

## Quarterly Activity Report - September 2021

### Highlights

- Revenue for Q3 2021 of RMB 59.61 million (AUD 12.53 million) an increase of 18.16% compared with Q2 2021
- Rapid business growth in insurance brokerage offset by a weaker operating environment due to recent regulations aimed at preventing systemic financial risks
- Successful cost control and operating efficiency resulted in a cash balance of RMB 61.33 million (AUD 12.89 million) as of 30 September 2021 a 21% increase compared to the balance as at 30 June 2021

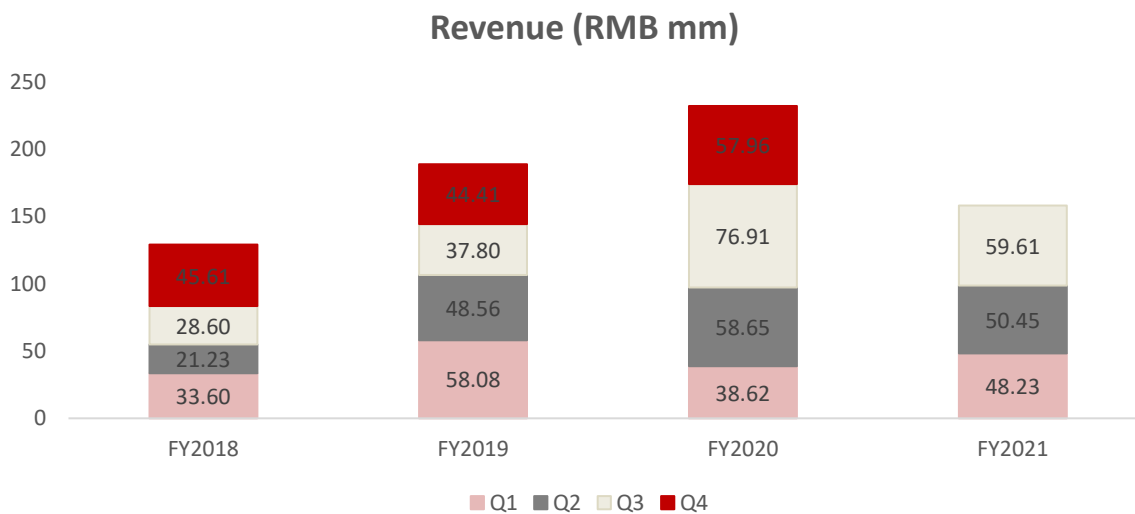
99 Loyalty Limited (ASX: 99L) (**99 Loyalty Technology** or the **Company**) is pleased to provide an update on activities for the period ending 30 September 2021.

### Financial performance<sup>1</sup> update

The Company reported revenue for Q3 2021 of RMB 59.61 million (AUD 12.53 million), an increase of 18.16% compared with Q2 2021. This brings the 2021 Year to Date revenue to RMB 158.29 million, representing 69% of total revenue in FY2020. The Company had a cash balance of RMB 61.33 million (AUD 12.89 million) as of 30 September 2021.

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<sup>1</sup> Figures based on management accounts that have not been audited or reviewed.



**A\$12.53m**  
in Revenue  
(Q3 2021)

**A\$11.15m**  
in Gross Profit  
(Q3 2021)

**-A\$0.57m**  
in EBITDA  
(Q3 2021)

**A\$12.89m**  
in Cash  
(30 September 2021)

\*Using average exchange rate during 2021 Q3, AUD/RMB= 4.7582 to eliminate the exchange rate impact.  
(Source: <http://www.safe.gov.cn/>)

## Commentary on Financial Performance

- **Rapid business growth in insurance brokerage segment.** The impact of the COVID-19 pandemic created concerns and heightened awareness relating to health and other “insurable risks”, stimulating the demand on insurance-related products. At this point in time, China’s insurance penetration is only about 4.5%, much lower than other countries, leaving significant potential for future market development.

To respond to the changes in the financial sector and adapt to market demands, the Company continued to develop its insurance brokerage services. In Q3 2021 revenue generated from insurance brokerage services increased to RMB 42.87million from RMB 36.93 million in Q2, representing an increase of 16%. The year to date revenue from insurance brokerage services has risen above the total full year revenue in this segment in FY2020.

- Compared with the financial results of Q3 2020, the Company reported a revenue decline of 22.5% and a 20.9% decline in gross profit, which was mainly due to:

✓ **Government executed policies and practices aimed at preventing systemic financial**

**risks.** A series of regulatory and restrictive measures introduced in 2021 has resulted in subdued market conditions. The Company's enterprise clients' (i.e. large banks and insurers) remained cautious in loyalty and marketing activities putting more emphasis on risk control rather than the marketing activity.

- ✓ **Slower consumer activity resulted less demand for marketing campaigns.** Throughout this year, China has retained control over the COVID-19 epidemic. However with the small-scale recurrences of the epidemic in some cities and other domestic policy initiatives consumer spending has been measured resulting in enterprise clients also reducing their marketing and loyalty management activities.

### Cash flow commentary<sup>2</sup>

The Company held a cash balance totaling RMB 61.33 million (AUD 12.89 million) at the end of Q3 2021, which represented a 21% increase compared to the balance in the last quarter. The net cash contributed by operating activities improved from RMB -28.93 million in the Q2 2021 to RMB 1.63 million in this quarter. The positive cash flow from operating activities also contributed to the turnaround of net cash flow for this quarter, which reached the amount of RMB 10.64 million. The Company is pleased with the progress in operational efficiency.

