

JGY Holdings Limited

To be renamed “**Laishi Liquor Limited**”

ARBN 622 384 776 | NSX Code: JGY

PROSPECTUS

This prospectus is issued:

- (a) to facilitate the on-sale and secondary trading of Shares previously issued by the Company without a disclosure document; and
- (b) to re-comply with the listing requirements of NSX and to satisfy the NSX requirements for re-admission to the Official List following a significant change to the nature or scale of its activities.

This is an important document that should be read in its entirety. If you do not understand it or have any question on its contents, you should consult your professional adviser immediately. An investment in the shares of JGY Holdings Limited should be considered speculative.

The fact that NSX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or Shares now offered for subscription.

NSX takes no responsibility for the contents of this prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this prospectus.

IMPORTANT NOTICE

General Information: This prospectus is dated 29 June 2022 (**Lodgement Date**) and was lodged with ASIC on that date. No securities will be issued on the basis of this prospectus later than 13 months after the Lodgement Date.

Application will be made for listing of the Company's securities to NSX within seven days after the Lodgement Date. The fact that NSX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or its Shares.

NSX takes no responsibility for the contents of this prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this prospectus. ASIC takes no responsibility for the contents of this prospectus.

Investment decisions: This prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this prospectus.

Consolidation: Unless stated otherwise, all references to securities of the Company as set out in this prospectus assume that the Consolidation, for which Shareholder approval is being sought at the General Meeting to be held on 1 August 2022, has occurred.

Re-compliance with Chapter 4 of the Listing Rules: The Company is required to re-comply with Chapter 4 of the Listing Rules. This prospectus is a re-compliance prospectus for the purpose of satisfying Chapter 4 of the Listing Rules and to satisfy the NSX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

There is a risk that the Company may not be able to meet the requirements of the NSX for re-admission to the Official List, in the event the Condition is not satisfied or the Company does not receive conditional approval for re-admission to the Official List then the Company will not proceed with the Acquisition and the Cleansing Offer and all application monies will be returned to the applicants (without interest).

Conditional offer: The Cleansing Offer is conditional on the satisfaction (or waiver) of the Conditions Precedent to the Acquisition Agreement.

Accordingly, the Cleansing Offer is effectively inter-conditional on the successful completion of each other part of the Acquisition. In the event that Shareholders do not approve all of the Acquisition Resolutions at the General Meeting, the Cleansing Offer will not proceed and no Shares will be issued pursuant to this prospectus.

Restriction on distribution: No person may offer, sell or deliver Shares or distribute any documents (including this prospectus) to any person outside Australia, except in accordance with the legal requirements of the relevant jurisdiction.

Forward looking statements: This prospectus contains certain forward-looking statements concerning the Company's business operations, financial performance and condition as well the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this prospectus that are not of historical facts may be deemed to be forward-looking statements.

These forward-looking statements are based on management's current beliefs, assumptions and expectations about the Company's business and the industry in which the Company operates. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this prospectus may not be relied on and may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in section 7.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to rely on the forward-looking statements.

These forward-looking statements speak only as at the Lodgement Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. Potential investors should, however, review the factors and risks the Company describes in the reports to be filed from time to time with NSX after the Lodgement Date.

Electronic prospectus: This prospectus may be viewed online at <https://gzbnsjy.com/>. The information on the Company's website does not form part of this prospectus. The Company is entitled to refuse an application for Shares under this prospectus if it believes the Applicant did not receive the Cleansing Offer in Australia.

Any person accessing the electronic version of this prospectus for the purpose of making an investment in the Company must only access this prospectus from within Australia.

Financial Information: All financial information and amounts contained in this prospectus are expressed in AUD unless stated otherwise. In this prospectus, AUD equivalents of sums denominated in currencies other than AUD have been translated into the AUD using a fixed exchange rate of Chinese Yuan RMB1 = A\$0.20, unless otherwise stated.

Definitions: Capitalised terms used in this prospectus have the specific meaning given to them in the Glossary in section 11. Unless otherwise indicated, all references to dates and time are to dates and time in Australia.

Enquiries: You can find more information by speaking to your broker, lawyer, accountant or other professional adviser; by reviewing the Company's public announcements which are accessible from the NSX website under the code "JGY"; or by contacting the Company Secretary on +60 1159715203.

CORPORATE DIRECTORY

Directors	Company Secretary	Nominated adviser for the listing
<u>Current Directors¹</u> WANG Caifu <i>Chairman of the board and Chief Executive Officer</i>	<u>Current Company Secretary¹</u> Seong Kung Mah	Biztrack Consultants Private Limited Room 703 Kowloon Building 555 Nathan Road Hong Kong
SHANG Zonggen <i>Non-Executive Director</i>	<u>Proposed Company Secretary²</u> LI Xuekun	
HE Ping <i>Executive Director</i>	<u>Email address</u> info@jgy.qidao100.com	
<u>Proposed Directors²</u> Ilmars DRAUDINS <i>Proposed Non-Executive Chairman</i>	<u>Registered Office in Australia</u> 20/217 Hay Street Subiaco WA 6008	<u>Australian lawyer</u> Anser Legal Pty Ltd Office 15, 217 Hay Street Subiaco WA 6008
Long Huy (Bill) LAM <i>Proposed Non-Executive Director</i>	<u>Registered Office (Bainian Laishi)</u> 26/F, Block A7, Fuli Centre, Guanshanhu District, Guiyang City, Guizhou Province, China	
ZHANG Houyi <i>Proposed Executive Director</i>	<u>Registered Office (Guizhou Laishi)</u> Room 2, 16/F, Unit 1, Building E9 (No. 3 International Finance Street), Zone E, Huaguoyuan Project, Pengjiawan, Houjie, Huaguoyuan, Nanming District, Guiyang City, Guizhou Province	<u>Counsel as to Chinese law</u> Beijing Yingke (Shanghai) Law Firm No. 181, Jiangchang 3rd Road Jing'an District, Shanghai, China
	<u>Auditors of Laishi China³</u> Shanghai Tripod Certified Public Accountants	<u>Investigating accountant</u> MGI Perth Audit Services Pty Ltd 322 Hay Street Subiaco WA 6008
<u>Share Registry³</u> Advanced Share Registry 110 Stirling Highway Nedlands WA 6009 Tel: +61 8 9389 8033 Fax: +61 8 9262 3723	<u>Auditors of IWS³</u> HML PLT Chartered Accountants No.1-23B Jalan Desa 1/3, Desa Aman Puri 52100 Kuala Lumpur MALAYSIA	<u>Independent Market Researcher</u> Guangzhou Browledge Consulting Co., Ltd Room 301-1992, No. 6 Building No. 18, Kelin Road, Tianhe District, Guangzhou, Guangdong Province, China

1. The current Directors and current company secretary will resign on Completion.
2. The proposed Directors and proposed company secretary will be appointed with effect from Completion.
3. These persons were not involved in the preparation of this prospectus and have not made any statement included in this prospectus nor is there any statement made in this prospectus on the basis of any statement made by these persons. These persons did not consent to being named in this prospectus and did not authorise or cause the issue of this prospectus.

TABLE OF CONTENT

1	CHAIRMAN'S LETTER	1
2	INVESTMENT OVERVIEW	2
3	TRANSACTION OVERVIEW	13
4	LAISHI CHINA AND AN OVERVIEW OF ITS BUSINESS	17
5	RISK FACTORS	28
6	INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL INFORMATION	36
7	DIRECTORS, KEY MANAGEMENT AND CORPORATE GOVERNANCE	57
8	DETAILS OF THE CLEANSING OFFER.....	64
9	ADDITIONAL INFORMATION.....	69
10	DIRECTORS' STATEMENT	72
11	GLOSSARY	73
12	ANNEXURE A – INDUSTRY OVERVIEW OF THE CHINESE BAIJIU INDUSTRY	75
13	ANNEXURE B – CORPORATE GOVERNANCE STATEMENT	90

INDICATIVE TIMETABLE

Despatch of Notice of General Meeting	29 June 2022
Prospectus lodged with ASIC (Lodgement Date)	29 June 2022
Opening date of the Cleansing Offer	1 August 2022
General Meeting held to approve the Acquisition	1 August 2022
Issue of Shares under this prospectus and pursuant to the Acquisition Agreement	3 August 2022
Completion of the Acquisition	3 August 2022
Closing Date of the Cleansing Offer	4 August 2022
Despatch of holding statements	4 August 2022
Re-quotation of Shares for quotation of Shares on NSX	8 August 2022

Note:

1. The above dates are indicative only and may change without notice.
2. The Company reserves the right to extend the Closing Date or close the Cleansing Offer early without prior notice.
3. The re-quotation of Shares is subject to confirmation from NSX.
4. The date for Completion is only a good faith estimate by the Directors and may have to be extended.

1 CHAIRMAN'S LETTER

Dear Investor,

On behalf of the board of Directors of JGY Holdings Limited (to be renamed "Laishi Liquor Limited") (**Company**). I am pleased to present you with this prospectus.

As announced on 13 December 2021, the Company has entered into the Acquisition Agreement under which the Company has agreed to acquire 100% of International Wines & Spirits Trading Sdn. Bhd (**IWS**), a Malaysian company, from its current shareholder subject to IWS completing the acquisition of two Chinese operating companies, Guizhou Bainian Laishi Liquor Co., Limited (**Bainian Laishi**) and Guizhou Laishi Liquor Co., Limited (**Guizhou Laishi**) (together referred to as **Laishi China**).

In accordance with the Acquisition Agreement, the Company will issue 131,835,001 Shares to the IWS shareholders as consideration for the acquisition of IWS. A summary of the Acquisition Agreement is outlined in section 3.2.

Following Completion, the Company will focus on the development of the consolidated business of existing JGY and Laishi China.

The Company is not intending to raise any funds under this prospectus. An offer for 10 Cleansing Shares at \$0.106 per Share will be made to persons selected by the Company for the sole purpose of cleansing the Consideration Shares to be issued for the Acquisition.

The Company will seek the necessary Shareholder approvals required for Completion of the Acquisition (including the resulting change to the nature and scale of the Company's activities and the issue of the Consideration Shares to the IWS Shareholders) at its General Meeting to be held on 1 August 2022.

As a Board, we are very excited about the future direction and opportunities available to the Company.

Yours faithfully,


WANG Caifu
Executive Chair

2 INVESTMENT OVERVIEW

We have prepared this investment overview to help you make an informed investment decision by highlighting key information in this prospectus. Please note that the information in this section is only a selective overview to help you navigate this prospectus. It is not intended to replace this prospectus. You should read this prospectus in full before deciding whether to invest in the Shares.

2.1 Introduction

Question	Response	Section
Who is issuing this prospectus?	This prospectus is issued by JGY Holdings Limited (ARBN 622 384 776) (NSX:JGY) (Company or JGY).	1
What is the nature of our business?	<p>Historically, JGY's core business is the growing of grains, mainly wheat and rice, for sale. As a side business, JGY operates a liquor distillery producing baijiu, a traditional Chinese grain liquor.</p> <p>On 10 December 2021, the Company entered into the Acquisition Agreement pursuant to which the Company has agreed to acquire 100% of IWS which will, upon Completion, hold 100% of two Chinese operating entities, Bainian Laishi and Guizhou Laishi.</p> <p>Completion of the Acquisition will amount to a significant change of the Company's activities and is conditional upon the passing of all the Acquisition Resolutions.</p>	1
How will the Acquisition be implemented?	<p>At the Company's General Meeting, to be held on 1 August 2022, the Company will seek the approval of its Shareholders for the Acquisition Resolutions.</p> <p>The Company proposes to change its name to "Laishi Liquor Limited" in conjunction with Completion, which in the board's opinion will be better suited to the Company's new strategic direction.</p>	
Who is IWS?	IWS is a private company limited by shares incorporated in and under the laws of Malaysia. It is an intermediary company which will, through a wholly owned subsidiary registered in China, be the registered and beneficial holder of the entire equity capitals of Bainian Laishi and Guizhou Laishi on or before completion of the Acquisition.	3.1
Who are Bainian Laishi and Guizhou Laishi?	<p>Bainian Laishi and Guizhou Laishi are the two companies in China that together operate the business of Laishi China. They are vertically integrated in that:</p> <ul style="list-style-type: none"> Guizhou Laishi's business is to source base liquor and supply blended liquor in Laishi China's packaging; and Bainian Laishi's business is to market and sell Laishi Liquor products supplied by Guizhou Laishi. 	4.4
What is the purpose of this prospectus?	<p>This prospectus is issued:</p> <ul style="list-style-type: none"> to facilitate secondary trading of Shares previously issued by the Company; and 	

	<ul style="list-style-type: none">to re-comply with the listing requirements of NSX and to satisfy the NSX requirements for re-admission to the Official List.																																									
What is the purpose of the Cleansing Offer?	The Company is not raising any funds under this prospectus. However, the Company is making an offer of 10 Cleansing Shares at an issue price of \$0.106 per Share for the purpose of cleansing any Shares that are issued under chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date. The Cleansing Offer is only made to persons selected by the Company.	8.3																																								
Who will be the substantial Shareholders of the Company following completion of the Acquisition?	<p>The substantial Shareholders of the Company prior to and after the Acquisition is set out below:</p> <table><tr><th></th><th colspan="2">Prior to Acquisition</th><th colspan="2">Post-Acquisition</th></tr><tr><th>Shareholder</th><th>Number</th><th>% interest</th><th>Number</th><th>% interest</th></tr><tr><td>WANG Caifu¹</td><td>2,500,000</td><td>23.53%</td><td>Nil</td><td>Nil</td></tr><tr><td>HE Ping¹</td><td>873,750</td><td>8.22%</td><td>Nil</td><td>Nil</td></tr><tr><td>WANG Haotian</td><td>1,250,000</td><td>11.76%</td><td>1,250,000</td><td>0.88%</td></tr><tr><td>ZHANG Lijun</td><td>1,750,000</td><td>16.47%</td><td>1,750,000</td><td>1.23%</td></tr><tr><td>ZHANG Houyi²</td><td>Nil</td><td>Nil</td><td>90,589,863</td><td>63.59%</td></tr><tr><td>LAI Xingxin³</td><td>Nil</td><td>Nil</td><td>13,457,435</td><td>9.45%</td></tr></table> <p>Note:</p> <ol style="list-style-type: none">WANG Caifu and HE Ping are spouses and WANG Haotian is their adult son.ZHANG Houyi's post-Acquisition Shares will include:<ol style="list-style-type: none">3,373,750 Shares held by WANG Caifu and HE Ping, existing Directors; and12,500 Shares held by SHANG Zonggen, an existing independent Director,who have agreed under the Acquisition Agreement to transfer all their holdings to ZHANG Houyi at Completion of the Acquisition.LAI Xingxin is an adult son of ZHANG Houyi who is also a key manager of Laishi China.		Prior to Acquisition		Post-Acquisition		Shareholder	Number	% interest	Number	% interest	WANG Caifu ¹	2,500,000	23.53%	Nil	Nil	HE Ping ¹	873,750	8.22%	Nil	Nil	WANG Haotian	1,250,000	11.76%	1,250,000	0.88%	ZHANG Lijun	1,750,000	16.47%	1,750,000	1.23%	ZHANG Houyi ²	Nil	Nil	90,589,863	63.59%	LAI Xingxin ³	Nil	Nil	13,457,435	9.45%	4.13
	Prior to Acquisition		Post-Acquisition																																							
Shareholder	Number	% interest	Number	% interest																																						
WANG Caifu ¹	2,500,000	23.53%	Nil	Nil																																						
HE Ping ¹	873,750	8.22%	Nil	Nil																																						
WANG Haotian	1,250,000	11.76%	1,250,000	0.88%																																						
ZHANG Lijun	1,750,000	16.47%	1,750,000	1.23%																																						
ZHANG Houyi ²	Nil	Nil	90,589,863	63.59%																																						
LAI Xingxin ³	Nil	Nil	13,457,435	9.45%																																						

2.2 Overview of the business of Laishi China

Question	Response	Section
How will Laishi generate income?	<p>Laishi China products and sells sauce-aroma (or "jiang-flavour") baijiu, a popular type of baijiu distilled in China. It has two operating companies that are vertically integrated:</p> <ul style="list-style-type: none"> Guizhou Laishi which sources base liquor and supply blended liquor in Laishi China's packaging; and 	4.4

	<ul style="list-style-type: none"> Bainian Laishi which market and sell Laishi Liquor products supplied by Guizhou Laishi. <p>Laishi China does not have its own distillery. Guizhou Laishi sources the distilled liquor (which is referred to as “base liquor”) from local distilleries in Moutai Town, Guizhou Province.</p>	
What is Laishi China’s growth strategy?	<p>Following Completion, the Company’s main objectives are to:</p> <ul style="list-style-type: none"> advance and grow the existing business of Laishi China; acquire Laishi China’s own distillery factory to further vertically integrate its business; expand its domestic market footprint through existing and new distributor channels; if feasible, progressively expand into Australia through its Australian development plan detailed above; and strategically review its marketing strategies to improve its brand awareness in the market. 	4.6
Who are Laishi China’s customers and what is the market opportunity?	<p>Laishi China’s customers include both retail and wholesale customers. Their retail customers are mainly generated from online sales channels and promotional activities. Laishi China’s offline channels are through a concept called “Demonstration Stores” with wholesale customers and distributors. The arrangement is confirmed by a written framework agreement between the parties. As of the Lodgement Date, Laishi China has built up a nationwide network with over 270 wholesale customers and distributors in 15 out of the 32 provinces and municipalities in China.</p>	4.8
What are Laishi China’s products?	<p>The products of Laishi China include two main types:</p> <ul style="list-style-type: none"> custom-made baijiu based on client’s specific requirements on taste, alcohol degree, packaging etc; and its own-branded baijiu for general customers. <p>As at the Lodgement Date, Laishi Liquor has six branded product series.</p>	4.7
What material contracts do we have?	<p>The Company or Laishi China is a party to a number of material contracts which include the following:</p> <p><u>Contracts entered into by Guizhou Laishi</u></p> <ul style="list-style-type: none"> Purchase Cooperation Agreement between Guizhou Laishi and Bainian Laishi dated 1 August 2019 Product Cooperation Agreement between Guizhou Laishi and Renshen Liquor dated 23 May 2020 Product development agreements (various) 	4.9

Contracts entered into by Bainian Laishi

- Office lease agreement between Bainian Laishi and LIN Haiguang (a non-related party) dated 14 February 2019
- Demonstration Store Cooperation Agreements (various)

2.3 Key risk factors

Prospective investors should be aware that investing in the Company involves a number of risks and uncertainties. The risk factors summarised here and more fully explained in section 5 may affect the value of the Shares in the future. This section summarises only some of the risks which would apply to an investment in the Company. This summary does not include the risk management approaches we currently have in addressing some of the key risks. Please refer to section 5 for more details on our risks and risk management approaches.

