

Quarterly Activities Report - June 2021

Highlights

- **Chairman's Address to AGM**
- **Strong resilience and operational ability under weak market sentiment**
- **Strategic positioning review completed**
- **Granted Aggregated Payment Qualification**
- **Change of name to 99 Loyalty Limited (ASX:99L)**

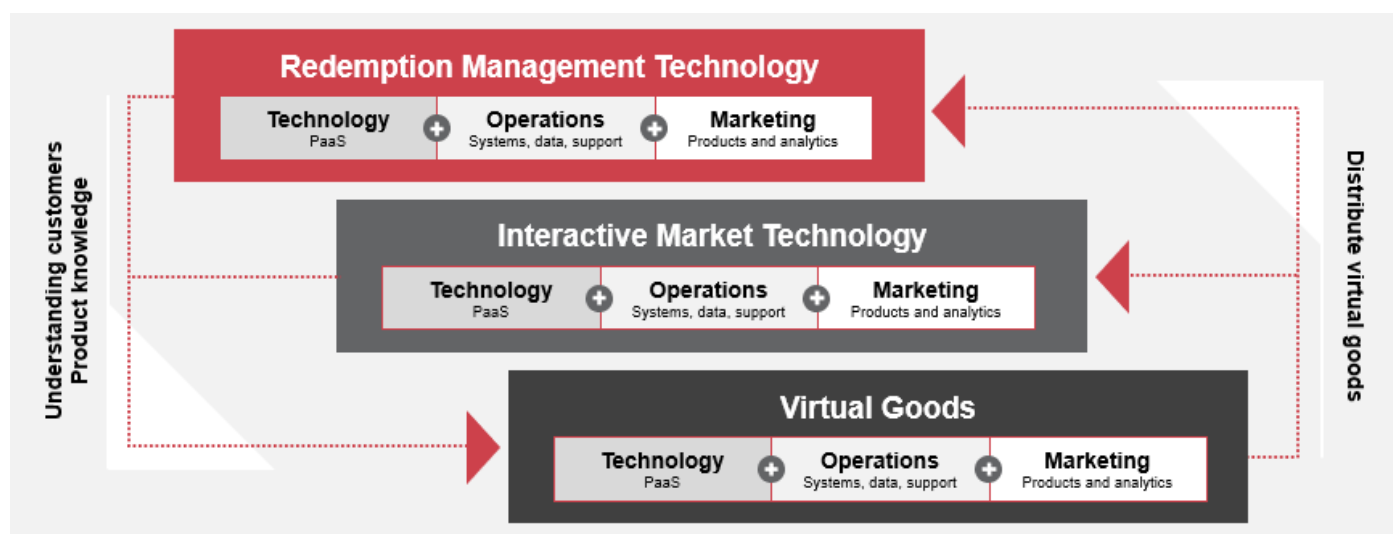
99 Loyalty Limited (ASX: 99L) (**99 Loyalty Technology** or the **Company**) is pleased to provide an update on activities for the period ending 30 June 2021.

Chairman's Address to the AGM

Chairman Mr. Ross Benson addressed the AGM on 25 June 2021.

99 Loyalty Technology is very proud to be able to deliver the platform and insights that enables China's leading banks and insurance companies to enhance customer loyalty and win new business.

99 Loyalty Technology is a business to business (B2B) enterprise technology solution with >200 enterprise clients. It delivers the "technology behind the scenes", integrating seamlessly into our client's own ecosystem. This allows users to interact in the client's ecosystem as per normal, with an enhanced experience. The enterprise client benefits from access to a full suite of technology services – everything from security to analysis to virtual goods.



Our Redemption Management Technology helps clients acquire and retain customers through loyalty programs. 99 Loyalty Technology provides the technology platform to manage rewards points, manage points redemptions, and the sourcing and delivery of rewards within the client's own digital assets. This service is predominantly used by Chinese banks.

Our Interactive Marketing Technology helps clients acquire and retain customers through interactive marketing campaigns. 99 Loyalty Technology provides the technology platform that includes drawing customers into the client's app, gamification of app activities, and the sourcing and delivery of rewards for that activity. This service is predominantly used by Chinese insurance companies. Importantly 99 Loyalty Technology is also licensed to use its technology platform for brokering insurance policies in China.

