

SECOND REPLACEMENT PROSPECTUS

**WONHE MULTIMEDIA
COMMERCE LTD**
ACN 607 288 755

**Lead
Manager:**

Beer & Co Pty Ltd*

Beer & Co.

By this second replacement prospectus ('Prospectus'), WONHE Multimedia Commerce Ltd ('the Company') invites investors to apply for a total of 20,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$4,000,000. The Offer has a minimum subscription of \$3,000,000.

This Prospectus entirely replaces the prospectus dated 11 August 2015 ('Original Prospectus') and the first replacement prospectus dated 25 August 2015 ('First Replacement Prospectus') which entirely replaced the Original Prospectus.

The Offer made by this Prospectus is conditional upon ASX confirming that it will admit the Company to Official Quotation, subject to the satisfaction of such terms and conditions prescribed by the ASX Listing Rules, as well as other conditions detailed in this replacement Prospectus.

This Offer is scheduled to close at 5.00pm (AEST) on 4 December 2015 unless extended or withdrawn. Applications must be received before that time to be valid.

IMPORTANT NOTICE

Applicants should read this replacement Prospectus in its entirety before deciding to apply for Shares. If, after reading this replacement Prospectus, you have any questions about the Offer, you should contact your professional advisers.

There are risks associated with an investment in the Company and the Shares offered under this Prospectus are to be regarded as a speculative investment. Please refer to Section 6 for Risk Factors associated with the Offer.

* Beer & Co's wholly owned subsidiary company, Melbourne Venture Securities Pty Ltd (ACN 102 338 394) holds Australian Financial Services Licence No. 224313 and shall provide the financial services of the Lead Manager in connection with the Offer.

IMPORTANT NOTICE

General

This replacement Prospectus is dated 17 November 2015 and it replaces the Original Prospectus dated 11 August 2015. A copy of this Prospectus was lodged with the ASIC on 17 November 2015.

The Company will apply to ASX within seven (7) days following the date of issue of this Prospectus for official quotation by ASX of the Shares offered by this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to subscribe for Offer Shares in the Company.

Second Replacement Prospectus

This Prospectus has been issued to provide disclosure in relation to the following matters, which are the material changes from the First Replacement Prospectus:

- updated information about the WONHE Restructure, as all issued share capital of Shenzhen WONHE has been transferred to Shengshihe, the VIE Agreements have been terminated, and the WONHE Business is now directly owned by the Company via its wholly owned subsidiaries;
- updated financial information section (Section 7) and Investigating Accountant's Report (Section 8) to reflect the direct ownership structure and associated necessary accounting changes arising, and reporting financial information for WONHE to 30 June 2015 rather than 31 March 2015; and
- updated China Legal Overview section summarising the legal advice of the Company's China legal advisors in relation to China legal compliance matters and confirmation of the validity of the Company's ownership of Shenzhen WONHE following the WONHE Restructure.

Conditional Offer

The Offer is subject to and conditional upon approval of the admission of the Company's Shares to Official Quotation on the ASX.

Expiry Date

No securities will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

Investment Advice

This Prospectus does not take into account your financial circumstances, financial objectives or particular needs (including your financial or taxation issues). Therefore, this Prospectus does not constitute investment advice. You should obtain professional investment advice before subscribing for Offer Shares under this Prospectus.

Additional Copies of Prospectus

Additional copies of this Prospectus are available at the registered office of the Company.

The Corporations Act 2001 (Cth) prohibits any person from passing onto another person an Application Form unless it is attached to or accompanied by the complete and unaltered version of this Prospectus.

Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company Secretary of the Company, Justyn Stedwell, via email at justyn@stedwell.com.au.

A copy of this Prospectus can be downloaded from the website of the Company at www.wonhe.com.au. If you are

accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia. Please note that no document or information included on our website is incorporated by reference into this Prospectus.

Restrictions on Offer

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

No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

Application Forms

Applications for Shares can only be made pursuant to the Application Form attached to and forming part of this Prospectus. The Corporations Act prohibits any person from passing the Application Form to any other person unless it is attached to, or accompanied by, a complete and unaltered version of the Prospectus.

The Application Form contained in this Prospectus contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, the Original Prospectus was subject to an Exposure Period of seven (7) days from the date of lodgement of the Original Prospectus with ASIC. The Exposure Period was extended by ASIC for a further seven (7) days, being to 25 August 2015. Pursuant to ASIC Class Order 00/169, this Prospectus is not subject to an Exposure Period.

Privacy

If you apply for Shares you will provide personal information to the Company and the Share Registry. This enables your Application to be assessed, you to be registered as the holder of Shares, to enter you in the Company's register of members and to enable the Company to contact you. The Company may from time to time be required to disclose your personal information to the Australian Taxation Office, other government agencies or as required by law. The Company and the Share Registry may disclose your personal information to its agents and service providers as authorised by the Privacy Act (1988) (Cth) or for purposes required by the Listing Rules or Corporations Act. You may access your personal information by contacting the Share Registry and may request corrections to such personal information.

Forward looking statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and future events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way implicitly portrayed within this Prospectus. These risks, uncertainties and other factors include, but are not limited to, the matters described in Section 6 ('Investment Risks'). The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved. Except to the extent required by law, the Company has no intention to update or review forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

Forecast Financial Information

No forecast financial information is included in this Prospectus, as the Company does not have a significant operating history. Given the early stages of the Company's operation, there are uncertainties associated with forecasting future revenue, and the Directors believe that reliable projections and forecasts cannot be prepared. Given these uncertainties, no forecasts have been included in this Prospectus.

Statements of Past Performance

This Prospectus includes information regarding the past performance of the WONHE Business. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Definitions

Please refer to the Glossary in Section 13 of this Prospectus for terms and abbreviations used in parts of this Prospectus.

Miscellaneous

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise. Items displayed in photographs in this Prospectus are not necessarily assets owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of Shares offered under this Prospectus.

Lead Manager

Beer & Co's wholly owned subsidiary company, Melbourne Venture Securities Pty Ltd (ACN 102 538 394) holds Australian Financial Services Licence No. 224313 and shall provide the financial services of the Lead Manager in connection with the Offer.

Withdrawal of Previous Applications

In accordance with the Corporations Act, the Company has arranged for Applicants who had subscribed under the Original Prospectus or First Replacement Prospectus to withdraw their Applications and be repaid their Application monies in full.

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LETTER FROM THE BOARD

Dear Investor,

Welcome to the Prospectus of WONHE Multimedia Commerce Ltd (**'Company'**).

On behalf of the Board of the Company, it is my pleasure to offer you the opportunity to become a shareholder in this exciting business.

The Company is seeking to raise up to \$4,000,000 through the issue of 20,000,000 shares at an issue price of \$0.20 per share (**Maximum Subscription**), with a Minimum Subscription of \$3,000,000.

Through a Share Sale Agreement with World Win International Holdings Group Ltd (**World Win**), the Company has acquired 100% of the shares in Kuayu International Holdings Group Ltd (**Kuayu**), a company incorporated in Hong Kong and which owns and operates the WONHE Business in China through the China Subsidiaries. Please refer to section 2.1 of the Prospectus for a diagram of the Company's corporate group (**WONHE Group**).

As at the date of this Prospectus, 60% of the Company's share capital is held by World Win. World Win is wholly owned by WONHE High-Tech International Inc, a company incorporated in Nevada and listed on the NASDAQ over-the-counter (**OTC**) market. Please refer to section 7 of the Prospectus for a summary of the WONHE Group's historical financial information.

The WONHE Business commenced at the end of 2010, and initially focused on the research, development, and sale of computer software and hardware technology products. The WONHE Group's operating subsidiary company is Shenzhen WONHE Technology Co., Ltd (**Shenzhen WONHE**), a company incorporated in China. Shenzhen WONHE has a research and development department that designs its own software and hardware products. Shenzhen WONHE outsources the manufacturing of its products to a third party contract manufacturer, and appoints third party sales agents and distributors to handle the sales and distribution of its products in China. The WONHE Business solely operates within China. Please refer to section 7 of the Prospectus for a summary of the WONHE Group's financial information.

Overview of Key Products:

- The WONHE Business initially derived most of its revenue from an early version of the Home Media Centre product, being the Home Media Centre 660, which was developed in 2012. However, the WONHE Business currently derives the majority of its revenues from the current version of the Home Media Centre product, HMC720, developed in 2013, and the Domestic Router product, developed in 2015.
- The Home Media Centre is a product that has the functional characteristics of both a Wi-Fi router and a set-top box, with the ability to access TV and video on demand, function as a game console and a storage facility for data. The Home Media Centre combines a PC set-top box, DVD, multimedia computer, security monitor and video telephone into one comprehensive digital home media solution, with a compact size.
- The Domestic Router is a router (model YLT 100-S) which has an independent operating system, allowing customers to store information and control the number of network users, limit the webpages which users browse and limit users' time online. The Domestic Router is predominately used by personal consumers.
- Shenzhen WONHE has recently developed a new commercial router product (model YLT 300-S), which provides Wi-Fi and is tailored for use by commercial premises (**Commercial Routers**). Shenzhen WONHE has also developed a mobile application (**WONHE App**) where users must log on and provide certain demographic details before being re-directed to the free Wi-Fi internet provided by the Commercial Routers. The WONHE App also provides an online shopping platform for users.

Shenzhen WONHE has entered into a supply and distribution contract with Shenzhen Yun Lutong Science and Technology Ltd (**YLT**) pursuant to which YLT has the right to distribute the Commercial Routers in China. YLT sources commercial premises and retail shopping centre customers to purchase and install Commercial Routers in, providing persons in close proximity to such premises with access to the Wi-Fi offered by the Commercial Routers and providing a means for such persons to utilise the WONHE App.

Shenzhen WONHE derives revenues from sale of the Commercial Routers, receives a commission from retail sales to users who purchase products from a retailer via the WONHE App and derives revenue from targeted advertisements. Shenzhen WONHE also owns the user data that is compiled and aggregated from its Commercial Routers.

Listing on ASX

The Company is seeking to list on the ASX for the following key reasons:

- to provide the Company with further funding to pursue its commercial objectives, including the ongoing sale of the Home Media Centre, the Domestic Router and distribution and sale of the Commercial Routers;
- to provide the Company with greater access to a liquid capital market which will enable the Company to pursue the growth and expansion of the WONHE Business; and
- to be part of an internationally recognised stock exchange with a strong corporate governance environment that the Company believes will enhance and facilitate greater commercial opportunities for the WONHE Business in China and provide a platform for growth.

This Prospectus contains detailed information about the Company, the WONHE Business and the risks of participating in a speculative investment of this nature. The Board recommends that investors read this Prospectus carefully and in its entirety.

The Offer is conditional on the Minimum Subscription being raised and approval from the ASX for the Admission.

On behalf of the Board, I look forward to welcoming you as a shareholder of the Company.

Yours faithfully,



Mr Qing Tong
Chairman

SECTION 1 – INVESTMENT OVERVIEW

1.1 Purpose of the Prospectus

The purpose of this Prospectus is to:

- (a) facilitate the Company's admission to the Official List of the ASX and the listing of the Shares offered under this Prospectus; and
- (b) to raise up to \$4,000,000 pursuant to the Offer, in order to assist the Company in meeting its commercial and development objectives, which include:
 - development of the distribution network of the Commercial Routers and marketing of the Commercial Routers to commercial customers;
 - continued development, distribution and sales of the Home Media Centre and Domestic Router products;
 - Providing funds for Company administration and overhead costs; and
 - Paying the costs and expenses associated with the Offer.

1.2 Key Dates

Original Prospectus lodged with ASIC	11 August 2015
First Replacement Prospectus lodged with ASIC*	25 August 2015
Prospectus lodged with ASIC**	17 November 2015
Prospectus released to market***	17 November 2015
Prospectus offer closes	4 December 2015
Expected allotment date of Shares	11 December 2015
Admission of Company to ASX	16 December 2015

* As detailed in Section 2.1, as the WONHE Restructure has led the WONHE Group structure to materially change from that outlined in the First Replacement Prospectus, the Company has arranged for all Applicants under the Original Prospectus and First Replacement Prospectus to withdraw their Applications and be repaid their Application monies.

** Please note that the dates set out in the above timetable may be varied in accordance with the Corporations Act, and, where required, in consultation with ASX. These dates are indicative only and subject to change. The Company reserves the right to vary the dates without prior notice.

*** The Company may elect to make available a certain percentage of the Shares to ASX's Bookbuild Facility. If the Company elects to proceed with a Bookbuild, information about the key dates for the Bookbuild, including opening and closing dates, will be announced to the market under the Company's ASX code, WMC. Please refer to section 3.20 of this Prospectus for more information about the use of a Bookbuild Facility.

1.3 Investment Overview

The following is a summary only and is not intended to be comprehensive. Prospective investors should read the full text of this Prospectus and if you are uncertain about any matter you should consult your investment adviser before making an investment decision.

Item	Summary	Further Information
1. Company		
Who is the issuer of this Prospectus?	WONHE Multimedia Commerce Ltd (ACN 607 288 755)	Section 2
What does the Company do?	<p>WONHE Multimedia Commerce Ltd is an unlisted Australian company founded in July 2015.</p> <p>Through ownership of the Company's China Subsidiaries, the Company owns the WONHE Business.</p> <p>The WONHE Business is currently focused on the research, development, manufacturing and sale of the Home Media Centre, the Domestic Routers and the Commercial Routers.</p>	Section 2, 4

Item	Summary	Further Information
1. Company <small>(continued)</small>		
Business ownership structure/	<p>The Company owns the WONHE Business by wholly owning Kuayu, a company incorporated in Hong Kong, and therefore owns the China Subsidiaries. The Company acquired 100% of the shares in Kuayu in August 2015.</p> <p>Kuayu owns 100% of Shengshihe, a Wholly Owned Foreign Enterprise established in China.</p> <p>For historical reasons, Shengshihe had previously entered into contractual arrangements with Shenzhen WONHE, a Variable Interest Entity company¹ incorporated in China. Pursuant to these contractual arrangements, control of the WONHE Business and the right to income from the WONHE Business, was vested in Shengshihe.</p> <p>However, in September 2015, Shengshihe and the shareholders of Shenzhen WONHE entered into the Shenzhen WONHE Share Sale Agreement so that all issued share capital of Shenzhen WONHE was transferred to Shengshihe. As a result, the VIE Agreements ceased to have effect and the WONHE Business is now therefore owned directly by the Company via its wholly owned subsidiaries, being Kuayu, Shengshihe and Shenzhen WONHE.</p> <p>As at the date of this Prospectus, the majority of the Company's capital, being 60%, is held by World Win.</p> <p>In turn, World Win is wholly owned by WONHE High-Tech International Inc, a company incorporated in Nevada and listed on the NASDAQ OTC market.</p>	Section 2
Capital structure of the Company as at the date of this Prospectus	<p>World Win holds 81,000,000 Shares, constituting 60% of the capital of the Company prior to the issue of Shares pursuant to the Offer. The Shares held by World Win in the Company will constitute 52.26% of the issued Shares in the Company, in the event that the Offer is fully subscribed.</p> <p>As at the date of this Prospectus, the Existing Minority Shareholders hold 54,000,000 Shares, constituting in aggregate 40% of the Company's capital prior to the issue of Shares pursuant to the Offer. The Shares held by the Existing Minority Shareholders in the Company will constitute 34.84% of issued Shares in the Company on the basis that the Offer is fully subscribed.</p> <p>The Company is offering Shares under this Prospectus which equate to 12.9% of the issued share capital of the Company in the event that the Offer is fully subscribed.</p>	Section 2
What is World Win?	<p>World Win is a company incorporated in the British Virgin Islands in April 2012, and which is wholly owned by WONHE High-Tech International.</p> <p>Pursuant to the Share Sale Agreement with the Company, World Win sold 100% of issued share capital in Kuayu to the Company.</p> <p>As at the date of this Prospectus, World Win has no other business activities and it does not trade in its own right.</p>	Section 2
Relationship with YLT	<p>Shenzhen WONHE has entered into contracts with YLT whereby YLT distributes the Commercial Router through YLT's agents. For more information about these contracts, please refer to Section 9 ('Material Contracts').</p> <p>The majority of share capital in YLT (90%) is held by Mr Jingwu Li. Mr Li is also a director of WONHE High-Tech.</p> <p>For more information about the relationship between YLT and Shenzhen WONHE, please refer to Section 9 ('Material Contracts').</p>	Section 9

¹ A Variable Interest Entity is an operating company established in China, holding the China business assets and/or the necessary licenses to operate in a foreign direct investment restricted/prohibited sector. A Variable Interest Entity (VIE) is fully or partially controlled by a non-Chinese owned company, known as a Wholly Owned Foreign Enterprise (WOFE) which, through certain contractual arrangements, has control over the VIE.

SECTION 1 – INVESTMENT OVERVIEW

Item	Summary	Further Information
2. Purpose of this Prospectus		
Purpose of Prospectus	<p>The purpose of this Prospectus is to:</p> <ul style="list-style-type: none"> (a) facilitate the Company's application for admission to the Official List of the ASX; and (b) to raise up to \$4,000,000 pursuant to the Offer. 	Section 2
3. Business Model		
What will be the Company's principal activities after Admission?	<p>Following the successful Admission, the Company shall focus on:</p> <ul style="list-style-type: none"> (a) sale and distribution of the Home Media Centre, Commercial Router and Domestic Router products throughout the China market through Shenzhen WONHE; (b) growing the distribution network of the Home Media Centre, Commercial Router and Domestic Router products throughout the China market; and (c) promotion and marketing of the Home Media Centre, Commercial Router and Domestic Router products and other products sold by the WONHE Business. 	Section 2
How will the Company generate income?	<p>The Company's income will be derived from its underlying entitlement to dividends out of profits generated by the following income generating activities of the WONHE Business:</p> <ul style="list-style-type: none"> (a) sale proceeds from sales of the Home Media Centre, Domestic Router and Commercial Router products; (b) advertising fees from targeted advertisements featured on the Commercial Router's Wi-Fi networks; and (c) sales commissions from sales made on the shopping platform on the WONHE App. <p>The Company will receive dividends from Kuayu in the event that the WONHE Business is profitable and has sufficient profits to pay dividends to the Company.</p> <p>It is currently anticipated that a minimum of 10% of the NPAT per annum shall be paid as dividends to the Company's shareholders. Please refer to section 3.11 for further information in relation to the Company's dividend policy.</p>	Section 2

Item	Summary	Further Information
3. Business Model [continued]		
What are the key dependencies of the Company's business model?	<p>Key dependencies of the business model outlined above include:</p> <ul style="list-style-type: none"> • Counterparty performance under the contractual arrangements between Shenzhen WONHE and YLT, and other distributors; • Any necessary regulatory approvals being secured and maintained; • Market demand for the Home Media Centre remaining stable; • Consumer uptake of the Commercial Router and Domestic Router, and expansion of the WONHE Group's market presence in China; • Ability to attract and retain employees with appropriate technical qualifications; • Changes in Chinese regional or national consumer confidence, consumer preferences and spending patterns, including regional or local economic conditions; • Ability to retain and develop relationships with manufacturers of the WONHE Products; • Foreign exchange fluctuations; and • Exposure to political and legal risks through the Company's China Subsidiaries. 	Section 2
4. Key Risks		
Key risks of an investment in the Company	<p>The income able to be achieved by the Company, the value of its assets and the market price of its securities on the ASX may be adversely affected by a number of factors, including risks outside the control of management. These risks include:</p> <ul style="list-style-type: none"> • Manufacturing and Supply Risks: there are risks associated with the Company's supply and manufacturing that may affect the performance of the Company, including in particular, reliance on third party manufacturers for the manufacture and supply of WONHE Products; • Key Personnel: The Company is heavily reliant on key personnel. Loss of key personnel could cause significant disruption to the Company's activities and development. • Changes in Chinese Economic Conditions: The Company's entitlement to revenues generated from the WONHE Business may be negatively influenced by changes in regional or local economic variables and consumer confidence in China. Unemployment rates, levels of personal disposable income and regional or local economic conditions may adversely affect consumer spending, decreasing demand for the WONHE Products. • Access to Capital Markets: The Company may not be able to maintain access to capital markets in order to fund unforeseen expenditure or to undertake further development of the WONHE Product range. 	Sections 6 and 9

SECTION 1 – INVESTMENT OVERVIEW

Item	Summary	Further Information
4. Key Risks <i>(continued)</i>		
Key risks of an investment in the Company <i>(continued)</i>	<ul style="list-style-type: none"> • Political and Legal Risk: Due to uncertainties in the Chinese political and legal environment, the Company's China Subsidiaries may be exposed to political and legal risks, adversely affecting the viability of their operations in China and the distribution and on-sale of the WONHE Products. • Concentration of Shareholding: As World Win currently holds 60% of the Company, and will hold a minimum of 52.26% following the Offer (assuming the Maximum Subscription is raised), World Win is in a position to exert considerable influence over the outcome of matters relating to the Company, including Board composition and decisions. While the interests of World Win and other shareholders in the Company are likely to be consistent, there may be instances where such interests diverge. 	Sections 6 and 9
5. Directors and Management Personnel		
Directors	<p>The directors of the Company are:</p> <ul style="list-style-type: none"> • Qing Tong (Executive Director); • Jack Tong (Executive Director); • Francesco Cannavo (Non-Executive Director); • Jun Li (Non-Executive Director); and • Raymond Lim (Non-Executive Director). <p>Please refer to Section 5 for profiles of each director.</p> <p>Details of the security holdings of each director are set out in Section 5.3.</p>	Section 5
Company Secretary	Mr Justyn Stedwell is the Company Secretary. Please refer to Section 5 for Mr Stedwell's profile.	Section 5
6. Financial Information		
Are there any forecasts of future earnings?	There are no forecasts of future earnings of the Company provided in this Prospectus.	Section 2
What is the key financial information of WONHE, the ultimate parent of the Company?	<p>As depicted in Figure 1.1 in Section 2.1, the Company forms part of the WONHE Group. WONHE reported a net income after tax for the half year ended 30 June 2015 of USD\$4.904 million or AUD\$6.268 million (translated at the average rate of 1.278 as outlined in Section 7.1).</p> <p>WONHE's net income after tax for the year ended 31 December 2014 was USD\$1.896 million or AUD\$2.104 million (translated at the average rate of 1.1094 as outlined in Section 7.1).</p>	Section 7
Will the Company have sufficient funds for its activities?	<p>As at 30 June 2015, WONHE High-Tech International and its controlled entities had approximately USD\$60.831 million or AUD\$79.439 million (translated using the spot rate of 1.3059 as outlined in Section 7.1) in net assets, and approximately USD\$55.784 million or AUD\$72.849 million of such assets are comprised of cash holdings.</p> <p>The Company will derive revenue from the income generated by the WONHE Business, which has been profitable over the previous 3 financial years.</p> <p>For more information, please refer to the Financial Information Section in section 7 of this Prospectus.</p>	Section 7, 9

Item	Summary	Further Information
6. Financial Information (continued)		
What is the financial outlook for the Company?	<p>The WONHE Business is currently profitable and has been profitable in the past as is shown by the historical financial information relating to WONHE which is set out in section 7 of this Prospectus.</p> <p>However, past performance should not be relied upon as being indicative of future performance. Investors should also be aware that the retail and distribution of technology products is subject to the inherent risk of failure, including the possibility that the WONHE Products may be found to be unsafe, attract insufficient consumer demand, be subject to manufacturing, supply or distribution problems, be overtaken by more innovative products or be unable to compete effectively with other retailers in the Chinese market.</p> <p>Please refer to Section 7 of this Prospectus for more information in relation to the financial position of the Company and WONHE.</p>	Section 9
What is the Company's dividend policy?	<p>It is the current intention of the Board to pay unfranked dividends in respect of full financial years for the Company ending 31 December each year.</p> <p>The Company has adopted a dividend policy pursuant to which it intends to distribute a minimum of 10% of NPAT to shareholders by way of dividends. The maximum amount of NPAT to be distributed by way of a dividend in any given financial year shall be 20% of NPAT.</p> <p>The Company intends to commence payment of dividends to the Company's shareholders by way of an interim dividend to be paid in September/October 2016, and payable thereafter on an annual basis at or around March/April of each year commencing from 2017.</p> <p>Despite the intentions set out in this Section, no guarantee can be given about the level or payment of dividends, the level of imputation or franking of such dividends or the payout ratios as these matters depend upon the future profits of the WONHE Business and the Company, its financial and taxation position and the Directors' views of the most appropriate payout ratio at that time. Refer to Section 3.11 for further discussion in relation to the Company's dividend policy.</p>	Section 3
7. Offer		
What is being offered?	<p>This Prospectus invites investors to apply for a total of up to 20,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$4,000,000. The Minimum Subscription condition under the Offer is \$3,000,000</p> <p>The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus.</p> <p>The Offer is not underwritten.</p>	Section 2
What will the Company's capital structure look like after the Offer?	<p>As at the date of this Prospectus, the Company has 135,000,000 Shares on issue.</p> <p>Assuming that \$4,000,000 is raised under the Offer, World Win will hold 52.26% of the Company and the Existing Minority Shareholders will hold 34.84% of the Company. The balance of 12.90% will be held by investors under the Offer.</p> <p>Following completion of the Offer, the Company is expected to have a maximum of 155,000,000 Shares on issue (assuming that \$4,000,000 is raised under the Offer).</p> <p>There are no options on issue in the Company.</p>	Section 2 and 3.

