

ASX and Media Release

29th April 2021

Appendix 4C – March 2021 Quarterly Cash Flow Report

Hong Kong, 29th April 2021: 99 Technology, ASX Code: NNT

99 Technology (or “the Company”) is pleased to provide its Appendix 4C quarterly cash flow report for the period ending 31 March 2021.

Cash flow commentary¹

The Company held cash balances totalling RMB 84.60 million (AUD 16.89 million) at the end of Q1 2021, after net cash outflows for the quarter of RMB 32.29 million (AUD 6.44 million) represented by net operating cash outflows of RMB 54.77 million (AUD 10.93 million) and net financing cash inflows of RMB 23.00 million (AUD 4.59 million).

The net cash outflows from operating activities of RMB 54.77 million (AUD 10.93 million) was predominantly caused by the late payments from business partners due to the Chinese’ Lunar New Year. The Company expects that at least RMB 80 million accounts receivables will be collected in the second quarter of 2021. The Company is making further efforts to improve its cash flows.

Item 6: Payments to related parties of the entity and associates

RMB 202,875 (AUD 41, 894) paid to Investorlink Direct Limited for the directors fees for October 2020 to December 2020 (Ryan, Benson and Woodfull) during the quarter.

No payments were made to any other related parties of the entity and associates.

The above announcement was authorised by the Board of Directors of the Company.

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¹ Figures based on management accounts that have not been audited or reviewed.

*Average RMB to AUD during Q4 2020: RMB:5.0105 = AUD: 1.0000

(Source: <http://www.safe.gov.cn/>)

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

99 TECHNOLOGY LIMITED

ARBN

164 764 729

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter RMB	Year to date 31 Mar 2021 RMB
1. Cash flows from operating activities			
1.1 Receipts from customers		741,988,199	741,988,199
1.2 Payments for			
(a) research and development		-1,036,833	-1,036,833
(b) product manufacturing and operating costs		-736,398,964	-736,398,964
(c) advertising and marketing		-31,607,945	-31,607,945
(d) leased assets			
(e) staff costs		-18,114,875	-18,114,875
(f) administration and corporate costs		-6,457,302	-6,457,302
1.3 Dividends received (see note 3)			
1.4 Interest received		143,167	143,167
1.5 Interest and other costs of finance paid		-2,250,000	-2,250,000
1.6 Income taxes paid		-1,172,271	-1,172,271
1.7 Government grants and tax incentives		137,160	137,160
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		-54,769,664	-54,769,664
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities			
(b) businesses			
(c) property, plant and equipment		-535,500	-535,500
(d) investments			
(e) intellectual property		-	-
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter RMB	Year to date 31 Mar 2021 RMB
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-535,500	-535,500

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	33,000,000	33,000,000
3.6	Repayment of borrowings	-10,000,000	-10,000,000
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	23,000,000	23,000,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	116,895,180	116,895,180
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-54,769,664	-54,769,664
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-535,500	-535,500

Consolidated statement of cash flows		Current quarter RMB	Year to date 31 Mar 2021 RMB
4.4	Net cash from / (used in) financing activities (item 3.10 above)	23,000,000	23,000,000
4.5	Effect of movement in exchange rates on cash held	14,654	14,654
4.6	Cash and cash equivalents at end of period	84,604,670	84,604,670

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter RMB	Previous quarter RMB
5.1	Bank balances	84,604,670	84,604,670
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	84,604,670	84,604,670

