

Quarterly Activities Report - September 2022

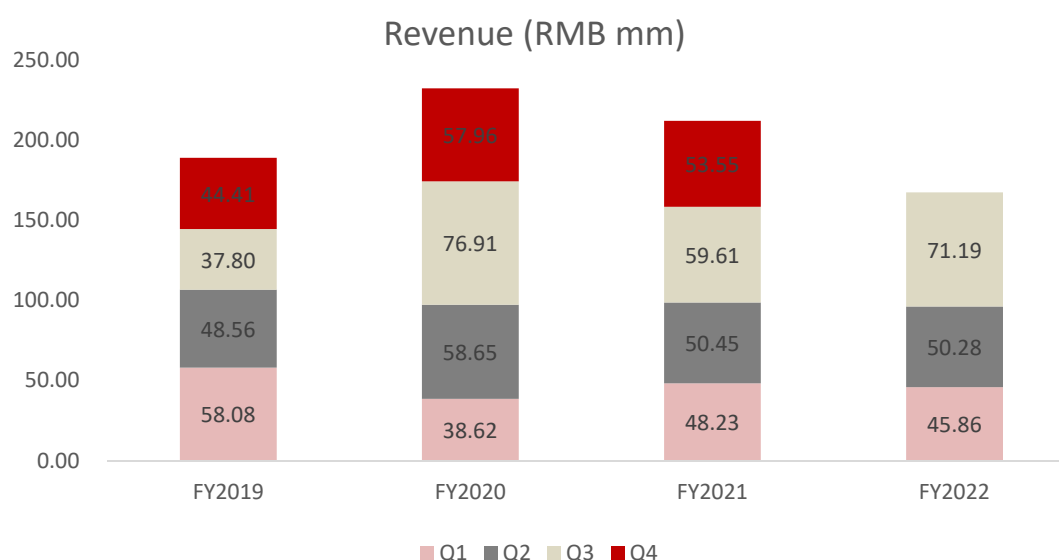
Highlights

- 19% growth in group revenue in Q3 FY2022 compared to Q3 FY2021.
- Insurance brokerage related revenue experienced 34% YOY growth in Q3 FY2022, and accounted for 81% of total revenue.
- A slight recovery in loyalty and Marketing Services in Q3 FY2022 compared to first two quarters in this year due to the relief of lockdown and supporting macro policies introduced in late Q2 FY2022.
- An improvement in cash balance to RMB 34.66 million as of September 30 2022.

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 2022.

Financial Performance¹ Update

The Company reported RMB 71.19 million (AUD 15.23 million) of revenue in Q3 2022, which was 19% higher than the previous corresponding period (PCP) in Q3 2021. The Company maintained cash balances of RMB 34.66 million (AUD 7.49 million) as of September 30 2022.



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

| | | | |
|------------|-----------------|-----------|---------------------|
| A\$15.23m | A\$14.37m | -A\$1.17m | A\$7.49m |
| in Revenue | in Gross Profit | in EBITDA | in Cash |
| (Q3 2022) | (Q3 2022) | (Q3 2022) | (30 September 2022) |

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

*Using average exchange rate during 2022 Q3, AUD/RMB= 4.6744 to eliminate the exchange rate impact.

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

Commentary on Financial Performance

Revenue in Q3 2022 experienced 19% growth versus Q3 2021

- Consistently rapid business growth in insurance brokerage segment.** The insurance brokerage revenue was 57.53 million in Q3 2022, a 34% higher than the revenue (42.88 million) in Q3 2021. The revenue generated from insurance insurance-related business services contributed approximate 81% of total revenue to the group.
 - Growth over the quarter in insurance brokerage sector by strengthening relationship with existing business partners, and making efforts to explore more insurance institutions and distributors. The Company developed 49 new insurance institutions and distributors to its platform in Q3.
 - Stimulated by COVID-19 pandemic, people's concerns and awareness for risk protection were consistently strengthened. People become more upfront about confronting risks and are more willing to acquire the insurance services. Through the continuous expansion of insurance platforms, products and the improvement of service quality, the Company seized more market opportunities.
- Slight recovery arises with RMB 13 million secured in Loyalty and Marketing Services business.** The revenue generated from Loyalty and Marketing Services increased from RMB 1.96 million in Q2 2022 to RMB 13.74 million in this quarter, which was primary due to:
 - The enterprise clients' activeness on loyalty and marketing services are highly influenced by the fluctuations of the situation of epidemic control. In Q3, the Company's headquarters, Shanghai was gradually restoring the production and living orders from the completely locked down. The Company's major enterprise clients' online and offline

demands for marketing and loyalty management seems slightly increased, which resulted in the revenue improvement.

