 100% interest and sell down a 35% interest in Ofpay for the value of RMB175 million to ShenZhen Capital Group Co., Ltd ('ShenZhen VC') and nine other Chinese entities (collectively known as 'Investors'). The Directors of 99 Wuxian have confirmed to us that the Investors are not related parties of either 99 Wuxian, Ofpay or any of their respective shareholders and that the terms of this agreement were negotiated at arm's length;
- After the sale to the Investors, 99 Wuxian will transfer the amount received from the Investors of RMB175 million and a 25% interest in Ofpay to the Original Vendors; and
- The capital structure of Ofpay will be as follows:
 - 40% interest held by 99 Wuxian through its subsidiary Shanghai Handpal Information Technology Services Co. Ltd. ('Handpal');
 - 35% interest held by the Investors including ShenZhen VC; and
 - 25% interest held by the Original Vendors, including 16.25% to Mr Shi and 8.75% to Mr Xue.

The Second Supplemental Agreement is subject to each of the parties seeking the required approvals, including but not limited to approval from the shareholders and directors, prior to implementation. For completeness we note that the Second Supplemental Agreement was also subject to the passing of ShenZhen VC's investment board and we understand that the appropriate resolution was passed on 21 October 2016.

If for whatever reason the Second Supplemental Agreement does not proceed, the Second Supplemental Agreement stipulates that Handpal and the Original Vendors will revert to the First Supplemental Agreement. Under the First Supplemental Agreement, Handpal will transfer a 60% interest in Ofpay back to the Original Vendors.

For completeness, we note that the terms of the Second Supplemental Agreement have been further refined in a Supplementary Agreement of Investment Agreement ('Third Supplemental Agreement') dated December 2016. The Third Supplemental Agreement includes additional terms (discussed further in Section 6.3) between the Investors, Ms Zhang, the Original Vendors and an entity holding employee shares in Ofpay- Nan Jing Chao Yang He Feng Enterprise Management Partnership ('Chao Yang').

3.2 Description of the Proposed Transaction

As mentioned above, under the Second Supplemental Agreement, 99 Wuxian will retain a 40% interest in Ofpay. On 4 November 2016 the Company announced that it had entered into an agreement to sell its 40% equity interest in Ofpay for RMB200 million (\$A39 million) to Ms Zhang (referred to as 'the Proposed Transaction' in this Report). Ms Zhang, who controls Grand Ease, is the largest shareholder of 99 Wuxian and the CEO of the Company. The timing of this transaction has been planned to occur simultaneously with the transactions in the Second Supplemental Agreement (discussed in Section 3.1.3 above).

The consideration payable by Ms Zhang to 99 Wuxian comprises:

- A payment of RMB20 million (A\$3.8 million) in cash;
- The extinguishment of RMB140 million (A\$26.8 million) loan owed by the Company to Grand Ease under the Loan Agreement entered into in December 2015, together with the cancellation of the convertible note issued to Grand Ease by 99 Wuxian; and

- A deferred consideration in the amount of RMB40 million (\$A7.7 million) secured by all ordinary shares held by Grand Ease in 99 Wuxian² totalling 255,300,969 shares. The maximum term of the deferred consideration will be three years and accrue a minimum interest rate which will refer to the one-year RMB term deposit rate from the Hong Kong branch of the China Merchants Bank plus a 50% premium.

In order to achieve agreement with the Original Vendors and Investors through the Second Supplemental Agreement, the Directors have instructed us that it was necessary to ensure that Ms Zhang was a joint investor in Ofpay as she has extensive experience and relationships in the industry. The Directors were of the view that this would not be possible unless the original funding agreement was unwound through the extinguishment of the RMB140 million.

The Proposed Transaction is subject to approval under ASX Listing Rule 10.1 from the Non-Associated Shareholders. The approval required by the Non-Associated Shareholders is Resolution 1 in the Notice of Meeting.

3.3 Description of the Key Parties Involved in the Proposed Transaction

3.3.1 99 Wuxian Limited

99 Wuxian is a holding company registered in Hong Kong with operating entities based in China Mainland focused on providing mobile online marketplace services. It owns and operates a mobile-commerce (m-commerce) platform which aims to connect business partners' customers and employees with merchants. The Company offers a range of virtual and physical products as well as m-commerce transaction services including mobile recharge, online game credit recharge and other promotional services for businesses.

99 Wuxian listed on the ASX (ASX: NNW) in October 2013 and had a market capitalisation of A\$111.3 million as at 25 January 2017. 99 Wuxian holds its interest in Ofpay through its wholly owned subsidiary Shanghai Handpal Information Technology Service Co., Ltd.

Refer to Section 5.1 of this Report for further information in relation to 99 Wuxian's operations.

3.3.2 Ms Zhang

Ms Zhang founded 99 Wuxian in 2011 and serves as the current Chief Executive Officer. She is also the director and shareholder of Grand Ease Holdings Limited, a company incorporated in the British Virgin Islands (Company number: 1772763). Grand Ease Holdings Limited is the largest shareholder of 99 Wuxian and as at 21 November 2016 holds 255,300,969 shares, or a 22.01% interest in 99 Wuxian.

3.3.3 Jiangsu Ofpay E-commerce Limited

Established in 2005, Ofpay is a wholesale provider of virtual products and services in China. The primary operations of Ofpay include mobile recharge, online game credit recharge, gift cards, fuel cards and payment method for utility bills. For the 12 month period ending 31 December 2016, Ofpay had turnover of RMB 118 million (A\$23 million) and net profit of RMB 50 million (A\$9.6 million).

Refer to Section 5.5 of this Report for further information in relation to Ofpay's operations.

3.3.4 ShenZhen Capital Group Co., Ltd

Shenzhen VC is leading the other group of investors (collectively 'the Investors') in completing the concurrent transaction to the Proposed Transaction. ShenZhen VC established in 1999 is a venture capital firm promoting the development of high-tech industries within China. Since its establishment, ShenZhen VC has invested in over 660 separate projects and businesses, of which 111 businesses have since been listed on an exchange. As at 30 September 2016, ShenZhen VC has total assets of RMB20.2 billion.

3.4 Strategic Rationale for the Proposed Transaction

The Directors have advised us that their strategic rationale behind the Proposed Transaction includes:

- As the Directors were unable to raise the significant amount of capital required to meet the deferred payments, 99 Wuxian entered into transactions which means that it will only hold a 40% minority interest in Ofpay as a result of the subsequent supplemental agreements. The Directors are of the view that minimal strategic benefits arise from 99 Wuxian holding the 40% minority interest in Ofpay shares and it is their intention to dispose of this interest at a price reflective of their view of fair value;

² In the ASX announcement dated 4 November 2016, 99 Wuxian announced that the RMB140 million loan would be secured by all ordinary shares held by Ms Zhang in Ofpay. This has been superseded by the Loan Agreement between Ms Zhang and 99 Wuxian dated 16 January 2017.

- The Proposed Transaction provides an efficient method for unwinding the transaction associated with 99 Wuxian acquiring its interest in Ofpay including material portions of funding required to acquire Ofpay initially;
- The transaction will provide a profit on sale for the Company of RMB40 million (A\$7.7 million) based on the original purchase price of RMB160 million;
- Following the sale of the 40% interest, the Directors expect to be able to continue to realise operational benefits through working with Ofpay;
- Following the Proposed Transaction, 99 Wuxian will have the opportunity to improve its working capital position and potentially enable the Company to focus on building other areas of its core businesses;
- The Directors are of the view that the market does not recognise the value of 99 Wuxian's ownership interest in Ofpay. Feedback from the market and from 99 Wuxian's shareholders regarding the acquisition of Ofpay is negative with investors concerned that the gross transaction value ('GTV') margins in Ofpay would lead to diminishing margins in the Company on an aggregated basis; and
- The extinguishment of the RMB140 million loan means that the Company will no longer have to raise capital to repay the RMB140 million loan to Ms Zhang and/or dilute Shareholders in circumstances that the convertible loan is converted into CDIs.

4.0 Scope of Report and Methodology for Assessment

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the ASIC and the listing requirements of the stock exchanges on which a company is listed.

The sole purpose of this Report is to express BDO CFQ's opinion on whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of Meeting to be sent to 99 Wuxian shareholders by the Company.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual 99 Wuxian shareholders. Before deciding whether to vote in favour of or against the Proposed Transaction, individual 99 Wuxian shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs, including their own taxation consequences. 99 Wuxian shareholders should read the Notice of Meeting in full (including the explanatory memorandum) in relation to the Proposed Transaction.

Whether to vote in favour of or against the Proposed Transaction is a matter for individual 99 Wuxian shareholders based on their expectations as to value, future market conditions and their own particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. 99 Wuxian shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

4.1.1 Relevant Requirements of the ASX Listing Rules

ASX Listing Rule 10.1: *Transactions with persons in a position of influence* states that an entity must ensure that neither it nor any of its child entities, acquires a substantial asset from, or dispose of a substantial asset to, a substantial holder or a related party without the approval of holders of the entity's ordinary securities.

ASX Listing Rule 10.1 defines a 'substantial holder' as a person (or persons) who have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities. Ms Zhang currently indirectly holds a total of 22.01% of the CDIs on issue in 99 Wuxian. Accordingly, Ms Zhang is deemed to be 'substantial holder' of 99 Wuxian under the definitions provided in ASX Listing Rule 10.1

ASX Listing Rule 10.2 defines an asset as 'substantial' if its value, or the value of the consideration for it, is greater than 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules. The directors of 99 Wuxian consider that the interest in Ofpay being disposed to Ms Zhang represents more than 5% of the total value of the equity interests of 99 Wuxian. For this reason, the Directors of 99 Wuxian consider the interest in Ofpay being disposed of to Ms Zhang a substantial asset under the definitions provided in ASX Listing Rule 10.2.

Having regard to the above, the Proposed Transaction represents the disposal of a substantial asset to a substantial holder. 99 Wuxian is therefore required to obtain the approval of holders of 99 Wuxian's ordinary securities whose votes are not to be disregarded (i.e. the Non-Associated Shareholders) under ASX Listing Rule 10.1. 99 Wuxian must also include a report from an independent expert on the Proposed Transaction in the Notice of Meeting to be sent to 99 Wuxian shareholders under ASX Listing Rule 10.10. This Report has been prepared to assist 99 Wuxian to comply with the requirement under ASX Listing Rule 10.10 to provide an independent expert's report to the shareholders of 99 Wuxian in relation to the Proposed Transaction.

4.1.2 Relevant Requirements of the Act

99 Wuxian is a foreign registered company and not subject to the Corporation's Act. This Report has not been prepared for the purpose of meeting any requirements under the Corporation's Act.

4.2 Methodology for Assessment

Notwithstanding that 99 Wuxian is a foreign registered company and not subject to the Corporation's Act, it is usual to prepare independent expert's reports for the purpose of meeting ASX listing rule requirements having regard to relevant guidance issued by the Australian Securities and Investments Commission ('ASIC'). Specifically, ASIC have set out specific guidance in RG 111 'Content of Expert Reports' ('RG 111') in relation to related party transactions.

We have referred to RG 111 when determining the appropriate assessment methodology to adopt in this Report. RG 111 provides guidance in relation to independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion on whether a transaction is 'fair' and 'reasonable' to shareholders.

RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation. The report should provide an opinion by the expert stating whether or not, in the opinion of the expert, the proposal is fair and reasonable. RG 111 also provides guidance on common valuation methodologies as well as other matters which should be considered by an expert when completing a valuation.

To meet the ASIC requirements, an expert seeking to determine whether a proposal is 'fair and reasonable' should complete the steps set out below.

4.2.1 Step 1 - Assessment of Fairness

RG 111 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison is made assuming a knowledgeable and willing, but not anxious buyer and seller acting at arm's length.

In our view, it is appropriate to assess the fairness of the Proposed Transaction to the Non-Associated Shareholders as follows:

- a) Determine the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang under the terms of the Proposed Transaction;
- b) Determine the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction; and
- c) Compare the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang with the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction.

The Proposed Transaction is considered to be fair to the Non-Associated Shareholders if the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction is equal to or greater than the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang.

The valuation work set out in this Report has been completed using publicly available information, in addition to information provided by the Directors.

Our assessment of the fairness of the Proposed Transaction is set out in Section 7.0 of this Report.

4.2.2 Step 2 - Assessment of Reasonableness

To assess whether the Proposed Transaction is 'reasonable', in our view, it is appropriate to examine other significant factors to which 99 Wuxian shareholders may give consideration to prior to deciding whether to vote in favour of or against the Proposed Transaction. This evaluation involved comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a 99 Wuxian shareholder if the Proposed Transaction is not approved, as well as consideration of other significant factors.

Our assessment of the reasonableness of the Proposed Transaction is set out in Section 8.0 of this Report.

4.2.3 Step 3 - Expert's Opinion

Upon completion of steps 1 and 2 above, we conclude on whether the Proposed Transaction is 'fair' and/or 'reasonable' to 99 Wuxian shareholders. We note that under RG 111, the Proposed Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Transaction may not be 'fair' to the 99 Wuxian shareholders.

This Report has concluded by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues must be considered prior to forming an overall opinion, we have assessed the fairness and reasonableness issues separately for clarity.

In this Report, we have not provided any taxation, legal or other advice in relation to the Proposed Transaction.

In the process of assessing the Proposed Transaction, we have relied on certain economic, market and other conditions prevailing at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

This Report has been prepared in accordance with professional standard APES 225: Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited ('APES 225'). This assignment is a Valuation Engagement as defined by APES 225. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider appropriate in the circumstances.

5.0 Background of the Companies Including 99 Wuxian and Ofpay³

This section is set out as follows:

- Section 5.1 sets out an overview of 99 Wuxian;
- Section 5.2 sets out an overview of the equity structure of 99 Wuxian;
- Section 5.3 sets out an overview of recent CDI trading data for 99 Wuxian;
- Section 5.4 sets out a summary of the historical financial information for 99 Wuxian;
- Section 5.5 sets out an overview of Ofpay; and
- Section 5.6 sets out a summary of the historical financial information for Ofpay.

5.1 Company Overview of 99 Wuxian

99 Wuxian is a Chinese based company listed on the ASX (ASX: NNW) that operates in the business to business to consumer (B2B2C) mobile commerce (m-commerce) space. It offers a range of virtual products and incentive solutions via its platforms including:

- 99 Marketplace: a one-stop mobile platform where users can shop a range of physical and virtual products and services, such as retail goods, accommodation, phone credit recharge and e-coupons;
- Incentive Cloud Service: a platform through which business partners can manage customer loyalty rewards and run promotions or exclusive offers; and
- iBenefit: iBenefit is a tool for employers to manage employee benefits, incentive schemes and loyalty rewards.

Using cloud based technology, these platforms aim to connect business partners' employees and customers with merchants and product offerings. Data collated from these platforms provides insight into consumer spending behaviour facilitating tailored marketing for 99 Wuxian's business partners.

99 Wuxian's total registered user base stands at 62.2 million as at the end of the September quarter, with over 48.1 million transactions completed through its platforms during this period. Gross transaction value ('GTV') which refers to the value of the merchandise and services as part of the transactions totalled to RMB 3.6 billion for the September quarter.

99 Wuxian is the parent company of wholly owned subsidiaries in China including:

- Ninety nine Trading (Shanghai) Co., Ltd.;
- Shanghai Xinshunhui Trading Co., Ltd.; and
- Shanghai Handpal Information Technology Service Co., Ltd.