The sustained growth in mobile internet use in China has completely shifted the battleground for China's banks and insurers. Our highly synergistic service lines produce a significant amount of data that leads to an access advantage for 99 Loyalty Technology across all service types.

Virtual Goods

Virtual goods are non-physical objects that include digital coupons, e-vouchers, credits, in-game items, and virtual currency. China's virtual goods market is one of the world's largest and fastest growing. Consumer demand has led to virtual goods becoming a powerful "marketing currency" that service providers may use to enhance customer acquisition and retention. This led to the emergence of third-party platform operators, acting as a "gateway" that sources virtual goods with scale advantage and distributes virtual goods via a technology platform (such as a loyalty rewards program) seamlessly inside the mobile app of a client.



Leisure & Entertainment

Membership credits and in-app currencies to access streams (music, TV, live sport etc)



Games

In-game items such as upgrades, unlock characters, virtual accessories, outfits, game levels etc



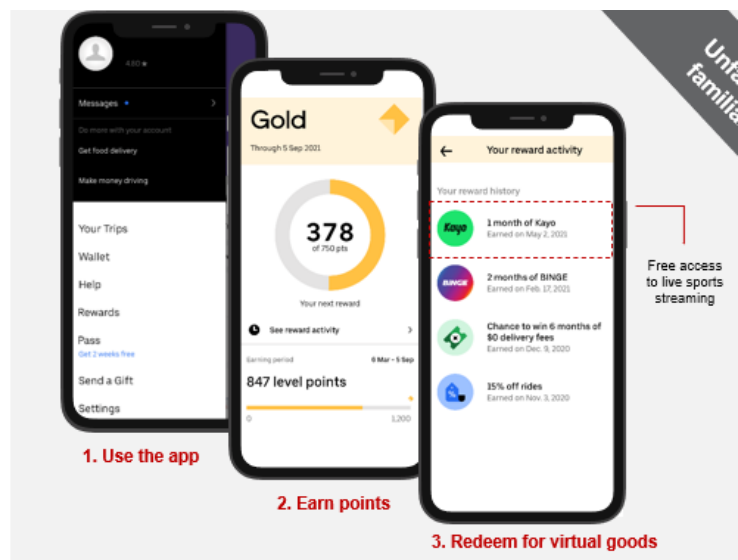
Telecommunications

Top-up credits (talk and data)



