



## **Full Year Results Presentation**

**28 February 2022**

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# Result Highlights



The Company is pleased to provide the FY2021 financial results:

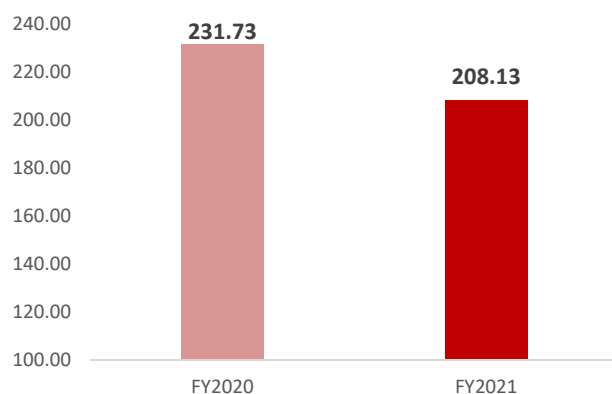
	Increase/Decrease	FY2021		FY2020	
		RMB: mm	AUD: mm	RMB: mm	AUD: mm
Revenue	-10%	208.13	42.95	231.73	47.82
Gross Profit	-10%	207.05	42.72	231.05	47.67
EBITDA	-165%	-48.17	-9.94	73.95	15.26
Net Profit	-335%	-74.23	-15.32	31.56	6.51

Note: RMB translated into AUD using the average rate of AUD/RMB 4.8464 for the period 1 January 2021 to 31 December 2021.  
The financial results for FY2021 is in the process of being audited

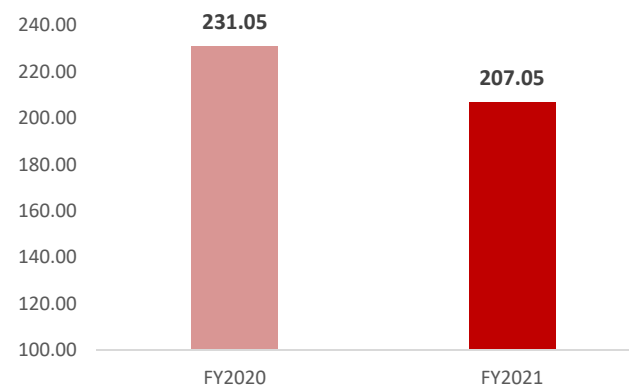
# Financial Overview



## • Revenue (RMB: mm)



## • Gross Profit (RMB: mm)



## • Commentary

Strong insurance related revenue growth due to the low insurance penetration rate in China and the increased consumer awareness of the need for risk protection and insurance products.

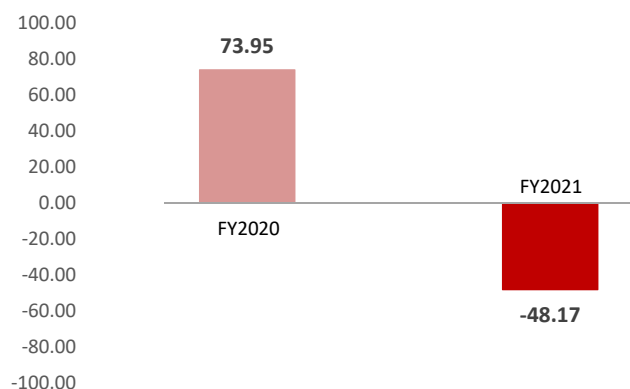
However, the Company's Revenue and Gross Profit decreased by 10%. This was primarily driven by:

- The lockdown responses to Covid-19 and its variants have impacted different cities in China, resulting in a low consumer demand. Many enterprises suffered a heavy loss, among which the Company is relatively less affected.
- The growth rate of China's GDP was dropping down to 4% in Q4, from 4.9% in Q3, 7.9% in Q2, and 18.3% in Q1.
- China's industry restructuring impacted China's macro-economy and financial risk control measures led the Company's enterprise clients to being cautious in loyalty and marketing activities. This lowered the Company revenues.

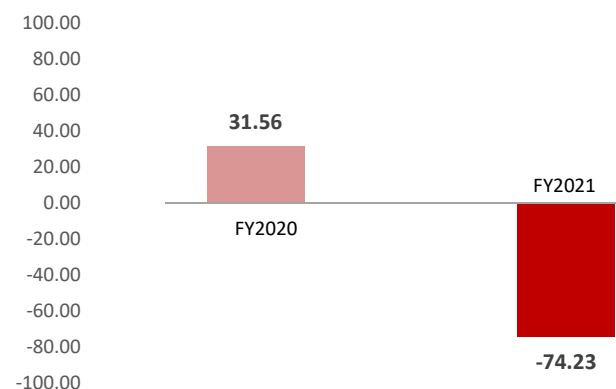
# Financial Overview



## • EBITDA (RMB: mm)



## • Net Profit (RMB: mm)



## • Commentary

EBITDA decreased by RMB 122.12 million, resulting in a net loss of RMB 74.23 million, which is primarily driven by:

