This information memorandum is dated 9 April 2019

洪霆集团
HONGTING GROUP

HONGTING GROUP OVERSEA HOLDINGS LIMITED

Incorporated in the British Virgin Islands
BVI Company Number 1953012

INFORMATION MEMORANDUM

issued in connection with the proposed technical listing of all 126,900,000 no par value ordinary shares in the issued share capital of the Company on the Dutch Caribbean Securities Exchange

Listing adviser

BIZTRACK CONSULTANTS
PRIVATE LIMITED
企 道 策 略

IMPORTANT NOTICE

An application has been made for listing of the Company's securities described in this information memorandum to the Dutch Caribbean Securities Exchange N.V. (**DCSX**). The fact that DCSX may list these securities is not to be taken in any way as an indication of the merits of the Company or of its listed securities. DCSX takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims all liability for any loss howsoever arising from or in reliance upon any part of this document.

INFORMATION REQUIRED UNDER RULE 5(D)(1)

Listing Adviser:	Biztrack Consultants Private Limited (BVI Co. No. 1844908)
Directors:	(1) LI Yongqian (2) XUAN Ming (3) TIAN Mei
Managing underwriter:	Not applicable, none appointed
Trustee:	Not applicable, none appointed
Guarantor:	Not applicable
Listing sought:	Technical listing
Rating of equity securities:	Not rated

TABLE OF CONTENTS

IMPORTANT NOTICE

This information memorandum is dated 9 April 2019 and is prepared by Hongting Group Oversea Holdings Limited (BVI Company No. 1953012) in connection with its application for a technical listing on the Dutch Caribbean Securities Exchange N.V. (**DCSX**). No offer of securities is being made under this information memorandum.

Application for technical listing on DCSX

Application has been made for the listing of the Company's securities described in this information memorandum to DCSX. The fact that DCSX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or its listed securities. DCSX takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

The approval of this document by the DCSX does not constitute an approval of its content or an approval to invest in the security nor an indication of the risks related to the issuer and/or security. The approval of the DCSX means that the document contains the information according to the rules and regulations of the DCSX and is presented in accordance to the format requirement of the DCSX

Unauthorised representation

No person is authorised to provide any information or make any representation in connection with the Listing which is not contained in this information memorandum or is not publicly disseminated through the official announcement platform of DCSX.

Suitability of investment and risks

Before deciding to invest in the Company's securities following its listing on DCSX, prospective investors should read entirely this information memorandum, in particular, the summary of the Company's business in Section 3 and the risk factors in Section 4. Prospective investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues) and consider seeking advice from their accountant, bank manager, stockbroker, lawyer or other professional adviser before deciding to invest.

Definitions and photographs

Certain terms and abbreviations used in this information memorandum have defined meanings which are explained in the Defined Terms section.

The assets depicted in the photographs in this document are not the assets of the Company unless otherwise stated.

Forward-looking statements

This information memorandum includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategies, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements. These statements reflect views held only as at the date of this information memorandum. In light of these risks, uncertainties and assumptions, the forward-looking statements in this information memorandum might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

DEFINED TERMS

Unless the context otherwise permits or unless otherwise stated, the key terms and other defined terms used in this information memorandum shall have the meanings given to them as follows:

BVI	The Territory of the British Virgin Islands
Company	Hongting Group Oversea Holdings Limited (BVI Company No. 1953012)
Constitution	Collectively, the Memorandum and Articles of Association, being the constituting documents of the Company
Directors	Directors of the Company
DCSX	Dutch Caribbean Securities Exchange N.V. or, where the context so require, the securities exchange with it operates
Existing Shareholders	Shareholders as at the date of this information memorandum, all being legal and/or beneficial owners of the equity capital of the Operating Company before completion of the Restructuring, and whose shareholdings in the Company are in proportion to their interests in the equity capital of the Operating Company prior to the Restructuring
Group	The Company and its subsidiaries
Latest Practicable Date	1 April 2019, being the latest practicable date before this information memorandum is approved by directors of the Company for issue
Listing	The Company's application to DCSX for a technical listing of the Shares on DCSX or, where the context so require, the Company's listing of the Shares on DCSX
Listing Rules	Rules and Regulations of the Dutch Caribbean Securities Exchange 2010 (as amended from time to time)
Mingxing Auto	Luzhou City Mingxing Auto-mobile Service Co., Limited 《official name: 泸州市铭兴车业服务有限公司》
One Land	One Land Venture Sdn. Bhd. (1308900-T), a wholly owned subsidiary of the Company
Operating Company	Mingxing Auto and, where the context so requires, includes the Other Operating Subsidiaries
Other Operating Subsidiaries	Collectively, the following entities which are subsidiaries of Mingxing Auto:

Name of subsidiary	%
Chishui City Hongting Vehicle Service Co., Limited 《official name: 赤水市洪霆汽车服务有限公司》	100%

	Name of subsidiary	%
	Chishui City Hongting Vehicle Sales Co., Limited 《official name: 赤水市洪霆汽车销售有限公司》	100%
	Zigong City Hongting Vehicle Sales Co., Limited 《official name: 自贡市洪霆汽车销售有限公司》	100%
	Luzhou City Changtong Vehicle Rescue Co., Limited 《official name: 泸州市长通车辆施救有限公司》	52%
	Luzhou Hongting Vehicle Inspection Service Co., Limited 《official name: 泸州洪霆汽车检测服务有限公司》	52%

RMB — *Renminbi* or the Chinese Yuan, the official currency of China, often indicated by the symbol "¥"

Relevant Financial Periods — Has the meaning given to it in paragraph 8.1(a)

Restructuring — The restructuring of corporate holdings of the Group described in paragraph 3.1

Share — One ordinary share in the issued and paid-up share capital of the Company

Shareholder — A shareholder of the Company, that is, a holder of a Share

US Dollar or US$ — The Dollar, the official currency of the United States of America

WFOE — Luzhou Hongting Vehicle Sales Co., Limited 《official name: 泸州洪霆汽车销售有限公司》

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing one gender shall include the other gender. Reference to persons shall include corporations.

Any reference in this information memorandum to a "Rule" is a reference to the relevant Rule in the Listing Rules for the time being.

1. *Chairman's statement*

Dear investors

In March 2017, the South China Morning Post which is considered one of the more credible paid newpapers in Hong Kong reported that China now has more than 300 million registered vehicles – almost the same number as people in the United States. There were a total of 31.72 million motor vehicles newly registered in China last year, taking the country's motor vehicle population up to around 327 million units by the end of 2018, according to the data announced by China's Traffic Management Bureau of the Ministry of Public Security. China's car population in 2018 rose to 240 million units, which was 22.85 million units more than that of the previous year. Of that, the number of small-sized passenger vehicles grew by around 20.85 million units over the previous year to 201 million units, the major driving force for overall car population growth.

Recognizing the business potential offered by this big market, I founded Mingxing Auto in 2008 to meet the market demand to sell motor vehicles and to provide a wide spectrum of after-sales services relating thereto. Mingxing Auto has grown tremendously since its early days operating just one motor vehicle service centre. Today, Mingxing Auto operates nine full service 4S centres in Luzhou City and Zigong City in Sichuan Province and Zunyi City in Guizhou Province in south-western China. Simply explained, 4S centres are one-stop shops offering sales, spare parts, servicing and survey (vehicle inspections and insurance claims) services for the automotive market. These 4S centres are operated initially under the "Mingxing" brand name but which has now been rebranded under the "Hongting" brand name. Mingxing Auto and its subsidiaries also provide a wide range of other ancillary services such as car grooming, emergency vehicle recovery, vehicle inspection and operating charging stations for electric vehicles.

Mingxing Auto's 4S centres business is now presented with an opportunity to enjoy even bigger and continued growth as a result of the Chinese government freeing up this industry when it implemented the *Measures for the Administration of Auto-mobile Sales (New measures)* with effect from 1 July 2017. Under these new measures, suppliers – namely car manufacturers and large spare parts suppliers – are not permitted to restrict their dealers from selling products from other suppliers or to penalize them for doing so. This effectively frees up independent 4S operators, that is to say operators who are not affiliated to car manufacturers, from representing more suppliers to offer a broader range of motor vehicles to cater to a wider range of customers.

Mingxing Auto has graduated from its challenging start-up and development phases. It has now grown beyond its business gestation period and, will be in a position to reward its shareholders and investors for their support since its inception. I believe the "Mingxing" and "Hongting" brand names are now generally well perceived by consumers in south-western China. Mingxing Auto is not embarking on its next phase of growth where we plan to aggressively open new 4S centres, mostly on a franchise model. A listing on DCSX will be an important part of this stage of growth. It allows for potential franchisees to have the confidence that they not only have signed up for a well accepted and recognized brand name who will give them all the support they expect from a franchisor, they are signing up with a party who has accepted the corporate governance responsibilities and third-party oversight that comes along with being a listed entity.

For the purpose of this proposed listing on DCSX, Shareholders had restructured their shareholdings in Mingxing Auto such that Mingxing Auto is now a wholly owned subsidiary of the Company and, they hold their interests in Mingxing Auto through their holdings in the Company. This information memorandum is issued in connection with the Company's application for a technical listing on DCSX. It sets out more information about the Company, its current operations, its financial information and the more significant risks faced by the Company and its investors. Shareholders and interested investors should read this information memorandum carefully and in its entirety and, if so required, seek professional advice before deciding whether to invest or trade in the Company's shares after its listing on DCSX.

On behalf of my fellow directors, I encourage you to spend some time to get to know us and our business and to understand what we, as a company, are trying to achieve. Hopefully, you will share our vision and, if you do, to join us as a shareholder as we embark our journey to bring the Company to greater heights.

Yours faithfully

LI Yongqian
Executive chairman

2. *Investment overview*

This investment overview in a question and answer style is prepared to help investors make an informed investment decision by highlighting key information in this information memorandum and assist readers to navigate this information memorandum. It is not intended to provide full information for investors nor is it intended to replace the contents of this information memorandum. Investors should read this information memorandum in full before deciding whether to invest in the Shares.

Question	Answer	Where to find more information
Who is issuing this information memorandum?	This information memorandum is issued by Hongting Group Oversea Holdings Limited (BVI Company No. 1953012) (proposed DCSX code: HTGP), a company incorporated in BVI.	Paragraph 3.1
Who is the Company, and what is its business?	The Company was incorporated in BVI on 11 August 2017 as the listing entity of the Operating Company and its subsidiaries, for its proposed listing on DCSX. The Operating Company is a company registered in China with an operating track record of more than three years. The principal businesses of the Group, which are carried out by the Operating Company, are that as an operator of a chain of 4S service centres and provider of other ancillary services such as car grooming, emergency vehicle recovery, vehicle inspection and operating charging stations for electric vehicles. Currently, the Group operates nine full service 4S centres located in Luzhou City and Zigong City in Sichuan Province and Zunyi City in Guizhou Province in south-western China. The Group's is based in Luzhou City in Sichuan Province, China.	Paragraph 3.2 to paragraph 3.4
How will the Company generate income?	The Group earns its revenue (and cash inflows) from the following sources: (a) sales commissions received from car manufacturers for the sale of cars purchased by customers who purchase cars through the Group's showrooms;	Paragraph 3.2

Question	Answer	Where to find more information
	(b) service fees received from customers and car owners for providing various services including but not limited to vehicle repairs, car washing, car grooming, vehicle bodywork repairs and repainting; (c) proceeds received from the sales of spare parts (if not supplied as part of repair services) and car accessories to customers; and (d) fees received from customers for charging their electric vehicles at our charging stations. The Group's net income before taxes is derived after deducting expenses such as salaries, cost of spare parts, rentals of shop premises, administration and other expenses.	
What is the Company's capital structure?	The Company has on issue only one class of shares, namely, ordinary shares. The number of ordinary shares on issue as of the date of this information memorandum is 126,900,000 ordinary shares. Key rights attaching to these shares are set out in paragraph 10.2.	Paragraph 6.1 and paragraph 10.2
What material contracts has the Company entered into?	The Company or its child entities is a party to a number of important contracts. These include: (a) Equity Transfer Agreement in relation to shares in the equity capital of the Operating Company between LI Yongqian and TIAN Mei (as transferors) and WFOE (as transferee); (b) Share Sale Agreement in relation to One Land between NEW Jia Yunn (as vendor) and the Company (as purchaser); and (c) Debt Assignment Agreement in relation to shareholders' loans to Mingxing Auto. In addition to the above, the Operating Company had entered into other important contracts in the ordinary course of its business. These contracts are not disclosed in this information memorandum because they contain commercially sensitive information whose disclosure will prejudice and cause irreparable harm to the commercial interests of the Company and its shareholders.	Paragraph 3.7

Question	Answer	Where to find more information
What is the Company's historical financial performance?	The Company was incorporated on 11 August 2017. It had remained dormant and had not commenced trading nor entered into any financial transaction since its incorporation. The sole purpose for its incorporation was to hold 100% of the equity capital of the Operating Company which has an operating track records of more than three financial years. The Operating Company (and its other operating subsidiaries) became a subsidiary of the Company on completion of the Restructuring on 5 April 2019. Therefore, the financial information set out in this information memorandum is the proforma audited consolidated financial statements of the Group for the Relevant Financial Periods prepared on the basis that the Group was in place at the commencement of and throughout the Relevant Financial Periods.	Section 8
What are the key risks the Company faces?	There are risks associated with investing in the share market generally and in the Company specifically. Fuller details of these risks are set out in section 5, the more significant risks being: (a) The Group operates in a highly competitive industry; (b) The Group may not be able to respond sufficiently to the rapid technological advances the automotive industry is currently undergoing; (c) The Group's business is dependent upon retaining and attracting suitably skilled workers; and (d) The Group's business expansion plan is dependent upon it being able to sign-up franchisees.	Section 5
Who are directors of the Company?	Directors of the Company are: (a) LI Yongqian (b) XUAN Ming; and (c) TIAN Mei. Their qualifications, work experience and shareholdings in the Company (if any) are set out in paragraph 7.1.	Paragraph 7.1

<table>
<tr><th>Question</th><th>Answer</th><th>Where to find more information</th></tr>
<tr><td>Who are substantial shareholders of the Company?</td><td>Substantial shareholders of the Company (defined as persons who own 5% or more of a class of security) are as follows:

<table><tr><th></th><th>Name of substantial shareholder</th><th>No. of shares</th><th>As a % of issued capital</th></tr><tr><td>1.</td><td>LI Yongqian</td><td>26,573,414</td><td>20.94%</td></tr><tr><td>2.</td><td>TIAN Mei</td><td>10,000,000</td><td>7.88%</td></tr><tr><td>3.</td><td>LI Jiaceng</td><td>10,000,000</td><td>7.88%</td></tr></table></td><td>Paragraph 6.2</td></tr>
<tr><td>What transactions has the Company entered into with related persons?</td><td>Save as disclosed below, the Group does not have any ongoing or potential transaction with related persons:
(a) completed transactions with LI Yongqian and TIAN Mei which are disclosed in paragraph 3.7 of this information memorandum; and
(b) the remuneration and directors fees which the Company may pay to Directors.</td><td>Paragraph 3.8</td></tr>
</table>

3. *The Company and an overview of its businesses*

3.1. Introduction

The Company was incorporated in BVI on 11 August 2017 with a BVI company registration number 1953012.