99 Wuxian also owns a 100% interest in Jiangsu Ofpay Ecommerce Limited which it purchased through Handpal (see Section 3.0). It is this interest that is proposed to be sold to Ms Zhang as part of the Proposed Transaction. We have discussed Ofpay in more detail in Section 5.5 below.

5.2 Equity Structure of 99 Wuxian

As at 6 April 2016, the Company had converted all its ordinary fully paid shares (1,159,682,763) on issue to CHESS Depository Interests ('CDIs') at a 1:1 ratio. Table 5.1 summarises the top ten CDI holders of 99 Wuxian as at 15 November 2016.

³ Information in this section is sourced from ASX announcements and information provided by 99 Wuxian

Table 5.1: Top 10 CDI holders in 99 Wuxian

	CDI holder	Number of CDIs	Percentage Holding
1	Grand Ease Holdings Limited	255,300,969	22.01%
2	Caihui Investments Limited Overseas Management Company Trust (B.V.I)	146,919,472	12.67%
3	Ace Ray Limited	86,158,618	7.43%
4	Vtion Capital Investment Limited	71,733,391	6.19%
5	Nation Pride Investments Ltd Overseas Management Company Trust (B.V.I)	71,732,559	6.19%
6	Decheng Investment Limited	59,343,154	5.12%
7	Wuxian Nominees Pty Ltd	50,000,000	4.31%
8	Investorlink China Limited	40,506,983	3.49%
9	Fully Best Holdings Limited Overseas Management Company Trust (B.V.I)	35,865,863	3.09%
10	Radiant Cosmo Investment Ltd	29,126,087	2.51%
	Other CDI holders	312,995,664	26.99%
	Total CDIs on issue	1,159,682,760	100.00%

Source: CDI holder registry provided by Management as at 15 November 2016

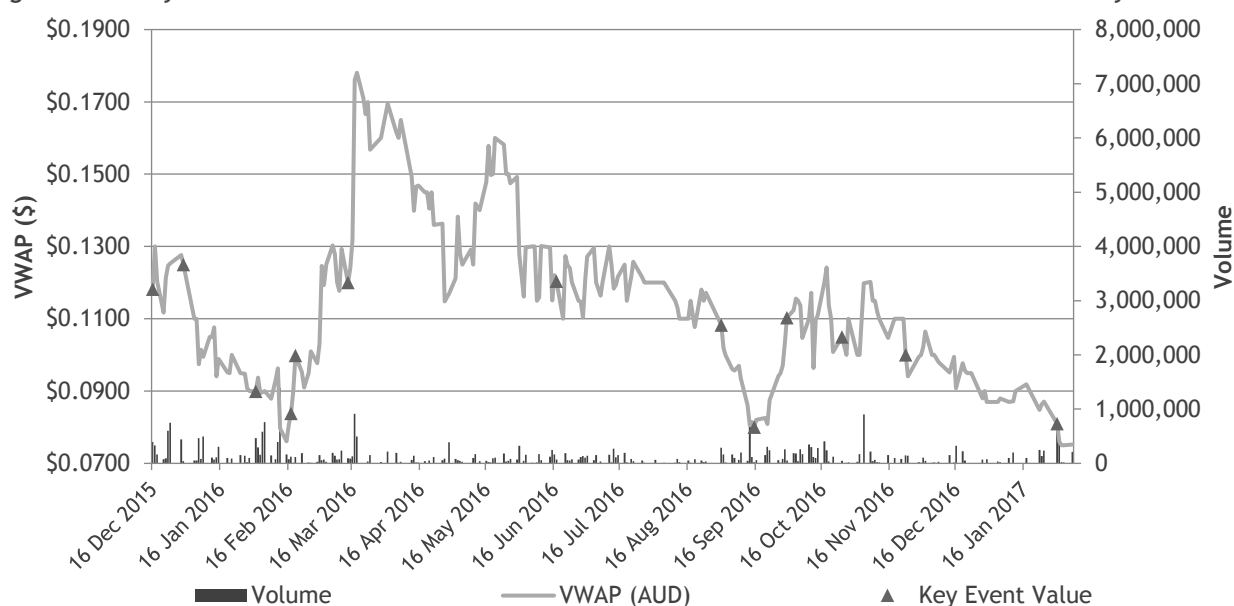
We note that on 17 March 2016, the Company's shareholders approved a convertible note agreement with Grand Ease. The convertible note has a 3-year term with a principal amount of RMB140 million and a coupon rate of 7%. The convertible note can be early settled at the Company's option by a combination of paying cash or issuance of the Company's CDIs at an initial conversion price of RMB0.6563 per CDI (subject to adjustment).

5.3 CDI Performance of 99 Wuxian

5.3.1 CDI Price Performance

Figure 5.1 shows the daily VWAP and daily volume of 99 Wuxian CDIs traded on the ASX over the period 16 December 2015 to 7 February 2017 inclusive.

Figure 5.1: Daily VWAP and Volume of 99 Wuxian CDIs Traded from 16 December 2015 to 7 February 2017



Source: Capital IQ as at 7 February 2017

Over the 12 month period graphed in Figure 5.1 above, 99 Wuxian's daily VWAP shows a period low of \$0.0750 on 2 February 2017 and a period high of \$0.1761 on 18 March 2016.

In addition to the CDI price and volume data of 99 Wuxian shown above, we have also provided additional information in Table 5.2 below to assist readers to understand the possible reasons for the movement in 99 Wuxian's CDI price over the period analysed. The selected ASX announcement references in Table 5.2 below correspond to those displayed in Figure 5.1 above.

Table 5.2: Selected 99 Wuxian ASX Announcements from 16 December 2015 to 7 February 2017

Date	Announcement
16/12/15	99 Wuxian announced that it had entered into a binding conditional agreement to acquire Ofpay. The announcement included the proposed funding arrangement including RMB140 million from major shareholder. 99 Wuxian stated that the acquisition will strengthen its competitive position in Chinese m-commerce sector through increasing the scale of 99 Wuxian's operations.
13/01/16	99 Wuxian announced that two new contracts had been signed with Fujian and Hubei Rural Credit Cooperatives, increasing customer base by 96.3 million people.
02/02/16	99 Wuxian has signed a marketing campaign contract with the world's largest bank, ICBC.
04/02/16	99 Wuxian announced that a placement of 89,658,618 CDIs were issued to sophisticated investors at A\$0.10 per CDI to raise a total of A\$9.02 million.
29/02/16	99 Wuxian released preliminary final report, announcing 46% profit growth and 25% revenue growth.
02/06/16	99 Wuxian announced that its iBenefit platform is expanding, securing a new high profile client and completing deals with new insurance suppliers and banks.
05/08/16	99 Wuxian's iBenefit platform launched a new function called i-Incentives which is an employee virtual credit platform that recognises and rewards employee performance.
31/08/16	99 Wuxian released its half year financial statements, announcing a 112% underlying EBITDA growth.
14/09/16	99 Wuxian's iBenefit platform launched new insurance policy aggregation platform servicing business partners' employees, connecting them to insurers.
10/10/16	99 Wuxian announced that it had signed a supplemental agreement with the vendors of Ofpay which results in the transfer of 60% shares of Ofpay back to the vendors.
04/11/16	99 Wuxian announced that it has entered into an agreement to sell its 40% interest in Ofpay to Ms Zhang for RMB200 million, resulting in a RMB40 million profit.
18/11/16	99 Wuxian announced that it had gained new clients in the health insurance, finance and securities space, including Guangdong Rural Credit Union with approximately 300,000 users.
19/12/16	99 Wuxian announced that it had launched a successful joint marketing activity with ICBC.
31/01/17	99 Wuxian announced its December 2016 quarterly cash flow with net cash balance of RMB44 million as at 31 December 2016. The Company stated cash inflow predominantly arose from the increase in GTV, which increased 42.3% in the fourth quarter compared to the third.

Source: 99 Wuxian ASX Announcements from 16 December 2015 to 7 February 2017

In Table 5.3 below we have set out 99 Wuxian's Vwap for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 7 February 2017.

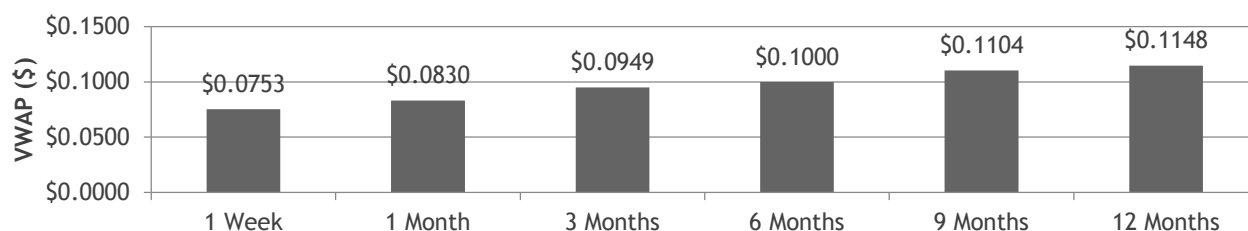
Table 5.3: 99 Wuxian's Vwap for Specified Periods Prior to 7 February 2017

Period Prior to 7 February 2017	Vwap (A\$)
1 Week	\$0.0753
1 Month	\$0.0830
3 Months	\$0.0949
6 Months	\$0.1000
9 Months	\$0.1104
12 Months	\$0.1148

Source: Capital IQ as at 7 February 2017

The information presented in Table 5.3 is shown graphically in Figure 5.2 below.

Figure 5.2: 99 Wuxian's VWAP for Specified Periods Prior to 7 February 2017



Source: Capital IQ as at 7 February 2017

5.3.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.4 summarises the monthly liquidity of 99 Wuxian CDIs from 1 January 2016 to 7 February 2017. Liquidity has been summarised by considering the following:

- Volume of 99 Wuxian CDI trades per month;
- Value of total trades in 99 Wuxian CDIs per month;
- Number of 99 Wuxian CDIs traded per month as a percentage of total 99 Wuxian CDIs outstanding at the end of the month; and
- Volume weighted average price per month.

Table 5.4: Liquidity of 99 Wuxian CDIs on the ASX

Month	Volume	Value (A\$)	CDIs Outstanding	Volume / CDIs Outstanding	Monthly VWAP (A\$)
February 2017 ¹	701,500	52,620	1,159,682,660	0.06%	\$0.0750
January 2017	1,679,590	142,500	1,159,682,660	0.14%	\$0.0848
December 2016	1,140,890	106,650	1,159,682,660	0.10%	\$0.0935
November 2016	2,119,050	238,080	1,159,682,660	0.18%	\$0.1124
October 2016	2,875,220	326,990	1,159,682,660	0.25%	\$0.1137
September 2016	2,790,130	247,860	1,159,682,660	0.24%	\$0.0888
August 2016	731,470	80,950	1,159,682,660	0.06%	\$0.1107
July 2016	1,501,280	182,940	1,159,682,660	0.13%	\$0.1219
June 2016	1,877,010	228,220	1,159,682,660	0.16%	\$0.1216
May 2016	1,564,330	219,090	1,159,682,660	0.13%	\$0.1401
April 2016	1,444,120	199,220	1,159,682,660	0.12%	\$0.1380
March 2016	2,974,140	455,660	1,159,682,660	0.26%	\$0.1532
February 2016	5,024,330	422,780	1,141,750,940	0.44%	\$0.0841
January 2016	2,365,500	233,670	1,070,024,050	0.22%	\$0.0988
Total	28,788,560	3,137,230	1,151,997,636	2.50%	\$0.1090

Source: Capital IQ as at 7 February 2017

1 For trading data up to 7 February 2017

Assuming a weighted average number of 1,151,997,636, 99 Wuxian CDIs on issue over the period, approximately 2.50% of the total CDIs on issue were traded over the period 1 January 2016 to 7 February 2017. In our view, this indicates that 99 Wuxian CDIs display a low level of liquidity.

5.4 Historical Financial Information of 99 Wuxian

This section sets out the historical financial information of 99 Wuxian. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in 99 Wuxian's Annual Reports, including the full statements of comprehensive income, statements of financial position and statements of cash flows.

99 Wuxian's Annual Reports have been audited by BDO Hong Kong. BDO CFQ has not performed any audit or review of any type on the historical financial information of 99 Wuxian and we make no statement as to the accuracy of the information provided.

For completeness we note that the financial statements of 99 Wuxian have not been consolidated to reflect 99 Wuxian's 100% interest in Ofpay. Management has advised us that although 99 Wuxian owned 100% of the shares in Ofpay as at 31 December 2015 and 30 June 2016, they formed the view based on PRC legal advice that 99 Wuxian was not entitled to control Ofpay as the deferred payments remained outstanding.

5.4.1 99 Wuxian's Statement of Comprehensive Income

Table 5.5 summarises the consolidated statement of comprehensive income of 99 Wuxian for the 12-month periods ('FY') ended 31 December 2014 and 2015 and 6-month period ended 30 June 2016 ('HY').

Table 5.5 Summarised 99 Wuxian Statements of Comprehensive Income

	12 Months Ended 31-Dec-14 Audited (RMB'000)	12 Months Ended 31-Dec-15 Audited (RMB'000)	6 Months Ended 30-Jun-16 Reviewed (RMB'000)
Revenue	154,225	192,335	123,407
Cost of sales	(74,394)	(64,130)	(69,677)
Gross profit	79,831	128,205	53,730
Other revenue	272	1,603	2,087
Other gains and losses, net	(5,898)	(534)	113
Selling and distribution expenses	(11,165)	(27,122)	(18,607)
Administration expenses	(54,102)	(85,952)	(28,790)
Finance Cost	-	-	(3,126)
Profit before income tax	8,938	16,200	5,407
Income tax expense	(1,955)	(6,000)	(3,191)
Profit for the year	6,983	10,200	2,216
Other comprehensive income	-	-	-
Total comprehensive income	6,983	10,200	2,216

Source: 99 Wuxian FY2015 Annual Report, Appendix 4D and Half Year Financial Statements

Regarding Table 5.5 above, we note the following:

- Revenue grew by 25% from RMB154 million in FY2014 to RMB192 million FY2015. This growth is largely attributed to the growth of the Company's operations and the securing of new business partners;
- Revenue for the HY2016 is RMB123 million post business tax and relevant surcharge. It consists of RMB67 million from commission and service income and RMB62 million in sales of merchandise (prior to business tax and surcharge);
- Administration expenses make up the majority of expenses across all reporting periods, making up 83%, 76% and 57% for FY2014, FY2015 and HY2016 respectively;
- Finance costs for the HY2016 relates to interest on the convertible notes to Grand Ease Holdings Limited during the purchase of Ofpay; and
- Total comprehensive income has grown by 46% from FY2014 to FY2015. Total comprehensive income for HY2016 is RMB2.2 million, this is up by 29% relative to HY2015 of RMB1.7 million.

5.4.2 99 Wuxian's Statement of Financial Position

Table 5.6 summarises 99 Wuxian's statement of financial position as at 31 December 2014 and 2015 and 30 June 2016.

