

ASX Release
28 February 2018

99 Wuxian continues to see scale expansion

Hong Kong, 28 February 2018: 99 Wuxian, (ASX: NNW) (“99 Wuxian” or “the Company”), is pleased to announce its results for the 12 months ended 31 December 2017.

Highlights¹:

- Total registered user base of 73.6 million as at 31 December 2017, up 14% from 64.3 million as at 31 December 2016
- Record 211.5 million transactions completed on the platform in FY2017, up 36% from 155.7 million transaction in FY2016
- Gross Transaction Value (GTV) of RMB 13.8 billion (AUD 2.7 billion) in FY2017, slightly down 3% from RMB 14.2 billion (AUD 2.7 billion) in FY2016
- Net revenue of RMB 122.4 million (AUD 23.6 million) in FY2017, down 60% from RMB 302.3 million (AUD 58.3 million) in FY2016, due to PRC tax reform and corresponding business focus shift from sales of merchandise with revenue recognized on a gross basis to commission and service income which was previously subject to business tax but now is subject to value-added tax with revenue recognized on a net basis.
- Gross profit of RMB 77.8 million (AUD 15.0 million) in FY2017, down 26% from RMB 104.6 million (AUD 20.2 million) in FY2016
- Continuous execution of the growth strategy of increasing registered users and enhancing user engagement
- Continuous growth of the rewards redemption and employee benefit platforms
- Continuous optimization and innovation in product portfolio

99 Wuxian continued to see scale expansion in FY2017 with registered user base increasing to 73.6 million and number of transactions increasing to a record high of 211.5 million. GTV totaled to RMB 13.8 billion (AUD 2.7 billion), with a slight 3% decrease compared with FY2016 which was an effect of the increase in number of transactions and the decline in ATV in FY2017. The decline in ATV was mainly caused by telecom products’ unit price downward movement that was driven by user’s preference transition from voice service to data service, as well as lower unit price products in the joint marketing campaigns with business partners to catch up with the market preference.

The Company reported net revenue of RMB 122.4 million (AUD 23.6 million) in FY2017, decreasing from RMB 302.3 million (AUD 58.3 million) in FY2016, mainly due to the PRC tax legislation which replaces business tax with value-added tax (“VAT”). VAT is imposed at a rate of 6% on the value added portion of a company’s products sales or services. For commission and service income which was previously subject to business tax but now is subject to VAT, VAT is equal to the commission and service income (that is on a net basis, exclusive of VAT)

¹ RMB translated into AUD using the average rate of AUD/RMB 5.1813 for FY2017 and FY2016 to eliminate the exchange rate impact, except otherwise stated. The information for FY2017 has not been audited or reviewed.

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multiplied by 6%. For sales of merchandise, VAT is equal to Output VAT (revenue on a gross basis exclusive of VAT multiplied by 6%) minus Input VAT (cost exclusive of VAT multiplied by 6%). PRC still remains in a tax reform transitional period, and the rules for implementation of the tax reform have uncertainties. As a result, the Company has elected to focus on revenue generated from commissions and service with a decreased emphasis on sales of merchandise. Notwithstanding, the Company's net revenue in FY2017 was approximately comparable to the gross profit in FY2016.

The Company reported gross profit of RMB 77.8 million (AUD 15.0 million), and net loss of RMB 17.0 million (AUD 3.3 million) in FY2017. Decline in the gross profit from FY2016 to FY2017 was a result of launching joint marketing campaigns with business partners and offering promotional discounts to users to acquire more users and enhance user engagement. Apart from the decline in gross profit, net loss was also caused by a significant increase in selling expenses by RMB 30.5 million (AUD 5.9 million), a large portion of which was mainly spent on media advertising activities which the management viewed as non-recurring ones.

Summary Financials:

(see Appendix A for AUD summary financials)

RMB, 31 December year end	FY2016	FY2017 ²	Growth
Net revenue	302,315,180	122,356,221	(60%)
Gross profit	104,628,905	77,804,021	(26%)
Gross margin (%)	34.6%	63.6%	2,898bps
EBITDA	14,779,389	(1,187,924)	(108%)
PBT	(567,103)	(16,209,707)	2,758%
NPAT	(4,385,137)	(17,035,336)	288%

Key Performance Metrics:

(see Appendix A for AUD summary metrics)

RMB, except user and transaction numbers	FY2016	FY2017	Growth
Registered users	64,348,816	73,558,446	14%
Transactions	155,701,837	211,475,758	36%
Gross Transaction Value (GTV)	14,215,961,307	13,838,812,667	(3%)
Average Transaction Value (ATV)	91	65	(28%)

² FY2017 information has not been audited or reviewed.

