

# OFFER DOCUMENT

## **Yanghao International Limited**

Renounceable 1 for 1 Rights Issue at \$0.02 per Share to raise approximately \$1,380,622 less expenses

The Offer is fully underwritten by Lodge Corporate Pty Ltd

## **Closing Date 5.00 pm (AEST) Wednesday 3 May 2017**

The timetable contained in this Offer Document is indicative only and subject to change. The Directors reserve the right to vary the dates in the timetable, including the Closing Date, subject to the Listing Rules and the Corporations Act.

This document is important and requires your immediate attention. You should read it in its entirety.

This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission.

You should consult your stockbroker, accountant or other professional adviser before deciding whether to invest in New Shares.

## TABLE OF CONTENTS

---

<b>1</b>	<b>DETAILS OF THE OFFER .....</b>	<b>3</b>
<b>2</b>	<b>EFFECTS OF THE OFFER ON THE COMPANY .....</b>	<b>12</b>
<b>3</b>	<b>RISK FACTORS .....</b>	<b>16</b>
<b>4</b>	<b>ADDITIONAL INFORMATION .....</b>	<b>19</b>
<b>5</b>	<b>GLOSSARY .....</b>	<b>22</b>

---

## IMPORTANT NOTICE

### Offer Document

This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission (**ASIC**).

No responsibility for the contents of this Offer Document is taken by ASIC or ASX.

In preparing this Offer Document regard has been had to the fact the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Offer Document. Any information or representation which is not contained in this Offer Document or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Offer Document.

Throughout this Offer Document, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in the Glossary in section 5 of this Offer Document.

This Offer Document is dated 7 April 2017.

### Electronic Offer Document

A copy of this Offer Document in electronic format may be viewed at <http://www.yanghaogroup.com> or the website of ASX. The Rights Issue is only available to Eligible Shareholders receiving this Offer Document in electronic form within Australia.

If you access the electronic version of this Offer Document, you should ensure that you download and read the entire Offer Document. The electronic version of this Offer Document on the Company's website will not include an Entitlement and Acceptance Form.

New Shares will only be issued if the Company is satisfied that the Entitlement and Acceptance Form submitted to the Company was attached to a complete and unaltered version of this Offer Document. A paper copy of this Offer Document may be obtained free of charge on request by contacting the Company before the Closing Date by calling Ms Ying Huang +61 403 340 917.

### Risk factors

Before deciding to invest in the Company, potential investors should read the entire Offer Document. In considering the Offer, potential investors should consider the risk factors that could affect the performance of the Company. Please refer to section 3 for further information on risk factors.

### Overseas Shareholders

This Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

New Shares are only being offered under this Offer Document to Shareholders with a registered address in Australia or New Zealand (**Eligible Shareholders**). The Offer to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for New Shares.

The distribution of this Offer Document in jurisdictions outside of Australia or New Zealand may be restricted by law. Persons who obtain this Offer Document in jurisdictions outside of Australia or New Zealand should seek

advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Offer Document does not constitute an offer or an invitation in any place outside of Australia or New Zealand where, or to any person whom, it would be unlawful to make such an offer or invitation.

### Forward-looking statements

This Offer Document may contain forward-looking statements that have been based on current circumstances. Any forward-looking statements are subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. Investors should consider the forward-looking statements contained in this Offer Document in light of those disclosures. The forward-looking statements are based on information available to Directors as at the date of this Offer Document. Except as required by law or regulation (including the Listing Rules), the Company undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results, or otherwise.

### Timetable - Key Dates

Announcement of the Rights Issue	Friday 7 April 2017
Lodgement of the Offer Document, Cleansing Notice and Appendix 3B with ASX	Friday 7 April 2017
Despatch of letters to shareholders regarding eligibility	Monday 10 April 2017
Ex-date Rights trading commences on a deferred settlement basis	Tuesday 11 April 2017
Record Date	Wednesday 12 April 2017
Despatch Date for Offer documentation Opening Date	Wednesday 19 April 2017
Rights trading ends	Wednesday 26 April 2017
Last day to extend Closing Date	Friday 28 April 2017
Closing Date (5.00 pm AEST)	Wednesday 3 May 2017
Company notifies ASX of under subscriptions	Monday 8 May 2017
Issue Date	Wednesday 10 May 2017
Commencement of trading of New Shares	Thursday 11 May 2017

### Notes to the timetable:

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such, the Closing Date and the date the New Shares are expected to commence trading on ASX may vary.

The timetable outlined above is indicative only and subject to change. The Directors reserve the right to vary these dates including the Closing Date, subject to the Listing Rules and the Corporations Act.

The Directors reserve the right not to proceed with the whole or part of the Rights Issue at any time prior to the issue of New Shares. In that event, Application Money will be returned without interest.

## 1 DETAILS OF THE OFFER

This section contains important information on the terms of the Offer and the rights and liabilities attaching to New Shares.

### 1.1 The Offer Document

This Offer Document invites Eligible Shareholders to participate in a renounceable rights issue of 1 New Share for every 1 Share held at the Record Date at an issue price of \$0.02 per New Share to raise approximately \$1,380,622 (less expenses of the Rights Issue).

This Offer Document is not a prospectus under the Corporations Act and has not been lodged with ASIC. The Company has given ASX a notice under sections 708AA(2)(f) and (7) of the Corporations Act (**Cleansing Notice**) at the same time as issuing this Offer Document.

The New Shares issued pursuant to this Offer Document will be issued on the terms and conditions set out in this Offer Document.

### 1.2 The Offer

This Offer Document invites Eligible Shareholders to participate in a renounceable rights issue of 1 New Share for every 1 Share held at the Record Date at an issue price of \$0.02 per New Share. A total of 69,031,119 New Shares will be issued under the Offer Document. The Offer includes the Shortfall Offer – see section 1.14.

The Lead Manager and Underwriter of the Offer is Lodge Corporate Pty Ltd (ACN 125 323 168) (**Lodge**). Lodge have agreed to fully underwrite the Rights Issue. Refer to sections 1.15 and 1.16 for more details of the underwriting.

As at the date of this Offer Document the Company has 69,031,119 fully paid ordinary shares (**Shares**) on issue. The Company does not have any options or other securities on issue.