Table 5.6: Summarised 99 Wuxian's Statements of Financial Position

	As at 31-Dec-14 Audited (RMB'000)	As at 31-Dec-15 Audited (RMB'000)	As at 30-Jun-16 Reviewed (RMB'000)
Assets			
Current assets			
Inventories	17,232	17,370	35,102
Trade and other receivables	159,978	194,300	253,820
Cash and cash equivalents	67,779	40,911	18,956
Total current assets	244,989	252,581	307,878
Non-current assets			
Property, plant and equipment	3,716	9,973	9,319
Intangible assets	52,929	53,157	52,263
Goodwill	3,440	3,440	3,440
Deposit paid	-	160,000	160,000
Deferred tax assets	-	17,825	14,460
Total non-current assets	60,085	244,395	239,482
Total assets	305,074	496,976	547,360
Liabilities			
Current liabilities			
Trade and other payables	11,498	52,812	59,303
Amount due to a shareholder	-	140,000	-
Tax payables	3,182	3,876	920
Total current liabilities	14,680	196,688	60,223
Non-current liabilities			
Other loan	-	-	134,738
Deferred tax liabilities	8,715	8,408	8,255
Total non-current liabilities	8,715	8,408	142,993
Total liabilities	23,395	205,096	203,216
Net assets	281,679	291,880	344,145
Capital and reserves			
Share capital	272,015	272,015	313,676
Reserves	9,665	19,865	30,469
Total capital and reserves	281,680	291,880	344,145

Source: 99 Wuxian FY2015 Annual Report, Appendix 4D and Half Year Financial Statements

Regarding Table 5.6 above, we note the following:

- Total current assets have increased across the periods from RMB253 million at the end of FY2015 to RMB308 million as at HY2016. This increase is largely due to the increase in trade and other receivables and inventory, while being offset by some degree from the decrease in cash and cash equivalents;
- Total non-current assets are broadly constant across the period with the exception of deposit paid. Deposit paid refers to the RMB160 million paid for the initial payment for the acquisition of Ofpay;
- Amount due to a shareholder of RMB140 million relates to the funding provided by Grand Ease during the acquisition of Ofpay. Subsequent to this funding being provided the Company entered into a convertible note agreement which is recorded as Other Loan. On initial recognition the fair value of Other Loan was determined and the difference of RMB8.4 million between the cash consideration received and fair value was accounted as capital contribution in equity; and
- Total capital and reserves have increased by 18% from RMB292 million at the end of FY2015 to RMB344 million at HY2016. This is largely due to the private placement which occurred on 4 February 2016 for A\$9.02 million (approximately RMB42 million).

5.4.3 99 Wuxian's Statement of Cash Flows

Table 5.7 summarises 99 Wuxian's statement of cash flows for the 12-month periods ended 31 December 2014, 2015 and 2016.

Table 5.7: Summarised 99 Wuxian's Statements of Cash Flow

	12 Months Ended 31-Dec-14 Audited (RMB'000)	12 Months Ended 31-Dec-15 Audited (RMB'000)	12 Months Ended 31-Dec16 Unaudited ¹ (RMB'000)
Cash flows from operating activities			
Profit before income tax	8,938	16,200	
Adjustments for:			
Interest income	(267)	(45)	
Depreciation of property, plant and equipment	1,215	3,193	
Amortisation of intangible assets	1,887	2,154	
Loss on disposal of property, plant and equipment	-	277	
Exchange losses, net	5,898	534	
Operating profit before changes in working capital	17,671	22,313	
Increase in inventories	(17,232)	(138)	
Increase in trade and other receivables	(124,116)	(56,014)	
Increase in trade and other payables	8,330	41,314	
Cash generated from/(used in) operations	(115,348)	7,475	
Interest income(expense)	267	45	
Income taxes paid	-	(2,705)	
Net cash generated from/(used in) operating activities	(115,081)	4,815	(54,480)
Cash flow from investing activities			
Purchases of property, plant and equipment	(3,780)	(8,768)	(1,228)
Additions of intangible assets	(112)	(2,382)	(144)
Deposit paid for acquisition of equity interest of an entity	-	(160,000)	-
Repayment from a director	126	-	-
Net cash used in investing activities	(3,766)	(171,150)	(1,372)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	143,882	-	41,746
Share issue expenses	(11,079)	-	(86)
Proceeds from borrowings	-	-	30,776
Repayment of borrowings	-	-	(13,693)
Advance from a shareholder	-	140,000	-
Net cash generated from financing activities	132,803	140,000	58,744
Net (decrease)/increase in cash and cash equivalent	13,956	(26,335)	2,891
Cash and cash equivalents at the beginning of year	59,721	67,779	40,911
Effect of exchange rate changes on cash and cash equivalents	(5,898)	(533)	214
Cash and cash equivalents at the end of the calendar year	67,779	40,911	44,016

Source: 99 Wuxian Annual Report FY2014 and FY2015, Appendix 4C for period ending 31 December 2016

¹ Sourced from Appendix 4C. Information where not available from Appendix 4C are shown in grey.

Regarding Table 5.7 above, we note the following:

- Net cash from operating activities in FY2014 and FY2016 are both negative at RMB115 million and RMB54 million respectively. We note that in FY2014, this is largely due to the increase in trade and other receivables as well as cash paid for manufacturing and other working capital;
- In FY2015, net cash used in investing activities is RMB171 million, of which RMB160 million relates to the initial payment made for the acquisition of Ofpay;
- Net cash from financing activities are RMB133 million in FY2014 as a result of the issue of 45.45 million CDI at A\$0.55 per CDI to raise A\$25 million (RMB144 million). The capital raise in FY2016 relates to the placement of 89.66 million CDIs at A\$0.10 per CDI to raise a total of A\$9.02 million (RMB41.75 million);
- Net cash from financing activities of RMB140million in FY2015 relates to the loan made by Grand Ease for the funding of the Ofpay acquisition; and
- Cash balance at the end of each period have increased from RMB41 million at the end of FY2015 to RMB44 million at the end of FY2016. This is largely driven by capital raise and borrowings from financing activities.

5.5 Company Overview of Ofpay

Ofpay is a Chinese business to business (B2B), intermediate transaction service provider operating within the m-commerce space. Ofpay, through its partnership with major telecommunication companies, gaming companies and ecommerce retailers, acts as a wholesaler and distributor of virtual products. These include recharge of mobile and gaming credit, as well as prepaid petrol, gift cards and other goods.

Mobile recharge services represent the vast majority (approximately 70%) of Ofpay's trade volume and revenue streams. Many Chinese companies offer mobile credit recharge through their websites and mobile apps, however they often lack the internal capability to perform the service. This service request and prepayment is instead passed onto Ofpay, which fulfils the request through its partnership with large Chinese telecommunication companies.

Ofpay is in a position to meet client's demand and perform its recharge services through one of the following mechanisms:

- Leveraging its purchasing power to bulk purchase prepaid passwords from its business partners at a discount and passing it onto the retailer;
- Performing real-time matching requests through facilitating transactions between gaming companies which accept mobile credit as a means of payment and consumers requiring mobile credits; and
- Direct outsourcing from telecommunication companies or other distributors to meet the end-user's orders.

Ofpay's systems will effectively implement one of the above mechanisms to efficiently utilise its current resources on hand, in meeting end user's demands. In a similar manner, prepaid gaming credit and gift cards are pre-purchased at a discounted face-value cost by Ofpay and sold onto downstream retailers as orders are received.

5.6 Historical Financial Information of Ofpay

This section sets out the summarised financial information of Ofpay including:

- Audited figures for financial year 2014 ending on 31 December 2014 (FY2014);
- Audited figures for financial year 2015 ending on 31 December 2015 (FY2015); and
- Unaudited management account figures for financial year ending 31 December 2016 (FY2016).

Ofpay's Annual Reports have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. BDO CFQ has not performed any audit or review of any type on the historical financial information of Ofpay. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.6.1 Ofpay's Statement of Comprehensive Income

Table 5.9 summarises the consolidated statement of comprehensive income of Ofpay for the 12-month periods ('FY') ended 31 December 2014, 2015 and 2016.

Table 5.9: Summarised Ofpay's Statements of Comprehensive Income

	12 Months Ended 31-Dec-14 Audited (RMB'000)	12 Months Ended 31-Dec-15 Audited (RMB'000)	12 Months Ended 31-Dec-16 Unaudited (RMB'000)
Total revenue	75,577	82,971	117,671
Business tax and surcharge	(3,978)	(4,126)	(15,607)
Cost of goods sold	(10,097)	(8,990)	(2,693)
Gross profit	61,502	69,855	99,371
Selling and distribution expense	(4,061)	(22,928)	(25,461)
Administration expenses	(23,481)	(10,747)	(16,525)
Finance cost	(2,142)	(3,077)	(3,711)
Investment income	0.2	1,000	-
Asset impairment income	(137)	(488)	(495)
Non-operating income	62	2,988	4,483
Non-operating expenses	(881)	(34)	(137)
Profit before income tax	30,862	36,569	57,526
Income tax expense	-	-	(7,191)
Total comprehensive income	30,862	36,569	50,335

Source: Audited accounts of FY2014 and FY2015, and Management accounts for FY2016

Regarding Table 5.9 above, we note the following:

- Total revenue have increased significantly, with RMB83 million for FY2015 and RMB118 million for FY2016. 99 Wuxian management has advised us that this growth is due to the addition of new virtual products and services with higher margins;
- Selling and distribution expense are the highest expenses in FY2015 and FY2016 at RMB23 million and RMB25 million respectively. We have been advised that since FY2014, some administration expenses have been reclassified to selling and distribution expense to better reflect the Company's expenses;
- Investment income of RMB1 million in FY2015 refers to the investment profit from sale of a subsidiary of Ofpay;
- Non-operating income refers to government subsidy granted to Ofpay including innovation fund for technologies companies. Ofpay will continue to apply for such funds from the government in the future; and
- Total comprehensive income has increased by 18% from FY2014 to FY2015 and 38% from FY2015 to FY2016.

5.6.2 Ofpay's Statement of Financial Position

Table 5.10 summarises Ofpay's statement of financial position as at 31 December 2014, 2015 and 2016.

Table 5.10: Summarised Ofpay's Statements of Financial Position

	As at 31-Dec-14 Audited (RMB'000)	As at 31-Dec-15 Audited (RMB'000)	As at 31-Dec-16 Unaudited (RMB'000)
Assets			
Current assets			
Cash and cash equivalents	43,883	70,409	106,899
Trade and other receivables	36,763	70,345	55,548
Prepayment	52,581	44,781	57,487
Inventory	66,498	115,760	130,809
Assets classified as available for sale	510	-	-
Other current assets	1,628	4	-
Total current assets	201,862	301,299	350,743
Non-current assets			
Property, plant and equipment	3,191	3,157	2,866
Intangible assets	-	-	33
Long term prepaid expenses	-	333	219
Total non-current assets	3,191	3,490	3,118
Total assets	205,053	304,789	353,861
Liabilities			
Current liabilities			
Short term borrowings	25,500	39,000	50,000
Trade and other payables	44,789	42,132	46,856
Receipt in advance	96,141	134,544	115,481
Payroll payable	1,245	3,113	4,609
Tax payables	785	837	2,122
Total current liabilities	168,460	219,627	219,068
Non-current liabilities			
Long term borrowings	-	12,000	12,000
Other non-current liabilities	400	400	-
Total non-current liabilities	400	12,400	12,000
Total liabilities	168,860	232,027	231,068
Net assets	36,193	72,762	122,793
Capital and reserves			
Share capital	10,000	10,000	10,000
Retained earnings	26,193	62,762	112,793
Total capital and reserves	36,193	72,762	122,793

Source: Audited accounts of FY2014 and FY2015, and Management accounts for FY2016

Regarding Table 5.10 above, we note the following:

- The value of a number of categories in the statement of financial position include the gross value of mobile and gaming credits including trade and other receivables, prepayments, inventory, trade and other payables, and receipts in advance;
- Total current assets have increased from RMB301 million at the end of FY2015 to RMB351 million at the end of FY2016. This large increase is due to increases in cash and cash equivalents, inventory and prepayments, and offset by the collection of trade and other receivables;
- Prepayments relates to deposits with suppliers including telecommunication operators for prepaid mobile recharge credits;
- Inventory relates to mobile recharge cards, prepaid gift cards and products that the Company owns; and
- Total capital and reserves increased across all periods driven by growing retained earnings and higher profits.

5.6.3 Ofpay's Statement of Cash Flows

Table 5.11 summarises Ofpay's statement of cash flows for the 12-month periods ended 31 December 2014, 2015 and 2016

Table 5.11: Summarised Ofpay's Statements of Cash Flow

	12 Months Ended 31-Dec-14 Audited (RMB'000)	12 Months Ended 31-Dec-15 Audited (RMB'000)	12 Months Ended 31-Dec-16 Unaudited (RMB'000)
Cash flows from operating activities			
Cash received from sale of goods or rendering of services	16,165,996	17,572,457	14,550,217
Other cash received relating to operating activities	25,487	1,545,199	1,514,896
Cash paid for goods and services	(16,143,774)	(17,509,938)	(15,232,156)
Cash paid to and on behalf of employees	(19,118)	(20,066)	(27,787)
Taxes paid	(5,177)	(2,889)	(13,684)
Other cash paid relating to operating activities	(12,452)	(1,581,257)	(762,873)
Net cash generated from operating activities	10,962	3,506	28,613
Cash flow from investing activities			
Cash received from return of investments	-	510	-
Cash received from investment profits	-	1,000	-
Net cash received from disposal of PPE, intangible assets and other long term assets	256	(18)	432
Cash paid to acquire PPE, intangible assets and other long term assets	(4,622)	(1,762)	(1,472)
Net cash used in investing activities	(4,366)	(270)	(1,040)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	-	-	-
Proceeds from borrowings	28,500	99,000	65,000
Cash repayments of amounts borrowed	(21,000)	(73,500)	(54,000)
Cash payments for distribution of dividends or profits or interest expenses	(1,396)	(2,209)	(2,083)
Net cash generated from financing activities	6,104	23,291	8,917
Net increase in cash and cash equivalent	12,699	26,527	36,490
Cash and cash equivalents at the beginning of year	31,184	43,883	70,409
Cash and cash equivalents at the end of the financial period	43,883	70,409	106,899

Source: Audited accounts of FY2014 and FY2015, and Management accounts for FY2016

Regarding Table 5.11 above, we note the following:

- The value of cash received from sale of goods or rendering of services and cash paid for goods and services include the gross value of mobile and gaming credits;
- The RMB1.58 billion in other cash paid relating to operating activities for FY2015 is significantly larger than historical figures. 99 Wuxian management has advised us that these cash flows are all of operating nature that occur regularly, and that the discrepancies are likely due to accounting treatment amendments. They note however accounting policies have not changed;
- Net cash used in investing activities have increased across FY2015 to FY2016. This is mainly due to offsets of RMB1 million from the disposal of Ofpay's subsidiary in FY2015;
- Net cash generated from financing activities in FY2016 are RMB8.9 million and is lower than FY2015 due to reduction in borrowings; and
- Net increase in cash for Ofpay during FY2016 is RMB36.5 million. This has further increased the cash balance for the period to RMB107 million.

6.0 Valuation of 99 Wuxian's Interest in Ofpay

This section sets out our valuation of Ofpay as part of the Proposed Transaction. This section is set out as follows:

- Section 6.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing 99 Wuxian's interest in Ofpay;
- Section 6.2 sets out our CME valuation of 99 Wuxian's interest in Ofpay;
- Section 6.3 sets out our MBV valuation of 99 Wuxian's interest in Ofpay; and
- Section 6.4 sets out our view of the most appropriate value to adopt for Ofpay for the purpose of this Report.

6.1 Our Valuation Approach

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies. Further details regarding each of these valuation methodologies are set out in Appendix B of this Report.

RG 111 does not prescribe which methodology should be used by the expert but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued. We have considered each of the valuation methodologies outlined above and determined, in our view, the most appropriate methodology for calculating the value of Ofpay as part of the Proposed Transaction. Table 6.1 below summarises our view of the most appropriate valuation methodology to adopt to value Ofpay in this Report.

