



23 November 2021

Head of Admissions
National Stock Exchange of Australia Limited
1 Bligh Street
Sydney NSW 2000

To Whom it May Concern

Haodex Limited – Pre-quotation Disclosure

We refer to the listing application for Haodex Limited (ACN 623 392 325) (**Company**) to the National Stock Exchange of Australia Limited (**NSX**) dated 1 December 2020 including the original prospectus dated 25 November 2020 to raise up to a total of AU\$1,000,000. The original prospectus was subsequently varied by way of the following:

- replacement prospectus dated 9 December 2020;
- supplementary prospectus dated 19 December 2020;
- replacement prospectus dated 31 December 2020;
- supplementary prospectus dated 22 January 2021;
- supplementary prospectus dated 22 February 2021;
- supplementary prospectus dated 21 May 2021;
- supplementary prospectus dated 5 July 2021; and
- replacement prospectus dated 17 September 2021 (hereafter, referred to as the **Prospectus**).

The terms of the offer under the original prospectus were subsequently varied to raise a minimum of \$1,000,000 and up to a maximum of \$1,700,000 (**Offer**). The Offer closed on 31 January 2021 and the Company has raised a total of \$1,209,770 (before expenses) under the Offer.

On 19 November 2021, approval was granted to the Company for admission to the official list of the NSX, subject to certain conditions being met prior to the commencement of official quotation of the Company's shares.

The following information is provided to NSX for release to the market in connection with the Company's admission to the official list of NSX. We note that this pre-quotation disclosure letter contains certain statements which express the opinions of the directors. Terms undefined in this pre-quotation disclosure statement have the meaning given to them in the Prospectus.

1. Company Update

- 1.1 The Company has continued to experience growth across its e-commerce business channels Bulk Buy World and Monkey King. For the months of January to October 2021, Bulk Buy World has experienced a monthly average gross market trading volume (**GMV**) of 7,887,459.91 RMB (approx. A\$1,577,491.98) and Monkey King experienced a monthly average GMV of 2,728,954.01 RMB (approx. A\$545,790.80).
- 1.2 The software underpinning these channels has matured considerably. The English version of the Bulk Buy World e-commerce site is currently available and the English version of the Monkey King website is predicted to be available by March 2022. Membership numbers across



both sites have increased to 22,761 for Bulk Buy World and 894,100 for Monkey King as at 30 October 2021.

- 1.3 The Company's GMV has continued to rise, which the Company believes will have a positive effect on the Company's commission received based upon GMV.

2. **Divestment of the Dig-Exchange and Related Party Issues**

- 2.1 The Company previously operated a digital currency exchange named Dig-Exchange. On or about 24 September 2019 the Company entered into an agreement (**Asset Sale Agreement**) with Oilvest Pty Ltd (**Oilvest**) pursuant to which the Company sold the Dig-Exchange to Oilvest (**Divestment**). The Asset Sale Agreement was subsequently varied by a deed of variation executed on 24 December 2020 (**Deed of Variation**) and a side letter executed on 30 June 2021 (**Side Letter**).
- 2.2 The Company divested itself of the Dig-Exchange business as it determined that it no longer wanted to be in the business of Dig-Exchange as it no longer wanted Dig-Exchange to be part of its future plans even though the Company had spent a number of years developing the technology, sourcing clients and operating the business. The Company has expended significant funds throughout the development and operation of that business but wanted to focus its energies on operating MonkeyKing, BulkBuy and ultimately the Franks Haus businesses instead.

Status of Divestment

- 2.3 As at the date of this letter, the assets and business subject to the Asset Sale Agreement have been sold and the disposal of the Dig-Exchange has been completed. A deed of confirmation to this effect was executed between the parties on 18 January 2021. All title to, liabilities of, and risk in the Dig-Exchange and assets passed from Haodex to Oilvest on the operative date of the Asset Sale Agreement, being 1 July 2018. The Company confirms it has no liabilities in relation to Dig-Exchange and has no links or ongoing obligations to Dig-Exchange.