Factor	Response	Section
<i>Risks in relation to the change to nature and scale of activities</i>		
Re-quotation of securities on NSX	<p>The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with the Listing Rules as if it were seeking admission to the Official List.</p> <p>There is a risk that the Company may not be able to meet the requirements of NSX for re-quotation of its Shares on NSX. Should this occur, the Shares will not be able to be traded on the NSX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.</p>	5.1(a)
Dilution risk	<p>Upon Completion, a total of 131,835,000 Consideration Shares will be issued to Laishi Investors, and:</p> <p>(a) the existing Shareholders will retain approximately 7.46% of the Company's issued Share capital; and</p> <p>(b) the Laishi Investors (or their nominees) will hold approximately 92.54% of the Company's issued share capital.</p>	5.1(b)
Liquidity risk	<p>On Completion, the Company proposes to issue the Consideration Shares to the Laishi Investors (or their nominees). As a significant number of the Company's Shares will be subject to escrow upon Completion, there is an increased liquidity risk as a large portion of issued capital may not be able to be freely traded for a period of time.</p>	5.1(c)
Contractual risk	<p>Pursuant to the Acquisition Agreement, Completion is subject to the fulfilment of certain Conditions Precedents, as identified in section 3.2.</p> <p>The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement. If any party</p>	5.1(d)

	defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which may be costly.	
Shareholding concentration	Upon Completion, ZHANG Houyi will have a relevant interest in 63.59% of the Company's issued Share capital and a voting power of 73.04% (together with his associate, LAI Xingxin) in the Company. Therefore, Mr Zhang has the ability to control the election of Directors and matters subject to ordinary resolution by the Shareholders. If the interests of Mr Zhang differ from the interests of the Shareholder, there is a risk that the Company may not be managed to the best interest of some of the other Shareholders. However, being a Shareholder as well as a Director (following Completion), Mr Zhang could reduce the agency cost of equity and better align his interests as Director with the interests of all other Shareholders.	5.1(e)
<i>Specific risks to our business</i>		
Food safety risk	<p>Baijiu is widely consumed in China. The quality and safety of baijiu products are essential to maintain and build consumer confidence. In recent years, there have been a number of negative publicities on food safety in the Chinese media which greatly increased consumer awareness on food safety issues.</p> <p>Laishi China is in the business of blending, packaging and selling of baijiu products. There is a risk that a food quality and safety issue may occur as a result of negligent practice or inadequate implementation of quality control systems. If this happens, Laishi China may be subject to negative publicity or administrative actions which may have a material adverse impact on the Company's product sales and brand reputation.</p>	5.2(a)
Contractual risks	<p>The standard demonstration store agreement Bainian Laishi uses for its wholesale customers is a type of framework agreement that is commonly used in China. There are with no particulars on quantity or pricing of products in the agreement which will be determined at the time that each purchase order is placed. The level of uncertainty in the framework agreement may not provide sufficient legal protection when there is a dispute between Bainian Laishi and one of its wholesale customers. Laishi China has not had any dispute of such nature and tries to mitigate the risk by maintaining good business relationship with the customers. However, there is risk that customers who sign cooperation agreements with Bainian Laishi may end the cooperation arrangement at any time during the contract term. Such termination may or may not result in material adverse financial loss to Bainian Laishi.</p> <p>Pursuant to the Food Safety Law of China, business entities engaging in food production need to have food production licence and those involved in food distribution whether wholesale or retail, need to have food operation licence.</p>	5.2(b)

	<p>Neither licence can be held by an individual. Among 275 wholesale customers of Bainian Laishi, there are individuals and business entities which do not have food operation licences. If any of the wholesale customers is engaged in a business of re-selling baijiu, there is a risk that the relevant local authority may order the cessation of the re-selling activities and the arrangement between Bainian Laishi and the customer as well as imposing a fine amounting to 10 times the actual sales amount on the non-compliant party under the Food Safety Law of China.</p> <p>Under some of the Demonstration Store Cooperation Agreements, a bank account in the name of Lai Xingxin or Guizhou Chixin Trade Co., Ltd (Chixin) was designated to receive the purchase money from wholesale customers. LAI Xingxin is the son of LAI Qianru and ZHANG Houyi and is the controller of Chixin. The Company has sought confirmation from the auditor of Laishi China that despite the designated bank account, actual moneys from the relevant sales were directly deposited into Bainian Laishi's business bank account. However, the use of a personal account to receive sales money could lead to incorrect sales figure in the company's accounts and cause issues with the relevant taxation department. Laishi China has agreed to amend the incorrect bank details when entering into new agreements or renewing the existing ones.</p>	
Market and competition risk	<p>Since Chinese government's crackdown on waste, extravagant spending, and corruption in 2012, including state-funded banqueting, high-end Chinese baijiu price and consumption dropped significantly for the following three to four years. In order to counteract the impacts caused by such trends, leading Chinese baijiu brands launched low-end products, leading to more competition in the low-end Chinese baijiu market. The high-end Chinese baijiu sales started to recover in the past three years because of growing ordinary consumers' buying power of more expensive Chinese baijiu and a return of banqueting in the private sector.</p> <p>As Chinese baijiu is consumed directly by consumers, brand recognition is of great importance for consumers when they are choosing the products. Laishi China's target market is low-to-medium. There are many well-known baijiu brands in China and it is expected that the industry will be further consolidated. Laishi China considers that the Chinese economy has been materially affected by COVID-19 and the lockdown measures imposed by the government. This is especially so for the low to middle income households. This will slow down the consolidation of the baijiu industry and result in more demand for low to medium end baijiu products.</p> <p>However, being in a highly competitive market still means that Laishi China is exposed to a risk that if it cannot increase its brand recognition, it may not be able to</p>	5.2(c)

	<p>compete with the other business offering similar products. This may adversely impact on its financial performance in the future.</p>	
Change in consumer preference	<p>Chinese baijiu market is also negatively affected due to the number of traffic accidents and health issues caused by drinking or over drinking alcohol, including baijiu. Chinese consumers are focusing more on their health. In addition, with the younger generations born after 1990 gradually becoming the main consumers, the demand for taste, alcohol content, aroma and appearance of baijiu may be different from previous consumers. The Company may need to accurately analyse these changes and adjust its baijiu products accordingly.</p> <p>If market demand for alcohol deteriorates or if the Company fails to timely adapt its products to consumer preferences, this may lead to a material change in consumer purchasing behaviour which may adversely impact on the Company's financial performance.</p>	5.2(d)
Relationships with distributors	<p>Laishi China sells its products mainly through distribution channels and its main customers are generally alcohol distributors in various regions. Laishi China does not have long term agreements with any of its current distributors. There is a risk that there may be less distributors in the future due to factors including less demand for its baijiu products, low brand recognition, or bad market environment. This may lead to less sales and thus adversely impact on Laishi China's financial performance.</p>	5.2(e)
Litigation risk	<p>Bainian Laishi is the defendant to an ongoing court dispute brought by a business consultancy company it previously engaged (Consultancy Company). The Consultancy Company requested that the General Consultancy Agreement for Listing between Bainian Laishi and the Consultancy Company to be terminated; Bainian Laishi to pay RMB 3,000,000 for breach of contract and that Bainian Laishi to pay costs of the litigation. Bainian Laishi engaged the Consultancy Company in December 2018 to provide services in relation to a proposed listing in Australia and paid RMB 1,000,000 as the initial deposit. However, since 11 December 2019, Bainian Laishi has not been able to contact the Consultancy Company nor has the Consultancy Company provided any services since then. Bainian Laishi considers that the General Consultancy Agreement has effectively been terminated on 11 December 2019 due to non-performance of the Consultancy Company's duties under the General Consultancy Agreement. Or alternatively, Bainian Laishi should not be liable to pay any fees in addition to the initial deposit given no services have been provided since 11 December 2019. A hearing for this case is yet to be set. The representing lawyer commented that the matter is being considered in the first instance and defence has been filed with the court. Based on her assessment of the facts, while there is no certainty</p>	5.2(f)

as to the outcome of the litigation, nonetheless there is a possibility that the court may find in favour of the Consultancy Company on its breach of contract claim. However, the amount of liquidated damages cannot be reasonably estimated at present. There is a risk that Bainian Laishi may be ordered to pay the claimed amount or a material amount of money to the Consultancy Company if the court finds in favour of the Consultancy Company. Management is of the opinion that even if Bainian Laishi is ordered to pay the full amount claimed by the Consultancy Company, it will not materially affect Bainian Laishi's ongoing operations.

In 2017, Kweichow Moutai Co., Ltd, the leading Chinese liquor maker brought a claim against several distilleries in the Moutai region to discontinue the production and sale of any baijiu products labelled "Laimou". Kweichow Moutai later won the legal dispute over the trademark "Laimou". Guizhou Laishi was one of the defendants to the claim and was ordered to cease production of any products using the "Laimou" products. Laishi China confirmed that "Laimou" has not been used in any of Guizhou Laishi's product series since the conclusion of the litigation. However, given that the sauce-flavour baijiu in the Moutai region is highly competitive and it is likely that similar or common word or phrase is used as product brand names, there is a risk that future disputes over infringement of trade market rights may emerge which may cause disruption to Laishi China's business.

Procurement of base liquor

Laishi China does not have long term contracts with any base liquor producer. Laishi China procures its base liquor regularly based on its estimated production requirements for the next half year or year. Given the nature of base liquor production, it is common practice for the local base liquor producers to store a large amount of base liquor from different productions years. Laishi China also stores certain quantities of base liquor at its storage units in Renshen Liquor. Therefore, the risk of a disruption in base liquor supply is considered to be low.

5.2(g)

Additional requirements for capital

To comply with the disclosure requirements in the Corporations Act, the Company is issuing a cleansing prospectus for the issue of the Consideration Shares. The Company is not raising any funds under the cleansing prospectus as Laishi China is considered to have sufficient funds to meet its business objects for the next 12 months. However, circumstances may change and Laishi China may need external funds to support its business operation or growth. The funds will likely be raised through equity financing. Failure to obtain sufficient financing may result in delay and indefinite postponement of our planned activities. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to us and might involve substantial dilution to the Shareholders.

5.2(h)

At present Laishi China has no detailed plan or calculation for either of these two scenarios. We will update the market if such plan has been made.

Laishi China experienced a decline in sales revenue for the months between April and September 2021 due to seasonality factors and a change in its marketing strategy. This resulted in a very low cash in bank figure at the end of September 2021 therefore would have required additional cash injections based on its cash burn requirements for normal business operations. The issue has since been resolved as Laishi China received prepayments from Laishi products ordered through its recent promotional activities.

There is a risk that circumstances may arise which could cause a material reduction in Laishi China's cash position. If Laishi China is not able to maintain its cash reserves through similar practices as described above, Laishi China may need to raise additional funds to ensure there is adequate cash to support its business operations. If this occurs, Laishi China intends to seek cash injections from Mr ZHANG Houyi, the proposed Executive Director prior to exploring other funding options.

Change in government policies and regulations

Chinese government has been encouraging Chinese baijiu industry consolidation to favourable production regions, leading companies and brands. If the Chinese government introduces more restrictions to the industry via tax, land, price, advertisement and promotion, this may impact more on smaller players in the industry and thus resulting in material adverse impact on the Company's business operations.

5.2(i)

Laishi China is subject to a range of laws, regulations and government policies in China dealing with food productions and sale of baijiu products. A change in government policy or regulation may occur due to economic conditions, budget deficits, political shifts or delays in the appropriate process, which may have an adverse impact on our future financial performance and position. Any future increase in the cost of regulatory compliance that is unable to be passed through to customers may also have an adverse impact on our future financial performance and position.

If Laishi China does not comply with the relevant laws, regulations and policies this may adversely affect the operational and financial performance of the business through corrective action, penalties, liabilities, restrictions on activities or suspension of operations, and could also cause reputational damage.

The Directors are not currently aware of any change of laws or regulations which may adversely affect our current business or business proposal and will closely monitor any proposed changes in the future to ensure compliance.

Other risks

Other than the above risks, the Company is also exposed to other risks including exchange rates movement, reliance on key personnel, internal controls, and reputational damages. General investment risks are also applicable to the Company including COVID-19 pandemic, investing in shares, and economic conditions.

5.2(j) to
5.2(m) and
5.3

2.4 Key people, interests, benefits and contracts

Question	Response	Section																
Who are the Directors and Proposed Directors?	<p>The Directors of the Company as at the Lodgement Date are as follows:</p> <table><tr><th>Director</th><th>Designation</th></tr><tr><td>WANG Caifu</td><td>Chairman and Chief Executive Officer</td></tr><tr><td>SHANG Zonggen</td><td>Non-Executive Director</td></tr><tr><td>HE Ping</td><td>Executive Director</td></tr></table> <p>It is proposed that upon Completion, the following Proposed Directors will be appointed to replace the existing Directors:</p> <table><tr><th>Director</th><th>Designation</th></tr><tr><td>Ilmars Draudins</td><td>Non-Executive Chair</td></tr><tr><td>Long Hui LAM</td><td>Non-Executive Director</td></tr><tr><td>ZHANG Houyi</td><td>Executive Director</td></tr></table> <p>See section 7.1 for their qualifications, work experience and shareholding in the Company.</p>	Director	Designation	WANG Caifu	Chairman and Chief Executive Officer	SHANG Zonggen	Non-Executive Director	HE Ping	Executive Director	Director	Designation	Ilmars Draudins	Non-Executive Chair	Long Hui LAM	Non-Executive Director	ZHANG Houyi	Executive Director	7.1
Director	Designation																	
WANG Caifu	Chairman and Chief Executive Officer																	
SHANG Zonggen	Non-Executive Director																	
HE Ping	Executive Director																	
Director	Designation																	
Ilmars Draudins	Non-Executive Chair																	
Long Hui LAM	Non-Executive Director																	
ZHANG Houyi	Executive Director																	
What are the significant interests of the Directors in the Company?	<p>As at the Lodgement Date, the Directors’ holdings in Shares are as follows:</p> <table><tr><th>Director</th><th>Number of Shares</th><th>% of issued capital</th></tr><tr><td>WANG Caifu</td><td>2,500,000</td><td>23.53%</td></tr><tr><td>SHANG Zonggen</td><td>12,500</td><td>0.12%</td></tr><tr><td>HE Ping</td><td>873,750</td><td>8.22%</td></tr></table> <p>WANG Caifu and HE Ping are spouses and therefore have a relevant interest in each other’s holdings.</p> <p>They also each has a relevant interest in WANG Haotian’s holdings which is disclosed in section 4.13. WANG Haotian is an adult son of WANG Caifu.</p>	Director	Number of Shares	% of issued capital	WANG Caifu	2,500,000	23.53%	SHANG Zonggen	12,500	0.12%	HE Ping	873,750	8.22%	7.4				
Director	Number of Shares	% of issued capital																
WANG Caifu	2,500,000	23.53%																
SHANG Zonggen	12,500	0.12%																
HE Ping	873,750	8.22%																

Question	Response	Section																											
	<p>It is proposed that upon Completion, the Directors' and Proposed Directors' holdings in Shares will be as follows:</p> <table> <tr> <th>Director</th><th>Number of Shares</th><th>% of issued capital</th></tr> <tr> <td colspan="3"><u>Current Directors</u></td></tr> <tr> <td>WANG Caifu</td><td>Nil</td><td>Nil</td></tr> <tr> <td>SHANG Zonggen</td><td>12,500</td><td>0.009%</td></tr> <tr> <td>HE Ping</td><td>Nil</td><td>Nil</td></tr> <tr> <td colspan="3"><u>Proposed Directors</u></td></tr> <tr> <td>Ilmars Draudins</td><td>Nil</td><td>Nil</td></tr> <tr> <td>Long Hui LAM</td><td>Nil</td><td>Nil</td></tr> <tr> <td>ZHANG Houyi</td><td>90,589,863</td><td>63,59%</td></tr> </table> <p>See section 7.4 for a breakdown of the Directors' direct and indirect interests.</p>	Director	Number of Shares	% of issued capital	<u>Current Directors</u>			WANG Caifu	Nil	Nil	SHANG Zonggen	12,500	0.009%	HE Ping	Nil	Nil	<u>Proposed Directors</u>			Ilmars Draudins	Nil	Nil	Long Hui LAM	Nil	Nil	ZHANG Houyi	90,589,863	63,59%	
Director	Number of Shares	% of issued capital																											
<u>Current Directors</u>																													
WANG Caifu	Nil	Nil																											
SHANG Zonggen	12,500	0.009%																											
HE Ping	Nil	Nil																											
<u>Proposed Directors</u>																													
Ilmars Draudins	Nil	Nil																											
Long Hui LAM	Nil	Nil																											
ZHANG Houyi	90,589,863	63,59%																											
What are the material benefits the Proposed Directors will be receiving from the Company upon listing?	<p>The Proposed Directors, once appointed, will be paid the following remuneration upon listing:</p> <table> <tr> <th>Director</th><th>Director's fee per annum</th><th>Wages, salaries and/or bonuses</th></tr> <tr> <td>Ilmars Draudins</td><td>\$20,000</td><td>Nil</td></tr> <tr> <td>Long Hui LAM</td><td>\$20,000</td><td>Nil</td></tr> <tr> <td>ZHANG Houyi</td><td>\$10,000</td><td>Nil</td></tr> </table>	Director	Director's fee per annum	Wages, salaries and/or bonuses	Ilmars Draudins	\$20,000	Nil	Long Hui LAM	\$20,000	Nil	ZHANG Houyi	\$10,000	Nil	7.4															
Director	Director's fee per annum	Wages, salaries and/or bonuses																											
Ilmars Draudins	\$20,000	Nil																											
Long Hui LAM	\$20,000	Nil																											
ZHANG Houyi	\$10,000	Nil																											

2.5 Key financial information

Question	Response	Section
How has the Company been performing?	<p>The Company is currently listed on the NSX and its financial history, including its previous annual reports can be found on the Company's NSX announcements platform (NSX:JGY) on www.nsx.com.au.</p> <p>The reviewed statement of financial position for the Company as at 30 September 2021 and the audited financial information for the financial years 2020 and 2019 are set out in the Limited Assurance Report in section 6.</p>	6
What is the financial outlook for the Company?	The reviewed pro-forma statement of financial position for the Company as at 30 September 2021 (which assumes that Completion has occurred) are set out in the Investigating Accountant's Report in section 6.	6
Does the Company have sufficient funds for its activities?	Yes. The funding for the Company's short to medium term activities will be generated from existing cash reserves.	

3 TRANSACTION OVERVIEW

3.1 Background

JGY was incorporated in Cayman Islands on 23 October 2017 and was registered under the Corporations Act as a foreign company on 21 November 2017 with a registration number ARBN 622 384 776. It was incorporated as an investment holding company that holds 100% indirect interest in two Chinese operating companies, Tianchang Jinguixiang Agriculture Co., Limited (**FarmCo**) and Pizhou Yinxingyuan Liquor Industry Co., Limited (**WineCo**). JGY's current core business is the growing of grains, mainly wheat and rice through FarmCo and it also operates a liquor distillery producing Chinese baijiu as a side business through WineCo. JGY's interests in WineCo was diluted to 40% in August 2021 with additional equity being issued to Beijing Zhongnong Foliage Natural Science Research Institute.

