

Quarterly Activities Report - March 2022

Highlights

- 99 Loyalty Technology continued its insurance expansion strategy through adding more insurance institutions onto the insurance platform, the addition of new agents and continued growth in the use by existing agents. The company developed 43 new insurance institutions and agents in Q1
- Demand for the Company's virtual insurance goods was also fueled by increased consumer awareness for risk protection and insurance products due to Covid-19
- Insurance brokerage related revenues exhibited strong quarterly growth of 30%
- Strict Covid-19 lockdown measures in key Chinese cities negatively impacted the Company's overall operating environment, with total revenues and gross profit softening compared to the previous quarter
- As of 31 March 2022, the Company's Cash balance was RMB 32.35 million (AUD 7.02 million)

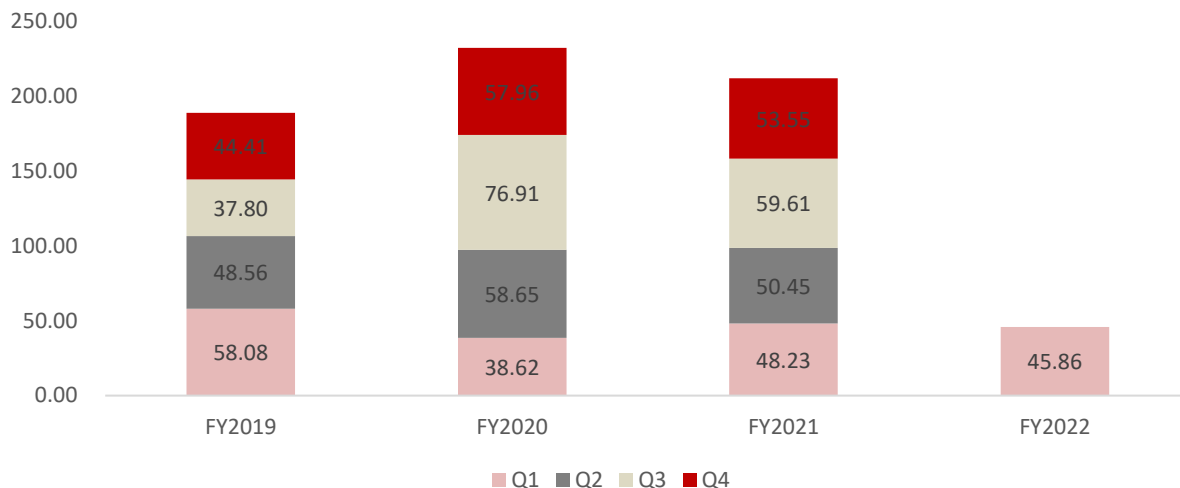
99 Loyalty Limited (ASX: 99L) (**99 Loyalty Technology** or the **Company**) is pleased to provide an update on activities for the period ending 31 March 2022.

Financial Performance¹ Update

For Q1 2022, the Company reported RMB 45.86 million (AUD 9.96 million) in revenues and RMB 45.21 million (AUD 9.82 million) in gross profit, both of which are 5% lower when compared to Q1 2021. The Company maintained cash balances of RMB 32.35 million (AUD 7.02 million) as of 31 March 2022, up by 17% compared to the last quarter.

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

Revenue (RMB mm)



A\$9.96m	A\$9.82m	-A\$2.84m	A\$7.02m
in Revenue	in Gross Profit	in EBITDA	in Cash
(Q1 2022)	(Q1 2022)	(Q1 2022)	(31 March 2022)

FY2022 Figures based on management accounts that have not been audited or reviewed

*Using average exchange rate during 2022 Q1, AUD/RMB= 4.6051 to eliminate the exchange rate impact.

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

Commentary on Financial Performance

The insurance related revenues realized a 30% YOY growth in Q1 2022:

- Growth over the quarter in insurance platform by adding more insurance institutions and agents, and more usage by existing agents. The company developed 43 new insurance institutions and agents in Q1
- Increased consumer awareness for risk protection and insurance products due to Covid-19 lockdown measures which encouraged the use of online platforms for the distribution of insurance products, thus fueling demand for the virtual insurance goods offered via 99 Loyalty Technology's online platform.

Group revenue experienced a 5% decline in Q1 2022:

- Significant Covid-19 lockdown measures in Xi'an, Shenzhen, Shanghai and other key cities have been restraining economic activity. In early 2022, the Chinese government implemented stricter policy measures to control the spread of the highly contagious Omicron Variant.
- The Company has been negatively impacted by this response. Consumer confidence has declined resulting in lower spending, both online and offline. Consequently, the Company's enterprise clients continue to reduce their loyalty and marketing budgets. In addition, exploring new business opportunities has been difficult without face-to-face meetings.

Cash Flow Commentary²

The Company held cash balances of RMB 32.35 million (AUD 7.02 million) as of 31 March 2022. The improved cash flow from operating activities was a managed outcome as the Company improved the collection process of account receivables.

-ENDS-

Released with authority of the board.