### 1.3 Purpose of the Rights Issue and use of funds

The funds raised in the Rights Issue will be applied towards the following:

Use of Funds	Amount (\$)
Cost of the Rights Issue	120,000
Proposed acquisition of Head Office Premises (deposit, capital and expenses of the acquisition). See section 4.2	1,000,000
General working capital and administrative expenses	260,000
<b>Total</b>	<b><u>1,380,000</u></b>

The proposed use of funds set out above is a statement of present intention of the Company as at the date of this Offer Document and is subject to ongoing review and evaluation by the Company.

### 1.4 Opening and Closing Dates

The Rights Issue is expected to open on Wednesday 19 April 2017 and close at 5.00 pm (AEST) on Wednesday 3 May 2017 (except where payment is via BPAY® in which case payment must be made by such earlier cut-off time as your own financial institution may implement with regard to electronic payments). The Directors reserve the right to vary these dates, subject to the Listing Rules and the Corporations Act.

## 1.5 Entitlement to Rights Issue

Eligible Shareholders who are recorded on the Company's share register at close of business on the Record Date are eligible to participate in the Rights Issue. Fractional entitlements will be rounded down to the nearest whole number of New Shares. An Entitlement and Acceptance Form setting out the Entitlement to New Shares accompanies this Offer Document.

## 1.6 Actions required

As an Eligible Shareholder, you may:

- (a) subscribe for all of your Entitlement (refer to section 1.7)
- (b) decide not to take up any of your Entitlement and allow your Entitlement to lapse (refer to section 1.8)
- (c) decide to sell all of your Entitlement rights (refer to section 1.9)
- (d) subscribe for part of your Entitlement and allow the balance to lapse (refer to section 1.10)
- (e) take up part of your Entitlement and sell the balance (refer to section 1.10);  
or
- (f) subscribe for all of your Entitlement (refer to section 1.7) and apply for Additional New Shares out of the Shortfall (refer to section 1.14).

## 1.7 To subscribe for all of your Entitlement

If you wish to subscribe for all of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form. The form sets out the number of New Shares you are entitled to subscribe for.

The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft made payable to "Yanghao International Limited" and crossed "Not Negotiable" for the appropriate Application Money in Australian dollars calculated at \$0.02 per New Share and received by the Share Registrar at the address below by no later than 5.00 pm (AEST) on the Closing Date (expected to be 3 May 2017).

The Company will present the cheque or bank draft on or around the day of receipt of the Entitlement and Acceptance Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Entitlement and Acceptance Form. If the amount of your cheque(s) or bank draft(s) for Application Money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared Application Money will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form), or your Application may be rejected, at the discretion of the Directors.

By Post:
Computershare Investor Services Pty Limited
GPO BOX 2987 Adelaide South Australia 5001 Australia

Alternatively, if you are paying by BPAY®, you do not need to mail the Entitlement and Acceptance Form. Please refer to your personalised instructions on your Entitlement and Acceptance Form. It is your responsibility to ensure your BPAY® payment is received by the Company by no later than 5.00 pm

(AEST) on 3 May 2017. You should be aware your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration.

### **1.8 If you do not wish to take up any part of your Entitlement**

If you do not wish to take up your Entitlement under the Rights Issue, you are not required to take any action. You will receive no benefit or New Shares and your Entitlement will lapse and will become available as Shortfall Shares.

The number of Shares you hold as at the Record Date and the rights attached to those Shares will not be affected if you choose not to accept any of your Entitlement.

### **1.9 If you wish to sell all of your Entitlement**

Because the Rights Issue is renounceable you may sell your Entitlement.

If you wish to sell all of your Entitlements on ASX, follow the instructions set out in your Entitlement and Acceptance Form under the sections marked "Sale of your Entitlement rights in full by your Stockbroker/Agent." You should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form. You should allow sufficient time for your instructions to be carried out by your stockbroker

Rights trading is expected to commence on ASX on 11 April 2017. Sale of your Entitlement must be completed by 26 April 2017 when rights trading is expected to cease.

The Entitlements will be quoted on the ASX under the ticker code 'YHLR'

### **1.10 If you wish to take up part of your Entitlement and sell the balance**

If you wish to take up part of your Entitlement and sell the balance on ASX you should:

- complete the Entitlement and Acceptance Form by inserting the number of New Shares which you wish to subscribe for (being less than as specified on the Application Form); and
- follow the instructions set out in your Entitlement and Acceptance Form under the sections marked "Sale of your Entitlement rights in part by your Stockbroker/Agent and take up the balance." You should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form in respect of the rights to that part of your Entitlement you wish to sell. You should allow sufficient time for your instructions to be carried out by your stockbroker

Send the payment slip to Computershare together with your cheque for the part of your Entitlement you wish to take up OR make payment using BPAY® by 5.00 pm (AEST) on the Closing Date, which is expected to be 3 May 2017. Cash will not be accepted and no receipts will be issued.

Rights trading is expected to commence on ASX on 11 April 2017. Sale of your rights must be completed by 26 April 2017 when Rights trading is expected to cease.

### **1.11 If you wish to transfer your Entitlement other than on ASX**

If you are an Eligible Shareholder and hold Shares on the issuer sponsored sub-register, you may forward a completed renunciation form (obtainable through your stockbroker or the Company's Share Registrar Computershare) together with your Entitlement and Acceptance Form completed by the transferee together with a cheque for the appropriate Application Money to reach the Company's Share Registrar, by 5.00 pm (AEST) on the Closing Date, which is expected to be 3 May 2017.

If you are a Shareholder and hold Shares registered on CHESS, you should contact your sponsoring broker.

Cash will not be accepted and no receipts will be issued.

### **1.12 Entitlement and Acceptance Form binding**

Giving the company a completed Entitlement and Acceptance Form or making a BPAY® payment constitutes a binding Application to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as a valid Application for New Shares. The Directors' decision whether to treat an Application as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

### **1.13 Eligible Shareholder representations and warranties**

By completing and returning your Entitlement and Acceptance Form with the requisite Application Money or making a BPAY® payment, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given this Offer Document, does not prohibit you from being given this Offer Document and you:

- (a) agree to be bound by the terms of the Rights Issue;
- (b) declare all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Company's Share Registrar using the contact details set out in the Entitlement and Acceptance Form;
- (e) declare you are the current registered holder of Shares;
- (f) represent and warrant the law of your place of residence does not prohibit you from being given this Offer Document and the Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Shares and you are otherwise eligible to subscribe for part or all of your Entitlement and to participate in the Rights Issue;
- (g) acknowledge the information contained in, or accompanying this Offer Document is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (h) acknowledge the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws, in particular the US Securities Act.