Lifestyle

Digital coupons for restaurants, hotels, and shops

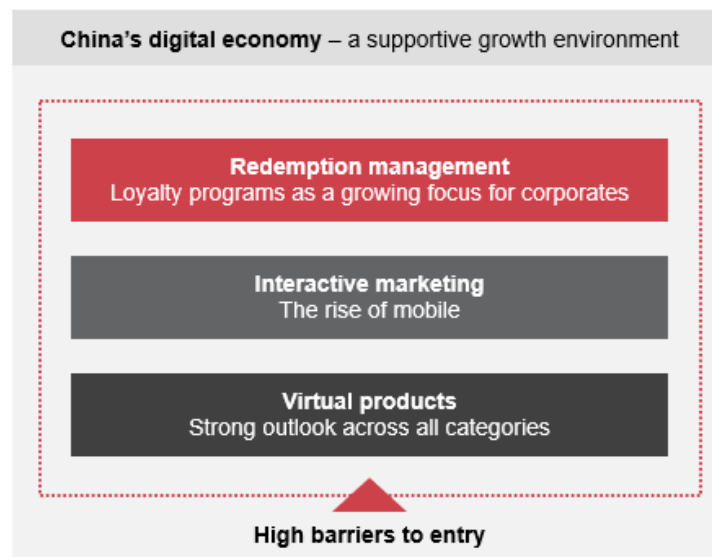


Market Opportunity

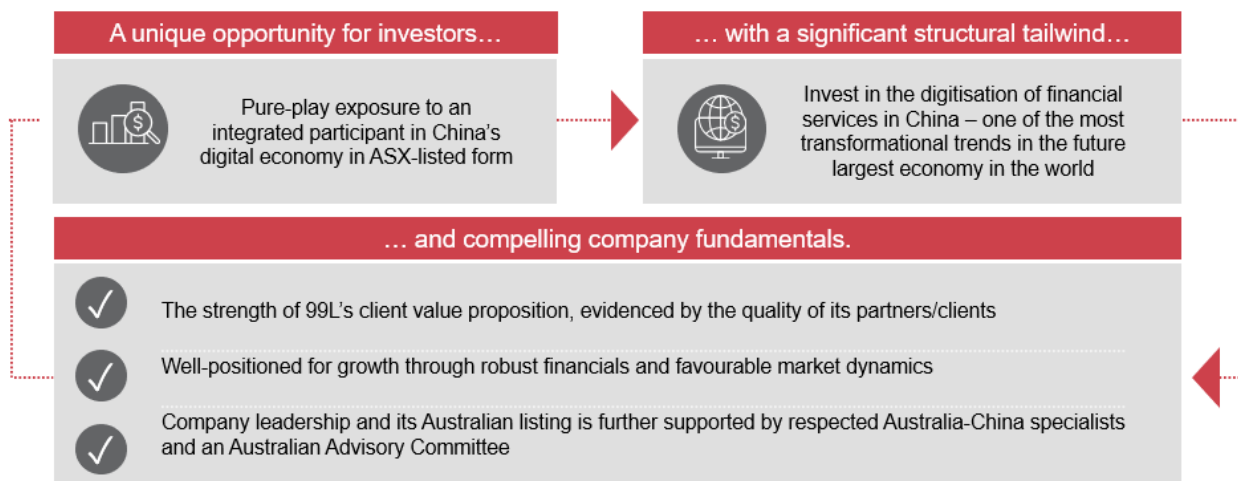
The fundamentals supporting 99 Loyalty Technology's core businesses are highly attractive. Smartphone usage in China has been growing steadily over the past five years and is forecast to continue. China's overall digital economy is poised to deliver continued growth with strong public policy support.

99 Loyalty Technology has established long-term relationships with the major financial services companies in China and is a proven specialist in engaging with partners in the finance sector. The Company has built a strong track record for execution capability and security which has gained the trust of its enterprise client base.

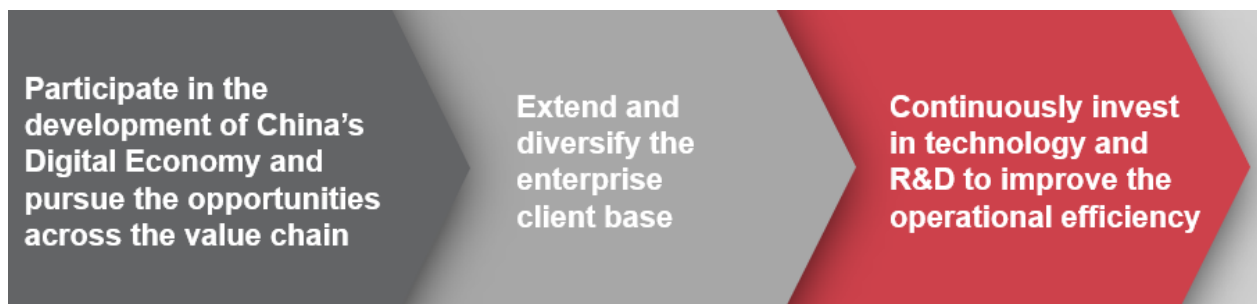
The company also has a full suite of patents, copyrights, qualifications, and licenses (over 180 in total) to operate in China across a range of technologies and activities.



Investment Highlights



Growth Strategy and Road Map



99 Loyalty Technology is looking to participate in the development of China's Digital Economy and pursue opportunities across the value chain. The team in China is actively studying the trends of China's Digital Economy development and participating in the construction of digital life ecosystems for enterprise clients and their consumers.