- The Company's business was negatively affected by poor market conditions and national regulatory control over enterprise clients - financial institutions. This affected the Company's business and reduced revenues.
- The Company extended and diversified enterprise clients and expanded its sales channels for the rapidly growing insurance brokerage services, resulting in a significant increase in sales and distribution expenses.
- An accounting treatment to record a provision of an impairment loss of RMB 36.38 million on trade receivables due to the restructuring of payment terms, and an accounting treatment to record a provision of an impairment loss of RMB 16.23 million on intangible assets and goodwill due to the reductions in the Company's revenues and the fluctuation of China's economy.

# Summary Profit and Loss



	RMB millions		AUD millions <sup>1</sup>		Change
31 December year end	FY2020	FY2021 <sup>2</sup>	FY2020	FY2021 <sup>2</sup>	(%)
<b>Revenue</b>	<b>231.7</b>	<b>208.1</b>	<b>47.8</b>	<b>42.9</b>	<b>-10%</b>
<b>Gross profit</b>	<b>231.0</b>	<b>207.0</b>	<b>47.7</b>	<b>42.7</b>	<b>-10%</b>
<i>margin (%)</i>	<i>100%</i>	<i>99%</i>	<i>100%</i>	<i>99%</i>	<i>1%</i>
Selling expenses (excluding D&A)	(145.3)	(180.0)	(30.0)	(37.1)	<b>24%</b>
Administration expenses (excluding D&A)	(51.9)	(49.8)	(10.7)	(9.6)	<b>-11%</b>
Other revenue	5.5	4.9	1.1	1.0	<b>-11%</b>
Other gains and losses	34.7	(33.7)	7.2	(7.0)	<b>-197%</b>
<b>EBITDA</b>	<b>73.9</b>	<b>(48.2)</b>	<b>15.3</b>	<b>(9.9)</b>	<b>-165%</b>
<i>margin (%)</i>	<i>32%</i>	<i>-23%</i>	<i>21%</i>	<i>-25%</i>	<i>-44%</i>
D&A	(12.6)	(10.9)	(2.6)	(1.6)	<b>-14%</b>
Net interest expense	(14.8)	(14.5)	(3.1)	(3.0)	<b>-2%</b>
<b>PBT</b>	<b>46.5</b>	<b>(73.6)</b>	<b>9.6</b>	<b>(15.2)</b>	<b>-258%</b>
Tax	(14.9)	(0.6)	(3.1)	(0.1)	<b>-96%</b>
<b>NPAT</b>	<b>31.6</b>	<b>(74.2)</b>	<b>6.5</b>	<b>(15.3)</b>	<b>-335%</b>
<i>margin (%)</i>	<i>14%</i>	<i>-36%</i>	<i>7%</i>	<i>-36%</i>	<i>-43%</i>

Note: 1. RMB translated into AUD using the average rate of AUD/RMB 4.8464 for FY2020 and FY2021 to eliminate the exchange rate impact.

2. Financial information has not been audited or reviewed.

# Summary Balance Sheet



	RMB millions		AUD millions <sup>1</sup>	
31 December year end	FY2020	FY2021 <sup>2</sup>	FY2020	FY2021 <sup>2</sup>
Cash and cash equivalents	117.5	27.8	25.4	6.0
Trade and other receivables	496.1	403.9	107.3	87.4
Inventory	0.2	5.4	0.0	1.2
Intangible assets	66.1	49.9	14.3	11.4
Property, plant and equipment	16.4	10.8	3.5	1.8
Loan receivables	-	-	-	-
Other assets	8.0	5.8	1.7	1.3
<b>Total assets</b>	<b>704.2</b>	<b>503.6</b>	<b>152.4</b>	<b>109.0</b>
Trade and other payables	227.9	121.1	49.3	26.2
Bank and other loans	94.6	89.0	20.5	19.3
Other liabilities	28.9	15.1	6.3	3.3
<b>Total liabilities</b>	<b>351.5</b>	<b>225.1</b>	<b>76.0</b>	<b>48.7</b>
<b>Net assets</b>	<b>352.7</b>	<b>278.5</b>	<b>76.3</b>	<b>60.3</b>
Share capital	313.7	313.7	67.9	67.9
Reserves	39.0	(35.2)	8.4	-7.6
<b>Total equity</b>	<b>352.7</b>	<b>278.5</b>	<b>76.3</b>	<b>60.3</b>

## • Commentary

- Cash and cash equivalents of RMB 27.8 mm
  - Made deposits, purchased inventories and settled liabilities
- Trade and other receivables of RMB 403.9 mm
  - Receivables from leading financial institutions
  - An impairment loss of RMB 36.4 mm due to the restructuring of payment terms
- Intangible assets of 49.9 mm
  - An impairment loss of 12.8 mm due to the reduction in the Company's revenues
- Trade and other payables decreased by 47% and debt-to-asset ratio decreased by 10.4%
  - Well settled liabilities
  - Lowered financial risks

Note: 1. The spot rate of AUD/RMB 4.6220 as at 31 December 2021 is used for both FY2020 and FY2021 to eliminate the exchange rate impact.