In connection with and for the purpose of the Listing, Existing Shareholders restructured their interests in the Operating Company, a company which has an operating track record since 2008 (i.e., the Restructuring). The purpose of the Restructuring was so that Existing Shareholders hold their interests in the Operating Company indirectly through their shareholdings in the Company in the proportion of their interests in the equity capital of the Operating Company prior to the Restructuring. The corporate structure of the Group on completion of the Restructuring and as at the date of this information memorandum is as follows:

Brief information of the companies within the Group are set out below:

Country	Date of incorporation or registration	Principal activities
(a) Hongting Group Oversea Holdings Limited		
BVI	11 August 2017	Investment holding
(b) One Land Venture Sdn. Bhd.		
Malaysia	27 December 2018	Investment holding

Country	Date of incorporation or registration	Principal activities
(c) Luzhou Hongting Vehicle Sales Co., Limited		
China	29 March 2019	Investment holding
(d) Luzhou City Mingxing Auto-mobile Service Co., Limited		
China	9 April 2008	Investment holding, sales and servicing of auto-mobiles and providing other ancillary services
(e) Chishui City Hongting Vehicle Service Co., Limited		
China	7 June 2018	Servicing of auto-mobiles and providing other ancillary services
(f) Chishui City Hongting Vehicle Sales Co., Limited		
China	7 June 2018	Sales of auto-mobiles and providing other ancillary services
(g) Zigong City Hongting Vehicle Sales Co., Limited		
China	9 October 2018	Sales and servicing of auto-mobiles and providing other ancillary services
(h) Luzhou City Changtong Vehicle Rescue Co., Limited		
China	22 March 2011	Providing emergency vehicle recovery and other ancillary services
(i) Luzhou Hongting Vehicle Inspection Service Co., Limited		
China	18 October 2018	Providing vehicle inspection and other ancillary services

The remaining 48% of the equity capital of Luzhou City Changtong Vehicle Rescue Co., Limited is held by one LONG Bing, and the remaining 48% of the equity capital of Luzhou Hongting Vehicle Inspection Service Co., Limited is held by one LONG Du. LONG Bing is the father of LONG Du. Neither LONG Bing nor LONG Du is related to any director or substantial shareholder of the Company.

The corporate objectives of the Company are:

(a) to create shareholder value by increasing the scale of operations of the Group's current business; and

(b) to develop upstream and downstream products that are either complements the Group's existing business, or which will add value to the Shareholders' stakes in the Company.

The Listing, which will give the Company a higher profile and to allow the Company to raise funds in the future when the need arises, is part of this growth strategy.

The principal operating company of the Group, namely Luzhou City Mingxing Auto-mobile Service Co., Limited, was listed on the quotation board (or Q-board which is the more junior board) of the Shanghai Equity Exchange, the largest and most established OTC operator in Shanghai, China on 26 October 2015, and its stock code is 207628.

3.2. Principal business

The principal businesses of the Group are that as an operator of a chain of 4S service centres and provider of other ancillary services such as car grooming, emergency vehicle recovery, vehicle inspection and operating charging stations for electric vehicles. The terminology "4S service centre" is widely and commonly used in China to refer to auto-mobile service centres which provide the full range of services a car buyer or owner will need. 4S here refers to Sales, Service, Spare parts and Survey. Further particulars of Group's businesses are set out in paragraphs 3.3 and 3.4 below.

Mingxing Auto started with one service centre located in Rongshan Town, Hejiang County in Luzhou City. This first service centre (pictured on the left), albeit having gone through a few upgrading, is still being operated by Mingxing Auto. Currently, the Group operates nine full service 4S centres located in Luzhou City and Zigong City in Sichuan Province and Zunyi City in Guizhou Province in south-western China as summarized below:

		Number of service centres		
City	**Province**	**With showroom**	**Service centre only**	**Total**
Luzhou City	Sichuan	6	1	7
Zigong City	Sichuan	1	-	1
Zunyi City	Guizhou	1	-	1
TOTAL		8	1	9

The Group's service centre located at Longmatan Avenue in Luzhou City, which is a service centre only outlet

The Group's service centre located in Zunyi City, Guizhou Province

The Group earns its revenue (and cash inflows) from the following sources:

(a) sales commissions received from car manufacturers for the sale of cars purchased by customers who purchase cars through the Group's showrooms;

(b) service fees received from customers and car owners for providing various services including but not limited to vehicle repairs, car washing, car grooming, vehicle bodywork repairs and repainting, emergency vehicle recovery and inspection;

(c) proceeds received from the sales of spare parts (if not supplied as part of repair services) and car accessories to customers; and

(d) fees received from customers for charging their electric vehicles at our charging stations.

The Group's net income before taxes is derived after deducting expenses such as salaries, cost of spare parts, rentals of shop premises, administration and other expenses.

The Group is based in Luzhou City in Sichuan Province, China. A map of China showing the location of Luzhou City is set out on the left. The Group currently employs about 300 employees. The number of employees employed by the Group is not subject to seasonal fluctuations.

3.3. 4S services the Group provides

(a) Sales of motor vehicles

The Group represents and sells motor vehicles – passenger cars and light commercial vehicles – supplied by a number of manufacturers including but not limited to:

(i) Great Wall Motors Company Limited which produces affordable (costing as low as US$15,000 and below) and cute looking electric cars such as the recently launched Ora R1 (see picture above);

(ii) South East (Fujian) Motor Co., Limited which produces cars and minibuses under its own Soueast brand as well as manufactures Mitsubishi cars for sale in China;

(iii) Dongfeng Motor Corporation which is traditionally considered one of the "Big Three" Chinese car manufacturers. Its joint ventures manufactures cars of various foreign brands such as Kia (Korea), Nissan (Japan), Peugeot-Citroën (France) and Renault (France);

(iv) GACNE (GAC New Energy), a division of Guangzhou Auto-mobile Group Co., Limited (**GAC**) which manufactures electric car versions of certain selected models of cars manufactured by GAC.

The Group does not maintain an inventory of motor vehicles it sells. When a customer places an order for a new vehicle, the Operating Company will place this order to the supplier, that is to say, the relevant car manufacturer. The client will make payment of the purchase price either directly to the supplier or, if the customer so elects, to the Operating Company who will then on-pay to the supplier. The supplier will pay the agreed sales commission to the Operating Company upon completion of the sale.

The Group does not buy vehicles it showcases in its showroom. These are supplied by the various car manufacturers who decide, based on their own prevailing sales and marketing strategies and after consulting the Operating Company, which car models to showcase in the Group's showrooms.

(b) Service of motor vehicles

Generally, this business segment can be divided into two broad categories, namely:

(i) Preventive maintenance and service. These include checking and replacing engine lubricants, transmission fluids, coolants, consumable parts such as spark parks and filters. In providing this preventive maintenance and service, the Group's service centres adopts the following approach:

① follow as closely as practicably possible the relevant car manufacturer's servicing schedule, service protocols and technical recommendations;

② where possible, use the manufacturer's original replacement parts, or where the customer elects otherwise, to use original equipment "matching quality" replacement parts.

(ii) Repairs. The Group's 4S service centres provide a full range of services both mechanical repairs and auto body repairs, including most specialised repair works. These services include:

① engine repairs;

② transmissions and brake systems;

③ air-conditioning;

④ bumper, auto body repair (including paintless dent repair) and repainting.

While the Group's 4S service centres is able to service almost all makes and models of vehicles, their specific focus is on passenger cars and light commercial vehicles such as buses and small trucks. Most of these services are performed in-house and on-site at each of its 4S service centres. The Group employs and stations its own team of qualified mechanics and technicians in each 4S service centre to carry out servicing and repairs of motor vehicles. It does not outsource any works to third party contractors.

(c) Spare parts for motor vehicles

The Group's 4S service centres maintain a comprehensive stock of commonly used and fast-moving motor vehicle spare parts and consumables such as engine lubricants, spark plugs, batteries, coolants and transmission fluids, and adopts a just-in-time, when-needed ordering system for other spare parts, particularly those which are used only for specific models of vehicles. Given China's developed logistics infrastructure, almost all parts ordered using this just-in-time, when-needed system can be delivered to the workshop floor within hours.

Due to its established and good reputation in the industry, suppliers of certain higher value stocks such as tyres delivers a range of such stocks to the Group's 4S service centres on a consignment basis, that is so say, on a pay-when-sold basis. The suppliers will replenish stocks kept at the Group's 4S service centres as and when needed or when requested by the respective 4S service centre.

(d) Survey of motor vehicles

This business segment complements the Group's service and repair business segment. The Group's 4S service centres for all things related to insurance claims for motor accidents. They will assess the damage, repair the damaged vehicle (if it is assessed to be repairable) and file claims against the relevant insurance company.

3.4. Other ancillary services the Group provides

Other ancillary services which the Group provides include the following services:

(a) Car grooming and car washing.

All the Group's 4S service centres are equipped with car grooming and car washing facilities. The car washing facilities are all manual car washing facilities. While these are more labour-intensive, customers prefers to patronize the Group's manual car was over other available automated car washing facilities, and the Group is able to charge a premium fee as compared to fees charge by automated car washing facilities.

(b) Emergency vehicle recovery

The Group's emergency vehicle recovery unit operates primarily along the

Longchang to Guizhou section of the G76 Highway in Sichuan province. In addition to this, its areas of operations coverage includes the provincial, city road networks surrounding the cities of Luzhou, Chongqing, Neijiang, Zigong and Yibin. It has a comprehensive fleet of heavy-duty, medium and small rescue vehicles and a team of experienced staff to operate this fleet on a 24/7 basis. Directors believe it is the biggest and most comprehensive emergency vehicle recovery operator in Luzhou City. This business unit complements the Group's service and repair and survey (insurance claims) business segments in that, unless the owner of the recovered vehicle insists otherwise, the recovered vehicles are towed or carried to the nearest 4S service centre operated by the Group for repairs.

(c) Vehicle inspection

In China, all vehicles plying public roads must be registered with the relevant department of the Ministry of Public Security. This registration must be renewed annually. Applications for renewal of this annual registration must be accompanied by an inspection certificate issued by an accredited inspection centre certifying the roadworthiness of the vehicle. This annual inspection certificate must also be produced before insurance companies renews a car's insurance policy. Privately-owned accredited inspection centres are strictly regulated in all aspects of their operations ranging from the quality controls, inspection standards, operating procedures and compliance with those operating procedures and inspection fees which they can charge customers. Therefore, there not many privately-owned inspection centres which qualifies for and are granted accreditation to issue such annual inspection certificates.

The Group has recently invested in a company which has been issued with the accreditation to carry out annual vehicle inspections and to issue inspection certificates recognized by the relevant authorities. A modern inspection facility is currently being built by this subsidiary in Luzhou City and, barring unforeseen circumstances, is expected to commence full operations within this financial year.

(d) Charging stations for electric vehicles

To capitalize on the increasing number of electric vehicles in China, the Group set up metered charging stations at its 4S service centres. The Group provides both fast charging stations to charge light commercial vehicles and passenger cars with are equipped with fast charging functionality, as well as normal charging stations to cater to smaller electric car users. Users are billed by and pay to the respective 4S service centre according to the electricity they use.

Normal charging stations at the Group's 4S service centre in Rongshan Town, Hejiang County in Luzhou City

An electric bus being charged using a fast charging station at the Group's 4S service centre in Naxi County in Luzhou City

3.5. Market analysis

For investors to understand the market in which the Group operates, the Company had commissioned Guangzhou Darun Consulting Co., Limited to prepare a market analysis report for the 4S service market in China. Their report is reproduced in its entirety in section 4, edited only for formatting.

3.6. Trademark

The Company believes that an emphasis on service quality will differentiate it from its competitors. Therefore, the Company views that operating its service centres under one common trade name is an important aspect of this commitment to quality. This will also be important as the Group embarks on its franchising model for its future growth. In view of this, the Operating Company has registered the "Hongting" trademark, details which are set out below:

Trademark	Registration number	Status / details
	28631225	Registered on 28 January 2019. Validity of trademark protection period from 28 January 2019 to 27 January 2029.

Protection provided to holders of trademarks under the relevant Chinese laws are briefly described in the Overview of China's legal framework set out in Annexure B.

3.7. Material contracts

The Company or its subsidiaries has entered into a number of important contracts. These are:

<u>Contracts relating to the Restructuring</u>

(a) Share Transfer Agreements in relation to the equity capital of Luzhou City Mingxing Auto-mobile Service Co., Limited between each LI Yongqian and TIAN Mei (as transferors) and WFOE (as transferee)

Each of LI Yongqian and TIAN Mei (as transferors) (the **Transferors**) entered into an Equity Transfer Agreement with WFOE (as transferee), under which the Transferors transferred their aggregate 100% equity interest in Mingxing Auto to WFOE for nil consideration.

The agreements, in the standard format prescribed by the local office of the Department of Industry and Commerce, are governed by the laws of China. The agreement was completed on 4 April 2019 and the parties' obligations had been fulfilled in accordance with terms of the agreement. On completion of the these Equity Transfer Agreements, Mingxing Auto became a wholly-owned subsidiary WFOE who in turn is 100% owned by One Land.

(b) Share Sale Agreement in relation to One Land Venture Sdn. Bhd. between NEW Jia Yunn (as vendor) and the Company (as purchaser)

The Company entered into a Share Sale Agreement dated 5 April 2019 with one NEW Jia Yunn (acting as bare nominee for the Existing Shareholders) under which the Company acquired all the issued and paid-up share capital of One Land (and, indirectly, interests in each of WFOE and the Operating Company) for a notional or nominal consideration of Ringgit Malaysia 4,000, the equivalent of US$1,000. This purchase consideration was paid by way of the issue of 116,550,000 new fully paid shares in the Company's share capital to the Existing Shareholders.

This Share Sale Agreement which is governed by the laws of Malaysia was completed on 5 April 2019 when the new shares were issued to the Existing Shareholders. Both parties' obligations had been fulfilled in accordance with the terms of the agreement. On completion of this agreement, each of One Land, WFOE, Mingxing Auto and the Other Operating Subsidiaries became subsidiaries of the Company.

(c) Debt Assignment Agreement in relation to shareholders' loans amounting to RMB45,893,961.55 among TIAN Mei (as assignors), Luzhou City Mingxing Auto-mobile Service Co., Limited (as debtor) and the Company (as assignee)

The Company entered into a Debt Assignment Agreement dated 5 April 2019 with TIAN Mei and Mingxing Auto. Under this agreement:

(i) TIAN Mei assigned shareholders' loans amounting to RMB45,893,961.55 (approximately US$6,810,000) which she (for herself and on behalf of other Existing Shareholders) had extended to Mingxing Auto to the Company; and

(ii) Mingxing Auto acknowledged and accepted this assignment and agreed to pay these shareholders' loans directly to the Company.