Payment of Consideration

- 2.4 Under the terms of the Asset Sale Agreement, as varied by the Deed of Variation and the Side Letter, the consideration for the Divestment comprised of:
- (a) \$1,000,000 payable in immediately available funds (**Cash Payment**);
 - (b) a bonus payment being 80% Oilvest's net profit after expenses, based on its previous years' profitability (**Bonus Payment**);
 - (c) \$2,100,000 payable for services related to ongoing technical support and services in relation to the Dig-Exchange (**Service Fee**); and
 - (d) final service fee of \$500,000 to be paid on or before 30 September 2021 (**Final Service Fee**).
- 2.5 The Company confirms that the Cash Payment was received during the 2020 financial year. The Bonus Payment is not payable as Oilvest was not profitable for the financial year ending 30 June 2020.
- 2.6 The Final Service Fee has been paid in full. Further, \$1,179,284 of the Service Fee has been received in cash by Haodex.
- 2.7 The Company advises that although it has the ability to enforce the payment of funds from Oilvest under the Asset Sale Agreement, there is no formal agreement between Oilvest and the Company that the remaining funds owing will be received. As with all commercial agreements, there is a risk that parties will not comply with their obligations.. Notwithstanding this, the Company advises that it intends to recover all funds owing to it by Oilvest under the Asset Sale Agreement.

- 2.8 As at the date of this letter, the following amounts remain outstanding from Oilvest to the Company:

Owing	Paid	Amount outstanding
Cash Payment		
\$1,000,000	\$1,000,000	nil
Bonus Payment		
nil	nil	nil
Service Fee		
\$2,100,000	\$1,179,284	\$920,716*
Final Service Fee		
\$500,000	\$500,000	nil
TOTAL		\$920,716

* Refer to paragraph 2.10 below for timing on this payment.

- 2.9 The Company notes that the Divestment was a significant related party transaction as a result of which over 90% of the Company's total revenue for FY2019 and FY2020 was derived from fees paid pursuant to the Asset Sale Agreement and provision of technical support services to Oilvest in relation to the Company's divestment of Dig-Exchange. For HY2021, 77.8% of the Company's total revenue was derived from fees paid pursuant to the Asset Sale Agreement.
- 2.10 The Company expects to receive a further \$200,000 outstanding under the Service Fee by 31 December 2021, and the remainder balance by 31 March 2022. The Company will keep the NSX informed in relation to receipt of any of these funds.

Related party issues

- 2.11 At the date of execution of the Asset Sale Agreement, Oilvest was a related party of the Company by virtue of chairman Frank Huang being a director of both the Company and Oilvest. On 11 February 2021, Mr Huang resigned from his director position of Oilvest. Mr Huang does not hold any shares in Oilvest.
- 2.12 The Asset Sale Agreement was negotiated between Mr Huang and Bin Chen. At the time of the negotiation:
- Mr Chen was the director of Oilvest;
 - the board of Haodex comprised of Mr Huang, Mr Chen, and Anne Huang;
 - the secretary of Haodex at the time was Anne Huang;
 - at the time of the Divestment, Mr Huang held one of one shares in Oilvest;
 - there were overlapping shareholdings between Oilvest and Haodex insofar as Mr Huang was a shareholder of Oilvest and also held shares in Haodex; and
 - Mr Huang subsequently disposed of his shares in Oilvest on 11 February 2021.

- 2.13 The Company is aware of the additional scrutiny that related party transactions may attract, especially for publicly listed entities. Under Chapter 2E of the *Corporations Act 2001* (Cth) (**Corporations Act**):
- (a) member approval must be acquired for a public company to give a financial benefit to a related party of the public company;
 - (b) the financial benefit must be given within 15 months after the approval; and
 - (c) giving a financial benefit to a related party includes selling an asset to the related party and supplying services to the related party.
- 2.14 Under section 210 of the Corporations Act, member approval is not required if the financial benefit is given on terms that would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length or are less favourable than arm's length terms.
- 2.15 The Company considers that the negotiation of the Asset Sale Agreement was carried out on arm's length terms as:
- (a) at the time of sale, the value of the Dig-Exchange business was difficult to determine due to the nature of the business and the most profit was generated through services and intellectual property;
 - (b) the purchase price of \$3,100,000 for the Business and Assets (as defined in the Asset Sale Agreement) is appropriate and reflects the considerations noted in paragraph (a) above and the market value for the divestment of the Dig-Exchange; and
 - (c) despite being related, each party acted in its own interests and their relation did not influence the negotiation of the terms of the Asset Sale Agreement.
- 2.16 The current Directors of the Company believe the Asset Sale Agreement was in the best interests of the Company and allowed the Company to proceed with its stated objectives.
- 2.17 As the terms of the Asset Sale Agreement were on arm's length terms, the Company did not require member approval to enter into the Asset Sale Agreement.
- 2.18 The Company confirms it has adopted a Conflict of Interest and Related Party Transaction Policy to ensure there are adequate arrangements to identify and manage conflicts of interest and related party transactions.