2. Financial information has not been audited or reviewed.

# Summary Cash Flow



	RMB millions		AUD millions <sup>1</sup>	
31 December year end	FY2020	FY2021 <sup>2</sup>	FY2020	FY2021 <sup>2</sup>
EBITDA	73.9	(48.2)	15.3	(9.9)
Interest received	0.8	0.2	0.2	0.1
Income taxes paid	(0.2)	(5.1)	(0.1)	(1.1)
Movement in working capital	(52.9)	(2.2)	(10.9)	(0.5)
<b>Cash flow from operations</b>	<b>21.7</b>	<b>(58.4)</b>	<b>4.5</b>	<b>(12.1)</b>
Decrease(Increase) in pledged deposit	10.0	0.0	2.1	0.0
Repayment from a director	40.0	0.0	8.3	0.0
Purchases of PP&E and additions of intangible assets	(0.2)	(1.5)	(0.0)	(0.3)
<b>Cash flow from investing</b>	<b>49.8</b>	<b>(1.5)</b>	<b>10.3</b>	<b>(0.3)</b>
Proceeds from borrowings	84.1	72.7	17.3	15.0
Repayment of borrowings	(114.2)	(81.9)	(23.6)	(16.9)
Interest paid	(15.6)	(14.8)	(3.2)	(3.1)
Acquisition of additional interests in a subsidiary	0.0	0.0	0.0	0.0
Repayment of principal portion of the lease liabilities	(6.2)	(5.9)	(1.3)	(1.2)
<b>Cash flow from financing</b>	<b>(52.0)</b>	<b>(29.9)</b>	<b>(10.7)</b>	<b>(6.2)</b>
Net increase (decrease) in cash	19.5	(89.8)	4.0	(18.5)
Opening cash balance	93.1	112.5	19.2	23.2
Effect of foreign exchange rate changes	(0.1)	0.0	(0.0)	0.0
<b>Closing cash balance</b>	<b>112.5</b>	<b>22.8</b>	<b>23.2</b>	<b>4.7</b>

## • Commentary

- Operating activities:
  - A cash loss because of a decrease in revenues, an increase in inventory, deposits, and sales expenses for expanding sales channels and extending client base
- Investing activities:
  - A cash loss due to the cost of new assets higher than the sale amount of old assets
- Financing activities:
  - A cash loss due to repayments of borrowings more than proceeds of borrowings, however, the figure improved compared to it in FY2020

Note: 1. RMB translated into AUD using the average rate of AUD/RMB 4.8464 for FY2020 and FY2021 to eliminate the exchange rate impact.

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## FY2022 Outlook



- China's 14th five year plan and the Central Economic Work Conference (held in December 2021) set an upbeat tone for the China's economic development in FY2022 with sustainable economic growth being targeted alongside economic stability. To achieve these goals the Chinese government and related parties intend to encourage the development of markets and enterprises with a full range of policy tools including fiscal and financial levers.
- Conditions for the continued strong growth of the online insurance sector remain highly favourable. China's insurance penetration is currently at 4.30%, well below the global average of 5.40%. Advanced economies such as the UK and US have 9.9% and 7.3% insurance penetration rates respectively. Within the broader insurance market we estimate that in 2020 only 6.6% of the total premium's collected in China were through online platforms and sale channels. We expect this to increase substantially in the years ahead given the already extensive use of smart phones and consumer expectations for online financial services interaction.
- New financial regulations favour established and leading industry providers. Since 2021, the China Banking and insurance Regulatory Commission (CBIRC) successively issued new regulations to protect consumers and bring about more orderly growth and development for the sector. We expect a concentration and rationalisation of the industry structure leading to 99 Loyalty Technology, as a licensed insurance brokerage service provider, positioned to benefit from the new regulatory environment.
- 99 Loyalty Technology expects Insurance Brokerage Services to drive group revenue growth in future years. This is due to the significant growth outlook for insurance products, the capital efficiency required for 99 Loyalty Technology to access this growth, and previously outlined challenges facing the Loyalty and Marketing Services business on account of recently introduced financial regulations, Covid-19 impacts, and general economic conditions. We look forward to strong growth from Insurance Brokerage Services being augmented with a recovery in Loyalty and Marketing Services as conditions normalise.

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