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CEO Amalisa Zhang commented: “In FY2017, 99 Wuxian continued to implement the strategy of scale expansion, and we did make some further breakthrough like the new record high achieved in the number of transactions completed on our platform in FY2017. We have been always emphasizing the importance of scale expansion to capture more of the market and achieve certain market position for the sake of long term development.”

“The number of registered users and user engagement are two key drivers for our performance, which impact a lot on the business planning. In FY2017, we offered products with unit prices that were preferred and fully accepted by users and attractive enough to catch the eye of new users. It turned out that this arrangement was successful because the number of transactions increased greatly which represented higher user engagement and activeness. However we still have much room for improvement because the decrease in unit price impacted the GTV which experienced a slight 3% decrease from FY2016. This left us much food for thought on the product portfolio arrangement and the user engagement efforts to realize the growth in both transaction volume and transaction value.”

“99 Wuxian’s business landscape used to be composed of three businesses, which were 99 Marketplace, Incentive Cloud Service and iBenefit respectively. Now we are welcoming a new business, the insurance brokerage business into our business landscape in FY2018. In late FY2017 we invested in an insurance broking license with which we are now able to sell insurance products on our platform. In the beginning of FY2018, we are close to enter into several contracts with our insurance business partners about cooperation on the sale of insurance products. We think of this new business as a new point of growth because it will not only enrich our product mix but also strengthen our relationship with the insurance business partners on both the old and new businesses.”

Commenting on the result, Chairman Ross Benson said: “There is great growth potential in 99 Wuxian. The progress made in FY2017 and in the past a few years, sets up an enhanced foundation for our future growth. The combination of insurance and technology is an innovative idea, and we expect to create much value for the industry.”

“99 Wuxian is uniquely positioned to capture the massive market opportunities, and we have confidence that we are definitely not limited to what we are now; instead, we will keep trying and innovating to create value for our shareholders.”

Business Partner and Merchant Portfolio:

Business Partners:

The Company continues to secure valuable business partners and to expand its reach in China. So far the Company has established relationships with around 600 business partners, up from 250 business partners by 2016, reflecting the continued adoption and success of the platform.

Merchants:

The Company maintains a select universe of around 200 top-tier merchants offering high quality products and services for purchase through 99 Wuxian’s platform. The Company

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carefully manages the merchant mix, reviews the qualifications of merchants regularly to ensure high quality offerings, and actively seeks new merchants for attractive, prevailing and innovative product categories welcomed by consumers.

Divestment of Ofpay:

In FY2015, 99 Wuxian entered into a conditional agreement to acquire 100% equity interest in Jiangsu Ofpay E-commerce Limited ("Ofpay"), a leading upstream wholesaler of online transaction services and products in China. An initial payment of RMB 160 million (AUD 32.5 million³) was made to the Original Vendors funded by a non-recourse loan from Grand Ease (an associated entity of the CEO, Amalisia Zhang) for RMB 140 million (AUD 28.4 million³) under the 2015 Grand Ease Loan Agreement with a Convertible Note embedded. Deferred payments up to a maximum of RMB 297.4 million (AUD 60.4 million³) were payable, contingent upon certain performance targets being achieved ("Deferred Payments").

In FY2017, the Company completed the divestment of Ofpay, with 40% equity interest in Ofpay sold to Amalisia Zhang (actual receiver of this 40% equity interest being Tibet Yuanweihai Enterprise Management Co., Ltd., a PRC entity wholly owned by Amalisia Zhang) for consideration of RMB 200 million (AUD 40.6 million³), 35% sold to an Investment Group for consideration of RMB 175 million (AUD 35.6 million³), and 25% transferred back to the Original Vendors of Ofpay for nil consideration. The divestment was approved by the Extraordinary General Meeting ("EGM") of the Company. The settlement of the consideration was as follows:

RMB 175 million (AUD 35.6 million³) from the Investment Group: The Company received the consideration of RMB 175 million (AUD 35.6 million³) from the Investment Group and then paid it to the Original Vendors, which, alongside with the 25% equity interest in Ofpay transferred back to the Original Vendors, extinguished 99 Wuxian's conditional obligation of the deferred payments to the Original Vendors.