Table 6.1: Common Valuation Methodologies

Methodology	Appropriate?	Explanation
DCF Valuation	×	<p>The DCF methodology relies on projections which predict the future cash flows of a company with a reasonable degree of certainty over a sufficiently long period of time.</p> <p>We have not been provided with detailed cash flow projections over a suitable period of time for use in a DCF valuation and do not have access to sufficient information that would enable us to prepare future cash flow projections with the appropriate level of certainty or accuracy at the current time.</p> <p>We are of the view that it is more appropriate to adopt valuation methodologies other than the DCF for the purpose of valuing Ofpay in this Report.</p>
CME Valuation	✓	<p>The CME valuation method requires a maintainable earnings stream for the company and an appropriate capitalisation multiple.</p> <p>Ofpay has been operating since 2005 and from management and forecast accounts it is possible to estimate a maintainable earnings figure for which is appropriate for assessing the Proposed Transaction in this Report. It is also possible to observe trading and transaction multiples of companies which may be considered to be broadly comparable to Ofpay.</p> <p>In our view, a CME valuation methodology is appropriate for the purposes of valuing Ofpay in this Report.</p>

Methodology	Appropriate?	Explanation
Asset Based Valuation	✗	<p>The ABV methodology calculates the value of an entity based on the fair value of its net identifiable assets. Generally, the ABV methodology is applicable in some circumstances where neither a DCF nor CME valuation is appropriate. An ABV may also be used in conjunction with other methodologies to calculate an entity value.</p> <p>We are of the view that it is more appropriate to adopt valuation methodologies other than the ABV for the purpose of valuing Ofpay in this Report.</p>
Market Based Valuation	✓	<p>Ofpay is a private company and is not listed on a stock exchange where market prices for the Company's shares can be readily observed.</p> <p>Notwithstanding, there is a suitable transaction available to observe a value for Ofpay given that another arm's length transaction is occurring in relation to the Investors' purchase of 35% interest in Ofpay.</p> <p>In our view it is appropriate to consider a MBV methodology for the purpose of valuing Ofpay in this Report.</p>

Source: BDO CFQ analysis

With reference to Table 6.1 above, in our view, it is appropriate to consider the CME and MBV valuation methodologies for the purpose of valuing Ofpay in this Report.

6.2 CME Valuation of Ofpay within the Proposed Transaction

The CME valuation approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate earnings multiple. Any surplus assets, along with other necessary valuation adjustments, are then added to the CME calculation to calculate the equity value of a company.

This section sets out our CME valuation of 99 Wuxian's interest in Ofpay and is set out as follows:

- Section 6.2.1 sets out our estimate of the normalised maintainable earnings of Ofpay;
- Section 6.2.2 sets out our analysis of an appropriate multiple to apply to the maintainable earnings of Ofpay;
- Section 6.2.3 considers the value of the surplus assets and liabilities currently held by Ofpay; and
- Section 6.2.4 sets out the value we have calculated for 99 Wuxian's interest in Ofpay.

6.2.1 Ofpay's Maintainable Earnings

In our view it is appropriate to adopt earnings before interest, tax, depreciation and amortisation ('EBITDA') as an earnings measure for the purpose of determining the fair value of Ofpay using the CME valuation methodology. We have adopted EBITDA as opposed to other earnings measures as it is independent of the effects of capital structure and taxes. Adopting EBITDA as an earnings measure also assists in removing irregularities that may arise from differences in depreciation and amortisation accounting policies of different companies, including those that may arise from acquisition related amortisation.

To determine an appropriate level of EBITDA for Ofpay for the purpose of our valuation, we have considered the historical and forecast EBITDA of Ofpay and discussed the financial performance, operating environment and future prospects of Ofpay with 99 Wuxian management. We have adjusted the earnings of Ofpay to remove the impacts of non-recurring, abnormal and one-off amounts that have been incurred by Ofpay.

We have made the following adjustments to the reported earnings of Ofpay to determine an appropriate normalised EBITDA:

- **Investment income:** Ofpay recorded investment profit of RMB1 million in FY2015 from the disposal of a subsidiary of Ofpay. This does not relate to Ofpay's operating activities and has been excluded from the calculation of maintainable earnings; and

- **Net non-operating income:** There are non-operating income and non-operating expenses recorded in Ofpay's accounts that do not relate to Ofpay's normal business operations, these have been excluded from the calculations of maintainable earnings. We note that Ofpay's non-operating income mainly arise from Government subsidy grants. Net non-operating income totalled RMB2.95 million and RMB4.35 million in FY2015 and FY2016 respectively

Table 6.2 sets out our calculation of the normalised EBITDA of Ofpay. In relation to the forecast result set out in Table 6.2, we have critically analysed them and note the following:

- Profit after tax from FY2015 to FY2016 increased by 38% relative to the period from FY2014 to FY2015 where it increased by 18%;
- Gross profit margin of 84% and net profit margin of 43% in FY2016 is broadly in line with historical financial performances; and
- While noting that forecasts are inherently uncertain, we have been provided with Ofpay's forecast earnings for FY2017 which indicate further growth in normalised EBITDA is expected by 99 Wuxian Management.

Table 6.2: Ofpay's Normalised Earnings

	12 Months Ended 31-Dec-14 RMB'000	12 Months Ended 31-Dec-15 RMB'000	12 Months Ended 31-Dec-16 (Unaudited) RMB'000
Profit/(Loss) after tax	30,862	36,569	50,336
+ Net interest expense	1,248	3,078	3,711
+ Depreciation and amortisation	1,329	1,151	1,671
EBITDA	33,440	40,797	55,718
- Investment Income	(0.2)	(1,000)	-
- Net Non-operating Income	819	(2,953)	(4,346)
Normalised EBITDA (RMB)	34,259	36,844	51,372

Source: Audited accounts of FY2015, and Management forecast accounts for FY2016 and FY2017

Based on the information provided to us and our analysis of the historical earnings of Ofpay, it is our view that it is appropriate to adopt the normalised earnings for the 12 months ended 31 December 2016 as the basis on which to calculate an appropriate earnings level for Ofpay for the purposes of valuing Ofpay in this Report. In our view it is appropriate to adopt an EBITDA for Ofpay of RMB51.4 million.

Ofpay and 99 Wuxian are responsible for both the historical and forecast financial information. BDO CFQ has not performed any audit or review of any type on the historical financial information of Ofpay and we make no statement as to the accuracy of the information provided. In relation to the forecast financial information, BDO CFQ has not been instructed to and has not completed any formal audit, review or due diligence procedures on the financial information provided to us beyond a critical analysis of the assumptions adopted and enquiry of 99 Wuxian's management. We make no statement as to whether the forecast will actually be achieved.

6.2.2 Adopted Earnings Multiple

To select an appropriate capitalisation multiple, we have considered:

- EBITDA trading multiples for listed technology distributing companies considered broadly comparable to Ofpay (refer to Section D.2 of Appendix D);
- EBITDA transaction multiples for technology distributing companies considered broadly comparable to Ofpay (refer to Section D.3 of Appendix D); and
- Company specific factors relevant to Ofpay.

A summary of the comparable trading and transaction multiples analysis we have completed to determine an appropriate capitalisation multiple for Ofpay is set out in the following sections of this Report. For completeness, we note that we have focused on enterprise value (EV) to EBITDA multiples in this Report. The enterprise value of an entity is generally calculated as the equity value of the company plus interest bearing debt, net of cash.

Trading Multiples Analysis

It is useful to analyse the trading multiples of comparable listed companies to assist with determining an appropriate capitalisation multiple for Ofpay. In this Report, we have specifically considered historical and forecast EBITDA trading multiples for a range of listed technology distributing companies considered broadly comparable to Ofpay.

A detailed analysis of the EBITDA trading multiples observed for listed technology distributing companies considered broadly comparable to Ofpay is set out in Appendix D.2. A summary of this analysis is set out in Table 6.3.

Table 6.3: Mean and Median Historical and Forecast EBITDA Multiples Observed for Comparable Companies

	EV/EBITDA Multiple (Historical)	EV/EBITDA Multiple (Forecast)
Median	9.5	9.9
Mean	9.5	10.7

Source: BDO CFQ analysis and Capital IQ as at 20 January 2017

While providing useful information, we note the results of our trading multiples analysis should be considered with an appropriate amount of caution. Although the listed technology distributing companies referred to for our analysis are broadly comparable to Ofpay, differences exist between Ofpay and each of the comparable companies. In particular we note that:

- There are comparable companies which are significantly larger in size compared to Ofpay;
- Comparable companies offer a range of products and services which vary compared to Ofpay;
- The geographic regions in which the comparable companies operate are often different to those of Ofpay; and
- The industries that the customers of the comparable companies operate in are often different (and more diverse) to those of Ofpay.

Comparable Transaction Evidence

To determine an appropriate capitalisation multiple, we have also analysed sale transactions of technology distributing companies considered broadly comparable to Ofpay.

Generally, a transaction price provides evidence of earnings multiples that may be appropriate to use for valuation purposes. The acquisition price also generally represents the market value of a controlling interest in the company being analysed and therefore usually incorporates a premium for control. Each sales transaction is the product of a combination of factors which may or may not be specific to the transaction, including:

- Economic factors;
- General investment and share market conditions;
- Strategic importance to the acquirer;
- Synergy benefits specific to the acquirer; and
- The number of potential buyers.

An analysis of selected transactions involving technology distributing companies considered broadly comparable to Ofpay is set out in Appendix D.2. A summary of this analysis is set out in Table 6.4.

Table 6.4: Mean and Median Historical and Forecast EBITDA Multiples Observed for Comparable Transactions

	EV/EBITDA Multiple (Historical)	EV/EBITDA Multiple (Forecast) ¹
Median	10.3	-
Mean	11.1	-

Source: BDO CFQ analysis and Capital IQ as at 20 January 2017

¹ No forecast EBITDA multiple available from the comparable transactions considered

Selected Multiple

In selecting an appropriate multiple to adopt for Ofpay, we have also considered a range of company specific factors, including the following:

- Historical and recent performance of Ofpay, including the quality and reliability of Ofpay's earnings;
- Similarity of Ofpay to comparable companies having regard to metrics such as size, diversity of operations and financial metrics;
- Extent and nature of competition in the industry;
- Current and future growth opportunities for Ofpay;
- Investment and business risks impacting on Ofpay;
- The maintainable earnings figure we have adopted is based on the 12 month earnings to 31 December 2016;
- The level of cash included in Ofpay's working capital relative to the comparable companies;
- 99 Wuxian has an economic interest in 40% of Ofpay⁴ which, in our view, is reflective of a minority interest. When considering the comparable data above we note the following:
 - The trading multiples analysis reflects an interest in a minority parcel of shares which does not provide control of the company's operations; and
 - The transaction multiples analysis reflects an interest in a controlling parcel of shares which typically provides control of the company's operations. In our experience, the discount to convert the control multiple to a minority multiple is typically in the range of 16.7% to 28.6% (refer to Appendix C for further discussion on this point); and
- Ofpay is an unlisted company which has lower liquidity when compared to holding a minority parcel of shares in a listed company. Empirical studies⁵ support the existence of the private company discount. Indeed, studies which attempt to quantify the extent of the private company discount suggest a range for private company discounts within the range of 20% and 60%.

Using the comparable trading and transaction multiples research as a guide, together with our own assessment of Ofpay's maintainable performance, risk and growth prospects, we consider it appropriate to apply an EBITDA multiple of 8.5x to 9.5x to the maintainable earnings of Ofpay on a minority interest basis for a parcel of shares in the unlisted company.

⁴ For completeness we note that while 99 Wuxian legally owns 100% of Ofpay as at the date of this Report, in circumstances that the Proposed Transaction does not proceed then 99 Wuxian's legal interest in Ofpay will revert to 40% (refer to Section 3 for further discussion on this point).

⁵ See "The Liquidity Discount in Valuing Private Owned Companies" by Stanley Brock published in the Journal of Applied Finance, Fall 2007, which summaries 23 studies and references 14 publications which address the Private Company Discount for further information.

6.2.3 Surplus Assets and Liabilities

The valuation of a company adopting a CME valuation methodology based on a multiple of EBITDA excludes, amongst other issues, the impact of the company's debt on the financial results as well as the value of any surplus assets or liabilities (i.e. those assets and liabilities that are not required for the usual business operations). When adopting the CME valuation methodology, to calculate the value of equity in a company it is appropriate to add the company's cash and cash equivalents, subtract the value of interest bearing liabilities, and add/subtract the value of any surplus assets/liabilities to the enterprise value.

For the purpose of this analysis we have relied on the balance sheet of Ofpay as at 31 December 2016 which we have been instructed is the most current available as at the date of this Report.

Interest Bearing Liabilities

As at 31 December 2016 Ofpay had short term borrowings of RMB50 million and long term borrowings of RMB12 million. In our view, it is appropriate to adjust for net interest bearing liabilities of RMB62 million in our valuation of Ofpay.

Other Surplus Working Capital Adjustments

As at 31 December 2016 Ofpay had a number of other material working capital amounts including cash, receivables, prepayments, inventory, payables and receipts in advance. We are instructed by the Directors of 99 Wuxian that they consider these amounts as core working capital required by Ofpay for its day-to-day operations and that these accounts include the gross value of mobile and gaming credits.

In our view, no further surplus asset or liability adjustments are required for the analysis set out in this Report.

6.2.4 Equity Valuation of 99 Wuxian's Interest in Ofpay Using CME Approach

Table 6.3 below summarises our calculation of the equity value of 99 Wuxian's 40% interest in Ofpay as at the date of this Report.

Table 6.3: Equity Value of the Proposed Transaction Using CME Valuation

	Section	Low (RMB' million)	High (RMB' million)
Maintainable EBITDA	6.2.1	51.4	51.4
EBITDA Multiple	6.2.2	8.5	9.5
Enterprise Value		436.66	488.03
Net surplus assets and liabilities	6.2.3	(62)	(62)
Equity Value		374.66	426.03
Ms Zhang's Economic Interest in Ofpay Under the Proposed Transaction	3.2	40%	40%
Equity Value for Interest in Ofpay Under the Proposed Transaction		149.9	170.4

Source: Financial accounts for FY2016 and Capital IQ and BDO CFQ analysis

6.3 Market Based Valuation

As set out in Section 3.2, in conjunction with the Proposed Transaction, there is an arm's length transaction proposed in relation to shares in Ofpay. Specifically, the Investors are acquiring a 35% interest in Ofpay for consideration of RMB175 million. In relation to this transaction, we note:

- The Investors, including ShenZhen VC, are not related parties to Ofpay or 99 Wuxian and we understand from the Directors that the transaction has been conducted at arm's length terms; and
- The consideration of RMB175 million for a 35% interest implies a price for a 100% interest of RMB500 million which is consistent with the implied price for a 100% interest under the Proposed Transaction (i.e. RMB200 million for a 40% interest). Additionally, we note that there are other terms in the Third Supplemental Agreement to the Investors which include:

- Performance guarantee of Ofpay whereby the FY2017 and FY2018 total actual net profit be no less than an agreed upon KPI target, and that FY2018 net profit has to be greater than net profit in FY2017. Failure to meet these criteria will result in Ms Zhang, the Original Vendors and Chao Yang to compensate the Investors either in cash or in shares; and
- Share buyback whereby if Ofpay does not list on the Shanghai and ShenZhen Stock Exchange by the 31 December 2021, the Investors may require Ms Zhang, the Original Vendors and Chao Yang to buy back their shares.

In our view, the above transaction provides evidence for a market based valuation of Ms Zhang's interest in Ofpay as part of the Proposed Transaction of RMB500 million for a 100% interest and RMB200 million for a 40% interest. This value is for a minority interest in an unlisted company. For completeness, we note that it is our view that the ability of the Investors to negotiate additional terms on the 35% interest they are acquiring effectively results in the value of the implied interest reducing below RMB500 million.

