

MOXC: OTC/QB**Moxian, Inc.****PROFILE**

Moxian, Inc. provides the *Moxian+* platform an 'online-to-offline' (O2O) commerce platform to connect businesses with consumers. The Company recently launched the *Moxian+ User App* for consumers to take advantage of coupons rewards and social networking. A separate *Moxian+ Business App* allows merchants to create a profile, communicate with customers, or manage special offers and advertising.

The mobile device is changing the intersection of online and offline consumer experiences. In China where smartphones and advanced cellular networks have achieved the highest penetration rates in the world, O2O strategies have quickly taken root. According to Venture eBeat, a media resource on digital commerce, China is the clear world leader in O2O, with sales related to this type of platform growing at 25% per year.

O2O strategies are particularly suitable for consumer goods such as food and beverage, personal services such as beauty salons and fitness, or entertainment such as movies and concerts. While it is possible to find and order these products and services online, consumption is entirely offline and in the real world. The ability to leverage an O2O platform for exposure to interested consumers could be quite appealing. This is true even more for merchants in China metropolitan areas, where congestion frustrates both merchants and consumers.

Accordingly, Moxian is targeting small- to medium-size businesses in the largest metropolitan areas in China. The Company launched the *Moxian+* platform first in Shenzhen and Beijing, deploying a direct sales team of 26 people with plans to expand to a force of 100 by year-end 2016. Shanghai and Guangzhou are also on Moxian's target list.

Proceeds from a private place of common stock has sustained the Company through the final stages of platform technology development and the initial platform launch. Additional capital may be necessary as the Company expects to continue experiencing losses as investments in marketing and sales exceed initial platform sales. A registration statement has been filed to sell additional shares of common stock in a public offering that could raise as much as \$57 million in new capital.

MARKET DATA

Price: \$6.50 (8/5/16)
 52 Wk Hi-Lo: \$13.00 - \$6.31
 Ave. Volume: 100/day
 Short Interest: <1%
 Beta: na

VALUATION

Price/Sales: nm
 Price/CFO: neg
 Price/EPS: neg
 Price/Book Value: neg

Based on TTM ending 6/30/16

Fiscal year ends September

EQUITY SECURITIES

Common Shares Out: 64.0 M
 Insiders: 53.0%
 Float: 30.1 M
 Institutional: <1%
 5% Holders: 33.6%

Common Dividend: nil

Preferred Shares: -0-

Shares underlying
 Convertible Notes: -0-

Warrants and
 Options Outstanding: -0-

As of 6/30/16

Reflects cancellation of 49.9 million shares of common stock 3/4/16

Reflects 1-for-2 reverse stock split in July 2016



INVESTMENT HIGHLIGHTS

Positives

- ◆ Large market opportunity in 'online-to-offline' services to draw customers from websites and mobile app to physical stores in China.
- ◆ Growing awareness and interest in online-to-offline strategies where merchants and consumers have already embraced mobile devices.
- ◆ Primary target market particularly receptive to social commerce and marketing techniques. Value of China's O2O market pegged at \$48 billion in the first half of 2015.
- ◆ Proven technical capability of platform with successful launch of *Moxian+ User* and *Business Apps* for consumers and merchants.
- ◆ Successful closing of final tranche in \$8.2 million private placement of common stock.

Negatives

- ◆ Moxian is an early stage company that has just started commercializing its products and services and has not yet reported profits.
- ◆ Continued losses expected as marketing and sales spending still exceeds revenue from new merchant accounts on the Moxian platform.
- ◆ The Company operates exclusively in Asia and in languages other than English, adding complexity to the task of investor due diligence.
- ◆ Potential for dilution of current shareholders from the issuance of new shares of common stock to raise up to \$57 million pursuant to a registration statement filed with the U.S. SEC in March 2016.
- ◆ Moxian is closely held, allowing insiders with 53% of common stock ownership to wield considerable control over strategic direction; large shareholders control another 34% of the Company's stock.
- ◆ Unseasoned stock with low trading volume and wide bid-ask spread.