JGY was admitted to the Official List on 21 December 2017. However, trading in the Company's Shares has been suspended for the following periods and reasons:

Periods	Reasons
04/07/2018 – 17/07/2018	Failure to lodge audited financial statements – 31 March 2018.
19/12/2018 – 12/03/2019	Failure to lodge half yearly financials – 30 September 2018.
03/07/2019 – 17/07/2019	Failure to lodge audited annual financials – 31 March 2019.
19/08/2019 – 23/08/2019	Non-payment of annual listing fees.
18/12/2019 – 30/03/2019	Failure to lodge half yearly financial statements – 30 September 2019.
17/06/2020 – 29/09/2020	Failure to lodge preliminary financial report for 31 March 2020. Failure to lodge audited financial statements – 31 March 2020. Non-payment of 2020-2021 annual listing fees.
17/12/2020 - current	Failure to lodge half yearly financial statements – 30 September 2020. Failure to lodge preliminary financial report – 31 March 2021. Non-payment of annual listing fee 2021-2022. Failure to lodge half yearly financial statements – 30 September 2021.

The board has been working to bring its compliance status up to date and, in due course, looking for suitable opportunities to apply for reinstatement on NSX.

On 13 December 2021, the Company announced that it had entered into a Reverse Acquisition Agreement (**Acquisition Agreement**) to acquire an 100% interest in International Wines & Spirits Sdn. Bhd (**IWS**), a private company limited by shares incorporated in and under the laws of Malaysia (**Acquisition**). IWS is an intermediary company which will, through a wholly owned subsidiary registered in China (**WFOE**), be the registered and beneficial holder of the entire equity capitals of Guizhou Bainian Laishi Liquor Co., Limited (**Bainian Laishi**) and Guizhou Laishi Liquor Co., Limited (**Guizhou Laishi**) (together, **Laishi**

China) on or before completion of the Acquisition (**Completion**). The material terms of the Acquisition are set out in section 3.2.

Completion of the Acquisition is subject to the Company obtaining approval from its Shareholders of the following resolutions:

- (a) Resolution 1 – the Acquisition, if successfully completed, will represent a significant change in the nature and scale of the Company’s operations, for which Shareholder approval is required under Listing Rule 6.41;
- (b) Resolution 2 – Consolidation of capital;
- (c) Resolution 3 – the issue of 31,161,452 Consideration Shares to the Non-Related Investors (or their nominees) who are not related parties of the Company (other than as a result of the Acquisition);
- (d) Resolution 4 – acquisition of relevant interests in Shares by ZHANG Houyi;
- (e) Resolution 5 – acquisition of relevant interests in Shares by LAI Xingxin;
- (f) Resolution 6 – Election of ZHANG Houyi as a Director;
- (g) Resolution 7 – Election of Ilmars DRAUDINS as a Director;
- (h) Resolution 8 – Election of Longhuy (Bill) LAM as a Director; and
- (i) Resolution 9 – the change of the Company’s name to “Laishi Liquor Limited” with effect from Completion,

(together, **Acquisition Resolutions**)

Upon Completion, the Company will shift its focus towards the development of the business of Laishi China, being the sale and distribution of Chinese baijiu via demonstration stores and online e-commerce platforms in China. Details of Laishi China and its business is set out in section 4.

In March 2022, JGY announced the following outstanding accounts to NSX to bring its compliance up to date:

- (j) the auditor-reviewed financial statements for the six-month period ended 30 September 2020;
- (k) the audited financial statements for the year ended 31 March 2021; and
- (l) the auditor reviewed financial statements for the six-month period ended 30 September 2021,

(together, the **Historical Accounts**).

3.2 Terms of the Acquisition Agreement

The principal terms of the Acquisition Agreement are set out below:

Counter parties	Chua Kee Leng WANG Caifu and HE Ping, Directors of the Company ZHANG Houyi
Proposed acquisition	JGY will acquire 100% of IWS for \$14,000,000 through the issue of the following Shares (Consideration Shares): (a) the issue of 131,835,000 Shares to purchase 100 existing fully paid ordinary shares of IWS, representing 100% of IWS's issued capital; and (b) the issue of 1 Share to subscribe for an additional 999,900 new IWS Shares.
Completion	The sixth Business Day after the last of the conditions precedent is fulfilled (Completion).
Conditions precedents	Completion of the Acquisition is conditional upon: (a) the Company having lodged the Historical Accounts; (b) Laishi China being wholly owned subsidiaries of WFOE; (c) WFOE being a wholly owned subsidiary of the Company; (d) JGY lodging with ASIC a prospectus in relation to its issue of the Consideration Shares; (e) JGY completing the Consolidation (defined below); and (f) the following Shareholders' approval being obtained: (i) change of the Company's name; (ii) change of nature and scale of the Company's activities; and (iii) approval for the purpose of item 7 of section 611 of the Corporations Act for ZHANG Houyi to have a relevant interest in the Company's Shares of more than 20% as a result of the Acquisition. (together, Condition Precedents)
Share consolidation	Subject to Shareholders' approval, the Company will consolidate its 85,000,000 Shares on an 8:1 basis to 10,625,000 Shares (Consolidation).
Sale of JGY Sale Shares	Upon Completion: (a) WANG Caifu will transfer his holdings in the Company, being 2,500,000 Shares for a nominal consideration of \$1; and (b) HE Ping will transfer his holdings in the Company, being 873,750 Shares for a nominal consideration of \$1, to ZHANG Houyi (together, JGY Sale Shares).

Change of the Company's name	Subject to shareholders' approval, the Company will change its name to "Laishi Liquor Limited" or, if the name is not available for registration in both the Cayman Islands and Australia, a name to be designated by ZHANG Houyi.
Undertaking to vote in favour	Each of WANG Caifu and HE Ping undertakes that unless prohibited by a voting exclusion under the Listing Rules or by a direction from NSX, they will vote in favour of all resolutions proposed by the Company at the extraordinary general meeting which it will convene to seek Shareholders' approval as required under the Acquisition Agreement.
Change of directors	Upon Completion: (a) JGY will appoint ZHANG Houyi as a director of the Company; and (b) WANG Caifu and HE Ping will resign as directors of the Company.
Governing laws	The laws of Malaysia, the country of incorporation of IWS.

Mr CHUA Kee Leng is the sole shareholder of IWS and acts as a nominee of all investors that invested in Laishi China (**Laishi Investors**). The Consideration Shares to be issued upon Completion will be issued to the Laishi Investors, in proportion to their respective interests in the equity capital of Laishi China as agreed between the Laishi Investors and Laishi China. The Investors include ZHANG Houyi and LAI Xingxin which approval is sought in this Notice of Meeting for the Consideration Shares to be issued to them.

3.3 Change of name

Subject to Shareholder approval being obtained, the Company will change its name to "Laishi Liquor Limited" upon Completion, which in the Company's opinion will be better suited to the Company's new strategic direction.

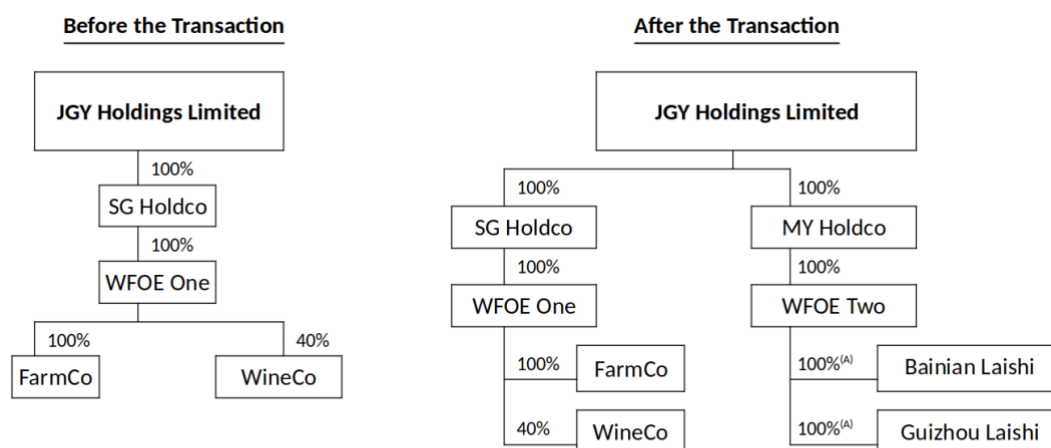
4 LAISHI CHINA AND AN OVERVIEW OF ITS BUSINESS

4.1 Industry overview of the Chinese baijiu industry

The Company has commissioned an independent market report to assist investors with understanding the Chinese baijiu industry which Laishi China's business is in. The material content of the market report is reproduced in Annexure A.

4.2 Corporate structure of the Company before and after the Acquisition

The corporate structure of the Company before and after the Acquisition is as follows:



Notes

^(A) WFOE Two holds 99.99% of the equity capitals of Bainian Laishi and Guizhou Laishi. The balance 0.01% of the equity capitals these two operating companies are held by ZHANG Houyi, the legal representative of these two operating companies and a proposed director of the Company. ZHANG Houyi has signed an acknowledgement that he hold these 0.01% stakes in the operating companies for the benefit of WFOE Two. Therefore, for accounting and all other purposes, the Company will treat Bainian Laishi and Guizhou Laishi as wholly-owned subsidiaries.

Abbreviations

SG Holdco	Microbat Singapore Pte. Ltd.
MY Holdco	International Wines & Spirits Sdn. Bhd
WFOE one	Tianchang Danguixiang Agricultural Products Co., Limited
WFOE Two	A wholly foreign company to be registered on or before Completion

Upon Completion, the Company will be renamed "Laishi Liquor Limited".

4.3 History of Laishi China

The founders of Laishi China are Zhang Houyi and Lai Qianru, who are husband and wife. The founders come from a family with a long history in the baijiu business, going back more than a hundred years. Laishi China's blending techniques has its origin tracing back to one of the founder's family business which started as early as the 1820s.

The following table is a summarised timeline of the founder's family business in the baijiu industry:

1826	Lai Zhengheng, a direct ancestor of Lai Qianru, founded the Maotai Shaochun Distillery. This distillery was later destroyed as a result of the uprisings during years of 1851-61.
1929	Lai Jiarong, a grandson of Lai Zhengheng, revived the family's baijiu business when his family invested in a major stake in the Hengchang Distillery. Under the Lai family's ownership, this distillery improved its distilling and blending techniques. During this time, the Lai family's Maotai liquor entered the Hong Kong market and became increasingly well-known.
1941	The Lai family took full control of Hengchang Distillery and renamed it Hengxing Distillery. The Lai family's liquor was rebranded as Laimao, with its brand logo designed as Dapengniao (大鵬鸟), an enormous legendary bird of prey in ancient Chinese mythology.
1953	The local government of Guizhou Province nationalised Hengxing Distillery and two other local distilleries in Maotai Town, who then consolidated them into a state-owned enterprise which is now the well-known Kweichow Moutai Co., Limited.
1982	Four years after China's reform and opening upon in 1978, Lai Shixian, a grandson of Lai Jiarong and son of Lai Yusheng, one of the three key managers of the Hengxing Distillery returned to Maotai Town with his daughter, Lai Qianru, to revive the Lai family's baijiu business. The revived business focuses on producing and selling the family's sauce-aroma baijiu. Since then, the market footprint of Lai's family baijiu business has expanded to more than 20 provinces and directly-administered cities all over China.
2009	Lai Shixian retired from active participation in Lai's family baijiu business. Lai Qianru and her husband Zhang Houyi registered Guizhou Laishi to consolidate and carry on Lai family's baijiu business.
2012	In 2012, Bainian Laishi was registered to act as the marketing and sales division of Laishi China, while Guizhou Laishi act as its production division.

4.4 Overview of our business

Laishi China consists of two operating companies that are vertically integrated:

	Guizhou Laishi	Bainian Laishi
Date of registration	24 March 2009	17 April 2012
Capital structure	100% held by ZHANG Houyi and LAI Qianru.	100% held by ZHANG Houyi.
Main business	To source base liquor and supply blended liquor in Laishi China's packaging.	To market and sell Laishi Liquor products supplied by Guizhou Laishi.

Laishi China's products are sauce-aroma (or "jiang-flavour") baijiu, a popular type of baijiu distilled in China. Baijiu (literally translated from Chinese, white liquor) is a colourless liquor typically coming in between 35% and 60% alcohol by volume and usually distilled from fermented sorghum. Sauce-aroma baijiu has a layered taste of herbs and fermented beans and a long aftertaste attributed to the different batches of base liquor used to be blended

and mixed into the final sauce-aroma baijiu product.

Laishi China is located in Moutai Town Guizhou Province where sauce-aroma baijiu is mainly produced. Moutai Town is home to the well-known brand Kweichow Moutai (also called Guizhou Maotai). The Moutai Town distillery region is located at the upper reaches of the Chishui River where water is pristine and rich in micronutrients. The makers of Guizhou Moutai, Shanghai-listed Kweichow Moutai Co., Limited, is China's most valuable listed company and the world's most valuable liquor and spirits company.



Figure 1 Map showing location of Laishi China

Laishi China does not have its own distillery. Guizhou Laishi sources the distilled liquor (which is referred to as “base liquor”) from local distilleries in Moutai Town. With different batches of base liquor it sources from these distilleries, Laishi China blends, bottles and packages them into final Laishi China's baijiu products. This blending and bottling plant operated by Laishi China is leased from and shared with Guizhou Renhuai Moutai Town Renshen Liquor Co., Limited (**Renshen Liquor**), an unrelated company. This

blending and bottling facility is located in Moutai Town and has an area of 30 mu (approximately 2 hectares). The capacity of this bottling facility is 100 million bottles per year. A summary of the Production Cooperation Agreement between Guizhou Laishi and Renshen Liquor is set out in section 8 of this Schedule. Renshen Liquor also has a distillery from which it produces and supplies base liquor, and is one of the suppliers of base liquor to Laishi China.



Base liquor storage unit at Renshen Liquor



Bottling workshop at Renshen Liquor

4.5 Australian business development plan

Subject to Completion and feasibility, having regard to the overall economic and travel conditions, the Company intends to explore the opportunity of working with a Western Australian distillery (**Australian Party**) to implement the following business development plan:

- (a) the Australian Party will develop a range of Australian produced gin, vodka or a mixture of other spirits which while do not materially differ in taste profile from Laishi China's existing products, but is sufficiently new and novel for Bainian Laishi to introduce to its customers to this new drinking experiences. In short, a range of Australian spirits with a Chinese consumer familiarity; and
- (b) the Australian Party will also provide its blending expertise to develop a range of baijiu which has a gin and/or vodka taste profile similar to the Australian Party's most popular range of products. In short, a range of Chinese baijiu with a new Australian twist.

Both ranges of products will be marked in their own unique and exclusive bottle and packaging which incorporate elements of modern Australian designs and that of traditional baijiu bottling/packaging. Both product ranges will be co-branded as being products of the collaboration between the Company and the Australian Party.

In the event that the collaboration can successfully proceed, the Company intends to employ a full-time local representative who has the relevant industry experience to carry out day-to-day management of the development of new range of baijiu with the Australian Party.

Subject to further market research, the Company will market the new range of baijiu, once developed, in China and Australia.

4.6 Growth strategy upon Completion of the Acquisition

Following Completion, the Company's main objectives are to:

- (a) advance and grow the existing business of Laishi China;
- (b) acquire Laishi China's own distillery factory to further vertically integrate its business;
- (c) expand its domestic market footprint through existing and new distributor channels;
- (d) if feasible, progressively expand into Australia through its Australian development plan detailed above; and
- (e) strategically review its marketing strategies to improve its brand awareness in the market.

4.7 Products of Laishi China

The products of Laishi China include two main types:

- (a) custom-made baijiu based on client's specific requirements on taste, alcohol degree, packaging etc.; and
- (b) its own-branded baijiu for general customers.

As at the Lodgement Date, Laishi Liquor has six branded product series.

Series of Laishi-branded sauce-aroma baijiu that Bainian Laishi sells as of the Lodgement Date



Lai's Sauce-aroma Chinese Baijiu 1826



Lai's Sauce-aroma Chinese Baijiu 1929



Lai's Sauce-aroma Chinese Baijiu 1941



Lai's Sauce-aroma Chinese Baijiu 2019



Lai's Sauce-aroma Chinese Baijiu 10-Years Collection



Lai's Sauce-aroma Chinese Baijiu 20-Years Collection

The Chinese baijiu market is fairly complex as there is a wide variety of baijiu in the market, with each brand fitting into a specific market segment. Generally, these can be categorised as being the super cheap or “value” baijiu, the standard priced baijiu and the most expensive and highly regarded baijiu. Laishi China offers a wide range of baijiu products, with its value baijiu being sold at recommended retail prices from RMB50 (approximately A\$10) per 500ml bottle, while its products in the standard product category selling at recommended retail prices of approximately RMB900 (approximately A\$180) per 500ml bottle.

4.8 Sales and marketing

Laishi products are sold through integrated online and offline channels with established online stores on major e-commerce platforms in China (namely, WeChat, Suning and Pinduoduo) and a nation-wide network of distributors.

Prior to 2021, Laishi China engaged an external marketing team who received commission-

based fees based on their sales performance. Following a review of Laishi China's business and financial performance, the management of Laishi China decided to discontinue the arrangement with this marketing team and directly engaged online sales staff to focus more on establishing its online stores and customer base. Laishi China experienced a decline in sales, particularly for the months between April and September 2021 which the management considers acceptable while the new strategy was being implemented and also because consumers tend to drink less baijiu during the summer months in China when the weather is hot.

Laishi China's offline channels are through a concept called "Demonstration Stores" with wholesale customers and distributors. The arrangement is confirmed by a written framework agreement between the parties, called "Demonstration Store Cooperation Agreement". See section 4.9(e) for a summary of the key terms of this agreement and section 5.2(b) for the relevant risk disclosures. As of the Lodgement Date, Laishi China has built up a nationwide network with over 270 wholesale customers and distributors in provinces and municipalities of Shandong, Hunan, Sichuan, Guangdong, Henan, Hubei, Fujian, Shanghai, Beijing, Tianjin, Liaoning, Zhejiang, Hebei, Yunnan and Jiangsu, with the core markets being Shandong, Henan and Hebei. This represents a coverage of 15 out of the 32 provinces, directly administered municipalities and autonomous regions in China. Due to the nature of the arrangement, the actual sales of Laishi products depend on the actual purchase orders put through by the wholesale customers and distributors. While Laishi China incentivise the customers and distributors with certain benefits if they reach an agreed sales target, it is not an obligation of the customers and distributors to reach it.