6.4 Adopted Value for Ofpay

Having regard to the above, in our view it is appropriate to adopt a value for Ms Zhang's 40% interest in Ofpay in the range of RMB150 million to RMB200 million. In relation to this valuation range we note the following:

- Our valuation considered that 99 Wuxian has a minority interest in an unlisted company;
- The low end of our valuation range is based on our CME valuation methodology; and
- The high end of our valuation range is based on the arm's length transaction referred to in Section 6.3.

7.0 Assessment of Fairness

To assess the fairness of the Proposed Transaction to the Non-Associated Shareholders we have:

- a) Determined the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang under the terms of the Proposed Transaction;
- b) Determined the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction; and
- c) Compared the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang with the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction.

The Proposed Transaction is considered to be fair to the Non-Associated Shareholders if the fair value of the consideration offered by Ms Zhang under the terms of the Proposed Transaction is equal to or greater than the fair value of the 40% interest in Ofpay to be disposed of to Ms Zhang.

7.1 Value of 40% Interest in Ofpay

For the purpose of assessing the fairness of the Proposed Transaction, we calculated the value of the 40% interest in Ofpay proposed to be transferred to Ms Zhang under the Proposed Transaction to be within the range of RMB150 million to RMB200 million (refer to Section 6.0 of this Report for more detailed information in relation to our valuation).

7.2 Value of the Consideration Offered in the Proposed Transaction

As set out in Section 3.2, the consideration offered by Ms Zhang to 99 Wuxian under the terms of the Proposed Transaction includes RMB20 million in cash, a deferred component and the extinguishment of a loan. We have discussed each of these components below.

7.2.1 Cash

For the purposes of this report, we have assumed the nominal value of the cash consideration of RMB20 million will be received and have no reason to believe that such an approach is inappropriate as at the date of this Report.

7.2.2 Deferred Consideration

The deferred consideration payable under the Proposed Transaction can be summarised as follows:

- An amount of RMB40 million payable by Ms Zhang to 99 Wuxian over a maximum term of three years;
- Accrues interest at an interest rate which will refer to the one-year RMB term deposit rate from the Hong Kong branch of the China Merchants Bank plus a 50% premium. From the Loan Agreement between 99 Wuxian and Ms Zhang signed 16 January 2017 ('Loan Agreement'), the interest paid for the first year is 3% and will be adjusted based on market rate movement at the beginning of the second and third year respectively; and
- Secured by all ordinary shares held by Grand Ease in 99 Wuxian totalling 255,300,969 shares (see Section 5.2).

We have discussed the deferred consideration with the Directors and were advised that they view the deferred settlement component of the acquisition as an asset based risk. The comfort obtained by the Directors is the buffer of RMB61 million that exists between the RMB40 million value of the deferred consideration and the value of the collateral of \$A19,147,573 (approximately RMB101 million). The value of the collateral is determined having regard to the closing price of 99 Wuxian on 7 February 2017 of \$0.075 (and converted at an exchange rate of RMB5.2744/AUD). The Directors view the profit on the sale, even if received over a three year period, as a positive outcome for shareholders. The interest rate is seen purely as a transaction or holding cost recovery.

After considering the above, we are of the view that the interest rate to be received by 99 Wuxian over the three year term of the deferred consideration does not sufficiently compensate 99 Wuxian for the risk of the loan. For the purposes of assessing the Proposed Transaction in this Report, it is our view that it is appropriate to adopt a value for the deferred consideration in the range of RMB32.5 million to RMB37.5 million. In relation to this range we note that the implied interest rate for the high end of our range of RMB37.5 million is approximately 5.24% and the implied interest rate for the low end of our range of RMB32.5 million is approximately 10.2%.

7.2.3 Extinguishment of the RMB140 million loan

Under the terms of the Proposed Transaction, the RMB140 million loan owed by 99 Wuxian to Grand Ease under the Loan Agreement entered into in December 2015 will be extinguished, together with the cancellation of the convertible note issued to Grand Ease by 99 Wuxian.

In our view, the extinguishment of the RMB140 million loan has two key components of value, namely, the face value of the RMB140 million loan and the embedded put option that enables 99 Wuxian to elect to convert the face value of the loan into shares at a conversion price of RMB0.6563 (A\$0.1244 at an exchange rate of RMB5.2744/AUD as at 7 February 2017).

For the purpose of the analysis in this Report, we have adopted the face value of the RMB140 million loan as its value.

To determine the price of each put option over 99 Wuxian CDIs, we consider it appropriate to adopt the Black Scholes Options Pricing Model. Table 7.1 below sets out the key variables we have used in the Black Scholes Options Pricing Model to determine the price of each embedded put option over 99 Wuxian CDIs.

Table 7.1: Key Variables used in the Black Scholes Model to Value the Put Options Embedded in the Convertible Notes

Key Driver	Value	Calculation Method
CDI Price	Base: \$0.09 and \$0.11 Sensitivity: \$0.07 and \$0.13	<p>Given 99 Wuxian's low liquidity, to form a view on an appropriate CDI price to adopt in our calculations we have considered:</p> <ul style="list-style-type: none"> 99 Wuxian's VWAP over various periods of time ranging from 1 week to 12 months. This VWAP data is discussed in more detail in Section 5.3 of this Report and generally indicates VWAPs in the range of \$0.0753 to \$0.1148 per CDI; and 99 Wuxian's most recent capital raising in February 2016 where it raised \$9.02 million at \$0.10 per share. This capital raising increased the number of CDIs on issue from 1,070,024,042 million to 1,159,682,760, an increase of 8.4%. <p>Having regard to this information, in our view it is appropriate to complete our valuation calculations having regard to a CDI price within the range of \$0.09 to \$0.11.</p> <p>To assist Non-Associated Shareholders understand the sensitivity of CDI price on our calculations, we have also calculated the put option value assuming a share price of \$0.07 and \$0.13.</p>
Exercise Price	\$0.1244	The conversion price of the Convertible Notes is equal to RMB0.6563 per CDI. We have converted this value using an exchange rate of RMB5.2744/AUD ⁶ .
Volatility of CDI Price	Base: 60% and 70% Sensitivity: 50% and 80%	<p>To form a view on volatility we have considered the historic volatility of 99 Wuxian. Given 99 Wuxian's low liquidity, we have also considered the historic volatility of the broadly comparable company's discussed in Appendix D of this Report. Having regard to this information, in our view it is appropriate to complete our valuation calculations having regard to volatility within the range of 60% to 70%.</p> <p>To assist Non-Associated Shareholders understand the sensitivity of volatility on our calculations, we have also calculated the put option value assuming a volatility of 50% and 80%.</p>
Risk Free Rate	1.75%	Having regard to the average monthly yield on three year Commonwealth Government Treasury Bonds sourced from the Reserve Bank of Australia website (as at 7 February 2017), we consider it appropriate to adopt a risk free rate of 1.75% for the purposes of this Report.

⁶ Chinese RMB to AUD exchange rate as at 7 February 2017 from Reserve Bank of Australia (RBA) Exchange Rates website.

Key Driver	Value	Calculation Method
Time to Maturity	1.7 years	Calculated based on the period of time from the shareholder meeting date expected to be held on 27 March 2017 to the maturity date of 20 November 2018.
Annual Dividend Yield	0%	We have assumed that 99 Wuxian will not pay any dividends before the Convertible Notes mature. 99 Wuxian does not currently pay a dividend and the Directors have instructed us that 99 Wuxian does not intend on paying a dividend in the foreseeable future.
Number of options	213,317,081	We have adopted a number of embedded put options based on the terms of the Convertible Notes. The Convertible Notes have a face value of RMB140 million and a conversion price of RMB0.6563.

Source: Capital IQ, RBA and BDO CFQ Analysis

Table 7.2 below sets out our valuation of each put option embedded in the Convertible Notes adopting the inputs contained in Table 7.1 above and the Black Scholes Option Pricing Model.

Table 7.2: Valuation of each Put Option Embedded in the Convertible Notes (A\$)

		Volatility			
		50%	60%	70%	80%
CDI Price	A\$0.07	0.057	0.061	0.064	0.068
	A\$0.09	0.045	0.050	0.054	0.059
	A\$0.11	0.035	0.041	0.046	0.051
	A\$0.13	0.028	0.034	0.040	0.045

Source: BDO CFQ Analysis

Table 7.3 below sets out the corresponding value of the full amount of embedded put option. The values in this table are calculated as: Value of each put option from Table 7.2 multiplied by 213,317,081 CDI put options multiplied by the exchange rate of RMB5.2744/AUD (RBA as at 7 February 2017).

Table 7.3: Valuation of Put Options Embedded in the Convertible Notes (RMB)

		Volatility			
		50%	60%	70%	80%
CDI Price	A\$0.07	64,495,805	68,265,579	72,258,962	76,342,377
	A\$0.09	50,522,096	55,777,610	61,026,530	66,199,450
	A\$0.11	39,572,610	45,843,419	51,971,403	57,928,949
	A\$0.13	31,088,960	37,928,418	44,605,848	51,093,761

Source: BDO CFQ Analysis

Having regard to the above, in our view it is appropriate to adopt a value for the embedded put option in the range of RMB46 million to RMB61 million.

7.2.4 Summary of the Value of the Consideration

Table 7.4 below sets out a summary of the value of the consideration.

Table 7.4: Summary of the Value of the Consideration

	Section	Low Value (RMB' millions)	High Value (RMB' millions)
Value of the Cash	7.2.1	20.0	20.0
Value of the Deferred Consideration	7.2.2	32.5	37.5
Value of the Loan	7.2.3	140.0	140.0
less put option forgoing	7.2.3	(61.0)	(46.0)
Total Value of the Consideration	-	131.5	151.5

Source: BDO CFQ Analysis

With regards to Table 7.4 above, we have adopted a total value of the consideration to be paid by Ms Zhang in the range of RMB131.5 million and RMB151.5 million.

7.3 Assessment of the Fairness of the Proposed Transaction to the Non-Associated Shareholders

Table 7.4 sets out our assessment of the fairness of the Proposed Transaction.

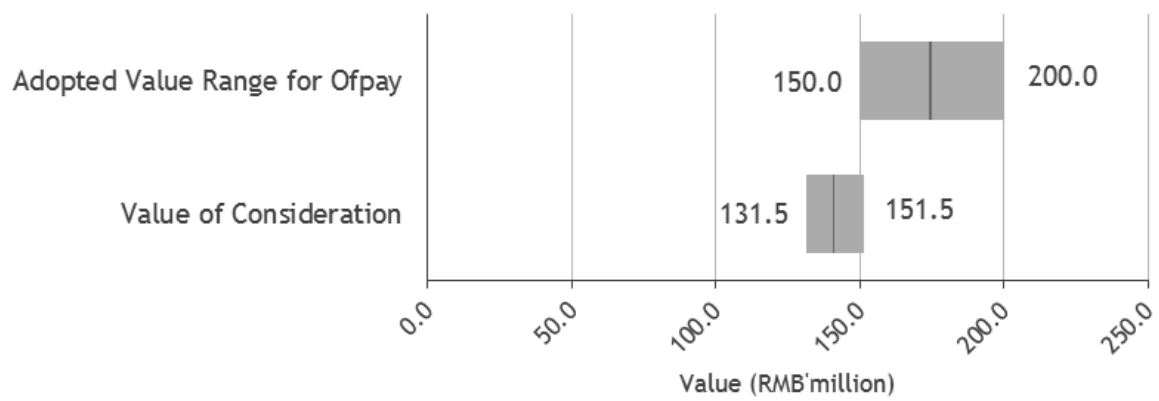
Table 7.4: Fairness of the Proposed Transaction

	Section	Low Value (RMB' millions)	Mid Value (RMB' millions)	High Value (RMB' millions)
Value of 40% interest in Ofpay	6.4	150.0	175.5	200.0
Value of the consideration offered	7.2	131.5	141.5	151.5

Source: BDO CFQ analysis

Figure 7.1 illustrates the information set out in Table 7.4 in graphical form.

Figure 7.1: Fairness of the Proposed Transaction



Source: BDO CFQ analysis

Having regard to the information set out in Table 7.4 and Figure 7.1 above, it is our view that the valuation range of the consideration to be received by 99 Wuxian under the Proposed Transaction is less than our valuation range of the 40% interest in Ofpay proposed to be transferred to Ms Zhang.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that in the absence of a superior offer or any other information the Proposed Transaction is **Not Fair** to the Non-Associated Shareholders as at the date of this Report.

8.0 Reasonableness of the Proposed Transaction

This section is set out as follows:

- Section 8.1 outlines the advantages of the Proposed Transaction to 99 Wuxian shareholders;
- Section 8.2 outlines the disadvantages of the Proposed Transaction to 99 Wuxian shareholders;
- Section 8.3 considers information in relation to the impact of the embedded put option on the fairness assessment;
- Section 8.4 considers the position of 99 Wuxian shareholders if the Proposed Transaction is not approved; and
- Section 8.5 provides our assessment of the reasonableness of the Proposed Transaction.

8.1 Advantages of the Proposed Transaction

Table 8.1 below outlines the potential advantages to 99 Wuxian shareholders of approving the Proposed Transaction.

Table 8.1: Potential Advantages of the Proposed Transaction

Advantage	Explanation
Efficiently facilitates the unwinding of a material portion of funding to acquire Ofpay initially	<p>Of the RMB160 million paid to acquire the interest in Ofpay initially, RMB140 million was funded by the loan provided from Ms Zhang. The Directors view was the "put" rights contained in the Convertible Note Agreement provided the company with a benefit in the event that the deferred payments could be funded. The Convertible Note provided by Ms Zhang was at the time the only immediate source of funding for the acquisition.</p> <p>Subsequent to the initial acquisition, the Company entered into negotiations with the vendor to avoid making the deferred payments. In order to achieve agreement with the Vendor, the Directors have instructed us that it was necessary to ensure that Ms Zhang was a joint investor in Ofpay. This would not have been possible if the Company converted the loan and would have put the Company at risk of default on the deferred settlement amount. The Directors viewed this as a far more significant business and financial risk than any implied or intrinsic value that existed in the put option.</p> <p>The Directors' rationale for extinguishing the RMB140 million loan is that it is unwinding the funding used to acquire Ofpay initially. The Directors view unwinding the transaction that led to the initial acquisition as the best course of action to protect shareholders interests.</p>
The Proposed Transaction is the only proposal before the Company to divest Ofpay	<p>The Directors are of the view that the strategic benefits of acquiring Ofpay are significantly reduced as a result of 99 Wuxian holding the 40% minority interest in Ofpay shares, as opposed to the 100% interest it had initially intended to acquire. It is their intention to dispose of the 40% interest in Ofpay at a price reflective of their view of fair value.</p> <p>The Directors have instructed us that the Proposed Transaction is the only offer that has been made to the Company as at the date of this Report. 99 Wuxian also discussed the potential sale of its 40% interest in Ofpay with two other Chinese domestic parties. There were no other firm offers forthcoming and we are instructed that indicative valuation discussions were below the offer now received from Ms Zhang.</p>
No requirement to raise capital or dilute shareholders ownership interest	<p>Under the terms of the Proposed Transaction, the RMB140 million loan payable to Ms Zhang will be extinguished. The Company will no longer have to raise capital to repay the RMB140 million loan to Ms Zhang and/or dilute Non-Associated Shareholders in circumstances that the convertible loan is converted into CDIs (the loan is convertible at 99 Wuxian's option into 213,317,081 CDIs at a conversion price of RMB0.6563).</p>

Advantage	Explanation
Reduced selling costs	Under the terms of the Proposed Transaction, the 40% interest in Ofpay will be sold directly to Ms Zhang. The Proposed Transaction will therefore eliminate any costs associated with a sale of the 40% interest in Ofpay such as fees to be paid to a corporate adviser which would have otherwise been incurred.
Improved working capital position	The Proposed Transaction provides 99 Wuxian with the opportunity to increase its cash reserves through the receipt of RMB20 million, a loan receivable (in a period up to 3 years) of RMB40 million and decrease loans payable through the extinguishment of the RMB140 million loan payable to Ms Zhang. This will improve the working capital position of the Company and potentially enable the Company to focus on building other areas of its core business.
Continuing relationship with Ofpay	Ofpay is currently a wholesale merchant to the 99 Mobile marketplace. Following the sale of the 40% interest in Ofpay, the Directors expect to be able to continue working with Ofpay with minimal operational impacts. Ms Zhang becoming a 40% shareholder in Ofpay may also be beneficial to 99 Wuxian's continuing relationship with Ofpay as there will be an alignment of interest between both companies major shareholder.
Impact on the share price	<p>The Directors have instructed us that:</p> <ul style="list-style-type: none"> ▪ Market feedback and feedback from shareholders regarding the acquisition to acquire Ofpay was negative; ▪ The negative feedback arises from the investors' concern that the lower GTV margins in Ofpay would lead to diminishing margins in the Company on an aggregated basis; and ▪ This negative feedback is continuing while 99 Wuxian holds a 40% interest in Ofpay. <p>Given the negative feedback received by the Company, it is possible that the sale of Ofpay may improve market sentiment and positively benefit the Company's share price. For completeness, we note given the limited liquidity in 99 Wuxian share trading data it is difficult to reliably observe the market's overall reaction to the announcements made by 99 Wuxian both at the time of acquisition and following the proposed divestment.</p>

Source: BDO CFQ analysis

8.2 Disadvantages of the Proposed Transaction

Table 8.2 below outlines the potential disadvantages to 99 Wuxian shareholders of approving the Proposed Transaction.