OUTLOOK

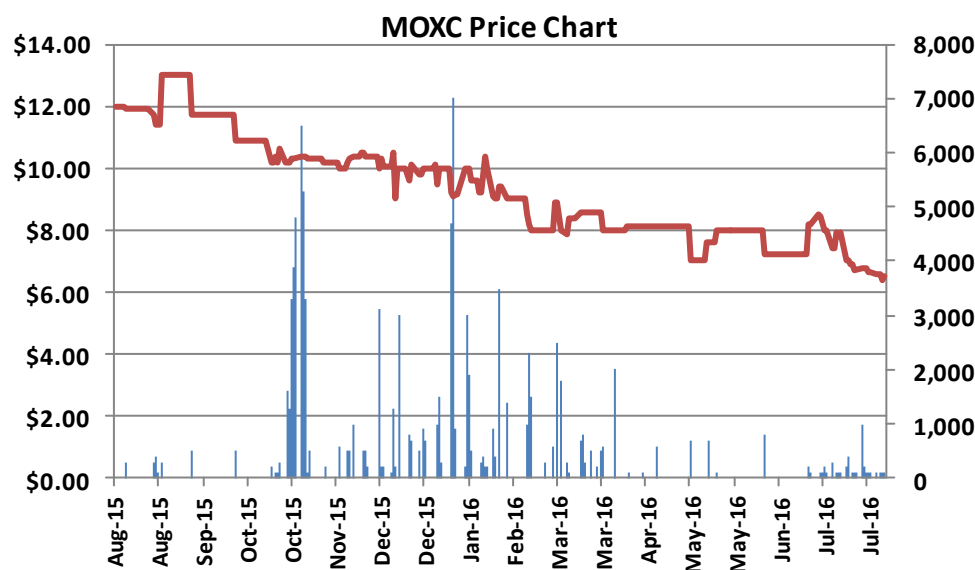
Moxian has made great strides toward commercializing its e-commerce platform featuring online-to-offline technologies. The Company completed development of the *Moxian+ Merchant* and *User* apps in late 2015 and began full-scale promotion in early 2016. The launch paves the way for a ramp in revenue before the end of fiscal year 2016.

More importantly, management has made progress in burnishing the balance sheet. A private placement of common stock was completed at \$1.00 per share and a portion of outstanding related party debt was paid down. Additionally, the Company reduced the number of shares outstanding through retirement of insider shares. A 1-for-2 reverse stock split helps pave the way for an up-listing to a major stock exchange and the successful completion of a public offering of common stock.

We view MOXC(D) as a highly speculative security best suited for risk-oriented investors.

COMPARABLES

- **JM WOWO** (WOWO: Nasdaq)
- **MeetMe, Inc.** (MEET: Nasdaq)
- **Moko Social Media Ltd.** (MOKO: Nasdaq)
- **Qihoo 360 Technology Co.** (QIHU: NYSE)
- **SpendSmart Networks** (SSPC: OTC)
- **TechTarget, Inc.** (TTGT: Nasdaq)
- **TenCent Holdings Ltd.** (TCEHY: OTC)



LAUNCH CALENDAR

- June 2013** - Beta launch of Internet-based *Moxian* platform in Malaysia
- June 2014** - Launch of online *Moxian* platform in China
- July 2015** - Testing of *Moxian Mobile App*
- Sept. 2015** - Official launch of *Moxian Mobile App* in China
- Jan. 2016** - Introduction of *Moxian Mobile App* in major Asian markets



MOBILE APP FEATURES

- **Moxian+ User App**
 - ◇ Mo-Talk - voice chat
 - ◇ News Center - relevant and timely content
 - ◇ Game Center - games to earn rewards
 - ◇ Merchant Stores - shopping with credit cards, points
 - ◇ Mo-Shake - self-drawing with cell phone to win rewards, discounts, vouchers
- **Moxian+ Business App**
 - ◇ Open a Shop - mobile app presence for merchant
 - ◇ Mo-Talk - communicate with customers
 - ◇ Analytics - reports on marketing activities
 - ◇ Rewards - create customized discount vouchers, coupons

BUSINESS DESCRIPTION

Moxian provides a social commerce platform for merchants and consumers in Asia, including major metropolitan areas in China. The proprietary social commerce platform called *Moxian+* is currently accessible on mobile devices through an app. The platform deploys leading edge 'online-to-offline' commerce technologies that draw potential customers from online channels to physical stores. Consumers can make purchases, post product reviews and communicate with merchants.