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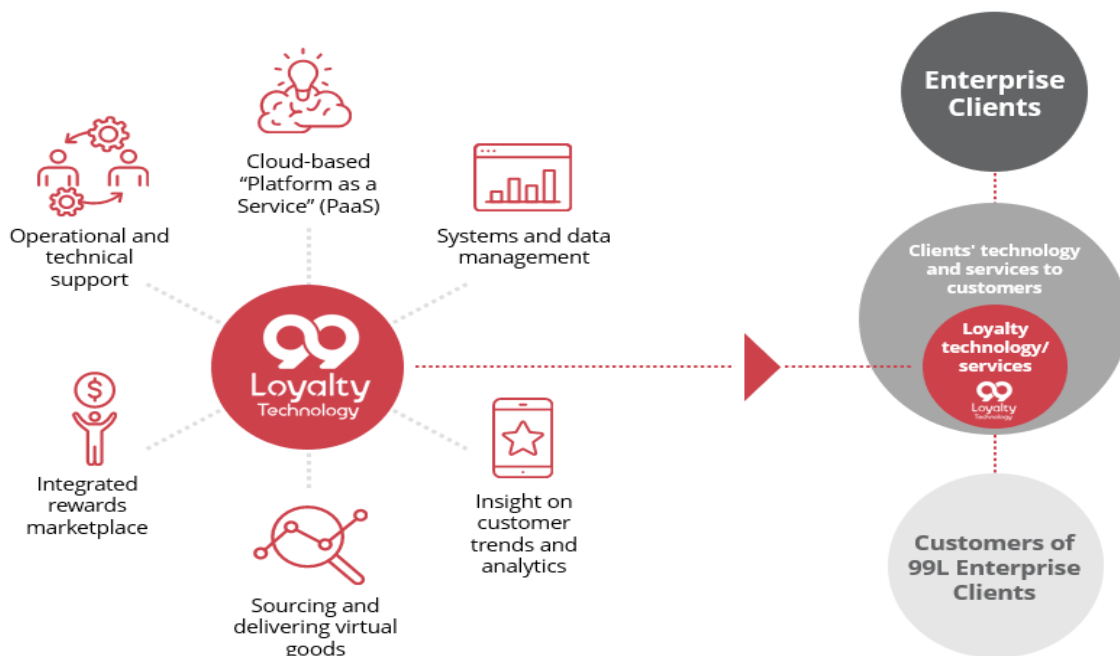
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² Figures based on management accounts that have not been audited or reviewed.

About 99 Loyalty

99 Loyalty Technology delivers a 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 ranges from security to full analysis, virtual goods and payments.



99 Loyalty Technology's 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.

99 Loyalty Technology's 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.

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")

March 2022

Consolidated statement of cash flows	Current quarter RMB	Year to date 31 Mar 2022 RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	422,465,313	422,465,313
1.2 Payments for		
(a) research and development	-713,291	-713,291
(b) product manufacturing and operating costs	-357,242,105	-357,242,105
(c) advertising and marketing	-40,892,882	-40,892,882
(d) leased assets		
(e) staff costs	-12,793,485	-12,793,485
(f) administration and corporate costs	-3,087,224	-3,087,224
1.3 Dividends received (see note 3)		
1.4 Interest received	18,532	18,532
1.5 Interest and other costs of finance paid	-3,107,361	-3,107,361
1.6 Income taxes paid	-256,138	-256,138
1.7 Government grants and tax incentives	91,259	91,259
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	4,482,618	4,482,618
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 31 Mar 2022 RMB
	(c) property, plant and equipment	-190,000	-190,000
	(d) investments		
	(e) intellectual property	-	-
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) 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	-190,000	-190,000

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	24,000,000	24,000,000
3.6	Repayment of borrowings	-23,700,000	-23,700,000
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	300,000	300,000

Consolidated statement of cash flows		Current quarter RMB	Year to date 31 Mar 2022 RMB
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27,751,026	27,751,026
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,482,618	4,482,618
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-190,000	-190,000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	300,000	300,000
4.5	Effect of movement in exchange rates on cash held	6,112	6,112
4.6	Cash and cash equivalents at end of period	32,349,756	32,349,756

5.	Reconciliation of cash and cash Equivalents	Current quarter RMB	Previous quarter RMB
	At the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	32,349,756	32,349,756
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)	32,349,756	32,349,756

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	
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 <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>	Total facility amount at quarter end RMB	Amount drawn at quarter end RMB
7.1 Loan facilities	78,000,000	73,000,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	78,000,000	73,000,000
7.5 Unused financing facilities available at quarter end		5,000,000
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 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 25th May 2025</p> <p>Lender: Nanpingyingjie Business Factoring Co., Ltd. Credit Limit: RMB 9,000,000 Interest rate: 10% per annum Renew the contract on every 180 days</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> <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)	4,482,618
8.2	Cash and cash equivalents at quarter end (item 4.6)	32,349,756
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	32,349,756
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<p><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></p>		
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: N/A</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: N/A</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?	
<p>Answer: N/A</p>		
<p><i>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.</i></p>		

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 April 2022.....

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 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.