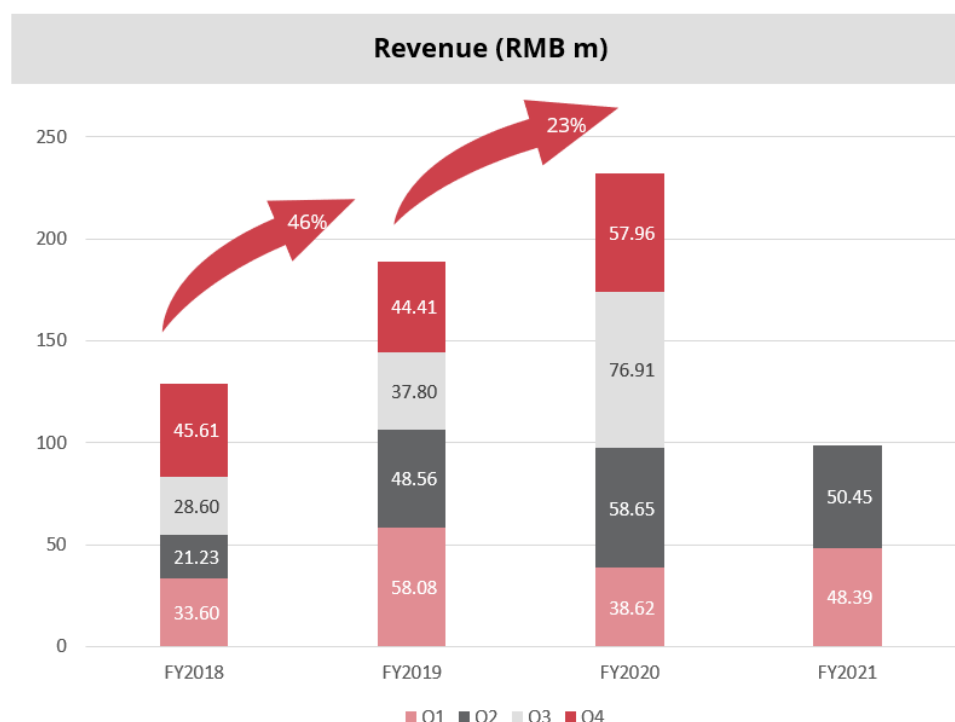
Our team continues to extend and diversify the enterprise client base across China. We are consistently attracting more enterprise clients with their evolving demands for customer satisfaction, as we assist in achieving their loyalty marketing goals. We continuously provide best-fit solutions and services integrated with "Technology + Operation + Marketing".

99 Loyalty Technology is committed to investing in technology and R&D to improve operating efficiency and fulfill the demands of our enterprise clients. As we monitor the technology trends we will look to augment our capabilities with new technology to better serve our enterprise client's needs.

We remain focused on further broadening the scope of our virtual products with financial products, building on the success already seen with the use of insurance products. The Company will continue to design and introduce the latest financial products into the product portfolio for use in our redemption management and marketing technology services.

Financial performance¹ update

The Company reported revenue for Q2 2021 of RMB 50.45 million (AUD 10.14 million) an increase of 4.26% on Q1 2021. This brings 1H 2021 revenue to RMB 98.84m, up 1.61% on 1H 2020. 2Q EBITDA loss of RMB 7.18 million (AUD 1.44 million). The Company had a cash balance of RMB 50.69 million (AUD 10.19 million) as of 30 June 2021.



A\$10.14m
in Revenue
(Q2 2021)

A\$9.91m
in Gross Profit
(Q2 2021)

-A\$1.44m
in EBITDA
(Q2 2021)

A\$10.19m
in Cash
(30 June 2021)

Commentary on Financial Performance

As outlined in the Q1 2021 Quarterly Report, after strong activity in 2020, the Company's enterprise clients' (i.e. large banks and insurers) have remained cautious in loyalty and management activities due to the introduction of new financial regulatory policies in China. Since the beginning of 2021, the Chinese government has issued more than 330 economic and financial policies to prevent systemic financial risks, which applied more restrictions and strict regulations on financial institutions, especially banks and insurance companies. While the more stringent regulatory environment heightens barriers to entry in the financial services loyalty technology sector, a long-term benefit to 99L's established relationships and execution capabilities, it has served to temporarily dampen revenue growth in 1H 2021, an already seasonally weaker half for operating performance.

¹ Figures based on management accounts that have not been audited or reviewed. Using average exchange rate during 2021 Q2, AUD/RMB= 4.9744 to eliminate the exchange rate impact. (Source: <http://www.safe.gov.cn/>)

In order to adapt to the regulatory policies in the financial sector and changes to market demands, the Company has rapidly developed its insurance brokerage services by focusing on marketing and channel development to enhance this business. Insurance brokerage services is a fast growing virtual good category with lower working capital requirements than many other virtual goods and has already delivered strong growth for the company. Total insurance brokerage revenue increased from just RMB 37.3 million in FY2019 to RMB 89.4 million in FY2020, an increase of 139%. In the first half of FY2021, insurance brokerage services revenue has already reached RMB 70.1 million, 78% of the total insurance brokerage revenue in FY2020.