### **1.14 Shortfall Offer - Applying for Shortfall Shares**

Any of the 69,031,119 New Shares offered under the Offer and not applied for by Eligible Shareholders pursuant to their Entitlement by the Closing Date will be Shortfall Shares.

Eligible Shareholders who have subscribed for their full Entitlement may apply for Shortfall Shares by completing the "Additional New Shares" section in the Entitlement and Acceptance Form.



The Company will not issue Shortfall Shares if it is aware that as a result of the increase in the Eligible Shareholder's voting power it will contravene the Corporations Act. An application for Shortfall Shares by an Eligible Shareholder with Application Money does not guarantee an allotment of Shortfall Shares. The Underwriter will have discretion as to how to allocate Shortfall Shares as between Eligible Shareholder applicants and the Underwriter.

Shortfall Shares will be issued on the same terms and conditions including the same price as the New Shares offered under the Rights Issue. The offer of Shortfall Shares is an offer under this Offer Document.

It is possible that there will be few or no Shortfall Shares available for issue, depending on the level of take up of Entitlements by Eligible Shareholders.

It is an express term of the Rights Issue that applicants for the Shortfall Shares will be bound to accept a lesser number of the Shortfall Shares allocated to them than applied for if so allocated. If a lesser number of the Shortfall Shares is allocated to them than applied for, excess Application Money will be refunded without interest.

A single cheque should be used for the Application Money for your Entitlement and Additional New Shares on the Entitlement and Acceptance Form.

Alternatively, if you are paying by BPAY®, refer to your personalised instructions on your Entitlement and Acceptance Form. Shareholders who wish to pay by BPAY® must ensure payment is received by no later than 5.00 pm (AEST) on the Closing Date.

#### **1.15 Underwriting Process**

The Rights Issue is fully underwritten by Lodge Corporate Pty Ltd (**Lodge**). Refer to section 1.16 for further details.

Upon the close of acceptances on the Closing Date, which is expected to be 5.00 pm (AEST) on Wednesday 3 May 2017 the Company will have received Applications for Entitlements and applications for Additional New Shares from all participating Eligible Shareholders.

On the Issue Date which is expected to be 10 May 2017 the Company will allot and issue to Eligible Shareholders:

- (a) New Shares applied for with valid Applications; and
- (b) Additional New Shares applied for with valid Applications under the Shortfall Offer.

The Underwriter is then obliged to apply for, or cause other persons to apply for, any remaining New Shares for which valid Applications have not been received by the Closing Date.

#### **1.16 Lead Manager and Underwriter**

Lodge is acting as Lead Manager and Underwriter. Lodge has agreed to fully underwrite the Rights Issue.

Lodge will be paid a fee of \$27,600.00 for managing the Rights Issue, and \$55,200.00 for underwriting the Rights Issue. The underwriting has potential effects on control of the Company. See section 2.4.

The Company will also be required to reimburse the Underwriter for all of the reasonable costs incurred by it in relation to the Rights Issue.

The underwriting of the Rights Issue is conditional upon satisfaction or waiver by the Underwriter of certain conditions in the Underwriting Agreement. These conditions are ordinarily found in an agreement of this type.

The Underwriter is entitled to terminate the Underwriting Agreement if any of a number of events specified in the Underwriting Agreement occurs. These termination events are set out Annexure A.

Neither the Underwriter nor any of its related bodies corporate, nor any of their respective officers, employees, representatives, agents or advisers has authorised or caused the issue of, and takes no responsibility for this Offer Document. To the maximum extent permitted by law, the Underwriter and its related bodies corporate, and each of their respective officers, employees, representatives, agents or advisers exclude and disclaim all liability for any expenses, loss, damages or costs incurred by you as a result of or in connection with your participation in the Offer or the information in this Offer Document being inaccurate or incomplete in any way, for any reason, whether by negligence or otherwise. Neither the Underwriter nor any of its related bodies corporate, nor any of their respective officers, employees, representatives, agents or advisers makes any recommendation as to whether you or your related parties should participate in the Offer, nor does it make any representations or warranties to you concerning this Offer or any such information, and you represent, warrant and agree that you have not relied on any statements made by the Underwriter or any of its related bodies corporate, nor any of their respective officers, employees, representatives, agents or advisers.

#### **1.17 Sub-underwriting**

Mr Wei Huang, a Director of the Company, has agreed to fully sub-underwrite the Offer for a fee of \$27,600.00. Under the sub-underwriting arrangements, if the Underwriter is called upon to underwrite some or all of the Offer by subscribing for New Shares, the Underwriter may call upon Mr Wei to subscribe for those New Shares, which will discharge the Underwriter's obligation in the Underwriting Agreement. The sub-underwriting has potential effects on control of the Company. See section 2.4.

#### **1.18 Commitments by major Shareholders**

A number of shareholders, including Mr Huang, have made commitments to the Company to take up their full Entitlements. These commitments total 46,640,000 New Shares or approximately 68% of the New Shares offered in the Rights Issue.

#### **1.19 Market prices of the Shares on ASX**

No recent trading has occurred, the last market sale price of Shares was approximately three years ago at \$0.30. That sale is not an accurate reflection of the true value of the Shares as at the date of this Offer Document.

#### **1.20 No brokerage and stamp duty payable on subscription under Entitlement**

No brokerage or stamp duty will be payable by Eligible Shareholders for a subscription for New Shares pursuant to their Entitlement.

#### **1.21 Tax implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Rights Issue or Shareholders applying for New Shares under this Offer Document, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders.

The Company makes no representation and provides no advice in relation to the tax consequences for any Shareholder taking up their Entitlement under the Rights Issue. Therefore, the Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to Shareholders in the Rights Issue. Shareholders and Option holders (if applicable) should seek professional taxation advice about the tax consequences of taking up their Entitlement.