Laishi China's online e-commerce stores



WeChat Channel



Suning Store



Pinduoduo Store

To boost its online market presence, Laishi China will be opening their online stores on Taobao and JD.com, the top two e-commerce platforms in China, in the near term.

4.9 Material contracts

Other than disclosed elsewhere in this prospectus, the Company and its subsidiaries have entered into a number of important contracts. These are:

Contracts entered into by Guizhou Laishi

- (a) Purchase Cooperation Agreement between Guizhou Laishi and Bainian Laishi dated 1 August 2019

Under this agreement, Bainian Laishi has a right to sell all ranges of baijiu products from Guizhou Laishi within China. The agreement provides for the technical requirements of the product, receipt and acceptance of goods, settlement and payment terms. However, details of products and their prices will be set out in each purchase order.

As Guizhou Laishi and Bainian Laishi are both wholly-owned subsidiaries of the Company, this agreement is a related party transaction. This agreement reflects the internal business structure of Laishi China that Guizhou Laishi is an entity mainly used as an entity to source baijiu and Bainian Laishi is an entity mainly used to market and sell Laishi products. Any transactions between the two entities will be cancelled out and therefore will not be reflected in Laishi China's consolidated accounts.

This agreement is between the two operating subsidiaries of Laishi China and therefore is identified as a related party transaction.

- (b) Product Cooperation Agreement between Guizhou Laishi and Renshen Liquor dated 23 May 2020

Under this agreement, Renshen Liquor agreed to produce products up to 100,000 boxes per annum (approximately 60 tonnes) according to the packaging requirements provided by Guizhou Laishi. The agreement will be renewed on an annual basis.

During the cooperation period:

- (i) Renshen Liur will be liable for any costs incurred as a result of any production quality and packaging issues;
- (ii) if Renshen Liquor fails to deliver any ordered quantities and fails to rectify it on that delivery date, Renshen Liquor will be liable to pay 1% of the value of the undelivered products as liquidated damages;
- (iii) Renshen Liquor must not produce and sell Laishi's products without authorisation from Guizhou Laishi. Renshen Liquor must pay compensation at 2 times the market price of the unauthorised products;
- (iv) Guizhou Laishi will bear any loss incurred as a result of it refusing to accept any delivered products;
- (v) Guizhou Laishi must pay 0.1% interest on any overdue payments to Renshen Liquor; and
- (vi) Guizhou Laishi must not ask any other party to produce the products that it has agreed for Renshen Liquor to produce. Renshen Liquor is entitled to claim RMB200,000 in damages from Guizhou Laishi if this clause is breached.

(c) Product development agreements

In addition to the above material contracts, Guizhou Laishi is a party to two long-term product development agreements with unrelated wholesale customers to develop and sell particular series of baijiu products. The contract values are not material in nature and details of the contract are considered commercially sensitive. Neither of the agreements contain onerous or unusual terms.

Contracts entered into by Bainian Laishi

(d) Office lease agreement between Bainian Laishi and LIN Haiguang (a non-related party) dated 14 February 2019

The lease is in relation to Bainian Laishi's business office at Greenland Liansheng International, 8 Honest North Road, Guanshan Lake District, Guiyang City, Guizhou Province. The office has a floor area of 394.87 m². The lease period is from 14 February 2019 to 13 February 2024. The rent is RMB120,000 per annum and is payable semi-annually in arrears. Bainian Laishi also paid a security bond of RMB 10,000.

(e) Demonstration Store Cooperation Agreement

In addition to the above lease agreement and the Purchase Agreement with Guizhou Laishi, Bainian Laishi has entered into standard Demonstration Store Cooperation Agreement with most of its wholesale customers.

The agreement is a framework agreement which does not contain particulars on the quantity and price of Laishi products. The standard agreement has a one-year term with automatic rollover clause if neither party objects to the rollover.







Under this demonstration store arrangement:

- (i) the wholesale customer will pay an agreed amount in deposit to Bainian Laishi to purchase an initial batch of the Laishi products;
- (ii) Bainian Laishi provides training to the wholesale customer on the Laishi products and the company's marketing strategies;
- (iii) Bainian Laishi will provide support to the wholesale customer to market and sell the Laishi products;
- (iv) The wholesale customer is responsible to monitor the retail prices for Laishi products in the local market so that they will not fall below the lowest retail price set by Bainian Laishi; and
- (v) Bainian Laishi will bear any delivery costs except where the location is in remote areas. If the purchase amount by the wholesale customer reaches RMB 2,000,000 within the one-year contract period, the wholesale customer will be entitled to certain incentives and benefits from Bainian Laishi.

4.10 Intellectual property – trademarks

As at the Lodgement Date, Guizhou Laishi has 56 registered trademarks and Bainian Laishi has one registered trademarks. The material ones are listed below:

No	Trademark	Registration No.	Term	International Patent Classification
Guizhou Laishi				
1.	赖茜茹赖氏	40344372	28/03/2022 to 27/03/2030	35
2.	赖茜茹赖氏	34343977	21/06/2019 to 20/06/2029	33
3.	赖泉赖雨生	33650251	21/06/2021 to 20/06/2029	35
4.	赖雨生	31170107	14/10/2019 to 13/10/2029	35
5.	 賴世頤	12298836	28/08/2014 to 27/08/2024	35
6.	賴茜茹賴氏茅	11917556	07/06/2014 to 06/06/2024	35
7.	 賴雨生	11751207	28/04/2014 to 27/04/2024	32
8.	 百年雨生	11743777	28/06/2014 to 27/06/2024	35
9.		11743664	21/04/2014 to 20/04/2024	35
10.	賴泉	11739215	21/04/2014 to 20/04/2024	32
11.	賴泉	11739128	21/04/2014 to 20/04/2024	35
12.	 百年雨生	10233446	28/01/2013 to 27/01/2023	33

No	Trademark	Registration No.	Term	International Patent Classification
13.		9741596	14/09/2022 to 13/09/2032	33
14.		9712188	14/10/2012 to 13/10/2022	33
15.		8283842	07/11/2021 to 06/11/2031	33
16.		8181087	07/04/2021 to 06/04/2031	33
17.		1301833	07/08/2019 to 06/08/2029	33
Bainian Laishi				
18.		11803112	14/07/2014 to 13/07/2024	40

4.11 Properties

Guizhou Laishi owns one office unit under its name, namely an office unit located at Building E9, Area E, Pengjiawan Huaguoyuan Project, Nanming District in Guiyang City.

4.12 Capital structure prior to and post Completion of the Acquisition

Below is the proposed capital structure of the Company upon Completion of the Acquisition

	Shares	% interest
Current	85,000,000	N/A
Post Consolidation (8:1)	10,625,000	7.46%
Consideration Shares	131,835,000	92.54%
Cleansing Shares	10	0%
Total	142,460,010	100%

The Company has no other class of securities on issue as at the Lodgement Date.

4.13 Substantial Shareholders

The following are substantial shareholders of the Company as at the Lodgement Date:

Shareholder	Prior to Acquisition		Post-Acquisition	
	Number	% interest	Number	% interest
WANG Caifu ¹	2,500,000	23.53%	Nil	Nil
HE Ping ¹	873,750	8.22%	Nil	Nil
WANG Haotian	1,250,000	11.76%	1,250,000	0.88%
ZHANG Lijun	1,750,000	16.47%	1,750,000	1.23%
ZHANG Houyi ²	Nil	Nil	90,589,863	63.59%
LAI Xingxin ³	Nil	Nil	13,457,435	9.45%

Note:

1. WANG Caifu and HE Ping are spouses and WANG Haotian is their adult son.
2. ZHANG Houyi's post-Acquisition Shares will include:
 - a. 3,373,750 Shares held by WANG Caifu and HE Ping, existing Directors; and
 - b. 12,500 Shares held by SHANG Zonggen, an existing independent Director, who have agreed under the Acquisition Agreement to transfer all their holdings to ZHANG Houyi at Completion of the Acquisition.
3. LAI Xingxin is an adult son of ZHANG Houyi who is also a key manager of Laishi China.

4.14 Restricted securities

NSX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities they hold for up to 24 months from the date of quotation of the Company's Shares on NSX.

Subject to NSX's acceptance of our submission on securities to be restricted, we intend to have escrow arrangements in respect of 104,047,298 Shares, being Shares held by ZHANG Houyi and LAI Xingxin. These Shares will represent 73.04% of the Company's issued share capital following Completion. If NSX accepts our submission on securities to be restricted, ZHANG Houyi and LAI Xingxin will each enter into a restriction agreement with the Company and will be restricted from dealing in any share held by them during the escrow period.

4.15 Dividend policy

The Company's financial year ends on 31 March each year. The Company does not intend to pay dividends on securities for the financial year ending 31 March 2023 after listing as the business of Laishi China is in the expansion phase and thus may need to utilise all available funds. Any future determination as to the payment of dividends by the Company will depend on a variety of factors such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors.

4.16 Litigation

Other than as disclosed in section 5.2(f), Laishi China is not involved in any legal proceeding as at the date of this Notice of Meeting and the Directors are not aware of any legal proceedings pending or threatened against Laishi China.

5 RISK FACTORS

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

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

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

5.1 Risk in relation to the change to nature and scale of activities

(a) Re-quotation of securities on NSX

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with the Listing Rules as if it were seeking admission to the Official List.

There is a risk that the Company may not be able to meet the requirements of NSX for re-quotation of its Shares on NSX. Should this occur, the Shares will not be able to be traded on the NSX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

(b) Dilution risk

Upon Completion, a total of 131,835,000 Consideration Shares will be issued to Laishi Investors, and:

- (i) the existing Shareholders will retain approximately 7.46% of the Company's issued Share capital; and
- (ii) the Laishi Investors (or their nominees) will hold approximately 92.54% of the Company's issued share capital.

(c) Liquidity risk

On Completion, the Company proposes to issue the Consideration Shares to the Laishi Investors (or their nominees). As a significant number of the Company's Shares will be subject to escrow upon Completion, there is an increased liquidity risk as a large portion of issued capital may not be able to be freely traded for a period of time.

(d) Contractual risk

Pursuant to the Acquisition Agreement, Completion is subject to the fulfilment of

certain Conditions Precedent, as identified in section 3.2.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which may be costly.

(e) Shareholding concentration

Upon Completion, ZHANG Houyi will have a relevant interest in 63.59% of the Company's issued Share capital and a voting power of 73.04% (together with his associate, LAI Xingxin) in the Company. Therefore, Mr Zhang has the ability to control the election of Directors and matters subject to ordinary resolution by the Shareholders. If the interests of Mr Zhang differ from the interests of the Shareholder, there is a risk that the Company may not be managed to the best interest of some of the other Shareholders. However, being a Shareholder as well as a Director (following Completion), Mr Zhang could reduce the agency cost of equity and better align his interests as Director with the interests of all other Shareholders.

5.2 Specific risks to our business

(a) Food safety risk

Baijiu is widely consumed in China. The quality and safety of baijiu products are essential to maintain and build consumer confidence. In recent years, there have been a number of negative publicities on food safety in the Chinese media which greatly increased consumer awareness on food safety issues.

Laishi China is in the business of blending, packaging and selling of baijiu products. There is a risk that a food quality and safety issue may occur as a result of negligent practice or inadequate implementation of quality control systems. If this happens, Laishi China may be subject to negative publicity or administrative actions which may have a material adverse impact on the Company's product sales and brand reputation.

(b) Contractual risks

The standard demonstration store agreement Bainian Laishi uses for its wholesale customers is a type of framework agreement that is commonly used in China. There are with no particulars on quantity or pricing of products in the agreement which will be determined at the time that each purchase order is placed. The level of uncertainty in the framework agreement may not provide sufficient legal protection when there is a dispute between Bainian Laishi and one of its wholesale customers. Laishi China has not had any dispute of such nature and tries to mitigate the risk by maintaining good business relationship with the customers. However, there is risk that customers who sign cooperation agreements with Bainian Laishi may end the cooperation arrangement at any time during the contract term. Such termination may or may not result in material adverse financial loss to Bainian Laishi.

Pursuant to the Food Safety Law of China, business entities engaging in food production need to have food production licence and those involved in food distribution whether wholesale or retail, need to have food operation licence. Neither licences can be held by an individual. Among 275 wholesale customers of

Bainian Laishi, there are individuals and business entities which do not have food operation licences. If any of the wholesale customers is engaged in a business of re-selling baijiu, there is a risk that the relevant local authority may order the cessation of the re-selling activities and the arrangement between Bainian Laishi and the customer as well as imposing a fine amounting to 10 times the actual sales amount on the non-compliant party under the Food Safety Law of China.

Under some of the Demonstration Store Cooperation Agreements, a bank account in the name of Lai Xingxin or Guizhou Chixin Trade Co., Ltd (**Chixin**) was designated to receive the purchase money from wholesale customers. LAI Xingxin is the son of LAI Qianru and ZHANG Houyi and is the controller of Chixin. The Company has sought confirmation from the auditor of Laishi China that despite the designated bank account, actual moneys from the relevant sales were directly deposited into Bainian Laishi's business bank account. However, the use of a personal account to receive sales money could lead to incorrect sales figure in the company's accounts and cause issues with the relevant taxation department. Laishi China has agreed to amend the incorrect bank details when entering into new agreements or renewing the existing ones.

(c) Market and competition risk

Since Chinese government's crackdown on waste, extravagant spending, and corruption in 2012, including state-funded banqueting, high-end Chinese baijiu price and consumption dropped significantly for the following three to four years. In order to counteract the impacts caused by such trends, leading Chinese baijiu brands launched low-end products, leading to more competition in the low-end Chinese baijiu market. The high-end Chinese baijiu sales started to recover in the past three years because of growing ordinary consumers' buying power of more expensive Chinese baijiu and a return of banqueting in the private sector.

As Chinese baijiu is consumed directly by consumers, brand recognition is of great importance for consumers when they are choosing the products. Laishi China's target market is low-to-medium. There are many well-known baijiu brands in China and it is expected that the industry will be further consolidated. Laishi China considers that the Chinese economy has been materially affected by COVID-19 and the lockdown measures imposed by the government. This is especially so for the low to middle income households. This will slow down the consolidation of the baijiu industry and result in more demand for low to medium end baijiu products.

However, being in a highly competitive market still means that Laishi China is exposed to a risk that if it cannot increase its brand recognition, it may not be able to compete with the other business offering similar products. This may adversely impact on its financial performance in the future.

(d) Change in consumer preference

Chinese baijiu market is also negatively affected due to the number of traffic accidents and health issues caused by drinking or over drinking alcohol, including baijiu. Chinese consumers are focusing more on their health. In addition, with the younger generations born after 1990 gradually becoming the main consumers, the demand for taste, alcohol content, aroma and appearance of baijiu may be different from previous consumers. The Company may need to accurately analyse these changes and adjust its baijiu products accordingly.

If market demand for alcohol deteriorates or if the Company fails to timely adapt its products to consumer preferences, this may lead to a material change in consumer purchasing behaviour which may adversely impact on the Company's financial performance.

(e) Relationships with distributors

Laishi China sells its products mainly through distribution channels and its main customers are generally alcohol distributors in various regions. Laishi China does not have long term agreements with any of its current distributors. There is a risk that there may be less distributors in the future due to factors including less demand for its baijiu products, low brand recognition, or bad market environment. This may lead to less sales and thus adversely impact on Laishi China's financial performance.

(f) Litigation risk

Bainian Laishi is the defendant to an ongoing court dispute brought by a business consultancy company it previously engaged (**Consultancy Company**). The Consultancy Company requested that the General Consultancy Agreement for Listing between Bainian Laishi and the Consultancy Company to be terminated; Bainian Laishi to pay RMB 3,000,000 for breach of contract and that Bainian Laishi to pay costs of the litigation. Bainian Laishi engaged the Consultancy Company in December 2018 to provide services in relation to a proposed listing in Australia and paid RMB 1,000,000 as the initial deposit. However, since 11 December 2019, Bainian Laishi has not been able to contact the Consultancy Company nor has the Consultancy Company provided any services since then. Bainian Laishi considers that the General Consultancy Agreement has effectively been terminated on 11 December 2019 due to non-performance of the Consultancy Company's duties under the General Consultancy Agreement. Or alternatively, Bainian Laishi should not be liable to pay any fees in addition to the initial deposit given no services have been provided since 11 December 2019. A hearing for this case is yet to be set. The representing lawyer commented that the matter is being considered in the first instance and defence has been filed with the court. Based on her assessment of the facts, while there is no certainty as to the outcome of the litigation, nonetheless there is a possibility that the court may find in favour of the Consultancy Company on its breach of contract claim. However, the amount of liquidated damages cannot be reasonably estimated at present. There is a risk that Bainian Laishi may be ordered to pay the claimed amount or a material amount of money to the Consultancy Company if the court finds in favour of the Consultancy Company. Management is of the opinion that even if Bainian Laishi is ordered to pay the full amount claimed by the Consultancy Company, it will not materially affect Bainian Laishi's ongoing operations.

In 2017, Kweichow Moutai Co., Ltd, the leading Chinese liquor maker brought a claim against several distilleries in the Moutai region to discontinue the production and sale of any baijiu products labelled "Laimou". Kweichow Moutai later won the legal dispute over the trademark "Laimou". Guizhou Laishi was one of the defendants to the claim and was ordered to cease production of any products using the "Laimou" products. Laishi China confirmed that "Laimou" has not been used in any of Guizhou Laishi's product series since the conclusion of the litigation. However, given that the sauce-flavour baijiu in the Moutai region is highly

competitive and it is likely that similar or common word or phrase is used as product brand names, there is a risk that future disputes over infringement of trade market rights may emerge which may cause disruption to Laishi China's business.

(g) Procurement of base liquor

Laishi China does not have long term contracts with any base liquor producer. Laishi China procures its base liquor regularly based on its estimated production requirements for the next half year or year. Given the nature of base liquor production, it is common practice for the local base liquor producers to store a large amount of base liquor from different productions years. Laishi China also stores certain quantities of base liquor at its storage units in Renshen Liquor. Therefore, the risk of a disruption in base liquor supply is considered to be low.

(h) Additional requirements for capital

To comply with the disclosure requirements in the Corporations Act, the Company is issuing a cleansing prospectus for the issue of the Consideration Shares. The Company is not raising any funds under the cleansing prospectus as Laishi China is considered to have sufficient funds to meet its business objects for the next 12 months. However, circumstances may change and Laishi China may need external funds to support its business operation or growth. The funds will likely be raised through equity financing. Failure to obtain sufficient financing may result in delay and indefinite postponement of our planned activities. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to us and might involve substantial dilution to the Shareholders.

As present Laishi China has no detailed plan or calculation for either of these scenarios. We will update the market if such plan has been made.