This Debt Assignment Agreement is governed by the laws of China. The effect of this Debt Assignment Agreement is that the shareholders' loans amounting to RMB45,893,961.55 which TIAN Mei (for herself and on behalf of other Existing Shareholders) had extended to Mingxing Auto is now owed to the Company and not to TIAN Mei.

In exchange for WANG Jiefu and HE Jianwen assigning these shareholders' loans under this Debt Assignment Agreement, we issued 10,300,000 new shares in the Company's share capital to the Existing Shareholders. The new shares were issued to the Existing Shareholders on 5 April 2019.

In addition to the above material contracts, the Operating Company had entered into other commercial contracts in the ordinary course of its business, including lease agreements for the Group's service centres and non-exclusive distributorship agreements with car manufacturers and major motor vehicle spare parts suppliers. None of these commercial contracts:

(a) are entered into with a related party; nor

(b) contain onerous or unusual terms.

These commercial contracts are not disclosed in this information memorandum because they contain commercially sensitive information, including the identities of the Operating Company's suppliers and customers, and the terms under which they supply the products to the Operating Company or under which the Operating Company provides services to them. Public disclosure of such sensitive information will prejudice and cause irreparable harm the commercial interests of the Company and its shareholders.

3.8. Related party transactions

Save as disclosed below, the Group does not have any ongoing or potential transaction with related persons.

Disclosure:

(a) Completed transactions with LI Yongqian and TIAN Mei which are disclosed in paragraphs 3.7(a), 3.7(b) and 3.7(c) of this information memorandum; and

(b) Remuneration and directors fees which the Company may pay to Directors.

4. *Market analysis*

For investors to understand the market in which the Group operates, the Company had commissioned Guangzhou Darun Consulting Co., Limited (**Darun Consulting**) to prepare a market analysis report for the 4S service market in China. The report prepared by Darun Consulting has been reproduced verbatim – edited only formatting – in this section of the information memorandum. Darun Consulting has reviewed this section of the information memorandum and has consented to the reproduction of its report in the format set out herein.

Introduction to auto-mobile 4S market in China

Auto-mobile 4S shops, selling auto-mobiles and their spare parts, providing auto-mobile related service and surveys (information feedback), etc., have been a common service terminal for Chinese auto-mobile distributors by far.

Among their four revenue sources, namely, new car business, used car business, service & auto accessories and finance & insurance, new car sales has been the major revenue source for auto-mobile 4S shops in China. However, its proportion has been decreasing gradually in recent five years, while the rest three businesses called auto-mobile after-sales market have been developing rapidly with expanding shares.

Auto-mobile 4S shops in China have basically achieved full coverage in the whole country as of 2018 year end. Competition among auto-mobile distributors is becoming increasingly intense. The rising share of China's top 10 and top 100 auto-mobile distributors' revenue against China's total during the years of 2014-2017 shows the market concentration trend of China's auto-mobile distribution industry. Industry consolidation is expected to continue in the years to come.

With China's auto-mobile industry consumption upgrade accelerating with Chinese government's policy stimulus, China's auto-mobile 4S shops are expected to continue to develop, especially their used car business and the auto-mobile after-sales market, despite that China's auto-mobile sales has started to slow down in recent years and even witnessed a decline in 2018.

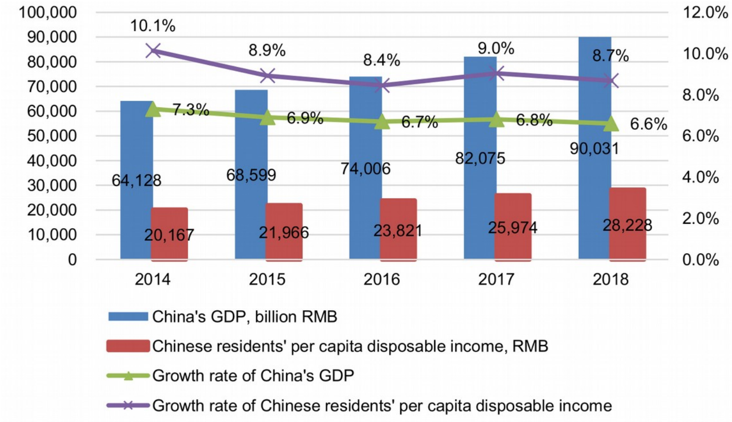
1. Macro environment of auto-mobile 4S service market in China

1.1. GDP and people's disposable income

China's GDP growth and per capita disposable income increase have provide strong support for its auto-mobile 4S service market, which is closely linked to the auto-mobile market. Since its reform and opening up, China has achieved rapid economic development and its economic aggregate has ranked the second largest in the world since 2010. However in recent years, the growth of China's

GDP and the per capita disposable income has both slowed down, leading to auto-mobile sales slowdown in recent years. China's GDP growth in 2018 was only 6.6%, much lower than the 10% also before 2011. China's per capita disposable income has increased from RMB18,311 in 2014 to RMB28,228 in 2018, with compound annual growth rate (CAGR) of 8.8%.

Figure 1 China's GDP and per capita disposable income and their growth rates, 2014-2018

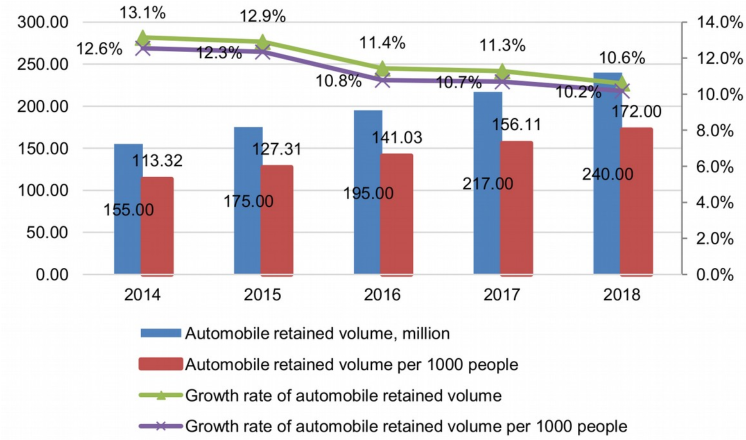


Source: National Bureau of Statistics of China

1.2. Auto-mobile sales and retained volume

Thanks to its GDP growth and rising per capita disposable income, China's auto-mobile consumption has increased accordingly during 2014-2018. With its GDP growth slowdown, China's auto-mobile retained volume growth has also slowed in this period, from 13.1% in 2014 to 10.6% in 2018. So is the growth for China's auto-mobile retained volume per 1000 people, although the number grew to 172 in 2018 from 155 in 2014.

Figure 2 Auto-mobile retained volume in China, 2014-2018

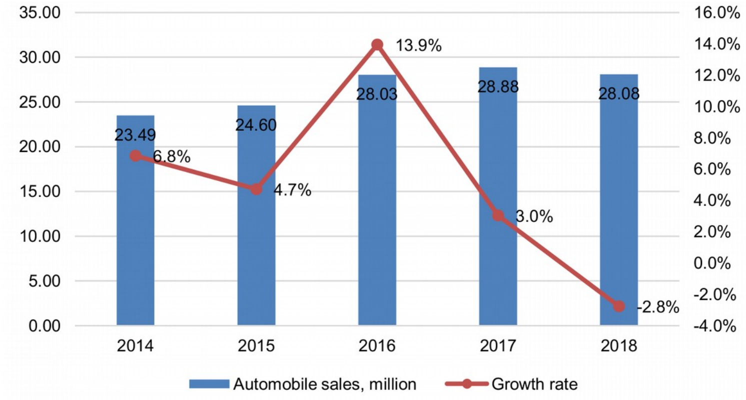


Source: The Ministry of Public Security of the People's Republic of China

Besides, after years of growth in the Chinese auto-mobile market, the market has begun to mature and the growth pace has slowed. In 2018, China's auto-mobiles sales volume was 28.08 million, decreasing by 2.8% year-on-year, the negative growth since 1990, according to data released by China Association of Auto-mobile Manufactures (CAAM).

In 2018, Chinese consumers held a wait-and-see attitude towards China's auto-mobile market that year, out of consideration of various factors, such as the withdrawal of auto-mobile purchase tax, the uncertainty of import tariffs, the continued rise in refined oil prices, and the early implementation of China VI Emission Standards in some regions.

Figure 3 Auto-mobile sales in China, 2014-2018



Source: China Association of Automobile Manufactures (CAAM)

1.3. Chinese government policies on auto-mobile 4S service shops

To forge a better relationship between auto-mobile manufacturers and distributors, Chinese government from July 1, 2017, abolished the Auto-mobile Brand Sales Management Implementation Measures, abbreviated as 2005 Brand Measures, since the Measures had been implemented for 12 years.

After over a decade's rapid growth for China's auto-mobile industry, the brand licensing-based business model, once dominant under the 2005 Brand Measures, and contributing to a substantial increase in China's auto-mobile production and sales, became increasingly unsuccessful and out of step with market developments, as the 2005 Brand Measures definition of distributors as being subordinate in their relationship with manufacturers.

The abolishment of the 2005 Brand Measures was responding to the call for amendment to address the escalation of conflicts between auto-mobile manufacturers and distributors, such as distributors refusing to take delivery due to inventory pressure, manufacturers needing to pay distributors large subsidies, etc. Other factors include slowing auto-mobile sales growth, a large increase in auto-mobile brands, as well as the rise of independent distributors willing to participate independently in the market.

On 14 April 2017, China's Ministry of Commerce, abbreviated as MOFCOM, promulgated the new Administrative Measures for Auto-mobile Sales, abbreviated as the New Measures, aiming to address some of the issues facing the automotive industry.

Key points in these New Measures include the following.

- Liberalization of non-authorized and multi-brand operations
- Extended authorization period
- Distributor's sales targets and business policies
- Liberalizing the restriction on cross-district sales
- Relaxation of sales of non-original parts by distributors
- Expansion of accessory distribution channels

At present, China's auto-mobile sales management is mainly based on the New Measures. In the New Measures, there are two advantages for the development of 4S shops.

In article 24, suppliers may require distributors to set up separate exhibition areas for their own brand auto-mobiles, but they shall not carry out the following acts against distributors, such as restricting distributors from selling other brands, restricting distributors from providing spare parts and other after-sales services for other brand, etc. This means that the single authorization system of auto-mobile sales brand has been thoroughly broken. Auto-mobile distributors have greater autonomy to sell multiple brands of auto-mobiles at the same time and build a multi-brand integrated maintenance center. This not only improves the circulation efficiency but also makes the market fully competitive.

In article 19, if the supplier authorizes the distributor to sell auto-mobiles of its brand, the authorization period is generally not less than 3 years each time, and the first authorization period is generally not less than 5 years. The extension of authorization period protects the investment interests of distributors.

However, in article 26, unless otherwise stipulated in the contract between the two parties, the supplier shall not sell the auto-mobile directly to the consumer within the authorized sales area of the distributors. In other words, auto-mobile sales can be legal in both authorized and unauthorized modes. In an unauthorized area, suppliers can conduct direct sales or other sales models.

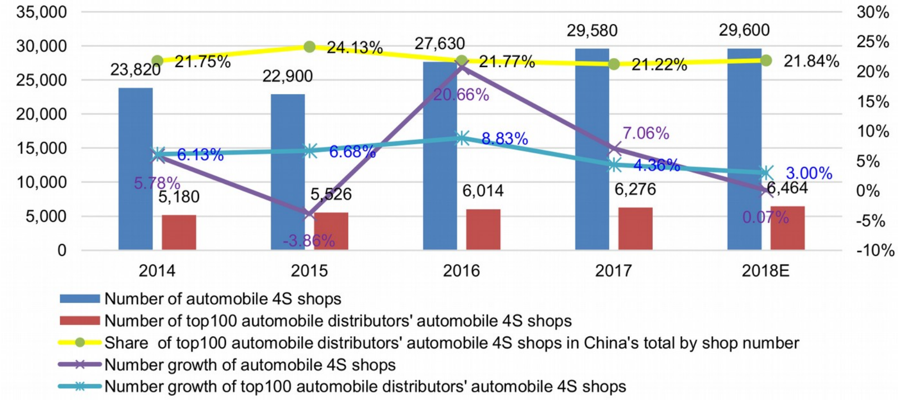
2. Overview of auto-mobile 4S service market in China

The number of China's auto-mobile 4S service shops has kept on growing during 2014-2018, with a CAGR of 5.58% in this period, although the growth has been slowing down, because of slowing auto-mobile sales growth. In 2017, there were 29,580 auto-mobile 4S service shops in China. The number in 2018 was estimated to be 29,600, basically the same as in 2017.

The number of auto-mobile 4S service shops owned by China's top 100 auto-mobile distributors has also been growing in this period, with CAGR of 5.69%

during 2014-2018. They have been accounting for around 21% of China's total in this period.

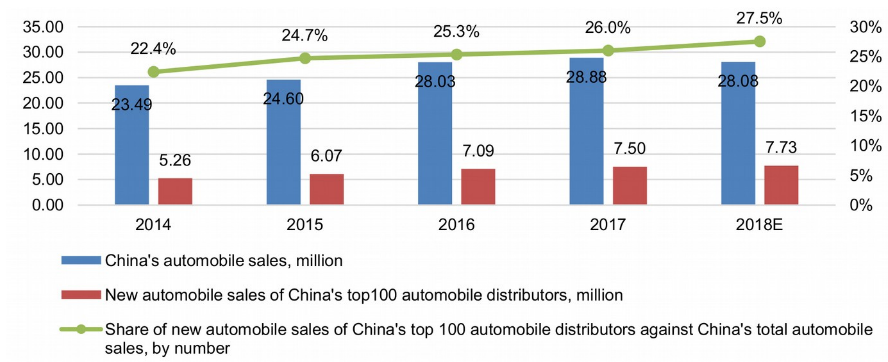
Figure 4 Number of total auto-mobile 4S shops and top100 distributors' auto-mobile 4S shops in China, 2014-2018



Source: China Automobile Dealers Association (CADA) and Darun Consulting
Note: E means the data was estimated by Darun Consulting

China's top-100 auto-mobile distributors' new auto-mobile sales displayed a rapid growth trend in 2014-2018, with CAGR of 10.1%. Its share against China's total auto-mobile sales by volume increased from 22.4% in 2014 to 27.5% in 2018, indicating the industry consolidation of auto-mobile sales in China.