#### **1.22 ASX listing**

The Company will apply to ASX within 7 days following the issue of this Offer Document for official quotation of the New Shares offered under the Rights Issue pursuant to this Offer Document. If such an

application is not made within those 7 days or official quotation of the New Shares is not granted by ASX within 3 months of the date of this Offer Document, then the Company will not allot or issue any New Shares and all Application Money received pursuant to this Offer Document will be repaid as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares offered under this Offer Document.

### **1.23 Notice to custodians and nominees**

Custodians and nominees that currently hold Shares should note the Rights Issue is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Rights Issue is compatible with applicable foreign laws.

### **1.24 Rights trading**

The Entitlement to Shares is renounceable, which enables Shareholders who do not wish to take up some or all of their Entitlements to sell or otherwise transfer all or part of their Entitlement. Trading of Entitlements (rights trading) on the ASX is expected to commence on 11 April 2017 and end on 26 April 2017.

### **1.25 Withdrawal of Rights Issue**

The Company reserves the right not to proceed with the Rights Issue at any time before the issue of the New Shares to Eligible Shareholders. If the Rights Issue does not proceed, the Company will return all Application Money as soon as practicable after giving notice of its withdrawal, without interest.

### **1.26 Issue and allotment of New Shares**

The New Shares will be issued fully paid. From the date of issue, the New Shares will rank equally in all respects with the Shares currently on issue. Details of the rights attaching to New Shares are set out in section 4.3. By returning your Entitlement and Acceptance Form, you agree to comply with the Constitution with respect to New Shares issued to you.

The New Shares issued pursuant to Eligible Shareholders' Entitlements and the Additional New Shares are expected to be issued and allotted by no later than 10 May 2017. Until issue and allotment of the New Shares under this Offer Document, the Application Money will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

### **1.27 Ineligible Shareholders**

The Company is of the view it is unreasonable to make the Offer under this Offer Document to Ineligible Shareholders having regard to:

- (a) the number of Ineligible Shareholders in each place where New Shares would otherwise be offered;
- (b) the number and value of New Shares that would otherwise be offered to Ineligible Shareholders in those places; and
- (c) the cost of complying with the laws and requirements of regulatory authorities of the places where Ineligible Shareholders are located and New Shares would otherwise be offered.

Accordingly, the Rights Issue is not being extended to, and does not qualify for distribution or sale by, and no New Shares will be issued to, Shareholders having registered addresses outside Australia and New Zealand.

This Offer Document does not constitute an offer or invitation in any place outside Australia and New Zealand, in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The Company has not made investigations as to the regulatory requirements that may prevail in countries outside Australia and New Zealand in which the Company's Shareholders reside.

The distribution of this Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Offer contained in this Offer Document to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

### **1.28 Appointment of nominee**

As the Rights Issue is renounceable, and for the purposes of Listing Rule 7.7.1(c), the Company will appoint Lodge as nominee to arrange for the sale of the Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale (if any), and notify Ineligible Shareholders of the process being followed as described in this section 1.28.

The nominee will not be paid a fee in respect of its role although the nominee will be paid brokerage on the sale of ineligible Entitlements of Ineligible Shareholders and the fees as set out in section 5.10 with respect to the Underwriting of this Rights Issue.

The Company has agreed to allot to the nominee, or its nominee company, the number of Entitlements which would otherwise have been issued to Ineligible Shareholders as if they were able to participate in the Rights Issue.

The nominee will, during the rights trading period, offer the Entitlements for sale on the market conducted by ASX as soon as is reasonably practicable following their allotment.

The sale of Entitlements will be made in the first instance in the ordinary course of trading on ASX at the prevailing market price. If there is no market for all or some of the Entitlements on ASX, the nominee may sell all or some of the Entitlements off-market. The net proceeds of these sales, after deducting all reasonable costs associated with the sale, will be provided to the Company for the benefit of the Ineligible Shareholders.

Subject to receiving the net proceeds of Entitlement sales from the nominee (if any) the Company will distribute those funds to each Ineligible Shareholder, pro rata, in Australian currency. If all of the Entitlements of Ineligible Shareholders are sold this would result in each Ineligible Shareholder receiving the average price of the Entitlements sold on behalf of the Ineligible Shareholders during the rights trading period. The Company will arrange for the proceeds (if any) net expenses, to be sent proportionally to each Ineligible Shareholder. The amount received by each Ineligible Shareholder will be reduced to the extent that Ineligible Shareholders' Entitlements cannot be sold during the rights trading period. Neither the Company nor the Nominee will be subject to any liability for the failure to sell the Entitlements or to sell them at a particular price.

### **1.29 CHESS**

The Company participates in the Clearing House Electronic Sub-register System ("CHESS"). ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and

the ASX Settlement Operating Rules. Under CHESS, Eligible Shareholders who participate in the Rights Issue will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of New Shares issued under this Offer Document, provide details of your holder identification number and give the participation identification number of the sponsor. If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's Share Registrar, and will contain the number of New Shares issued to you under this Offer Document and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

### **1.30 Privacy**

The Company collects the information about each Shareholder provided on an Entitlement and Acceptance Form for the purposes of processing the acceptance and, if the acceptance is successful, to administer that Shareholder's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Shareholder agrees the Company may use the information provided by a Shareholder on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's Share Registrar, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

An Eligible Shareholder is entitled to gain access to the information the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

### **1.31 Enquiries regarding this Offer Document**

Enquiries regarding this Offer Document should be directed to the Ms Ying Huang by telephone on +61 403 340 917.

## 2 EFFECTS OF THE OFFER ON THE COMPANY

### 2.1 Principal effects

The principal effects of the Rights Issue (assuming full subscription) are:

- (a) the total number of Shares on issue will increase by 69,031,119; and
- (b) the Company's cash funds will increase by approximately \$1,380,622, less expenses of the Rights Issue, which are estimated to be approximately \$120,000.