Laishi China experienced a decline in sales revenue for the months between April and September 2021 due to seasonality factors and a change in its marketing strategy. This resulted in a very low cash in bank figure at the end of September 2021 therefore would have required addition cash injections based on its cash burn requirements for normal business operations. The issue has since been resolved as Laishi China received prepayments from Laishi products ordered through its recent promotional activities.

There is a risk that circumstances may arise which could cause a material reduction in Laishi China's cash position. If Laishi China is not able to maintain its cash reserves through similar practices as described above, Laishi China may need to raise additional funds to ensure there is adequate cash to support its business operations. If this occurs, Laishi China intends to seek cash injections from Mr ZHANG Houyi, the proposed Executive Director prior to exploring other funding options.

(i) Change in government policies and regulations

Chinese government has been encouraging Chinese baijiu industry consolidation to favourable production regions, leading companies and brands. If the Chinese government introduces more restrictions to the industry via tax, land, price, advertisement and promotion, this may impact more on smaller players in the industry and thus resulting in material adverse impact on the Company's business

operations.

Laishi China is subject to a range of laws, regulations and government policies in China dealing with food productions and sale of baijiu products. A change in government policy or regulation may occur due to economic conditions, budget deficits, political shifts or delays in the appropriate process, which may have an adverse impact on our future financial performance and position. Any future increase in the cost of regulatory compliance that is unable to be passed through to customers may also have an adverse impact on our future financial performance and position.

If Laishi China does not comply with the relevant laws, regulations and policies this may adversely affect the operational and financial performance of the business through corrective action, penalties, liabilities, restrictions on activities or suspension of operations, and could also cause reputational damage.

The Directors are not currently aware of any change of laws or regulations which may adversely affect our current business or business proposal and will closely monitor any proposed changes in the future to ensure compliance.

(j) Exchange rates movement

Laishi products are sold in China while the audited accounts for Laishi China are prepared in Australian dollar. If the movement in the exchange rates is material, this may have a materially adverse effect on the financial performance of Laishi China.

(k) Reliance on key personnel

Our success depends on the ability and performance of our key personnel, in particular the senior management team. Loss of key personnel, sustained underperformance by key personnel or an inability to recruit or retain suitable replacement or additional personnel may adversely affect our future financial performance.

(l) Internal controls

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

The Directors will continually review our system of internal controls and ensure that they are developed to, and maintained at, a level appropriate for a publicly listed company of comparable size and scale of operations. Any weaknesses in effective internal controls may create additional challenges in the Company complying with its continuous disclosure obligations. To mitigate risks associated with compliance with continuous disclosure obligations, we have adopted, as part of the Company's

corporate governance practices, a risk management and internal control policy. The policy requires each Director and employee of the Company to be responsible for ensuring regular communication between the Company and its subsidiary companies so that the board of Directors are fully aware of the business activities happening in China. The policy also requires any use of the Company's funds of more than A\$2,000 to be approved by a Non-Executive Director before the money can be taken out of the Company's bank account. In addition, the Company will appoint its nominated adviser and other suitable advisers to provide regular training and review of its compliance with Australian laws and continuous disclosure obligations.

(m) Reputational damage

Our reputation may be adversely affected by a number of factors, including failure to provide customers with the quality of service they expect, product liability claims, disputes or litigation with third party stakeholders, including customers, employees or suppliers. Any reputational damage may result in the cessation of existing customer relationships, loss of key employees, which may be harmful to our financial performance and lead to disruption in our operations.

5.3 General investment risks

(a) COVID-19

The outbreak of the current COVID-19 pandemic has greatly impacted and may continue to impact on the global economy including capital markets and metal prices. The Company's business and share prices may be adversely affected by the COVID-19 outbreak. The Company's business may also be impacted if travel plans and workplace restrictions are imposed. Any forced closure or cessation of works for the Company will adversely impact the Company's operations.

(b) Investment in securities

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

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

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

(c) Economic risk

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

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

(d) Changes in legislation and government regulation

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

**6 INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL
INFORMATION**



29 June 2022

The Directors
JGY Holdings Limited
C/- Unit 20, 217 Hay Street
Subiaco, WA 6008

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON THE JGY HOLDINGS LIMITED CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

1. INTRODUCTION

We have been engaged to report on the Historical Financial Information and Pro Forma Historical Financial Information of JGY Holdings Limited (the 'Company' or 'JGY') and its controlled entities (the 'Group') as at and for the period ended 30 September 2021.

On 10 December 2021, the Company announced it had entered into a Reverse Acquisition Agreement to acquire 100% of the issued share capital of International Wines & Spirits Sdn.Bhd. and its subsidiaries ('IWS') (the 'Acquisition').

Amongst other things, shareholder approval of the Acquisition and the significant change to nature and scale of the Company's activities that will result from the Acquisition, will be required at an upcoming general meeting of shareholders. In addition, the Company will need to apply for re-admission to the Official List of the National Stock Exchange of Australia ('NSX').

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

2. BACKGROUND

JGY is a public company which is incorporated in Cayman Islands and was listed on the National Stock Exchange of Australia (NSX: JGY). Historically, JGY's core business is growing grains, mainly wheat and rice, for sale. JGY operates a liquor distillery producing baijiu, a traditional Chinese grain liquor, as a side business. The Company's shares have been suspended on the NSX since 17 December 2020.

On 10 December 2021, the Company has entered into the Acquisition Agreement pursuant to which the Company has agreed to acquire 100% of IWS, which will, upon settlement of the Acquisition, hold 100% of two Chinese operating entities, Guizhou Bainian Lai's Liquor Co., Limited ('Bainian Laishi') and Guizhou Lai's Liquor Co., Limited ('Guizhou Laishi').

The consideration for the acquisition of IWS is AUD\$14,000,000 to be satisfied by 131,835,000 ordinary shares, on a post-consolidation basis, on completion.

The acquisition of IWS will result in a significant change to the nature and scale of the Company's operations.

IWS was incorporated in Malaysia on 2 November 2021. The Company is a holding company of Bainian Laishi and Guizhou Laishi (together referred to as Laishi China"). The principal activity of the Bainian Laishi is engaged in the trading of liquor, while the principal activity of the Guizhou Laishi is engaged in the manufacturing of liquor.

For accounting purposes, the acquisition of IWS will be accounted for as a reverse acquisition and IWS will be deemed to be the accounting acquirer in the business combination. The Pro-Forma financial information has therefore been prepared as a continuation of the business and operations of IWS. Accordingly, the Pro-Forma consolidated statement of financial position of JGY as at 30 September 2021 incorporates the net assets/(liabilities) of JGY and IWS as if the Group was headed by IWS. At the acquisition date, the net assets of IWS are recorded at their book values, and the net liabilities of JGY are recorded at their fair values

3. SCOPE OF REPORT

The following Historical Financial Information of JGY and Pro-forma financial information of IWS included in the Prospectus: (IWS was incorporated on 2 November 2021. As such, no historical financial information is presented for the Company)

- The Consolidated Pro-Forma Statement of Profit or Loss and other Comprehensive income of IWS for the six months ended 30 September 2021, and Consolidated Statutory Historical Statement of Profit or Loss and other Comprehensive income of JGY for the two years ended 31 March 2020, 31 March 2021 and six months ended 30 September 2021;
- The Consolidated Pro-Forma Statement of Cash flows of IWS for the six months ended 30 September 2021, and Consolidated Statutory Historical Statement of Cash flows of JGY for the two years ended 31 March 2020, 31 March 2021, and six months ended 30 September 2021;
- The Consolidated Pro-Forma Statement of Financial Position of IWS as at 30 September 2021, and Consolidated Statutory Historical Statement of Financial Position of JGY as at 31 March 2020, 31 March 2021 and 30 September 2021; and
- The Consolidated Pro-Forma Statement of Financial Position of JGY as at 30 September 2021 is adjusted on the basis of the acquisition of 100% of the share capital of IWS (using 30 September 2021 Consolidated Pro-Forma statement of financial position of IWS) and the completion of the certain other transactions as disclosed in this report.

Sources of information

The Statutory Historical Financial Information has been extracted from the financial reports of JGY Holdings Limited for the six months ended 30 September 2021 and years ended 31 March 2021 and 31 March 2020 (the 'financial reports'). IVAN & HO was the auditor for financial reports for the six months ended 30 September 2021 and the year ended 31 March 2021, and J. K. TAN & CO was the auditor for the year ended 31 March 2020 financial report. It has been audited in accordance with International Standards on Auditing.

IVAN & HO did not express an audit opinion on the financial report of JGY Holdings Limited for the six months ended 30 September 2021 due to not being able to obtain sufficient and appropriate evidence regarding the Group's ability to continue as a going concern.

IVAN & HO issued the same opinion for the financial report for the year ended 31 March 2021. An unmodified opinion was issued by J. K. TAN & CO for the year ended 31 March 2020.

Statutory Historical and Pro-Forma Financial Information

The Statutory Historical Financial Information for IWS has been extracted from the Pro-Forma consolidated financial statements of International Wines & Spirits Sdn.Bhd. for the six months ended 30 September 2021.

The Consolidated Pro-Forma Statement of Profit or Loss and other Comprehensive income of IWS for the six months ended 30 September 2021, and consolidated Statutory Historical Statement of Profit or

Loss and other Comprehensive income of JGY for the two years ended 31 March 2020, 31 March 2021 and six months ended 30 September 2021 are included at Appendix 1 and are presented without adjustment.

The Consolidated Pro-Forma Statement of Cash flows of IWS for the six months ended 30 September 2021, and consolidated Statutory Historical Statement of Cash flows of JGY for the two years ended 31 March 2020, 31 March 2021 and six months ended 30 September 2021 are included at Appendix 2 and are presented without adjustment.

The Consolidated Pro-Forma Statement of Financial Position of IWS as at 30 September 2021, and Consolidated Statutory Historical Statement of Financial Position of JGY as at 31 March 2020, 31 March 2021 and 30 September 2021 are included at Appendix 3 and presented without adjustment.

The Consolidated Pro-Forma Statement of Financial Position of JGY as at 30 September 2021 adjusted to include the acquisition to be completed pursuant to the Prospectus and the completion of certain other transactions is included in Appendix 4, as if those events and transactions occurred as at 30 September 2021.

4. SCOPE OF REVIEW

Directors' Responsibility

The directors of JGY Holdings Limited are responsible for the preparation of the Historical Financial Information and Pro Forma Consolidated Historical Financial Information, including the selection and determination of Pro Forma adjustments made to the Historical Financial Information and included in the Pro Forma Consolidated Historical Financial Information. This includes responsibility for such internal control as the directors determine are necessary to enable the preparation of the Historical Financial Information and Pro Forma Consolidated Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Consolidated Financial Information based on procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Auditing Standards.

Our 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.

CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that;

- the Consolidated Pro-Forma Statement of Profit or Loss and other Comprehensive income of IWS for the six months ended 30 September 2021, and consolidated Statutory Historical Statement of Profit or Loss and other Comprehensive income of JGY for the two years ended 31 March 2020, 31 March 2021 and six months ended 30 September 2021, as set out in Appendix 1, do not present fairly the results for the period then ended in accordance with the accounting methodologies required by Australian Accounting Standards.

- the Consolidated Pro-Forma Statement of Cash flows of IWS for the six months ended 30 September 2021, and consolidated Statutory Historical Statement of Cash flows of JGY for the two years ended 31 March 2020, 31 March 2021 and six months ended 30 September 2021, as set out in Appendix 2, do not present fairly the cashflows for the period then ended in accordance with accounting methodologies required by Australian Accounting Standards;
- the Consolidated Pro-Forma Statement of Financial Position of IWS as at 30 September 2021, and Consolidated Statutory Historical Statement of Financial Position of JGY as at 31 March 2020, 31 March 2021 and six months ended 30 September 2021, as set out in Appendix 3, do not present fairly the assets and liabilities, in accordance with the accounting methodologies required by Australian Accounting Standards;
- the Consolidated Pro-Forma Statement of Financial Position of the Company, as set out in Appendix 4, does not present fairly the assets and liabilities of the Company and its controlled entities as at 30 September 2021 in accordance with the accounting methodologies required by Australian Accounting Standards and on the basis of assumptions and transactions set out in Note 1 of Appendix 4

5. MEASUREMENT OF ASSETS AND LIABILITIES ACQUIRED

The acquisition of JGY (for accounting purposes, JGY is treated as the acquiree) as recorded in the Consolidated Pro-Forma Statement of Financial Position reflects provisional amounts allocated to the assets and liabilities acquired.

The assets and liabilities acquired will be remeasured after the completion of the acquisition. Whilst the total net assets acquired are not expected to change significantly, the allocation between the different types of assets acquired may change somewhat as a result of this re-measurement.

6. SUBSEQUENT EVENTS PRIOR TO THE PROSPECTUS

There are no events subsequent to the balance date and prior to this Prospectus which are to be disclosed or included in the Pro Forma Consolidated Historical Financial Information.

7. RESTRICTION ON USE

The financial information included in the Prospectus by reference has been prepared in Australian dollars and in accordance with Australian Accounting Standards and the Group's adopted accounting policies. The information set out in the Prospectus, and the pro forma financial information should be read together with:

- The risk factors described in Section 5 of the Prospectus;
- The Independent Limited Assurance Report on the historical and Pro Forma Financial Information set out in Section 6 of the Prospectus; and
- Other information contained in this Prospectus by reference.

LIABILITY

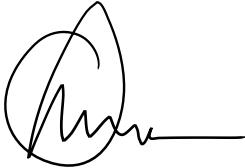
MGI Perth Audit Services Pty Ltd has consented to the inclusion of this report in the Prospectus in the form and context of which it is included. Our liability is limited to the including of the report in the Prospectus. We make no representation regarding and has no liability for any other statement, including omissions from the Prospectus.

DECLARATION ON INTEREST

MGI Perth Audit Services Pty Ltd does not have any interest in the outcome of the Offer other than in the preparation of this report, for which normal professional fees will be received.

Yours faithfully,

MGI PERTH AUDIT SERVICES PTY LTD

A handwritten signature in black ink, consisting of a large, stylized capital 'C' followed by a series of loops and a horizontal line extending to the right.

CLAYTON LAWRENCE
Director

APPENDIX 1:

Below is International Wines & Spirits Trading SDN.BHD.'s Consolidated Pro-Forma Statement of Profit or Loss and other Comprehensive income for the six months 30 September 2021. The results of JGY have not been included and the statement does not incorporate the Pro-Forma adjustments set out in Appendix 4.

INTERNATIONAL WINES & SPIRITS TRADING SDN.BHD. AND CONTROLLED ENTITIES

CONSOLIDATED PRO-FORMA STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	30 Sep 2021 HY AUD \$
Revenue	1,905,648
Cost of sales	(1,444,813)
Gross profit	<u>460,835</u>
Other income	2,295
Selling and distribution expenses	(629,123)
Administration expenses	(464,335)
Operating expenses	(136)
Loss from operations	<u>(630,464)</u>
Finance costs	(8,927)
Loss before tax	<u>(639,391)</u>
Income tax expense	-
Loss for the period	<u>(639,391)</u>
Other comprehensive income	
Foreign exchange differences	81,634
Total comprehensive income for the period	<u>(557,757)</u>

APPENDIX 1:

Below is JGY Holdings Limited's Consolidated Statutory Historical Statement of Profit or Loss and other Comprehensive income for the two years ended 31 March 2020, 31 March 2021 and six months ended 30 September 2021. The results of IWS have not been included and the statement does not incorporate the Pro-Forma adjustments set out in Appendix 4.

JGY HOLDINGS LIMITED CONSOLIDATED STATUTORY HISTORICAL STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020 TO 30 SEPTEMBER 2021

	30 Sep 2021	31 Mar 2021	31 Mar 2020
	HY	FY	FY
	AUD \$	AUD \$	AUD \$
Revenue	-	-	2,328,275
Cost of sales	-	(315,023)	(1,638,120)
Gross profit	-	(315,023)	690,155
Other income	-	-	287
Administration expenses	-	(19,938,794)	(459,532)
Operating expenses	-	(9,606,194)	(1,057,108)
(Loss)/profit before tax	-	(29,860,011)	(826,198)
Income tax expense	-	-	(3,174)
(Loss)/profit for the period	-	(29,860,011)	(829,372)
Other comprehensive income			
Foreign exchange differences	(44,037)	(914,965)	1,056,660
Total comprehensive income for the period	<u>(44,037)</u>	<u>(30,774,976)</u>	<u>227,288</u>

APPENDIX 2:

Below is IWS's Consolidated Pro-Forma Statement of Cash Flows for the year ended 30 September 2021. The results of JGY have not been included and the statement does not incorporate the Pro-Forma adjustments set out in Appendix 4.

INTERNATIONAL WINES & SPIRITS TRADING SDN.BHD. AND CONTROLLED ENTITIES

CONSOLIDATED PRO-FORMA STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

AUD \$

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from Customers	107,895
Payments to Suppliers and Employees	(317,007)
Interest Paid	(7,956)
Net cash provided by operating activities	217,068

CASH FLOW FROM INVESTING ACTIVITIES

Payments for purchase of property, plant & equipment	(576)
Net cash used in investing activities	(576)

CASH FLOW FROM FINANCING ACTIVITIES

Repayment of lease liabilities	(41,725)
Repayment of finance lease payables	(21,796)
Net cash used in financing activities	(63,421)

Effect of Foreign Exchange translation	11,448
Net increase in cash held	269,617
Opening balance of cash and cash equivalents	334,858
Closing balance of cash and cash equivalents	65,241

Cash and cash equivalents comprise:

Cash and bank balances	65,241
------------------------	--------

APPENDIX 2:

Below is JGY's Consolidated Statutory Historical Statement of Cash Flows for the three years ended 31 March 2020, 31 March 2021, and 30 September 2021. The results of IWS have not been included and the statement does not incorporate the Pro-Forma adjustments set out in Appendix 4.

JGY HOLDINGS LIMITED

CONSOLIDATED STATUTORY HISTORICAL STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020 TO 30 SEPTEMBER 2021

	30 Sep 2021 HY AUD \$	31 Mar 2021 FY AUD \$	31 Mar 2020 FY AUD \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from Customers	10,256,460	10,784,786	-
Payments to Suppliers and Employees	(11,619,671)	(10,789,106)	2,615
Taxation Paid	(23,226)		
Net cash used in operating activities	(1,386,437)	(4,320)	
CASH FLOW FROM INVESTING ACTIVITIES			
Deconsolidation of a subsidiary	-	-	(933)
Net cash used in investing activities	-	-	(933)
Effect of Foreign Exchange translation	28,043	(1,291)	-
Net decrease in cash held	(1,358,437)	(5,611)	1,682
Opening balance of cash and cash equivalents	1,402,142	43,748	38,137
Closing balance of cash and cash equivalents	43,748	38,137	39,819
Cash and cash equivalents comprise:			
Cash and bank balances	43,748	38,137	39,819

APPENDIX 3:

Below is the Consolidated Pro-Forma Statement of Financial Position of IWS as at 30 September 2021. The Financial position of JGY has not been included and the statement does not incorporate the pro-forma adjustments set out in Appendix 4.