Moxian is targeting small- to medium-sized businesses in major metropolitan centers in China. Merchants can sign up for a free *Moxian+ Business App* that provides a 'do it yourself' website with limited functionality. A paid account gives the merchant access to a menu of add-on features that enhance customer relationships, provide access to customer data, and deploy other O2O tactics. The merchant app connects directly to the *Moxian+ User App* for consumers. Consumers can download the app for free. The pricing scheme is designed to rapidly introduce the platform to as many vendors and consumers as possible.

GROWTH STRATEGY

Moxian perfected and tested its O2O platform in Asian markets and is homing in on the largest metropolitan areas in China. The Company earned modest revenue during the development and testing phase and appears poised to experience a dramatic increase in revenue from merchant subscriptions as the Company opens direct sales offices in Shenzhen, Beijing, Shanghai and Guangzhou in 2016.

An initial sales force of 20 people was deployed in Shenzhen, China in the first months of calendar year 2016. A second sales office was opened in Beijing. Management has set a goal of deploying as many as 100 sales people in the two cities by the end of calendar year 2016. The Company has staged training for its sales force and is supporting the marketing effort with a mix of collateral material and advertising. Images are provided on page 4 of this report.

Moxian may also build distribution partnerships with third parties that have existing relationships with merchants. For example, supply chain service providers typically have very strong relationships with their customers that could be leveraged to sign up merchants.

Revenue is expected to ramp as the number of merchants and consumers escalates. Moxian will receive fees from paid merchant accounts and value-added services, advertising and the sale of consumer data. We expect a somewhat slow rate of growth in the initial months of deployment in Shenzhen and Beijing, with an acceleration in adoption rates near the end of the current year or the beginning of 2017. Initial efforts have begun to extend operations into Shanghai and Guangzhou. We expect these cities and others to provide the backbone for growth in fiscal years 2017 and 2018.

SAMPLING OF MARKETING COLLATERAL AND ADVERTISING

MARKET OPPORTUNITY

Despite the much heralded advent of e-commerce with the attendant hype over special shopping days like 'Single's Day' in China and 'Black Friday' in the U.S., the predicted demise of brick and mortar stores has not materialized. According to eMarketer, an industry research firm, only about 7% of retail transactions around the world take place online. Industry analysts at eMarketer are predicting that online penetration of retail activity will increase to 9% by the year 2018.

The fact of the matter is that some services require human interaction that cannot be transferred to the virtual world. This reality is creating the opportunity for online-to-offline platform providers like Moxian. The O2O tactics shown in the column on the right are beginning to deliver credible results for local as well as national or even international brands. Anecdotal evidence suggests it is the unique ability of O2O platforms to create a seamless interaction between vendors and customers is resonating with local shoppers. Vendors are also finding that O2O creates enough efficiency in customer acquisition and retention to justify the added expense of O2O platform services.

At the foundation of O2O is the accumulation of data about consumer behavior and preferences. Armed with details about their customer, brand owners are in a better position to create a smooth path to making a purchase for the customer.

Granted there are limitations to O2O success. Wireless transmissions, location services and shopper beacons (limited to iOS devices) all require the consumer to take action and 'opt in' to participate. Google is addressing this problem with its beacon-like technology called Eddystone that is supported on both Android and iOS devices. Eddystone can be updated by Google directly and requires no consumer action.

Nonetheless, O2O appears poised to capture a significant share of the \$2.4 trillion global retail market. Even the 200 basis point increase in e-commerce represents \$48 billion in retail value, for which vendors are keen to gain a competitive edge.