Strategic Positioning Review and Change of Name

99 Loyalty Technology reviewed the current positioning of the business in the market. The key components of the review included:

- Segment in which it operates;
- Principal category; and
- Key product and or service function.

The purpose of the review was to ensure customers of the business and CDI holders have a clear understanding of the business.

The company is pleased to confirm the following:

- *Segment:* Loyalty Management.
- *Principal category:* Loyalty Technology Services Provider.
- *Key Functions of the Company's products and services:*
 - To assist Business Partners (B2B) to acquire and retain their customers.
 - The increase revenue of our Business Partners.
 - To assist Business Partners to attract and retain employees.

“China’s Leading (B2B) Loyalty Technology Services Provider in financial services”

Granted Aggregated Payment Qualification

Post the end of the quarter, 99 Loyalty Technology was pleased to announce that its affiliated company Shanghai Handpal Information Technology Services Co., Ltd., has completed all regulatory requirements and officially obtained an Aggregated Payment Qualification (**APQ**) granted by the Payment & Clearing Association of China¹. As at the date of the APQ being granted, there are only 170 enterprises in China that meet the qualification of an aggregated payment technology service.

The granting of the APQ showcases 99 Loyalty Technology's financial and technological service capability, reliability and data security integrity which has been built and demonstrated during its interaction with the complex demands of major financial institutions and government regulators. 99 Loyalty Technology continues to build on its outstanding track record in financial services technology, research & development and payment solutions.

¹ Source: Payment & Clearing Association of China, is a self-regulatory organization of China payment and settlement service industry. The Association was founded on 2011 and subjected to the supervision and management of the people's Bank of China

A number a requisite regulatory and compliance conditions were required in order for this Qualification to be granted. Significant qualification criteria were required to obtain the Certification III of Information Security Protection, which represents the highest standard of information security management ability in China.

The process of satisfying all of the necessary regulatory and compliance obligations which resulted in 99 Loyalty Technology being granted the APQ took approximately 14 months to complete.

After the granting of the APQ, 99 Loyalty Technology will now have an expanded suite of services to apply with our enterprise clients including helping them to integrate more payment gateways, enrich payment methods, enhance their user payment experience and of course, increase user loyalty. 99 Loyalty Technology will be able to assist our enterprise clients to solve the persistent problem of repeated reconciliations across different payment channels.

Aggregated Payment Qualification²

Aggregated payment: also known as integrated payment, refers to payment services which are engaged in payment, settlement and clearance services.

Whilst relying on the payment channels and clearing and settling capabilities of banks, non-bank institutions or clearing organisations, the Company's own Aggregated Payment Qualification can provide our enterprise clients with an integrated payment channel, collective reconciliation, error handling, financial service guidance, member account servicing, operation process software servicing, and operation and maintenance services.

The APQ service platform, including terminal provision and maintenance, can reduce the cost and expenditure faced by enterprise clients when accessing and maintaining payment and settlement services, improve the operation efficiency of merchant payment and settlement systems, and collection payment services with value-added income.

Corporate

Change of Name to 99 Loyalty Limited

As approved by the shareholders at the Extraordinary General Meeting held on 24 May 2021, the Company was pleased to advise that the company name, 99 Technology Limited, has now been changed as follows:

From: 99 Technology Limited

To: **99 Loyalty Limited**

For Australian Securities Exchange (ASX) purposes, the effective date of the change to the company name was Monday, 7 June 2021. On that date the ASX code will change as follows:

From: NNT

To: **99L**

² Source: Payment & Clearing Association of China <http://www.pcac.org.cn/>

CLSA Engagement

99 Loyalty Technology was pleased to announce the engagement of CLSA Australia Pty Ltd ("CLSA") as exclusive Financial and Capital Markets Advisor to the Board and Management.

CLSA and its Hong Kong listed parent, CITIC Securities, is Asia Pacific's largest integrated investment bank and securities firm, with more than 1,400 investment bankers across the Asia Pacific region. Globally, CLSA's network spans 21 offices across Asia, Australia, Europe and the United States. CLSA Leverages its dominant position to provide clients with unparalleled access to corporates, investors and Government bodies in China and across Asia Pacific.

Cash flow commentary³

The Company held cash balances totaling RMB 50.69 million (AUD 10.19 million) at the end of Q2 2021, after net cash outflows for the quarter of RMB 33.91 million (AUD 6.82 million) represented by net operating cash outflows of RMB 28.93 million (AUD 5.82 million), and net financing cash outflows of RMB 5 million (AUD 1.01 million).

