



LemSec

Licensed Securities Dealers
AFS Licence No. 296877

99wuxian.com (NNW)

- Existing company operating in China involved in m-commerce [mobile phone commerce].
- Company has exclusive with from Handpay m-commerce applications that are 'white labeled' by Chinese banks.
- M-commerce is the delivery of electronic commerce capabilities direct to consumers, typically through mobile phone or handheld
- 99wuxian.com is entitled to a percentage of spending on all transactions made by clients

Key Company Highlights

- At 31/3/13 company had 19,772,658 customers and significant revenue (see p81 of prospectus).
- There were 1.1 billion mobile phone users in China in 2012 which gives growth opportunity
- At IPO value the 20m customers are valued at around \$20 which is substantially below value used on other similar listed companies

Value Drivers

- IPO offer is for 50,000,000 CDIs (shares) at \$0.40
- If maximum is raised then there will be 1,024,569,500 shares on issue and around 94% will be escrowed.
- Around 48% of shares are owned by or under control of board members

Financial Highlights *(refer to pages 80 – 84)*

Unaudited Pro-forma Statement of Financial Position as at 31 May 2013

	Extract from unaudited accounts converted to A\$ (Note 1)	Pro-forma with Minimum Subscription A\$ (Note 2)	Pro-forma with Maximum Subscription A\$ (Note 3)
Non-current assets			
Intangible assets (Note 4)	-	9,918,763	9,918,763
Current assets			
Other receivables	79,958	79,958	79,958
Cash and bank balances	6,737,135	9,732,749	15,775,344
	6,817,093	9,812,707	15,855,302
Current liabilities			
Other payables	-	-	-
Net current assets	6,817,093	9,812,707	15,855,302
Net total assets	6,817,093	19,731,470	25,774,065
Non-current liabilities			
Deferred tax liability	-	1,477,263	1,477,263
Net assets	6,817,093	18,254,207	24,296,802
Capital and reserves			
Share capital	130,954	135,459	137,629
Accumulated losses	(20,450)	(285,951)	(284,503)
Share premium reserve	6,706,589	18,404,699	24,443,676
Total equity attributable to owners of 99wuxian	6,817,093	18,254,207	24,296,802

Summary

Date: 26/08/2013
 IPO Price: \$0.40
 Listing Date: 8 Oct 2013
 Market Cap: \$400m
 Cash at Hand: \$6.8m before IPO

Fundraising Type

IPO (Speculative, High risk)

Board and Management

Ross Benson, Chairman
 Ms Amalizia Zhang, CEO + Director
 David Chen, Executive Director
 YongKuan Duan, Independent Director
 Simon Green, Independent Director
 Tony Groth, Independent Director

LemSec Team

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Lead Manager

Novus Capital Ltd



Company Overview

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What Does the company do?

99wuxian.com is a mobile online marketplace operating within the mobile payment gateways of major banks, telcos and other financial institutions (Business Partners).

99wuxian provides B2B connections so that Merchants in China can access the customer base of Business Partners. 99wuxian, Merchants and Business Partners will jointly promote Merchants goods to the customers of Business Partners by using the gateways provided by the APPs of the Business Partners

What is the Technology 99wuxian uses?

The main business of the 99wuxian Group is derived from the exclusive Handpay Services Agreement between 99wuxian and Handpay. This venture operates and maintains Handpay's mobile online marketplace, 99wuxian.com.

The Handpay Services Agreement between 99wuxian and Handpay allows 99wuxian to manage, operate, maintain and finance the 99wuxian.com mobile online marketplace. In consideration for the services provided by 99wuxian, 99wuxian acquires all rights, title and interest to the net profit derived from the 99wuxian.com mobile online marketplace less a fee paid to Handpay.

What are the key business drivers?

- Anticipated growth of retail sales in China (refer to page 52 of Prospectus);
- Anticipated increase in the mobile phone market share of Smartphones in China (refer to page 51 of Prospectus);
- Anticipated growth of online sales in China (refer to page 45 of Prospectus) and particularly the growth of mobile online sales;
- Anticipated increase in the number of Business Partners for whom Handpay will complete mobile payment APPs in the coming year;
- 99wuxian management focusing on adding new products to the platform which will deliver higher service fees to 99wuxian;
- Emphasis on analysing data to provide Merchants with customers who match their products, based on analysis of customer spending patterns;
- Focusing on providing customers with the ability to redeem their Business Partner reward points to purchase goods from 99wuxian.com;
- Anticipated increase in the number of potential customers that can be reached through the mobile payment APPs of the Business Partners who use Handpay's payments technology and who carry the 99wuxian APP within their payments systems;
- Anticipated rise in interest from Merchants who either have, or will want to, join 99wuxian.com because of the large number of potential customers they can access; and
- Emphasis on the exclusivity of the co-operation relationship by way of the Handpay Services Agreement.

The Financials

How does 99wuxian.com generate income?

99wuxian.com is entitled to a percentage of spending for all transactions which it processes.