Licensing and Activities of Dig-Exchange

- 2.19 The Dig-Exchange is not operated under an Australian Financial Services Licence (**AFSL**). It only operates as a cryptocurrency exchange and has not been part of the operations of Haodex since 1 July 2018.
- 2.20 ASIC has indicated that in relation to cryptocurrency exchanges, an AFSL or a markets licence is only required where the coins offered on such an exchange are in and of themselves financial products. It is the Company's opinion that the coins offered on the Dig-Exchange are not financial products and are only digital currencies. The provision of exchange services (currency for currency) requires registration with the Australian Transactions Reports and Analysis Centre (**AUSTRAC**) in accordance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). Dig-Exchange is registered with AUSTRAC as a digital currency exchange provider (registration number DCE 100569102-001).
- 2.21 The Company confirms that neither it nor Dig-Exchange has ever hosted its own blockchain network and has never created, released or issued, or attempted to release, any platform coins which would be native to such a network. However, Dig-Exchange did previously introduce the DIGC cryptocurrency which was native to the Dig-Exchange platform. Haodex has had no activities in relation to the DIGC coin, or any 'platform coin' since the Divestment.

- 2.22 Dig-Exchange previously issued the DIGC cryptocurrency to recipients for free in an effort to attract customers to use the Dig-Exchange platform. A total of 40,000,000 DIGC coins have been given away. No funds were raised by giving the DIGC coins to persons. Dig-Exchange has never sold any DIGC coins, and nor has it sold, swapped or collected any other cryptocurrency coins such as Ethereum or Bitcoin in exchange for DIGC coins.
- 2.23 Dig-Exchange has never hosted an initial coin offering (**ICO**), being an event where a cryptocurrency is sold by a company to raise capital and investors purchase this from the company with the expectation that the coin would increase in value.
- 2.24 Dig-Exchange gave away the DIGC coins during its inception until 30 June 2018. At this point Frank Huang and Anne Huang were directors. DIGC coins were given away for reasons such as:
- (a) to attract people to sign up to the Dig-Exchange platform and website. To be eligible to receive free DIGC coins, new customers had to sign up to the Dig-Exchange platform and conduct a valid transaction on the platform. Each new customer who claimed their free DIGC coins within 60 days would be eligible to receive 200 DIGC coins. Free DIGC coins were available this way from 2018 to 2019;
 - (b) as rewards during particular promotion periods to encourage use of the Dig-Exchange website and platform. DIGC coins were gifted to existing Dig-Exchange users and calculated by reference to trading volume, with the amount of DIGC coins gifted being 50% of the trade's volume; and
 - (c) to the original shareholders of the Company as a once-off event. A total of 16,000,000 DIGC coins were given away to this group on the basis of 1,600 DIGC coins per 1 Share held.
- 2.25 Aside from DIGC coins, the Company also issued MKC coins. MKC coins can be purchased by customers on the Dig-Exchange platform. The MKC coin has been available since 1 March 2019. The MKC coin acts like a cash coupon or credit, with 1 MKC coin purchasable for 1RMB. Customers could purchase an MKC coin on the Dig-Exchange platform and then use that coin to make purchases on the MonkeyKing platform at a slight discount to the cash purchase price. Originally, payment on the MonkeyKing platform with the MKC coin would grant customers a 10% discount to the purchase price of products on the MonkeyKing platform, however the discount has since been reduced to 1%.
- 2.26 MKC coin is only an internal coin in the sense that it cannot be withdrawn or used elsewhere and is akin to a loyalty point and is not able to be redeemed for cash. Approximately 1,000,000 RMB of MKC coins have been sold, however we note that these funds were not 'raised' for the purposes of developing the MonkeyKing platform or growth of the business. This is because any purchases of a MKC coin would in effect be money paid to purchase products on the MonkeyKing platform. Monkey King received the coins back as payment for goods which were burned on receipt. As at May 2021, all MKC coins have been redeemed on the MonkeyKing platform.
- 2.27 There are no outstanding obligations attached to the issuance of the MKC coins.
- 2.28 At the time of selling the MKC coins Mr Huang was not a director of Monkey King Australia or Dig-Exchange.