The Company has significantly improved its cash flows from operating activities over the quarter with outflows falling from RMB 54.77m (AUD 11.01 million) in Q1 2021 to RMB 28.93 million (AUD 5.82 million) in Q2 2021. This improvement was predominantly due to the expanding use of insurance brokerage services which has lower working capital requirements versus other virtual goods. This allowed for an increased net of receipts from customers and payments for products manufacturing and operating costs.

As insurance brokerage services are still in a nascent stage of market development various marketing and channel inputs are required to expand this business segment. The resulting investment in advertising and marketing of RMB 34.72 million (AUD 6.98 million) caused the negative cash flows in operating activities this quarter.

Related Party Payments

RMB 210,857 (AUD 42,388) paid to Investorlink Direct Limited for the directors' fees for Jan 2021 to March 2021 (Ryan, Benson and Woodfull) during the quarter. No payments were made to any other related parties of the entity and associates.

-ENDS-

Released with authority of the board.

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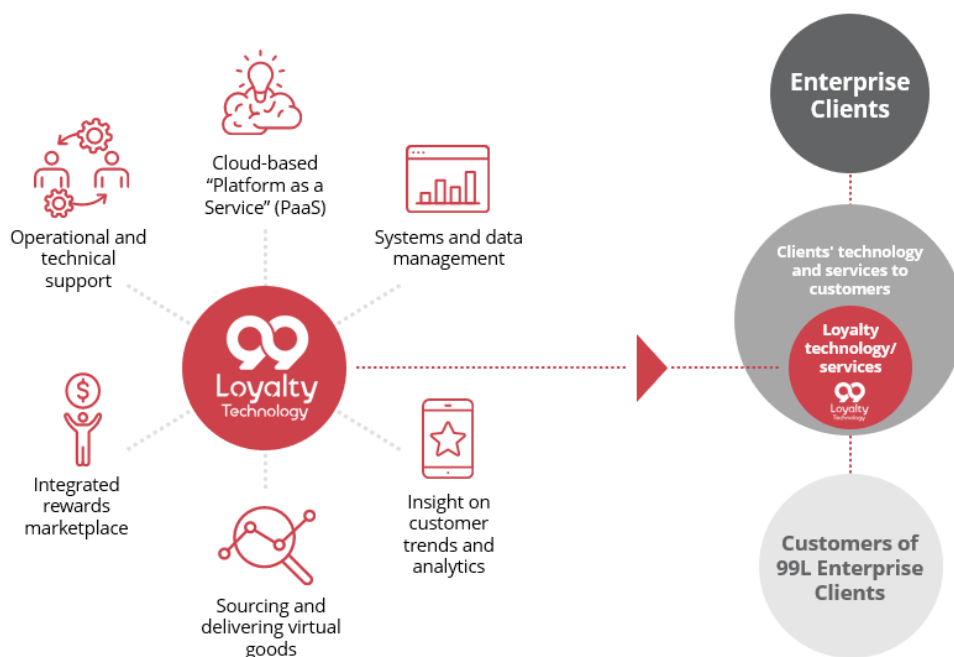
+61 402 539 380

³ Figures based on management accounts that have not been audited or reviewed. Average RMB to AUD during Q2 2021: RMB:4.9744 = AUD: 1.0000
(Source: <http://www.safe.gov.cn/>)

About 99 Loyalty

99 Loyalty Technology delivers the platform and insights that enables China's leading banks and insurance companies to enhance customer loyalty and win new business.

99 Loyalty Technology is a business to business (B2B) enterprise technology solution with greater than 200 enterprise clients. It delivers the “technology behind the scenes”, integrating seamlessly into the client's own ecosystem. This allows users to interact in the client's ecosystem as per normal, with an enhanced experience. The enterprise client benefits from access to a full suite of technology services – which includes from security to full analysis, virtual goods and payments.