Table 8.2: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
The Proposed Transaction is not fair	As set out in Section 7.0, in our view the Proposed Transaction is not fair to the 99 Wuxian shareholders as at the date of this Report. For completeness we note that our fairness assessment is significantly impacted by the embedded put option. We have discussed the relevance of this in more detail in Section 8.3 below.
No exposure to any potential growth in the value of Ofpay	If the Proposed Transaction is approved, 99 Wuxian will have no exposure to any future growth in the value of Ofpay. We note that the NPAT of Ofpay has been growing historically, and is forecasted to continue to grow. This growth may vary materially over time subject to changes in Ofpay's internal operations, as well as external market conditions.

Disadvantage	Explanation
Loss of Synergistic Value	<p>Ofpay is an upstream wholesaler of 99 Wuxian and there is a potential loss of value to 99 Wuxian from loss of synergy if the Proposed Transaction is approved.</p> <p>For completeness we note that the Directors are of the view that the strategic benefits of 99 Wuxian have been significantly reduced by the Company holding a 40% minority interest rather than a 100% interest.</p>
Sale of Ofpay was not completed through a formal sales process	<p>The sale of Ofpay has not been completed through a formal sale process which has the possibility of competitive bidding (assuming sufficient interested parties). A formal sale process, while not guaranteed, may potentially attract buyers offering a higher price for the purchase of Ofpay. By accepting the Proposed Transaction, 99 Wuxian shareholders will have no exposure to any superior future offers that may come from other parties.</p> <p>For completeness we note that 99 Wuxian discussed the potential sale of its 40% interest in Ofpay with two other Chinese domestic parties. There were no other firm offers forthcoming and indicative valuation discussions were below the offer now received from Ms Zhang. There is no guarantee that a formal sales process would have resulted in any superior offers.</p> <p>We also note that while there was no formal sales process, the Directors negotiated the price for the sale of the 40% interest in Ofpay having regard to a separate arm's length transaction negotiated between the Original Vendors and the Investors.</p>
Realisation of tax liability associated with the sale of interest in Ofpay	<p>We are informed by Management that the Company will incur a tax liability (equal to the RMB40 million capital gain on the sale of Ofpay multiplied by the PRC tax rate of 25%) in circumstances where the Proposed Transaction is approved. The potential tax liability associated with the sale of Ofpay may be deferred in circumstances where the Proposed Transaction is not approved.</p>

Source: BDO CFQ analysis

8.3 Information in Relation to Impact of Embedded Put Option on the Fairness Assessment

As set out in Section 7.2.3 of this Report, a significant factor driving the consideration to be less than the value of a 40% interest in Ofpay is the value of the put option embedded in the RMB140 million loan owing to Ms Zhang. If this loan is extinguished then 99 Wuxian will also lose its ability to exercise this option. To assist providing information to Non-Associated Shareholders we have set out additional information in relation to the embedded put option below.

8.3.1 Additional Information in Relation to Put Option

At the time of negotiating the RMB140 million shareholder loan with Ms Zhang, the Directors' also negotiated an ability for 99 Wuxian, at its option, to convert the shareholder loan into 213,317,081 CDIs at a conversion price of RMB0.6563 (A\$0.1244 at an exchange rate of RMB5.2744/AUD as at 7 February 2017). The Directors wanted to be in control of the conversion as it would provide 99 Wuxian with flexibility in relation to negotiating the further funding of a maximum of RMB297.4 million required for the balance of the Ofpay deferred consideration payments.

While practically able to exercise the option in any circumstance, the Directors have instructed us that they had (and continue to have) no intention to convert this option if the balance of funding required for the deferred consideration was unable to be sourced on acceptable terms and pricing. In determining that they would not exercise the option, the Directors have instructed us that they had regard to a number of factors including:

- Whilst the company holds the right for conversion, the effect on existing Non-Associated Shareholders would be to dilute ownership by issuing 213,317,081 CDIs and there was no previous justification for exercise of the put option;
- Given business momentum and prospective funding solutions, the Directors decided that they wouldn't raise third party equity at the RMB0.6563, being the conversion price under the convertible notes; and

- If a third party investor was to acquire a 15.5% interest in the Company on market, the Directors consider that the purchase price would be significantly higher than the put price on the basis that to acquire a 15.5% interest at the current liquidity level for 99 Wuxian CDIs, the CDI price on the ASX would be bid up over the put price.

In the absence of identifying a suitable funding solution to acquire a 100% interest in Ofpay (which the Directors are not confident of being in a position to achieve at the current time), the Directors do not intend to exercise the put in the future for reasons which include:

- There will be negative sentiment amongst shareholders if the major shareholder, a related party, is able to increase ownership from 22% to 34% at a price significantly lower than the IPO price of A\$0.40 (RMB2.24) and the Directors view on the value of 99 Wuxian; and
- The Directors' see the value of 99 Wuxian as significantly higher due to:
 - Broadly comparable companies having significantly higher earnings multiples than 99 Wuxian; and
 - 99 Wuxian was previously able to raise capital at A\$0.55 from 20 institutional investors.

The Directors have also instructed that subsequent to the initial acquisition of 40%, 99 Wuxian entered into negotiations with the Original Vendors to exit the investment in Ofpay and avoid making the deferred payments. In order to achieve agreement with the Original Vendors, the Directors have instructed us that it was necessary to ensure that Ms Zhang was a joint investor in Ofpay due to her extensive experience and relationship within the industry. This would not have been possible if the Company converted the loan (as the Directors believed Ms Zhang would have limited funds to acquire the 40% interest) and would have put the Company at risk of default on the deferred settlement amount. The Directors viewed this as a far more significant business and financial risk than any implied or intrinsic value that may or may not exist in the put option.

8.3.2 Impact of Put Option on Fairness Assessment

Having regard to the information set out in Section 8.3.1 above, the Directors have no intention to exercise the embedded put option within the Convertible Notes. Based on this, we have completed a sensitivity analysis on our fairness assessment as follows:

- Excluding the put option from our assessment. This has the impact of increasing the value of the consideration under the Proposed Transaction to a range of RMB192.5 million to RMB197.5 million; and
- Excluding the time value component of the put option and adopting a value based on the intrinsic value of each put option.⁷ Table 8.3 below summarises the intrinsic value of the put option having regard to each of the assumed CDI price scenarios from Section 7.2.3 above. This has the impact of increasing the value of the consideration under the Proposed Transaction as follows:
 - The low end of the consideration would increase from RMB130.5 million to RMB153.5 million (i.e. the value of the put option adopted at an assumed CDI price of A\$0.09 would decrease from approximately RMB60 million to RMB39 million in this circumstance); and
 - The high end of the consideration would increase from RMB150.5 million to RMB181.5 million (i.e. the value of the put option adopted at an assumed CDI price of A\$0.11 would decrease from approximately RMB45 million to RMB16 million in this circumstance).

Table 8.3: Intrinsic Value in the Put Option at each Assumed CDI Price

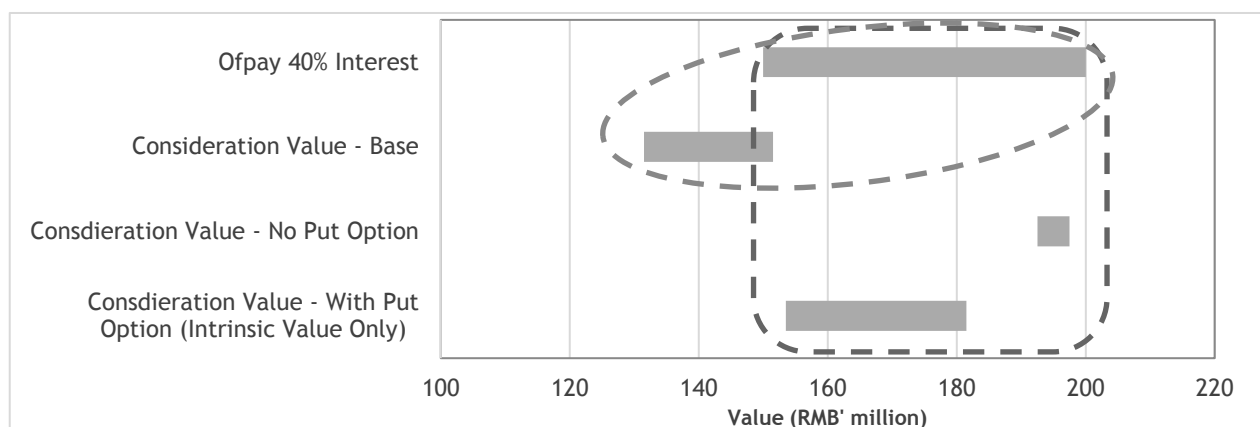
Assumed CDI Price (\$AUD)	Intrinsic Value Per Put Option (\$AUD)	Total Intrinsic Value (\$AUD)	Total Intrinsic Value (RMB)
AUD \$0.0700	AUD \$0.0544	A\$11,604,449	RMB61,206,507
AUD \$0.0900	AUD \$0.0344	A\$7,338,108	RMB38,704,115
AUD \$0.1100	AUD \$0.0144	A\$3,071,766	RMB16,201,722
AUD \$0.1300	-	-	-

Source: BDO CFQ analysis

⁷ The value of a put option prior to maturity comprises intrinsic value and time value. Intrinsic value represents the value that would be derived by the holder of a put option by exercising the put option. Intrinsic value is calculated as the exercise price minus CDI price at the time. Time value represents the premium a rational investor would pay over the put options current intrinsic value based on the probability that the put option will increase in value. In order for a holder of a put option to realise value for the time value, the option would need to be sold.

Figure 8.1 below summarises the impact on our fairness assessment having regard to the two sensitivities referred to above. The blue dotted line represents the fairness assessment from Section 7.3 above. The red dotted line shows the way in which the fairness assessment would change having regard to the sensitivity analysis referred to above.

Figure 8.1: Impact on Fairness Assessment from Sensitivity Analysis



Source: BDO CFQ analysis

Having regard to Figure 8.1 above, we note:

- Excluding the put option from our assessment results in the consideration moving towards the upper end of our valuation range for a 40% interest in Ofpay; and
- Excluding the time value component of the put option and adopting a value based on the intrinsic value of each put option results in the value of the consideration falling within the value of a 40% interest in Ofpay.

8.4 Potential Position of 99 Wuxian Shareholders if the Proposed Transaction is Not Approved

Table 8.4 below outlines the potential position of 99 Wuxian shareholders if the Proposed Transaction is not approved.

Table 8.4: Potential Position of 99 Wuxian Shareholders if the Proposed Transaction is Not Approved

Position of Shareholders	Explanation
99 Wuxian will retain 40% interest in Ofpay	<p>If the Proposed Transaction is not approved 99 Wuxian, through its subsidiary Handpal, will retain a 40% interest in Ofpay. The other 60% interest in Ofpay will be either owned by:</p> <ul style="list-style-type: none"> ■ The Original Vendors (60%) as part of the First Supplemental Agreement; or ■ The Investors (35%) and the Original Vendors (25%) as part of the Second Supplemental Agreement. <p>In relation to the above, we note that the Directors are of the view that the Investors may no longer be willing to invest in Ofpay as they will not benefit from Ms Zhang's experience and relationship in the industry as a major shareholder. Additionally we note that Ms Zhang is required as a major shareholder in Ofpay to fulfil additional terms within the Third Supplemental Agreement (discussed further in Section 6.4 above).</p>
99 Wuxian will look for alternative means to dispose of the asset	<p>The Directors' have advised us that if the Proposed Transaction is not approved, 99 Wuxian will continue to look for other alternatives to dispose of their interest in Ofpay. 99 Wuxian has no intention of retaining their minority interest in Ofpay.</p>

Position of Shareholders	Explanation
Possible dilution of shares from convertible note to Ms Zhang	<p>If the Proposed Transaction is not approved, 99 Wuxian may elect to exercise the RMB140 million convertible notes. A maximum of 213,317,081 CDIs would be issued at a conversion price of RMB0.6563 (A\$0.1244) per CDI. This will cause a dilution of shares to other shareholders and an increase in shareholdings by Ms Zhang in 99 Wuxian.</p> <p>For completeness we note that the Directors have advised us they do not intend to exercise the put option. The Directors intention was only to exercise the put option in the event that a suitable funding option was identified to complete a 100% acquisition of Opay. Having regard to the agreements in place, the Directors are of the view that it is no longer possible for 99 Wuxian to acquire a 100% interest in Opay.</p>
99 Wuxian will not be able to recover the costs incurred in relation to the Proposed Transaction	If the Proposed Transaction is not approved, 99 Wuxian will not be able to recover the costs incurred in relation to the Proposed Transaction.
Effect on 99 Wuxian share price	In the event that the Proposed Transaction is not approved, the share price of 99 Wuxian may differ materially from the share price in the period following the sale announcement on 4 November 2016.

Source: BDO CFQ analysis

8.5 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that in the absence of any other information, the Proposed Transaction is **Reasonable** to 99 Wuxian shareholders as at the date of this Report.