Recognition in Financial Statements

- 2.29 NSX has requested the Company to explain to shareholders how and why Dig-Exchange was not included in the audited financial statements of the Company.
- 2.30 The Company notes that revenue in respect of FY2021, FY2020 and FY2019 recorded in the financial statements of Haodex is split as follows:

	FY2021	FY2020	FY2019
Service Fee	\$500,000	\$2,100,000	\$3,100,000
Monkey King	\$63,442	\$126,972	\$297,252
Commission on BulkBuy sales	\$840,516	-	-
Other	-	\$28,459	\$31,205
Total	\$1,403,958	\$2,255,431	\$3,428,457

** This table includes commission earned on the transactions described above in paragraph 1.1. The Company earns 1% commission for the transactions completed on BulkBuy and on average 2.5% commission for the transactions completed on Monkey King. However, in the case of Monkey King, this may vary from 0.5% up to 10% depending on the products sold.*

- 2.31 The most significant component of revenue for FY2020 was related to the Service Fee from related company Oilvest as described above in paragraph 2.4. The Service Fees were paid in respect of ongoing website and technical support and maintenance, use of intellectual property owned by Haodex Ltd, IT support and ongoing updates and security patches. Aside from review of the Asset Sale Agreement, the Company's auditor Rothsay Chartered Accountants (**Rothsay**) also obtained confirmation from the related party Oilvest as part of their audit procedures. Rothsay considers it appropriate that the Service Fees be classified as revenue and are recorded in accordance with Australian Accounting Standards (**Standards**).
- 2.32 To clarify, Dig-Exchange's exclusion from the audited financial statements of the Company is in accordance with the Standards as per the Asset Sale Agreement as the revenue derived by Haodex was related to Service Fees from Oilvest. There was no revenue derived from the Dig-Exchange business by Haodex. Further, as the Asset Sale Agreement took effect from 1 July 2018 it was accounted for as such in the 2019 financial report and this was confirmed as part of the auditor's audit testing. As such there are no subsequent events to be disclosed in the 2019 financial report.
- 2.33 In relation to the Divestment of Dig-Exchange, the amount received related to the Divestment was recognised as revenue (incorporated into Service Fee revenue). The costs capitalised related to the Dig-Exchange and remain capitalised due to it being considered recoverable as it is included in the agreement with Oilvest and there is a continued service fee.
- 2.34 The other revenue is comparatively immaterial and were subject to analytical procedures, with the Monkey King revenue being significantly impacted by the COVID-19 pandemic.
- 2.35 As stated in its audit opinion, Rothsay considers that the Company's financial report gives a true and fair view of the financial performance and position of Haodex and are in accordance with the Australian Accounting Standards. This opinion extends to the revenue and cash flows recorded in the financial statements.

3. Offer Price Valuation and Methodology

- 3.1 NSX has requested the Company to inform shareholders of how it has conducted a valuation of the Company's market capitalisation.
- 3.2 The Company would like to advise that it has used a comparative valuation methodology to determine its market capitalisation and valuation. The comparison has been conducted with reference to key peers including Taobao, JD.com, Pinduouo, Weipinhui, Tmall and Airbnb. Variables used for the comparison include market cap, core business type, location, listing venue, monthly active users and revenue.
- 3.3 The valuation assumes that the Company is a going concern and, no dividend payouts will be made in the foreseeable future.