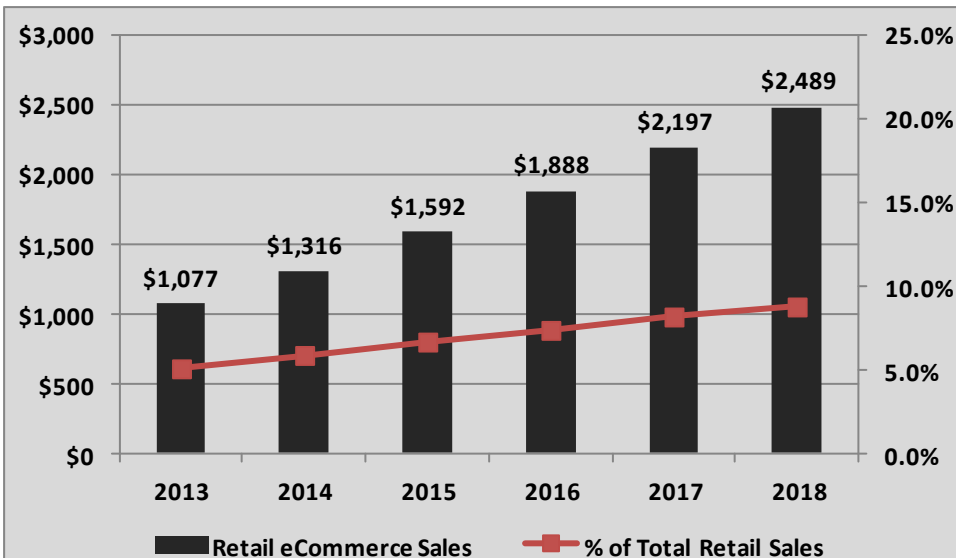


O2O Tactics

- In-store pick up of items purchased online
- Returns acceptance in-store for items originally purchased online
- Platforms for online orders to be placed inside stores
- 'Showrooming' inside stores in response to online inquiries
- 'Reverse showrooming' encouraging initial product research online before purchase commitments
- Use of QR codes in print and outdoor poster advertising for online orders and payments with mobile phones
- Online offers of coupons and discounts that can be redeemed in-store
- Online rewards and prizes that can be received in-store
- Location-based services to guide shoppers with mobile devices to retail locations
- E-mail or text notification of in-store benefits such as events, new arrivals, sales or special offers
- Use of supermarkets as inventory warehouses for order pick-up or delivery hubs

TARGET MARKETS

- **Merchants**
Small and medium sized Metropolitan areas in China, Singapore and Malaysia
- **Consumers**
Local communities
Affinity groups



Source: eMarketer

GROWTH DRIVERS

- Increasing use of mobile communications devices such as smartphones and tablets
- Continued penetration of broadband services in Asia
- Adoption of Internet and mobile apps for commerce
- Rising per capita income, purchasing power in China
- Greater sophistication among China consumers seeking bargains
- Intensified competitive incentives to capture customers

INDUSTRY CALENDAR

- **MOCIAL+Marketing Advertising & Sponsorship in Digital Age** - San Francisco, CA, August 2016
- **eTrade Summit** - Brussels, Belgium, September 2016
- **Online Marketing Experts** - Salzburg, Austria, November 2016
- **O2O Experience** - Cannes, France, November 2016

PEERS

- **Restaurant Review and Reservation Platforms**

Nuomi (Baidu.com)

Meituan (Alibaba Group)

Dianping (Tencent)

- **Specialized Platforms**

Meicai.cn (food delivery)

Goudafu (healthcare)

Yiwugou.com (commodity wholesale stores)

JD.com (convenience stores)

Taobao Marketplace (TMALL.com, Alibaba)

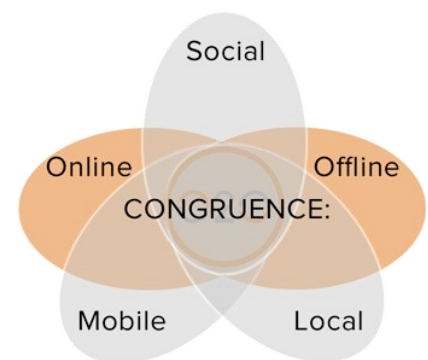
Edaixi (laundry services, Baidu.com)

O2O BENEFICIARIES

On-demand companies have sprouted like mushrooms over the past few years. Among the most visible is Über, the ride-sharing and taxi service that pairs car owners with people near them who simply need to get from one place to another. It is a classic online-to-offline enterprise that leverages the Internet to make drivers and their cars in the physical world 'virtually visible' to passengers using mobile devices. The on-demand services concept has been extended to house cleaning, pet care, and household errands among other services related to common place chores.