SECTION 1 – INVESTMENT OVERVIEW

Item	Summary	Further Information
7. Offer <small>(continued)</small>		
Terms of Shares issued under the Offer	A summary of the material rights and liabilities attaching to the Shares issued under the Offer is set out in Section 3.	Section 3.
Are there any restrictions on securities?	No Shares issued under the Offer will be subject to escrow. However, it is anticipated that the Shares held by World Win and the Shares issued to Existing Minority Investors prior to the date of this Prospectus may be subject to an escrow period of up to 24 months from the date of quotation on the ASX.	Section 3
Quotation	The Company will apply to the ASX for quotation of all Shares issued under the Offer as required under the Corporations Act.	Section 2
Key dates of the Offer	Please refer to the indicative timetable in Section 2 for key dates of the Offer.	Section 2
Is there a minimum investment amount under the Offer?	Applications for Shares under this Offer must be for a minimum of 10,000 Shares.	Section 3
Are there any conditions to the Offers?	The Offer is conditional on: <ul style="list-style-type: none"> • The Company being granted in principle approval to list on the ASX; and • The Company raising the Minimum Subscription under the Offer. If any of these conditions are not met, the Offer will not proceed.	Section 2
8. Use of Proceeds		
How will the proceeds of the Offer be used?	The Offer proceeds will be used by the Company and its China Subsidiaries for: <ul style="list-style-type: none"> • Funding the development and distribution of the Commercial Router product; • Costs associated with the development and continued distribution and sales of the Home Media Centre and Domestic Router products; • Fees associated with the listing of the Company and listing of the Shares offered under this Prospectus; • Company administration and overhead costs; and • Expenses associated with the Offer. 	Section 3
9. Additional Information		
What are the tax implications of purchasing Shares under this Offer?	Section 3 provides a general summary of the potential Australian tax implications of participating in the Offer. However, the tax consequences of participation will depend on the individual investor's circumstances, and, as such, applicants should obtain their own tax advice before subscribing for Shares pursuant to this Offer.	Section 3
Where can I find additional information?	You can obtain further information from: <ul style="list-style-type: none"> • Your accountant, solicitor, stockbroker or other independent professional financial adviser. • From the Company by telephone on +86 755 2150 7099 or from the Lead Manager on +61 (3) 9600 3599. 	

SECTION 2 – COMPANY AND WONHE GROUP STRUCTURE

2.1 Company Background and Structure

As previously noted, the Company is an unlisted Australian company incorporated in July 2015.

Through the ownership structure detailed in this section 2.1, the Company owns the WONHE Business.

The WONHE Business model utilizes a platform whereby the Company's China Subsidiaries research, develop and procure manufacture of high-end business and personal information technology products.

Prior to the Offer, World Win holds 60% of the Company's issued share capital and 40% of the Company's issued share capital is held by the Existing Minority Shareholders.

In turn, World Win is wholly owned by WONHE High-Tech International, a company incorporated in Nevada and listed on the NASDAQ OTC exchange.

Through the Share Sale Agreement with World Win, the Company wholly owns Kuayu, a company incorporated in Hong Kong. Kuayu owns 100% of the shares in Shengshihe, a company incorporated in China.

Historically, due to past Chinese restrictions on foreign ownership within the industry sector of the WONHE Business, Shengshihe controlled the WONHE Business through VIE Agreements with a Variable Interest Entity, Shenzhen WONHE. Shenzhen WONHE is legal owner of the WONHE Business assets. Through these contractual arrangements, Shengshihe assumed operational control of Shenzhen WONHE,. In addition, through these contractual arrangements, Shengshihe was entitled to 95% of the net income generated by the WONHE Business, plus an additional payment of RMB50,000 per month.

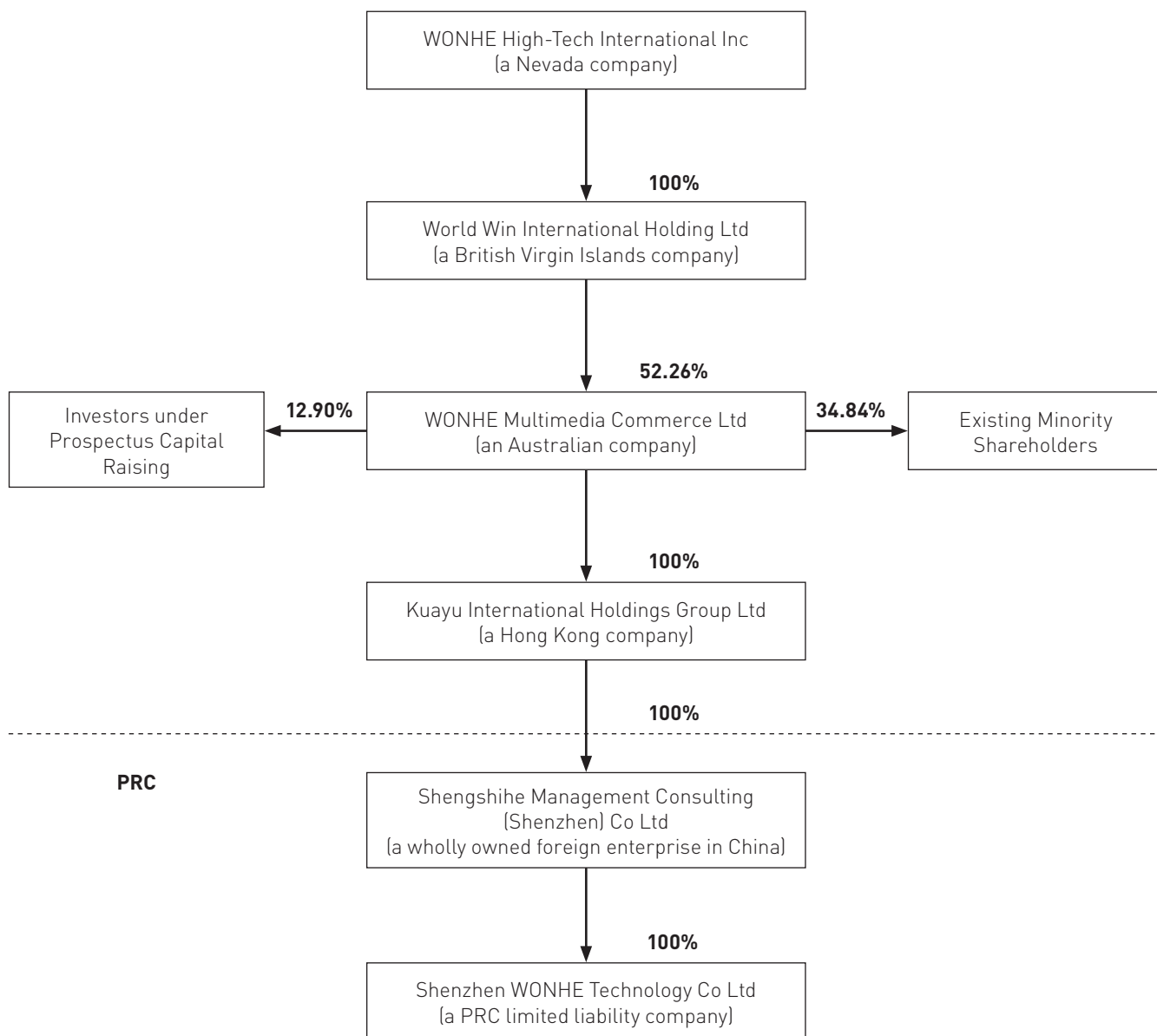
However, under the 2015 Foreign Investment Catalogue, the industry in which the WONHE Business operates is now not restricted from foreign ownership in China. Therefore, it was decided in September 2015 that the VIE structure be removed, and Shengshihe thereby acquired all issued share capital of Shenzhen WONHE and directly owns the WONHE Business. For more information about the Shenzhen WONHE Share Sale Agreement, please refer to Section 9 of this Prospectus ('Material Contracts').

Pursuant to the Shenzhen WONHE Share Sale Agreement, Shengshihe has acquired all issued share capital of Shenzhen WONHE, and Shenzhen WONHE is now a wholly owned subsidiary of the Company. Please refer to Section 9 ('Material Contracts') of this Prospectus for more information about the historical VIE Agreements and the current WONHE Group structure.

For more information about the WONHE Products that are developed and sold by Shenzhen WONHE please refer to Section 4 of this Prospectus.

For an overview of the current structure of the Company and the WONHE Group, please see **Figure 1.1** below.

Figure 1.1: WONHE Group Structure



2.2 Compliance with Chapters 1 and 2 of the ASX Listing Rules

The ASX requires the Company to comply with Chapters 1 and 2 of the ASX Listing Rules in order to be admitted to Official Quotation on the Official List of the ASX.

There is a risk that the Company may not be able to meet the ASX's requirements for listing. In the event that the conditions to the Offer are not satisfied, or the Company does not receive conditional approval for quotation of its securities on the ASX, then the Company will not proceed with the Offer and will repay all Application monies received.

Key requirements of Chapters 1 and 2 of the ASX Listing Rules are:

- a prospectus must be issued and lodged with ASX. This Prospectus is anticipated to fulfil this requirement;
- the shareholder spread requirements set out in Listing Rule 1.1 relating to the minimum spread of shareholdings and the minimum number of shareholders must be met;
- the Company must satisfy the "assets test" contained in Listing Rule 1.3; and
- the issue price of the Shares under the Prospectus must be at least \$0.20.

2.3 Business Model After Completion of the Offer

Following the successful Completion of the Offer, the Company proposes to focus on the development, sale and distribution of the primary WONHE Products, being the Commercial Router, Domestic Router and Home Media Centre. This includes the following principal activities and goals:

- **Developing relationships with manufacturers:** The Company and its subsidiaries will focus on developing long-term relationships with manufacturers in China, to ensure a stable supply of high-quality WONHE Products to distributors and customers;
- **Expanding its commercial customer base for Commercial Routers:** The Company intends to focus on expanding the number of commercial customers who purchase Commercial Routers through its distribution network and by actively seeking new commercial opportunities and securing supply contracts for the WONHE Business. These customers, in turn, can permit surrounding retailers to subscribe for content on the Commercial Router's private Wi-Fi network, expanding the potential market reach of users of the Commercial Router;
- **Expanding its customer base for Domestic Routers and the Home Media Centre:** the Company intends to simultaneously focus on growing distribution of the Domestic Router and Home Media Centre products and increase the number of domestic consumers of such products, and increasing sales to commercial customers;
- **Research and Development:** the Company, through Shenzhen WONHE, will continue to undertake research and development activities to further develop the WONHE Group's hardware and software products.

There is no guarantee or warranty provided that the Company will successfully achieve these goals, nor that it will be able to increase its customer base or achieve an increase in sales and profitability.

2.4 Competitor Activity

Commercial Routers

With respect to the sale and distribution of the Commercial Routers, the Company faces competition from domestic router manufacturers such as Xiaomi Inc (**Xiaomi**) and Shenzhen Huawei Technology Co Ltd (**Huawei**). Both Xiaomi and Huawei manufacture commercial routers, amongst other products, and their products and brands are well-established within the Chinese market.

WiTown, a Chinese-based intelligent Wi-Fi provider, has also partnered with Alipay, the Internet payments service provider of Alibaba Group, to develop a model where free products and services are provided to retail stores, enabling Chinese users of the Alipay mobile application to access free Wi-Fi. From June 2014, WiTown has offered businesses a solution where they are able to target advertisements to customers and collect and manage data generated from customers. Businesses can join the Alipay program or purchase routers made by WiTown. WiTown may have an advantage over the Company, as WiTown has strong domestic brand name recognition in China.

Home Media Centre

The Company's Home Media Centre competes with other well-known domestic brands, such as Shenzhen Huawei Technology Co Ltd, Datang Tele-Communication Technology Inc, Haier Group, TCL Group Co and Lenovo Group Co Ltd, but also international brands, such as Apple and Samsung.

These competitors vary in size. However the larger, more established competitors have key advantages over the Company given that they have large existing customer bases, strong brand name recognition, have captured larger market shares, and may have stronger bargaining power to negotiate product supply prices and have more experience and greater resources in inventory management.

Domestic Router:

With respect to the Domestic Router, the Company faces competition from large domestic brands, such as HiWiFi Co. Ltd, Xiaomi Inc, Qihoo 360 Technology Co. Ltd, Baidu Inc, Shenzhen Huawei Technology Co Ltd and Haier Group, who have also developed "smart" domestic router products that will compete with the WONHE Domestic Router.

The development of the "smart" domestic router market in China is relatively new. HiWiFi Co., Ltd introduced "smart" domestic routers into the Chinese market in 2013, adding features such as remote downloads, data sharing, bandwidth control and control over users' internet access to traditional router functions such as flow forwarding and multi-device access. Xiaomi Inc, HiWiFi Co., Ltd and Baidu Inc continue to dominate the domestic "smart" router market in China. These companies are well-established and have a strong brand profile and significant market share.

SECTION 3 – DETAILS OF THE OFFER

3.1 Shares Offered for Subscription

This Prospectus invites investors to apply for a total of up to 20,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$4,000,000. The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer pursuant to this Prospectus.

All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with Shares already on issue.

Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

The details of how to apply for Shares are set out below.

Applicants should be aware that ASX will not admit any Shares issued pursuant to this Offer to Official Quotation until the Company has complied with Chapters 1 and 2 of the Listing Rules and is admitted by ASX to the Official List. As such, the Shares issued under the Offer may not be able to be traded for some time after the close of the Offer.

In the event that the Company does not receive approval for admission to the Official List, the Offer will be withdrawn and the Company will repay all Application monies received by it in connection with the Offer (without interest).

3.2 Minimum Application

Applications must be for a minimum of 10,000 Shares. Applications to acquire Shares will only be accepted on submission of the Application Form attached to this Prospectus.

The Directors may reject any application or allocate any Applicant fewer Shares than that Applicant applied for.

3.3 Minimum Subscription

The Minimum Subscription for this Offer is 15,000,000 Shares to raise \$3,000,000. If the Minimum Subscription is not achieved within three (3) months after the date of this Prospectus, the Directors will not allot any new Shares and all Application monies will be returned without interest.

3.4 Over-Subscriptions

The Company will not accept over-subscriptions.

3.5 Opening and Closing Dates

Subscription for Offer Shares will open on 9.00am AEST on the Opening Date and remain open until 5.00pm EST on the Offer Closing Date.

The Opening Date and Offer Closing Date are subject to the right of the Directors to either close the Offer at an earlier time and date or to extend the Offer Closing Date without prior notice.

Applicants are encouraged to submit their Applications as early as possible.

3.6 Applications for Shares – How to Apply

Applications for Shares offered by this Prospectus may only be made on the Application Form attached to and forming part of this Prospectus. Please read the instructions on the Application Form carefully before completing it.

Completed Application Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to WONHE Multimedia Commerce Ltd Subscription A/C and may be lodged at any time after the issue of the Prospectus and on or before the applicable closing date as follows:

by post to:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001

or delivered to:

Computershare Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

No brokerage or stamp duty is payable by Applicants.

3.7 Acceptance of Applications

An Application for Shares may be accepted in full, for any lesser number, or rejected by the Directors. If any Application is rejected, in whole or in part, the relevant Application monies will be returned without interest.

3.8 Share Capital Structure after the Offer

The effect of the Offer on the Company's capital structure is set out below.

Shares

	Minimum Subscription	Maximum Subscription
Shares on Issue as at the date of this Prospectus	135,000,000	135,000,000
Shares to be issued under the Offer	15,000,000	20,000,000
Total Number of Shares on Issue following Offer Closing Date	150,000,000	155,000,000

Options

There are currently no options on issue in the Company.

3.9 What is the proposed use of funds raised under the Offer?

Under the Offer, the Company plans to raise up to \$4,000,000. The Company intends to apply the funds raised from the Offer as follows:

Use of Funds	Maximum Subscription	Percentage of Funds (%)	Minimum Subscription	Percentage of Funds (%)
Total raised under Offer	\$4,000,000		\$3,000,000	
Equipment required for product development and testing (over a two (2) year period)	\$717,866	18%	\$493,222	16%
Development of hardware products	\$1,376,476	35%	\$896,150	30%
Development of software products	\$522,084	13%	\$358,706	12%
Expenses of Offer	\$1,033,574	25%	\$901,922	30%
Administration and overheads (over a two (2) year period)	\$350,000	9%	\$350,000	12%
Total Funds applied	\$4,000,000	100%	\$3,000,000	100%

Notes: * If the Company raises less than the Maximum Subscription amount offered under this Prospectus then the budgets set out above may be reduced proportionately.

The Directors consider that on completion of the Offer (based on the Minimum Subscription amount being raised), the Company will have adequate capital to meet its current objectives and requirements as set out in this Prospectus.

However, investors should be aware that the Company may expend its cash reserves on its activities more quickly than anticipated. The Directors will consider further equity funding where it considers that the raising of such further capital is necessary to meet the Company's objectives and requirements.

The Company considers that both the Minimum Subscription and Maximum Subscription amount are sufficient to meet its business objectives and, if the subscription under the Offer is less than the Maximum Subscription amount, it will not adversely affect the Company's financial position and prospects.

The Company's China Subsidiaries have sufficient existing cash holdings and assets to meet the ongoing funding requirements for the WONHE Business. The existing cash holdings of the WONHE Business shall be used by the Company and the China Subsidiaries for the purposes of pursuing the Company's business objectives and commercial strategies detailed in this Prospectus, and in particular, the business objectives and commercial strategies summarised in section 2.3 of this Prospectus.

Please refer to section 7 for further information in relation to the financial position of the Company and WONHE.

3.10 Company's Constitution and Rights attaching to Shares

The Constitution sets out the internal rules of the Company. The section below summarises the material provisions of the Constitution, including the rights and liabilities attached to Shares. This summary is not intended to constitute an exhaustive statement of the rights and liabilities of Shareholders.

1. Issue of Shares

The issue of Shares by the Company is under the control of the Board of Directors, subject to the Corporations Act, ASX Listing Rules and any rights attached to any special class of shares.

2. Transfer of Shares

Pursuant to the Constitution, a Shareholder may transfer a Share as provided by the operating rules of a clearing and settlement facility if applicable, or otherwise by any means permitted by the Corporations Act or by law.

The Company participates in the share registration and transfer system known as CHESS, which is operated by ASX under the Security Clearing House Business Rules. Under CHESS, the Company may issue holding statements in lieu of share certificates. The Company is not permitted to charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of Shares only if the refusal would not contravene the Corporations Act or the Listing Rules, where the registration would create a new parcel of unmarketable securities.

SECTION 3 – DETAILS OF THE OFFER

3. Variation of Shares

The rights attached to any class of Shares may, unless their terms of issue state otherwise, be varied or cancelled with the written consent of 75% of the holders of issued shares of the affected class, or authorised by a special resolution passed at a separate meeting of the holders of the shares of the affected class.

4. Meetings of members (General meetings)

The Directors may call a meeting of members whenever they think fit.

Members may call a meeting in accordance with the Corporations Act. The Constitution contains provisions prescribing the content requirements for notices of meetings sent to Members. All Members are entitled to attend, and will receive at least 28 days' notice of a general meeting. A quorum for a general meeting is two (2) Members who are eligible to vote at the general meeting, or, if only one (1) Member is entitled to vote, that Member.

The Company will hold an annual general meeting in accordance with the Corporations Act and the Listing Rules.

5. Voting rights

Subject to any rights or restrictions for the time being attached to any Shares or class of shares of the Company, each Shareholder, whether present in person or by proxy, attorney or representative at a meeting of Shareholders, has one vote on a show of hands and one vote on a poll for each fully paid share held and a fraction of a vote for each partly paid share, equivalent to the proportion paid up on that share. Resolutions of members will be decided by a show of hands unless a poll is demanded.

6. Directors

The business of the Company is to be managed by or under the direction of the Directors. The Company must have at least three (3) Directors and not more than ten (10). The Board may appoint a person to be a Director at any time, but any such Director must retire at the next annual general meeting (at which meeting he or she may be eligible for election as director).

The Company in general meeting may elect Directors by ordinary resolution.

At each annual general meeting, any Director who will have been in office for three (3) or more years must retire from the Board, and is eligible for re-election.

7. Dividends

The Directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies.

Subject to any rights attaching to shares which may in the future be issued with special or preferred rights, the Directors may fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to shares (such as preference shares), dividends will be paid proportionately. The Company is not required to pay any interest on dividends.

The Company anticipates that it will receive dividends received from Kuayu out of profits generated by the China Subsidiaries. The Company intends to pay dividends to its Shareholders out of a portion of the profits it receives from the WONHE Business' activities in accordance with the Company's dividend policy. However, investors should note that there is no guarantee that the Company will pay any dividends in the near future.

Please refer to section 3.11 which provides further information in relation to the Company's dividend policy.

8. Winding Up

On a winding up of the Company a liquidator may, with the sanction of a special resolution of the Shareholders, divide among the Shareholders the property of the Company in proportion to the Shares held by them. The liquidator may determine how the division is to be carried out as between the members or different classes of members.

3.11 Dividend Policy

The Board of the Company has adopted a dividend policy which is summarised in this section 3.11 of the Prospectus.

It is the intention of the Board to pay unfranked dividends in respect of full financial years for the Company ending 31 December each year.

The Company intends to distribute a minimum of 10% of NPAT to shareholders by way of dividends in respect of each financial year, commencing for the financial year ending 31 December 2016. The maximum intended distribution of NPAT by way of dividends in a given financial year will be 20% of NPAT.

The Company intends to commence payment of dividends to Company shareholders by way of an interim dividend to be paid in September/October 2016, with a final dividend in respect of the 2016 financial year payable in March/April 2017, and thereafter, dividends shall be payable on an annual basis at or around March/April of each year.

The Company shall fund dividends through dividends it receives from its wholly owned subsidiary, Kuayu. Kuayu shall receive dividends from its wholly owned subsidiary, Shengshihe and, in turn, Shengshihe shall receive dividends from its wholly owned subsidiary, Shenzhen WONHE, generated in connection with the conduct of the WONHE Business in China.

Based on advice received from its professional advisors, the Company understands that dividends received from Kuayu will be considered non – accessible non – exempt income, and not subject to Australian tax. Therefore, as the Company's income from such dividends received from Kuayu will not be subject to Australian tax, the Company will not generate any Australian franking credits in respect of such income, and so the dividends paid to the Company's shareholders will be unfranked.

The WONHE Business has been profitable in past financial years, and so the Company considers that there is reasonable basis for the adoption of the dividend policy referred to in this section 3.11 and to presume that there will be profits available for distribution to shareholders by way of dividends in accordance with the dividend policy. Please refer to section 7 of this Prospectus for further information in relation to financial position of WONHE.

However, please be aware that despite the WONHE Business generating profits in the past, there is no guarantee that it will continue to be profitable in the future. Investors should be aware that past performance should not be relied upon as being indicative of future performance. The payment of dividends by the Company is at the discretion of the Board and subject to a number of factors including repatriation of dividends out of profits from the China Subsidiaries, the future business conditions affecting the WONHE Business, the future cash flow requirements of the WONHE Group, taxation considerations, and contractual legal or regulatory considerations that the Board may deem relevant to the decision as to whether a dividend can be paid in respect of any given period.

Despite the intentions set out in this Section, no guarantee can be given about the level or payment of dividends, the level of imputation or franking of such dividends or the payout ratios as these matters depend upon the future profits of the Company, its financial and taxation position and the Directors' views of the most appropriate payout ratio at that time.

3.12 Allotment

Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares for which the Application is accepted.

The Company will allot and issue the Shares offered by this Prospectus as soon as possible after the grant of quotation of the Shares offered under this Prospectus.

Following the allotment and issue of the Shares, statements illustrating Applicants' shareholdings in the Company will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

3.13 Application Monies Held on Trust

All Application monies received for the Shares offered under this Prospectus will be held in trust in a bank account established solely for the purpose of depositing application monies received pursuant to this Prospectus until the Shares are allotted. Application monies will be returned (without interest) if the Shares are not allotted.

3.14 Taxation

The following taxation summary provides a general overview of the Australian tax implications to Australian investors who acquire and hold Shares under the Offer contained in this Prospectus.

The following summary is not intended to be a complete statement of the possible implications for investors.

The individual circumstances of each investor may affect the taxation implications of the investment for that investor. It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in the Company should seek independent professional advice with respect to the tax consequences arising from such an investment.

This summary is based on the current Australian taxation law, and administrative practice of the Commissioner of Taxation (**Commissioner**), as at the date of this Prospectus. However, potential investors should be aware that the law, and the way in which the Commissioner interprets and administers the law, may change at any time, and that the ultimate interpretation of the Australian taxation law rests with the courts.

These comments do not apply to Shareholders that are insurance companies, banks or carry on a business of trading in shares, or hold Shares otherwise than on capital account (ie: on revenue account.)

Capital gains tax

Australian income tax laws contain a capital gains tax (**CGT**) regime and resident Shareholders will be subject to the CGT regime on disposal of those Shares.

The cost base used to assess any capital gain or loss on Shares is generally the amount a shareholder pays to acquire the Shares plus any incidental costs of acquisition and non-capital costs of ownership incurred. A capital gain typically arises when an asset is disposed of and the capital proceeds exceed the cost base of acquiring the asset. Conversely, a capital loss generally arises if the cost base exceeds the capital proceeds received.

Capital losses made in the same or prior years can typically be offset against any capital gains. Any remaining net capital gain is included in assessable income and taxed, with the amount of tax payable depending on the individual taxpayer's tax profile. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to certain restrictions.