9.0 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- 99 Wuxian company website (<http://www.99 Wuxian.com/>);
- Ofpay company website (<http://www.ofpay.com/>);
- 99 Wuxian ASX announcements;
- 99 Wuxian Annual Reports for the year ended 30 June 2014, 2015 and 2016;
- Investment Agreement between the Investors and Shanghai Handpal and Ofpay dated December 2015;
- Initial Sale Agreement of Ofpay to Shanghai Handpal dated December 2016;
- Supplemental Agreements dated 8 October 2016 and 28 October 2016;
- Resolution of ShenZhen VC's Investment Board dated 26 October 2016;
- Supplementary Agreement of Investment Agreement dated December 2016;
- Loan Agreement between 99 Wuxian and Ms Zhang signed 16 January 2017;
- Notice of Meeting and Explanatory Statement dated on or about 3 March 2017 for the meeting to be held on 27 March 2017;
- Capital IQ;
- IBISWorld;
- Various other research publications and publicly available data as sourced throughout this Report; and
- Various discussions and other correspondence with 99 Wuxian's Directors, management and their advisers.

10.0 Representations, Indemnities and Warranties

99 Wuxian has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

10.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, 99 Wuxian has agreed to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. 99 Wuxian will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

99 Wuxian agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by 99 Wuxian (including but not limited to the directors and advisers of 99 Wuxian) as part of this engagement.

10.2 Representations and Warranties

99 Wuxian has recognised and confirmed that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons have used and relied on publicly available information and on data, material and other information furnished to BDO Persons by 99 Wuxian, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

99 Wuxian management represent and warrant to BDO Persons that all information and documents furnished by 99 Wuxian (either directly or through its advisors) in connection or for use in the preparation of this Report do not, at the time so furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein.

99 Wuxian has acknowledged that the Company's engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

11.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Steven Sorbello have prepared this Report with the assistance of staff members. Mr Whittaker and Mr Sorbello are directors of BDO CFQ and have extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the non-associated directors of 99 Wuxian to provide the Non-Associated Shareholders with information to assist them to decide whether to vote in favour of or against the Proposed Transaction. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that 99 Wuxian shareholders obtain their own taxation advice, tailored to their own particular circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 22 February 2017.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker
Director



Steven Sorbello
Director

Appendix A: Industry Overview

As discussed in Section 5, OfPay's principal activity is intermediating e-commerce transactions between virtual product suppliers and downstream business to consumer retailers, with main revenues drawing from telecommunication credit top-ups, game credit point top-up and prepaid gift card sales. Having regard to this principal activity, this section provides a brief overview of the e-commerce industry, telecommunication's industry and the virtual product market in China. This section provides a summary only and is not intended to be a comprehensive analysis of these markets.

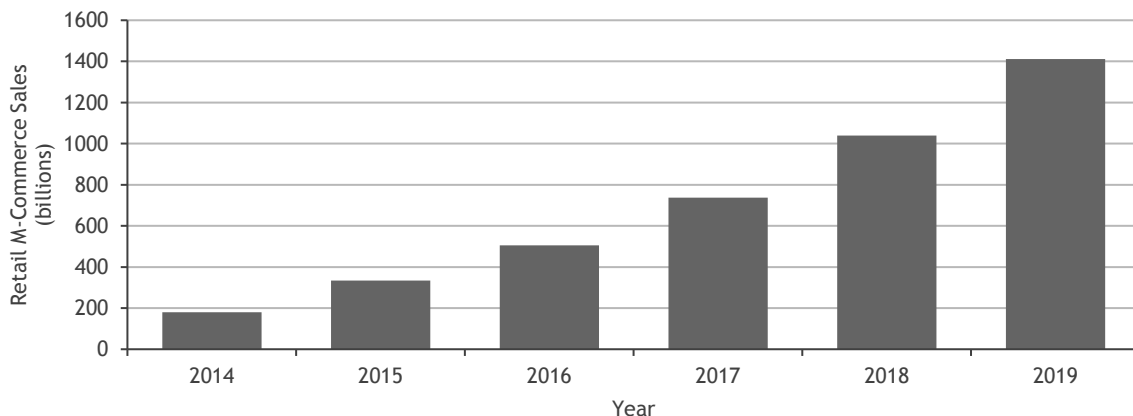
The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases which we subscribe to. BDO has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a broad guide only

A.1 E-commerce and M-commerce Industry in China

Asia-Pacific is currently the world's largest retail e-commerce market with a significant portion of the retail e-commerce coming from China. There is a large e-commerce growth in this region due to the mobile and internet penetration, along with the growing competition of e-commerce players in the industry. China has solid digital payments infrastructure and a strong logistics framework which prepares the market to handle high volume e-commerce orders (eMarketer, 2016) ⁸.

In recent years, the use of mobile devices to access the internet in China has increased, with e-commerce sales occurring on these devices, as opposed to desktops or laptops. This sector of the market is commonly referred to as mobile commerce or m-commerce. Figure A.1 illustrates the expected growth in retail m-commerce sales from 2014 to 2019.

Figure A.1: China's Expected Retail M-Commerce Sales



Source: eMarketer, July 2015

Drivers for the growth within China's m-commerce industry include:

- China having the largest mobile market in the world, with approximately 1.28 billion mobile phone subscriptions registered in China (Statistia, 2016)⁹;
- Ease of access and convenience of m-commerce, with China's mobile ecosystem being more agile and having better integration of functional mobile devices with social media platforms relative to other countries; and
- Chinese consumers gaining access to a bigger selection of goods through m-commerce, including virtual products not readily available in the local market.

⁸ eMarketer. (2016). *Worldwide Retail Ecommerce Sales Will Reach \$1.915 Trillion This Year*. Retrieved 22 11, 2016, from eMarketer: <https://www.emarketer.com/Article/Worldwide-Retail-Ecommerce-Sales-Will-Reach-1915-Trillion-This-Year/1014369>

⁹ Statistia. (2016). *Number of mobile cell phone subscriptions in China from September 2015 to September 2016 (in millions)*. Retrieved 22 11, 2016, from Statistia: <https://www.statista.com/statistics/278204/china-mobile-users-by-month/>

Chinese consumers' desire for speed and convenience can be achieved through m-commerce. It provides users the freedom to complete traditional e-commerce transactions wirelessly and irrespective of location. The wide acceptance of wireless internet via m-commerce can be attributed to its perceived usefulness, social culture, trust and the ability to facilitate transactions.

There is strong demand from both consumers and providers to enable mobile payments which has led to the increase in sales via these platforms. China's m-commerce sales accounted for 55.5% of all e-commerce sales in 2015-2016 (eMarketer, 2016)¹⁰. There is further growth potential for m-commerce, as internet users in smaller, undeveloped cities in China have not yet fully adopted online shopping services.

A.2 Telecommunications Industry in China¹¹

Ofpay's primary operating activities relate to the mobile telecommunications industry, with more than 70% of its revenue stemming from mobile credit recharge transactions. Over the five years leading up to 2016, revenue from the Chinese mobile telecommunications industry increased at an annualized rate of 10.7%. In 2016, industry revenue was expected to increase 8.8% to US\$202.7 billion, with an anticipated 2.8% increase in mobile telephone users to a total of 1.34 billion users. With increasing market saturation of the mobile market in China, industry revenue is forecasted to grow at a diminishing average rate of 7.3% annually, reaching \$288.4 billion by 2021.

With the decline in new customers and market competition pressuring down the price of standard telecommunication services such as voice and data credit; future revenue growth will primarily be attributed to value-added services leading to an increase in average revenue per user (ARPU). With the average fees and charges for mobile services declining, this promotes the usage of mobiles phones and is beneficial in the long term.

Overall, the telecommunications industry in China is still considered to be in the growth stage of the industry cycle. This is aided by the rapid increase in industry revenue from value-added services, as well as new technologies being constantly applied. Despite the basic telecommunications sector operating as an oligopoly, the competition continues to intensify as new services are continuously being launched. Voice and data services will remain the main segment in the industry, resulting in steady revenue streams from mobile recharge; however, value-added services have great potential for significant growth and are expected to account for a larger share of the overall revenue in the next five years.

A.3 Virtual Product Market

With the development of technology, mobile phone functions have significantly increased, allowing consumers to reliably complete common transactions through the mobile phone. The ease of internet usage has allowed it to become a medium for suppliers to include value-added services to be readily available to mobile users. Users are also able to recharge mobile and gaming credit, along with purchasing gift cards, prepaid goods and other products.

China's population, in conjunction with continuing economic growth, underlie the large domestic market for online shopping. The population as a whole is also becoming increasingly wealthy, which drives up consumption of products from various different industries. The popularisation of mobile games and online shopping has led to major competitors and small businesses to develop applications and games for those who purchase goods online. Online goods in general are sold at lower prices, with attractive promotions and are more accessible to consumers.

For online shopping including gift cards and prepaid petrol cards, there is a large potential as the consumer confidence for online shopping in China is high and the proportion of internet users making purchases online is expected to increase. China has a mature market for gift cards with mass market adoption due to mobile payments. The industry revenue is forecasted to increase at a rate of 22.7% annually in the next five years to \$2.2 trillion in 2021¹². This growth is a result of the improvement of comprehensive and customer-oriented services, internet penetration and the expanding product ranges available.

In terms of online gaming, the industry has developed various ways of generating revenue, with the most common methods being prepaid game-time cards and purchasing virtual items within games. There is an attractive market in China with steady growth for purchasing all types of gaming credits. The industry profitability in 2016 is estimated at 41.5% of revenue and majority of the publicly listed online game companies make over 50.0% for profit. The industry in China is expected to grow at a 12.8% annually in the next five years to \$47.9 billion¹³.

¹⁰ eMarketer. (2016). *Ecommerce Turns into Mcommerce in China*. Retrieved 22 11, 2016, from eMarketer: <https://www.emarketer.com/Article/Ecommerce-Turns-Mcommerce-China/1013736>

¹¹ Information in this section has been sourced from IBISWorld Industry Report: Mobile Telecommunications in China Report, September 2016.

¹² Information in this section has been sourced from IBISWorld Industry Report: Online Shopping in China, April 2016.

¹³ Information in this section has been sourced from IBISWorld Industry Report: Online Games in China, February 2016.

Appendix B: Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in *RG 111: Content of Expert Reports*. The methodologies include those mentioned directly below.

B.1 Discounted Cash Flows (DCF)

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

B.2 Capitalisation of Maintainable Earnings (CME)

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

B.3 Asset Based Valuation (ABV)

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

B.4 Market Based Valuation (MBV)

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Appendix C: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

The control premium observed in a given takeover bid may be impacted by a range of factors, including:

- The specific value that may have been applicable to the acquirer at the time of the transaction;
- The level of ownership already held by the acquirer in the target;
- The level of speculation in the market about a transaction between the target and the acquirer;
- The presence of competing bids for the target; and
- The prevailing strength of the market and the economy more broadly at the time of the transaction.

Factors to have regard to when considering an appropriate control premium range include the following:

- Control premiums implied in the comparable transactions referred to in Section D.3 of Appendix D indicate control premiums on 1 week and 1 month VWAPs in the range of 19.8% to 31.3%;
- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to empirical evidence and our experience, we would expect a control premium in the range of 20% to 40% to be applicable. This implies a minority interest discount in the range of 16.7% to 28.6%, which is calculated as the inverse of the control premium¹⁴.

¹⁴ Calculated as: $1 - 1 / (1 + \text{control premium})$

Appendix D: Comparable Trading Companies and Transaction Analysis

This section sets out information in relation to companies and transactions that are broadly comparable to Ofpay to enable a view to be formed on the trading and transaction multiples. The information set out below includes a summary of the information that we have relied on and the assumptions that we have adopted.

This section is set as follows:

- Section D.1 sets out an overview of the methodology we adopted to identify comparable companies and transactions to Ofpay;
- Section D.2 sets out a description of comparable companies of Ofpay and their trading multiples; and
- Section D.3 sets out a description of comparable transactions and their transaction multiple.

D.1 Overview of Methodology

D.1.1 Methodology for Comparable Company

The process that we have followed to identify broadly comparable companies for our CME valuation includes the following steps:

- Identify public companies from the *Technology Distributors* and *Internet and Direct Marketing Retail* GICS industry sub-group using Capital IQ's company screening tool;
- Shortlist the companies from the Capital IQ screening tool having regard to the nature of operation, specifically including companies within:
 - M-commerce;
 - Online retail platform service providers;
 - Voucher and gift card retailers; and
 - Online payment process service providers.

D.1.2 Methodology for Comparable Transaction

The process that we have followed to identify broadly comparable transactions for our CME valuation includes using the Capital IQ transaction screening tool with the following criteria:

- Merger and acquisition transactions;
- Transaction announcement date within the last five years;
- Acquisition of majority stake; and
- Nature of operation of the target company by analysing its business description.

D.2 Trading Multiples of Comparable Companies

It is useful to analyse the current trading multiples of exchange listed comparable companies to assist with the determination of an appropriate capitalisation multiple. Comparable trading multiples need to be treated with caution as not all companies within the industry are comparable. Different companies contain a range of inherent risk specific to their own company based on factors including company size, location and operations. With this as a caveat, the usual step in applying a multiple based valuation methodology is to construct a multiple from market information. The multiple is then adjusted for specific company differentiators.

We note regarding trading multiples, these are on a minority interest basis and do not include any synergies or benefits which may accrue to an acquirer.

Table D.1 sets out information on comparable listed companies that may be considered broadly comparable to Ofpay.

Table D.1: Current Trading Multiples of Broadly Comparable Companies to Ofpay

Company Name	Exchange	Enterprise Value	Latest Revenue	Latest EBITDA	Net Profit Before Tax Margin	EV/EBITDA Multiple	EV/EBITDA Multiple
		(A\$'m)	(A\$'m)	(A\$'m)	(%)	(Historical)	(1Year Forward)
Champion Technology Holdings Ltd.	SEHK	357	862	277	(0.6)	1.3	NA
Image Information Inc.	JASDAQ	14	15	1	3.0	14.5	NA
IZMO Limited	BSE	13	8	2	3.8	7.9	NA
Keyware Technologies NV	ENXTBR	60	19	5	42.4	11.5	NA
China Binary Sale Technology Ltd.	SEHK	51	10	5	39.3	10.1	NA
Sanderson Group Plc	AIM	58	36	6	11.4	9.5	7.8
Litium AB (publ)	XSAT	7	3	1	(8.3)	-	NA
NCR Corporation	NYSE	11,997	8,751	615	(2.8)	19.5	8.0
FleetCor Technologies, Inc.	NYSE	23,153	2,338	1,083	21.3	21.4	17.5
2E Group AB (publ)	OM	29	149	9	3.2	3.3	9.9
Blackhawk Network Holdings, Inc.	NASDAQGS	3,061	2,471	221	2.5	13.8	10.8
NNK Group Limited	SEHK	84	48	16	11.8	5.3	NA
Mobile Embrace Limited	ASX	57	61	8	8.1	7.4	NA
ADLPartner	ENXTPA	58	177	8	2.9	7.1	NA
Park Group plc	AIM	201	567	21	3.2	9.6	10.0
Average		2,613.2	1,034.3	151.8	9.4	9.5	10.7
Median		58.3	60.6	8.2	3.2	9.5	9.9

Source: BDO CFQ analysis and Capital IQ as at 20 January 2017

Regarding Table D.1 above, we note that:

- Listed companies are from various exchanges and geographic regions including Europe, Asia and the North America;
- Some of the companies listed are broadly similar in size to Ofpay, with median revenue and EBITDA of A\$61 million and A\$8 million respectively;
- China Binary Sale Technology Ltd. and NNK Group Limited are most comparable to Ofpay in terms of their operations, geographic region and earnings. We note that these two companies' average EBITDA multiple is 7.7x;
- Median net profit margins of comparable companies (3.2%) are significantly less than Ofpay's (42%);
- Historical average and median enterprise value is 9.5x and 9.5x EBITDA respectively on a minority interest basis; and
- The average and median one year forward EBITDA multiple is 10.7x and 9.9x respectively.