- 3.4 These assumptions are appropriate as e-commerce platforms are valued at an early stage by their growth potential. They are not necessarily valued by reference to profitability or dividends.
- 3.5 Haodex is an omnichannel China-Australia business that aims to replicate the success of the surging “group buy” model where consumers can buy goods at a wholesale rate if a certain amount of people buy the product together. The Company is already operating with growth in revenue, customers and merchants. This omnichannel business model is operated through Monkey King and Bulk Buy World.
- 3.6 In addition to the core operations of the business, Haodex is leveraging its core omnichannel operations through the share accommodation market via Franks Haus, which is a Chinese home-share style business. Currently Franks Haus has a substantial databases of accommodation listings. The Company’s pre-offer valuation of approximately \$28 million assumes that there will be a 10% retention rate of listings on the Franks Haus platform and that these will be active in the future.
- 3.7 While the Company originally had plans to rework and launch the Franks Haus platform in the first half of the 2020 financial year, these plans were derailed by the onset of the COVID-19 pandemic and the ongoing travel restrictions that have been put in place as a result. The Company intends on waiting on these travel restrictions being lifted before reassessing when the Franks Haus platform should be launched.
- 3.8 The Directors of the Company have formed the view that the valuation is reasonable.

Cash Reserves

- 3.9 The Company’s business plans and revenue for 2020 was severely hampered by the impact of COVID-19 and this has had an effect on its existing cash reserves. As disclosed in the Prospectus, the Company’s cash reserves in Australia at the time of the Offer totalled \$17,780.
- 3.10 As at 31 December 2020, the Company’s cash and cash equivalents totalled \$394,251. This has since increased to \$1,314,708 for the financial year ending 30 June 2021, which comprises the following:

	FY2021	FY2020
Cash at bank and in hand	\$111,193	\$17,780
Share application moneys held on trust	\$1,203,515	-
	\$1,314,708	\$17,780

- 3.11 The Company would like to advise that despite the current economic circumstances the Company is revenue generative at present and has a clear means of generating revenue and sales. The business is in its growth phase and given the business has managed to survive throughout the COVID-19 pandemic the directors are comfortable that the business is sustainable and will be revenue generative in the years following listing.

4. Further Risk Disclosure

- 4.1 The Prospectus discloses at section 5.2.11 that the negative trade relations between Australia and China may impact ecommerce, though the Company is unable to forecast or predict any such impact. Currently, it appears that Chinese tariffs have been impacting wholesale shipments of Australian produce such as barley, wine, beef and lobsters. As the Company does not trade in these products and is primarily structured as a B2C business, it has not been impacted by the trade tensions as yet.