Appendix 4C

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

Name of entity

99 LOYALTY LIMITED

ARBN

164 764 729

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter RMB	Year to date 30 Jun 2021 RMB
1.	Cash flows from operating activities		
1.1	Receipts from customers	560,617,080	1,302,605,279
1.2	Payments for		
	(a) research and development	-1,262,940	-2,299,773
	(b) product manufacturing and operating costs	-535,353,620	-1,271,752,583
	(c) advertising and marketing	-34,372,184	-65,980,130
	(d) leased assets		
	(e) staff costs	-13,590,658	-31,705,534
	(f) administration and corporate costs	-4,520,837	-10,978,139
1.3	Dividends received (see note 3)		
1.4	Interest received	42,253	185,420
1.5	Interest and other costs of finance paid	-2,778,333	-5,028,333
1.6	Income taxes paid	-108,358	-1,280,629
1.7	Government grants and tax incentives	2,400,000	2,537,160
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	-28,927,597	-83,697,261
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		

Consolidated statement of cash flows		Current quarter RMB	Year to date 30 Jun 2021 RMB
	(c) property, plant and equipment	-12,035	-547,535
	(d) investments		
	(e) intellectual property	-	-
	(f) other non-current assets		
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	-12,035	-547,535

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	40,000,000	73,000,000
3.6	Repayment of borrowings	-45,000,000	-55,000,000
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	-5,000,000	18,000,000

Consolidated statement of cash flows		Current quarter RMB	Year to date 30 Jun 2021 RMB
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	84,604,670	116,895,180
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-28,927,597	-83,697,261
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-12,035	-547,535
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-5,000,000	18,000,000
4.5	Effect of movement in exchange rates on cash held	24,935	39,589
4.6	Cash and cash equivalents at end of period	50,689,973	50,689,973

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	50,689,973	50,689,973
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)	50,689,973	50,689,973

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	210,857
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

7.	Financing facilities	Total facility amount at quarter end RMB	Amount drawn at quarter end RMB
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	80,000,000	78,000,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	80,000,000	78,000,000
7.5	Unused financing facilities available at quarter end		2,000,000
7.6	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>99 Loyalty has entered into receivables financing contracts with several lenders to supplement its working capital, interest rates range from 12% to 18% per annum. 99 Loyalty 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: RMB 50,000,000 Interest rate: 18% per annum Contract Period: Until 25th May 2025</p> <p>Lender: Nanpingyingjie Business Factoring Co., Ltd. Credit Limit: RMB 20,000,000 Interest rate: 12.5% per annum Renew the contract on every 180 days</p> <p>Lender: Xinghe Business Factoring Co., Ltd. Credit Limit: RMB 10,000,000 Interest rate: 15% per annum Renew the contract on every 90 days</p>		

8.	Estimated cash available for future operating activities	RMB
8.1	Net cash from / (used in) operating activities (item 1.9)	-28,927,597
8.2	Cash and cash equivalents at quarter end (item 4.6)	50,689,973
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)	52,689,973
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.82
<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?	
<div>Answer:</div> <div>No. The Company is making great efforts to improve its cash flows. The situation of net operating cash flows has been significantly improved compared with the results in last quarter. The amount of cash outflows reduced from RMB 54.77 million in Q1 to RMB 28.93 million in this quarter, also the estimated quarters of funding available (Item 8.5) has increased from 1.58 to 1.82.</div> <div>The Company provides loyalty management services for the major banks in China and advances payments for the projects. By the end of Q2 2021, the outstanding amount of a big project with a major bank is more than RMB 40 million and according to the payment terms, the payment will be received in the next quarter. Together with other accounts receivables being collected in the Q3, the Company's operating cash flow is expected to be improved further.</div>		
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?	
<div>Answer:</div> <div>The Company has entered into business factoring contracts, bank and other loan funding agreements with several lenders to supplement working capital. In Q2, the Company has signed a new factoring contract with Nanpingyingjie Business Factoring Co., Ltd (See item 7.6) with a credit limit of RMB 20 million.</div> <div>The Company's sales and accounting departments reconcile and settle the accounts with enterprise clients on regular basis to make sure that the payments could be collected within the accounting period to support Company's operating cash flow.</div>		

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 Loyalty has more than 10 years successful business experience 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 Loyalty maintained business growth and achieved significant increases in both revenue and gross profit.

The management of 99 Loyalty 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:30 July 2021.....

Authorised by:Board of Directors.....
(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 Loyalty has entered into business factoring contracts, bank and other loan funding agreements with several lenders to supplement its working capital. 99 Loyalty has pledged its accounts receivables to guarantee repayment. More details about the financing facilities are disclosed in Item 7.
4. 99 Loyalty 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.