INTERNATIONAL WINES & SPIRITS TRADING SDN.BHD. AND ITS' CONTROLLED ENTITIES CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	30 Sep 2021 AUD \$
ASSETS	
Current Assets	
Cash and bank balances	65,241
Trade receivables	29,247
Inventories	1,668,894
Other receivables	4,168,595
Total Current Assets	5,931,977
Non-Current Assets	
Property, plant and equipment	1,011,050
Right-of-use assets	110,614
Total Non-Current Assets	1,121,664
TOTAL ASSETS	7,053,641
LIABILITIES	
Current Liabilities	
Trade payables	2,370,191
Other payables	3,063,330
Finance lease payables	80,723
Lease liabilities	46,949
Income tax provision	358,063
Total Current Liabilities	5,919,256
Non-Current Liabilities	
Finance lease payables	79,013
Lease liabilities	70,439
Total Non-Current Liabilities	149,452
TOTAL LIABILITIES	6,068,708
NET ASSETS	984,933
EQUITY	
Share capital	571,082
Accumulated losses	432,230
Exchange difference	(18,379)
TOTAL EQUITY	984,933

APPENDIX 3:

Below is the audited Consolidated Statutory Historical Statement of Financial Position of JGY as at 31 March 2020, 31 March 2021 and 30 September 2021. The Financial position of IWS has not been included and the statement does not incorporate the Pro-Forma adjustments set out in Appendix 4.

JGY HOLDINGS LIMITED CONSOLIDATED STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021, 31 MARCH 2021 & 31 MARCH 2020

	30 Sep 2021 AUD \$	31 Mar 2021 AUD \$	31 Mar 2020 AUD \$
ASSETS			
Current Assets			
Cash and bank balances	39,819	38,137	43,748
Trade receivables	-	-	10,784,786
Inventories	-	-	19,956,302
Total Current Assets	39,816	-	30,784,836
Non-Current Assets			
Property, plant and equipment	-	-	2,715,111
Total Non-Current Assets	-	-	2,715,111
TOTAL ASSETS	39,819	38,137	33,499,947
LIABILITIES			
Current Liabilities			
Trade payables	288,564	273,548	3,512,487
Total Current Liabilities	288,564	273,548	3,512,487
Non-Current Liabilities			
Related party loans	481,548	18,455,615	17,903,510
Total Non-Current Liabilities	481,548	18,455,615	17,903,510
TOTAL LIABILITIES	770,112	18,729,163	21,415,997
NET ASSETS/(LIABILITIES)	(730,293)	(18,691,026)	12,083,950
EQUITY			
Share capital	6,300,000	6,300,000	6,300,000
Accumulated losses	(7,857,800)	(25,862,570)	3,997,441
Exchange difference	827,507	871,544	1,786,509
TOTAL EQUITY (DEFICIT)	(730,293)	(18,691,026)	12,083,950

APPENDIX 4:

The unaudited Pro-Forma Consolidated Statement of Financial Position represents the audited consolidated Statutory Historical Statement of Financial Position of the Company as at 30 September 2021 adjusted for subsequent events and Pro-Forma transactions outlined in Note 1 of Appendix 4. It should be read in conjunction with the notes to the historical and Pro-Forma financial information.

JGY HOLDINGS LIMITED
PRO FORMA HISTORICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	International Wines & Spirits Trading SDN.BHD. and its' controlled entities Group 30 Sept 2021 AUD \$	JGY Holdings Limited Group 30 Sep 2021 AUD \$	Pro-Forma Adjustment	Unaudited Pro-Forma Group AUD \$0 AUD \$
ASSETS					
Current Assets					
Cash and bank balances		65,241	39,819		105,060
Trade receivables		29,247	-		29,247
Inventories		1,668,894	-		1,668,894
Other receivables		4,168,595	-		4,168,595
Total Current Assets		5,931,977	39,819		5,971,796
Non-Current Assets					
Property, plant and equipment		1,011,050	-		1,011,050
Right-of-use assets		110,614	-		110,614
Total Non-Current Assets		1,121,664	-		1,121,664
TOTAL ASSETS		7,053,641	39,819		7,093,460
LIABILITIES					
Current Liabilities					
Trade payables		2,370,191	288,564		2,658,755
Other payables		3,063,330	-	333,000	3,396,330
Finance lease payables		80,723	-		80,723
Lease liabilities		46,949	-		46,949
Income tax provision		358,063	-		358,063
		5,919,256	288,564	333,000	6,540,820
Non-Current Liabilities					
Related party loans		-	481,548		481,548
Finance lease payables		79,013	-		79,013
Lease liabilities		70,439	-		70,439
Total Non-Current Liabilities		149,452	481,548		631,000
TOTAL LIABILITIES		6,068,708	770,112		7,171,820
NET ASSETS/(LIABILITIES)		984,933	(730,293)		(78,360)
EQUITY					
Contributed equity	2	571,082	6,300,000	(2,050,000)	4,821,082
Accumulated losses	3	432,230	(7,857,800)	2,544,507	(4,881,063)
Exchange difference	4	(18,379)	827,507	(827,507)	(18,379)
TOTAL EQUITY/(DEFICIT)		984,933	(730,293)	-	(78,360)

APPENDIX 4:

NOTES TO THE CONSOLIDATED FINANCIAL POSITION

1. The Preparation of the Consolidated Pro-Forma Historical Statement of Financial Position

The 30 September 2021 consolidated statement of financial position of JGY has been adjusted to reflect the impact of the following proposed transactions or actual transactions which have taken place subsequent to 30 September 2021:

- The consolidation of the JGY's existing share capital on the basis that every 8 shares be consolidated into 1 share.
- The acquisition by JGY of 100% of the issued share capital of IWS, satisfied by the issue of 131,835,000 for a consideration AUD\$14,000,000. As the acquisition is required to be accounted for as a reverse acquisition the Pro-Forma financial information has therefore been prepared as a continuation of the business and operations of IWS.
- The estimated total expenses of the offer of AUD\$333,000 has been expensed to accumulated losses.

2. Basis of Preparation

The Historical and Pro-Forma Consolidated Historical Financial Information has been prepared in accordance with the recognition and measurement, but not all the presentation and disclosure requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The Historical and Pro Forma Consolidated Historical Financial Information has been prepared on a historical cost basis and except where stated does not take in to account changing money values or current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian Dollars.

The accounting policies and methods of computation adopted in the preparation of this Historical and Pro Forma Consolidated Historical Financial Information, apart from the significant accounting policies set out below, are consistent with those adopted in the annual financial statements for the six months ended 30 September 2021.

Reverse Acquisition

The Company has agreed to acquire 100% of the issued share capital of IWS. Under the terms of AASB 3 "*Business Combinations*", IWS is deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been accounted for as a reverse acquisition.

The Pro-Forma financial report has been prepared as a continuation of the business and operations of IWS.

Going concern

The Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Foreign currency translations and balances

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

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

3. Business Combination

Reverse acquisition of JGY by IWS

Under the terms of AASB 3 "Business Combinations" IWS is deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been accounted for as a reverse acquisition.

IWS, as the deemed acquirer, will account for the acquisition of JGY. Accordingly, the Pro-Forma consolidated statement of financial position of JGY as at 30 September 2021 incorporates the net assets of JGY and as if the group was headed by IWS.

30 September 2021 has been deemed as the acquisition date for the purposes of the Pro-Forma, with the net assets of IWS as at 30 September 2021 being recorded at their book value and the net liabilities of JGY as at 30 September 2021 being recorded at their fair value.

Details of the fair value of assets and liabilities acquired, and excess consideration are as follows;

Deemed consideration	4,250,000
Less: Net liabilities	(730,293)
Cost of listing	<u>4,980,293</u>

The premium paid has been expensed in the statement of profit or loss and other comprehensive income as a cost of listing.

Details of the fair value of identifiable assets and liabilities of JGY as at 30 September 2021 (deemed acquisition date) are as follows:

Assets and liabilities acquired

Cash and cash equivalent	38,137
Total assets	<u>38,137</u>
Trade payables	288,564
Related party loans	481,548
Total liabilities	<u>770,112</u>
Net liabilities	<u>(730,293)</u>

NOTE 2: CONTRIBUTED EQUITY

	Actual 30 Sep 2021 No. of shares Legal parent (JGY)	Pro-Forma Consolidated 30 Sep 2021 Legal parent (JGY) AUD \$
Movements in ordinary share capital		
Ordinary issued and paid up share capital	85,000,000	6,300,000
Cancellation on a 8 for 1 basis	(74,375,000)	-
Balance as at 30 Sep 2021 on a post consolidation basis	10,625,000	6,300,000
Pro-Forma adjustments:		
Reverse acquisition adjustment to reverse opening share capital value in JGY		(6,300,000)
Reverse acquisition adjustment to recognise opening share capital value in IWS		571,082
Deemed consideration for the issue of ordinary shares by JGY as purchase consideration for IWS	131,835,000	4,250,000
Cleansing shares	10	-
Pro-Forma balance as at 30 Sep 2021	142,460,010	4,821,082

NOTE 3: ACCUMULATED LOSSES

	Actual 30 Sep 2021 (7,857,800)	Pro-Forma Consolidated 30 Sep 2021 (4,881,063)
Accumulated losses		
The movements in reserves are as follows:		
Actual – JGY as at 30 Sep 2021		(7,857,800)
Actual – IWS as at 30 Sep 2021		432,230
Pro-Forma adjustments:		
Reverse acquisition adjustment to reverse opening reserves value in JGY		7,857,800
Cost of listing		(4,980,293)
Transaction costs ^{3 (a)}		(333,000)
Pro-Forma balance as at 30 Sep 2021		(4,881,063)

^{3 (a)} The estimated total expenses of the offer of AUD\$333,000 has been expensed to accumulated losses.

NOTE 4: FOREIGN CURRENCY

	Actual 30 Sep 2021	Pro-Forma Consolidated 30 Sep 2021
Accumulated losses	827,507	(18,379)
The movements in reserves are as follows:		
Actual – JGY as at 30 Sep 2021		827,507
Actual – IWS as at 30 Sep 2021		(18,379)
Pro-Forma adjustments:		
Reverse acquisition adjustment to reverse opening reserves value in JGY		(827,507)
Pro-Forma balance as at 30 Sep 2021		(18,379)

E. Revenue recognition

Revenue is measure based on the considerations specified in a contract with a customer in exchange for transferring goods to customer, excluding amounts collected on behalf of third parties. The Group recognised revenue when or as it transfers control over a product to customer. An asset is transferred when or as the customer obtains control of the asset.

The Group transfers control of goods at a point in time unless one of the following overtime criteria is met:

- (a) The customer simultaneously receives and consumes the benefits provided as the Group's performs;
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) The Group's performance does not create an assets with an alternative use and the Group has an enforceable right to payment for performance completed to date.

F. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset. Operating lease payments are recognised as an expense on a straight its basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

G. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings

pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

H. Share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

I. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the

Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

J. Plant and equipment

Plant, equipment, vehicles and other fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on plant, equipment and other fixed assets. Depreciation is calculated on a straight line so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The depreciation rates used for each class of asset for the current period are as follows:

- | | |
|------------------------|--------------|
| • Leasehold property | 40 years |
| • Electrical equipment | 3 years |
| • Motor vehicles | 4 to 5 years |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

K. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the

carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

Classification and Subsequent Measurement

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 amounts due less provision for doubtful debts. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

L. Impairment of financial assets

At each reporting date, the Group assesses all financial assets, other than those held at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments, are all considered indicators of impairment.

Impairment losses are recognised in profit or loss, and are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset, at the date that the impairment is reversed, shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

M. Goods and services tax & Value Added Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or Value Added Tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables in the consolidated statement of financial position are recognised inclusive of GST and VAT.

Cash flows are included in the cash flow statement on a gross basis. The GST and VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

N. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, other short-term highly liquid investments with original maturities of three (3) months or

less, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

O. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Tests are conducted annually by the Company to determine whether the carrying value of Technology rights and capitalised patent expenditure has suffered any impairment.

P. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bring the inventories to their present location and condition. Cost is calculated using the first in first out method. Net realisable value represents the estimate selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Q. Employee benefits

The employees of the Group and the Company are required to participate in a central pension scheme operated by the Government. The Group and the Company are required to contribute a certain percentage of payroll costs to the central pension scheme. These contributions are charged to the profit or loss in the period to which the contributions relate.

R. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

S. Comparative amounts

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

7 DIRECTORS, KEY MANAGEMENT AND CORPORATE GOVERNANCE

7.1 Directors

As at the Lodgement Date, the board comprised of the following Directors:

WANG Caifu	Chairman of the board and Chief Executive Officer
SHANG Zonggen	Independent Non-Executive Director
HE Ping	Executive Director

It is proposed that upon Completion, the following proposed Directors will be appointed to the board to replace the current Directors:

Ilmars DRAUDINS	Independent Non-Executive Chair
Long Huy LAM	Independent Non-Executive Director
ZHANG Houyi	Executive Director

The current Directors' qualification and experiences are summarised as follows:

(a) **WANG Caifu**

Wang Caifu is an experienced entrepreneur having started a number of business since 1998. Prior to founding his own businesses, WANG Caifu worked both in the public and private sectors. IN the public sector, he worked at the State Administration of Grains of Jintan District, Changzhou City in Jiangsu Province (Jintan District Grain Bureau"). His last position there was a branch manager of Ninbo branch of a supply and marketing co-operative administered by Jintan District Grain Bureau. From 1981 to 1998, he worked at senior management levels in various companies in the chemicals and building materials supplies industry.

(b) **SHANG Zonggen**

SHANG Zonggen is currently the financial controller of Nanjing Daika Huashun Wheel Hub Co., Limited, a company which he joined in 2003. Prior to this, he held a number of senior finance roles at various companies in Jiangsu Province. He started his career in the mining industry, starting as a mine worker at the state-owned Fenghuangshan Iron Ore Mine, progressing to be a finance supervisor there before leaving the mining industry in 1992.

(c) **HE Ping**

HE Ping started her career in the building material and supplies company founded and owned by WANG Caifu initially in administrative roles before progressing to assume management and operational roles in that company. Since 2003, she has been responsible for the administrative and operational management of JGY's Chinese operating entities.

The proposed Directors' qualification and experiences are summarised as follows:

(d) **Ilmars Draudins – Proposed Independent Non-Executive Chair**

Ilmars Draudins has 25 years' experience in the corporate advisory and investment banking industry. Prior to that he had over 20 years' experience in the information technology sector. The skill-set that Mr Draudins brings to these companies is based on the experience gained in the areas of general management, sales, marketing,

capital raising, IPO's and strategic consulting.

He has led numerous teams that have successfully conducted IPOs, private placements, capital raisings, M&A project work, commercialisation strategies, and involvement in the strategic growth of companies and realising value for shareholders. He is also involved with Asian companies and assisting them with strategies, their Australian business activities and listing companies on ASX and NSX.

Ilmars Draudins is a director and chair of a number of private, unlisted and listed public companies and uses his experience to assist these companies with their strategic direction and execution. Ilmars Draudins has listed company experience, in that in the last 5 years, he has been a non-executive director and the Chair of ASX-listed iSynergy (ASX:IS3). He is also a responsible officer of Collins Street Group, a nominated adviser of the NSX and is the responsible manager for two Australian financial services licences.

Ilmars Draudins holds a Bachelor of Engineering (University of NSW), an MBA (Monash University), a Certificate III in Financial Markets (Securities Institute) and Certificate in Direct Marketing (ADMA). While he does not speak Mandarin nor read Chinese, he has associates who are fluent in the written and spoken Chinese language whom he can draw upon as a resource to assist him to discharge his duties as a director of the Issuer.

(e) **Zhang Houyi – Proposed Executive Director**

ZHANG Houyi is the founder, executive director and general manager of Guizhou Laishi and Bainian Laishi. He has over 20 years' experience in the baijiu industry. Since the inception of Guizhou Laishi and subsequently Bainian Laishi, ZHANG Houyi has established a diversified online and offline multi-channel sales management team which contributed in the steady growth of the China Laishi's performance. The relevant work experience of ZHANG Houyi prior to his founding of Guizhou Laishi are as follows:

Period	Entity	Role and achievements
2002-2006	Guizhou Laishigang Liquor Co., Limited	General manager directly involved in managing that entity's marketing, production and logistics teams. Under his management, the entity achieved an annual turnover of RMB200 million.
1994-2001	Guizhou Laitai Distillery	Started as a factory apprentice and eventually became the factory director. He has gained invaluable insights and experience of the baijiu making process and method.

(f) **LAM Long Huy (Bill) – Proposed Independent Non-Executive Director**

Bill LAM is the executive director of ABL Accounting and Taxation Pty Limited, a boutique accounting firm which he established in 1993. Qualified as a CPA in Australia, his practice focus is in advising clients on accounting, tax planning and compliance and general corporate compliance matters. Mr Lam's corporate clients operate in a range of industries such as retail, property, education, recruitment, hospitality and the medical and legal professions. Prior to founding ABL Accounting and Taxation Pty Limited, he worked as the financial controller of Wills Australia for

10 years and at AAPT Limited, a company listed on the ASX before it was acquired, then delisted by Telecom New Zealand.

Bill LAM has listed company experience as well as working experience in China, where all Laishi's business operations are located. In particular, his relevant experience are as follows:

- (i) formerly being an independent non-executive director and company secretary of Sanhe Building Materials Technology Limited, an Australian public company which was listed on the Sydney Stock Exchange;
- (ii) being an independent non-executive director and chair of Kemao Industries Limited, an Australian public company listed on the NSX; and
- (iii) worked, on secondment, for a company listed on the Growth Enterprise Market board of the Stock Exchange of Hong Kong with operations in China as well as other major economies in South East Asia and Australia.

Bill LAM holds a Bachelor of Business (Accounting and Finance Major) (University of Technology Sydney) and is a long-serving member of CPA Australia. He is fluent in written and spoken Chinese language.

7.2 Company secretary

To assist with all regulatory compliances in Australia, we have appointed Ms LI Xuekun as the Company's secretary. secretaries:

(a) **LI Xuekun**

Member, Association of Chartered Certified Accountant (ACCA)

Member, Governance Institute of Australia

LI Xuekun is a chartered company secretary and a qualified accountant with more than 20 years' experience in financial accounting and corporate governance. She worked as an audit manager at the China practice of a Big-Four international accounting firm where she was involved in audits both for periodic financial reporting and for initial public offerings. She relocated to and commenced her career in Australia in 2006. She speaks and writes English and Chinese. She is a partner at INP Group Perth. Her appointments include being company secretary of ASX-listed Energy Metals Limited (ASX:EME) and company secretary and a non-executive director of Kemao Industries Limited (NSX:KEM).