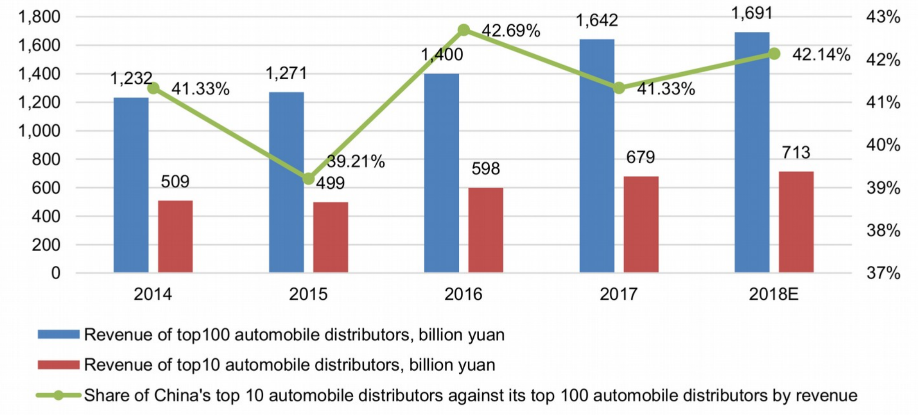
Figure 5 Auto-mobile sales and new auto-mobile sales of top-100 auto-mobile distributors in China, 2014-2018



Notes: 1. As the automobile distributors are mainly selling automobiles via their 4S shops, their sales revenue is regarded as the revenue of 4S shops in China, although a small proportion comes from their other types of stores or sales channels.
2. E means the data was estimated by Darun Consulting.
Source: China Automobile Dealers Association (CADA) and Darun Consulting

The revenue of China's auto-mobile distribution industry totally exceeded 4,000 billion Yuan in 2017. Top 100 distributors' revenue accounted for 40% of the total, while that of top 10 distributos' accounted for 41% of top 100 distributors' that year, according to China Auto-mobile Dealers Association (CADA). The revenue shares of the top 100 and top 10 distributors are expected to further increase.

Figure 6 Revenue of top-100 and top-10 auto-mobile distributors in China, 2014-2018E

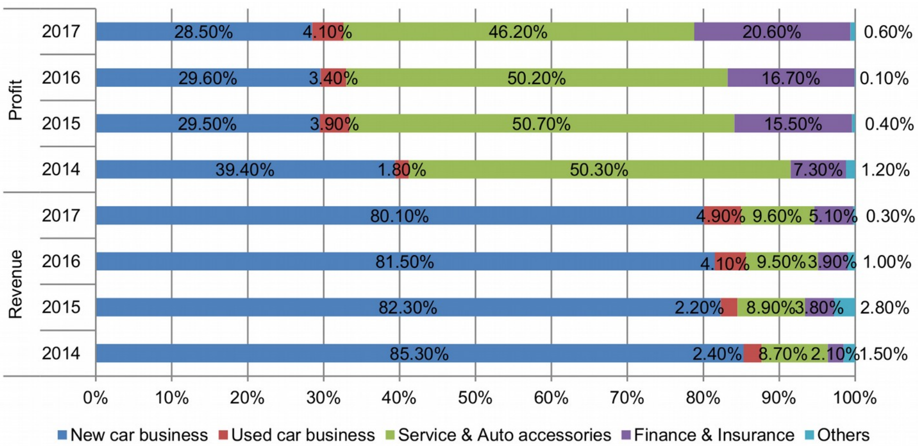


Notes:
1. As the automobile distributors are mainly selling automobiles via their 4S shops, their sales revenue is regarded as the revenue of 4S shops in China, although a small proportion comes from their other types of stores or sales channels.
2. E means the data was estimated by Darun Consulting.
Source: China Automobile Dealers Association (CADA) and Darun Consulting

The business composition of auto-mobile 4S shops in China has gradually changed in recent years. The new car business' revenue and profit shares have been shrinking, while those of after-sales market have been expanding.

Revenue share of new car business of China's top 100 auto-mobile distributors against China's total revenue decreased from 85.30% in 2014 to 80.10% in 2017, and the gross profit of new car business decreased from 39.40% in 2014 to 28.50% in 2017. At the same time, auto-mobile after-sales market's revenue and gross profit, such as used car business, service & auto accessories and finance & insurance, have witnessed expanding shares, especially finance & insurance.

Figure 7 China auto-mobile 4S shops' revenue and profit composition by business type, 2014- 2017



Source: China Automobile Dealers Association (CADA), Darun Consulting

3. Forecast on China's auto-mobile 4S service market in the coming two years

3.1. Drivers and barriers of China's auto-mobile 4S service market

3.1.1. Drivers

Compared to developed countries, Chinese consumers' auto-mobile retained volume per 1000 people in 2018 is still much smaller, only at 172 as of 2018 year end, suggesting great potential for growth. Factors stimulating auto-mobile consumption will directly drive the development of auto-mobile 4S shops in China. Therefore, the driving forces of 4S shops are mainly factors promoting auto-mobile consumption in China, followed by the reduction of VAT rate and the after-sales demand of used cars.

Policy stimulus

Because of auto-mobile industry's importance to China's economy, employment and consumers' daily life, Chinese government has been paying great attention to its development and boosting auto-mobile consumption.

By far, Chinese government has issued a series of policies to promote auto-mobile consumption. For example, in October 2018, the General Office of the State Council issued the Implementing Plan of Improving and Promoting Consumption System and Mechanism (2018-2020), which guides the optimization and upgrading of auto-mobile consumption from high-speed development to high-quality development. According to that plan, Chinese government will adopt measures to promote the sustainable development of new energy vehicles, encourage development of auto-mobile after-sales market, and solve the problem of parking difficulties.

In January 2019, China's National Development and Reform Commission and other ten departments jointly issued the Implementation Plan for Further Optimizing Supply, Promoting Steady Growth of Consumption and Promoting Strong Domestic Market (2019), which includes six specific measures for the auto-mobile industry, such as orderly promoting old and used auto-mobiles scrapping and renewal; continuous optimizing new energy auto-mobile subsidy structure; promoting rural auto-mobile renewal; steadily promoting the relaxation of the restrictions on the pickup trucks into the city; accelerating the prosperity of the used auto-mobile market, and further optimizing the local government's motor vehicle management measures.

Chinese government work report of 2019 proposes to stabilize auto-mobile consumption and continue to implement preferential policies for new energy auto-mobile purchase under the context of the sluggish consumption of Chinese auto-mobile in 2018. Many other measures that can promote auto-mobile consumption to certain extent are also proposed in that report, such as deepening reform of toll road system, promoting cost reduction of passing bridges, and restricting unreasonable examination and approval of passenger and freight vehicles, arbitrary charges and arbitrary fines. Within two years, provincial toll stations across the country will be basically abolished to achieve speedy toll collection without stopping, to reduce congestion and facilitate the masses.

VAT Tax Rate Reduction

From May 1st, 2018, China has fully implemented reform on value-added tax (VAT), reducing the VAT rate of manufacturing industry by 1%. That means that the VAT of the auto-mobile industry has been reduced from 17% to 16%. What's more, the government work report of 2019 proposed to further reduce VAT rate from 16% to 13% in manufacturing industry. The reduction of VAT rate will be beneficial to the auto-mobile price reduction, thus promoting auto-mobile consumption.

Lower import tariffs on auto-mobiles

On May 22, 2018, China's Tariff and Tax Commission of the State Council issued an announcement that the tariff rates on imported auto-mobiles would reduce from 25% or 20% to 15%; the tariff rates on imported auto-mobile parts would reduce from8%, 10%, 15%, 20% or 25% to 6% from July 1, 2018. A considerable reduction in auto-mobile import tariffs will help stimulate domestic demand of imported auto-mobiles.

Increasing demand of auto-mobile after-sales market

The development of auto-mobile after-sales market is closely related to the growth of auto-mobile retained volume. China's auto-mobile retained volume increase will stimulate the rapid development of China's auto-mobile after-sales market, benefiting the development of auto-mobile 4S shops in China.

3.1.2. Barriers

Although auto-mobile 4S shops will remain the main channel of auto-mobile sales in China in the coming two years, there will be greater pressure for them to survive. Barriers hindering their development include the following ones.

China's slower economic growth

In the next two years, China's macro-economy will continue to show a decline in growth rate. China's GDP growth rate is forecasted to be only 6.2% for both 2019 and 2020, according to forecast from the International Monetary Fund (IMF).

Vehicle restriction

In recent years, in order to control pollution and alleviate traffic pressure, more and more cities in China have adopted policies such as car purchase restriction, licence restriction and traffic restriction to alleviate the above problems. This will restrain the demand of auto-mobiles to some extent, posing negative impact on auto-mobile sales.

Competition from other sales channels

Auto-mobile 4S shops in China are expected to face growing competition from other channels in the next two years. Multi-channel sales and multi-mode co-development are taking shape in China, such as auto-mobile supermarket and auto-mobile market + integrated repair shop, as well as e-commerce marketing and auto-mobile rental, which have posing growing threat to traditional 4S shops. Compared with other auto-mobile sales channels, auto-mobile 4S shops have some defects that hindering their development. 4S shops have bigger investment and higher risk.

3.2. Market size forecast in 2019-2020

Auto-mobile 4S service shops have basically achieved full coverage in China. Competition among auto-mobile 4S shops and competition between 4S shops and other sales models is expected to intensify and the industry will continue to be integrated. The number of auto-mobile 4S shops in China is forecasted to decrease to 28,120 and 27,280 with a YoY growth rate of -5% and -3% respectively in 2019 and 2020.

4. Major players in China's auto-mobile 4S service market

According to the information from China Auto-mobile Distributors Association, there were 29,580 4S shops in China in 2017. Below are the top four distributors. In 2017, the total revenue of these four distributors accounted for about 10% of the revenue of China's auto-mobile distribution industry.

4.1. China Grand Automotive Services Co., Ltd.

China Grand Automotive Services Co., Ltd. (**CGA**), mainly engaged in auto-mobile distributorship services, owned 737 auto-mobile 4S shops in China as of 2017 year end and distributes more than 50 brands of auto-mobiles with different grades from ultra-luxury, luxury to mid-to-high end. CGA is the top one auto-mobile distributor in China by its revenue in 2017. In 2018, CGA further enriched its 4S shops of ultra-luxury, luxury and mid-to-high-end brands. At the same time, it focused on strengthening the comprehensive service capabilities. As of June 30, 2018, CGA operated a total of 837 business outlets, including 771 4S shops with a growth rate of 4.61% compared with that in 2017. CGA's auto-mobile businesses include auto-mobile sales, repair services, used car sales, insurance sales and auto-mobile rental.

Table 1 Auto-mobile business performance of CGA, 2017

Company name	**China Grand Automotive Services Co., Ltd.**
Revenue in 2017	RMB160.71 billion
Auto-mobile sales, 2017	881,200
Number of auto-mobile 4S shops, 2017	737

Source: CGA 2017 Annual Report

4.2. Zhongsheng Group Holding Limited

Zhongsheng Group Holding Limited (Zhongsheng Group) ranked second largest among China's auto-mobile distributors by revenue in 2017. Its current brands cover luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Volvo, Jaguar Land Rover and Porsche, as well as mid- to high-end brands such as Toyota, Nissan and Honda. Zhongsheng Group has always adhered to the "Brand + Regional" strategy which means that sold different brands in different regions. At present, Zhongsheng Group continues to expand its 4S market into new regional and increased its 4S shops from 286 in 2017 to 318 in 2018, with growth rate of 10.84%.

Table 2 Auto-mobile business performance of Zhongsheng Group, 2017 and 2018

Company name	**Zhongsheng Group Holding Limited**	
	2017	**2018**
Revenue in 2017	RMB86.29 billion	RMB107.74 billion
Auto-mobile sales, 2017	379,803	466,941
Number of auto-mobile 4S shops, 2017	286	318

Source: Zhongsheng Group 2017 Annual Report and 2018 Annual Report

4.3. LSH Auto (China) Management Co. Ltd.

LSH Auto (China) Management Co. Ltd. (**LSH Auto**) is mainly engaged in the sales of Mercedes-Benz in China including new cars (Mercedes-Benz, Mercedes-AMG, Mercedes-Maybach and Smart), used cars and other services such as spare parts and after-sales services, car financial, rental and insurance services. LSH Auto was the third largest auto-mobile distributor in China by revenue in 2017.

Table 3 Auto-mobile business performance of LSH Auto, 2017

Company name	LSH Auto (China) Management Co. Ltd.
Revenue in 2017	RMB80.11 billion
Auto-mobile sales, 2017	182,000
Number of auto-mobile 4S shops, 2017	146

*Source: China Auto-mobile Dealers Association (**CADA**)*

4.4. Pang Da Auto-mobile Trade Co., Ltd.

Pang Da Auto-mobile Trade Co., Ltd. (**PD Group**), an auto-mobile distributor focusing on auto-mobile sales and service, ranked the fourth largest by its revenue in 2017. However, PD Group's profits have fallen sharply and funds have been tight. Beginning in 2017, PD Group has abandoned the previously expansion business path. Instead it launched its own asset austerity plan. In the first half of 2018, PD Group reduced costs by reducing staff and disposing of assets.

Table 4 Auto-mobile business performance of PD Group, 2017

Company name	Pang Da Auto-mobile Trade Co., Ltd.
Revenue in 2017	RMB70.49 billion
Auto-mobile sales, 2017	481,713
Number of auto-mobile 4S shops, 2017	705

Source: PD Group 2017 Annual Report

=== End of report ===

5. *Risk factors*

An investment in the Company is not risk free. Before deciding to trade in the Shares, Shareholders and prospective investors should read this information memorandum in its entirety, consider at least the following risk factors in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, bank manager, stockbroker, lawyer or other professional adviser.

The operating and financial performance and position of the Group, the value of Shares and the amount and timing of any dividends that the Company may pay will be influenced by a range of factors. Many of these factors will remain beyond the control of the Group and Directors. Accordingly, these factors may have a material effect on the Group's performance and profitability which may cause the market price of Shares to rise or fall over any given period.

This Section identifies the areas Directors regard as major risks associated with an investment in the Company. This list is not intended to be an exhaustive list of the risk factors to which the Group is exposed. The risks and uncertainties described below are not the only ones faced by the Group. There are other risks and uncertainties which directors deem immaterial or not currently known may also have a material adverse effect on the Group's business, financial condition, operating results and/or cash flow.

5.1. Specific risks

In addition to the general risks outlined in paragraph 5.2, there are specific risks associated with the Group's existing and proposed business operations. These include:

(a) The Group operates in a highly competitive industry

As noted by Darun Consulting in their market analysis, 4S service centres in China have basically achieved full coverage in the whole country, and that the number of 4S service centres in China at the end of 2018 is about the same is at the same time in 2017. In other words, there is a near zero net growth in the number of 4S service centres. There is not much product differentiation, particularly amongst the independent – that is to say, those not affiliated to car manufacturers – 4S service centre operators.

Because there is little product differentiation for 4S services, brand recognition is important. Customers tend to patronize 4S service centres which they recognize. Directors also believe that operating an even larger chain of 4S service centres, particularly under one unified brand "Hongting" trademark, will make the Group's brand more recognizable in the market hence increasing the Group's competitive advantage.

However, should there be any significant increase in competition from these competitors or if the Group is not able to compete effectively against these competitors or cope with changes in market conditions caused by increased competition from these competitors, the Group's financial performance may be adversely affected.

(b) The Group may not be able to respond sufficiently to the rapid technological advances the automotive industry is currently undergoing

The use of electric vehicles (**EVs**) in China continue to gain momentum. The Chinese government is offering multitude of incentives for industries, not just the automotive industry, to switch to more environmentally friendly and less polluting technologies. As a result, electric passenger cars and vehicles are becoming increasingly affordable. The technology used to run EVs is radically different from the combustion technology currently being used to run the "traditional" cars and motor vehicles. One such difference is that EVs have less moving parts than combustion engine vehicles, resulting in longer preventive maintenance and service cycles for electric vehicles and dispense with use of a number of consumables such as spark plugs and lubricants. The skills and knowledge required of the technicians who can service EVs are also different.