### 2.2 Effect on capital structure

As at the date of this Offer Document there are 69,031,119 Shares are on issue. The pro-forma capital structure of the Company following the Rights Issue pursuant to this Offer Document is set out below (if 100% of the New Shares offered pursuant to this Offer Document are subscribed for and issued):

	Number
Existing Shares	69,031,119
New Shares to be issued under this Offer Document	69,031,119
Shares on issue after this Rights Issue	<u>138,062,238</u>

### 2.3 Effect on financial position

Set out below is the unaudited pro forma statement of financial position of the Company as at 24 March 2017 showing the effect of the completion of the Rights Issue. The date of 30 April 2017 has been selected as the expected closing date is 28 April 2017.

	Consolidated	Right Issue	Consolidated Post Rights Issue
		Pro forma	Pro forma
	31-Dec-16	30-Apr-17	30-Apr-17
CURRENT ASSETS			
Cash and cash equivalents	78,100	1,380,622	1,458,722
Trade and other receivables	3,971,400	0	3,971,400
Long term Investment	0	0	0
Other current assets	711	0	711
<b>TOTAL CURRENT ASSETS</b>	<b>4,050,211</b>	<b>1,380,622</b>	<b>5,430,833</b>
NON-CURRENT ASSETS			
Property, plant and	0	0	0

equipment			
DTA	7,744,238	0	7,744,238
Other non-current assets	0	0	0
TOTAL NON-CURRENT ASSETS	7,744,238	0	7,744,238
<b>TOTAL ASSETS</b>	<b><u>11,794,449</u></b>	<b><u>1,380,622</u></b>	<b><u>13,175,071</u></b>
CURRENT LIABILITIES			
Trade and other payables	3,026,450	120,000	3,146,450
Tax Payable	11,118	0	11,118
Current Financial liabilities	10,133,422	0	10,133,422
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>13,170,990</u></b>	<b><u>120,000</u></b>	<b><u>13,290,990</u></b>
DTL	7,744,238	0	7,744,238
TOTAL NON CURRENT LIABILITIES	7,744,238	0	<b>7,744,238</b>
TOTAL LIABILITIES	20,915,228	120,000	21,035,228
<b>NET ASSETS</b>	<b><u>-9,120,779</u></b>	<b><u>1,260,622</u></b>	<b><u>-7,860,157</u></b>
EQUITY			
Issued Capital	10,589,121	1,380,622	11,969,743
Reserves	1,364,981	0	1,364,981
Retained earnings	-21,074,881	-120,000	-21,194,881
<b>TOTAL EQUITY</b>	<b><u>-9,120,779</u></b>	<b><u>1,260,622</u></b>	<b><u>-7,860,157</u></b>

## 2.4 Effect on control

The Offer is fully underwritten by Lodge. If no Shareholders took up their Entitlements so that none of them applied for New Shares, and if the Company called on Lodge to meet its underwriting obligations in full, Lodge would acquire 69,031,119 New Shares and hold 50% of the shares in the Company then on issue. However, the directors of the Company consider this unlikely because the Offer is fully sub-underwritten by Mr Wei Huang, a major shareholder. See section 1.17.

Mr Huang currently holds 13,640,000 shares or approximately 19.76% of the shares on issue. It is possible that Mr Huang will increase his shareholding as a result of the sub-underwriting arrangements. The likelihood of Mr Huang substantially increasing his shareholding percentage is reduced by the fact that a number of shareholders, including Mr Huang himself, have made commitments to the Company to take up their full Entitlements. These commitments total 46,640,000 New Shares or approximately 68% of the New Shares offered in the Rights Issue. See section 1.18.

The directors consider it reasonable to assume that these shareholders will honour their commitments. On that basis, the highest number of additional shares that Mr Huang would acquire under the sub-underwriting arrangements, in addition to his own commitment to take up his Entitlement of 13,640,000 shares, would be 22,391,119 shares. This would result in Mr Huang holding a total of 49,671,119 shares or 36% of the total share on issue after completion of the Offer.

The directors consider this unlikely, and that it is more likely that Mr Huang will increase his shareholding to a holding between 20% and 30%, because some, but not all, shareholders take up their entitlements.

Possible scenarios resulting in Mr Huang increasing his shareholding in the Company are as follows.

	Current shareholding	Current %	Final shareholding	Final %
Current position	13,640,000	19.76%	Not applicable	Not applicable
No Shareholders (other than those referred to above who have committed to take up their full Entitlements) take up their Entitlements, and Mr Wei takes up shares pursuant to his Entitlement and his sub-underwriting obligations			49,671,119	36%
Shareholders (other than those referred to above who have committed to take up their full Entitlements) take up 50% of their Entitlements and Mr Wei takes up shares pursuant to his Entitlement and his sub-underwriting obligations			38,475,560	28%
Shareholders (other than those referred to above who have committed to take up their full Entitlements) take up 75% of their Entitlements and Mr Wei takes up shares pursuant to his Entitlement and his sub-underwriting obligations			32,877,780	24%

Under the Corporations Act, persons are not permitted to increase their shareholdings in public companies such as YHL above 20% except in specified circumstances. Increases in shareholdings above 20% as a result of underwriting or sub-underwriting new issues such as the Rights Issue are one of the exceptions to



this rule. Accordingly, neither the Underwriter nor Mr Huang would be prohibited under the Corporations Act from increasing their shareholdings as described above.

The Board has resolved that no New Shares will be issued if the Company is aware that the issue would contravene the Corporations Act. See section 1.14.

### 3 RISK FACTORS

This section 3 contains important information on the risks involved in acquiring New Shares in accordance with the Offer.

#### 3.1 Introduction

This section identifies the areas the Directors regard as the main risks associated with an investment in the Company. There are numerous widespread risks associated with investing in any form of business and with investing in the sharemarket generally. There is also a range of specific risks associated with the Company's business. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The following summary, which is not exhaustive, represents some of the main risk factors. These risk factors may have an impact on the value of the issued securities.

#### 3.2 Company specific risks

##### (a) Capital requirements

The continued operations of the Company are dependent on its ability to obtain financing through debt and equity means, or generating sufficient cash flows from future operations. There is a general risk that the Company may not be able to access capital from debt or equity markets for future projects or developments, which could have a material adverse impact on the Company's business and financial condition. The Company's ability to borrow money will be subject to the availability of debt at the time the Company wishes to borrow money and the cost of borrowing.

##### (b) Litigation risk

The Company is subject to litigation risks. All industries are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of litigation processes, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's activities.