6.	Payments to related parties of the entity and their associates	Current quarter RMB
6.1	Aggregate amount of payments to related parties and their associates included in item 1	202,875
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end RMB	Amount drawn at quarter end RMB
7.1	Loan facilities	85,000,000	83,000,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	85,000,000	83,000,000
7.5	Unused financing facilities available at quarter end		2,000,000
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>99 Technology has entered into receivables financing contracts with several lenders to supplement its working capital, interest rates range from 6% to 18% per annum. 99 Technology pledged its accounts receivable to the lenders to guarantee repayment. Please see details of the facilities as below:</p> <p>Lender: Shenzhen Qianhaiyibainian Business Factoring Co., Ltd. Credit Limit: Revolving credits of RMB 50,000,000 Interest rate: 18% per annum Contract Period: Until 25th May 2025</p> <p>Lender: Huarui Bank Credit Limit: RMB 20,000,000 Interest rate: 6% per annum Maturity date: 29th May 2021</p> <p>Lender: Xinghe Business Factoring Co., Ltd. Credit Limit: RMB 15,000,000 Interest rate: 15% per annum Renew the contract on every 90 days</p> </div>		

8. Estimated cash available for future operating activities	RMB
8.1 Net cash from / (used in) operating activities (item 1.9)	-54,769,664
8.2 Cash and cash equivalents at quarter end (item 4.6)	84,604,670
8.3 Unused finance facilities available at quarter end (item 7.5)	2,000,000
8.4 Total available funding (item 8.2 + item 8.3)	86,604,670
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.58
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer:</p> <p>No. The significant cash outflows from operating activities in Q1 2021 were the result of COVID-19 fluctuations and late payments from business partners after Chinese Lunar New Year.</p> <p>Generally, there is a tighter collection period between 99 Technology and its business partners. 99 Technology makes prepayments to its suppliers for digital products used in its services, such as marketing and loyalty programs, rewards redemption services. Then 99 Technology collects receivable from business partners at the end of the period. When there are big projects delivered in the later part of a quarter, the receivables are normally collected in the next quarter. The gap between these prepayments and receivable collections caused net cash outflows in operating activities for the quarter.</p> <p>In the first quarter of FY2021, 99 Technology delivered services together with a significant amount of digital products to one of the major banks in China after advancing sums up to RMB 80 million for the project. By the end of Q1 2021, a major bank settled a RMB 40 million payment with the remainder of RMB 41.5 million to be processed in the second quarter of FY2021 as per the settlement schedule. These expected cash inflows will improve company's net operating cash flow in the next quarter.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer:</p> <p>99 Technology generates accounts receivable from business partners, i.e. financial institutions such as banks and insurance companies in China. Those financial institutions have high credibility and excellent reputation in making payments to 99 Technology as evidenced by our past ten years' business cooperation. As at 31 March 2021, 99 Technology held accounts receivable of RMB 121.6 million, which will be received according to usual payment terms. In Q2 2021, 99 Technology expects that at least RMB 80 million accounts receivable will be collected.</p> <p>The Company has entered into business factoring contracts, bank and other loan funding agreements with several lenders to supplement working capital.</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, 99 Technology has 10 years business history in the evolving China market and has developed a strong long-term relationship with those large and reputable financial institutions. Even in the weak economy caused by the COVID-19 in FY2020, 99 Technology maintained business growth and achieved significant increases in both revenue and gross profit.


The management of 99 Technology has made a corresponding strategic development plan to secure the company's sustainable progress.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29th April 2021

Authorised by: 
(Name of body or officer authorising release – see note 4)

Notes

1. The definitions in, and provisions of, IAS 7: Statement of Cash Flows applies to this report except for any additional disclosure requirements requested by IAS 7 that are not already itemised in this report.
2. The Company has adopted accounting policies that comply with International Financial Reporting Standards (IFRS) and the figures in this report are prepared in accordance with all applicable IFRS. The figures disclosed in the report are in Chinese Renminbi (RMB), the official currency of The People's Republic of China, which is the functional currency of the Company.
3. 99 Technology has entered into business factoring contracts, bank and other loan funding agreements with several lenders to supplement its working capital. 99 Technology has pledged its accounts receivable to guarantee repayment. More details about the financing facilities are disclosed in Item 7.
4. 99 Technology continues to maintain a focussed and disciplined approach to cash flow management and growth of the cloud delivered services whilst actively pursuing a range of financing options to support the growth of this business segment over the long term.