If the Group is not able to respond to these technological advances in the automotive industry such as coming out with new income streams to replace income streams that are lost or reduced by wider use of EVs and re-training and reskilling its existing technicians to service EVs in the future, the Group's business operations and its financial performance may be adversely affected.

(c) The Group's business is dependent upon retaining and attracting suitably skilled workers

While the Group's business process, particularly the automotive service and repair business segment which represents a substantial portion of its business, is still dependent on skilled manual labour such as technicians to perform mechanical repairs and craftsmen to perform bodywork repairs. The Group's ability to carry on its existing business operations as well as expanding its scale of operations is dependent upon the Group having sufficient skilled workers to perform these tasks. Therefore, if the Group is not be able to retain and/or recruit sufficient skilled workers to perform these tasks, it will have an adverse effect on the Group's normal business operations and, consequently, on its revenue and financial performance.

To address this, the Group has put in place a system to implement fair employment practices and to promote good labour relations. This system includes adopting reasonable work hours, offering attractive wages, providing good working environment (including providing free and nutritionally balanced meals at in-house canteens) and organizing welfare activities such as short social outings for staff and families.

(d) The Group's business expansion plan is dependent upon it being able to sign up franchisees

Up to the present, all the Group's 4S service centres are owned, invested and operated by the Group. Directors have identified that the Group can leverage on its goodwill and that of the "Hongting" brand to implement a franchise model to open more 4S service centres to be operated by third party franchisees in order to expand the Group's chain of service centres. The Group plans to initially target cities and counties in the south-western China where it does not already have a presence. If the Group is not able to implement this franchising model in that it is not able either develop an efficient and effective franchise system or to sign up franchisee to open and operate new 4S service centres under franchise from the Group, the Group's growth will be adversely affected.

(e) Internal controls

The system of internal controls currently implemented by the Group is designed for the operations of an owner-managed enterprise. It comprises a number of undocumented procedures which require the substantial hands-on involvement of the owner-manager. Directors are of the opinion that while this system of internal control is adequate and effective for the current level of operations, it may become inadequate after the Group's business expands. If the Group is not able to improve and subsequently maintain the quality of the Group's internal controls, any weaknesses could materially and adversely affect the Company's ability to properly manage the operations of the Group, provide timely and accurate information about the Group's operations and finance, and could cause the Group to be susceptible to internal fraud.

Directors will continually review the Group's system of internal controls and ensure that they are developed to, and maintained at, a level appropriate for a publicly listed company of comparable size and scale of operations. Any weaknesses in effective internal controls may create additional challenges in the Company complying with its continuous disclosure obligations. To mitigate risks associated with compliance with continuous disclosure obligations, directors will be appointing as nominated adviser and other advisers firms whom have a good track record of advising clients whose operations are of similar size and scale as the Group's.

(f) Currency and foreign exchange

Revenue generated, and capital and operating costs incurred, by the Group is denominated in RMB. The Group's financial results when stated in US Dollar will be subject to foreign exchange currency risks due to exchange rate movements. These exchange rates are affected by numerous factors outside the Group's control. These factors include the economic conditions of China, interest rates, inflation and other economic factors which may have a material effect on the Group's financial performance if its financial results are translated into US Dollar or currencies other than RMB.

The value of RMB is subject to change in the Chinese government's policies and to international economic and political developments. There can be no assurance that RMB will not become volatile against other currencies or that RMB will not be devalued. The Company does not hedge against movements in RMB. There can be no assurance that future changes in the exchange rate of RMB against other currencies will not have adverse effects on the Group's financial position.

The conversion of RMB into foreign currencies is regulated in China. Under Chinese government regulations, all foreign enterprises must establish a "current account" and a "capital account" with a bank authorized to deal in foreign exchange. Currently, foreign enterprises are able to exchange RMB into foreign currencies at designated foreign exchange banks for settlement of "current account" transactions, which include payment of dividends on the basis of a board resolution authorizing the distribution of profits or dividends, without other regulatory approval. Conversion of RMB into foreign currencies for "capital account transactions" which include the receipt and payment of foreign exchange for loans, contributions and purchases of fixed assets continues to be subject to limitations and requires regulatory approval. There can be no assurance that the Group will be able to repatriate funds from China to pay dividends or satisfy foreign exchange requirements in the future.

(g) Legal considerations

China operates under a civil law system. This system is different from the common law system which exists in BVI where the Company is incorporated. While individual court decisions in China may be noted for reference, they may not have precedent value. Although legislative reforms during the last two decades have significantly enhanced the protection enjoyed by enterprises in China, some of these laws, regulations and measures are relatively recent and their interpretation and enforcement remain uncertain. In addition, the legal system in China is subject to continuing development in areas such as foreign investment, tax and foreign exchange and these could adversely affect the operations of the Group's operating companies.

Should it be necessary for the Company to enforce its legal rights in relation to its business, it would need to do so in accordance with the laws of China and perhaps other jurisdictions. If multiple jurisdictions or cross-border issues are involved, the matters may well attract unusual complexities which may result in added costs.

(h) Political, economic and social reforms

The Chinese economy has gradually changed from a centralised economy to a market economy. This reform has, among other things, resulted in significant economic growth. Political, economic and social factors may lead to further readjustment of the reforms already in place. However, there is no assurance that any change that occurs as a result of political, economic or social reforms in China will have a positive effect on China's economic development or that the Group's operating companies will benefit from or will be able to capitalise on these reforms. There is a risk that the Group's operating companies' operations, markets and financial position may be adversely affected by these continuing changes.

5.2. General investment risks

In addition to the specific risks associated with the Group's existing and proposed business operations outlined in paragraph 5.1, there are also general risks associated with an investment in the Shares. These include:

(a) Investment in securities

Shareholders and interested investors should be aware that there are risks associated with any investment in securities such as the Shares, and should recognise that the price of securities may fall as well as rise. In particular, the trading price of securities at any given time may be higher or lower than the price paid by the investor for these securities. Further, there can be no assurance that an active trading market will develop in the Shares.

Many other factors will affect the price of the Shares, including general fluctuations in the performance of local and international stock markets, movements in interest and exchange rates, industry-specific as well as general economic conditions and investor sentiment. Stock markets have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. There can be no guarantee that trading prices and volumes of any securities will be sustained. These factors may materially affect the market price of the Shares, regardless of the Group's operational performance.

No guarantee can be given by the Company in respect of the payment of dividends, any returns of capital or the market value of the Shares. Such issues are dependent on the Group's performance after listing, the control of costs and the need for working capital and other funding requirements.

(b) Economic risk

Changes in the general economic climate in which the Group operates may adversely affect the financial performance of the Group. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Group, industrial disruption and the rate of growth of the gross domestic product in China where it operates, interest and exchange rates and the rates of inflation.

No assurances can be given or forecasts made regarding the continuing strong growth experienced by the Chinese economy nor whether or when it will slow materially or shrink. If the Chinese economy does not continue to grow or if it slows materially, stops growing or goes into recession, there may be a diminished market for the Group's services. This would have a material adverse effect on the performance and profitability of the Group.

(c) Changes in legislation and government regulation

The introduction of new legislation or amendments to existing legislation and regulations by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Group. In addition, any adverse changes in political and regulatory conditions in China, BVI or Curaçao could affect the prospects of the Group's operating company or those of the Group as a whole. Financial and economic changes such as changes in both monetary and fiscal policies, import regulations and tariffs, taxation, methods of taxation and currency exchange could affect the profitability of the Group and adversely affect the return to Shareholders.

6. Capital structure and shareholding information

6.1. Share class information

(a) As of the date of this information memorandum, the Company has only one class of shares in issue, namely ordinary shares, the details of which are as follows:

Number of shares issued	Votes attached to each share	The amount of fully paid-up or credited as being fully paid-up security
126,900,000	Each shareholder is entitled to one vote for each Share	US$6,861,000

The rights attaching to these ordinary shares are summarized in paragraph 10.2 of this information memorandum.

(b) These shares were issued to our shareholders on the following dates and in the following manner:

Date of issue	Description of issue	Number of shares	Amount paid up or credited as being paid up
14 August 2017	Initial issue of shares for cash	50,000	US$50,000
5 April 2019	Shares issued as consideration for the acquisition of 100% of the share capital of One Land#	116,550,000	US$1,000
5 April 2019	Shares issued as consideration for the assignment of debts due from Mingxing Auto@	10,300,000	US$6,810,000
		126,900,000	US$6,861,000

Refer to paragraph 3.7(b)
@ Refer to paragraph 3.7(c)

(c) There is no option or any convertible securities on issue as of the date of this information memorandum.

6.2. Substantial shareholders

As of the date of this information memorandum, the holdings of substantial shareholders (defined as persons who own 5% or more of a class of security) are as follows:

S/No.	Name of substantial shareholder	No. of shares	As a % of issued capital
1.	LI Yongqian	26,573,414	20.94%
2.	TIAN Mei	10,000,000	7.88%
3.	LI Jiaceng	10,000,000	7.88%

LI Jiaceng is an adult but not yet financially independent child of LI Yongqian and TIAN Mei. The 10,000,000 Shares registered in his name were gifted to him absolutely by LI Yongqian at the time the Restructuring was completed.

6.3. Restricted securities

To demonstrate their confidence in the future prospects of the Company, Directors and certain other Shareholders (**Restricted Shareholders**) have offered their shareholdings as being restricted securities. The Restricted Shareholders will enter into restriction agreements with the Company under which they are restricted from dealing in any Share held by them during the restriction period. The voluntary restriction arrangements are as follows:

		Restriction period and no. of restricted shares	
S/No.	Name of Restricted Shareholder	12 months from date of listing on DCSX	24 months from date of listing on DCSX
1.	LI Yongqian	13,000,000	13,573,414
2.	TIAN Mei	5,000,000	5,000,000
3.	LI Jiacheng	5,000,000	5,000,000
		23,000,000	23,573,414

6.4. Shareholding spread

As of the date of this information memorandum, the Shareholders distribution (including Shares which has been offered as restricted securities – see paragraph 6.3) are as follows:

	Number of holders	Number of Shares	As a % of issued Shares
5,000 and below	246	1,228,116	0.97%
5,001 – 10,000	250	2,293,319	1.81%
10,001 – 100,000	575	1,995,974	15.76%
100,001 – 1,000,000	159	37,697,819	29.70%
1,000,001 and above	10	65,684,772	51.76%
	1,240	126,900,000	100.00%

7. Directors and key managers

7.1. Directors

The Company is managed by a board of directors which currently comprise three directors, namely:

Name	Age	Date appointed	Designation
LI Yongqian	59	14 August 2017	Chair and chief executive officer
XUAN Ming	49	5 April 2017	Independent non-executive director
TIAN Mei	44	5 April 2017	Non-executive director

The qualifications, business and working experience of each director is summarised below:

(a)

LI Yongqian
Chinese national

An experienced and seasoned businessman, LI Yongqian started his first business, acting as independent contractor to Chuanlu Transportation Co., Limited transporting passengers and goods in and between various cities including Guangzhou, Guiyang, Kunming, Chengdu and Chongqing, in the 1982 at a young age of 22. He carried on this business for approximately 25 years before he co-founded Mingxing Auto in 2008., He has been its driving force and general manager overseeing all aspects of its business operations and expansion since then. He will continue in this role after the Listing. He has received a number of awards from various private organizations, a more recent example being the 2016 Artisan China Innovative Person of the Year Award by the China Hi-Tech Industrialization Research Association.

LI Yongqian completed his high school education, and has attended and completed non-academic executive management administrative training courses.

(b)

XUAN Ming
Bachelor in Mathematics, Sichuan Normal University
Masters of Laws, South-western University of Finance and Economics
Chinese national

A lawyer by profession, XUAN Ming practices civil, commercial and criminal litigation as well as a dispute resolution mediator. He started his career as a teacher at the Sichuan Chemical Industry Vocational Institute, during which he worked as a part-time paralegal at Sichuan Mayflower Law Firm where he now practices. He quit his teaching position in 1996 to pursue a career in law on a full time basis and obtained his practising certificate in 2005. When not practising law, he writes literature pieces. He is a member of Luzhou City Writers' Association. As an independent non-executive director, he brings his legal knowledge and many years of legal experience particularly in Chinese commercial and company law to the board.

(c) 

TIAN Mei
Chinese national

After completing her high school education, TIAN Mei received vocational training in book-keeping and accounting. Between 1999 and 2008, she assisted LI Yongqian to manage his transportation business, taking over from him in 2008 when he founded and started to run Mingxing Auto. In 2009, she ceased that business to assist LI Yongqian in Mingxing Auto. In the early years of Mingxing Auto, she assisted LI Yongqian on the day-to-day administrative matters. She had taken a lesser role in the day-to-day operations of Mingxing Auto since it has built up a team of professional managers. TIAN Mei brings with her to the board a thorough knowledge and understanding of Mingxing Auto's businesses and of the industry it operates in.

7.2. Senior management

The day-to-day management of the Group's business is tasked to the chief executive officer, LI Yongqian who is supported by experienced and qualified senior management personnel, namely:

(a) KUANG Keliang (Age: 62)
Diploma in Business Studies, Sichuan Radio and TV University
Deputy General Manager, with specific responsibility for operations

(b) ZHANG Zhenghui (Age: 69)
Diploma in Accounting and Finance, Sichuan Radio and TV University
Diploma in Economic Management, Party School of the Communist Party of China Sichuan Committee (distance education)
Head of Finance and Accounting

7.3. Directors' holdings

As of the date of this information memorandum, directors' interests in Shares are as follows:

Director	Direct interest	Deemed interest	Total interest	% of issued capital
LI Yongqian	26,573,414	10,000,000 [@]	36,573,414	28.82%
XUAN Ming	100,000	-	100,000	0.08%
TIAN Mei	10,000,000	26,573,414 [@]	36,573,414	28.82%

[@] TIAN Mei is the spouse of LI Yongqian. Therefore, LI Yongqian is deemed to have an interest in the Shares held by TIAN Mei and TIAN Mei is deemed to have an interest in the Shares held by LI Yongqian.

7.4. Other information on directors

Save as disclosed below, as of the date of this information memorandum:

(a) there are no family relationships among any of the directors; and

(b) none of the directors has, in any jurisdiction, been convicted in any criminal proceeding or has had a bankruptcy petition filed against him or any partnership in which he is or was a partner or any corporate entity of which he is or was a director or has been sanctioned or otherwise disciplined by any self-regulatory securities association of which he is or has been a security holder or any securities supervisory or regulatory body or any such event is pending.

Disclosure:

LI Yongqian, the chair and chief executive officer of the Company is the spouse of TIAN Mei, a non-executive director of the Company.

7.5. Corporate governance statement

Given the size of the Company the board is yet to formally adopt corporate governance procedures. The board will continually review the need for corporate governance practices, and to adopt them as and when the need arises in the future. Disclosure of these corporate governance practices will be given in accordance with the Listing Rules.