##### (c) Taxation risk

Any change in laws and regulations applicable to the taxation of income, intercompany transactions, withholding taxes, levies and other transactional taxes affecting the Company in the countries it operates in or in which it is listed, or any change in the current interpretation of tax laws; any disputes with tax authorities; or any changes to the Company's income mix, may adversely affect its tax status and increase its tax payable, which would have a negative effect on financial results.

##### (d) Key person risk

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management, each of whom has knowledge and experience of the Company's operations that cannot be replicated by others in the short term. Senior management may, subject to the relevant periods of notice specified in their employment agreements with the Company, terminate their employment relationship with the Company at any time and the loss of any member of the senior management team could harm the Company's business. It may be difficult to secure replacements with appropriate experience and expertise and it may be difficult to replace senior management in the short term. This may adversely affect the Company's business.

##### (e) Employment law risk

From time to time, the Company receives claims from former employees for a variety of labour related matters which may or may not have merit. The Company's approach is to defend these claims as they arise. As with any litigation the outcome of any claim will not be known until heard by the court. Any claim which is not able to be successfully defended may result in a loss to the Company.

## (f) Significant dependencies

The Company is dependent on the continuing support of Zhongsha Construction. Zhongsha Construction has signed a letter committing it to provide financial support to YHL and its subsidiaries for a period of 12 months from 30 September 2016. Without that support Chinese subsidiaries of YHL might not be able to meet their financial obligations.

The Company is dependent on its ongoing relationship with the key suppliers and customers that it engages with in its trading business. [

## (g) Strategic risk

The Company's current strategy is trading in high-end fabrics, home textiles and luxury fashion décor but with the added Australia based property development activity. Risks inherent in that strategy include the need to maintain YHL's ongoing relationship with the key suppliers and customers that it engages with in its trading business, the availability of trading avenues and in particular the ability to export goods from China and to import goods into China, and exchange rate risks. The Queensland property acquisition exposes YHL to property risks including the risk of loss of value if there is a downturn in the commercial property market.

## (h) Finance risk

Because the Company is engaged in trade with overseas markets, its operational profitability is subject to currency fluctuations.

## (i) Competition risk

The markets that the Company operates in markets that are highly competitive. Barriers to entry by new competitors are low, and there is a large turnover of competitors entering and exiting the market. Counterparty risk (i.e. debtor default)

Where the Company provides credit terms to its customers, it brings a trading risk if a customer becomes insolvent.

### 3.3 General Risks

## (a) Securities investments

Eligible Shareholders should be aware that there are risks associated with any securities investment. The prices at which the Shares trade may be above or below the issue price, and may fluctuate in response to a number of factors. Further, the general stock market experiences price and volume fluctuations. There can be no guarantee trading prices will not be subject to fluctuation. These general stock market price and volume fluctuations may materially affect the market price of the Shares, regardless of the Company's operational performance.

## (b) Dilution risk

Existing Eligible Shareholders will receive an Offer to purchase newly issued Shares from the Company. A Shareholder who does not participate in the Rights Issue will retain the same *number* of Shares, but a smaller *proportion* of the total issued capital of the Company. Therefore, there is a risk that by not participating, the Shareholder's control of the Company will be diluted.

## (c) Share market conditions

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, the rate of growth of gross domestic product, interest rates and the rate of inflation. The Reserve Bank's statement of Economic Outlook (February 2017) notes that growth forecasts for 2017-18 have been revised higher, monetary policies are expected to remain accommodative (i.e. lower interest rates), and inflation forecasts have been revised higher as spare capacity is limited.

(e) Policies and legislation

Any material adverse changes in government policies or legislation of Australia or any other country in which the Company has economic interests may affect the viability and profitability of the Company. The Board is not aware of any potential changes to government policy or legislation that would have an adverse impact on the Company.

(f) Investment Speculative

The above risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Offer Document. Therefore, the New Shares to be issued pursuant to this Offer Document carry no guarantee for the payment of dividends, returns of capital or their market value. Prospective investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Shares pursuant to this Offer Document.

## 4 ADDITIONAL INFORMATION

### 4.1 Continuous disclosure obligations

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules, which require continuous disclosure to the market of any information possessed by the Company, which a reasonable person would expect to have a material effect on the price or value of its securities.

In preparing this Offer Document regard has been had to the fact the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Offer Document. Any information or representation which is not contained in this Offer Document or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Offer Document.

### 4.2 Acquisition of head office premises.

On 7 April 2017 the Company announced the proposed acquisition of head office premises in Brisbane, Queensland. The acquisition will be funded in part by the Rights Issue and in part by bank debt.

The head office property is located at 47 Brookes St, Bowen Hills, Queensland. This property is situated within 1.5km of the Brisbane CBD, includes a two level office and a warehouse providing a total of 804sqm. The full acquisition price is \$3,250,000. The Company has obtained approval in principle from the bank for a loan of \$2,250,000 to partly fund the purchase price. The property will be acquired by Millennium QLD Pty Ltd, a wholly owned subsidiary of the Company. The acquisition is expected to be completed in mid-June 2017.

### 4.3 Rights Attaching to New Shares

The New Shares to be issued under the Rights Issue pursuant to this Offer Document will be fully paid ordinary shares and will rank equally in all respects with existing Shares. Full details of the rights attaching to the Company's Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office. The following is a summary of the principal rights which attach to the Company's Shares:

#### (a) Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has;

(i) one vote for every fully paid Share held by him or her; and

(ii) a fraction of one vote for each partly paid up Share held by him or her.

A poll may be demanded by the chairman of the meeting, by at least five Shareholders entitled to vote on the particular resolution present in person, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of the Shares of all those Shareholders having the right to vote on the resolution.

#### (b) Dividends

The Directors may determine that dividends are payable on shares of the Company. Shareholders will be entitled to dividends as a result of ownership of their New Shares in accordance with the Constitution.

#### (c) Further issue of securities

Subject to the Corporations Act and the Listing Rules, the Directors may allot, grant options over, or otherwise dispose of Shares in the Company at the times and on the terms the Directors think fit. A share in the company may be issued with a preferential or special right.

(d) Transfers of shares

A Shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares, (other than a market transfer) where the Company is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules. The Company must not prevent, delay or interfere with the generation of a proper market transfer in a manner which is contrary to the provisions of any of the Listing Rules or the ASX Settlement Operating Rules.