Leveraging the Internet and mobile app sphere to attract new customers is a new strategy for many of these services providers. Most had previously used advertising in hard media such as newspapers or billboards to gain exposure. Like the food take-out and delivery services of the past, reliance on phone calls and fax machines have been a foundation for customer interaction.

O2O is changing the dynamic, linking services with a defined physical presence such as a store of vehicle to customers via digital media. The links are much closer and more constant than allows by phone or fax numbers. The communication channel afforded by a mobile app remains open, offering the opportunity for continuous dialogue between service provider and customers through offers and coupons coming from the service provider and through ratings, reviews and feedback from the customer.



The Fifth Annual UPS study "UPS Pulse of Online Shopper" published in early June 2016, provided a plethora of interesting data regarding consumers and their shopping habits.

- One in four consumers engage in digital search for local stores on a weekly basis.
- Nearly half of study respondents - 46% - said store locators were an important part of using their mobile devices
- Among those consumers that have used in-store pickup for an online purchase, 45% end of making additional purchases when they come into the store.
- As many as 58% of consumers want information on a store's inventory before going to the store location.
- More than 29% of shoppers say they have made store purchases from their smartphones.

The data points above provide a compelling argument for local businesses to adopt O2O tactics, such as a mobile app with discoverability in the various app stores, offering in-store pickup or offering inventory information in a format accessible by consumers.

EARNINGS**As Reported**

	12 Mo Ending 9/30/15	9 Mo Ending 6/30/16
Sales	\$83,870	\$18,645
Gross Profit	58,601	14,482
Margin	70.0%	77.7%
Oper. Loss	(6.2 M)	(8.9 M)
Margin	nm	nm
Net Loss	(6.2 M)	(9.4 M)
CFO	(2.1 M)	(5.9 M)
LPS	(\$0.03)	(\$0.11)

Dollars except where indicated by M for Millions

Fiscal year ends September 30th

OPERATING PERFORMANCE

In the six months ending June 2016, Moxian experienced a decline in revenue compares to the same period in the previous fiscal year. The reduction was largely the consequence of the shift in focus by management and personnel toward the launch of the Moxian O2O platform in mainland China in the first calendar quarter 2016. Revenue from the platform is expected to ramp gradually as advertising campaigns take hold, first impacting the September 2016 quarter.

The cost of the final development effort and launch preparations can be seen in operating expenses. Research and development in the nine months ending June 2016, totaled \$2.0 million compared to \$936,624 in the year-ago period. Likewise, selling, general and administrative expenses increased to \$3.8 million from \$2.7 million as staffing was increased to 160 persons. Including a non-cash charge of \$1.3 million related to impaired intangible assets, Moxian reported a net loss of \$9.3 million in the first nine months of fiscal year 2016.

BALANCES

	<u>9/30/15</u>	<u>6/30/16</u>
Cash	\$ 2,399	\$ 96
Current assets	\$ 3,480	\$ 737
PP&E, net	\$ 2,942	\$1,726
Intangible assets	\$ 6,600	\$5,704
Total assets	\$13,074	\$8,252
Payables, accruals	\$ 601	\$ 961
Subscription deposit	5,506	\$ -0-
Shareholder loans	\$ 1,463	\$2,839
Current liabilities	\$ 7,569	\$3,800
Long-term notes	-0-	-0-
Equity (Deficit)	\$ 5,505	\$4,452
Shares outstanding*	107,333	64,000
Warrants** / Options	-0-	-0-
Shares underlying convertible debt	-0-	-0-

Dollars, shares and derivatives in 000s

Source: Company Reports and Crystal Equity Research Estimates

CASH FLOW AND BALANCES

Moxian used \$5.9 million in cash to support operations during the first nine months of the current fiscal year ending June 2016. This represented a significant increase in cash usage compared to the same period a year ago when operations used \$3.6 million in cash. Payments on accounts receivable, prepayments and other deposits provided a small offset against the operating shortfall. Another \$519,846 in cash was used for investments in equipment and the purchase of intangible assets.

Moxian received \$2.7 million in cash as proceeds from the sale of common stock in the nine month period ending June 2016. A portion of the proceeds were used to repay loans to related parties. The Company had recently borrowed an additional \$3.3 million from related parties in the nine-month period. After repaying a total of \$1.9 to certain of the related parties a balance of \$2.8 million in loans from a mix of seven creditors remained outstanding at the end of June 2016.