8. Financial information

8.1. Introduction

(a) The Group is a result of the Restructuring which was carried out for the purpose of the Listing. Notwithstanding that it was incorporated on 11 August 2017, the Company has no track record of its own because it had remained dormant and had not commenced trading nor entered into any financial transaction since its incorporation. The sole purpose for its incorporation was to hold 100% of the equity capital of the Operating Company which has an operating track record of more than three financial years. The Operating Company (and its other operating subsidiaries) became a subsidiary of the Company on completion of the Restructuring on 5 April 2019. Therefore, financial information (the **Financial Information**) set out in this section has been derived from and relates to audited historical financial information of the Operating Company for the following financial years and period:

(i) financial year from 1 January 2017 to 30 September 2017 (9 months);

(ii) financial year ended 30 September 2018; and

(iii) financial period from 1 October 2018 to 31 December 2018.

collectively, the **Relevant Financial Periods**.

(b) The Financial Information were prepared in accordance with International Financial Reporting Standards, and is prepared on a proforma basis from audited financial statements of the Operating Subsidiary for the Relevant Financial Periods, after adjusting for the effects of Restructuring as if the Group was in place throughout the whole of the Relevant Financial Periods.

(c) Beijing Zhongnuo Yihua Accounting Firm Co., Limited, audited the financial statements of the Operating Company for the Relevant Financial Periods and had issued unmodified audit opinions on these financial statements. The Company appointed Ivan & Ho (AF 002224), Chartered Accountants (Malaysia) as reporting accountants to prepare a reporting accountants' report on the Financial Information and an audited proforma financial statements of the Group for the Relevant Financial Periods. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information are not presented fairly, in all material respects, in accordance with the stated basis of preparation.

8.2. Reporting accountants' report

The reporting accountant's report which contains a summary of the Financial

Information is attached in full (modified only for formatting) in this information memorandum as Annexure A. The audited proforma financial statements of the Group for the Relevant Financial Periods is lodged and disclosed separately on the DCSX announcements portal. Investors are advised to read the reporting accountant's report and the audited proforma financial statements of the Group for the Relevant Financial Periods in full.

8.3. Tabulation of statement of financial position

A tabulation of the proforma consolidated Statement of Financial Position (or balance sheet) as at the end of the two preceding financial years and financial period (as the case may be) are set out below:

	Note	31 December 2018 USD	30 September 2018 USD	30 September 2017 USD
Assets				
Non-current assets				
Property, plant and equipment	5	6,164,717	259,715	168,936
Intangible asset		8,131	8,261	935
Deferred tax asset		34,465	19,323	4,958
		6,207,313	287,299	174,829
Current assets				
Inventories		196,110	183,317	80,972
Trade and other receivables	6	2,105,788	1,789,405	803,594
Cash and bank balances	7	233,533	269,633	78,099
		2,535,431	2,242,355	962,665
Total assets		8,742,744	2,529,654	1,137,494
Equity and liabilities				
Capital and reserves				
Share capital		10,714,585	3,904,585	424,067
Accumulated losses		(2,165,961)	(1,758,296)	(962,824)
Foreign exchange reserve		(84,379)	(99,191)	(30,806)
		8,464,245	2,047,098	(569,563)
Non-controlling interest		38,903	41,379	-
		8,503,148	2,088,477	(569,563)
Current liabilities				
Trade and other payables	8	68,036	178,150	255,813
Borrowings		159,884	254,360	1,451,244
Tax payable		11,676	8,667	-
Total liabilities		239,596	441,177	1,707,057
Total equity and liabilities		8,742,744	2,529,654	1,137,494

8.4. Tabulation of statement of comprehensive income

A tabulation of the statement of comprehensive Income (or profit & loss statement) for the two preceding financial years and financial period (as the case may be) are set out below (in the next page):

	01.10.2018 to 31.12.2018 USD	01.10.2017 to 30.09.2018 USD	01.01.2017 to 30.09.2017 USD
Revenue	506,762	1,185,449	409,270
Cost of sales and other direct expenses	(515,771)	(966,652)	(358,732)
Gross (loss)/profit	(9,009)	218,797	50,538
Other income	398	6,477	-
Administrative expenses	(347,150)	(852,756)	(273,699)
Other expenses	(4,510)	(7,348)	(3,171)
Sales and marketing expenses	(30,526)	(56,492)	(18,436)
Loss from operations	(390,797)	(691,322)	(244,768)
Interest expense	(18,908)	(104,653)	(101,422)
Loss before tax	(409,705)	(795,975)	(346,190)
Income tax expense	(529)	(153)	-
Loss for the period/year	(410,234)	(796,128)	(346,190)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	14,905	(68,441)	(30,806)
Total comprehensive loss for the period/year	(395,329)	(864,569)	(376,996)
Loss for the period/year attributable to:			
Owners of the parent	(407,665)	(795,472)	(346,190)
Non-controlling interest	(2,569)	(656)	-
	(410,234)	(796,128)	(346,190)
Total comprehensive loss for the period/year attributable to:			
Owners of the parent	(392,853)	(863,857)	(376,996)
Non-controlling interest	(2,476)	(712)	-
	(395,329)	(864,569)	(376,996)

8.5. Working capital

As at the date of this information memorandum, the Group has sufficient working capital for its current requirements. Therefore, the Company has no intention of raising additional funds for at least six months after its listing on DCSX.

9. *Details of the listing*

9.1. DCSX listing

The Company has applied to list on DCSX. The fact that DCSX may list these Shares or other securities issued by the Company is not to be taken in any way as an indication of the merits and commercial viability of the Company or the listed securities. DCSX takes no responsibility for the contents of this information memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this information memorandum.

9.2. Initial listing price of the Shares

Subject always to the important note below and strictly for the purpose of the Company's application for admission to the official list of DCSX, the Company proposes to list the Shares at an initial listing price of US$0.66 (or approximately RMB4.40) per Share. Director proposes this listing price after taking into account the listing price of the Operating Company on the Shanghai Equity Exchange of RMB6.80 (or approximately US$1.01).

Important note:

Quotation and trading of the Shares on DCSX's trading platform after the Company's listing on DCSX may commence after it satisfies additional requirements under the Listing Rules or any such further requirements as DCSX may, at their absolute discretion, impose. In particular, the Company must:

(a) arrange for the Shares to be quoted and traded must be deposited with a depositary nominee designated by DCSX, which is currently Vidanova Global Custody Foundation in Curaçao; and

(b) satisfy DCSX on a realistic valuation of the price for the shares to be quoted and traded.

Shareholders and investors should note that there is a possibility that the quotation prices or, if there are successful trades, the traded prices may be lower than the initial listing price.

Three of the four entities identified by Darun Consulting as being major players in the China 4S market are listed on a recognized stock exchange. The other is privately held. Brief stock Information[1] on these three listed 4S operators are set out in the table below for illustration and comparison purposes only:

1 Data as of 29 March 2019. The stock exchange in Shanghai mentioned in the table refers to the Shanghai Stock Exchange, a full stock exchange, and not the Shanghai Equities Exchange.

	Name	Where listed	Stock Code	Market capitalization Traded currency	US$ equivalent	P/E ratio
1.	China Grand Automotive Services Co., Limited	Shanghai	600297	RMB43.37b	US$6.442b	11.17
2.	Zhongsheng Group Holding Limited	Hong Kong	881	HKD44.30b	US$5.640b	10.70
3.	Pang Da Auto-mobile Trade Co., Limited	Shanghai	601258	RMB11.35b	US$1.686b	53.52

9.3. Purpose of the Listing

The Company's application to DCSX is to list the Shares on DCSX by way of a technical listing. No new capital will be raised by the Company as a result of the Listing. Nonetheless, Directors believe that the listing of the Shares on DCSX is beneficial us and our shareholders because a listing on DCSX will:

(a) facilitate the Group to raise further capital when such additional capital is required to expand the Group's business operations or for such other purposes as they may arise; and

(b) make the Company a more attractive investment target to suppliers, customers and other strategic partners because the Company accepts and submits itself to the regulations under the Listing Rules, particularly on issues such as continual disclosures and corporate governance. This will allow for these other stakeholders to take equity stakes in the Company so that their interests are aligned with those of the Company and the Group.

9.4. Listing Adviser

Companies intending to list on DCSX are required to have a Listing Adviser (**LAD**). It is contemplated that, with a LAD for each company, investors will be offered better protection because LADs are required to make sure that companies meet the ongoing requirements for listing on DCSX. The Company has appointed Biztrack Consultants Private Limited as its LAD.

10. Additional information

10.1. Litigation

Save as disclosed below, there is no litigation or claims of material importance made against the Company, any of its child entities, its directors or key management personnel in the last five (5) years or which is pending or threatened against.

Disclosure:

None

10.2. Rights attaching to the Shares

Full details of the rights and liabilities attaching to the Shares are:

(1) detailed in the Constitution, a copy of which can be inspected, free of charge, at our registered office during normal business hours; and

(2) in certain circumstances, regulated by the BVI Business Companies Act, the listing rules of DCSX and the general law.

The following is a summary of the more significant rights attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. Investors should seek their own independent legal advice if they wish to have such a statement or have any doubt as to their own legal position.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with the BVI Companies Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest against the Company. Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the Listing Rules and the BVI Companies Act, the Company may, by resolution of Directors, implement a dividend reinvestment plan on such terms and conditions as Directors think fit and which provides for any dividend which Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either, pursuant to the Constitution, or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out among the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit.

(e) Shareholder liability

As the shares issued under this information memorandum are fully paid shares, they are not subject to any calls for money by Directors and will therefore not become liable for forfeiture.

(f) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of BVI and the transfer not being in breach of the BVI Companies Act or the Listing Rules.

(g) Variation of rights

Pursuant to the Constitution, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorized by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) Alteration of Constitution

The Constitution can be amended only by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

10.3. Continual Disclosure

On listing on DCSX, the Company is required to notify the DCSX of information which may have a material effect on the price or value of the Shares. To comply with its continual disclosure obligations:

(a) the Company's listing adviser have provided and will continue to provide on a periodic basis briefings on continuous disclosure obligations to Directors and the Company's senior management; and

(b) Directors will meet regularly during which continual disclosure is a standing agenda item.

10.4. Electronic information memorandum

Investors who received this information memorandum in electronic form should ensure that they have received the entire information memorandum. If not, investors may contact the Company's listing adviser at info@mybiztrack.com, who will send to the requesting investor, free of charge, either a hard copy or a further electronic copy of this information memorandum or both.

10.5. Electronic register of securities

The Company operates an electronic register of securities. Under this arrangement, we will not issue certificates to Shareholders. Instead, Shareholders will receive holding statements that set out the number of Shares each Shareholder owns. This statement will also advise Shareholders of their security holding number. A statement will be sent to Shareholders within three business days from the date the balance of their holding changes. A Shareholder may at any other time request a statement of his or her shareholding from the Company's share registry. However, the Company's share registry may charge a fee for these additional statements.

10.6. Privacy statement

The Company will include information about Shareholders (including names, addresses and details of the Shares held) in its register. The information contained in the Company's register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communication (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

10.7. Consents

Each of the following persons who were involved in the preparation of this information has given and has not, before the date of this information memorandum, withdrawn his written consent to be named in this information memorandum in the form and context in which he is named:

(a) Biztrack Consultants Private Limited, who is the Company's listing adviser;

(b) Guangzhou Darun Consulting Co., Limited, who prepared the market analysis set out in section 4 of this information memorandum;

(c) Ivan & Ho, Chartered Accountants (Malaysia) (AF 002224), who is the reporting accountants for the Listing; and

(d) China Legal Bureau (Singapore), who is the Company's counsel as to Chinese law.

=== The rest of this page is intentionally left blank ===

11. *Directors' responsibility statement*

This information memorandum has been seen and approved by all directors who collectively and individually accept responsibility for this information memorandum, and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this information memorandum are fair and accurate in all material respects as at the date of this information memorandum and that there are no material facts the omission of which would make any statement in this information memorandum misleading.

Each director has consented to the lodgement of this information memorandum with DCSX and has not withdrawn that consent, and has authorized this information memorandum for issue on the date of this information memorandum.

For and on behalf of
Hongting Group Oversea Holdings Limited

LI Yongqian	TIAN Mei
Director	Director

Corporate directory

Directors
LI Yongqian, chair and chief executive officer

XUAN Ming, independent non-executive director

TIAN Mei, non-executive director

Company secretary
MAH Seong Kung, *B.Acc Singapore, Chartered Accountant (Singapore)*

Registered office
Vistra Corporate Services Centre
Wickhams Cay II
Road Town, Tortola
VG1110 British Virgin Islands

Principal place of business
No. 9 Yingbin Avenue Section 2
Longmatan District, Luzhou City
Sichuan Province, China
E-mail: 2466779880@qq.com

Counsel as to Chinese law
China Legal Bureau (Singapore)
101 Upper Cross Street #04-17
People's Park Centre
Singapore 058357

Share registry
Silk Road Registries
No. 1-23B Jalan Desa 1/3 Desa Aman Puri
52100 Kuala Lumpur
Malaysia

Listing adviser
Biztrack Consultants Private Limited
Room 703 Kowloon Building
555 Nathan Road
Hong Kong

Offshore listing consultant
Shanghai Baiquan Investment Management Co., Limited
Room 4507, No. 299 Tongren Road
Jing'an District, Shanghai
China

Reporting accountants
Ivan + Ho (AF 002224), Chartered Accountants (Malaysia)
E-3-11 Level 3, Block Eaton Plaza
Arkadia
No. 3 Jalan Initisari Perdana
52200 Kuala Lumpur
Malaysia

Partners-in-charge: TEO Kok Wing (Ivan) and HO Tze Lih

Professional qualification: For both partners-in-charge:
Fellows, Association of Chartered Certified Accountants (UK)
Chartered Accountants (Malaysia)

Auditor of the Chinese subsidiaries
Beijing Zhongnuo Yihua Accounting Firm Co., Limited
Room 2010 Guangchen Commercial Building
Chaoyang District, Beijing
China

Principal banker
China Industrial & Commercial Bank
(Luzhou City Chengxi branch)

Annexure A

Reporting accountant's report

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

E-3-11, Level 3, Block Eaton,
Plaza Arkadia,
No. 3, Jalan Intisari Perdana,
Desa ParkCity,
52200 Kuala Lumpur

8 April 2019

HONGTING GROUP OVERSEA HOLDINGS LIMITED
Vistra Corporate Services Centre,
Wickhams Cay II, Road Town, Tortola,
VG1110 British Virgin Islands

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF HONGTING GROUP OVERSEA HOLDINGS LIMITED

Ivan & Ho, Chartered Accountants (Malaysia) (AF 002224) ("we" or "Ivan & Ho") have been engaged to report on the proforma consolidated historical financial information of Hongting Group Oversea Holdings Limited (the "Company" or "Hongting Group Oversea Holdings") and its controlled entities as at the date of this report (the "Group" or, when before the legal structure of the Group became effective, the "Proforma Group") for the following financial periods/year:

(a) the nine-months period ended 30 September 2017;

(b) the year ended 30 September 2018; and

(c) the three-months period ended 31 December 2018,

collectively, the "Relevant Financial Periods".