7.3 Senior management

Laishi China's senior management personnel are as follows:

(a) **LAI Xingxin – Procurement Manager**

LAI Xingxin studied brewing engineering at the Jinjiang College of Sichuan University. He has been working as Laishi China's procurement manager since graduating from university in 2016. He is mainly responsible for negotiating material prices with suppliers, drawing up budgets for supplies and human resources, monitoring and approving expenditures according to production targets, and investigating and researching demand and sale of materials within the company.

(b) CHEN Jiangping – Marketing and Sales Manager

CHEN Jiangping has worked in the baijiu industry since 2012. He has a deep understanding of the industry and is knowledgeable in all things relating to baijiu and its culture. Between 2012 and 2016, he worked as a marketing manager in two other liquor companies and subsequently ran his own start-up baijiu marketing company for three years before joining Laishi China.

CHEN Jiangping has a bachelor's degree in social work from Guizhou Normal University.

(c) LUO Qiying – Finance Manager

LUO Qiying is Laishi China's Finance Manager since 2019. She started her career as an accountant in 2012 and worked at two other companies prior to joining Laishi China. She has a bachelor's degree in financial management from Sichuan University of Science and Technology.

(d) RAO Peng – Distillery Manager

RAO Peng is responsible for ensuring that all aspects of the distillery process at Laishi China's contracted distillery who supplies raw liquor to Guizhou Laishi to ensure that they are carried out in accordance with specifications and requirements set by Guizhou Laishi so as to maintain the quality of the raw liquor supplied to Guizhou Laishi. Prior to joining Laishi China in 2009, RAO Peng worked at a pharmaceutical factory for 21 years.

7.4 Directors' remuneration and interests

As at the Lodgement Date, the current Directors' fees and interests in Shares are as follows:

Director	Annual Director Fee paid for the previous two years	Annual Director Fee paid for this financial year	Direct Interest in Shares
WANG Caifu	\$1,000	\$500	2,500,000
SHANG Zonggen	\$10,000	\$2,000	12,500
HE Ping	\$1,000	\$500	873,750

Note:

1. None of the Directors has been paid any remuneration or fee other than the Director fees.
2. WANG Caifu and HE Ping are spouses and therefore each has a relevant interest in the other's Shares.

If elected, the proposed remuneration for each of Messrs Zhang, Draudins and Lam on an annualised basis will be as follows:

Director	Proposed remuneration
ZHANG Houyi	\$10,000
Ilmars DRAUDINS	\$20,000
Longhuy (Bill) LAM	\$20,000

7.5 Agreements with Directors

Each Director has signed a letter of appointment with the Company. These letters of appointment contain normal terms and conditions customary for directors' appointment in

Australia, including:

- (a) remuneration (disclosed in the table above);
- (b) minimum time commitment (at least 16 hours a quarter);
- (c) compliance with the Corporations Act, the Company's corporate governance plans and policies, and the Company's constitution;
- (d) requirement to disclose directors' interests and any matter which affects directors' independence;
- (e) maintain confidentiality unless otherwise required by the Listing Rules or any applicable laws; and
- (f) right to access all corporate information of the Company during the term of their appointment.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of his or her directorship or any special duties.

7.6 Deeds of indemnity, insurance and access

The Company will enter into a deed of indemnity, insurance and access with each of its Directors and the Company Secretary under which the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also use its best endeavour to keep the officers insured for the benefit of the relevant officer and allow the officer to inspect company records in certain circumstances.

7.7 No other Directors Interests

Other than as set out above or elsewhere in this prospectus, no Director or proposed Director holds at the Lodgement Date, or held at any time during the last two years before the date of lodgement of this prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Cleansing Offer; or
- (c) the Cleansing Offer; and

no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Cleansing Offer.

7.8 Other information on Directors

As at the Lodgement Date and other than disclosed elsewhere in this prospectus:

- (a) there are no family relationships among any of the Directors; and
- (b) none of the Directors has, in any jurisdiction, been convicted in any criminal

proceeding or has had a bankruptcy petition filed against him or her or any partnership in which he or she is or was a partner or any body corporate of which he or she is or was a director or has been sanctioned or otherwise disciplined by any self-regulatory securities associated of which he or she is or has been a security holder or any securities supervisory or regulatory body or any such event is pending.

7.9 Related party transaction

Bainian Laishi markets and sells baijiu supplied by Guizhou Laishi. The two entities had entered into a framework procurement agreement dated 1 August 2019. The agreement confirms the supply and purchase arrangement between the parties but otherwise is general in nature with no specific requirements on pricing, quantity or has a fixed term for the arrangement. While we have yet to review detailed historical trading activities between these two entities for disclose-able issues generally relating to related party transactions, we consider this due diligence procedure to be of low priority. This is because, upon Completion, both Bainian Laishi and Guizhou Laishi will become wholly-owned child entities of the Issuer. Therefore, at that time, transactions between Bainian Laishi and Guizhou Laishi will no longer be considered to be related party transactions.

During the financial years ended 31 December 2019 (FY2019) and 31 December 2020 (FY2020), Laishi China received some payments from and made some payments for its operating activities through the proprietor's bank accounts in the name of ZHANG Houyi. At the material time:

- (a) ZHANG Houyi and LAI Qianru, husband and wife, were the registered owners of 100% of the equity capital of each of Bainian Laishi and Guizhou Laishi; and
- (b) ZHANG Houyi was (and still is) the legal representative of Bainian Laishi and LAI Qianru was (and still is) the legal representative of Guizhou Laishi.

For financial reporting purposes, these transactions are treated as related party transactions. In particular, a collection of Laishi China's revenue which is received into a proprietor's bank account is recorded as an advance given to the relevant proprietor. Conversely, a payment by a proprietor of an expense of Laishi China on its behalf is recorded as an advance from or a repayment to the relevant proprietor.

At present, save as disclosed above, we are not aware of any other current or ongoing related party transaction Laishi China had entered into or currently have.

In the ordinary course of our business, a subsidiary may from time to time propose to enter into a transaction with a related party. The terms of all proposed interested party transactions will be reviewed by our audit committee. When reviewing the terms of a proposed related party transaction, the committee will specifically have regard to the following factors:

- (a) whether it would be reasonable, considering all circumstances, that the subsidiary and the related party were dealing at arm's length;
- (b) the terms of the proposed related party transaction are less favourable to the related party than terms the subsidiary can obtain from a non-related party; and

whether approval of Shareholders for the proposed related party transaction will be required under Listing Rule 6.43 and also what is prescribed under the Corporations Act.

7.10 Corporate governance statement

Our corporate governance practices are based on the principles and recommendations set out in Corporate Governance Council's Principles and Recommendations, 4th Edition issued by ASX Corporate Governance Council, which we had modified to take into account the Company's current size and scale of its operations. Our corporate governance statement which is also our "if not, why not" statement is set out in Annexure B and the full corporate governance plan will also be available in a dedicated corporate governance information section of the Company's website <https://gzbnlsjy.com/>.

8 DETAILS OF THE CLEANSING OFFER

8.1 General

Pursuant to this prospectus and for the purpose of section 708A(11) of the Corporations Act, the Company invites investors identified by the Directors to apply for 10 Shares at an issue price of \$0.106 per Share.

The Cleansing Offer will only be extended to specific non-related parties on invitation from the Directors. Application forms will only be provided by the Company to these parties.

The Shares offered under this prospectus will rank equally with the existing Shares on issue at the Lodgement Date. The rights and liabilities of the Shares are summarised in section 8.15.

8.2 Opening and Closing Dates of the Cleansing Offer

The opening date of the Cleaning Offer will be 1 August 2022 and the Closing Date will be 4 August 2022 at 5:00pm WST, unless otherwise extended or closed early.

The Directors reserve the right to close the Cleansing Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

8.3 Purpose

The primary purpose of this prospectus is not to raise funds but to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

8.4 Effect of the Cleansing Offer on capital structure

There are only 10 Shares being offered under the Cleansing Offer which will not have a material effect on the Company's capital structure. Section 4.2 provides details on the effect of the Acquisition on the Company's capital structure and substantial shareholdings.

8.5 Financial effect of the Cleansing Offer

There will be no proceeds from the Cleansing Offer. The expenses of the Cleansing Offer which is included in the expense of the Acquisition will be met from Laishi China's existing

cash reserve.

8.6 Application for Shares

Applications for Shares must be made by investors at the direction of the Company and must be made using the application form accompanying this prospectus.

Applicants should read this prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the Shares offered by this prospectus before deciding to apply for Shares.

8.7 Issue of Shares

The issue of Shares under the Cleansing Offer will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until the Shares are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether any shares are issued and each Applicant waives the right to claim any interest.

The Company reserves the right to reject any application or to allocate to any Applicant fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an application is not accepted or accepted in part only, the relevant portion of the application moneys will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Cleansing Offer or any part of it at any time before the allocation of the Shares to Applicants. If the Cleansing Offer or any part of it is cancelled, all application moneys, or the relevant application moneys will be refunded.

The Company also reserves the right to close the Cleansing Offer or any part of it early, or extend the Cleansing Offer or any part of it, or accept late applications Forms either generally or in particular cases.

8.8 Conditions to the Cleansing Offer

The Cleansing Offer is conditional upon the Company receiving Shareholder approval for each of the Acquisition Resolutions at the General Meeting.

8.9 Minimum subscription

There is no minimum subscription.

8.10 Not underwritten

The Cleansing Offer is not underwritten.

8.11 NSX Listing

Application for official quotation by NSX of the Share offered pursuant to this prospectus will be made within 7 days after the Lodgement Date, subject to the receipt and acceptance of applications. If NSX does not grant permission for the quotation of the Shares offered under this prospectus within three months after the Lodgement Date, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this prospectus will be issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act, including the return of all application moneys without interest.

8.12 Applicants outside Australia

The distribution of this prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to acquire Shares.

The return of a duly completed application form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

8.13 Foreign investor restrictions

This prospectus does not constitute a public offer or invitation in any jurisdiction other than Australia. No action has been taken to register or qualify Shares that are offered under this prospectus or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

8.14 Privacy

The Company collects information about each Applicant provided on an application form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an application form, each Applicant agrees that the Company may use the information provided by the Applicant on the application form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third-party service providers, including mailing houses and professional advisers, and to NSX and regulatory authorities.

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

If you do not provide the information required on the application form, the Company may not be able to accept or process your application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

8.15 Rights and liabilities attaching to Shares

The Shares to be distributed under the Acquisition will rank equally in all respects with existing Shares on issue.

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

- (a) detailed in the Company's Memorandum and Articles of Association (its constituent documents, which are the equivalent of an Australian company's constitution), copies of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- (b) regulated by Cayman Islands law (in particular, the Companies Law)
- (c) set out in the Constitution, a copy of which can be inspected during office hours at the Company's registered office during the Cleansing Offer period; and
- (d) in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights attaching to the Shares. This summary is not exhaustive and does not constitute a definite statement of the rights and liabilities of the Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) Voting

Every holder of the Shares present in person or by proxy, attorney or representative at a meeting of the Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of the Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her. At any general meeting a resolution put to the vote of the meeting must be decided on a show of hands unless a poll is effectively demanded and the demand is not withdrawn.

(b) Dividends

Subject to the Cayman Islands Act, the Company may declare dividends but the Directors may also set aside out of the profits of the Company any sums they think proper as reserves to be applied, among other things, to equalise dividends or to pay special dividends.

(c) Transfer of Shares

Subject to the Constitution, the Cayman Islands Act, the Listing Rules and ASX Settlement Business Rules, a Member may transfer all or any Shares by a transfer document duly signed and delivered to the Company. The transfer document must be in writing in the usual or common form or in any other form as the Directors may from time to time prescribe or agree to accept and must be signed by or on behalf of the transferor or as otherwise permitted by the Corporations Act.

The Directors may refuse to register any transfer of Shares, where the Company is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules or a Restriction Agreement.

(d) Meetings and notice

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

(e) Liquidation rights

The Company has issued only one class of shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of the Shareholders divide among the Shareholders the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

(f) Shareholder liability

The Shares are fully paid shares and are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(g) Alteration to the Constitution

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

(h) Listing Rules

If the Company is admitted to the Official List of NSX, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

8.16 Queries

This prospectus provides information for investors to decide if they wish to invest in the Company and should be read in its entirety. If you have any questions about investing in the Company, please contact your stockbroker, financial planner, accountant, lawyer or other professional advisers.

Any questions regarding:

- (a) the Cleansing Offer – please contact the Company Secretary on +60 1159715203; and
- (b) the application form – please contact the Share Registry on 08 9389 8033 or at admin@advancedshare.com.au.

8.17 Expenses of the Cleansing Offer and the Acquisition

The total estimated expenses of the Cleansing Offer and the Acquisition are estimated to be A\$333,000 consisting of the following:

Nature of Expense	\$
Fees and payments to ASIC and NSX	48,000
Legal fees	70,000
Fees for accounting, audit and limited assurance report	100,000
Fee for Market Report	15,000
Nominated Adviser	30,000
Prospectus drafting, design and printing	50,000
Miscellaneous expenses	20,000
Total	333,000

9 ADDITIONAL INFORMATION

9.1 Sufficiency of working capital

The Directors are of the opinion that the Company will have enough working capital to carry on its business for the 12 months after the Lodgement Date.

9.2 Continuous disclosure

Upon admission to the official list of NSX the Company will be required to notify NSX of information which may have a material effect on the price or value of the Company's Shares. To comply with its continuous disclosure obligations, the Company has adopted a continuous disclosure policy as part of its corporate governance plan (available on <https://gzbnsjy.com/>) and will conduct regular board meetings with continuous disclosure a standing agenda item.

9.3 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to taxation and any other consequences of investing in the Company.

9.4 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**), operated by ASX Settlement Pty Ltd (a wholly owned subsidiary of ASX), in accordance with the ASX Settlement Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister. These two subregisters together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive holding statements that set out the number of Shares each Shareholder owns. If a Shareholder is broker-sponsored, ASX Settlement will send the Shareholder a CHESS statement. This statement will also advise investors of either their Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (**SRN**) in the case of a holding on the issuer-sponsored sub-register.

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

9.5 Interests of experts and advisers

Except for the parties disclosed in section 9.7 of this prospectus, no expert, promoter or any other person named in this prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two-year period ending on the Lodgement Date, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Cleansing Offer; or
- (c) the Cleansing Offer.

9.6 Consents

Each of the parties disclosed in section 9.7 of this prospectus:

- (a) has given and has not, before the date of lodgement of this prospectus with ASIC, withdrawn his or her written consent:
 - (i) to be named in this prospectus in the form and context which it is named; and
 - (ii) where applicable, to the inclusion in this prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this prospectus;
- (b) has not caused or authorised the issue of this prospectus;
- (c) has not made any statement in this prospectus or any statement on which a statement in this prospectus is based, other than specified below; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this prospectus, other than the references to his or her name and the statement(s) and/or report(s) (if any) specified below and included in this prospectus with the consent of that person.

9.7 Named parties

Named party	Role to the Company in connection with its application to list on NSX:	Statement/Report the named party is responsible for:	Fees that the Company has paid or will pay for services ^{1,2} :
Biztrack Consultants Private Limited	Nominated Adviser	N/A	\$30,000
Guangzhou Browledge Consulting Co., Ltd	Independent market researcher	China Baijiu Market Overview in Schedule 2 of the Notice of Meeting	\$15,000

Named party	Role to the Company in connection with its application to list on NSX:	Statement/Report the named party is responsible for:	Fees that the Company has paid or will pay for services^{1,2}:
HML PLT Chartered Accountants	Special auditor to IWS	Financial Information annexed to the limited assurance report in Schedule 3 of the Notice of Meeting	\$50,000
Shanghai Tripod Certified Public Accountants	Special auditor to Laishi China	Financial Information annexed to the limited assurance report in Schedule 3 of the Notice of Meeting	\$30,000
MGI Perth Audit Services Pty Ltd	Independent Accountant	Independent limited assurance report in Schedule 3 of the Notice of Meeting	\$20,000
Beijing Yingke (Shanghai) Law Firm	Legal counsel as to Chinese law	N/A	\$20,000
Anser Legal Pty Ltd	Solicitors to the Company in relation to this prospectus and the Notice of Meeting	N/A	\$50,000

1. Amounts exclude GST.
2. Biztrack Consultants Private Limited will be paid a fee of \$12,000 as nominated adviser. Shanghai Tripod Certified Public Accountants was paid a fee of \$10,000 for audit and review fees. Otherwise, none of these named parties has provided other professional services to the Company during the last two years.

10 DIRECTORS' STATEMENT

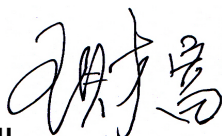
The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this prospectus are not misleading or deceptive and that in respect to any other statements made in this prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this prospectus.

Each Director has consented to the lodgement of this prospectus with the ASIC and has not withdrawn that consent.

Signed for and on behalf of

JGY HOLDINGS LIMITED

WANG Caifu
Executive Chair



11 GLOSSARY

Unless the context otherwise permits or unless otherwise stated, each key term used in this prospectus has the meaning ascribed to it in the table below:

A\$, \$ or AUD	means the Australian Dollar.
Acquisition	means the acquisition of IWS as described in section 2.1 of the Explanatory Statement.
Acquisition Resolutions	means the resolutions contained in the Notice of Meeting which Completion is subject to.
Applicant	means an applicant who submits an application form to subscribe for Shares under the Cleansing Offer.
ASIC	means Australian Securities and Investments Commission.
ASX Settlement	means ASX Settlement Pty Limited (can 008 504 532), a wholly owned subsidiary of ASX Limited.
ASX Settlement Operating Rules	means the operating rules of ASX Settlement.
Bainian Laishi	means Guizhou Bainian Laishi Liquor Co., Limited.
CHESS	means the Clearing House Electronic Subregister System operated by ASX Settlement.
Cleansing Offer	means an offer of 10 Shares at an issue price of \$0.106 per Share.
Closing Date	means the closing date of the Cleansing Offer, being 4 August 2022 or another date as determined by the Directors.
Company or We	means JGY Holdings Limited (ARBN 622 384 776) and may include its subsidiaries where the context requires.
Completion	means completion of the Acquisition.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Explanatory Statement	means the explanatory statement accompanying the Notice of Meeting.
General Meeting	means the shareholders' meeting to be held on 1 August 2022.
Guizhou Laishi	means Guizhou Laishi Liquor Co., Limited.
Laishi China	means Bainian Laishi and Guizhou Laishi which will, before Completion, become the subsidiaries of IWS through a wholly owned subsidiary registered in China.
Listing Rules	means the Listing Rules of NSX, as amended from time to time.
Lodgement Date	means 29 August 2022, being the date that this prospectus is lodged with ASIC.
Market Report	means an independent market research report prepared by Guangzhou Browledge Consulting Co., Ltd dated January 2022.
Notice	means the notice of General Meeting dated 29 June 2022.