- A package of supporting macro policies to steady economy was introduced in the late of Q2 2022. Those financial rescue policies relieved the financial pressure of small and medium-sized enterprises and rebuilt the market confidence to some extent under the weak market environment. In Q3 2022, China's GDP had a 3.9% YOY growth, which brought the economic growth in the first three quarters to 3.0%. Although the GDP growth is lower than the previous expectations, the positive growth is still ahead of the other major economies worldwide. This is a sign of a recovery of production and consumption confidence to the market.

Cash Flow Commentary²

The Company held cash balances of RMB 34.66 million (AUD 7.49 million) as of 30 September 2022. The cash provided by operating activities improved from RMB -16.12 million (AUD -3.45 million) in the second quarter to RMB 10.95 million (AUD 2.36 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 15.42 million (AUD 3.33 million). The Company is pleased with the progress in operational efficiency.

Related Party Payments

RMB 204,525 (AUD 43,754) was paid to Investorlink Direct Limited for the directors' fees from January to March 2022 (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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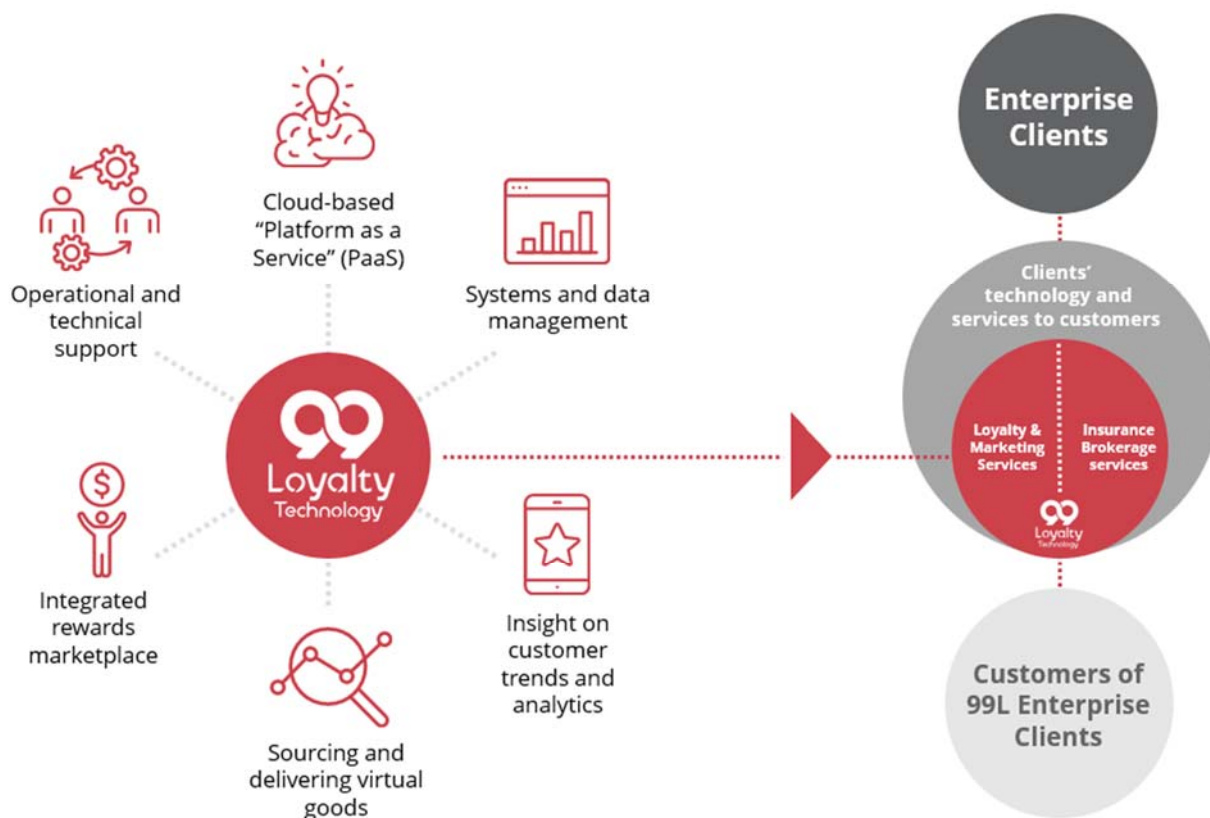
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² Figures based on management accounts that have not been audited or reviewed.