Non-resident Shareholders will not be subject to CGT on disposal of their Shares, as the Shares are not in a company which is Australian "land rich".

Disposing of your shares

If you are an Australian resident for tax purposes and you dispose of your Offer Shares, this may give rise to a capital gain. Such capital gain would be equal to the capital proceeds received for the disposal of the Offer Shares, less the cost base of the Offer Shares. Complying superannuation entities are entitled to a CGT discount of one-third if the Offer Shares have been owned for at least 12 months at the date that the Offer Shares are disposed of. The net capital gain for individuals or entities acting as trustees of trusts (which have presently entitled beneficiaries) may be reduced by 50% if the Offer Shares were held for more than 12 months as at the date of disposal (this 50% discount does not apply to Companies that hold Shares).

Dividends

Since the source of the Company's income is expected to be from income distributions from a foreign company where the Company has an interest of at least 10%, such receipts of income amounts should be non-assessable non-exempt income to the Company. Accordingly, any dividends paid by the Company are likely to be unfranked.

Resident shareholders will be subject to Australian tax on unfranked dividends at their relevant marginal tax rate. Non-resident shareholders will be subject to Australian dividend withholding tax on unfranked dividends. If the shareholder resides in a country with which Australia has a double tax agreement (DTA), the rate of withholding is often reduced from the standard 30% rate (applicable to non-DTA countries, such as Hong Kong) to 15% (for example, to China, Indonesia, Singapore and Malaysia resident shareholders).

Tax File Numbers

A Shareholder is not required to quote their Tax File Numbers (TFN), or where relevant, Australian Business Number (ABN), to the Company. However, if a Shareholder's TFN, ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from unfranked dividends at the maximum marginal tax rate plus the Medicare levy. In the case of non-residents, the Company will withhold dividend withholding tax on unfranked dividends at the rate applicable to the place of residence of the shareholder as determined from the share register.

Goods and Services Tax implications

No Goods and Services Tax (GST) should be payable by Shareholders in respect of the acquisition or disposal of their Shares in the Company, regardless of whether or not the Shareholder is registered for GST.

The extent to which each Shareholder is entitled to recover any GST incurred on costs relating to the acquisition or disposal of Shares in the Company will depend on the individual circumstances of each Shareholder.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

3.15 Foreign Selling Restrictions and Overseas Applicants

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

The Company has not taken any action to register or qualify the Shares the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

It is the responsibility of any applicant for Shares that is based in a foreign jurisdiction (outside Australia) to ensure compliance with all laws of any foreign jurisdiction that are relevant and applicable to their Application. The return of a properly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach any application foreign jurisdiction laws and that all necessary approvals and consents have been obtained.

3.16 Escrow

The following securities on issue as at the date of this Prospectus or to be issued prior to ASX Listing may be subject to escrow restrictions:

- 54,000,000 Shares held by Existing Minority Shareholders may be escrowed for up to 24 months from the date of quotation of the shares on the ASX; and
- 81,000,000 Shares held by World Win, which may be escrowed for up to 24 months from the date of quotation of the shares on the ASX.

Escrow agreements in relation to the above Shares will be entered into in accordance with ASX Listing Rules (if escrow is imposed). Please note that the ASX may determine to increase or reduce the escrow restriction periods that are to apply to the Company's Shareholders once the Company lodges its application for quotation of the Shares or may not impose escrow on such shareholders.

The Company has not applied for or obtained any modifications of, or exemptions from, the ASX Listing Rules pursuant to this Offer.

ASX may determine further escrow restrictions once the Company lodges its application for quotation of the Shares.

3.17 CHESS

The Company will apply to CHESS, the Clearing House Electronic Sub-Register System (CHESS) operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX. This is regulated by the Listing Rules and Security Clearing House Business Rules.

Under this system, the Company will not issue certificates to investors. Instead, shareholders will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASIC will send the broker a CHESS statement. The CHESS statement will set out the number of securities allotted to each investor under the Prospectus, give details of the investor's Holder Identification Number and give the Participant Identification Number of the sponsor.

If an investor is registered on the issuer sponsored subregister, their statement will be dispatched by the Share Registry and will contain the number of securities allotted under the Prospectus and the investor's Security holder Reference Number and their Sponsor Issuer Number.

A CHESS statement or Issuer Sponsored Statement will routinely be sent to investors at the end of any calendar month during which the balance of their holding changes. An investor may request a statement at any other time. However, a charge may be made for additional statements.

3.18 Professional Advice

The Directors recommend that potential investors, when making an informed assessment of what will be the assets and liabilities, financial position, profits and losses and prospects of the Company should read this Prospectus in its entirety. Potential investors who have any questions about investing in the Company or are in any doubt about any matter relating to the Offer, should seek the advice of their professional advisers.

3.19 Withdrawal

The Company may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application monies without interest at the earliest practicable time.

3.20 Bookbuild Facility

The Company may elect to provide a proportion of Shares to the ASX Bookbuild Facility (**Bookbuild Facility**) to make available to eligible investors in a volume bookbuild, and, if the Bookbuild proceeds, shall appoint Beer & Co to manage the Bookbuild on behalf of the Company.

The Bookbuild Facility is an automated on-market facility operated by ASX which allows issuers to conduct an on-market bookbuild using ASX infrastructure.

If the Company elects to proceed with a Bookbuild, eligible wholesale and retail investors will be able to bid for Shares issued pursuant to this Prospectus by participating in the Bookbuild Facility via their brokers.

If the Company does proceed to use the Bookbuild Facility, it will announce its participation, together with all relevant information and details required by the ASX Operating Rules and the Corporations Act, on its website (www.wonhe.com.au) and on the ASX Market Announcements Platform when the Offer opens.

For further details about the Bookbuild Facility operated by the ASX, please refer to: <http://www.asx.com.au/documents/professionals/bookbuild-investor-information-sheet.pdf>.

SECTION 4 – MARKET AND WONHE BUSINESS OVERVIEW

4.1 Market for WONHE Products

Market for Home Media Centre

In China, the integration of the internet and television has occurred gradually over 20 years, moving from the development of video websites to internet sites screening television and then to the development of wireless set-top television boxes.

The increases in bandwidth have facilitated the provision of movies, television shows, music and other content to domestic consumers by online content providers. A China Internet Network Information Centre Report shows that as of December 2014, approximately 433 million users had accessed online media content.

Shenzhen WONHE is therefore focused on developing multimedia devices which can integrate film and cable television, video communications and internet browsers.

Shenzhen WONHE has therefore developed the Home Media Centre, which is a wireless set-top box which allows users to watch traditional television programs, online videos and movies, browse the internet and store data. The Home Media Centre melds the traditional functions of a television set-top box with the traditional functions of computers. For more information on the Home Media Centre, please refer to section 4.2.1 below.

Market for Commercial Router

Until relatively recently, the Chinese wireless router market has been in a stable state, save for the development of wireless local area network technology. However, since 2013, the original function of a router, being routing traffic between networks, has been complemented by additional functions, such as remote downloading, removal of advertising, providing additional security functions and data sharing. More recently, specialised commercial routers have emerged.

While domestic “intelligent” routers have been used to market content to families, specialised commercial routers can be used to generate Wi-Fi hotspots, which can be used to market goods and services to consumers visiting physical stores. The Company is therefore focused on developing products to capture this “online-to-offline” business model, and has developed the Commercial Router.

For more information on the Commercial Router, please refer to section 4.2.2 below.

Market for Domestic Router

“Intelligent” domestic routers are a relatively new product, and were first retailed in China by domestic companies such as Baidu Inc, Qihoo 360 Technology Co. Ltd and Xiaomi Inc. In the Board’s opinion, the “intelligent” domestic router market in China is still developing and the number of intelligent wireless router manufacturers in China is increasing.

For more information on the Domestic Router, please refer to section 4.2.3 below.

4.2 Overview of the WONHE Group's Operations

4.2.1 Home Media Centre

In 2012, Shenzhen WONHE entered the information technology market by developing the Home Media Centre 660 model (HMC660), which was exclusively sold in Guangdong Province, China.

During the last quarter of 2013, Shenzhen WONHE discontinued the production of HMC660 and focused on the generation of a second-generation Home Media Centre, the HMC720, which was developed to meet government purchasing standards in additional provinces, and therefore allow Shenzhen WONHE to expand its market and potential customer base.

Due to competitors developing products similar to the HMC660, and the need to develop a new flagship product to replace the HMC660, the Company refocused on the development of the HMC720 during January to September 2014.

The Home Media Centre is a data storage, management and control centre for household equipment, and a central processing centre which utilises remote wireless technology to allow users to control household devices while at home, or remotely while away from home.

The Home Media Centre provides a software platform that has the functional characteristics of both a family security device and a direct TV receiver, with the ability to access TV and video on demand, function as a game console and a storage facility for information. The Home Media Centre can also be used to watch satellite programs, read video files, support Wi-Fi functions, share broadband internet access, support 3G module functions and can be adapted to other applications.

The Home Media Centre uses a 2.5 inch IT hard disk as well as dual band processing signals to ensure a clear image and successful reception of signals. The Home Media Centre supports APEG, MPEG-1/2/4, H.263, DivX and other formats. The Home Media Centre has good audio and video decoding capacity and is equipped with high performance AV and CPU chips, supporting 1080P high definition play and 7.1 soundtrack HIFI effects. The incorporation of the INTEL ATOM master chip along with advanced inner thermal design reduces power to around one-tenth of a typical desktop computer.

Please see Figure 2.1 below for a photograph of the Home Media Centre.

Figure 2.1:



4.2.2 Commercial Router and WONHE App

In June 2015, Shenzhen WONHE began to distribute commercial-grade Commercial Routers. The Commercial Routers are hard-coded with software, increasing bandwidth and processing speed. Shenzhen WONHE has also developed the WONHE App, which enables customers to use limited Wi-Fi services through the Commercial Router.

Shenzhen WONHE supplies Commercial Routers to YLT, which sells the Commercial Routers to retailers and retail centres.

The WONHE App is able to derive cookies from users' mobiles to build user profiles, storing demographic details and personal preferences when users log on to free Wi-Fi from a Commercial Router. When a user logs on to free Wi-Fi from a Commercial Router, their WONHE App provides them with a shopping platform providing regularly updated product availability, special offers and other information from the retailer controlling the Commercial Router.

The Commercial Router utilises geo-fencing technology to “fence” specific sales areas or other locations in the venue. When a customer logs on to the Wi-Fi by using a Commercial Router, they will be directed to the WONHE App and will need to download the WONHE App to use the Wi-Fi services for surfing the internet. By downloading the WONHE App, the user consents to providing certain personal details and preferences, and to the tracking and storage of cookies by the Commercial Router. The Commercial Router then stores this personal information to build user profiles. These user profiles can be provided to retailers to allow them to more accurately control inventory, price products, track consumer behaviour and assess demographic information, all in real time. Retailers can also potentially derive revenues from targeted advertisements and promotional sales, providing further benefits to retailers from the use of the Commercial Router.

Conversely, users can use the Wi-Fi service provided by the WONHE App and Commercial Router to assess real-time product availability, special offers or discounts, shop locations and other information about retailers in that shopping centre or locality.

YLT is the primary distributor of the Commercial Router. However, there are currently approximately 400 sales agents in Guangdong and surrounding provinces who have entered into sales agency contracts with YLT, who effectively act as “distributors” of the Commercial Router. For more information about these sales agency contracts, please refer to section 9 (‘Material Contracts’) of this Prospectus.

Please see Figure 2.2 below for a photograph of the Commercial Router.

Figure 2.2:



4.2.3 Domestic Router

In March 2015, Shenzhen WONHE began to retail the Domestic Router. The Domestic Router is a router which can be used for the traditional router functions of flow forwarding and multi-device access, but also adds a variety of “intelligent” functions.

The Domestic Router is a domestic router which has an independent operating system, allowing customers to store information and control the number of network users, the webpages which users browse and users’ time online. The Domestic Router also provides a USB sharing function, and, unlike an ordinary router, can control bandwidth, including managing bandwidth when uploading and downloading to a specified port or IP address. This allows users to minimise the impact that a computer using high-bandwidth applications will have on the rest of the network by assigning a specific bandwidth to each computer on the network, minimising interference between computers. The Domestic Router has flexible XDSL (that is, it can use all types of digital subscriber lines), a built-in firewall and strong encryption and security mechanisms.

The Domestic Router supports quality of service (**QoS**) functions, ensuring that each device in the router network gets the bandwidth it requires to function at a high level and that high network usage does not trigger lost connections. The Domestic Router can exclude unlimited internet protocol (**IP**) scope and regulate wide area network (**WAN**) access. The Domestic Router can automatically detect WAN ports and initiate WAN connections, update WAN connection information automatically, display real-time WAN status and adopts multiple input, multiple output (**MIMO**) technology to enlarge wireless signals.

The Domestic Router supports a suite of network protocols and has advanced encryption and security mechanisms, including firewalls, wired equivalent privacy (**WEP**) encryption and domain name address filtering. The Domestic Router supports a range of web browsers, such as Mozilla Firefox, Apple Safari, Google Chrome and Opera, besides other commonly used browsers.

Shenzhen WONHE sells the Domestic Routers to Chinese domestic and commercial customers and Commercial Routers to YLT under Purchase and Sales Contracts. For more information about the Purchase and Sales Contracts, please refer to section 9 of this Prospectus.

Please see Figure 2.3 below for a photograph of the Domestic Router.

Figure 2.3:



4.2.4 Other Hardware Development

Shenzhen WONHE is currently developing a computer set-top box (**PC-STB**), which combines the system architecture of a digital set-top box and a multimedia computer. The PC-STB features wireless remote control and integrates a range of multimedia application requirements into a single device.

Shenzhen WONHE is currently researching and developing seven other hardware products, including a domestic mini-terminal server, minicomputer, All-In-One PC, tablet and Android smartphone.

However, these products have not proceeded through the production development stage or the engineering test phase.

4.2.5 Manufacturing

Shenzhen WONHE does not manufacture hardware, but has engaged a contract manufacturer, Shenzhen Tehuilong Electronic R&D Centre (**Shenzhen Tehuilong**) to manufacture its hardware products, such as the Domestic Router, Commercial Router and Home Media Centre.

For more information about the contractual relationship between Shenzhen Wonhe and Shenzhen Tehuilong, please refer to section 9 of this Prospectus.

4.2.6 Research and Development

Shenzhen WONHE is strongly focused on new designs and product innovation, and develops hardware and software through its internal research and development department.

Shenzhen WONHE is also developing cross-platform transplanting to adapt products to Windows, Linux and Android operating systems, and is developing software for internal search engines, video processing and filtering, resource allocation and management and data servers.

4.3 Overview of WONHE Group's Intellectual Property Assets

The State Intellectual Property Office of China has issued eight invention patents, eleven utility model patents, nine appearance design patents, two copyright registrations and fifteen certificates of trade mark registration to Shenzhen WONHE.

Shenzhen WONHE also holds two product certifications and one International Organization for Standardization (**ISO**) quality certification.

The Company's Chinese lawyers have conducted due diligence on the intellectual property rights held by the WONHE Group and were satisfied that the rights were granted to Shenzhen WONHE and provide the WONHE Group with the ordinary legal protections and rights that are available to owners of such forms of intellectual property rights in China.

In the event that the Company decides in the future to expand the WONHE Business operations to other jurisdictions outside of China, then the Company will, as part of the planning for such proposed expansion of business operations, undertake a review of the intellectual property laws in such jurisdictions and shall look to obtain intellectual property rights protection in those jurisdictions prior to commencing such operations. At this stage, there is no current intention to expand the WONHE Business into jurisdictions outside of China.

The various intellectual property assets held by the WONHE Group are set out in more detail below.

Patents and Designs

The WONHE Group has several registered patents in China which provide patent protection in relation to certain inventions associated with the WONHE Products.

The owner of the patents is Shenzhen WONHE. The inventors are specified in the table below, and are either directors of the Company or key employees of the WONHE Business.

The Company will continue to file patent applications where warranted to protect its inventions and patentable assets.

In addition, the WONHE Group has nine design registrations, referred to in China as Appearance Design Patents.

A summary of the WONHE Business patent and design portfolio is set out below:

SECTION 4 – MARKET AND WONHE BUSINESS OVERVIEW

Invention patent certificate	Patent No.	Certificate No.	Inventor	Patent application date	Expiry Date
All-In-One Computer	ZL 2011 1 0108957.4	No.1284049	Zhihai Fu, Chao Li	28/04/2011	27/04/2031
Triple play intelligent device	ZL 2011 1 0190969.6	No.1366523	Nanfang Tong, Weilin Wu, Zhijun He	8/07/2011	7/07/2031
Device and method of providing program information	ZL2011 1 0148958.1	No.1326833	Luo Peng, Nanfang Tong, Weilin Wu	3/06/2011	2/06/2031
Server of network TV and its method of sending message	ZL 2011 1 0254541.3	No.1332880	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	31/08/2011	30/08/2031
Network television receiver and method of presenting message	ZL 2011 1 0273768.2	No.1517183	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	15/09/2011	14/09/2031
Network television receiver and its method of preventing illegal transmission of documents	ZL 2011 1 0344860.3	No.1393106	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	4/11/2011	3/11/2031
Server of network TV which prevents illegal transmission of documents and method	ZL 2011 1 0412145.9	No.1432342	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	12/12/2011	11/12/2031
Network television receiver which prevents illegal transmission of documents and method	ZL 2011 1 0412390.X	No.1432202	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	12/12/2011	11/12/2031
Certificate of utility model	Patent No.	Certificate No.	Inventor	Patent application date	Expiry Date
TV system and remote control	ZL 2011 2 0130608.8	No.1974609	Wenwu Dai	28/04/2011	27/04/2021
Triple play device	ZL 2011 2 0095525.X	No.1938568	Guotao Yan	2/04/2011	1/04/2021
Triple play home gateway and triple play system	ZL 2012 2 0125106.0	No. 2522629	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	29/03/2012	28/03/2022
Remote control and TV system applying to triple play	ZL 2012 2 0092387.4	No. 2526719	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	13/03/2012	12/03/2022
Network television receiver and network television system	ZL 2012 2 0080392.3	No.2529984	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	06/03/2012	5/03/2022
Triple play system	ZL 2012 2 0049921.3	No 2528301	Nanfang Tong, Weilin Wu, Zhijun He	16/02/2012	15/02/2022
Triple play All In One Computer	ZL 2011 2 0111263.1	No. 2057142	Wenfeng Huang	15/04/2011	14/04/2021
IP TV Receiver	ZL 2011 2 0375010.5	No.2202643	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	27/09/2011	26/09/2021

Certificate of utility model	Patent No.	Certificate No.	Inventor	Patent application date	Expiry Date
Network television receiver	ZL 2011 2 0306763.0	No. 2219129	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	22/08/2011	21/08/2021
Network data conversion device	ZL 2011 2 0289208.1	No.2105158	Nanfang Tong, Qing Tong, Weilin Wu, Zhijun He	10/08/2011	9/08/2021
Triple play device	ZL 2011 2 0248039.7	No. 2101985	Nanfang Tong, Weilin Wu, Zhijun He	14/07/2011	13/07/2021

Appearance design certificate	Patent No.	Certificate No.	Inventor	Patent application date	Expiry Date
Multimedia all-in-one machine	ZL 2011 3 0069218.X	No.1676845	Jian Huang	7/04/2011	6/04/2021
Multimedia all-in-one machine	ZL 2011 3 0069219.4	No.1679000	Jian Huang	7/04/2011	6/04/2021
Multimedia all-in-one machine	ZL 2011 3 0065400.8	No.1681359	Jian Huang	2/04/2011	1/04/2021
Home multimedia center	ZL 2011 3 0359310.X	No.1847026	Nanfang Tong, Qing Tong	12/10/2011	11/10/2021
Tablet PC (portable P020A)	ZL 2011 3 0195935.7	No.1725059	Jian Huang	28/06/2011	27/06/2021
Tablet PC	ZL 2011 3 0066508.9	No.1667931	Feng Xu, Hongxing Zhu, Jian Huang	6/04/2011	5/04/2021
Tablet PC	ZL 2011 3 0096726.7	No.1676908	Feng Xu, Hongxing Zhu, Jian Huang	28/04/2011	27/04/2021
Phone (W708)	ZL 2011 3 0395339.3	No. 1931101	Nanfang Tong, Qing Tong	01/11/2011	31/10/2021
Phone (smart S040A)	ZL 2011 0 0195925.3	No. 1744725	Jian Huang	28/06/2011	27/06/2021

SECTION 4 – MARKET AND WONHE BUSINESS OVERVIEW


Trade marks

Shenzhen WONHE has secured registration of various trade marks in China.

The trade mark registrations provide Shenzhen WONHE with the exclusive rights to use its registered trade marks in China.

Each trade mark is valid for a period of 10 years, commencing on the date of approval of the registration of the trade mark. Following this 10 year period, the trade mark registration may be renewed for a further period of 10 years. A summary of the current trade mark portfolio is detailed below.

Trade Mark	Trade Mark Registration Number	Term of Validity	Trade Mark Class
	8875241	12/7/2011-12/6/2021	Class 9
	9117080	2/14/2012-2/13/2022	Class 9
	9117093	2/14/2012-2/13/2022	Class 9
	9468833	7/7/2012-7/6/2022	Class 9
	9501450	6/28/2012-6/27/2022	Class 9
	8963992	7/7/2012-7/6/2022	Class 9
	9501442	8/7/2012-8/6/2022	Class 9
	9468868	8/14/2012-8/13/2022	Class 9

Trade Mark	Trade Mark Registration Number	Term of Validity	Trade Mark Class
	9501460	12/7/2012-12/6/2022	Class 9
	10544390	5/7/2013-5/6/2023	Class 9
	11344087	1/14/2014-1/13/2024	Class 9
	10544468	3/21/2014-3/20/2024	Class 9
	9501475	4/28/2014-4/27/2024	Class 9
	113474071	7/7/2014-7/6/2024	Class 9
	12200670	8/7/2014-8/6/2024	Class 9

SECTION 4 – MARKET AND WONHE BUSINESS OVERVIEW

Copyright

Shenzhen WONHE has secured registration in China for copyright protection in relation to video chat software and platform software. A summary of such copyright registrations is specified below:

Copyright registration certificate	Registration No.	Certificate No.	Copyright owner	Registration Date	Period of Copyright
Wang'er video chat software V1.0	2011SR052689	Ruanzhu Dengzi No.0316363	Shenzhen Wonhe Technology Co.,Ltd	28/06/2011	50 years
Wonhe Wang'er platform software V1.0	2011SR088536	Ruanzhu Dengzi No.0352210	Shenzhen Wonhe Technology Co.,Ltd	30/09/2011	50 years

Other licences and certifications

In addition to the patent rights, trade mark rights and copyright protection specified above, the WONHE Group holds the following licences and certifications which are relevant to the conduct of the WONHE Business:


Product certification certificate	Certificate No.	Issuing Date
Micro computer HMC660	2011010901516934	9/01/2012
HMC660 SMB800	2012010901528248	8/03/2012

CE certificate				
ISO certificate	Scope of certification	Certificate registration No.	Certificate Holders	Period of validity
	The design, sales and the outsourcing management of triple-network integration microcomputer	01 100 116496	Shenzhen Wonhe Technology Co.,Ltd	2011.11.1-2014.6.30

SECTION 5 – BOARD AND CORPORATE GOVERNANCE

5.1 Directors' Profiles

Director	Experience
 <p>Mr Qing Tong <i>(Executive Chairman)</i></p>	<p>Qing Tong is the executive Chairman of the Company and holds the chairman position within the WONHE Group companies.</p> <p>Qing Tong holds a Bachelor of Arts from Hubei University. Mr Qing Tong acted as the marketing director of Zhongshan Cordyceps Products Co, Ltd from 1996 to April 1998, and served as the manager of Guangdong Xingbao Group from October 1998 to June 2000. He has acted as the director of Wonhe International Holdings Group Co. Ltd and overseen its international venture capital investment from August 2000 to June 2010, and has served as a director of Shenzhen WONHE since January 2011.</p> <p>Mr Qing Tong has a wealth of practical experience in capital investment and capital raising, enterprise management, marketing and team-building.</p>
 <p>Mr Nanfang (Jack) Tong <i>(Executive Director)</i></p>	<p>Nanfang (Jack) Tong is an executive Director of the Company and holds the position of Chief Executive Officer of the WONHE Group's operating company, Shenzhen WONHE.</p> <p>Jack Tong holds a Bachelor's Degree with an Applied Electronics major from Huazhong Technology University. From 2004 to 2009, Mr Tong held the post of General Manager in Zhongshanyinli Auto Equipment Co, a major supplier of automatic teller machines to banks. From 2009 to 2010, Mr Tong held the position of Administrative Assistant General Manager at Zhongshanyinli Auto Equipment Co. He has also acted as Technical Manager, Service Manager, Sales Director and General Manager of several information technology companies in the PRC.</p> <p>Jack Tong has a deep understanding of computer technology and enterprise management and has a strong sense of innovation, profound insight and decisive decision-making ability.</p>
 <p>Mr Jun Li <i>(Non-Executive Director)</i></p>	<p>Mr Jun Li graduated from Shanxi Normal University with a bachelor's degree in Foreign Languages before obtaining a master's degree in International Business Finance from Touro College, New York. Mr Li served as a principal staff member at the Bank of China's International Settlement Division and a deputy general manager of the International Business Department of Shenzhen CITIC Industrial Bank before moving to Singapore to serve as general manager of Turus Jaya Resources Pte Ltd and Refco (Singapore) Pte Ltd, where he supervised commodity financing. After serving as president of Compo International Inc, where he developed export strategy techniques, he joined Moneylink Inc, where he negotiated investment of mezzanine funds in Chinese real-estate projects.</p> <p>He has previously participated in initial public offerings of Chinese companies in the United States and has considerable experience in cross-border finance, international marketing and project management.</p>
 <p>Mr Francesco (Frank) Cannavo <i>(Non-Executive Director)</i></p>	<p>Francesco Cannavo is a non-executive director of the Company and is based in Australia.</p> <p>Francesco is an experienced public company director with significant business and investment experience working with exploration companies in the mining industry and information technology companies. Francesco has been instrumental in assisting several listed and unlisted companies achieve their growth strategies through the raising of investment capital and the acquisition of assets.</p> <p>Francesco is an entrepreneur with a strong network of investors and industry contacts in the public company sector in Australia and Asia, and has extensive experience in capital raisings, investment activities and IPO's. Francesco is currently a non – executive director of GBM Resources Ltd (ASX:GBZ).</p>

Director	Experience
 <p>Raymond Lim (Non-Executive Director)</p>	<p>Raymond Lim is a non-executive director of the Company and is based in Australia.</p> <p>Raymond holds qualifications in accounting, finance and law and holds dual qualifications as a chartered accountant and solicitor. Raymond is a Chartered Tax Adviser of the Taxation Institute of Australia, a member of the Law Society's Elder Law and Succession Sub-Committee, Institute of Chartered Accountants and a full member of the Society of Trust and Estate Practitioners.</p> <p>Raymond also holds a diploma in Chinese Law and the Chinese Legal System, and is proficient in Mandarin, Cantonese and Hokkien.</p>

5.2 Company Secretary

Justyn Stedwell

Justyn Stedwell is a professional Company Secretary, with over 8 years' experience as a Company Secretary of ASX-listed companies, including biotechnology, agriculture, mining and exploration, information technology and telecommunications.

Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia.

He is currently Company Secretary at several ASX-listed companies, including Axxis Technology Group (ASX:AYG), Motopia Ltd (ASX:MOT), Rhinomed Ltd (ASX:RNO), Imugene Ltd (ASX:IMU), Australian Natural Proteins Ltd (ASX:AYB), Rectifier Technologies Ltd (ASX:RFT) and Lanka Graphite Ltd (ASX:LGR).

5.3 Disclosure of Directors and Company Secretary's interests

(Directors' interests)

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in which he is a partner in connection with the formation or promotion of the Company.

Prior to the Offer, the Directors and Company Secretary had relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options
Qing Tong	35,823,600*	Nil
Nanfang (Jack) Tong	2,300,400*	Nil
Francesco (Frank) Cannavo	Nil	Nil
Jun Li	Nil	Nil
Raymond Lim	Nil	Nil
Justyn Stedwell	Nil	Nil

* refer to further information in relation to Qing Tong and Nanfang Tong's shareholding in the Company as set out below.

After the Offer has occurred, the Directors and Company Secretary will have relevant interest in Shares and Options as set out below:

Director	Shares	Options
Qing Tong	35,823,600*	Nil
Nanfang (Jack) Tong	2,300,400*	Nil
Francesco (Frank) Cannavo	Nil	Nil
Jun Li	Nil	Nil
Raymond Lim	Nil	Nil
Justyn Stedwell	Nil	Nil

* refer to further information in relation to Qing Tong and Nanfang Tong's shareholding in the Company as set out below.

Further information in relation to Nanfang Tong's interest in shares:

- Please note that Mr Nanfang (Jack) Tong holds 1,659,369 shares in WONHE High-Tech International (being 2.84% of the issued share capital of WONHE High-Tech International). World Win, which holds 60% of the Company prior to the Offer, is a wholly owned subsidiary of WONHE High-Tech International. Therefore, he holds an indirect interest in 2,300,400 shares in the Company that are held by World Win.

Further information in relation to Qing Tong's interest in shares:

- Mr Qing Tong holds 100% of the shares in Wonhe International Holdings Group Co. Ltd which holds 33,750,000 ordinary shares in the Company.
- Qing Tong also holds 1,500,000 shares in WONHE High-Tech International (being 2.56% of the issued share capital of WONHE High-Tech International). World Win, which holds 60% of the Company prior to the Offer, is a wholly owned subsidiary of WONHE High-Tech International. Therefore, he holds an indirect interest in 2,073,600 shares in the Company that are held by World Win.

(Directors' Remuneration)

The remuneration paid by the Company to each Director is as follows:

- Qing Tong (Executive Chairman): \$1.00 per annum in Directors' fees payable by the Company, however Mr Tong receives remuneration of RMB120,000 per annum in his capacity as an employee of Shenzhen WONHE;
- Nanfang (Jack) Tong (Executive Director): \$1.00 per annum in Directors' fees payable by the Company, however Mr Tong receives remuneration of RMB140,000 per annum in his capacity as an employee of Shenzhen WONHE;
- Francesco (Frank) Cannavo (Non-Executive Director): \$40,000 per annum (plus superannuation);
- Jun Li (Non-Executive Director): \$40,000 per annum (plus superannuation); and
- Raymond Lim (Non-Executive Director): \$40,000 per annum (plus superannuation).

WONHE High-Tech International

The directors of WONHE High-Tech International are Qing Tong, Nanfang Tong and Jingwu Li.

As a company listed on the NASDAQ OTC, shares in WONHE High-Tech International are widely held, and no shareholder holds more than 5% of WONHE High-Tech International's common stock. Collectively, directors of WONHE High-Tech International hold 8.82% of its shares, being 1,500,000 shares (2.56%) held by Qing Tong, 1,659,369 shares (2.84%) held by Nanfang Tong and 2,000,000 shares (3.42%) held by Jingwu Li.

World Win

The sole director of World Win is Qing Tong.

Kuayu

The directors of Kuayu are Qing Tong and Ai Lin.

Shengshihe

The director of Shengshihe is Haiqing Liu, who is an executive of Shengshihe.

Shenzhen WONHE

The directors of Shenzhen WONHE are Nanfang Tong, Jingwu Li, Chang'e Zhu, Qing Tong and Yinyan Zhang.

5.4 Corporate Governance

(Role of the Board)

The Board is responsible for the following principal matters:

- the strategic direction of the Company;
- overseeing, negotiating and implementing the significant capital investments and material transactions entered into by the Company;
- management goals and the Company's policies;
- monitoring and reviewing the financial and operational performance of the Company;
- risk management strategy and review; and
- future expansion of the Company's business activities.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board;
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
3. Overseeing Planning Activities: the development of the Company's strategic plan;
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;
5. Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company; and
6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.

The Board has adopted a Board Charter which sets out its responsibilities, processes and duties in greater detail.

(ASX Corporate Governance Principles and Guidelines)

The WONHE Group has not previously needed to comply with corporate governance principles.

However, the Board is committed to complying with the principles of best practice in corporate governance. The Company is therefore establishing and implementing controls, mechanisms and structures to ensure that the Company will be able to comply with as many of the ASX Corporate Governance Principles and Recommendations, 3rd Edition (2014) as issued by the ASX Corporate Governance Council (**ASX Principles and Recommendations**), as the Board considers practicable taking into consideration the size of the Company's operations and its stage of development.

The Board will aim to conduct the Company's affairs in accordance with the ASX Corporate Governance Principles and Recommendations to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own Corporate Governance policies and practices using the ASX Principles and Recommendations as a guide.

The Board will review on an ongoing basis the corporate governance policies and structures that the Company has in place to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards that the Board is committed to.

Summary of Company's position in relation to ASX Principles and Recommendations:

ASX PRINCIPLE AND RECOMMENDATION	COMPANY'S POSITION:
Principle 1 – Lay solid foundations for management and oversight	<p>The Role of the Board</p> <p>The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.</p> <p>The Role of Management</p> <p>It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.</p> <p>The Company's officers and management have all entered into service contracts which outline the responsibilities of each of the Company's officers and of management personnel when performing their roles for the Company.</p>
Principle 2 – Structure the Board to add value	<p>At the date of this Prospectus, the Company has five directors, being Qing Tong (Executive Chairman), Jack Tong (Executive Director), Francesco Cannavo (Non-Executive Director), Jun Li (Non-Executive Director) and Raymond Lim (Non-Executive Director).</p> <p>The Board is of an appropriate size to effectively and efficiently oversee the management and operations of the Company, based on the present size of the Company's activities.</p> <p>An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. Three of the Directors are independent, being Jun Li, Francesco Cannavo and Raymond Lim. The Company considers that three of the Directors being independent provides a high level of independence and objectivity in Board level decision making process and business oversight.</p> <p>The Board is responsible for the nomination and selection of directors. Given the size of the Company and the nature of its operations, the Board does not believe it to be appropriate to establish a nomination committee at this time. The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.</p>
Principle 3 – Act ethically and responsibly	<p>Code of Conduct</p> <p>The Board has established a <i>Code of Conduct</i> for the Board and Management.</p> <p>The Board is committed to meeting their responsibilities under the Constitution and <i>Corporations Act 2001</i> (Cth) when carrying out their functions as company officers.</p> <p>Diversity Policy</p> <p>The Board has established a <i>Diversity Policy</i> in accordance with the requirements of the 2014 <i>Amendments to the ASX Corporate Governance Principles and Recommendations</i>, and will endeavour to, where appropriate and practicable, comply with this Policy as the Company develops and grows.</p>

SECTION 5 – BOARD AND CORPORATE GOVERNANCE

ASX PRINCIPLE AND RECOMMENDATION	COMPANY'S POSITION:
Principle 3 – Act ethically and responsibly (continued)	<p>Securities Trading Policy</p> <p>The Company has adopted a <i>Securities Trading Policy</i> for directors, officers and employees.</p> <p>The purpose of the <i>Securities Trading Policy</i> is to reduce the risk of insider trading and ensure that the Company's directors, officers and employees are aware of the legal restrictions on trading shares in the Company whilst in possession of undisclosed information concerning the Company.</p> <p>The <i>Securities Trading Policy</i> sets out when trading in the Company's shares by directors, officers and employees is not permitted. Restrictions on trading are imposed by the Company to reduce the risk of insider trading and to minimise the chance that misunderstandings or suspicions arise that the Company's directors, officers, or employees are trading while in possession of undisclosed information concerning the Company.</p> <p>Reporting Unethical or Illegal Practices</p> <p>The Company's policy requires employees who are aware of unethical or illegal practices to report these practices to management. Any reports of unethical or illegal practices are investigated by the Board. Reporters of unethical practices may remain anonymous.</p>
Principle 4 – Safeguard integrity in corporate reporting	<p>The Company has established an <i>Audit and Risk Committee</i> which shall be responsible for monitoring and reviewing financial reporting by the Company.</p> <p>The Company has adopted a Charter for the <i>Audit and Risk Committee</i> which sets out the committee's responsibilities, procedures, guidelines and composition.</p>
Principle 5 – Make timely and balanced disclosure	<p>The Company has adopted a <i>Communication and Disclosure Policy</i> to ensure compliance with the ASX Listing Rules disclosure requirements.</p> <p>To comply with the ASX Listing Rules, the Company intends to immediately notify the ASX of information:</p> <ul style="list-style-type: none"> • concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; • that would, or would be likely to, influence persons who commonly invest in securities. <p>The <i>Communication and Disclosure Policy</i> includes processes designed to ensure that Company information:</p> <ul style="list-style-type: none"> • is disclosed in a timely manner; • is factual; • does not omit material information; and • is expressed in a clear and objective manner that allows the input of the information when making investment decisions <p>The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. Accordingly, in following and adhering to its <i>Communications and Disclosure Policy</i> the Company will comply with its continuous disclosure obligations.</p>
Principle 6 – Respect the rights of security holders	<p>The Board is committed to ensuring that the Company's shareholders receive information relating to the Company on a timely basis and shall endeavour to keep shareholders well informed of all material developments of the Company.</p> <p>The Board has adopted a <i>Communications and Disclosure Policy</i>, and as part of this policy, will ensure that all relevant announcements and documents are published on the Company's website in a prompt fashion.</p> <p>The Company will respect the rights and entitlements of the Company's shareholders under the Constitution and the <i>Corporations Act 2001</i> (Cth).</p>

ASX PRINCIPLE AND RECOMMENDATION	COMPANY'S POSITION:
Principle 7 – Recognise and manage risk	<p>In recognition of the Company's commitment to implement and improve its internal controls and risk management framework, the Company has established an <i>Audit and Risk Committee</i> which shall be responsible for monitoring, identifying and managing risks, and ensuring that these risk identification and management procedures are implemented and followed.</p> <p>The Audit and Risk Committee has adopted a Charter.</p> <p>The Company has also adopted a <i>Risk Management Policy</i> designed to ensure:</p> <ul style="list-style-type: none"> all major sources of potential opportunity for harm to the company (both existing and potential) are identified, analysed and treated appropriately; business decisions throughout the Company appropriately balance the risk and reward trade off; regulatory compliance and integrity in reporting is achieved; and the Company's good standing with its stakeholders continues.
Principle 8 – Remunerate fairly and responsibly	<p>The Board is responsible for the Company's remuneration policy and has adopted a <i>Nomination and Remuneration Policy</i> which outlines the processes by which the Board shall review officer and management remuneration. The Company has provided disclosure of a summary of its remuneration policies for the Company's officers in this Prospectus.</p> <p>The Company is committed to remunerating its officers and executives fairly and to a level which is commensurate with their skills and experience and which is reflective of their performance. Further disclosure of officer and executive remuneration will be made in accordance with the ASX Listing Rules and the <i>Corporations Act 2001</i> (Cth).</p>

5.5 Substantial Shareholders

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue in the Company:

Holder	No. of Shares	% (undiluted)
World Win International Holding Ltd	81,000,000	60%
Wonhe International Holdings Group Co Ltd	33,750,000	25%
Donghe Group Ltd	9,450,000	7%
Huili Chen	6,750,000	5%

Note: As at the date of this Prospectus, Beijing Ruihua Future Investment Management Co., Ltd holds 4,050,000 Shares, constituting 3% of the total Shares on issue in the Company on an undiluted basis.

SECTION 6 – RISK FACTORS

There are a number of risk factors that may have a material adverse effect on the Company's future operating and financial performance.

The Company is a newly established company. However, as part of a restructure of the WONHE Group, the Company is now part of the WONHE Group and owns the WONHE Business, which has been operating since 2010 and brought its first products to market in 2011.

The Company's China Subsidiaries have a relatively short operating history for investors to evaluate the potential of the WONHE Business. Although the WONHE Business has developed an initial customer base, the WONHE Business may face many of the risks and difficulties inherent in gaining market share as a business with a limited history.

Relatively few companies in China are currently developing integrated data storage, management and control centres, such as the Home Media Centre, "smart" routers such as the Domestic Router and interactive Wi-Fi, as provided by the WONHE App and Commercial Router. The Company's underlying business model and the sustainability of such business model is therefore arguably unproven.

Therefore, the Shares to be issued pursuant to this Prospectus are to be considered a speculative investment.

The following summary explains some of the risks associated with investment in the Company and which may impact upon the financial performance of the Company. This section refers to risks which are specific to the Company and the industry and jurisdiction in which it operates, and also details general investment risks which may affect the Company and an investment in the Company. However, potential investors should read this Prospectus in its entirety and consult their professional advisers before applying for Shares under this Prospectus. The list of risk factors outlined here are not exhaustive.

Neither the Company, nor its Directors nor any of its professional advisers give any form of guarantee on future dividends, return on capital or the price at which the Shares might trade on ASX.

Investors should carefully consider the non-exhaustive list of risks associated with investing in the Company that are outlined below, and consult with their professional advisors before making an investment in the Company.

6.1 Company-Specific Risk Factors

(a) Manufacturing and Supply Risks

There are a number of risks associated with the activities carried out by the Company's China Subsidiaries, including:

- the WONHE Group does not manufacture the WONHE Products, but has engaged a third party contract manufacturer, Shenzhen Tehuilong, to manufacture the WONHE Products. Shenzhen WONHE provides technology and purchase orders to Shenzhen Tehuilong, which manufactures products to order. If Shenzhen Tehuilong experiences problems at its production facilities or is unable to maintain adequate manufacturing capacity, it may be unable to provide Shenzhen WONHE with delivery and supply of WONHE Products in a timely manner, or deliver WONHE Products which are of merchantable quality. If the WONHE Group is unable to meet demand or meet quality standards, the financial performance and operating results of the WONHE Group may be adversely affected. If the prices charged by Shenzhen Tehuilong increase, the cost of manufacturing the WONHE Products would increase, which may have an adverse effect on the Company's financial results.
- China requires manufacturers to meet certain standards in terms of product quality, labour laws and other matters. Any failure by manufacturers to meet these standards and to adhere to labour or other laws, and the potential negative publicity relating to such failure, could harm the WONHE Group's business and reputation.
- To the extent the Company or its subsidiaries have not estimated the price of manufacturing the WONHE Products accurately, or the prices vary from those forecast, the amount paid by the Company or its subsidiaries to manufacturers to manufacture the WONHE Products may diverge from estimates, and result in a lower than forecast return on certain WONHE Products.
- Existing retailers compete with Shenzhen WONHE to manufacture goods with Shenzhen Tehuilong. Competition would be intensified if a new or existing technology company increases the price that they are prepared to pay for manufacture of electronic products. In this event, the Company's costs would be increased if it had to offer higher prices to retain Shenzhen Tehuilong, or the supply of the WONHE Products may be jeopardised if Shenzhen Tehuilong chose to supply and manufacture for competing technology enterprises instead of or in priority to the Company or its subsidiaries, detrimentally affecting the Company's performance.
- The China Subsidiaries depend on third parties to transport and deliver the WONHE Products. Due to the fact that the China Subsidiaries do not have any independent transportation or delivery capabilities of their own, the China Subsidiaries are vulnerable to delays in transportation or delivery and increases in the cost of transportation and delivery services. WONHE Products which are fragile may be damaged during the delivery process. The Company or its subsidiaries may be unable to recover the cost of such goods, adversely impacting on the Company's financial performance.

(b) Product Liability

Retailing consumer products also carries an inherent risk of product liability, and the Company's subsidiaries may have to limit the retailing of the WONHE Products if the Company cannot successfully secure or renew product liability insurance or defend itself against product liability claims. The Company or its subsidiaries may not be able to obtain further product liability insurance, or may not be able to obtain insurance on commercially viable terms. Any product liability claims may disrupt the Company and its subsidiaries' business operations and may cause reputational harm by leading consumers to doubt product safety, quality and reliability of supply, adversely impacting the Company's financial performance.

(c) Privacy

Consumers input personal data to the WONHE App and Commercial Routers collect, aggregate and store consumer preferences, demographic details and searches. Any accidental disclosure or release of data, unauthorized network or hardware access, misuse of data, failure to properly encrypt user data, unauthorized access to data, breach of security by a third party or access by malicious third parties may result in customer records, financial data or other confidential or sensitive information making its way into the public domain. Such a result would be likely to cause reputational harm to the WONHE Group, adversely impacting the Company's financial performance and users' adoption of the WONHE Products.

(d) Reliance on Third Party Providers

The Company intends to develop its products so that they can be utilized with a number of operating systems, internet platforms and hardware devices. While the Company will therefore depend on its products being able to operate on a range of systems, platforms and devices, it is unable to control third party developers of such systems. Any changes to external platforms, systems or devices that give preference to competing products or adversely impact on the functionality of the Company's products may render consumers less likely to use the WONHE Group's products, which may have a detrimental impact on the Company's financial performance. Likewise, many of the WONHE Group's products are predicated on consumers being able to access the internet. If third party providers raise the cost of internet access or restrict the ability of consumers to access the internet via the WONHE Group's products, this is likely to detrimentally affect the Company's financial performance.

(e) Counterparty Risk

Shenzhen WONHE distributes the Commercial Routers through YLT, which then on-sells them to its agents and distribution network through agency contracts. While Shenzhen WONHE has entered into a Strategic Cooperation Agreement with YLT, as described in section 9 of this Prospectus, whereby YLT agrees to provide marketing and data analysis to Shenzhen WONHE, there can be no guarantee that YLT shall continue to perform its marketing obligations under the Strategic Cooperation Agreement and continue to cooperate with Shenzhen WONHE, or that Shenzhen WONHE will be able to successfully prosecute any breach by YLT under such agreement. While YLT has entered into agency contracts with third parties for the distribution of the Commercial Routers, as described in section 9, there is no guarantee that agents will perform their sales and distribution obligations under the agency contracts.

Finally, Shenzhen WONHE has entered into purchase and sales contracts with third parties to sell the Domestic Router and Home Media Centre. For more details about these purchase and sale contracts, please refer to section 9 of this Prospectus. If these third party sales agents fail to perform their obligations under the purchase contracts, dispute the terms of the purchase contracts or the quality of the goods provided by Shenzhen WONHE, the China Subsidiaries' profitability may be adversely affected.

SECTION 6 – RISK FACTORS

(f) Competition Risk

The WONHE Business is at a development stage and its business is not as established and long-standing as that of some of its competitors.

The WONHE Group's Home Media Centre competes with domestic companies such as Shenzhen Huawei Technology Co Ltd (**Huawei**), Datang Tele-Communication Technology Inc, Haier Group, TCL Group Co and Lenovo Group Co Ltd, but also international brands, such as Apple and Samsung. Many of the WONHE Group's competitors are more established and have greater resources than the WONHE Group does.

The WONHE Group's Commercial Router competes with domestic companies such as Shenzhen Huawei Technology Co Ltd, and international companies such as Xiaomi Inc. Similarly, the WONHE Group's Domestic Router competes with routers retailed by established competitor companies such as HiWiFi Co. Ltd, Xiaomi Inc and Baidu Inc.

New competitors may enter the market and adopt the WONHE Business model to introduce integrated technology which competes with the Home Media Centre, Domestic Router, Commercial Router and/or WONHE App. If this occurs, the Board expect that the WONHE Business will be required to continue to invest in improving its services to compete more effectively. The WONHE Business' competitors could develop a more efficient business model or undertake more aggressive and costly marketing campaigns than the WONHE Business, which may adversely affect the WONHE Business' marketing strategies and could have a material adverse effect on the Company and its China Subsidiaries' business, results of operations and financial condition.

Generally, the technology industry in which the Company will be involved is subject to global and domestic competition. The Company shall undertake all reasonable due diligence. However, the Company is unable to influence or control the conduct of its competitors and such conduct may detrimentally affect the Company's financial or operating performance.

(g) Concentration of Shareholding

World Win currently holds 60% of the Company, and will hold a minimum of 52.26% following the Offer (assuming the Maximum Subscription is raised). As majority shareholder World Win is in a position to exert considerable influence over the outcome of matters relating to the Company, including Board composition and the approval of significant corporate transactions (where they are not excluded from voting). While the interests of World Win and other shareholders in the Company are likely to be consistent, there may be instances where such interests diverge.

The concentration of ownership may adversely affect the liquidity of the market for the Shares on the ASX, and any sale of the shares held by World Win following the expiry of the escrow period (as outlined section 3.16) may adversely affect the market price of the Shares.

Likewise, World Win will have a significant influence on any potential change in control of the Company whilst it remains a majority shareholder of the Company.

(h) Lack of Brand Awareness

The WONHE Business is substantially dependent upon awareness and market acceptance of the WONHE brand by Chinese consumers.

Although the WONHE Group has strived to establish market recognition for the WONHE brand in the Chinese electronics and information technology industry, it is too early in the product life cycle of the WONHE brand to determine whether the WONHE Products and WONHE brand will achieve and maintain satisfactory levels of acceptance, and sustained take up, by independent distributors and retail consumers.

(i) Intellectual Property

The WONHE Group's inability to protect its trademarks, patents, designs and trade secrets may prevent the Company from successfully marketing the WONHE Products and competing effectively. Failure to protect the WONHE Group's intellectual property could harm the WONHE brand and reputation, adversely affecting the WONHE Group's ability to compete effectively in the domestic technology space.

The WONHE Group has registered fifteen (15) logo trade marks in China. However, the Company is unable to provide any guarantee that such registration will provide adequate protection for the Company's brand.

The WONHE Group currently relies on a combination of domestic Chinese trademark and patent registrations, and trade secrecy laws, and contractual provisions to protect its intellectual property rights. However, there can be no assurance that the steps taken by the WONHE Group to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate its trademarks, patents trade secrets or similar proprietary rights.

While the State Intellectual Property Office of China has issued eight invention patents, eleven utility model patents, nine appearance design patents and two copyright registrations to employees and/or directors of Shenzhen WONHE, the Company is unable to provide any guarantee that such registration will provide adequate protection for the Company's intellectual property rights.

In addition, there can be no assurance that other parties will not assert infringement claims against the China Subsidiaries, the Company or other members of the WONHE Group, and the Company or other members of the WONHE Group may have to pursue litigation against other parties to assert their rights. Any such claim or litigation could be costly and the WONHE Group may lack the resources required to defend against such claims. In addition, any event that would jeopardize the WONHE Group's proprietary rights or any claims of infringement by third parties could have a material adverse effect on the WONHE Group's ability to market or sell its brands, and profitably exploit the WONHE Products.

For more information about intellectual property assets and rights held by the WONHE Group, please refer to Section 4.3 of this Prospectus.