(e) Meetings and notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

(f) Liquidation rights

A liquidator may, with the authority of a special resolution of Shareholders:

(i) distribute among the Shareholders the whole or any part of the remaining property of the Company; and

(ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

The liquidator may vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other securities in respect of which there is any liability.

(g) Alteration and reduction of capital

The Company may, by resolution, alter its capital in any manner permitted by law and subject to the Corporations Act, the Company may by special resolution reduce its capital.

(h) Indemnities

Subject to the Corporations Act, the Company must indemnify each past and present officer against liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

(i) Shareholder liability

As the New Shares offered under the Offer Document are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(j) Alteration to the Constitution

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

## (k) Listing Rules

Despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Similarly, nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

**4.4 Interests of Directors**

At the date of this Offer Document the relevant interest of each of the Directors in the Shares are as follows:

Director	Ordinary Shares	% of Ordinary Shares on issue
Ms Yan Yang	11,807,206	17.10
Mr Jiang Song	Nil	N/A
Mr Wei Huang	13,648,082	19.77
Waytex Australia Pty Ltd*	4000	0.01
Ms Ying Liu Huang	4000	0.01

\*Waytex is a Company associated with Mr Wei Huang.

**4.5 Expenses of the Rights Issue**

The approximate cash expenses of the Rights Issue are \$120,000. These expenses are payable by the Company.

## 5 GLOSSARY

<b>Additional New Shares</b>	New Shares in addition to an Eligible Shareholder's Entitlement for which an Eligible Shareholder makes an Application
<b>AEST</b>	Australian Eastern Standard Time
<b>Application</b>	An application for New Shares
<b>Application Money</b>	The money received from an Eligible Shareholder with a completed and returned Entitlement and Acceptance Form
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ACN 008 624 691) or, where the context requires, the Australian Securities Exchange operated by ASX Limited
<b>ASX Settlement</b>	ASX Settlement Pty Ltd (ACN 008 504 532)
<b>ASX Settlement Operating Rules</b>	The settlement operating rules of ASX Settlement as amended from time to time
<b>CHESS</b>	ASX Clearing House Electronic Sub-register System
<b>Cleansing Notice</b>	The notice the Company has given ASX under sections 708AA(1)(f) and (7) of the Corporations Act
<b>Closing Date</b>	The closing date of the Rights Issue being 5.00 pm (AEST) on Wednesday 3 May 2017, subject to the right of the Company to vary that date (in accordance with the Listing Rules and the Corporations Act)
<b>Company or YHL</b>	Yanghao International Limited (ACN 133 453 531)
<b>Constitution</b>	The constitution of the Company
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Director(s)</b>	A director or directors of the Company, or where appropriate the directors acting as a board of directors
<b>Eligible Shareholder(s)</b>	A Shareholder or Shareholders with a registered address in Australia or New Zealand as at the Record Date
<b>Entitlement</b>	The entitlement of an Eligible Shareholder to participate in the Rights Issue, as shown on the Entitlement and Acceptance Form
<b>Entitlement and Acceptance Form</b>	The personalised Entitlement and Acceptance Form given to an Eligible Shareholder together with this Offer Document
<b>Ineligible Shareholder(s)</b>	A Shareholder or Shareholders with a registered address outside Australia or New Zealand as at the Record Date
<b>Issue Date</b>	The issue date of the New Shares being Wednesday 10 May 2017, subject to the right of the Company to vary that date (in accordance with the Listing Rules and the Corporations Act).
<b>Listing Rules</b>	The Listing Rules of ASX



<b>New Shares</b>	The shares (approximately 69,031,119 fully paid ordinary shares) offered by the Company pursuant to this Rights Issue
<b>Offer</b>	The offer of New Shares made in accordance with this Offer Document. See section 1 for details of the Offer
<b>Offer Document</b>	This Offer Document
<b>Opening Date</b>	The opening date of the Rights Issue being Wednesday 19 April 2017, subject to the right of the Company to vary that date (in accordance with the Listing Rules and the Corporations Act)
<b>Record Date</b>	The record date of Shares held by Shareholders being close of business Wednesday 12 April 2017, subject to the right of the Company to vary that date (in accordance with the Listing Rules and the Corporations Act)
<b>Rights Issue</b>	The issue pursuant to this Offer Document on a pro-rata renounceable basis of 1 New Share for every 1 Share held on the Record Date at an issue price of \$0.02 per New Share
<b>Rights Trading Period</b>	The period between the date rights trading under the Rights Issue begins, being 11 April 2017, and the date rights trading under the Rights Issue ends, being 26 April 2017, as set out in the timetable in this Offer Document; subject to the right of the Company to vary those dates (in accordance with the Listing Rules and the Corporations Act)
<b>Share Registrar</b>	Computershare Investor Services Pty Ltd (ABN 48 078 279 277)
<b>Shareholders</b>	A person or persons who holds Shares in the Company
<b>Shares</b>	Fully paid ordinary shares in the Company on issue as at the Record Date
<b>Shortfall Offer</b>	The offer of Shortfall Shares to Eligible Shareholders who have applied for their full Entitlement. See section 1.14
<b>Shortfall Shares</b>	The number of the 69,031,119 New Shares offered under the Offer that are not applied for by Eligible Shareholders pursuant to their Entitlement by the Closing Date. See section 1.14
<b>Underwriter and Lodge</b>	Lodge Corporate Pty Ltd (ACN 125 323 168)
<b>Underwriting Agreement</b>	The underwriting agreement between the Company and the Underwriter dated 7 April 2017

## **Annexure A**

### **Schedule 2 – Termination Events**

#### **Part A – Events not subject to “materiality”**

##### **1 Disclosures in the Offer Materials**

A statement contained in the Offer Document or other Offer Materials is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Offer Materials.

##### **2 Forecast incapable of being met**

Any forecast, expression of opinion, intention or expectation expressed in the Offer Document is not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole, or the Company no longer has any reasonable basis for any such forecast, expression of opinion, intention or expectation.