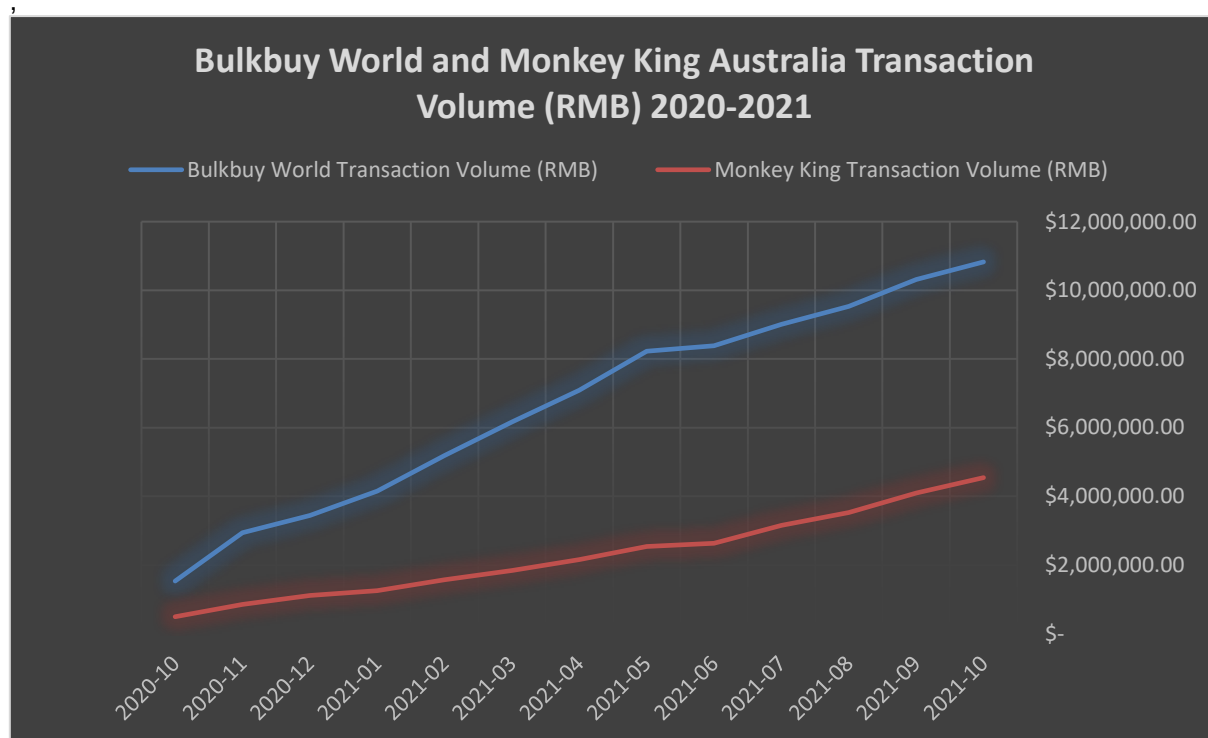
5. Marketing Activities

- 5.1 The Company notes that its e-commerce business, which is the Group’s principal activities in the business model for listing, saw an increase in its revenue from comprising 6% of total revenue for FY2020 to 64% for FY2021. From FY2020 to FY2021, there has been an increase



in e-commerce revenue of 85%. The Company also acknowledges that Franks Haus has not yet commenced operation.

- 5.2 The Company would like to advise shareholders that, despite restrictions imposed due to the ongoing COVID-19 pandemic and associated travel bans, the Company has begun extensive marketing and advertising for its businesses, with a focus on BulkBuyWorld in China.
- 5.3 In October 2020, BulkBuyWorld worked with a professional public relations company in China who has taken charge of increasing exposure, with the objective of increasing user sign ups through a variety of promotional outlets including social media marketing (employing Wechat advertising) and managing the businesses online presence (SEO optimisation on the largest search engines including Baidu and Google). BulkBuyWorld has also been running gift giveaway promotion deals on its platform, which has attracted a large group of new users to sign up that led to a significant impact on trading volume.
- 5.4 Below are disclosed the Monthly Transactional Performance figures for Bulk Buy World and Monkey King Australia as at October 2021.






6. **Financial Accounts**

- 6.1 The Company lodged its financial report for the 2021 full financial year (**2021 Accounts**) with ASIC on 28 October 2021. The 2021 Accounts are **attached** to this letter for your reference.
- 6.2 The consolidated historical and pro forma statement of financial position of the Company as at 31 October 2021 is **attached** to this letter.

For and on behalf of the Board.



Frank Huang
Chairman

**Consolidated historical and pro forma statement of financial position
at 31 October 2021**

31 October 2021	31 October 2021	\$1,209,770 raised Pro forma
	\$	\$
31 October 2021		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,534,624	1,348,873
Trade and other receivables	2,810,975	2,810,975
Inventories	30,619	30,619
Other assets	1,156,558	1,156,558
TOTAL CURRENT ASSETS	5,532,776	5,347,025
NON CURRENT ASSETS		
Deferred tax assets	5,934	5,934
Intangible assets	304,316	304,316
TOTAL NON CURRENT ASSETS	310,250	310,250
TOTAL ASSETS	5,843,026	5,657,275
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	150,891	150,891
Current tax liabilities	303,522	303,522
Employee entitlement	8,150	8,150
Other liabilities – presale funds	181,269	181,269
IPO Placement Monies Owed	1,209,770	-
TOTAL CURRENT LIABILITIES	1,853,602	643,832
TOTAL LIABILITIES	1,853,602	643,832
NET ASSETS	3,989,424	5,013,443
EQUITY		
Issued capital	2,217,862	5,542,529
Reserves	202,935	202,935
Retained earnings/(Losses)	1,398,146	(902,502)
Non-controlling interest	170,481	170,481
TOTAL SHAREHOLDERS EQUITY	3,989,424	5,013,443

Note: The pro forma historical Statement of financial position has been prepared based on the financial position as at 31 October 2021.