(j) WONHE Group Restructure

The Company was recently incorporated and is part of a restructure of the WONHE Group, becoming 100% owner of Kuayu, which holds 100% of the China Subsidiaries. The WONHE Business has not previously been operated by an Australian company, and has not previously been subject to Australian legal compliance obligations, nor the compliance and corporate governance standards associated with being a company listed on the ASX. There is no guarantee that the WONHE Business will be operated by the Company in a manner that is as successful and profitable as it was operated prior to such restructure.

(k) Managing Growth

The WONHE Group intends to expand the WONHE Business, and may, if required, undertake an expansion of the WONHE Business' production and distribution capacity. Such expansion may require additional financial and operational resources, including further staff and an increased level of responsibility for management personnel. If the WONHE Group is unable to adequately manage the demands associated with increased growth, it may be unable to respond to competitive pressures, satisfy customer demands, maximise market opportunities or maintain operational, business and financial performance.

(l) Advertising and Marketing

While the WONHE Group has started to build a brand profile, there is no guarantee that potential customers will respond to the WONHE Group's brand profile, and no guarantee of the continued success of advertising and marketing campaigns. If one or more advertising or marketing campaigns fail, such failure is likely to adversely affect the WONHE Business' profitability, future financial condition and product margins.

6.2 General Investment Risks

Some of the general risks of investment which are considered beyond the control of the Company are as follows:

(a) The state of Chinese, Australian and international economies:

A downturn in the Chinese, Australian and/or the international economy may negatively impact the performance of the Company which in turn may negatively impact the value of securities in the Company.

Any deterioration in local economic conditions in China or wider regional economic conditions may have an adverse effect on the performance of the Company.

The Company's entitlement to revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence in China.

Unemployment rates, levels of personal disposable income and regional or local economic conditions may adversely affect consumer spending, decreasing demand for the WONHE Products. These factors may have an adverse effect on the Company's activities as well as its ability to develop and grow the WONHE Business.

(b) Changes to Government Policies and Legislative changes:

Government policy and legislative changes which are outside the control of the Company may also have a negative impact on the financial performance of the Company. This risk factor applies to Government policy and legislative changes in China and in Australia.

(c) Movements in local and international stock markets:

The price of stocks in a publicly listed company can be highly volatile and the value of a company's securities can be expected to fluctuate depending on various factors, including stock market sentiment, government policies, investor perceptions, economic conditions and market conditions which affect the retail industry. It is therefore possible that the Company's securities will trade at below the offer price.

(d) The Company's on-going funding requirements:

Further funding may be required by the Company to develop its business model and commercial activities. There is no guarantee that the Company will be able to raise the additional required funding on a timely basis, on favourable terms or that such further funding will be sufficient to enable the Company to implement its planned commercial strategy. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its research and development activities and its marketing activities, as the case may be, which may inhibit growth and development opportunities for the WONHE Business, and adversely affect the business and financial condition of the Company and its performance.

Further, the Company may not be able to maintain access to capital markets in order to fund unforeseen expenditure or to undertake further development of the WONHE Products and WONHE Business generally.

(e) Investment Speculative

Relatively few companies in China are currently developing integrated data storage, management and control centres, such as the Home Media Centre, "smart" routers such as the Domestic Router and interactive Wi-Fi, as provided by the WONHE App and Commercial Router.

The Company's underlying business model is therefore relatively unproven, and the profitability and sustainability of the business model is uncertain. An investment in the Company therefore constitutes a speculative investment.

(f) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions or significant investments in other companies or enterprises. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies or enterprises. Further, there is no guarantee that the Company will make any future acquisitions.

(g) Insurance Risk

The Company may, where economically practicable and available, endeavour to mitigate some business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy. Insurance against all risks associated with the Company's business operations is not always available and where available the cost may be prohibitive.

(h) Unforeseen expenses

The Company is not aware of any expenses that it will be required to incur in the two years after listing and which it hasn't already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities.

(i) Reliance on Key Personnel

Senior management and key personnel of the Company shall direct the Company's operations and provide strategic management. However, if key employees cease to be employed there may be a detrimental impact to the Company.

(j) Force Majeure Risk

Force majeure events, such as riot, war, invasion, act of foreign enemies, hostilities (whether war be declared or not), acts of terrorism, requisition or compulsory acquisition by any governmental or competent authority, earthquakes, flood, fire or other physical natural disaster and strikes or industrial disputes at a national level, may adversely affect the operations of the WONHE Group.

(k) Foreign Sales and Exchange Risk

The WONHE Business' operations and customers are entirely based in China as at the date of this Prospectus and there are no current plans to expand business operations or to attract customers, to or from jurisdictions outside of China.

The Company's revenues will therefore be derived from sales to customers in China.

Accordingly, such Chinese sales to be undertaken by the Company or its subsidiaries and subsequent operations will be subject to a number of risks inherent in selling and operating abroad. These include, but are not limited to, risks regarding:

- currency exchange rate fluctuations;
- local and international economic and political conditions;
- disruptions of capital and trading markets;
- accounts receivable collection and longer payment cycles;
- difficulties in staffing and managing foreign operations;
- potential hostilities and changes in diplomatic and trade relationships;
- restrictive governmental actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- the laws and policies of Australia and other countries affecting trade, foreign investment and loans, and import or export licensing requirements; and
- tax laws.

Changes in circumstances or market conditions resulting from these risks may restrict the Company's or its subsidiaries' ability to operate in an affected region and/or adversely affect the profitability of the Company or its subsidiaries' operations in that region.

(l) Shareholder Dilution

In the future, the Company may opt to issue shares or other securities in connection with further capital raisings or acquisitions. While any future issues of securities will be subject to the ASX Listing Rules and any applicable laws, shareholders' existing shareholdings in the Company may be diluted as a result of any such future issue of securities.

(m) Trading in Shares may not be liquid

As at the date of this Prospectus, there is no public market through which Shares in the Company may be sold, and no guarantee that an active market in the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX, which may hinder the disposal of Shares acquired under the Offer or prevent investors from purchasing more Shares. Any lack of liquidity may adversely affect the market price at which investors are able to sell their Shares, resulting in shareholders receiving a market price for their Shares that is less than the price at which the shareholder purchased the Shares, and may increase the volatility of the market price of the Shares.

6.3 Risks Associated with Subsidiaries Operating in China

(a) Emerging Market Issuer Status

Pursuant to ASIC's Report 368, 'Emerging Market Issuers,' (**Report 368**), the Company may be classified as an emerging market issuer, being an entity which has:

- material assets located in, or a revenue stream derived from operations in, an emerging market;
- subsidiaries incorporated in and/or listed in an emerging market;
- directors and senior management based offshore in an emerging market.

In Report 368, ASIC identified risks associated with identification as an emerging market issuer, including implementation of good corporate governance in light of a geographically scattered board of directors and implementing effective internal controls and risk management systems where operations are geographically diverse.

SECTION 6 – RISK FACTORS

ASIC also noted that reliance on a small number of key individuals located outside Australia may raise the risk of substantial transactions benefiting those individuals. Finally, ASIC noted that it may be difficult for external professionals, such as auditors, to verify information or opinions provided by experts or professionals in an overseas jurisdiction.

While the Company is in the process of implementing best-practice corporate governance, internal controls and risk management systems, some members of the Board of Directors are based in China, while others are based in Australia. While the Company anticipates that it will tailor its compliance arrangements to take this into account, the geographical diversity of the Company's Board may render compliance with such systems more difficult.

Similarly, while the Company will seek to minimise conflicts of interest, focusing on general directors' duties and material personal interest voting restrictions, it may be difficult to identify circumstances where directors are personally interested in a matter.

Finally, while the Company intends to verify and robustly test the reliability of information, it may be difficult to fully assess the sufficiency and appropriateness of information provided.

(b) Political, economic and sovereign risks

As the Company's subsidiaries will be operating in China, the subsidiaries will be subject to those risks associated with operating in a foreign jurisdiction. Such risks can include, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, licensing, export duties, repatriation of income or return of capital, consumer health and safety, labour relations as well as government regulations that require the employment of local residents or contractors or require other benefits to be provided to local residents.

While China is currently relatively stable, there is no certainty that the political and economic conditions will remain stable. Any deterioration in political or economic conditions, including hostilities or terrorist activity, may adversely affect the Company's operations and profitability.

There is a risk that the government of China may change its policies regarding foreign investment, which may have an adverse impact on the Company's profitability.

(c) China legal environment

Due to uncertainties in the Chinese political and legal environment, the Company's China subsidiaries may be exposed to political and legal risks, adversely affecting the viability of their operations in China and the purchase and on-sale of the WONHE Products.

Although the Chinese legal system is well-established, it may be less certain than legal systems in other countries. This uncertainty could lead to the following risks:

- Difficulties in obtaining effective legal redress for breaches of laws or regulations or in respect of property rights;
- Inconsistencies between and within laws, regulations, decrees, orders and resolutions, or uncertainty in the application of laws and regulations;
- Difficulties in enforcing foreign judgments and arbitral awards, particularly against state bodies; and
- Lack of jurisprudence and administrative guidance on the application of laws and regulations, particularly with respect to taxation and proprietary rights.

Therefore, the Company may have difficulty in obtaining effective legal redress in circumstances where the Company or its subsidiaries are adversely affected by a breach of law or regulation.

(d) Transfer of Cash

According to Chinese laws and regulations, in the event that the Company needs to finance its Chinese operations in the future, it is able to provide funding by means of capital contributions to Shenzhen WONHE and/or loans to Shengshihe. These loans would be subject to applicable government registration and approval requirements.

In October 2005, the National Administration of Foreign Exchange published the Notice of Domestic Residents Financing Through Specific Companies Overseas and Returned Investments of Foreign Exchange Administration Issues (**Document 75**), which came into operation on November 1, 2005. Under Document 75, PRC residents must apply for overseas foreign exchange investment clearance from the PRC Foreign Exchange Administration and Foreign Exchange Bureau in order to invest in specific types of overseas companies. While the Chinese shareholders in the Company have applied for, and received, approval for foreign investment under Document 75, there is no guarantee that such approval will not be restricted or lapse in the future.

Current Chinese regulations allow the Company's China Subsidiaries to pay dividends to the Company, but this is subject to applicable regulatory requirements. In addition, the Company has no direct business operations in China, other than indirect ownership of subsidiaries, which may limit the payment of dividends to the Company.

Cash transfers from Chinese subsidiaries to their parent companies outside China are subject to government control of currency conversion, and the Company may receive the majority or all of its revenues in RMB. Under the current corporate structure of the WONHE Group, the Company's income is primarily derived from its China Subsidiaries. Under existing Chinese foreign exchange regulations, payment of current account items, including profit distributions, interest payments and expenditures from trade-related transactions can be made in foreign currency without prior regulatory approval by complying with certain procedural requirements.

As profit and dividends are current account items, the profit and dividends generated in China may be paid to shareholders outside China without prior approval, as long as the Company complies with certain procedural requirements. However, the Chinese government also may, at its discretion, restrict access in the future to foreign currencies for current account transactions. If changes to the foreign exchange control system prevents the Company's China Subsidiaries' from obtaining sufficient foreign currency to satisfy their currency demands, they may not be able to pay dividends in foreign (non-RMB) currencies to the Company.

Any inability to obtain the requisite approval for converting RMB into foreign currencies, any delays in obtaining such approval or future restrictions on currency exchange may restrict the ability of the Company's China Subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy its obligations.

(e) Foreign Investment Risk

There are substantial uncertainties regarding the interpretation and application of the China laws, rules and regulations governing foreign investment to the WONHE Business.

The official interpretation of Chinese laws, regulations and rules may be uncertain, subject to retrospective application or otherwise subject to change. New laws, regulations and rules may impose additional requirements on the WONHE Business, the China Subsidiaries or the WONHE Group. There is therefore a risk that PRC regulatory authorities may deem the China Subsidiaries or the WONHE Group to be in violation of existing or future PRC laws, regulations or rules. Likewise, the China Subsidiaries or WONHE Group may fail to obtain or maintain requisite permits and approvals.

Any such violations may lead to Chinese authorities revoking or restricting related party transactions between the WONHE Group entities, requiring the WONHE Group or China Subsidiaries to restructure their operations and ownership structure, prohibiting or restricting the use of funds from the Offer to finance the WONHE Business operations in the PRC or revoking business or operating licences of China Subsidiaries, adversely affecting the Company's operations and financial position.

(f) Application of New M&A Rules

In August 2006, six ministries of the State Council of China, namely the Commerce Ministry, State-Owned Assets Supervision and Administration Commission, State Administration of Taxation, State Administration of Industry and Commerce, China Securities Regulatory Commission (**CSRC**) and State Administration of Foreign Exchange jointly issued 'Order 10: Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors' (**Order 10**), which came into force in September 2006. In June 2009, the Commerce Ministry modified Order 10 by issuing 'Order 6: Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors' (**New M&A Rules**).

The New M&A Rules require offshore special purpose vehicle companies which are:

- (a) formed for the purpose of listing, on an overseas exchange, equity interests in a Chinese company; and
- (b) controlled directly or indirectly by a Chinese company or individual;

to obtain the approval of the CSRC prior to listing and trading their securities on overseas securities exchanges.

Based on the professional advice it has received, the Board understands that the New M&A Rules shall only apply in the absence of existing laws, administrative regulations or provisions. As the Ministry of Foreign Trade and Economic Cooperation of China and State Administration for Industry and Commerce have issued Interim Provisions on Domestic Investment of Foreign Investment Enterprise, enacted January 2, 2003 ('**Interim Provisions**'), the Interim Provisions shall apply and the Company or other members of the WONHE Group are not required to obtain the approval of the CSRC under the New M&A Rules in relation to this Offer.

(h) Proposed changes to PRC Foreign Investment Laws

As described in Section 10 (China Legal Overview), on 19 January, 2015, MOFCOM issued the Foreign Investment Draft Law (**'Draft Law'**) for public comment. Pursuant to the Draft Law, the following material changes to Chinese foreign investment laws are contemplated:

- (a) Pursuant to the Draft Law, an entity will be treated as a foreign investment entity (**'FIE'**) where foreign individuals hold de-facto control over the entity. Such control is evinced if:
- i. non-PRC individuals have decisive influence over the operations, personnel, finance or technology of the entity, whether such influence is via contractual arrangements, share investments or trust structures;
 - ii. non-PRC individuals hold at least 50% of voting rights at the shareholder level, whether directly or indirectly;
 - iii. if non-PRC individuals hold less than 50% of voting rights at shareholder level, but:
 - A. over 50% of the seats of the board of directors of the entity (or similar decision-making body) are directly or indirectly appointed by non-PRC individuals,
 - B. non-PRC individuals are able to nominate nominees to hold over 50% of the seats of the board of directors of the entity (or similar decision-making body); or
 - C. the voting rights held by non-PRC individuals may carry a decisive influence over the board of directors of the entity (or similar decision-making body).

If the criteria set out in (a) above are satisfied, the entity will be deemed to be a FIE and be subject to the Draft Law.

- (b) It is currently proposed that a list of restricted and prohibited industries will be circulated by the State Council of the PRC (**'Draft List'**). FIEs cannot operate in prohibited industries, and FIEs which operate in restricted industries must obtain approval from MOFCOM. However, FIEs which do not operate in industries cited in the Draft List will no longer be required to obtain approval from MOFCOM but, rather, will simply be required to register their ownership status with MOFCOM.

If the Draft Law is adopted in its current form, it is possible that Shenzhen WONHE will be deemed to be a FIE and therefore be subject to the Draft Law.

As at the date of this Prospectus, the content of the Draft List is uncertain.

If the Draft List adopts the categorisation of restricted and prohibited industries adopted in the 2015 Foreign Investment Catalogue, and Shenzhen WONHE is considered to be a FIE, Shenzhen WONHE will not be classified as operating in a restricted or prohibited industry under the Draft List, and will simply be required to register with MOFCOM.

However, if the categories of restricted and prohibited industries in the Draft List diverge from those in the 2015 Foreign Investment Catalogue, it is possible that Shenzhen WONHE could be classified as operating within a restricted or prohibited industry under the Draft List.

In the event that Shenzhen WONHE is treated as a FIE and the WONHE Business appears to be in the "restricted" or "prohibited" category of the Draft List, then Shenzhen WONHE may be required to cease operations in the business activity or segment prohibited under the Draft List or dispose of or restructure (through a joint venture or other arrangement required by the Draft List) the business activity or segment restricted under the Draft List.

(i) Classification as Resident Enterprise of China

In 2008, China passed a new Enterprise Income Tax Law (**EIT Law**). Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

In April 2009, the State Administration of Taxation of China (**SAT**), issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies (**Notice**) further interpreting the application of the EIT Law and its implementation to offshore entities controlled by a Chinese enterprise or group.

In July 2011, the SAT issued the Administrative Measures for Enterprise Income Tax on Chinese-controlled Offshore Incorporated Resident Enterprises (Trial) on July 27, 2011 (Bulletin No. 45) to provide more guidance on the implementation of the Notice.

Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a “non-domestically incorporated resident enterprise” if:

- (a) its senior management in charge of daily operations perform their duties mainly in China;
- (b) its financial or personnel decisions are made or approved by bodies or persons in China;
- (c) its substantial assets and properties, accounting books, corporate stamps, board and stockholder minutes are kept in China; and
- (d) at least half of its directors with voting rights or senior management often reside in China.

Bulletin No. 45 provides clarification on the resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of PRC resident determination certificate from a Chinese-controlled offshore-incorporated resident enterprise, the payer should not withhold 10% income tax when paying certain Chinese-sourced income such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated resident enterprise. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC stockholders.

However, it remains unclear as to whether the Notice is applicable to an offshore enterprise controlled by a Chinese natural person. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

If the China tax authorities determine that the Company is a “resident enterprise” for Chinese enterprise income tax purposes, a number of unfavourable Chinese tax consequences could follow.

First, the Company and its China Subsidiaries may be subject to the enterprise income tax at a rate of 25% on their worldwide taxable income as well as Chinese enterprise income tax reporting obligations. This would mean that income such as non-Chinese source income would be subject to Chinese enterprise income tax at a rate of 25%.

Second, under the EIT Law and its implementing rules, dividends paid to the Company from its China Subsidiaries would qualify as “tax-exempt income.”

Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which a 10% withholding tax is imposed on dividends the Company pays to non-China stockholders and with respect to gains derived by the Company on non-China stockholders from transferring its shares.

The Board is actively monitoring the possibility of “resident enterprise” treatment and is evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

As at the date of this Prospectus, the China Subsidiaries are subject to China Enterprise Income Tax at 25%.

SECTION 7 – FINANCIAL INFORMATION

7.1 History

The Company is a newly established company. Historical Statements of financial performance and position of the Company, prior to its incorporation on 27 July 2015 are not available as it did not trade prior to incorporation, nor has it traded since incorporation.

Accordingly, the Company does not have any current operating or investment activities. Further details of the Company's history are set out below and in Section 2.

As highlighted in Figure 1.1 in Section 2.3 of the Prospectus, the Company forms part of the WONHE Group. Accordingly, additional historical financial information about WONHE High-Tech International and its controlled entities (**WONHE**) for the past 3 financial years ended 31 December 2012, 2013 and 2014 and for the half year ended 30 June 2015 has been included in Section 7.3.

Additional historical information about Kuayu for the half year ended 30 June 2015 and the year ended 31 December 2014 has been included in Section 7.4 and the former has been used in Section 7.5 to prepare the pro forma historical financial information for the Company and its subsidiaries (the Group).

WONHE is listed on the NASDAQ over-the-counter market ("OTC"). Its audited financial statements and reviewed interim accounts are prepared in accordance with the requirements of accounting principles generally accepted in the United States of America (referred to as "US GAAP") applicable to a company listed on the NASDAQ OTC and are presented in US dollars (USD). They are audited and reviewed by Wei, Wei & Co., LLP, WONHE's independent registered public accounting firm ("US auditors").

Foreign Currency Conversion

As the historical financial information presented in Sections 7.3 and 7.4 as extracted from the relevant WONHE financial statements are presented in USD, they have been converted and presented in Australian dollars (AUD), using the following exchange rates:

USD 1.00 = AUD X.XXXX	Half year ended 30/6/2015	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2012
Average rate for the period (used for conversion of the consolidated statement of financial position)	1.2780	1.1094	1.0362	0.9658
Spot rate at period end (used for conversion of the statement of financial position)	1.3059	1.2258	n/a	n/a

7.2 Financial information

The financial information included in this Section 7 was prepared by management and was adopted by the Directors. The Directors are responsible for the inclusion of all financial information in this Prospectus. The bases of preparation are identified in the relevant sections.

7.3 Relevant historical financial information of WONHE

The ensuing section provides the historical financial information of WONHE as extracted from the consolidated financial statements of WONHE High Tech International and its subsidiaries for the past 3 financial years ended 31 December 2012, 2013 and 2014 (referred to as "audited financial statements") and its reviewed quarterly interim financial statements for the period ended 30 June 2015 (referred to as "interim accounts"). The historical financial information has been prepared in accordance with the requirements of US GAAP. The US auditors have issued an unmodified audit opinion on the audited financial statements and an unmodified review conclusion to the WONHE Group in respect of the interim accounts. The US auditors, Wei, Wei & Co., LLP, have given consent for their opinion being used in this Prospectus.

Consolidated Statement of Financial Position

The table below provides a summary of WONHE's historical consolidated statement of financial position as at 30 June 2015 and as at 31 December 2014. The information has been prepared in accordance with US GAAP and is presented below in USD and AUD respectively. Full copies of the historical financial statements and interim accounts are publically available via the following website (<http://www.otcmatrix.com/stock/WHHT/filings>).

Table 7.3.1

	USD		AUD	
USD	Half year ended 30/6/2015	Year ended 31/12/2014	Half year ended 30/6/2015	Year ended 31/12/2014
Current assets				
Cash	55,784,833	34,447,100	72,849,413	42,225,255
Accounts receivable	2,711,796	3,267,810	3,541,334	4,005,682
Inventory	2,774	–	3,623	–
Total current assets	58,499,403	37,714,910	76,394,370	46,230,937
Non-current assets				
Fixed assets	674,650	197,250	881,025	241,789
Intangible assets	25,772	8,667	33,656	10,624
Other assets	16,912	14,223	22,085	17,434
Prepaid income tax	1,614,330	2,341,300	2,108,154	2,869,966
Total non-current assets	2,331,664	2,561,440	3,044,920	3,139,813
Total assets	60,831,067	40,276,350	79,439,290	49,370,750
Current liabilities				
Payroll payable	38,695	22,687	50,532	27,810
Taxes Payable	150,663	172,248	196,751	211,142
Loan from stockholders *	294,525	241,561	384,620	296,105
Accrued expenses & other payables	140,842	154,261	183,925	189,093
Total current liabilities	624,725	590,757	815,828	724,150
Stockholders' equity				
Common Stock	58,510	38,380	76,408	47,046
Additional paid up capital	32,187,299	17,011,131	42,033,394	20,852,245
Retained earnings	22,747,091	18,332,743	29,705,426	22,472,276
Statutory reserve fund	2,524,259	2,033,776	3,296,430	2,493,003
Other comprehensive income	943,055	787,787	1,231,536	965,669
Stockholders' equity before non-controlling interest	58,460,214	38,203,817	76,343,194	46,830,239
Non-controlling interest	1,746,128	1,481,776	2,280,269	1,816,361
Total stockholders' equity	60,206,342	39,685,593	78,623,463	48,646,600
Total liabilities and stockholders' equity	60,831,067	40,276,350	79,439,291	49,370,750

* The amount is owing to a stock holder and is at call and non-interest bearing.

SECTION 7 – FINANCIAL INFORMATION

The table below provides a summary of WONHE's historical consolidated statement of financial performance for the past 3 years ended 31 December 2014 and for the half year ended 30 June 2015. The information has been prepared in accordance with US GAAP and is presented below in USD and Australian Dollars respectively. Full copies of the historic financial statements and interim accounts are publically available via the following website (<http://www.otcmarkets.com/stock/WHHT/filings>).

Consolidated Statement of Financial Performance

Table 7.3.2

	USD				AUD			
	Half year ended 30/6/2015	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2012	Half year ended 30/6/2015	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2012
Sales	13,424,684	6,195,313	25,474,097	25,181,823	17,156,746	6,873,080	26,396,259	24,320,605
Cost of sales	7,115,998	3,257,289	13,218,664	12,886,550	9,094,245	3,613,636	13,697,180	12,445,830
Gross profit	6,308,686	2,938,024	12,255,433	12,295,273	8,062,501	3,259,444	12,699,079	11,874,775
Gross Profit Margin	47%	47%	48%	49%	47%	47%	48%	49%
Operating expenses:								
Research and development	55,385	92,956	156,172	574,053	70,782	103,125	161,825	554,420
Selling and marketing	131,362	177,036	415,933	389,091	167,881	196,404	430,990	375,785
General and administrative	301,444	489,714	794,592	1,849,814	385,245	543,289	823,356	1,786,550
Total operating expenses	488,191	759,706	1,366,697	2,812,958	623,908	842,818	1,416,171	2,716,755
Interest income	81,672	111,353	87,840	113,016	104,377	123,535	91,020	109,151
<i>Income/(loss) before provision for (benefit from) income taxes</i>	5,902,167	2,289,671	10,976,576	9,595,331	7,542,970	2,540,161	11,373,928	9,267,171
<i>Provision for (benefit from) income taxes</i>	739,841	295,973	(2,072,575)	2,355,125	945,517	328,352	(2,147,602)	2,274,580
Net income(loss)	5,162,326	1,993,698	13,049,151	7,240,206	6,597,453	2,211,809	13,521,530	6,992,591
<i>Non-controlling interests</i>	257,495	96,756	649,632	360,435	329,079	107,341	673,149	348,108
Net income attributable to common stockholders	4,904,831	1,896,942	12,399,519	6,879,771	6,268,374	2,104,468	12,848,381	6,644,483

7.4 Historical consolidated financial information of Kuayu and its controlled entities

The historical financial information presented in Section 7.3 above is of WONHE. However, the position of the Company within the overall group structure (as per Figure 1.1 in Section 2.3) is such that it will only account for and consolidate the results of Kuayu and its controlled entities, being the primary operating business of the WONHE Group.