##### **3 ASX approval**

Unconditional approval (or conditional approval subject only to conditions acceptable to the Underwriter (acting reasonably)) is refused or not granted by ASX to the Quotation of all of the Offer Shares on ASX, on or before Completion, or if granted, the ASX approval is subsequently withdrawn, qualified (other than by conditions acceptable to the Underwriter (acting reasonably)) or withheld or the ASX indicates to the Company or the Underwriter that approval is likely to be withdrawn, qualified (other than by conditions acceptable to the Underwriter (acting reasonably)) or withheld.

##### **4 Takeovers Panel**

An application is made to the Takeovers Panel for a declaration of unacceptable circumstances under Part 6.10 of the Corporations Act in relation to the affairs of the Company or the Offer including any underwriting or sub-underwriting and that application is not dismissed or withdrawn before the Settlement Date.

##### **5 Withdrawal**

The Company withdraws the Offer Materials or the Offer.

##### **6 Corrective Statement**

The Underwriter reasonably forms the view that a Corrective Statement must be lodged by the Company with ASX and the Company does not lodge a Corrective Statement with ASX in the form and with the content, and within the time, reasonably required by the Underwriter.

##### **7 Regulatory action**

Any of the following occurs:

- (1) ASIC applies for an order under section 1324B or 1325 of the Corporations Act in relation to the Offer, the Offer Document or other Offer Materials, and the application is not dismissed or withdrawn before the date the Offer Shares are allotted; or
- (2) an application is made by ASIC for an order under Part 9.5 in relation to the Offer or the Offer Document or other Offer Materials or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investment Commission Act 2001 (Cth) in relation to the Offer, the Offer Document or other Offer Materials, and such application or investigation is not completed or withdrawn before the Settlement Date.

**8 Market fall**

At any time before Completion, the S&P/ASX 200 Index closes at a level that is 15% or more below the level of that index at 5.00pm on the trading day immediately prior to the Announcement Date, and remains at or below that level for a period of two consecutive trading days, or for the one trading day before the Issue Date.

**9 Insolvency**

An Insolvency Event occurs in relation to a Group Member.

**10 Government Agency action**

ASIC or any other Government Agency (including, without limitation, the Takeovers Panel) commences or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action (including, in relation to the Takeovers Panel, a declaration of unacceptable circumstances) or seeks any remedy, in connection with the Company, the Offer, the Offer Materials, and such hearing, inquiry, investigation, proceeding or prosecution is not completed or withdrawn before the Settlement Date.

**11 Certificate or Notice not provided**

The Company does not provide a Certificate, New Circumstances Certificate or Shortfall Notice as and when required by this Agreement.

**12 Failure to issue**

The Company is or becomes unable, for any reason, to issue the Offer Shares on Completion.

**13 Material adverse change**

Any material adverse change occurs, or an event occurs which is likely to give rise to a material adverse change in or affecting the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Group, including (without limitation):

- (1) any material adverse change in the earnings, prospects or forecasts of the Group from those disclosed in the Offer Document;
- (2) any material adverse change in the nature of the business conducted by the Group or proposed to be conducted by the Group; and
- (3) any material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those respectively disclosed in the Offer Document.

**14 Restricted activities**

Without the prior written consent of the Underwriter or unless disclosed in writing prior to the Offer, the Company or any other Group Member:

- (1) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Offer Document;
- (2) ceases or threatens to cease to carry on business;
- (3) alters its capital structure (debt or equity), other than as contemplated in the Offer Document;
- (4) amends the Constitution; or
- (5) amends the terms of issue of the Offer Shares.

**15 Directors**

Any of the following occur:

- (1) a director of the Company is charged with an indictable offence relating to a financial or corporate matter;
- (2) any governmental agency or regulatory body commences any public action against a Group Member, a member of management of the Company or any of its directors or announces that it intends to take such action;
- (3) any director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
- (4) an officer (as that term is defined in the Corporations Act) or a director of the Company engages in any fraudulent conduct or activity.

**16 Encumbrances**

Other than as disclosed in the Offer Document, a Group Member charges or agrees to charge or creates any Encumbrance over, the whole, or a substantial part of its business or property.

**17 Timetable delay**

Any event set out in the Timetable is delayed for more than 2 Business Days, unless the Underwriter consents to a variation (which consent must not be unreasonably withheld or delayed).

**18 Certificate incorrect**

A statement in any Certificate, New Circumstances Certificate or Shortfall Notice is false, misleading, inaccurate or untrue or incorrect or contains material omissions.

**Part B – Events subject to “materiality”****1 Disclosures in due diligence**

Any information supplied by or on behalf of the Group to the Underwriter in relation to the Due Diligence Investigation, the Offer Shares, the Group, the Offer, or the Offer Materials is or becomes untrue, incorrect, misleading or deceptive (including by omission).

**2 Offer Materials do not comply**

The Offer Document or other Offer Materials do not comply with:

- (1) the Corporations Act;
- (2) the Listing Rules; or
- (3) any other applicable law.

**3 Breach of law**

The Company contravenes the Corporations Act, its Constitution, any of the Listing Rules or the Competition & Consumer Act 2010 (Cth), or any other applicable law.

**4 Change in laws**

Any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer or reduce the level or likely level of Valid Applications for Offer Shares:

- (1) the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia or New Zealand;
- (2) the public announcement of prospective legislation or policy by the Australian Federal Government or the Government of any Australian State or Territory; or
- (3) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy.

## **5 Warranties or representation untrue**

Any of the warranties or representations given by the Company in this Agreement are or become untrue or incorrect.

## **6 Breach**

The Company is in default of any of the terms and conditions of this Agreement or breaches any undertaking or covenant given or made by it under this Agreement and that default or breach is either incapable of remedy or is not remedied within 2 Business Days after being given notice to do so by the Underwriter.

## **7 Adverse change in financial markets**

Any of the following occurs:

- (1) a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- (2) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited for at least one day on which that exchange is open for trading;
- (3) any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
- (4) after the date of this Agreement, a change or development (which was not publicly known prior to the date of this Agreement) involving a prospective adverse change in taxation affecting the Group or the Offer occurs.

## **8 Hostilities**

There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following:

- (1) Australia;
- (2) New Zealand;
- (3) the United Kingdom;
- (4) the United States of America;
- (5) Japan;
- (6) the People's Republic of China;
- (7) the Republic of India; or

- (8) involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.