RMB 200 million (AUD 40.6 million³) from Amalisia Zhang: RMB 140 million (AUD 28.4 million³) Loan owe to Grand Ease was discharged and the Convertible Note embedded in it was cancelled. A Vendor Finance, in the form of a secured loan (on arms lengths terms) in the amount of RMB 40 million (AUD 8.1 million³) was issued from 99 Wuxian to Amalisia Zhang for a maximum 3 year term, secured over all of the fully paid ordinary shares on issue in 99 Wuxian held by Grand Ease, and bearing interest at the Renminbi deposit rate provided by China Merchants Bank, Hong Kong Branch plus a 50% premium. As at the end of FY2017, 99 Wuxian still had RMB 20 million (AUD 4.1 million³) consideration to be received from Amalisia Zhang.

The divestment of Ofpay generated a gain of RMB 40 million (AUD 8.1 million³) in FY2017.

³ RMB translated into AUD using the spot rate of AUD/RMB of 4.9211 as at 9 February 2018.

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The divestment of Ofpay exempted the Company from all its conditional payment obligations associated with the Ofpay acquisition deal, and enabled it to focus on its mobile commerce business in China.

Divestment of Allpay:

99 Wuxian sold all its 40% equity interest in Allpay (International) Finance Service Corporation Limited (“Allpay”), a stored value facility issuer in Hong Kong, to Dazhong (Hong Kong) International Corporation Limited (“Dazhong”) for consideration of HKD 10 million (AUD 1.6 million⁴). The disposal was successfully completed and the consideration was fully received. The disposal enabled 99 Wuxian to focus on its mobile commerce business in China.

Investment in an insurance broking license:

In FY2017, 99 Wuxian invested in an insurance broking license in China with a consideration of RMB 32 million (AUD 6.5 million³). The consideration consisted of RMB 27 million (AUD 5.5 million³) for the license and RMB 5 million (AUD 1.0 million³) for a restricted bank deposit required by the China Insurance Regulatory Commission. The investment has enabled sale of insurance premium on 99 Wuxian’s mobile commerce platform, as a combination of insurance and technology, which will both enhance the working relationship with the insurance business partners and lead to strong growth in transactions on 99 Wuxian’s platform.

Strategy and Outlook:

We firmly believe in the potential of our business, although the financial performance in FY2017 was under satisfactory due to some market reasons. The progress on increasing our number of business partners, user base, number of transactions and user engagement and activeness we made in FY2017 and in the past a few years, still set up an enhanced foundation for our future growth.

We believe the market demand is keeping increasing and driven by:

- The continuously growing of China GDP and growing e-commerce in size and as a portion of GDP
- The fast transition from e-commerce to m-commerce
- The huge demand on virtual products along with the acceleration of products and services being virtualized and people’s preference transition

In FY2018, we will continuously provide outstanding services to our business partners and apply our growth strategy:

- Developing our mobile platform, to provide better experience to our current and future business partners and users

⁴ HKD translated into AUD using the spot rate of AUD/HKD of 6.0821 as at 9 February 2018.

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- Growing more on rewards redemption programs and employee benefit programs
- Enriching our product portfolio to satisfy users' dynamic demand. Insurance products launched on our platform in FY2018 would be one of the improvements
- Improving operating efficiency and reducing marketing cost

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About 99 Wuxian Limited:

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

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

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Appendix A

Summary Financials:

AUD	FY2016	FY2017	Growth
Net revenue	58,347,703	23,615,104	(60%)
Gross profit	20,193,681	15,016,401	(26%)
<i>Gross margin (%)</i>	<i>34.6%</i>	<i>63.6%</i>	<i>2,898bps</i>
EBITDA	2,852,465	(229,273)	(108%)
PBT	(109,453)	(3,128,520)	2,758%
NPAT	(846,344)	(3,287,869)	288%

Note: RMB translated into AUD using the average rate of AUD/RMB 5.1813 for FY2017 and FY2016, to eliminate the exchange rate impact. Financial information for FY2017 has not been audited or reviewed.

Key Performance Metrics:

AUD	FY2016	FY2017	Growth
Gross Transaction Value (GTV)	2,743,721,598	2,670,930,821	(3%)
Average Transaction Value (ATV)	18	13	(28%)

Note: RMB translated into AUD using the average rate of AUD/RMB 5.1813 for FY2017 and FY2016 to eliminate the exchange rate impact.