Consistent with the historical financial information included in Section 7.3, the following historical financial information has been prepared in accordance with the requirements of US GAAP and is presented below in USD and AUD respectively.

Table 7.4.1 below provides a summary of the consolidated Statement of financial position of Kuayu and its controlled entities for the half year ended 30 June 2015 and the year ended 31 December 2014. This financial information has been extracted from the consolidation workings used to prepare the reviewed interim accounts for the half year ended 30 June 2015 and the audited financial statements for the year ended 31 December 2014.

Table 7.4.1

Consolidated Statement of Financial Position	USD		AUD	
	Half year ended 30/6/2015	Year ended 31/12/2014	Half year ended 30/6/2015	Year ended 31/12/2014
Current assets				
Cash	40,653,280	34,447,100	53,089,118	42,225,255
Accounts receivable	2,711,796	3,267,810	3,541,334	4,005,682
Inventory	2,774	–	3,623	–
Total current assets	43,367,850	37,714,910	56,634,075	46,230,937
Non-current assets				
Fixed assets	674,650	197,250	881,025	241,789
Intangible assets	25,772	8,667	33,656	10,624
Other assets	16,912	14,223	22,085	17,434
Prepaid income tax	1,614,330	2,341,300	2,108,154	2,869,966
Total non-current assets	2,331,664	2,561,440	3,044,920	3,139,813
Total assets	45,699,514	40,276,350	59,678,995	49,370,750
Current liabilities				
Payroll payable	38,695	22,687	50,532	27,810
Taxes Payable	150,663	172,248	196,751	211,142
Loan from stockholders *	270,495	217,531	353,239	266,649
Accrued expenses & other payables	149,478	116,752	195,203	143,115
Payable to related parties**	9,925,171	9,882,600	12,961,281	12,114,091
Total current liabilities	10,534,502	10,411,818	13,757,006	12,762,807
Stockholders' equity				
Additional paid up capital	7,199,050	7,199,050	9,401,239	8,824,595
Retained earnings	22,747,091	18,332,743	29,705,426	22,472,276
Statutory reserve fund	2,524,259	2,033,776	3,296,430	2,493,003
Other comprehensive income	948,483	817,187	1,238,624	1,001,708
Stockholders' equity before non-controlling interest	33,418,883	28,382,756	43,641,719	34,791,582
Non-controlling interest	1,746,129	1,481,776	2,280,270	1,816,361
Total stockholders' equity	35,165,012	29,864,532	45,921,989	36,607,943
Total liabilities and stockholders' equity	45,699,514	40,276,350	59,678,995	49,370,750

* The amount is owing to a stock holder and is at call and non-interest bearing.

** The amounts are payable to WONHE High-Tech International and are at call and non-interest bearing.

SECTION 7 – FINANCIAL INFORMATION

Table 7.4.2 below provides a summary of the consolidated statement of financial performance of Kuayu and its controlled entities for the past 3 years ended 31 December 2014 and for the half year ended 30 June 2015. This financial information has been extracted from the consolidation workings used to prepare the audited financial statements and reviewed interim accounts.

Table 7.4.2

Consolidated Statement of Financial Performance

	USD				AUD			
	Half year ended 30/6/2015	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2012	Half year ended 30/6/2015	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2012
Sales	13,424,684	6,195,313	25,474,097	25,181,823	17,156,746	6,873,080	26,396,259	24,320,605
Cost of sales	7,115,998	3,257,289	13,218,664	12,886,550	9,094,245	3,613,636	13,697,180	12,445,830
Gross profit	6,308,686	2,938,024	12,255,433	12,295,273	8,062,501	3,259,444	12,699,079	11,874,775
Gross Profit Margin	47%	47%	48%	49%	47%	47%	48%	49%
Operating expenses:								
Research and development	55,385	92,956	156,172	574,053	70,782	103,125	161,825	554,420
Selling and marketing	131,362	177,036	415,933	389,091	167,881	196,404	430,990	375,784
General and administrative	301,444	489,714	794,592	1,849,814	385,245	543,289	823,356	1,786,551
Total operating expenses	488,191	759,706	1,366,697	2,812,958	623,908	842,818	1,416,171	2,716,755
Interest income	81,672	111,353	87,840	113,016	104,377	123,535	91,020	109,151
<i>Income/(loss) before provision for (benefit from) income taxes</i>	<i>5,902,167</i>	<i>2,289,671</i>	<i>10,976,576</i>	<i>9,595,331</i>	<i>7,542,970</i>	<i>2,540,161</i>	<i>11,373,928</i>	<i>9,267,171</i>
<i>Provision for (benefit from) income taxes</i>	<i>739,841</i>	<i>295,973</i>	<i>(2,072,575)</i>	<i>2,355,125</i>	<i>945,517</i>	<i>328,352</i>	<i>(2,147,602)</i>	<i>2,274,580</i>
Net income(loss)	5,162,326	1,993,698	13,049,151	7,240,206	6,597,453	2,211,809	13,521,530	6,992,591
<i>Non-controlling interests</i>	<i>257,495</i>	<i>96,756</i>	<i>649,632</i>	<i>360,435</i>	<i>329,079</i>	<i>107,341</i>	<i>673,149</i>	<i>348,108</i>
Net income attributable to common stockholders	4,904,831	1,896,942	12,399,519	6,879,771	6,268,374	2,104,468	12,848,381	6,644,483

7.5 Reviewed Historical and Pro-forma Financial Information of the Company and its subsidiaries (the Group)

Basis of Preparation

The financial information included in this Section 7.5 has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of Australian Accounting Standards (AAS) and the proposed summary of significant accounting policies outlined in Section 7.7. The financial information is presented in an abbreviated form in so far as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with AASB and the Corporations Act.

The financial information contained in this section 7.5 has been reviewed by HLB Mann Judd Corporate Finance Pty Ltd as set out in the Investigating Accountant's Report (IAR) in Section 8. Investors should note the scope and limitations of the IAR.

7.5.1 Reviewed historical financial information of the Company

The reviewed historical financial information of the Company as at 31 July 2015 has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of AASB and the proposed summary of significant accounting policies outlined in Section 7.7. The financial information is presented in an abbreviated form in so far as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with AASB and the Corporations Act.

As at 31 July 2015, the Company's statement of financial position was as follows. As it did not trade since the day of incorporation to 31 July 2015, no statement of financial performance has been included.

	As at 31 July 2015
Cash	135
Total current assets	135
Total assets	135
Net assets	135
Issued Capital	135
Total liabilities and stockholders' equity	135

7.5.2 Reviewed historical financial information of Kuayu and its controlled entities as at 30 June 2015

The historical financial information as at 30 June 2015 outlined in Section 7.4 has been extracted from the consolidation workings used to prepare WONHE's interim accounts and was reviewed by the US auditors. It has been prepared in accordance with the requirements of US GAAP applicable to a company listed on the NASDAQ OTC. The US auditors provided an unmodified review conclusion to WONHE Group in respect of the interim accounts.

In using Kuayu's reviewed 30 June 2015 historical financial information to prepare the pro forma historical financial information of the Group, management performed an analysis of the material variances which existed from applying US GAAP and AASB and did not identify any adjustments that needed to be made.

7.5.3 Reviewed Pro forma Historical Financial Information of the Group

Although the Company was not incorporated as at 30 June 2015, the following pro forma historical consolidated statement of financial position has been prepared as if the Company was incorporated at that date.

The pro forma historical statement of financial position as at 30 June 2015 and the accompanying notes set out below, have been prepared to illustrate the financial position of the Group, following completion of the Offer and the transactions outlined below:

- On 3 August 2015, the Company acquired from World Win 100% of the shares in Kuayu for a purchase consideration of HKD 10,000 or \$1,748. By this transaction, the Company obtained control of Kuayu and two of its subsidiaries, being Shengshihe and Shenzhen WONHE (referred to as the “acquired entities”). This is referred to as “the acquisition”.

As both the Company and Kuayu were controlled by World Win before and after the acquisition, this transaction has been accounted for as a transaction between entities under common control as outlined in AASB 3 Business Combinations.

- On 15 September 2015, one of the Company’s subsidiaries, Shengshihe, acquired all of the issued share capital of Shenzhen WONHE for a purchase consideration of RMB10,000 or AUD\$2,131 and the VIE agreements terminated. By this transaction referred to as the WONHE Restructure, Shengshihe acquired 100% of the legal ownership of Shenzhen WONHE and the WONHE business directly.

Prior to the WONHE Restructure, operations of the VIE agreements meant that there was a 5% non-controlling interest (NCI) in Shenzhen WONHE’s net income. As a result of the WONHE Restructure, the non-controlling interest which existed under the VIE Agreements no longer exists post the WONHE Restructure.

As Shenzhen WONHE was controlled by Shengshihe before and after this transaction, for accounting purposes, this transaction had no impact on the Group except to account for the extinguishment of the NCI in accordance with the accounting policies outlined in Section 7.7 (b).

The effect of the WONHE Restructure had the following impact on preparing the Group’s proforma consolidated statement of financial position:

Particulars – referred to as part 2 of the WONHE Restructure	AUD \$
Consideration paid to NCI	(2,131)
Carrying amount of NCI as at 30 June 2015	2,280,270
Net effect on the equity attributable to owners of the parent due to transactions with non-controlling interests in Shenzhen WONHE that do not result in a loss of control	2,278,139

- Issuing a minimum of 15 million shares or up to a maximum of 20 million shares at \$0.20 to raise a minimum of \$3 million or up to a maximum of \$4 million before costs. The expenses associated with the offer would range between \$901,922 and \$1,033,574 as outlined in section 7.6 below.

This pro forma historical Consolidated Statement of Financial Position is intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Offer.

Pro forma historical consolidated statement of financial position as at 30 June 2015

	Impact of the Offer				Total Pro forma		
	Company Actual***	Impact of the Acquisition	Impact of the WONHE restructure	Min	Max	Min	Max
Current assets							
Cash at bank (see note i below)	135	53,089,118	(2,131)	2,098,078	2,966,426	55,185,200	56,053,548
Accounts Receivable	–	3,541,334	–	–	–	3,541,334	3,541,334
Inventory	–	3,623	–	–	–	3,623	3,623
Total Current Assets	135	56,634,075	(2,131)	2,098,078	2,966,426	58,730,157	59,598,505
Non-current assets							
Fixed Assets	–	881,025	–	–	–	881,025	881,025
Intangible assets	–	33,656	–	–	–	33,656	33,656
Other Receivable – deposit	–	22,085	–	–	–	22,085	22,085
Investments	–	–	–	–	–	–	–
Prepaid Income Tax	–	2,108,154	–	–	–	2,108,154	2,108,154
Total Non-current Assets	–	3,044,920	–	–	–	3,044,920	3,044,920
Total Assets	135	59,678,995	(2,131)	2,098,078	2,966,426	61,775,077	62,643,425
Current Liabilities							
Payroll Payable	–	50,532	–	–	–	50,532	50,532
Taxes Payable	–	196,751	–	–	–	196,751	196,751
Loan from stockholders *	–	353,239	–	–	–	353,239	353,239
Accrued expenses and other payables	–	196,951	–	–	–	196,951	196,951
Payable to related parties**	–	12,961,281	–	–	–	12,961,281	12,961,281
Total current Liabilities		13,758,754	–	–	–	13,758,754	13,758,754
Paid in capital (see note ii below)	135	–	–	2,098,078	2,966,426	2,098,213	2,966,561
Retained earnings	–	–	–	–	–	–	–
Statutory reserve fund	–	3,296,430	–	–	–	3,296,430	3,296,430
Other reserve (see note iii below)	–	39,104,917	2,278,139	–	–	41,383,056	41,383,056
Other comprehensive income	–	1,238,624	–	–	–	1,238,624	1,238,624
Stockholders' equity before non-controlling interests	135	43,639,971	2,278,139	2,098,078	2,966,426	48,016,323	48,884,671
Non-controlling interest	–	2,280,270	(2,280,270)	–	–	–	–
Total stockholders' equity	135	45,920,241	(2,131)	2,098,078	2,966,426	48,016,323	48,884,671
Total liabilities and stockholders' equity	135	59,678,995	(2,131)	2,098,078	2,966,426	61,775,077	62,643,425

* The amount is owing to a stock holder and is at call and non-interest bearing.

** The amounts are payable to WONHE High-Tech International and are at call and non-interest bearing.

***Although the Company was not incorporated as at 30 June 2015, the pro forma consolidated statement of financial position has been prepared as if the Company was incorporated at that date.

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Notes to pro forma

	Pro forma	
i) Cash at bank	Min	Max
Opening balance	135	135
Acquisition	53,089,118	53,089,118
Impact of the offer	3,000,000	4,000,000
Expense of the offer	(901,922)	(1,033,574)
Impact of the WONHE restructure	(2,131)	(2,131)
Closing balance	55,185,200	56,053,548

	Pro forma	
ii) Paid up capital	Min	Max
Opening balance	135	135
Acquisition	–	–
Impact of the offer	3,000,000	4,000,000
Expense of the offer	(901,922)	(1,033,574)
Closing balance	2,098,213	2,966,561

	Pro forma	
iii) Other Reserve	Min	Max
Opening balance	39,104,917	39,104,917
Acquisition	–	–
Impact of the offer	–	–
Expense of the offer	–	–
WONHE restructure	2,278,139	2,278,139
Closing balance	41,383,056	41,383,056

7.6 Expenses of the offer

The expenses of the Offer are estimated below, according to the amount of funds raised under the Offer:

Proceeds from Prospectus	Minimum \$3,000,000	Maximum \$4,000,000
Capital raising costs	390,000	520,000
Corporate advisory & research	59,500	59,500
Legal Fees	187,054	187,054
Accounting fees	104,236	104,236
ASX fees	98,812	100,464
ASIC fees	2,320	2,320
Printing and postage	55,000	55,000
Share registry fees	1,000	1,000
Listing ceremony	4,000	4,000
Total Estimated Gross Expenses of the Offer	901,922	1,033,574
Deferred tax asset expensed	(270,577)	(310,072)
Total Estimated Expenses of the Offer (net of tax)	661,345	753,502

7.7 Proposed Summary of Significant Accounting Policies

A summary of significant accounting policies which have been adopted in the preparation of the reviewed historical Statement of Financial Position and the pro-forma Statements of Financial Position as set out in Section 7.5 and which will be adopted and applied in preparation of the annual financial statements of the Group for the period ending 31 December 2015 and subsequent years is set out as follows:

(a) Basis of preparation

The reviewed historic Statement of Financial Position and pro-forma Statement of Financial Position have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act (as modified for inclusion in the Prospectus).

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro-forma statement of financial position has been prepared on the basis of assumptions outlined in Section 7.5.

The reviewed historic Statement of Financial Position and pro-forma Statements of Financial Position have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The pro-forma Statement of Financial Position has been prepared for the Group comprising the Company and its controlled entities. The Company is a public company limited by shares incorporated and domiciled in Australia.

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Company and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is outlined in Section 7.5.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amount of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within the equity attributable to owners of the Company.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination is accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

As the ultimate controlling party prior to the acquisition and the WONHE Restructure, remained the ultimate controlling party of the group post acquisition, these transactions are deemed to be between entities under common control. As a 'transaction between entities under common control' the acquisition does not meet the definition of a business combination as per AASB 3 Business Combinations. As a result, the Company has incorporated the assets and liabilities of the entities acquired at their pre-combination carrying amounts without fair value uplift. This accounting is applied on the basis that there has been no substantive economic change. No goodwill has been recorded as part of the transaction, instead, any difference between the cost of the transaction and the carrying value of the net assets acquired has been recorded in equity.

(d) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Useful life
Office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of the remaining term of the lease or the life of the improvement

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments. Accordingly, such interests are accounted for on a cost basis.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(j) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(k) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

The primary economic environment in which the Company's subsidiaries operate (i.e. the economic environment in which an entity generates and expends cash) is China. Accordingly, the functional currency of the Group is Chinese Renminbi (RMB).

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position via other comprehensive income. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(l) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(o) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint ventures are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax.

(p) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(i) for further discussion on the determination of impairment losses.

(q) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(s) Statutory Reserve Fund

Pursuant to corporate law of the PRC, Shengshihe and the Shenzhen WONHE are required to transfer 10% of their net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of their registered capital. The statutory reserve fund is non-distributable other than during liquidation and can be used to fund prior years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital. As of June 30, 2015, \$3,296,430 AUD had been transferred from retained earnings to the statutory reserve fund.

(t) Research and Development Costs

The Company develops software to be marketed as part of its products, and that is not for internal use. The software is essential to the functionality of the Company's tangible products. Therefore, the Company accounts for research and development costs incurred in development of its software in accordance with AASB 138 Intangible Assets.

Research and development costs are charged to operations when incurred. Development costs of computer software to be sold, leased, or otherwise marketed are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. In most instances, the Company's products are released soon after technological feasibility has been established. Therefore, costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed as incurred.

SECTION 8 – INVESTIGATING ACCOUNTANT'S REPORT



16 November 2015

The Board of Directors
WONHE Multimedia Commerce Ltd
C/o Pointon Partners
Level 14, 565 Bourke Street
MELBOURNE VIC 3000

Dear Directors,

Independent Limited Assurance Report on WONHE Multimedia Commerce Ltd historical and pro forma historical financial information

8.1 Introduction

We have been engaged by WONHE Multimedia Commerce Ltd ("the Company") to report on the historical financial information and pro forma historical financial information of the Company for inclusion in the initial public offering second replacement prospectus document ("the Prospectus") dated on or about 16 November 2015 relating to the issue of a minimum of 15 million and up to a maximum of 20 million ordinary shares at an application price of \$0.20 in the Company and listing on the Australian Securities Exchange ("the ASX") ("the Offer").

Expressions and terms defined in the document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services License under the *Corporations Act 2001*. HLB Mann Judd Corporate Finance Pty Ltd ("HLB Mann Judd") holds an appropriate Australian Financial Services License (AFS License Number 240988) under the *Corporations Act 2001*. Refer to our Financial Services Guide included as part 2 of this report.

8.2 Scope

8.2.1 Historical Financial Information

You have requested HLB Mann Judd to review the historical financial information of the Company included in Section 7.5.1 of the Prospectus being the Statement of Financial Position as at 31 July 2015.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") and the Company's adopted accounting policies. The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

HLB Mann Judd Corporate Finance Pty Ltd ABN 49 097 176 139 Australian Financial Services Licence No 240988

Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (0)3 9606 3888 | Fax: +61 (0)3 9606 3800

Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees

HLB Mann Judd Corporate Finance Pty Ltd is a member of  HLB International. A world-wide network of independent accounting firms and business advisers.



8.2.2 Pro Forma historical financial information

You have requested HLB Mann Judd to review the pro forma historical statement of financial position as at 30 June 2015 included in Section 7.5.3 of the Prospectus, referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro forma adjustments described in section 7.5.3 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in AAS applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7.5.3 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 30 June 2015. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position and financial performance.

As part of this process, historical financial information about Kuayu, Shengshihe and Shenzhen WONHE (three of the subsidiaries acquired by the Company) had been extracted from the reviewed interim financial statements of WONHE for the period ended 30 June 2015 ("the interim accounts"). The interim accounts were reviewed by WONHE's auditors ("US auditors") in accordance with the standards of the Public Company Accounting Oversight Board (United States). The review conclusion issued to WONHE was unmodified.

The procedures we performed in respect of the extraction of the reviewed historical financial information as outlined in Section 7.5.2 of the Prospectus were based on professional judgement and included consideration of audit working papers of the US auditors, reviewing management's variance analysis between applying US GAAP and AAS, reviewing accounting records and other documents dealing with the extraction of historical financial information of the three subsidiaries acquired by the Company for the period ended 30 June 2015.

We disclaim any responsibility for any reliance on the report or the financial information to which it relates for any purpose other than that for which it was prepared. This report should be read in conjunction with the full Prospectus and has been prepared for inclusion in the Prospectus.

8.3 Directors' responsibility

The directors of the Company are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

8.4 Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements *ASAE 3450 Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope



than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 historical and pro forma historical financial information.

8.5 Conclusions

8.5.1 Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in section 7.5.1 of the Prospectus, and comprising the Statement of Financial Position as at 31 July 2015 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.5 of the Prospectus.

8.5.2 Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information as described in section 7.5.3 of the Prospectus, being the Statement of Financial Position as at 30 June 2015 and accompanying notes, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 7.5 of the Prospectus.

8.6 Restriction on Use

Without modifying our conclusions, we draw attention to section 7.5 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

8.7 Subsequent Events

Apart from the matters dealt with in this report and the Prospectus, and having regard to the Scope of our report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

8.8 Sources of Information

We have made enquiries of the Directors of the Company and other parties, as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which relate to the operations of the Company and the WONHE Group. We have no reason to believe the information supplied is not reliable.

8.9 Legal Proceedings

To the best of our knowledge and belief, we are not aware of any material legal proceeding outstanding or currently being undertaken, not otherwise disclosed in this report, which could cause the information included in this report to be misleading.



8.10 Consent

HLB Mann Judd has consented to the inclusion of this assurance report in the Prospectus in the form and context which it is included. At the date of this report, this consent has not been withdrawn.

8.11 Independence and Disclosure of Interests

HLB Mann Judd has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this report for which normal professional fees will be received.

No director of HLB Mann Judd or any individuals involved with the preparation of this report have any interest in the outcome of the Offer other than the preparation of this report for which normal professional fees will be received.

Our associated partnership, HLB Mann Judd (Vic Partnership) has been nominated to be the auditor of the Company subject to shareholders' approval. If appointed, HLB Mann Judd (Vic Partnership) will receive fees for performing audit services.

8.12 Liability

The liability of HLB Mann Judd is limited to the inclusion of this report in the Prospectus. Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB Mann Judd was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB Mann Judd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

8.13 Financial Services Guide

We have included our Financial Services Guide as part 2 of this report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

HLB Mann Judd Corporate Finance Pty Ltd

A handwritten signature in blue ink, appearing to be 'Jude Lau', written over a light blue horizontal line.

Jude Lau
Director



Part 2 Financial Services Guide

What is the purpose of this Financial Services Guide?

This Financial Services Guide (FSG) provides you with information about us to help you decide whether to use the services that we offer.

It explains:

- The services offered by us;
- How instructions may be provided to us;
- How we are remunerated; and
- The details of our internal and external complaints handling procedures and how you can access them.

This FSG is provided by HLB Mann Judd Corporate Finance Pty Ltd (AFSL: 240988). In this FSG, each of the companies is referred to as "we", "our" or "us", and collectively referred to as "HLB Mann Judd".

What Services can we provide?

Under our AFS licence authorisation, we may carry on a financial services business to provide:

- financial product advice on basic deposit products, securities, derivatives limited to old law securities options contracts and warrants, and
- dealing services in respect of the above financial products.

Collectively these are referred to as "Services". HLB Mann Judd provides corporate finance services including valuations and merger and acquisition advice. This includes capital raising, strategic option analysis and financial modelling.

Will you provide me with advice which is suitable to my needs and financial circumstances?

We provide general financial product advice only, not personal financial product advice because the advice has been prepared without taking into consideration your personal objectives, financial situation or needs. You should consider the appropriateness of the advice, having regards to your objectives, financial situation and needs before acting on the advice.

We are authorised to provide you with personal advice in relation to basic deposit products, securities and derivatives limited to old law securities options contracts and warrants. We may not provide advice of any kind in relation to any other interest, financial products or other investments.

Generally if personal advice is given – that is, the advice that takes into account your particular circumstances, financial situation and needs, you would be provided with a Statement of Advice (SOA) / Statement of Additional Advice (SOAA) in accordance with the requirements of the Corporations Act. The SOA/SOAA would contain the advice, the basis on which it is given and the information about fees, commissions and associations which may have influenced the provision of the advice.

In some circumstances, SOA or SOAA is not required to be given. In this case, a Record of Advice (ROA) documenting the personal advice is to be given. You may request a copy of the ROA from your adviser up to 7 years after the advice has been given.

If a recommendation to acquire a particular financial product is made, you would be provided with a Product Disclosure Statement containing information about the particular product, which will enable you to make an informed decision in relation to purchasing that product.

How do I give information to HLB Mann Judd?

You can give us information by telephone, post, fax or email, using the details provided below. In some cases, however, you will need to complete and return certain documents, such as application form and client identification form.

How does HLB Mann Judd get paid for its Services?

HLB Mann Judd payments come from fees generated from the provision of Services.

The fees will vary depending on the services provided, the complexity and nature of the services and other factors such as the size of the transaction. The fees will be negotiated on a case by case basis and will be clearly disclosed to you in our engagement letter.

Our staff are paid a salary and may be entitled to receive bonuses or non-monetary benefits. These bonus payments are not an additional cost to you.