This reporting accountants' report has been prepared for inclusion in the Information Memorandum to be dated on or about 8 April 2019 in connection with the Company's proposed compliance listing on the Dutch Caribbean Securities Exchange ("DCSX") (the "Information Memorandum"). Expressions and capitalised terms used in this report shall have the same meanings as defined in the Information Memorandum.

1. Background

The Company was incorporated in British Virgin Islands on 11 August 2017 with a company registration number 1953012. In connection with and for the purpose of the listing, existing shareholders restructured their interests in Luzhou City Mingxing Automobile Service Co., Limited (collectively, the "Operating Company"), a company which has an operating track record since 2008 (i.e., the Restructuring). The purpose of the Restructuring was so that existing shareholders hold their interests in the Operating Company indirectly through their shareholdings in the Company in the proportion of their interests in the equity capital of the Operating Company prior to the Restructuring.

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

On 5 April 2019, the Company acquired 100% of the issued share capital of One Land Venture Sdn. Bhd., a company incorporated in Malaysia, which is the registered holder of 100% of the issued capital of Luzhou Hongting Vehicle Sales Co., Limited, which in turn wholly-own the Operating Company (the "Acquisition").

On 5 April 2019, the Company entered into a Debt Assignment Agreement ("Debt Transfer") among a shareholder (as assignor), Luzhou City Mingxing Automobile Service Co., Limited (as debtor) and the Company (as assignee). Under this agreement, the shareholder assigned shareholders' loans amounting to USD6,810,000 which she (for herself and on behalf of other existing shareholders) had extended to Luzhou City Mingxing Automobile Service Co., Limited to the Company. Luzhou City Mingxing Automobile Service Co., Limited acknowledged and accepted this assignment and agreed to pay these shareholders' loans directly to the Company. In exchange for this Debt Transfer, the Company issued 10,300,000 new shares in the Company's share capital to the existing shareholders. The new shares were issued to the existing shareholders on 5 April 2019, in which the effects of these transactions have been adjusted for in the Proforma Consolidated Financial Statements.

2. Scope

You have requested Ivan & Ho to review:

(a) the proforma consolidated statements of comprehensive income of the Proforma Group for the Relevant Financial Periods;

(b) the proforma consolidated statements of financial position of the Proforma Group as at the end of the Relevant Financial Periods; and

(c) the proforma consolidated statements of changes in equity of the Proforma Group for the Relevant Financial Periods.

The historical financial information of the Operating Company were presented in Chinese Renminbi ("RMB"). For the purpose of our report, we have translated the proforma consolidated financial statements mentioned as above into United States Dollars ("USD") using the prevailing spot rates as at the end of each Relevant Financial Period, as taken from rates published by Bank Negara Malaysia, the central bank of Malaysia.

The historical financial information has been prepared in accordance with the stated basis of preparation and the Operating Company's adopted accounting policies, and was audited by Beijing Zhongnuo Yihua Accounting Firm Co., Limited who issued unmodified audit opinions on those financial reports.

The proforma consolidated historical financial information in this report has been derived from the historical financial information of the Operating Company for the Relevant Financial Periods, after adjusting for the effects of proforma adjustments as described in paragraphs 4 and 5 of this report. The stated basis of preparation of the proforma consolidated historical financial information is the recognition and measurement principles contained in International Financial Reporting Standards, as applied to the historical financial information and the events or transactions to which the proforma adjustments relate, as described in paragraphs 4 and 5 of this report, as if those events or transactions had occurred as at the date of the historical financial information.

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

Non-trading entities

Hongting Group Oversea Holdings Limited was incorporated on 11 August 2017. As such, no historical financial information is presented for this entity.

Based on our enquiries of management of the Company, One Land Venture Sdn. Bhd. and Luzhou Hongting Vehicle Sales Co., Limited are newly incorporated or registered and dormant entities. Their sole purpose is to hold the investment in the Operating Company. The only transactions these two entities entered into relate to share capital issued and the investments in subsidiaries, both of which are eliminated in full upon consolidation.

Directors' responsibility

The legal representatives of the Operating Company are responsible for the preparation of the historical financial information which had been used to prepare the proforma consolidated historical financial information. This includes the responsibility for such internal controls as the legal representatives determine are necessary to enable the preparation of the historical financial information that are free from material misstatements, whether due to fraud or error. Directors of Hongting Group Oversea Holdings are responsible for the preparation of the proforma consolidated historical financial information, including the basis of their preparation and the selection and determination of proforma adjustments made to the historical financial information and included in the proforma consolidated historical financial information.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the proforma consolidated historical financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with *International Standard on Review Engagements 2400 (Revised) - Engagements to Review Historical Financial Statements* issued by the International Auditing and Assurance Standards Board. Our review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the proforma consolidated historical financial information.

3. Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the proforma consolidated historical financial information, comprising:

(a) the proforma consolidated statements of comprehensive income of the Proforma Group for the Relevant Financial Periods;

(b) the proforma consolidated statements of financial position of the Proforma Group as at the end of the Relevant Financial Periods; and

(c) the proforma consolidated statements of changes in equity of the Proforma Group for the Relevant Financial Periods,

as described in Appendices 1-3 is not presented fairly in all material respects, in accordance with the stated basis of preparation being the recognition and measurement principles contained in the International Financial Reporting Standards and the Proforma Group's adopted accounting policies as described in Appendix 4 of this report.

4. Bases and proforma adjustments

The following bases and proforma adjustments were made in the preparation of the proforma consolidated historical financial statements set out in this report:

4.1. the Acquisition and Debt Transfer was completed on 1 January 2017, being the commencement date of the financial period ended 30 September 2017, the earliest of the Relevant Financial Periods;

4.2. the Proforma Group which comprises:

(a) Hongting Group Oversea Holdings Limited;

(b) One Land Venture Sdn. Bhd.;

(c) Luzhou Hongting Vehicle Sales Co., Limited;

(d) Luzhou City Mingxing Automobile Service Co., Limited;

(e) Chishui City Hongting Vehicle Service Co., Limited;

(f) Chishui City Hongting Vehicle Sales Co., Limited;

(g) Zigong City Hongting Vehicle Sales Co., Limited;

(h) Luzhou City Changtong Vehicle Rescue Co., Limited; and

(i) Luzhou Hongting Vehicle Inspection Service Co., Limited.

4.3. Chishui City Hongting Vehicle Service Co., Limited, Chishui City Hongting Vehicle Sales Co., Limited, Zigong City Hongting Vehicle Sales Co., Limited and Luzhou Hongting Vehicle Inspection Service Co., Limited, subsidiaries held by Luzhou City Mingxing Automobile Service Co., Limited were acquired on their date of incorporation which is 7 June 2018, 7 June 2018, 9 October 2018 and 18 October 2018 respectively;

4.4. Luzhou City Changtong Vehicle Rescue Co., Limited, a subsidiary held by Luzhou City Mingxing Automobile Service Co., Limited was acquired on 31 August 2018; and

4.5. the proforma consolidated historical financial statements includes financial information relating only to the Proforma Group.

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

5. Assumptions Adopted in Compiling the Pro Forma Adjustments

The Acquisition is treated as a reverse acquisition under *International Financial Reporting Standard 3 - Business Combinations*, in that Luzhou City Mingxing Automobile Service Co., Limited is identified as the acquirer in the Acquisition and Hongting Group Oversea Holdings is the acquiree. Under this accounting treatment, the shares in the share capital of Hongting Group Oversea Holdings issued prior to the Acquisition and the formation of the Group are eliminated on accounting consolidation.

6. Liability

Ivan & Ho has consented to the inclusion of this report in the information memorandum in the form and context in which it is included. The liability of Ivan & Ho is limited to the inclusion of this report in the information memorandum, and makes no representation regarding, and has no liability for, any other statement or other material in, or any omissions from, the information memorandum.

7. Indemnity

To the fullest extent permitted by applicable laws and professional regulations, we shall be indemnified and held harmless by the directors and shareholders of the Company from and against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of the disclosure of any report, or a third party's use of or reliance on any report.

8. Declaration of Interest

Ivan & Ho does not have any interest in the outcome of the Company's application for a compliance listing on the DCSX other than in the preparation of this report for which Ivan & Ho will receive normal professional fees.

Yours faithfully,

IVAN & HO
AF 002224
Chartered Accountants

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

6

APPENDIX 1

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE PROFORMA GROUP AS AT 30 SEPTEMBER 2017, 30 SEPTEMBER 2018 AND 31 DECEMBER 2018

	31 December 2018 USD	30 September 2018 USD	30 September 2017 USD
Assets			
Non-current assets			
Property, plant and equipment	6,164,717	259,715	168,936
Intangible asset	8,131	8,261	935
Deferred tax asset	34,465	19,323	4,958
	6,207,313	287,299	174,829
Current assets			
Inventories	196,110	183,317	80,972
Trade and other receivables	2,105,788	1,789,405	803,594
Cash and bank balances	233,533	269,633	78,099
	2,535,431	2,242,355	962,665
Total assets	8,742,744	2,529,654	1,137,494
Equity and liabilities			
Capital and reserves			
Share capital	10,714,585	3,904,585	424,067
Accumulated losses	(2,165,961)	(1,758,296)	(962,824)
Foreign exchange reserve	(84,379)	(99,191)	(30,806)
	8,464,245	2,047,098	(569,563)
Non-controlling interest	38,903	41,379	-
	8,503,148	2,088,477	(569,563)
Current liabilities			
Trade and other payables	68,036	178,150	255,813
Borrowings	159,884	254,360	1,451,244
Tax payable	11,676	8,667	-
Total liabilities	239,596	441,177	1,707,057
Total equity and liabilities	8,742,744	2,529,654	1,137,494

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

7

APPENDIX 2

PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE PROFORMA GROUP FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017, THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 AND THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

	01.10.2018 to 31.12.2018 USD	01.10.2017 to 30.09.2018 USD	01.01.2017 to 30.09.2017 USD
Revenue	506,762	1,185,449	409,270
Cost of sales and other direct expenses	(515,771)	(966,652)	(358,732)
Gross (loss)/profit	(9,009)	218,797	50,538
Other income	398	6,477	-
Administrative expenses	(347,150)	(852,756)	(273,699)
Other expenses	(4,510)	(7,348)	(3,171)
Sales and marketing expenses	(30,526)	(56,492)	(18,436)
Loss from operations	(390,797)	(691,322)	(244,768)
Interest expense	(18,908)	(104,653)	(101,422)
Loss before tax	(409,705)	(795,975)	(346,190)
Income tax expense	(529)	(153)	-
Loss for the period/year	(410,234)	(796,128)	(346,190)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	14,905	(68,441)	(30,806)
Total comprehensive loss for the period/year	(395,329)	(864,569)	(376,996)
Loss for the period/year attributable to:			
Owners of the parent	(407,665)	(795,472)	(346,190)
Non-controlling interest	(2,569)	(656)	-
	(410,234)	(796,128)	(346,190)
Total comprehensive loss for the period/year attributable to:			
Owners of the parent	(392,853)	(863,857)	(376,996)
Non-controlling interest	(2,476)	(712)	-
	(395,329)	(864,569)	(376,996)

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

8

APPENDIX 3

PROFORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE PROFORMA GROUP FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017, THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 AND THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

	Share capital USD	Accumulated losses USD	Foreign exchange reserve USD	Equity attributable to owners of the parent USD	Non-controlling interest USD	Total USD
Balance as at 31.12.2016/ 01.01.2017	287,356	(616,634)	-	(329,278)	-	(329,278)
Issuance of new shares	136,711	-	-	136,711	-	136,711
Other comprehensive loss for the period	-	(346,190)	(30,806)	(376,996)	-	(376,996)
Balance as at 30.09.2017/ 01.10.2017	424,067	(962,824)	(30,806)	(569,563)	-	(569,563)
Acquisition of subsidiary	-	-	-	-	42,091	42,091
Issuance of new shares	3,480,518	-	-	3,480,518	-	3,480,518
Other comprehensive loss for the year	-	(795,472)	(68,385)	(863,857)	(712)	(864,569)
Balance as at 30.09.2018/ 01.10.2018	3,904,585	(1,758,296)	(99,191)	2,047,098	41,379	2,088,477
Issuance of new shares	6,810,000	-	-	6,810,000	-	6,810,000
Other comprehensive loss for the period	-	(407,665)	14,812	(392,853)	(2,476)	(395,329)
Balance as at 30.09.2018	10,714,585	(2,165,961)	(84,379)	8,464,245	38,903	8,503,148

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

APPENDIX 4

SUMMARY OF THE ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE PROFORMA CONSOLIDATED HISTORICAL FINANCIAL STATEMENTS OF THE PROFORMA GROUP FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017, THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 AND THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

The significant accounting policies adopted in the preparation of the proforma consolidated historical financial statements included in this report have been set out below.

1.1 Basis of preparation

The financial statements of the Proforma Group are prepared under the historical cost convention, and modified to include other based of valuation as disclosed in other sections under significant accounting policies, and in compliance with International Financial Reporting Standards ("IFRS"). In the preparation of the proforma consolidated historical financial statements, the Proforma Group has adopted all the IFRSs and Interpretation to IFRS that are relevant to its operations and effective for the Relevant Financial Periods presented in the proforma consolidated historical financial statements.

The proforma consolidated historical financial statements are presented in United States Dollar ("USD") using prevailing spot rates as at the end of each Relevant Financial Period.

1.2 Adoption of new and amended IFRSs

The Proforma Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for financial periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Proforma Group.

1.3 IFRS not yet effective

The IASB has issued a number of new and revised IAS and IFRS which were relevant to the Proforma Group. The Proforma Group have not early adopted the following IAS and IFRS that have been issued but are not yet effective.

Reference	Description	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
Amendments to IAS 19	Employee benefits	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 3	Business combinations	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

1.4 Going concern

The proforma consolidated historical financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

1.5 Foreign currency translations and balances

(i) Functional and presentation currency

The proforma consolidated historical financial statements are measured using Chinese Renminbi ("RMB"), the currency of the primary economic environment in which the entity operates ("the functional currency") and presented in United States Dollars ("USD") ("the presentation currency") for the purpose of this proforma consolidated financial statements which was prepared in connection with the Company's proposed compliance listing on the Dutch Caribbean Securities Exchange ("DCSX").

(ii) Foreign currency transactions and balances

Foreign currency transactions of the respective Proforma Group entity are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

1.6 Basis of consolidation

The proforma consolidated historical financial statements incorporate the proforma financial statements of the Company and entity controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expense of subsidiaries acquired or disposed of are included in the proforma consolidated historical statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the proforma historical financial statements of a subsidiary to bring its accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1.6 Basis of consolidation (Cont'd.)