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 Insurance Brokerage Services allows the Company to leverage its extensive relationships with insurance companies to source market leading insurance products, transform them into virtual goods for use on our proprietary online Insurance Broking platform, and distribute them via our network of agents. Our Insurance Brokerage Services benefit all parties from the platform’s efficiency, convenience, transparency, cost and scale. The Company generates revenue by receiving commission from insurance companies on all transactions that are completed via our platform.

99 Loyalty Technology’s Loyalty and Marketing Services helps clients acquire and retain customers through providing one-stop technology services and system solutions, including program design, platform access, technology and operations support, execution of rewards points redemption, delivery of virtual products and customized marketing scenes, and activities. These service are predominantly used by Chinese banks and Chinese insurance companies.

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 2022

| Consolidated statement of cash flows | Current quarter RMB | Year to date 30 Sept 2022 RMB |
|---|--------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 345,408,190 | 1,056,700,373 |
| 1.2 Payments for | | |
| (a) research and development | -894,796 | -1,996,484 |
| (b) product manufacturing and operating costs | -259,816,155 | -861,467,792 |
| (c) advertising and marketing | -56,460,743 | -142,516,222 |
| (d) leased assets | | |
| (e) staff costs | -9,248,800 | -32,460,561 |
| (f) administration and corporate costs | -5,031,897 | -10,845,693 |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 19,010 | 57,842 |
| 1.5 Interest and other costs of finance paid | -3,130,417 | -8,954,528 |
| 1.6 Income taxes paid | | -265,803 |
| 1.7 Government grants and tax incentives | 105,822 | 1,062,591 |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | 10,950,214 | -686,277 |
| 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 Sept 2022 RMB |
|---|---|--------------------------------|--|
| | (c) property, plant and equipment | | -190,000 |
| | (d) investments | | |
| | (e) intellectual property | -58,832 | -58,832 |
| | (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 | -58,832 | -248,832 |

| | | | |
|-------------|---|------------------|------------------|
| 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 | 36,500,000 | 88,500,000 |
| 3.6 | Repayment of borrowings | -32,000,000 | -8,0700,000 |
| 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 | 4,500,000 | 7,800,000 |

| Consolidated statement of cash flows | | Current quarter RMB | Year to date 30 Sept 2022 RMB |
|---|--|--------------------------------|--|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 19,235,297 | 27,751,026 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 10,950,214 | -686,277 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | -58,832 | -248,832 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,500,000 | 7,800,000 |
| 4.5 | Effect of movement in exchange rates on cash held | 29,757 | 40,519 |
| 4.6 | Cash and cash equivalents at end of period | 34,656,436 | 34,656,436 |

| 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 | 34,656,436 | 19,235,297 |
| 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) | 34,656,436 | 19,235,297 |

| 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 | 204,525 |
| 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 | 80,500,000 | 80,500,000 |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (please specify) | | |
| 7.4 Total financing facilities | 80,500,000 | 80,500,000 |
| 7.5 Unused financing facilities available at quarter end | | 0 |
| 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. | | |

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:

Lender: Shenzhen Qianhaiyibainian Business Factoring Co., Ltd.

Credit Limit: RMB 50,000,000

Interest rate: 18% per annum

Contract Period: Until 25th May 2025

Lender: Nanpingyingjie Business Factoring Co., Ltd.

Credit Limit: RMB 9,500,000

Interest rate: 12.5% per annum

Renew the contract on every 180 days

Lender: Xinghe Business Factoring Co., Ltd.

Credit Limit: RMB 15,000,000

Interest rate: 15% per annum

Renew the contract on every 90 days

Lender: Bank of China

Credit Limit: RMB 3,000,000

Interest rate: 4% per annum

Lender: Industrial and Commercial Bank of China

Credit Limit: RMB 3,000,000

Interest rate: 4% per annum

| 8. | Estimated cash available for future operating activities | RMB |
|-----------|--|---|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | 10,950,214 |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 34,656,436 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 0 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 34,656,436 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | N/A |
| | <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 style="border: 1px solid black; height: 20px; width: 100%;"></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?

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?

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: 26 October 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.