The fees and charges that you pay to us may ultimately benefit our employees, directors or other associates of our authorising licensee or its authorised representatives.

What fee does the person who referred me receive?

We do not currently pay a fee to any person who refers you to use our Services. However, we may enter into referral arrangements with such parties in the future. Any fees or commissions payable for the referral will be disclosed to you. Furthermore, we may receive payments for referring you to other service providers or product issuers.

Disclosure of Interest

We may provide services in relation to products and services provided by other product issuers or invest in those products ourselves. To the extent permitted by law, we may receive fees and other benefits from these product issuers as a result of you investing in one of their products or using one of their services. We may pay to, or receive fees or commissions from, third parties to the extent permitted by law.

Except as disclosed in this FSG, we do not have any relationships or associations which might reasonably be expected to be capable of influencing the way we provide our Services to you.

Compensation Arrangements

We are covered by our professional indemnity insurance in place that complies with section 912B of the Corporations Act and ASIC Regulatory Guide 126.

Who can I complain to if I have a complaint about the Services provided to me?

If you have a complaint about the Services provided to you, you should take the following steps:

1. Contact us and tell us your complaint.
If your complaint is not satisfactorily resolved within seven days, please call our complaints Manager on (03) 9606 3888.
2. Alternatively, you can put your complaint in writing and forward it to:
The Complaints Manager
HLB Mann Judd Corporate Finance
Level 9, 575 Bourke Street, Melbourne VIC 3000
Tel: (03) 9606 3888
Fax: (03) 9606 3800
Email: gwebster@hlbvic.com.au
3. We will endeavour to investigate and resolve your complaint and communicate our decision to you within 45 days. If you still do not get a satisfactory outcome, you may be able to lodge a complaint with The Financial Ombudsman Service (FOS). You can write to FOS at GPO Box 3, Melbourne VIC 3001 or call them on 1300 780 808 or visit www.fos.or.au

HLB Mann Judd Corporate Finance Pty Ltd (AFS Licence 240988)
Level 9, 575 Bourke Street, Melbourne VIC 3000
Tel: (03) 9606 3888
Fax: (03) 9606 3800
Email: gwebster@hlbvic.com.au

Date Issued: 16th November 2015

SECTION 9 – MATERIAL CONTRACTS

The Company and other members of the WONHE Group have entered into various agreements which the Board consider to be material and relevant to potential investors in the Company. Set out below is a summary of these material contracts.

List of Material Contracts:

1. Strategic Cooperation Agreement between Shenzhen WONHE and YLT, dated 23 April 2015 (**Strategic Cooperation Agreement**);
2. Supply Contract of Commercial Router between Shenzhen WONHE and YLT, dated 3 June 2015 (**Supply Contract for Routers**);
3. Purchase and Sale Contract for Domestic Router between Shenzhen WONHE and purchaser (**Purchase Contract for Domestic Router**);
4. Purchase and Sale Contract for Home Media Centre between Shenzhen WONHE and purchaser (**Purchase Contract for Home Media Centre**);
5. Yunlutong Agency Contract between YLT and YLT distribution agent (**YLT Agency Contract**);
6. Customer Use Agreement between Shenzhen WONHE and users of the Commercial Router and Wonhe App (**Customer Use Agreement**);
7. Share Sale Agreement between World Win and the Company, dated 3 August 2015 (**Share Sale Agreement**);
8. Contracts of Commission Processing between Shenzhen WONHE and Shenzhen Tehuilong, dated February 27, 2015 (**Manufacturing Agreement**);
9. House Lease Contract between Shenzhen Yuanxing Bio-medical Technology Co Ltd and Shenzhen WONHE, dated March 1, 2011 (**Lease Contract**);
10. Summary of Historical VIE Agreements
11. Share Sale Agreement between Shenzhen WONHE, Wang Youliang, Qing Tong, Jingwu Li, Nanfang Tong and Shengshihe, dated 15 September 2015 (**Shenzhen WONHE Share Sale Agreement**)

Employment, Consultant and Service Agreements:

12. Employment Agreements between Shenzhen WONHE and Nanfang Tong and Qing Tong (**Employment Agreement**);
13. Director's Deeds of Indemnity, Insurance and Access
14. Director's Service Agreements and Executive Employment Agreements; and
15. Restriction Agreements; and
16. Mandate with Beer & Co.

The whole of the provisions of the agreements are not repeated in this Prospectus.

1. Strategic Cooperation Agreement between Shenzhen WONHE and YLT

The key terms of the Strategic Cooperation Agreement between Shenzhen WONHE and YLT are as follows:

- the term of the Strategic Cooperation Agreement shall be three (3) years, from April 23 2015 to April 22, 2018 (**SCA Term**);
- during the SCA Term, YLT shall purchase Commercial Routers from Shenzhen WONHE and the first purchase of Commercial Routers shall be made by YLT at 1 June 2015, with purchase quantities and unit prices being confirmed by mutual negotiation;
- during the SCA Term, any change in share ownership of YLT shall be approved by Shenzhen WONHE, Shenzhen WONHE shall have an exclusive option to purchase YLT and, during the SCA Term, YLT shall not raise any equity or debt capital from third parties;
- Shenzhen WONHE has the right to acquire YLT if YLT's gross annual revenues reach RMB 150,000,000 and net annual profit reaches RMB 12,500,000 during the SCA Term (**Acquisition Threshold**); the price of such acquisition shall be established by an independent valuer, having regard to the net assets of YLT and its forecast revenues;
- upon expiry of the SCA Term, the parties may agree to sign another strategic cooperation agreement on the same terms;
- Shenzhen WONHE undertakes to ensure the quality of the Commercial Routers sold under the Strategic Cooperation Agreement is merchantable;

- YLT undertakes that, during the SCA Term, its accounts shall be true and correct and, if the Acquisition Threshold is reached and the acquisition proceeds, YLT shall ensure that there are no charges over its shares or assets, or undisclosed liabilities; and
- the parties may terminate the Strategic Cooperation Agreement upon mutual agreement, but, if a party unilaterally terminates the Strategic Cooperation Agreement, it shall compensate the other party for any loss caused as a result of such termination.

2. Supply Contract for Commercial Routers

The key terms of the Supply Contract for Commercial Routers is as follows:

- YLT shall purchase 1,200 Commercial Routers (Model YLT-300S) from Shenzhen WONHE for RMB1,680,000 (AUD365,468), to be paid in full within three (3) months of delivery;
- Any losses caused by inadequate packing shall be borne by Shenzhen WONHE and Shenzhen WONHE is responsible for the cost of insurance, storage and freight;
- Shenzhen WONHE provides a twelve (12) month guarantee for the Commercial Routers, and must provide maintenance or replacement to YLT if the Commercial Routers have quality defects; if improper use by YLT has caused the quality defects, YLT shall pay Shenzhen WONHE to provide maintenance; and
- if Shenzhen WONHE fails to deliver the Commercial Routers within 30 days of execution of the Supply Contract, or YLT fails to pay the consideration within three months of the date of execution, a penalty of 0.5% of the purchase price shall apply for each day in breach.

3. Purchase Contract for Domestic Router

Please note that a standard contractual template is used for each Purchase Contract for Domestic Routers. Therefore, the key terms of each Purchase Contract for Domestic Routers are as follows:

- the purchaser (**Purchaser**) shall purchase a specified number of Domestic Routers (YLT-100S) from Shenzhen WONHE for a purchase price of RMB 369 (AUD82) per unit (**Purchase Price**), to be paid within three (3) months of execution of the Purchase Contract;
- Shenzhen WONHE agrees to deliver the Domestic Routers at a specified delivery date; if Shenzhen WONHE fails to do so, a penalty rate of 1% of the total Purchase Price for every day overdue; and
- Shenzhen WONHE agrees to provide a twelve (12) month warranty on the Domestic Routers, whereby it shall provide replacement units or free repairs upon request if there are quality issues with products supplied, but shall charge maintenance fees if the damage is due to customer's usage.

4. Purchase and Sale Contract for Home Media Centre

Please note that a standard contractual template is used for each Purchase and Sale Contract for the Home Media Centre. The key terms of the Purchase and Sale Contract for Home Media Centre are as follows:

- the purchaser (**Purchaser**) shall purchase a specified number of Home Media Centre units from Shenzhen WONHE for a purchase price of RMB 3,360 (AUD 746.66) per unit (**Purchase Price**), to be paid within three (3) months of execution of the Purchase Contract;
- Shenzhen WONHE agrees to deliver the Home Media Centre units on a specified delivery date; if Shenzhen WONHE fails to do so, it shall incur a penalty of 1% of the total Purchase Price for every day overdue; and
- Shenzhen WONHE shall provide a twelve (12) month warranty on the Home Media Centre units, whereby it shall provide replacement units or free repairs upon request if there are quality issues with the products supplied, but shall charge maintenance fees if the damage is due to customer usage.

SECTION 9 – MATERIAL CONTRACTS

5. YLT Agency Contract

Please note that the YLT Agency Contract has been included to provide an indication of the terms on which the Commercial Routers are rebranded and on-sold by YLT.

A standard contractual template is used for each YLT Agency Contract. Therefore, the key terms of the YLT Agency Contract are as follows:

- An agent (**Agent**) is appointed as the exclusive dealer for YLT products in a specified city (**Territory**);
- The Agent shall be appointed by YLT to sell and market YLT products, being WONHE Commercial Routers rebranded as YLT routers, in the Territory, and shall be responsible for after-sale service, marketing and promotion of the products;
- the Agent shall purchase products from YLT at a wholesale price (including tax), and YLT guarantees the supply of products to the Agent on request;
- the term of the YLT Agency Contract shall be three (3) years (**Agency Term**);
- within thirty (30) days of executing the YLT Agency Contract, the Agent shall establish a sales team and marketing fund for the YLT products;
- within three (3) months of execution of the YLT Agency Contract, the Agent shall establish a certain number of terminal sales outlets in shopping centres within the Territory; if the Agent fails to establish the outlets, YLT shall appoint another Agent within the Territory;
- the Agent shall sell a specified number of units of YLT's products annually, being from 1,400 to 10,000 units, depending on the territory (**Sales Threshold**);
- YLT shall supply products to the Agent at a wholesale price, and shall provide guidance as to the recommended retail price of such products;
- the Agent shall organise marketing conferences and training for the Territory;
- any online or TV advertisements by the Agent shall be approved by YLT;
- If there is no material breach of contract by the Agent during the Agency Term, the Agent shall have an option to renew the YLT Agency Contract; and
- in the event of a dispute which cannot be resolved by negotiation within 30 days, the parties may proceed to litigation.

6. Customer Use Agreement

Shenzhen WONHE provides each user of the Commercial Router with a Customer Use Agreement, which the user must accept before downloading the WONHE App and using the Commercial Router. All users must register a WONHE account before using the service. Shenzhen WONHE may refuse to register users at Shenzhen WONHE's discretion. By downloading the WONHE App, users can access advertisements and manage their own Commercial Router. Shenzhen WONHE will notify users of service interruptions and may compensate users for loss of user data at Shenzhen WONHE's sole discretion. Shenzhen WONHE will terminate the agreement if the user has provided false information, is using the WONHE App illegally, hinder others' use, steal others' information, threaten the safety of the WONHE App or undertake illegal behaviour. Users consent to Shenzhen WONHE using their private information to send important notices to the user, for the purposes of internal auditing, data analysis and research, and management of users' information. Users agree to display advertisements provided by Shenzhen WONHE, its suppliers and partners, and Shenzhen WONHE shall not be liable for any loss of damage caused by such advertisements. All intellectual property and advertising content belongs to Shenzhen WONHE, and may not be used without Shenzhen WONHE's consent.

7. Share Sale Agreement between the Company and World Win

The key terms of the Share Sale Agreement are as follows:

- World Win sells 100% of the shares in Kuayu to the Company for consideration of HKD10,000 (**Share Sale**);
- completion of the Share Sale shall occur on 3 August 2015;

- the obligation of the parties to complete the Share Sale does not become binding unless World Win has obtained all necessary shareholder and regulatory approvals in relation to the Share Sale (which were obtained prior to completion); and
- Shares in Kuayu shall be transferred to the Company by World Win free of any encumbrances.
- World Win agrees to pay any stamp duty payable to the Hong Kong Inland Revenue Authority in relation to the transfer of the shares in Kuayu to the Company, and indemnifies the Company from and against any claims in relation to such matter.

8. Manufacturing Agreements

The key terms of both Manufacturing Agreements are as follows:

- the term of each Manufacturing Agreement is from February 27, 2015 to February 26, 2016;
- Shenzhen Tehuilong shall manufacture Domestic Routers and provide them to Shenzhen WONHE at a price of RMB 213 per unit;
- Shenzhen WONHE shall pay the invoice price to Shenzhen Tehuilong within seven days of delivery of the routers;
- Shenzhen WONHE must inspect the routers manufactured by Shenzhen Tehuilong within three days of receiving the products. If the routers manufactured by Shenzhen Tehuilong are not of merchantable quality or are defective, Shenzhen Tehuilong must rectify such defects or compensate for any loss incurred by Shenzhen WONHE
- For each day of delay in provision of the routers, Shenzhen Tehuilong must pay 20% in liquidated damages to Shenzhen WONHE.

9. Lease Contract

The key terms of the Lease Contract are as follows:

- Shenzhen WONHE will rent the premises located in Room 1001, Floor 10, Southern Building, Yuanxing Science Technology Building, No 1 Beisongpingshang Road, Nanshan District, Shenzhen for RMB 93,232.50 (AUD20,287) per month, with an initial deposit of RMB186,465 (AUD 40,574);
- the term of the Lease Contract shall be from March 1, 2011 to February 28, 2019, with an option to extend by mutual agreement;
- from March 1, 2013, the rent shall increase by 5% per year;
- a penalty equal to 5% of the outstanding rent shall accrue each day Shenzhen WONHE is in arrears, and the Lease Contract may be terminated and the deposit retained by Shenzhen Yuanxing Bio-medical Technology Co Ltd if Shenzhen WONHE is in arrears for more than a month.

10. Summary of Historical VIE Agreements

These Variable Interest Entity arrangements were previously used by the WONHE Group to enable investment in Chinese industries subject to foreign ownership restrictions under the 2011 Foreign Investment Catalogue. To establish a VIE structure, a foreign entity will typically enter into a series of contractual relationships with a Chinese operating company, rather than entering into direct equity ownership arrangements. These contractual relationships enable the foreign entity to indirectly own a wholly foreign-owned enterprise in China through their domestic partner. However, as the 2015 Foreign Investment Catalogue does not classify the activities of the WONHE Business as being within an industry in which foreign investment is restricted or prohibited, the VIE Agreements have now ceased to have effect pursuant to the Shenzhen WONHE Share Sale Agreement. Therefore, this summary of the VIE Agreements is being provided for historical background only.

- **(Exclusive Technical Service and Business Consulting Agreement):** Shengshihe and Shenzhen WONHE entered into the Exclusive Technical Service and Business Consulting Agreement, dated May 30, 2012 under which Shengshihe provided management services to Shenzhen WONHE in relation to the WONHE Business. Under this agreement, Shengshihe was entitled to 95% of the net income generated by the WONHE Business, plus an additional payment of RMB50,000 per month.
- The shareholders of Shenzhen WONHE, being Qing Tong, Nanfang (Jack) Tong, Jingwu Li (**'Shenzhen WONHE Shareholders'**) entered into the following agreements with Shengshihe:
 - **Call Option Agreement, dated May 30, 2012** – the Shenzhen WONHE Shareholders granted a call option over their shares in Shenzhen WONHE in favour of Shengshihe, for a purchase price of RMB1.00 or the minimum amount required by PRC law.
 - **Proxy Agreement, dated May 30, 2012** – the Shenzhen WONHE Shareholders irrevocably granted Shengshihe the right to vote all of the equity interests in Shenzhen WONHE.

SECTION 9 – MATERIAL CONTRACTS

- **Share Pledge Agreement, dated May 30, 2012** – the Shenzhen WONHE shareholders pledged their shares in Shenzhen WONHE in favour of Shengshihe to secure the obligations of Shenzhen WONHE under the Exclusive Business Agreement, and agreed not to transfer, sell, pledge, dispose of or create encumbrances over, their shares.

11. Shenzhen WONHE Share Sale Agreement

The key terms of the Shenzhen WONHE Share Sale Agreement are as follows:

- The shareholders of Shenzhen WONHE shall transfer all share capital in Shenzhen WONHE to Shengshihe at a price of RMB 0.0002 per share for a total transfer price of RMB 10,000, such transfers to occur on the date of execution of the Shenzhen WONHE Share Sale Agreement;
- Qing Tong shall transfer to Shengshihe 12,500,000 shares in Shenzhen WONHE, Nanfang Tong shall transfer to Shengshihe 5,000,000 shares in Shenzhen WONHE, Youliang Wang shall transfer 20,000,000 shares in Shenzhen WONHE to Shengshihe, and Jingwu Li shall transfer 12,500,000 shares to Shenzhen WONHE to Shengshihe.

Completion of the transfers of shares under the Shenzhen WONHE Share Sale Agreement occurred on 15 September 2015.

12. Employment Agreements and Nanfang Tong and Qing Tong

The key terms of Mr Nanfang Tong's and Qing Tong's Employment Agreement with Shenzhen WONHE are the same, and key terms are as follows:

- Mr Tong shall be employed for a thirty-six-month term;
- Mr Tong's working hours shall be eight hours per day, six days a week, and shall be entitled to holidays and leave as stipulated by the PRC labour department;
- Mr Nanfang Tong shall be paid a basic salary of RMB140,000 per annum and also be entitled to social security premiums, and medical benefits;
- Mr Qing Tong shall be paid a basic salary of RMB120,000 per annum and also be entitled to social security premiums, and medical benefits.
- The agreement may be terminated by mutual agreement.
- Mr Tong shall also be entitled to terminate the agreement in the case of failure of Shenzhen WONHE to pay Mr Tong's salary in a timely manner, failure by Shenzhen WONHE to comply with applicable laws or in other circumstances contemplated by related laws, administrative rules and regulations.
- Shenzhen WONHE may terminate the agreement immediately if Mr Tong seriously violates rules and regulations, seriously neglects his duties or engages in graft, engages in work with another employer which detrimentally impacts his work performance with Shenzhen WONHE or Mr Tong is charged with criminal offences.
- Shenzhen WONHE may terminate the agreement with 30 days' notice if Mr Tong is seriously sick or injured (such injury being sustained outside of his job) which adversely affects his ability to perform his role, Shenzhen WONHE needs to lay off more than 20 employees, or the basis for the contract has greatly changed such that the contract can no longer be carried out.
- If a dispute occurs, it shall be resolved through consultation, or, failing this, shall be mediated through the Labour Union, Committee of Labour or Labour Dispute Arbitration Committee.

13. Directors Deeds of Indemnity, Insurance and Access

Each of the Directors has entered into Deeds of Indemnity, Insurance and Access. The material terms of the Deeds of Indemnity, Insurance and Access are as follows:

- To the extent permitted by law, the Company indemnifies the director from any liabilities arising out of the director discharging their duties and providing services as director;
- The directors will be given access to board papers and company files for a period up to seven (7) years from the date in which the directors cease to be an officer of the Company;
- The Company must maintain an insurance policy for the directors for the term in which they hold office and for a period of seven (7) years following the date they cease to be a director.

14. Director's Service Agreements

a) Directors Service Agreement – Qing Tong

The Company has entered into a Directors Service Agreement with Qing Tong. Pursuant to such agreement, Qing Tong shall be entitled to directors' fees of \$1 per annum as Qing Tong is employed by Shenzhen WONHE..

b) Directors Service Agreement – Nanfang (Jack) Tong

The Company has entered into a Directors Service Agreement with Nanfang (Jack) Tong. Pursuant to such agreement, Nanfang (Jack) Tong shall be entitled to directors' fees of \$1 per annum, as Nanfang Tong is employed by Shenzhen WONHE.

c) Directors Service Agreement – Raymond Lim

The Company has entered into a Directors Service Agreement with Raymond Lim. Pursuant to such agreement, Raymond Lim shall be entitled to directors' fees of \$40,000 plus superannuation per annum.

d) Directors Service Agreement – Francesco Cannavo

The Company has entered into a Directors Service Agreement with Francesco Cannavo. Pursuant to such agreement, Francesco Cannavo shall be entitled to directors' fees of \$40,000 plus superannuation per annum.

e) Directors Service Agreement – Jun Li

The Company has entered into a Directors Service Agreement with Jun Li. Pursuant to such agreement, Jun Li shall be entitled to directors' fees of \$40,000 plus superannuation per annum.

15. Restriction Agreements

The Company has entered or will enter into Restriction Agreements with holders of restricted securities for the purposes of complying with Chapter 9 of the ASX Listing Rules. The Agreements are in the approved form as set out in Appendix 9A of the ASX Listing Rules.

16. Mandate between the Company and Beer & Co Pty Ltd (ACN 158 837 186)

Beer & Co has entered into a mandate with the WONHE Group to provide corporate advisory services in connection with the Offer. Beer & Co's wholly owned subsidiary company, Melbourne Venture Securities Pty Ltd (ACN 102 338 394) holds Australian Financial Services Licence No. 224313 and shall provide the financial services of the Lead Manager in connection with the Offer.

Pursuant to the mandate, the key terms are as follows:

- Beer & Co Pty Ltd shall assist with the raising of \$1.2 million under the Offer;
- Beer & Co Pty Ltd is entitled to receive a capital raising fee of 13% of funds raised under the Offer;
- Beer & Co Pty Ltd is entitled to a corporate advisory fee of \$22,000 (including GST); and
- Beer & Co Pty Ltd is to receive a fee of \$10,000 for a research report prepared in relation to the Company.

SECTION 10 – CHINA LEGAL OVERVIEW

The Company's business activities will be solely conducted in China as the WONHE Business and its operations are based in China.

The Company has obtained advice of its China legal advisors, Beijing Jingze Law Firm, in relation to the key laws and regulations in China that would impact the WONHE Group.

For the benefit of the prospective Investors under the Prospectus, Beijing Jingze Law Firm has advised the Company as follows:

(A) Legal Due Diligence in relation to WONHE Group

1. The China Subsidiaries have been validly incorporated under Chinese law, are limited liability companies and have full legal capacity. No agreements have been entered into which would result in variation of share rights or fluctuations in registered capital. The shareholders of the China Subsidiaries have subscribed and fully paid for all registered capital, in accordance with Chinese law.
2. The WONHE Business conforms to applicable Chinese legislation, orders, regulations and bylaws and the China Subsidiaries' business activities are permissible under their articles of incorporation.
3. The China Subsidiaries hold all necessary licenses and certificates required to carry out the WONHE Business, including but not limited to business and company licenses and tax registration certificates.
4. There is no agreement between any company in the WONHE Group and shareholders whereby such shareholders hold pre-emptive or preferred rights to participate in any issue of securities.
5. Beijing Jingze Law Firm has carried out searches of court records, including the Supreme Court, People's Court and local courts, and has found no litigation to which the China Subsidiaries or other entities of the WONHE Group were parties. The China Subsidiaries have not been found to violate any China regulations, including anti-dumping and anti-monopoly regulations and there are no arbitral or governmental proceedings against any Chinese Subsidiary.
6. There are no security agreements over any entity in the WONHE Group, and no entity in the WONHE Group has entered into a mortgage or guarantee. No entity in the WONHE Group has incurred liabilities or costs outside those incurred in the ordinary course of business.
7. Shenzhen WONHE independently researches and develops software and hardware products, and therefore wholly owns the intellectual property rights to the WONHE Products. Shenzhen WONHE holds the following registered intellectual property rights in China:
 - eight certificates of patent for inventions,
 - eleven utility model patent certificates,
 - nine appearance design certificates of patent, and
 - fifteen trademark registration certificates.
8. The appointment of each executive and director of the China Subsidiaries are valid and their employment contracts and procedures under which they were appointed conform to the laws of China and each China Subsidiaries' articles of association. Each executive and director of the China Subsidiaries have full legal capacity and are authorised by the relevant China Subsidiary to hold office and exert the rights granted by that China Subsidiary. There are no abnormal or unusual agreements between the China Subsidiaries and any director or executive of a China Subsidiary. No director of a China Subsidiary has a criminal record or has been bankrupt.
9. All contracting parties to each material contract to which the China Subsidiaries are a party are natural or legal persons with full civil and legal capacity and all signed contracts are real and valid. Such contracts are not against any law of China, have been validly formed and are not outside the ordinary course of business. To the best of Beijing Jingze Law Firm's knowledge, the China Subsidiaries have not entered into oral or unwritten contracts, and there is no current or potential default under any material contract.
10. The WONHE Group requires the WONHE Products to comply with the ISO9002 quality standard. The WONHE Products must also comply with the requirements of the State Technical Supervision Administration. The China Subsidiaries have not been the subject of any penalties and or legal complaints stemming from product quality or compliance with technical standards.

(B) WONHE Restructure

(i) Amended Business Scope

On September 16, 2015, Shenzhen WONHE updated its registered business scope in China to more accurately represent its current business activities.

The business scope now includes the technological development and sale of electronic products, computer hardware and software and application network products, automatic equipment, wireless mobile electronic information products, auto electronic products, mobile communication terminal equipment, electronic components, digital television set top boxes, satellite television receiving antenna, tuners, analogue/digital satellite receivers, research and development and sales of mobiles phones; sale of communication equipment (excluding certain restricted commodities); economic information consulting (excluding certain restricted projects); operation of an import and export business (excluding projects prohibited or restricted by laws and administrative regulations); the research, development, production and sale of mobile phones, and the development of set-top boxes, micro-computers and remote controls.