Handpay has operating the 99wuxian business since 2011 and will continue to do so effective date of the Handpay Services Agreement between Handpay and 99wuxian. When 99wuxian.com was

operated by Handpay, revenue was separated in the financial records from other revenue sources of Handpay, but operating expenses were not. The following table shows 99wuxian.com's registered users and quarterly revenue since launch in May 2011.

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Quarter	Number of registered users at end of quarter	Revenue for the quarter RMB
May 2011 (official launch) to June 2011	5,113,427	904,844
July 2011 to September 2011	7,591,682	326,481
October 2011 to December 2011	9,582,609	20,882,425
January 2012 to March 2012	11,184,129	4,516,222
April 2012 to June 2012	14,311,879	15,193,866
July 2012 to September 2012	16,301,461	21,129,709
October 2012 to December 2012	18,685,102	34,182,275
January 2013 to March 2013	19,772,658	22,673,211

What are the key revenue drivers of 99wuxian's business?

- An increase in the number of registered users of the 99wuxian platform;
- An increase in the number of active users of the 99wuxian platform;
- The average spend per active user; and
- The service fees earned on sales to users.

Use of funds raised?

The Company will apply the IPO monies:

- Completion of the exclusive Handpay Services Agreement which provides for customer acquisition and value sharing from 99wuxian.com;
- Provision of general working capital for 99wuxian including operational and administration expenditure; and
- Paying the costs associated with the Offer, including obtaining a listing on the ASX.

The Offer

Why List on the ASX?

At IPO value the 20m customers are valued at around \$20 which is substantially below value used on other similar listed companies.

99wuxian is seeking admission to the Official List of the ASX:

- To complete the exclusive Handpay Services Agreement which provides for customer acquisition and value sharing from 99wuxian.com;
- To raise funds for the working capital required to expand the business of 99wuxian;
- to gain exposure to international equity markets the

What is the offering?

- IPO investment in CHESS Depository Interests (CDIs) in 99wuxian.com @ A\$0.40 per CDI (equivalent to A\$0.40 per Share).
- 99wuxian.com is offering to the public a maximum of 50,000,000 CDIs (equivalent to 50,000,000 Shares) to raise A\$20,000,000, before costs of the Offer.
- The Minimum Subscription is 33,750,000 CDI's (equivalent to 33,750,000 shares) to raise 99wuxian A\$13,500,000, before costs of the Offer.

- The Minimum Subscription under the Offer is underwritten by Investorlink Securities Limited.

Market capitalisation

- If Maximum Subscription is achieved market capitalisation will be A\$409,827,800
- If Minimum is achieved market capitalisation will be A\$403,327,800

Capital Structure

Prior to completion of the Offer, at the date of this Prospectus, there are 974,569,500 Shares on issue (equivalent to 974,569,500 CDIs). 4.88% in the event the Maximum Subscription is raised, and 3.35% in the event the Minimum Subscription is raised. Following completion of IPO:

- If Minimum Subscription is raised, there will be 1,008,319,500 Shares/CDIs on issue
- If Maximum Subscription is raised, there will be 1,024,569,500 Shares/CDIs on issue
- The CDIs will trade on ASX under the ticker “NNW”.
- CDIs represent the beneficial interest in shares in a foreign company such as 99wuxian. Each CDI will be equivalent to one Share.

The Board and its interests

- The Board and management have strong experience in mobile payments, mobile internet, internet, telecommunications, software applications, and financial sectors.
- 99wuxian Executive and Non-Executive Directors are remunerated through a combination of salary package and market based director fees respectively
- As at the date of this Prospectus, the Directors hold 29.65% of 99wuxian.com.
- In the event the Minimum Subscription is raised, Directors will together hold 28.65% of 99wuxian and 28.28% in the event Maximum Subscription under the Offer is raised.
- The Directors and Existing Holders are not selling Shares into the Offer.

The Risks

- Business Partners do not continue their co-operation with Handpay and 99wuxian
- Risk from the dependence on Handpay for a significant portion of revenues
- Risk of unauthorized use of intellectual property
- Risk that increases in wages for information technology professionals increase
- Risk that changes in technology could adversely affect the 99wuxian Group business by increasing costs, reducing profit margins and causing a decline in competitiveness
- Risk that defects in software, errors in systems integration or failure to perform professional Services could result in a losses in clients and revenue Company registration renewal each year
- The 99wuxian Group’s business depends substantially on the continuing efforts of management and other key personnel there is a risk that they leave.
- Risk that any significant failure in the 99wuxian Group’s information technology systems could subject it to contractual liabilities to clients, harm reputation Counterparty risk
- The relevant contracts are not renewed
- The ability of the 99wuxian Group to continually improve its technology
- Risk of oppression of minority shareholders
- Liquidity and realisation risk
- Country risk and foreign operations
- Changes in economic conditions and consumer sentiment
- Stock market fluctuations
- 99wuxian will incur exchange rate risks relating to listing on ASX
- Provisions of 99wuxian’s Memorandum and Articles of Association and Hong Kong Companies Ordinance could make an acquisition of 99wuxian more difficult

What investor does this suit?

- Investment in CDIs should be considered as speculative and
- An investor looking for a high risk speculative investment.
- It is not for investors requiring security of capital of income.

LemSec Contact Details

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