On completion of the final installment of the private placement by Xinhua Huifeng Investment Management in February 2016, the Company was able to issue all shares to the investor and eliminate the subscription payment liability that had previous been on the balance sheet to record the first installments. Moxian issued a total of 8.2 million shares pursuant to the private placement. Warrants issued to Xinhua were not exercised and were cancelled.

Moxian held \$96,587 in total cash on the balance sheet at the end of June 2016. Working capital was negative \$224,142, excluding \$2.8 million in short-term related party loans.

REVERSE STOCK SPLIT

Moxian completed a reverse stock split in July 2016, exchanging two shares of its common stock for one share. The reverse split has the effect of doubling the stock price per share and halving the common shares outstanding as well as the total authorized common stock. The reverse split became effective at the opening of trading on July 12, 2016. The stock was to continue to be quoted on the OTCQB Market-place service under the symbol MOXC with a D attached for twenty trading days following the effective date.

The Company had previously cancelled 49.4 shares (98.8 million before adjustment for post reverse split) held by certain shareholders, including James Mengdong Tan, who is the Company's CEO and Chairman.

Together the two actions, cancellation of shares and reverse stock split, help prepare the stock for qualification to trading on a national exchange such as the Nasdaq Capital Market.

LEADERSHIP

James Mengdong Tan, was appointed **Chief Executive Officer and Chairman** of the Board of Directors in early 2015. Tan has an extensive background in executive management in both public and private companies. He is also the principal of 8i Capital Ltd., a corporate advisory firm based in Hong Kong and focused on public companies in Asia.

In late July 2016, the Company appointed **Tan Wan Hong** as **Chief Financial Officer**. Tan has lengthy audit experience with major audit firms, including Grant Thornton in the U.K. and KPMG Kuala Lumpur.

Ng Kek Wee is Moxian's **Chief Technology Officer**. He has extensive experience in early stage technology companies, and has been instrumental in commercializing new software platforms. Dr. Ng holds a Ph.D. in software engineering .

An award winning director, **Edmund Ooi Boon Hock** is **Creative Marketing Director** of Moxian. He has led production teams that won the 'Best Creative Award in Asia Television' and 'The Best Innovation Award' from Singapore Economic Development Board. He is also a skilled marketer and has worked with several Fortune 500 firms.

Over the past year there have been several additions to the board of directors. **Hao Qing Hu** is the general manager of the Company's Beijing subsidiary. He has extensive experience in operations management, including Shandong Debang Construction Technology Ltd. He has a degree in business management. **Yang Nan** is a certified public accountant in both China and the United States. She was previously senior manager of the audit department with KPMG Huazhen LLP.

Liew Kwong Yeow joined the board in June 2015. Yeow has extensive experience in executive management and Yun in information systems and engineering. The most recent addition to the board in June 2016, **Ajay Rajpal**, has an investment banking background.

CAPITALIZATION

Recent Price:	\$6.50
Shares Out:	64.0 M
Market Capital:	\$416.0 M
+ Preferred Stock	\$ -0- M
+ Debt, Liabilities	\$ 2.8 M
- Cash	<u>\$ 0.1 M</u>
Enterprise Value:	\$418.7 M
Shareholder Equity:	\$ 4.5 M
Working Capital:	(\$ 0.3)M

Balances as of 6/30/16

EQUITY SECURITIES

Common Stock*	64.0 M
Warrants	-0-
Options	-0-
Shares Underlying Convertible Debt	-0-

**Reflects cancellation of 49.4 million shares in March 2016 and 1-for-2 reverse stock split in July 2016*

OWNERSHIP

Shares of Common Stock

Insiders:

Tan, CEO & Director	29.82 M
Wee, CTO	-0-
Hong, CFO	NA
Hu, Director	4.10 M
Yeow, Director	-0-
Rajpal, Director	NA
Nan, Director	<u>-0-</u>
Total Insiders	33.92 M
As % of Shares Outstanding	53.0%
5% Holders	21.50 M
As % of Shares Outstanding	33.6%

*Capitalization and Share Ownership
Sources: Company Reports and
Crystal Equity Research Estimates*



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