This business scope has been updated from the original business scope of Shenzhen WONHE, which included using the Internet to develop and sell music entertainment products, developing animation products, and operating an information services business under a Value-added Telecommunications Business License.

Article 15 of the *Temporary Provisions on Domestic Investment of Foreign-Funded Enterprises* issued by the Ministry of Foreign Trade and Economic Cooperation of China and the State Administration of Industry and Commerce (Act No.6, 2000) provides that "If foreign-funded enterprises purchase the share equity held by investors of a domestic company, if the business scope of the domestic company is in the encouraged category or permitted category, the domestic company shall submit the materials set out in Article 7 of the Act to the registration authority of the original company and apply for registration change in accordance with the relevant Company Registration Regulations."

If the business scope of the domestic company is restricted, the domestic company shall obtain approval from the provincial examination and approval authority before applying to the original company registration authority for the registration of change in business activities, in accordance with the relevant provisions of the Company Registration Regulations.

The updated business scope complies with the 2015 Foreign Investment Catalogue. The updated business scope does not involve any industries which are restricted or prohibited for foreign investment and is not subject to foreign ownership restrictions which would otherwise prevent Shengshihe from direct ownership of Shenzhen WONHE.

On September 15, 2015, the shareholders of Shenzhen WONHE, being Youliang Wang, Qing Tong, Jingwu Li and Nanfang Tong, signed the Shenzhen WONHE Share Sale Agreement, transferring their shares in Shenzhen WONHE to Shengshihe. Shengshihe submitted the Shenzhen WONHE Share Sale Agreement to the Shenzhen Market Supervisory Authority and the Shenzhen Market Supervisory Authority amended Shenzhen WONHE's registration to reflect the share transfer in accordance with the *Company Registration Regulations*, with effect from 16 September, 2015.

On September 15, 2015, Shenzhen WONHE and its shareholders terminated the VIE Agreements and applied to the Shenzhen Market Supervision and Administration authority for the deregistration of the Share Pledge Agreement.

The WONHE Restructure complies with the relevant Chinese laws and regulations and the WONHE Restructure is legal and effective.

Proposed changes to PRC Foreign Investment Laws

On 19 January, 2015, MOFCOM issued the Draft Law for public comment. Pursuant to the Draft Law, the following material changes to Chinese foreign investment laws are contemplated:

- (a) Pursuant to the Draft Law, an entity will be treated as a foreign investment entity ('FIE') where foreign individuals hold de-facto control over the entity. Such control is evinced if:
 - i. non-PRC individuals have decisive influence over the operations, personnel, finance or technology of the entity, whether such influence is via contractual arrangements, share investments or trust structures;
 - ii. non-PRC individuals hold at least 50% of voting rights at the shareholder level, whether directly or indirectly;
 - iii. if non-PRC individuals hold less than 50% of voting rights at shareholder level, but:
 - A. over 50% of the seats of the board of directors of the entity (or similar decision-making body) are directly or indirectly appointed by non-PRC individuals,
 - B. non-PRC individuals are able to nominate nominees to hold over 50% of the seats of the board of directors of the entity (or similar decision-making body); or

- C. the voting rights held by non-PRC individuals may carry a decisive influence over the board of directors of the entity (or similar decision-making body).

If the criteria set out in (a) above are satisfied, the entity will be deemed to be a FIE and be subject to the Draft Law.

- (b) It is currently proposed that a list of restricted and prohibited industries will be circulated by the State Council of the PRC ('**Draft List**'). FIEs cannot operate in prohibited industries, and FIEs which operate in restricted industries must obtain approval from MOFCOM. However, FIEs which do not operate in industries cited in the Draft List will no longer be required to obtain approval from MOFCOM but, rather, will simply be required to register their ownership status with MOFCOM. Therefore, the impact of the Draft Law may not be materially adverse to WONHE and may merely trigger an obligation to register Shenzhen WONHE's ownership status with MOFCOM.

The Draft Law is not retrospective, but proposes a three-year period for FIEs to comply with the reporting or approval processes.

Please note that the Draft Law is still at an early stage, and it is not certain whether the Draft Law will be further modified or amended, or when it will be enacted by the National People's Congress and its Standing Committee (if at all).

New Rules of Merger

On August 8, 2006, the Ministry of Commerce, State Owned Assets Supervision and Administration Commission, State Administration of Taxation, State Administration of Industry and Commerce, China Securities and Regulatory Commission ('CSRC') and State Administration of Foreign Exchange ('SAFE') jointly issued Provisions on Foreign Investors Merger Domestic Enterprises' (Order 10), which came into effect on September 8 2008. On June 22, 2009, the Ministry of Commerce issued Order 6, amending Order 10 (collectively referred to as 'New M&A Rules'), which took effect on the issuing date. The New M&A Rules provide that on-shore and off-shore special purpose companies which are directly or indirectly controlled by natural persons to allow shareholdings in an on-shore company must obtain CSRC approval prior to being listed on an off-shore securities exchange.

Based on the historical structure of the WONHE Group, the VIE Agreements entered into between Shengshihe and Shenzhen WONHE on May 30 2012 ('VIE Agreements') did not constitute control, and therefore the New M&A Rules did not apply. However, as CSRC had not issued specific guidance on the application of the New M&A Rules to the transaction structure implemented by the VIE Agreements, it was noted that such conclusion may be altered by future guidance.

Following the WONHE Restructure, the New M&A Rules do not apply, as the New M&A Rules shall only apply in the absence of existing laws, administrative regulations or provisions. As the Ministry of Foreign Trade and Economic Cooperation of China and State Administration for Industry and Commerce have issued the Interim Provisions, the Interim Provisions shall apply. Therefore, the Company or other members of the WONHE Group are not required to obtain the approval of the CSRC under the New M&A Rules in relation to this Offer.

Foreign Exchange Transactions

On October 21, 2005, the State Administration of Foreign Exchange issued the 'Notice about Domestic Residents Through Special Companies Overseas Conduct Capital Raising and Returned Investment of Foreign Exchange Management Relevant Issues' ('Document 75'), which came into effect on November 1, 2005. Pursuant to Document 75, if a PRC resident establishes a special purpose company to hold equity in a Chinese company for the purpose of offshore capital raising, they must apply to their local Foreign Exchange Bureau or Foreign Exchange Administration Department for registration of the foreign exchange transaction. If registration is not undertaken, the Chinese company will not be able to increase share capital, pay dividends, pay dividends to foreign parent companies or affiliated companies or repatriate capital from offshore entities.

The China Subsidiaries do not undertake any foreign exchange activities which are regulated by Document 75 and therefore Document 75 does not apply.

However, the China resident shareholders of the China Subsidiaries have already applied for and obtained registration under foreign registration procedures.

SECTION 11 – ADDITIONAL INFORMATION

11.1 Documents Available for Inspection

The following documents are available for inspection during normal office hours, free of charge, at the registered office of the Company for a period of at least 12 months from the date of lodgement of this Prospectus with the ASIC:

- (a) the current Constitution of the Company;
- (b) the consents referred to in Section 11 of this Prospectus;
- (c) the material contracts referred to in Section 9 of this Prospectus.

11.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in which he is a partner in connection with the formation or promotion of the Company.

11.3 Interests of Experts and Advisers

Except as disclosed below or elsewhere in this Prospectus, no expert nor any firm of which such expert is a partner, has or has had any interest in the formation or promotion of, or in any property proposed to be acquired by, the Company in connection with its formation or promotion, and no amounts have been paid (in cash or shares or otherwise), or agreed to be paid, to any expert or to any firm in which such expert is a partner for services rendered by him or the firm in connection with the promotion or formation of the Company.

- (a) Professional fees payable to the Company's Australian and overseas accounting service providers for work done in relation to the Offer are approximately \$104,236 (incl GST), \$42,000 being payable to Wei, Wei & Co., LLC and \$62,236 payable to HLB Mann Judd Corporate Finance Pty Ltd and HLB Mann Judd (Vic Partnership).
- (b) Professional fees payable to the Company's Australian and overseas legal service providers for work done in relation to this Prospectus are approximately \$187,054 (incl. GST), \$57,054 being payable to the Company's overseas legal providers (Beijing Jingze Law Firm and Robert Brantl) and \$130,000 payable to Pointon Partners Lawyers.
- (c) Beer & Co Pty Ltd have provided corporate advisory and research services to the Company in connection with the Offer and fees payable to Beer & Co Pty Ltd for such services are approximately \$59,500 (excl GST), and Beer & Co shall be entitled to a capital raising fee of 13% of funds raised by it under the Offer.
- (d) Computershare Ltd has acted as the share registry for the Company. Standard commercial fees are fees payable to Computershare Ltd for share registry services in relation to the Offer made pursuant to this Prospectus.

11.4 Consents

The following consents have been given in accordance with the Corporations Act:

- (a) HLB Mann Judd Corporate Finance Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Independent Accountant and to the inclusion in this Prospectus of its Independent Accountant's Report of this Prospectus in the form and context in which it is included. Notwithstanding that it may be referred to elsewhere in this Prospectus, HLB Mann Judd has only been involved in the preparation of the independent Accountant's Report and was not involved in the preparation of any other part of this Prospectus. HLB Mann Judd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Independent Accountant's Report.

SECTION 11 – ADDITIONAL INFORMATION

- (b) HLB Mann Judd (Vic Partnership) has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company. HLB Mann Judd (Vic Partnership) did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (c) Pointon Partners Pty Ltd have given and have not, before lodgement of this Prospectus, withdrawn their written consent to being named in this Prospectus as solicitors to the Company in the form and context in which they are named. Pointon Partners Pty Ltd did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (d) Computershare Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.
- (e) Beijing Jingze Law Firm has given and, as at the date hereof, has not withdrawn, its written consent to be named in this Prospectus as providing the China Legal Report in the form and context in which it is named. Beijing Jingze Law Firm has had no involvement in the preparation of any part of the Prospectus other than being named as preparing the China Legal Report for the Company. Beijing Jingze Law Firm has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus other than in respect of the China Legal Report.
- (f) Beer & Co Pty Ltd has given, and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Lead Manager of the Company. Beer & Co Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (g) Wei, Wei & Co., LLP has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the WONHE Group's US auditor and has given and not withdrawn its written consent to the inclusion of the representations made in the prospectus that the financials have been audited by them, in the form in which they appear. Wei, Wei & Co., LLP have not otherwise authorised or caused the issue of this Prospectus.

11.5 Expenses of the Offer

The estimated expenses of the Offer are as follows:

Expense	Minimum Amount (A\$)	Maximum Amount (A\$)
Total Legal Fees	187,054	187,054
Accountant	104,236	104,236
Printing and Postage	55,000	55,000
ASX Fees	98,812	100,464
ASIC Fees	2,320	2,320
Capital Raising Fees	390,000	520,000
Share Registry Fees	1,000	1,000
Corporate Advisory and Research	59,500	59,500
Listing Ceremony	4,000	4,000
Total	901,922	1,033,574

The above amounts are exclusive of GST

11.6 Litigation

The Company is not involved in any litigation, arbitration or other legal proceedings and the Directors are not aware of any threatened or pending litigation or arbitration against the Company.

11.7 Forecasts

The Company's underlying business model is still considered to be in a development phase, is relatively unproven, and the profitability and sustainability of its retail business model is uncertain. Given the nature of the Company's business operations, there are uncertainties associated with forecasting future revenue of the Company. On this basis, the Directors consider that reliable forecasts cannot be prepared and therefore no forecasts have been included in this Prospectus.

11.8 Working Capital Statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

11.9 Continuous Disclosure Obligations Following Listing

Following listing on the ASX, and pursuant to Section 111AC of the Corporations Act, the Company will be a disclosing entity and will therefore be subject to regular reporting and disclosure obligations. Following listing on the ASX, the Company is required to continuously disclose all information to the market that a reasonable person would expect to have a material effect on the value or price of the Company's securities. All price-sensitive information will be released through the ASX before it is disclosed to market participants and shareholders, and the distribution of non-price sensitive information will also be managed through the ASX.

11.10 Directors' Statement

The Directors state that they have made all reasonable enquiries and have reasonable grounds to believe that any statements by the Directors in this Prospectus are true and not misleading and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiry and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716 of the Corporations Act to the issue of this Prospectus and have not withdrawn that consent, before lodgement of this Prospectus with the ASIC.

This Prospectus is prepared on the basis that:

- (a) certain matters may be reasonably expected to be known to professional advisers of any kind with whom Applicants may reasonably be expected to consult; and
- (b) Information is known to Applicants or their professional advisers by virtue of any Acts or laws of the Commonwealth of Australia or any State of Australia.

SECTION 12 – DIRECTORS' AUTHORISATION

In accordance with s.720 of the Corporations Act, the lodgement and issue of this Prospectus has been consented to and authorised by each of the Directors.

Signed for and on behalf of the Company

A handwritten signature in black ink, appearing to read 'J. Stedwell', written in a cursive style.

Justyn Stedwell, Secretary

Dated: 17 November 2015

SECTION 13 – GLOSSARY OF TERMS

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

“\$” means Australian dollars;

“**2011 Foreign Investment Catalogue**” means the *Foreign Investment Industrial Guidance Catalogue* (2011 Revision);

“**2015 Foreign Investment Catalogue**” means the *Foreign Investment Industrial Guidance Catalogue* (2015 Revision);

“**Acquisition**” means the acquisition of all issued capital in Kuayu by the Company pursuant to the Share Sale Agreement;

“**Admission**” means the Company’s admission to the official list of the ASX following its application for admission under Chapters 1 and 2 of the ASX Listing Rules;

“**AEST**” means Australian Eastern Standard Time;

“**Applicant**” means a person who submits an Application;

“**Application**” means a valid application to subscribe for Shares under this Prospectus;

“**Application Form**” or “**Application Forms**” means the application form that is attached to and forms part of this Prospectus;

“**ASIC**” means Australian Securities and Investments Commission;

“**ASTC**” means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532);

“**ASX**” means Australian Stock Exchange Limited (ACN 008 624 691);

“**ASX Listing Rules**” means the listing rules of ASX as at the date of this Prospectus;

“**Auditor**” means the Company’s auditor, being HLB Mann Judd (Vic Partnership);

“**Bookbuild**” means a bookbuild relating to the Offer and undertaken through the Bookbuild Facility;

“**Bookbuild Facility**” means the automated on-market facility operated by the ASX to enable trading participants on behalf of an issuer to offer and allocate financial products, and to enable trading participants to enter bids for those financial products on behalf of eligible investors;

“**Board**” means the Board of Directors of the Company unless the context indicates otherwise;

“**Call Option Agreement**” means the call option agreement between Shengshihe and Shenzhen WONHE, dated May 30 2012;

“**CHESS**” means ASX Clearing House Electronic Subregistry System;

“**China Subsidiaries**” means Shengshihe and Shenzhen WONHE;

“**Commercial Router**” means the router developed by Shenzhen WONHE, being the YLT-300S, which is intended to be used in conjunction with the WONHE App;

“**Company**” means WONHE Multimedia Commerce Ltd (ACN607 288 755);

“**Constitution**” means the Constitution of the Company as at the date of issue of this Prospectus;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Directors**” means the board of directors of the Company as it is constituted from time to time;

“**Domestic Router**” means the “YLT 300-S” technology product developed by Shenzhen WONHE;

“**Draft Law**” means the draft Foreign Investment Law of the People’s Republic of China issued by MOFCOM on 19 January, 2015;

“**Equity Pledge Agreement**” means the equity pledge agreement between Shenzhen WONHE and Shengshihe, dated May 30, 2012;

“**EST**” means Eastern Standard Time;

“**Exclusive Business Agreement**” means the Exclusive Technical Service and Business Consulting Agreement between Shengshihe and Shenzhen WONHE, dated May 30, 2012;

“**Existing Minority Shareholders**” means the existing minority shareholders in the Company, being the shareholders other than World Win as at the date of this Prospectus, and which are detailed in Section 5.5 of the Prospectus;

“**Exposure Period**” means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to s. 727(3) of the Corporations Act;

“**First Replacement Prospectus**” means the replacement prospectus dated 25 August 2015, and which was lodged with ASIC on 25 August 2015;

SECTION 13 – GLOSSARY OF TERMS

“Home Media Centre” means the “HMC720” technology product developed by Shenzhen WONHE, which is a data storage, management and control centre;

“Issuer Sponsored” means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES;

“Kuayu” means Kuayu International Holdings Group Ltd, a company incorporated in Hong Kong;

“Minimum Application” means the minimum application for Shares that can be made by an Applicant under this Offer, being valid subscriptions for at least 10,000 Shares;

“Maximum Subscription” means the maximum amount to be raised under the Offer made by this Prospectus, being \$4,000,000;

“Minimum Subscription” means the minimum amount to be raised under the Offer made by this Prospectus, being \$3,000,000;

“MOFCOM” means the Ministry of Commerce of the People’s Republic of China;

“New M&A Rules” collectively refers to

- a) Order 10: Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors’, issued by Commerce Ministry, State-Owned Assets Supervision and Administration Commission, State Administration of Taxation, State Administration of Industry and Commerce, China Securities Regulatory Commission and State Administration of Foreign Exchange on August 8, 2006; and
- b) ‘Order 6: Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors’, issued by the China Securities Regulatory Commission on June 22, 2009.

“NPAT” means net profit after tax of the WONHE Business;

“Offer” means the offer made by this Prospectus to subscribe for up to 20,000,000 Shares at an issue price of \$0.20;

“Offer Application Form” means the Application Form attached to or accompanying this Prospectus and which relates to the Offer;

“Offer Closing Date” means 4 December 2015 or such earlier or later date as the Directors may determine;

“Offer Period” means the period commencing on the Opening Date and ending on the Offer Closing Date;

“Offer Shares” means the Shares issued under this Prospectus;

“Official List” means the official list of entities that ASX has admitted and not removed;

“Official Quotation” means official quotation by ASX in accordance with the ASX Listing Rules;

“Opening Date” means 17 November 2015 or as varied by the Directors;

“Option” means an option to subscribe for Shares in the capital of the Company;

“Original Prospectus” means the prospectus dated 11 August 2015 and which was lodged with ASIC on 11 August 2015;

“PRC” or “China” means the People’s Republic of China;

“Prospectus” means this second replacement Prospectus dated 17 November 2015 and which was lodged with ASIC on 17 November 2015;

“Proxy Agreement” means the proxy agreement between Shenzhen WONHE and Shengshihe, dated May 30, 2012;

“RMB” means renminbi;

“Share” means a fully paid ordinary share in the capital of the Company;

“Shareholder” means a holder of shares in the Company;

“Share Sale Agreement” means the share sale agreement between World Win and the Company, dated 3 August 2015;

“Share Registry” means Computershare Ltd;

“Shengshihe” means Shengshihe Management Consulting (Shenzhen) Co Ltd, a WFOE incorporated in China;

“Shenzhen WONHE” means Shenzhen WONHE Technology Co Ltd, a Variable Interest Entity incorporated in China;

“Shenzhen WONHE Share Sale Agreement” means the share transfer agreement between Qing Tong, Nanfang Tong, Youliang Wang and Jingwu Li and Shengshihe, dated September 16, 2015, whereby Shengshihe purchased all issued capital in Shenzhen WONHE from Qing Tong, Nanfang Tong, Youliang Wang and Jingwu Li;

“USD” means United States dollars;

“US GAAP” means the generally accepted accounting principles adopted by the United States’ Securities and Exchange Commission;

“Variable Interest Entity” or **“VIE”** means a structure in which an entity established in China, which is fully or partially owned by a non-Chinese company, through certain contractual arrangements, has control over a Chinese operating company holding the necessary licenses to operate in a foreign direct investment restricted/prohibited sector in China;

“VIE Agreements” means the Exclusive Business Agreement, Proxy Agreement, Call Option Agreement and Share Pledge Agreement;

“Wholly Owned Foreign Enterprise” or **“WFOE”** means a foreign-owned limited liability company incorporated in China;

“Wi-Fi” means a facility allowing computers, smartphones or other devices to connect to the internet or communicate with one another wirelessly within a particular area;

“WONHE” means WONHE High-Tech International and its controlled entities as at 30 June 2015;

“WONHE App” means the mobile telephone application developed by Shenzhen WONHE, which is intended to be used in conjunction with the Commercial Router;

“WONHE Business” means the business operations of the China Subsidiaries;

“WONHE Group” means the Company, WONHE High-Tech International, World Win, Kuayu and the China Subsidiaries;

“WONHE High-Tech International” means WONHE High-Tech International Inc, a company incorporated in Nevada, USA;

“WONHE Products” means the Commercial Router, Domestic Router and Home Media Centre;

“WONHE Restructure” means the restructure of the WONHE Group pursuant to the Shenzhen WONHE Share Sale Agreement, under which the VIE Agreements were terminated and Shenzhen WONHE became a wholly owned subsidiary of the Company;

“World Win” means World Win International Holdings Group Ltd, a company incorporated in the British Virgin Islands;

“YLT” means Shenzhen Yun Lutong Science and Technology Ltd.

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This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

A I/we apply for

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Number of Shares at \$0.20 per Share. Applications must be a minimum of 10,000 Shares (\$2,000) or a greater number in multiples of 1,000 Shares (\$200).

B I/we lodge full Application Money

A\$

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C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

[illegible][illegible]

Joint Applicant 2 or Account Designation

[illegible]

Joint Applicant 3 or Account Designation

[illegible]

D Enter the postal address - include State and Postcode

Unit	Street Number	Street Name or PO Box/Other information
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[illegible][illegible]

City/Suburb/Town

[illegible]

State

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Postcode

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F Enter your contact details

Contact Name

[illegible]

Telephone Number - Business Hours

(

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)

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F CHESS Participant

Holder Identification Number (HIN)

[illegible]

Please note that if you supply a CHES HIN but the name and address details on your form do not correspond exactly with the registration details held at CHES, your application will be deemed to be made without the CHES HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

A\$

Make your cheque, money order or bank draft payable to 'WONHE Multimedia Commerce Ltd Subscription A/C'

By submitting this Application Form:

- I/we declare that this application is complete and lodged according to the Prospectus dated 17 November 2015, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of WONHE Multimedia Commerce Ltd (**'the Company'**)

See overleaf for completion guidelines ➔

How to complete this form

A Shares applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares (\$0.20) or a greater number in multiples of 1,000 Shares (\$200). The Offer Price of the Shares is payable in full on Application.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.20 per Share. The minimum amount of Application monies is \$2,000 and applications for less than this amount may be rejected.

C Applicant Name(s)

Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

F CHES

The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque, money order or bank draft payable to 'WONHE Multimedia Commerce Ltd Subscription A/C' in Australian currency and cross it 'Not Negotiable'. Your cheque, money order or bank draft must be drawn on an Australian Bank.
Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**
Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected.
Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. No receipt for payment will be forwarded to Applicants.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in the Company is upon and subject to the terms of the Prospectus and the Constitution of the Company, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5:00pm AEDT on 4 December 2015. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:
Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001
Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your application, please contact Computershare Investor Services Pty Limited on 1300 723 528 (within Australia) or +61 3 9415 4078 (outside Australia).

Privacy Statement

Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by the Company where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



A I/we apply for

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B I/we lodge full Application Money

A\$

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C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)

[illegible]

Joint Applicant 2 or Account Designation

[illegible]

Joint Applicant 3 or Account Designation

[illegible]

D Enter the postal address - include State and Postcode

[illegible][illegible][illegible]

City/Suburb/Town

[illegible]

State

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Postcode

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F Enter your contact details

Contact Name

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Telephone Number - Business Hours

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F CHESS Participant

Holder Identification Number (HIN)

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Drawer

Cheque Number

BSB Number

11/11/2019

Account Number

Amount of cheque

A\$

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- I/we agree to be bound by the Constitution of WONHE Multimedia Commerce Ltd (**'the Company'**)

See overleaf for completion guidelines ➡

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Correct forms of registrable title(s)

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Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

Directors of the Company

Qing Tong (Executive Director)
Jack Tong (Executive Director)
Francesco Cannavo (Non-Executive Director)
Jun Li (Non-Executive Director)
Raymond Lim (Non-Executive Director)

Company Secretary

Mr Justyn Stedwell

Registered Office Address

C/- Level 14, 565 Bourke Street
Melbourne VIC 3000

Principal Place of Business

Room 1001, Floor 10
Southern Building
Yuanxing Science Technology Building
1 Beisongpingshan Rd, Nanshan District
Shenzhen, China

Proposed ASX Code:

WMC

Lead Manager

Beer & Co Pty Ltd
Suite 4, Level 2, 11-19 Bank Place
Melbourne VIC 3000

Corporate Advisor (China)

Beijing Ruihua Future Investment
Management Co. Ltd.
Room 1702, No.5 Jincheng Jianguo
Jianguo Gate North Street
Dongcheng District, Beijing China

Solicitors to the Company

Pointon Partners Lawyers
Level 14, 565 Bourke Street
Melbourne VIC 3000

Company Auditors

HLB Mann Judd (Vic Partnership)
Level 9, 575 Bourke Street
Melbourne VIC 3000

Investigating Accountants

HLB Mann Judd Corporate Finance Pty Ltd
Level 9, 575 Bourke Street
Melbourne VIC 3000

WONHE Group China Legal Advisors

Beijing Jingze Law Firm
Room 805, Building A
No 168 Guanganmen Wai Avenue
Xincheng District, Beijing China

Share Registry

Computershare Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