A description of the broadly comparable companies identified in Table D.1 is set out in Table D.2 below.

Table D.2: Description of the Broadly Comparable Companies Identified in the Trading Multiple Analysis

Company	Description
Champion Technology Holdings Ltd.	Champion Technology Holdings Limited, an investment holding company, providing technology solutions in communications software, wireless telephony, messaging, personal security, telematics, and e-commerce. Its operations include software licensing, e-lottery services, and investments in telecommunications networks and e-commerce projects. The company operates in the People's Republic of China, Europe, and internationally. Champion Technology Holdings Limited is based in Chai Wan, Hong Kong.
Image Information Inc.	Image Information Inc. provides system development and business processing agency services in Japan. The company offers store and credit/convenience store payment, member club management agency services, data centre services and system services. The company was founded in 1975 and is headquartered in Tokyo, Japan.
IZMO Limited	IZMO Limited provides automotive e-retailing solutions in the United States, Mexico, Europe, and Asia. The company offers interactive online stores, car animation and graphics, online marketing programs, sales performance coaching, online service management solutions, and other products. IZMO Limited was incorporated in 1995 and is based in Bengaluru, India.
Keyware Technologies NV	Keyware Technologies NV, an independent network service provider, provides electronic payment solutions in Belgium. The company is involved in mobile payment terminals and implementation of payment transactions as well as payment services for e-commerce and m-commerce. It provides solutions for loyalty cards, as well as develops and manages its payment transaction platform. Keyware Technologies NV was founded in 1996 and is headquartered in Zaventem, Belgium.
China Binary Sale Technology Limited	China Binary Sale Technology Limited, an investment holding company, provides online transaction services in the People's Republic of China. It facilitates transactions between online game operators and online game users and offers mobile top-up services to mobile subscribers. China Binary Sale Technology Limited was founded in 2004 and is headquartered in Beijing, the People's Republic of China.
Sanderson Group Plc	Sanderson Group plc provides software solutions and information technology (IT) services primarily for the multi-channel retail and manufacturing sectors in the United Kingdom and Ireland. It offers Elucid, a multi-channel retail software that integrates e-commerce, m-commerce, marketplace, retail, and mail order sales with back office fulfilment operations. Sanderson Group plc was founded in 1983 and is headquartered in Coventry, the United Kingdom.
Litium AB (publ)	Litium AB (publ) operates cloud based e-commerce platform for retailer, e-tailer, and B2B business. The company was founded in 1998 and is headquartered in Stockholm, Sweden.
NCR Corporation	NCR Corporation, a technology company, provides products and services that enable businesses to connect, interact, and transact with their customers worldwide. The company offers financial-oriented self-service technologies, such as automated teller machines (ATM), cash dispensers, software solution, cash management and video banking software. NCR Corporation was founded in 1884 and is headquartered in Duluth, Georgia.
FleetCor Technologies, Inc.	FleetCor Technologies, Inc. provides fuel cards, commercial payment and data solutions, stored value solutions, and workforce payment products and services. The company also offers telematics solution that allows fleet operators to monitor the capacity utilization and movement of vehicles and drivers, vehicle maintenance services, prepaid fuel and food vouchers, and cards. Technologies, Inc. was founded in 1986 and is headquartered in Norcross, Georgia.
2E Group AB (publ)	2E Group AB (publ) provides live entertainment and meetings arrangement services to private individuals and business clients in Sweden and internationally. It operates through Live Entertainment, E-Commerce, and Meetings segments. 2E Group AB (publ) is based in Falkenberg, Sweden.

Company	Description
Blackhawk Network Holdings, Inc.	Blackhawk Network Holdings, Inc. provides a range of prepaid gift, telecom, and debit cards in physical and electronic forms and related prepaid products and payment services. The company distributes closed loop gift cards in the areas of digital media and e-commerce, dining, electronics, entertainment, fashion, gasoline, home improvement and other promotional gift cards. Blackhawk Network Holdings, Inc. was founded in 2001 and is headquartered in Pleasanton, California.
NNK Group Limited	NNK Group Limited provides mobile top-up services to mobile subscribers in the People's Republic of China. The company operates 007ka Top-up Platform for mobile top-up through electronic banking systems. The company was founded in 2006 and is headquartered in ShenZhen, China.
Mobile Embrace Limited	Mobile Embrace Limited operates as a mobile commerce company in Australia and internationally. The company operates through Carrier Billing and Mobile Marketing segments. The Carrier Billing segment provides digital media trading desk and carrier billing platforms, which enable integrated customer acquisition, management, and carrier billing through mobile devices. Mobile Embrace Limited is based in Sydney, Australia.
ADLPartner	ADLPartner designs, markets, and implements customer relationship management and loyalty services in the areas of mass retail, service, e-commerce, consumer brand, banking, and insurance in France and internationally. The company was founded in 1972 and is based in Montreuil, France.
Park Group plc	Park Group plc engages in the multi-retailer voucher and prepaid gift card business in the United Kingdom and Ireland. The company is involved in Christmas savings business, which offers vouchers, prepaid cards, gifts, and hampers in time for Christmas. It also runs Love2shop Business Services that provides reward solutions, including multi-retailer vouchers and prepaid cards, single store vouchers and cards, gifts experiences, holidays, and travel solutions. Park Group plc was founded in 1967 and is based in Birkenhead, the United Kingdom.

Source: Capital IQ as at 20 January 2017

D.3 Transaction Multiples

The price achieved in a sales transaction generally provides reliable evidence of earnings multiples for a valuation as it represents the market value of a controlling interest in the asset being acquired. We note however that each sales transaction is a product of a combination of factors which may or may not be specific to the transaction including:

- Economic environment and factors at the time of the transaction;
- Regulatory frameworks;
- Synergy benefits to the acquirer; and
- The number of potential buyers.

We note regarding the following transactions, the acquisitions were all for a majority stake within the target companies. As a result, these multiples are on a controlling interest basis and are higher than the trading multiples.

Table D.3 sets out information on comparable transactions that may be considered broadly comparable to Ofpay.

Table D.3: Broadly Comparable Company Transaction Multiples

Target	Acquirer	Announced Date	Percent Acquired (%)	Deal Size (\$A million)	Implied EV/ EBITDA Multiple
Buongiorno SpA	DOCOMO Deutschland GmbH	5/14/2012	100.0	389	11.4x
Civica Group Limited	OMERS Private Equity	5/8/2013	100.0	597	10.3x
Cohort Holdings Australia Pty Ltd	Pureprofile Ltd.	09/21/2016	100.0	37	10.0x
Comtel Solutions Pte. Ltd.	Quesscorp Holdings Pte. Ltd.	09/19/2016	64.0	26	7.5x

Target	Acquirer	Announced Date	Percent Acquired (%)	Deal Size (\$A million)	Implied EV/ EBITDA Multiple
Crimsonwing Plc (nka:KPMG Crimsonwing)	KPMG Holdings Limited (UK); KPMG Capital Limited; KPMG Advisory N.V., Investment Arm	11/28/2014	100.0	39	16.4x
DIBS Payment Services AB (publ.)	Nets Holding A/S	10/29/2014	100.0	122	18.8x
e-pay Asia Limited	GHL Systems Berhad	10/4/2013	100.0	37	7.4x
Global Merchant Advisors, Inc.	Optimal Payments Plc (nka:Paysafe Group Plc)	7/1/2014	100.0	16	3.3x
Heartland Payment Systems, Inc.	Global Payments Inc.	11/24/2015	100.0	6,207	21.9x
Innotrac Corp.	Sterling Partners; Sterling Capital Partners IV, L.P.	11/14/2013	100.0	120	12.1x
Massive Group Pty Ltd.	Jaywing plc	07/07/2016	75.0	4	7.9x
Merchant e-Solutions, Inc.	Cielo USA Inc.	6/30/2012	100.0	655	11.0x
Open Objects Software Ltd.	IDOX plc	07/26/2016	100.0	9	8.3x
RandomStorm Ltd.	Accumuli plc	12/18/2014	100.0	19	8.9x
Society6, LLC	Demand Media, Inc.	6/20/2013	100.0	102	15.5x
SpeedFC, Inc.	Navarre Corporation (nka:Speed Commerce, Inc.)	9/27/2012	100.0	66	17.9x
TouchNet Information Systems, Inc.	Heartland Payment Systems, Inc.	7/29/2014	100.0	402	11.5x
Track Concepts B.V.	Crowd Mobile Limited	06/10/2015	100.0	43	3.3x
Trunkbow International Holdings, Ltd.	-	12/10/2013	56.1	53	7.3x
Average				206	11.1x
Median				110	10.3x

Source: BDO CFQ analysis and Capital IQ as at 20 January 2017

Regarding Table D.3 above, we note that:

- The median deal size of companies at A\$110 million is broadly comparable to the transaction size of Ofpay;
- e-pay Asia Limited and Trunkbow International Holdings Ltd with multiples of 7.4x and 7.3x respectively, are most comparable with Ofpay in terms of operations and geographic locations. However these are historical multiples, with announcement dates in 2013 and smaller deal sizes relative to Ofpay;
- Average and median implied EV is 11.1x and 10.3x EBITDA on a controlling interest basis.

A description of the broadly comparable transactions identified in Table D.3 is set out in Table D.4 below.

Table D.4: Description of the Broadly Comparable Transactions Identified in the Transactions Multiple Analysis

Target Company	Target Company Description
Buongiorno SpA	Buongiorno SpA engages in the development and management of paid apps and contents for mobile devices. The company provides a portfolio of content and services on personal devices to consumers. The company was founded in 1999 and is headquartered in Parma, Italy. Buongiorno SpA operates as a subsidiary of NTT DOCOMO, Inc.
Civica Group Limited	Civica Group Limited provides software applications, cloud services, and IT-enhanced outsourcing solutions to clients internationally. The company's products and services include automation solutions, cloud and managed services, income management and E-payments and mobile and flexible working. The company was incorporated in 1984 and is based in London, United Kingdom.

Target Company	Target Company Description
Cohort Holdings Australia Pty Ltd	Cohort Holdings Australia Pty Ltd. provides digital marketing solutions. The company's services include lead generation, customer-base acceleration, audience monetization, and Email marketing. The company was founded in 2008 and is based in Sydney, Australia.
Comtel Solutions Pte. Ltd.	Comtel Solutions Pte. Ltd. provides technology and knowledge processes outsourcing services for corporations. Its technology services include managed services, application development, contract and staff augmentation, maintenance and staff onsite deployment. The company was founded in 1998 and is based in Singapore.
Crimsonwing Plc (nka:KPMG Crimsonwing)	KPMG Crimsonwing provides computer software and professional services in Malta, the United Kingdom, and the Netherlands. The company delivers projects and solutions in the areas of enterprise resource planning (ERP) and eCommerce, as well as supporting services of custom/integration and business intelligence. The company was founded in 1996 and is based in Marsa, Malta.
DIBS Payment Services AB (publ.)	DIBS Payment Services AB (publ) provides online payment services in the Nordic countries. Its payments solutions include card payments, invoice payments, bank payments, mobile payments, stored-card payments, and call-centre payments. The company was founded in 1998 and is based in Stockholm, Sweden.
e-pay Asia Limited	e-pay Asia Limited provides voucher and on-line top-ups for various prepaid services in Australia and Asia. The company operates in Prepaid Top-UP Services and Software Solutions segments. The company was incorporated in 1999 and is based in Sydney, Australia.
Global Merchant Advisors, Inc.	Global Merchant Advisors, Inc. provides online payment processing solutions to retail, eCommerce, high risk, and international merchants. The company offers credit and debit card processing, check and automated clearinghouse processing, gift and loyalty cards, and customer reward services. The company was founded in 2010 and is based in Los Angeles, California.
Heartland Payment Systems, Inc.	Heartland Payment Systems, Inc. provides payment processing services to small and mid-sized merchants and network services merchants in the United States. It offers end-to-end electronic payment processing services by facilitating the exchange of information and funds between them and cardholders financial institutions. The company was incorporated in 2000 and is based in Princeton, New Jersey.
Innotrac Corp.	As of April 19, 2016, Innotrac Corp. was acquired by eBay Enterprise, Inc. Innotrac Corporation provides order processing, order fulfilment, and customer support contact centre services to corporations that outsource these functions. The company's fulfilment services include warehouse management, automated shipping solutions, packaging solutions, back-order management, returns management, and e-commerce consulting and integration services. United States. Innotrac Corporation was founded in 1984 and is headquartered in Johns Creek, Georgia.
Massive Group Pty Ltd.	Massive Group Pty Ltd., doing business as Digital Massive, provides online marketing services for online retailers, B2Bs, and service based businesses in Australia and internationally. The company's online marketing services include search engine optimization, pay per click, banner advertising, merchant and shopping management, feed management, and conversion rate optimization. The company was incorporated in 2012 and is based in North Sydney, Australia.

Target Company	Target Company Description
Merchant e-Solutions, Inc.	Merchant e-Solutions, Inc., an e-Commerce company, provides payment processing services. The company offers mobile credit card payment processing solutions through smartphones, online payment processing solutions comprising phone or mail order transactions and point-of-sale payment processing options. The company also provides a range of payment solutions for various sales channels, including e-commerce, retail, mail/telephone order, call centre, and B2B. The company was founded in 1999 and is based in Redwood City, California.
Open Objects Software Ltd.	Open Objects Software Ltd. provides digital services for the public sector specializing in social care and health in the United Kingdom. The company operates Atelus, a cloud service platform that offers a range of digital services, including information, advice, and guidance (IAG) hubs. The company was incorporated in 1998 and is based in Cambridge, United Kingdom.
RandomStorm Ltd.	RandomStorm Ltd., a network security, vulnerability management, and compliance company, focuses on providing proactive security management tools and services. It serves customers in government, retail and eCommerce, financial services, healthcare, and higher education sectors in the United Kingdom and internationally. The company was founded in 2007 and is based in Wetherby, United Kingdom.
Society6, LLC	Society6, LLC operates an online marketplace and e-commerce platform. It operates Society6, an e-commerce platform that allows users to offer art prints, framed art prints, stationary bags, tote bags, books, and gift cards. The company was founded in 2009 and is based in Santa Monica, California.
SpeedFC, Inc.	SpeedFC, Inc., together with its subsidiary, SpeedFC, S. de R.L. de C.V., provides end- to- end e- commerce services to retailers and manufacturers. The company operates as an outsourcing provider of third- party e- commerce fee- based services primarily to businesses transacting through e-commerce. The company was founded in 2000 and is headquartered in Dallas, Texas.
TouchNet Information Systems, Inc.	TouchNet Information Systems, Inc. provides campus commerce solutions for higher education institutions worldwide. It offers U.Commerce, a suite of software, services, and strategies for the control of campus transactions, costs, compliance, and constituent satisfaction. The company was founded in 1989 and is based in Lenexa, Kansas.
Track Concepts B.V.	Track Concepts B.V. provides mobile payments network that connects with various telecommunication companies globally, which offers electronic m-Payment transactions. It also operates a Customer Acquisition Platform that enables to acquire, retain, and manage customers; and provides mobile content, entertainment, and applications to consumers worldwide. The company is based in Amsterdam, the Netherlands with locations in Europe, Asia, Latin America, Africa, and Australasia.
Trunkbow International Holdings, Ltd.	Trunkbow International Holdings Limited, a mobile application enabler, provides mobile value added solutions (MVAS) technology platforms and mobile payment solutions for subscribers in the People's Republic of China. Its MVAS technology platforms enable the operators to offer mobile value added services to end-users. The company was founded in 2001 and is based in Beijing, the People's Republic of China.

Source: Capital IQ as at 20 January 2017