Changes in the Proforma Group's ownership interests in a subsidiary that do not result in the Proforma Group losing control are accounted for as equity transactions. The carrying amounts of the Proforma Group's interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Proforma Group loses control of a subsidiary, a gain or loss is recognised in the proforma statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Proforma Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

1.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line basis so as to write off the cost of property, plant and equipment net of the estimated residual values over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Furniture and fittings	3 – 5	20% – 33%
Electronic equipment	3 – 5	20% – 33%
Machinery	3 – 5	20% – 33%
Motor vehicle	4 – 5	20% – 25%
Building and workshop	-	-

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.7 Property, plant and equipment (Cont'd.)

The residual value, useful life and depreciation method are reviewed at each financial period/year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the period/year the asset is derecognised.

1.8 Intangible asset

Intangible asset is acquired and are recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value (which is the estimated selling price less costs to complete and sell). Cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition. Inventory cost is determined on the weighted average cost basis. Net realisable value is determined on an item-by-item basis or on Proforma Group of similar items basis.

1.10 Impairment of non-financial asset

An impairment loss arises when the carrying amount of a Proforma Group's asset exceeds its recoverable amount. For the purpose of impairment testing of non-financial assets, goodwill is allocated to each of the Proforma Group's cash-generating units that are expected to benefit from the synergies of business combinations.

At the end of each reporting date, the Proforma Group assesses whether there is any indication that a stand-alone asset or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Proforma Group estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets (including any allocated goodwill) in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

1.10 Impairment of non-financial asset (Cont'd.)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Proforma Group determines the fair values less costs to sell of an asset or a cash generating unit in a hierarchy based in: (i) price in a binding sale agreement; (ii) market price traded in an active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss. For property, plant and equipment measured on the revaluation model, any impairment loss is treated as a revaluation decrease.

For a cash-generating unit, any impairment loss is first allocated to reduce the carrying amount of goodwill allocated to the unit, if any, and the balance of the impairment loss is then allocated to the other assets of the unit pro rata based on the relative carrying amount of the assets.

The Proforma Group reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed.

Other than goodwill, any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously. Impairment loss of goodwill is not reversed.

1.11 Financial instruments

The Proforma Group recognises a financial asset or a financial liability (including derivative instruments) in the Proforma historical statement of financial position when, and only when, an entity in the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets (including intra-Company loans and advances) and financial liabilities (including intra-Company payables) are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss.

After initial recognition, the Proforma Group measures all financial liabilities at amortised cost using the effective interest method.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Proforma Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Proforma Group acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or not continuing involvement in the control of the financial asset transferred.

IVAN & HO
(A Member Firm of the Malaysian Institute of Accountants)
(Firm No. AF 002224)

1.11 **Financial instruments (Cont'd.)**

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires.

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment.

1.12 **Revenue recognition and measurement**

The Proforma Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivable, which is usually the invoice price, net of any trade discounts and volume rebates given to the customer. For a multiple-element contract with a customer, the fair value of the consideration receivable is allocated to the identifiable elements on the relative stand-alone selling price basis.

Revenue from a sale of goods or service is recognised when:
(a) the Proforma Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the Proforma Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of the revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the Proforma Group; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.13 **Income tax**

Taxes payable are determined by each individually entity in the Proforma Group. A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the entity expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

1.13 Income tax (Cont'd.)

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes. However, taxable temporary differences related to investment in subsidiaries and branches are not recognised if the parent or an entity in the Proforma Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment. However, for deductible temporary differences related to investment in subsidiaries and branches, a deferred tax asset is recognised to the extent, and only to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Proforma Group treats these as part of initial recognition differences.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflects the tax consequences that would follow from the manner in which an entity in the Proforma Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1.13 Income tax (Cont'd.)

A current or deferred tax is recognised as income or expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity. Deferred tax assets and liabilities arising from a business combination, including tax effects of any fair value adjustment, are recognised as part of the net assets acquired.

1.14 Employee benefits

The Proforma Group recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Proforma Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

(i) Short-term employee benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognized as an expense, unless they relate to cost of producing inventories or other assets.

(ii) Employee benefits defined contribution plan

The employees of the Proforma Group are required to participate in a central pension scheme operated by the government. The Proforma Group are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the profit or loss in the period to which the contributions relate. The Proforma Group's obligations under those plans are limited to the fixed percentage contributions payable.

1.15 Provisions

Provisions are recognised when the Proforma Group has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the Proforma Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Annexure B

Overview of China's legal framework

This section was prepared by the Company has been reviewed by the Company's for Chinese law, China Legal Bureau (Singapore). It contains a brief outline of the legal framework and key laws and regulations of China which are relevant to the Group. This summary is not exhaustive and investors should seek their own advice if necessary.

China's legal system

The legal system of China is based on its Constitution (Chinese Constitution) and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents in the PRC.

The National People's Congress of China (NPC) and the Standing Committee of the NPC (Standing Committee) are empowered by the Chinese Constitution to exercise the legislative powers of the State including the power to amend the Chinese Constitution and to enact and amend primary laws.

The State Council of China (State Council) is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations.

The power to interpret laws is vested by the Chinese Constitution in the Standing Committee. In cases where the limits of articles of laws need to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the local people's government may promulgate administrative rules and directives applicable to their own administrative area. However, these local laws and regulations may not be in conflict with the Chinese Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Judicial system

The People's Courts are the judicial organs of the PRC. The People's Courts comprise the Supreme People's Court, the local level of the People's Courts, military courts and other special People's Courts. The local People's Courts are divided into three levels, namely, the lower People's Courts, intermediate People's Courts and higher People's Courts. The lower People's Courts are divided into civil, criminal and administrative divisions. The intermediate People's Courts have divisions similar to those of the lower People's Courts and, where the circumstances so warrant, may have other special divisions such as intellectual property divisions. The higher People's Courts deal with significant impact cases, in civil, criminal and administrative divisions. The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The

Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Courts adopt a two-tier final appeal system. A party may before the taking effect of a judgement or order appeal against the judgement or order of the first instance of a local People's Court to the People's Court at the next higher level. Judgements or orders of the second instance of the same level and at the next higher level are final and binding.

A foreign individual or foreign enterprise is accorded the same litigation rights and obligations as a Chinese citizen or legal person. But if the courts of a foreign country impose restrictions on the civil litigation rights of Chinese citizens, legal persons and other organizations, the People's Courts of China shall follow the principle of reciprocity regarding the civil litigation rights of the citizens, legal persons and organizations of that foreign country. If any party to a civil action refuses to comply with a judgement or order made by a People's Court or an award made by an arbitration body in China, the aggrieved party may apply to the People's Court to enforce the judgement, order or award.

A party seeking to enforce a judgement or order of a People's Court against a party who or whose property is not within China may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or order.

China has not concluded or acceded to any international convention on recognition and enforcement of foreign courts judgements. Nonetheless, enforcement of judgements of a foreign court is possible in principle but it may be difficult to do so. To enforce a judgement of a foreign court in China, it is necessary to demonstrate either that:

(i) there is a bilateral enforcement treaty between China and the country where the judgement originates; or

(ii) reciprocity between China and that country. That is to say, that the foreign jurisdiction from which the judgement originates enforces Chinese judgements.

Arbitration and enforcement of arbitral awards

Under the Arbitration Law of China, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there are mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

China has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain specific circumstances. Under the terms of China's accession to the New York Convention, China will recognize and enforce foreign arbitral awards only if the foreign arbitral award is made:

(a) by an arbitration committee from a state which recognises arbitral awards from the PRC; and

(b) in relation to disputes considered under Chinese laws as disputes arising from contractual and non-contractual mercantile (or commercial) legal relations.

Foreign Exchange Control and payments by a PRC entity to a foreign entity

The Regulations on Administration of Foreign Exchange of the People's Republic of China of January 1996 and the subsequent amendments in 1997 and in 2008 by the State Council set out the regulatory framework on foreign exchange of China (Foreign Exchange Regulations). In accordance with the Foreign Exchange Regulations, RMB (or the Renminbi) can be freely exchanged for settling current accounts transactions, including trading and service related foreign exchange transactions and dividend distributions. This means that WFOE can, subject to the conditions and procedures set out in the section below, freely exchange funds denominated in RMB to foreign currency to pay dividends to the Company.

Foreign exchange for purposes of direct investments, loans or securities investments outside China is restricted and requires the prior approval of the State Administration of Foreign Exchange. In 2016, the People's Bank of China issued the directive Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions. This directive, which came into effect in July 2017, directs all banks and financial institutions in China to report cash and other foreign currency transactions in excess of certain set amounts. It also directs the State Administration of Foreign Exchange to supervise all overseas direct investments by Chinese entities in excess of US$50 million. This means that in the future, if the Company proposes to make investments outside China or for its Chinese subsidiaries to make loans to the Company using RMB denominated funds the Group earns or raises in China, exchanging foreign currency for any of these purposes will be restricted and requires prior approval of the State Administration of Foreign Exchange.

Taxation

The applicable income tax laws, regulations, notices and decisions related to foreign invested enterprises (FIE) and their investors within China (collectively, the Applicable Foreign Enterprises Tax Law) include the following:

(a) Enterprise Income Tax Law

The enterprise income tax in China is calculated based on the taxable income determined under Chinese accounting standards and regulations.

In March 2007, the NPC enacted a new Enterprise Income Tax Law (EIT Law), which came into effect on 1 January 2008. The new tax law imposes a unified income tax rate of 25% on all domestic invested enterprises (DIE) and FIEs unless they qualify under certain limited exceptions. The new tax law permits companies to continue to enjoy their preferential tax treatment under the prior tax regime until such treatment expires in accordance with its terms, on condition that such preferential tax treatment is available under the "grandfather clause" of the new tax law.

The EIT Law provides that a withholding tax of 10% is normally applicable to dividends payable to a "non-resident enterprise" to the extent such dividends are derived from sources within China, or a lower tax rate on the condition that China has a tax treaty with the national jurisdiction which the "non-resident enterprise" is subject to.

Under the EIT Law and its implementing rules, an enterprise established outside China with "de facto management bodies" within China is considered a resident enterprise and will be subject to enterprise income tax at the rate of 25% on worldwide income. The implementing rules define the term "de facto management bodies" as entities that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties or other such management functions of the enterprises. This definition was further defined under the Notice Regarding the Determination of Chinese Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies dated 22 April 2009 issued by the State Administration of Taxation (Circular No. 82).

This means that:

(i) the Operating Subsidiary or any of the Company's Chinese subsidiaries, being a DIE and not having received any preferential tax treatment, is subject to enterprise income tax at a rate of 25% of its worldwide income; and

(ii) should the Company directly earn income in China (i.e., not income earned by its Chinese subsidiaries) in the future, if:

  (A) the Company, notwithstanding it being a foreign entity, is deemed by the relevant tax authorities in China to have a "de facto management body" within China (i.e., that the Company is a Chinese tax resident enterprise), the Company will be subject to enterprise income tax at a rate of 25% of its worldwide income; or

  (B) if the Company is deemed by the relevant tax authorities in China as not being a Chinese tax resident enterprise, its Chinese-sourced income will either be subject to a withholding tax at a rate of 10% (if it is determined that the Company does not have a permanent establishment in China) or be subject to enterprise income tax at a rate of 25% (if it is determined that the Company has a permanent establishment in China).

(b) Tax treaty benefits on dividends received from China

Under the EIT Law, dividends paid by a FIE (including a WFOE) to its immediate parent company outside China are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement. In October 2009, the State Administration of Taxation issued the Circular on How to Interpret and Recognise the "Beneficial Owner" in Tax Agreements (Circular 601), and certain other related rules. Under these rules:

(i) non-resident enterprises which cannot provide valid supporting documents as to its beneficial owners may not be permitted to enjoy tax treaty benefits;

(ii) beneficial owners refer to individuals, enterprises or other organisations which are normally engaged in the enterprise's substantive operations; and

(iii) Conduit companies or companies established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management shall expressly be excluded as being beneficial owners.

(c) Value Added Tax

The current Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated on 13 December 1993 and amended on 5 November 2008, provides that value added tax is imposed on goods sold in or imported into China and on processing, repair and replacement services provided within China. Value added tax payable in China is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the fees for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

(d) Business Tax

The current Provisional Regulations of the People's Republic of China on Business Tax, promulgated on 13 December 1993 and amended on 5 November 2008, provides that any business that provides services, or assigns intangible assets or sells immovable property is liable to pay a business tax at a rate ranging from 3% to 5% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

Trademark protection

The principal legislation governing trademarks in China is the Trademark Law of the People's Republic of China (**China Trademark Law**) which was adopted at the 24th Session of the Standing Committee of the NPC on 23 August 1982. Since then, it was amended three times, in 1993, 2001 and 2013. The current form of China Trademark Law has been implemented since 1 May 2014 after the third amendment came to force. The amendments seek to facilitate trademark registration procedures, ensure a fair market for trademark holders and strengthen the legal protection of trademarks in China in line with international standards.

The administrative department in charge of enforcing trademark rights in China is the trademark office (**CTMO**) of the State Administration for Industry and Commerce (**SAIC**) who shall also establish a trademark review and adjudication board to be responsible for handling trademark disputes.

Under China Trademark Law, there are three types of registrable trademarks, namely:

(a) trademarks for goods and services;

(b) collective trademarks; and

(d) certification trademarks.

The owner of a registered trademark (including trademarks for goods and service) enjoys the exclusive right to the use of the trademark, which shall be protected by law. The protection period for a registered trademark is 10 years, counted from the day the registration is approved. Where the owner of a registered trademark intends to continue using the registered trademark upon expiry of this initial protection period, the owner of the registered trademark must apply to renew the registration period within 12 months prior to the expiry date. A six-months extension for the period to apply for renewal of a trademark may be granted. Each renewal of registration for a trademark shall be valid for ten years calculating from the date immediately following the expiry date of the last validity period of the trademark. If no application for renewal is filed upon expiry of the extension period, the registered trademark shall be cancelled.

A person whose trademark is infringed may commence civil proceedings against the defaulting for damages. In addition and as an alternative to commencing civil proceedings against the infringing party, the trademark owner can refer the infringement to SAIC for action. If SAIC is of the opinion that the infringement is established, it may:

(a) order the infringing party to immediately cease the infringing acts;

(b) confiscate and destroy the infringing goods and instruments mainly used for manufacturing the infringing goods;

(c) in certain circumstances, impose a fine on the infringing party.

Labour

Under the Employment Contract Law which came into effect on 1 January 2008, an employer must sign an employment contract with an employee upon, or within one month from, the time the employee commences service with the employer. There are three types of employment contracts, namely:

(a) an employment contract with a fixed term, under which employment terminates on the fixed date agreed;

(b) an employment contract with an indefinite term, under which the date of termination of employment is not explicitly provided and thus remains indefinite; and

(c) an employment contract termination subject to consummation of certain work, under which employment is terminated upon consummation of certain work.

An employment contract shall be deemed to be an employment contract with indefinite term if:

(i) an employer signs an employment contract with fixed term with the same employee two times consecutively; or

(ii) an employer fails to sign any written employment contract with an employee after one year from the date the employee commences service with the employer.

An employer who fails to sign a written employment contract with an employee within one month after the employee commences service with the employer and still does not sign an employment agreement after one year, has to pay that employee double the salary.