### Related Party Payments

RMB 210,291 (AUD 44,195) paid to Investorlink Direct Limited for the directors fees from April to June 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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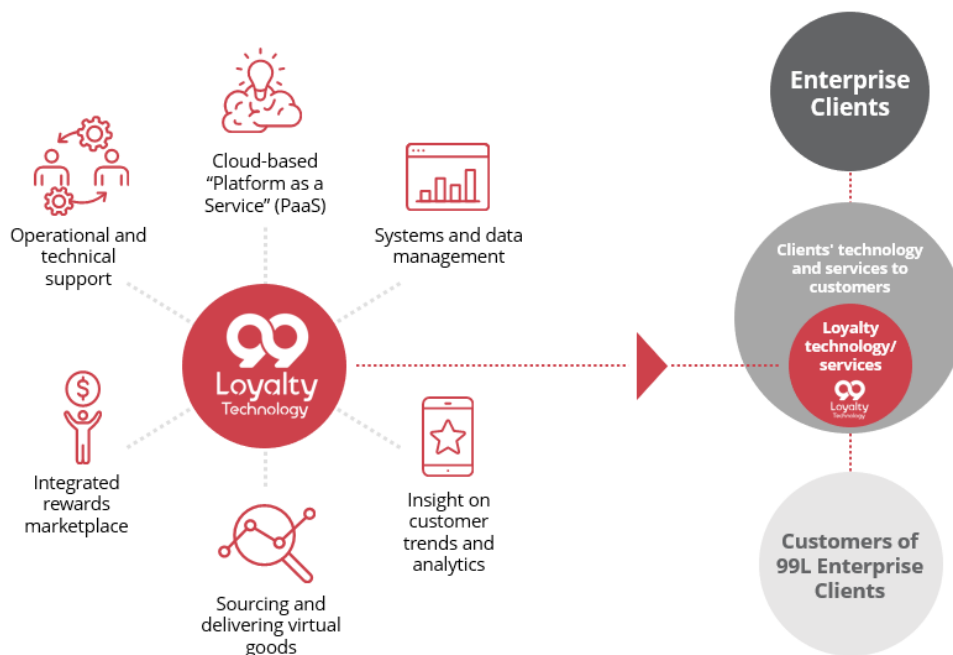
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<sup>2</sup> Figures based on management accounts that have not been audited or reviewed.

## 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

**ABN**

164 764 729

**Quarter ended ("current quarter")**

September 2021

Consolidated statement of cash flows	Current quarter RMB	Year to date 30 Sep 2021 RMB
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	510,856,026	1,813,461,306
1.2 Payments for		
(a) research and development	-1,202,096	-3,501,869
(b) product manufacturing and operating costs	-453,827,629	-1,725,580,212
(c) advertising and marketing	-33,290,924	-99,271,054
(d) leased assets		
(e) staff costs	-11,006,757	-42,712,290
(f) administration and corporate costs	-6,237,215	-17,215,353
1.3 Dividends received (see note 3)		
1.4 Interest received	31,889	217,309
1.5 Interest and other costs of finance paid	-3,611,389	-8,639,722
1.6 Income taxes paid	-125,283	-1,405,912
1.7 Government grants and tax incentives	40,000	2,577,160
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,626,622</b>	<b>-82,070,639</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		

Consolidated statement of cash flows		Current quarter RMB	Year to date 30 Sep 2021 RMB
	(c) property, plant and equipment		-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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>0</b>	<b>-547,535</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	24,000,000	97,000,000
3.6	Repayment of borrowings	-15,000,000	-70,000,000
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>9,000,000</b>	<b>27,000,000</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter RMB</b>	<b>Year to date 30 Sep 2021 RMB</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	50,689,973	116,895,180
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,626,622	-82,070,639
4.3	Net cash from / (used in) investing activities (item 2.6 above)		-547,535
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,000,000	27,000,000
4.5	Effect of movement in exchange rates on cash held	14,166	53,755
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>61,330,761</b>	<b>61,330,761</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter RMB</b>	<b>Previous quarter RMB</b>
5.1	Bank balances	<b>61,330,761</b>	<b>50,689,973</b>
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>61,330,761</b>	<b>50,689,973</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter RMB</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	<b>210,291</b>
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.*

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end RMB</b>	<b>Amount drawn at quarter end RMB</b>
7.1	Loan facilities	89,000,000	87,000,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	<b>89,000,000</b>	<b>87,000,000</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>2,000,000</b>
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> <p>99 Loyalty has entered into receivables financing contracts with several lenders to supplement its working capital, interest rates range up 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 25<sup>th</sup> 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> <p>Lender: Bank of Communications Credit Limit: RMB 4,000,000 Interest rate: 4% per annum</p>		



8.	Estimated cash available for future operating activities	RMB
8.1	Net cash from / (used in) operating activities (item 1.9)	1,626,622
8.2	Cash and cash equivalents at quarter end (item 4.6)	61,330,761
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)	63,330,761
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
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.		
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?	
Answer: N/A		
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?	
Answer: N/A		
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: N/A		
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: .....29<sup>th</sup> October 2021.....

Authorised by: .....Board of Directors.....  
(Name of body or officer authorising release)

#### 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.