NSX	means NSX Limited (ABN 98 008 624 691) or, where the context so require, the securities exchange which it operates.
Official List	means the list of issuers maintained by NSX in accordance with the Listing Rules.
RMB or Yuan	means Renminbi or the Chinese Yuan, the official currency of China, often indicated by the symbol “¥”.
Share	means one fully paid ordinary share in the Company.
Share Registry	means Advanced Share Registry Limited (ABN 14 127 175 946).
Shareholder	means a shareholder of the Company, that is, a holder of a Share.
WST	means Western Standard Time in Perth, Western Australia.

12 ANNEXURE A – INDUSTRY OVERVIEW OF THE CHINESE BAIJIU INDUSTRY

1. Introduction to baijiu market in China

Definition of baijiu industry

According to China's national standard *GB/T 4754—2017*, namely *Industrial Classification for National Economic Activities*, issued by the National Bureau of Statistics of China, the manufacturing and sales of baijiu (used to be called Chinese spirits), one type of alcoholic beverages, fall into three different sectors, namely manufacturing of alcoholic beverages, beverages and tea, wholesale of alcoholic beverages, beverages and tea, and retail of alcoholic beverages, beverages and tea, with their classification codes being C1512, F5127, and F5226.

Baijiu, a unique liquor in China and a clear liquor made from sorghum and other grains and regarded as China's national drink, is one of the six major distilled spirits in the world, with the rest five being Brandy, Whisky, Vodka, Rum and Gin. Baijiu is traditionally manufactured through the processes of steaming, saccharification, fermentation, distilling, aging, and blending, taking grains like sorghum as the major raw material, and Daqu starter, Xiaoqu starter, yeast, or distiller's yeast as the sacchariferous and fermentative agent.

There are many types of baijiu produced in different regions of China. They can be classified by production technique, product flavour and fermentation starter.

By production technique, baijiu can be classified into the following three types:

- Baijiu by traditional fermentation, namely solid-state fermentation: This method, with the fermentation taking place in solid state, and having a complicated process consisting of material preparation, Daqu making, solid-state fermentation, solid-state distillation, and aging, has been most commonly adopted for the production of most well-known baijiu types and brands in China.
- Baijiu by liquid fermentation: Most overseas distilled spirits are produced with this method, such as Whisky, Vodka, Rum, and Gin. Because of its high yield of distilled spirits and low impurity, this method has been gradually introduced and adopted by Chinese Baijiu industry. But the flavours of Chinese Baijiu produced by this method are less diverse and need improvement.
- Baijiu by traditional and liquid fermentation: It is produced by blending baijiu by traditional fermentation and that by liquid fermentation. Compared to the former two types, baijiu produced by this method has lower production cost than that produced by traditional fermentation, and its flavour and quality is better than that by liquid fermentation. Traditional and liquid fermentation has currently become one of the commonly used production techniques for baijiu production in China.

By flavour, baijiu can be divided into many types, with the ten major ones as follows:

- | | |
|-------------------------|----------------------------|
| • Strong-flavour baijiu | • Chi-flavour baijiu |
| • Jiang-flavour baijiu | • Sesame-flavour baijiu |
| • Mild-flavour baijiu | • Te-flavour baijiu |
| • Rice-flavour baijiu | • Nongjiang-flavour baijiu |
| • Feng-flavour baijiu | • Laobaigan-flavour baijiu |

Among these ten major types, strong-flavour baijiu, jiang-flavour baijiu and mild-flavour baijiu are the three most popular types nationwide. They together constitute more than half of the total baijiu consumed in China. Their characteristics are very typical and representative, with strong-flavour baijiu, characterized by fragrant flavour, soft mouthfeel, and endless aftertaste, jiang-flavour baijiu having a

flavour resembling soy sauce, full-body and a long-lasting aroma, and mild-flavour baijiu giving a pure and mild flavour, mellow sweetness and refreshing aftertaste. Their representing well-known brands are Luzhou Laojiao for strong-flavour baijiu, Moutai for jiang-flavour baijiu, and Fen Jiu for mild-flavour baijiu.

Notes:

1. *Moutai is a leading baijiu brand in China owned by the listed Kweichow Moutai Co., Ltd., with its key product being jiang-flavour Chinese Baijiu.*
2. *Luzhou Laojiao is the representative of strong-flavour baijiu produced by the public company, Luzhou Laojiao Co., Ltd., located in China's Southwestern Sichuan province, one of the key baijiu production regions in China.*
3. *Fen Jiu is the most well-known brand of mild-flavour baijiu owned by Shanxi Xinghuacun Fen Wine Factory Co., Ltd., also a listed company.*

By the fermentation starter used, baijiu can be classified into three types as follows:

- Baijiu produced using Daqu as the starter, represented by China's four most well-known brands, Moutai, Wuliangye, Luzhou Laojiao and Fen Jiu. Daqu, made from raw wheat, barley, and/or peas, contains at least four categories of microorganisms, namely bacteria, yeast, filamentous fungi, and actinomycetes providing different enzymes and flavour precursors for baijiu production. Baijiu produced using Daqu is enriched in flavours, with a long fermentation time and low alcohol yield.
- Baijiu produced using Xiaoqu as the starter: Unlike Daqu, only very a few types of microorganism are present in Xiaoqu. Therefore, baijiu produced using Xiaoqu contains less flavour than that produced using Daqu.
- Baijiu produced using Fuqu (麸曲) as the starter: Fuqu, different from the other two starters and made from bran, contains only pure culture of *Aspergillus*, a well-known starch degrader capable of converting starch into fermentable sugars. Baijiu produced using Fuqu as the starter has light flavour and high liquor yield.

With a long history in China, baijiu is an important element of traditional Chinese culture and it plays an important role in and has close relations with Chinese political, economic, cultural and religious ceremonies and activities. Most ethnicities in China have the habit of drinking baijiu. Baijiu is not only an indispensable drink on holidays, festive days, holidays, various gatherings, and social occasions, but is also a common drink for laborers to relieve fatigue or resist cold. According to both traditional Chinese medical science and modern medical science, drinking baijiu in appropriate amount is good to people's health.

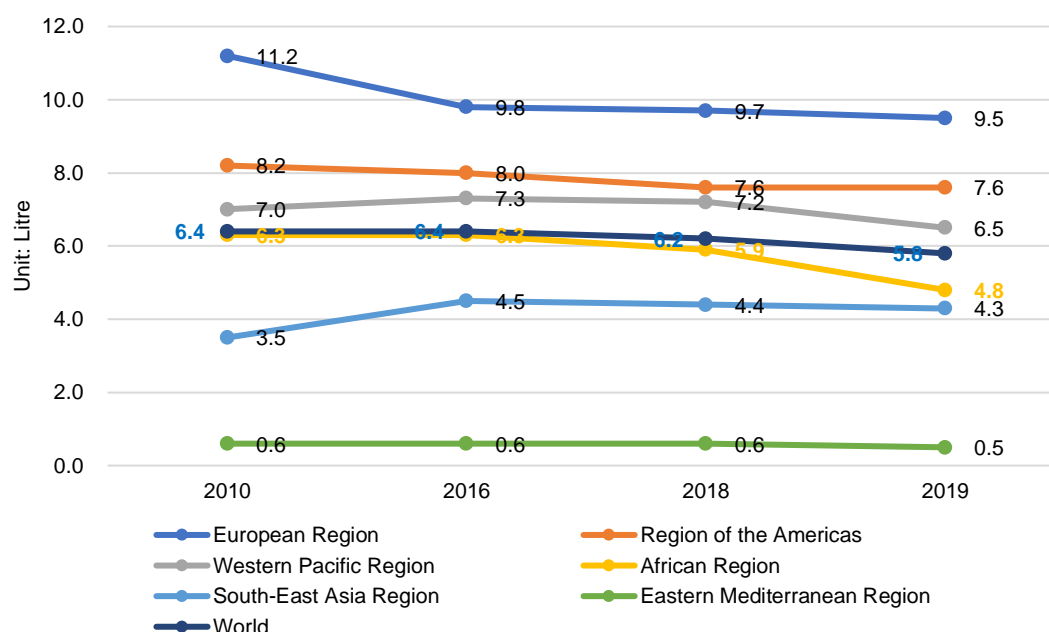
Global alcohol consumption

As they bring perceived pleasure to its consumers, alcoholic drinks are consumed worldwide. Drinking alcoholic beverages or drinks is part of people's religious, culture and social activities, or even part of their usual lives. There're great variations in the per capita alcohol consumption level from region to region and country to country because of the complex interactions of a wide range of factors, including economic development levels, religion and cultural traditions and preferred alcoholic beverage types, etc. Alcohol consumption increases with a country's national income. However, in recent years during 2016-2019, the per capita alcohol consumption levels in most regions in the world have risen little and even dropped slightly. In 2019, alcohol consumption in the world, measured in litres of pure alcohol per person of 15 years of age or older, was 5.8 litres, which is a 9% relative decrease from 6.4 litres in 2010, according to data from the World Health Organization (abbreviated as WHO).

According to the data released by the WHO, the regions that currently have relatively high alcohol consumption levels in the world include the European Region, followed by the Region of the Americas and the Western Pacific Region, while the Eastern Mediterranean Region, which are mostly Muslim-

majority countries, has the lowest per capita alcohol consumption.

Figure 1: Total per capita (15+ years) alcohol consumption in litres of pure alcohol in the world different regions, 2010–2019



Source: World Health Statistics series and the Global Status Report on Alcohol and Health 2018 issued by WHO

Notes:

1. The alcohol consumption level is about population of those aged 15 years and older.
2. Data for 2017 is not available.
3. The above data includes both recorded and unrecorded alcohol consumption.
4. The regional groupings adopted in the above figure, a little different from traditional groupings, are made by WHO as follows:

African Region (AFR): Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Togo, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.

Region of the Americas (AMR): Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States of America, Uruguay, Venezuela.

South-East Asia Region (SEAR): Bangladesh, Bhutan, Democratic People's Republic of Korea, India, Indonesia, Maldives, Myanmar, Nepal, Sri Lanka, Thailand, Timor-Leste.

European Region (EUR): Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Malta, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, The Former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, United Kingdom of Great Britain and Northern Ireland, Uzbekistan

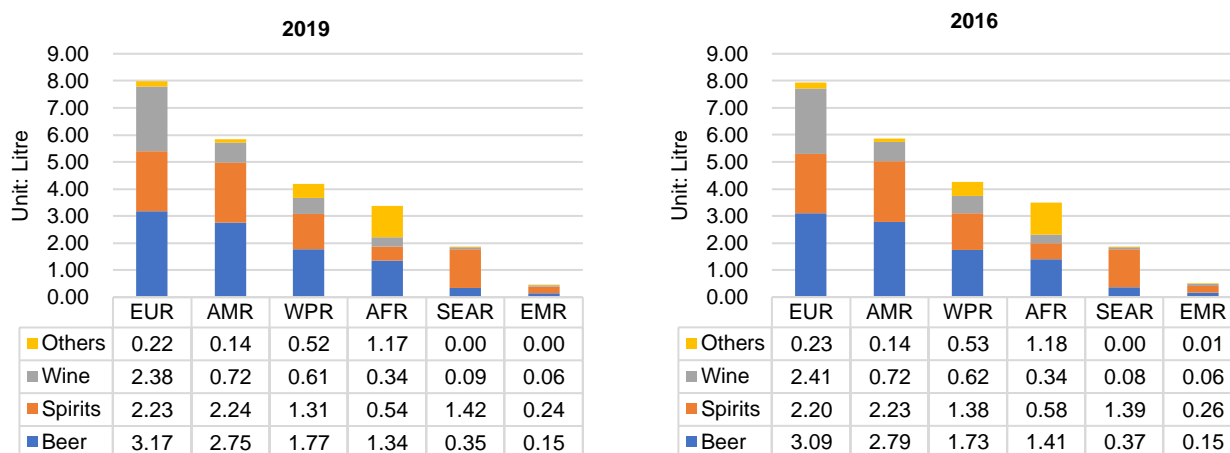
Eastern Mediterranean Region (EMR): Afghanistan, Bahrain, Djibouti, Egypt, Iran (Islamic Republic of), Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen

Western Pacific Region (WPR): Australia, Brunei Darussalam, Cambodia, China, Cook Islands, Fiji, Japan, Kiribati, Lao People's Democratic Republic, Malaysia, Marshall Islands, Micronesia (Federated States of), Mongolia, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Philippines, Republic of Korea, Samoa, Singapore, Solomon Islands, Tonga, Tuvalu, Vanuatu, Viet Nam.

Data from the WHO shows that in Worldwide, 44.8% of total recorded alcohol was consumed in the form of spirits in 2016, followed by beer (34.3%) and wine (11.7%). However, people's preferences in the alcoholic beverage types also vary significantly from region to region and country to country. There hasn't been much change to people's alcoholic beverage preferences in recent years.

Figure 2: Per capita (15+) recorded alcohol consumption in different types of alcoholic beverages in litres of pure alcohol in the world different regions, 2016 and 2019

Source: WHO

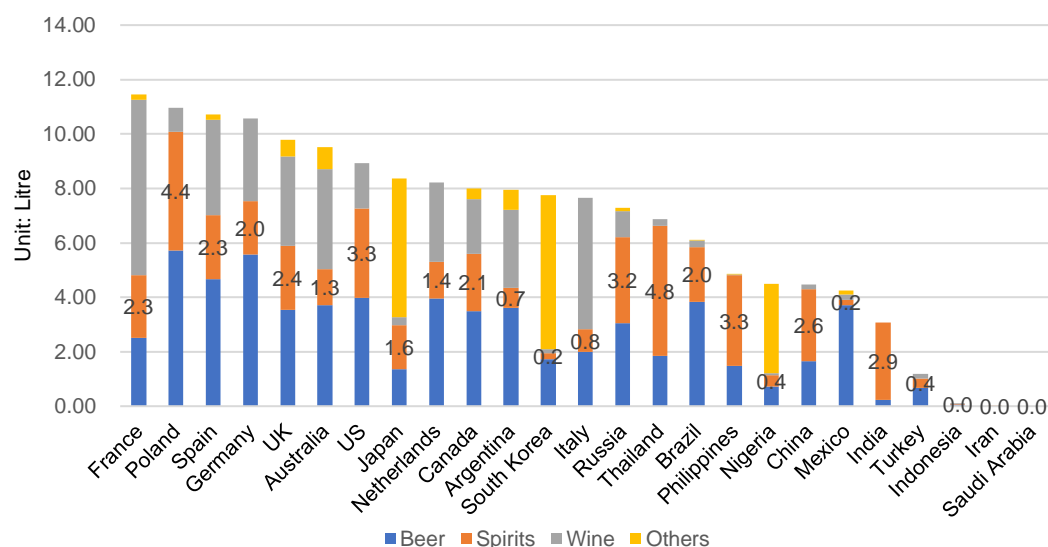


Notes:

1. The alcohol consumption level is about population of those aged 15 years and older.
2. The above data includes only recorded alcohol consumption, while unrecorded consumption data isn't available.
3. "Others" refers to other alcoholic beverages.
4. The regional groupings adopted in the above figure are made by WHO as in Figure 1.

People's differences in preference in alcoholic beverage types are much greater from country to country. For example, among major economies, people from France and Italy apparently have taken wine as their favourable alcoholic beverage type, and for people in Germany, Spain and Mexico, beer has been their first choice. Spirits are people's first choice in Thailand, Philippines, China and India. People in Japan and South Korea have their own favourite alcoholic beverages, sake for Japanese and soju for South Koreans, both categorized as other alcoholic beverages in the figure below. In some other countries, their favourite choices are not one, like beer and wine in Poland, US, Russia, and Brazil.

Figure 3: Per capita (15+) recorded alcohol consumption in different types of alcoholic beverages in litres of pure alcohol in world major economies, 2019



Source: WHO

Notes:

1. The alcohol consumption level is about population of those aged 15 years and older.
2. The above data includes only recorded alcohol consumption, while unrecorded consumption data isn't available.
3. "Others" refers to other alcoholic beverages.

Overall, the alcohol consumption levels have been falling overall since 2016 in the worldwide scope. The global pandemic of Coronavirus disease (COVID-19), an infectious disease with flu-like symptoms including fever, cough, and difficulty in breathing, first identified in 2019 in China, later spreading and prevalent globally, with the continuous emergence and spread of its new variants, has acted as a massive restraint on the world spirits market in 2020 and 2021, as supply chains were disrupted due to trade restrictions and consumption declined due to lockdowns imposed by governments globally.

Most major economies witnessed negative economic growth rates in 2020 because of the pandemic, although they recovered much from the pandemic in 2021. The negative impacts of COVID-19 pandemic on businesses are expected to continue throughout 2022.

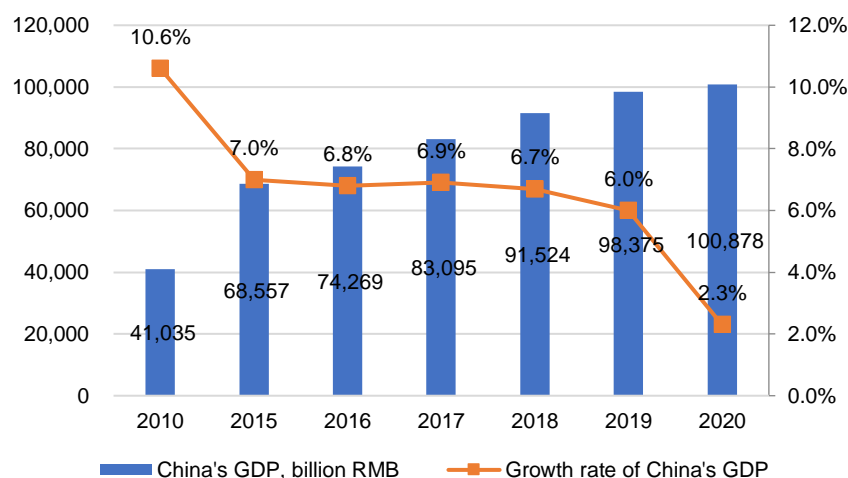
However, it is expected that the global alcoholic beverage market will gradually recover from the shock as the pandemic is a 'black swan' event and not related to ongoing or fundamental weaknesses in the market or the global economy. The world population is growing and expected to reach 10 billion by 2050, thus creating more demand for alcoholic beverages.

Macro environment of China's baijiu market

Continuous growth of China's GDP and per capita disposable income

China's GDP growth has provided strong support for the baijiu consumption in China. China has achieved rapid economic growth since its reform and opening up in the late 1970s, and its economic aggregate has ranked the second largest in the world since 2010. Though China's GDP growth rate has slowed down in recent several years, it is still pretty fast compared to most other major economies in the world. In spite of the negative impacts of the global COVID-19 pandemic, China is the only major economy with positive economic growth in 2020.

Figure 4: China's GDP and its growth rate, 2016-2010

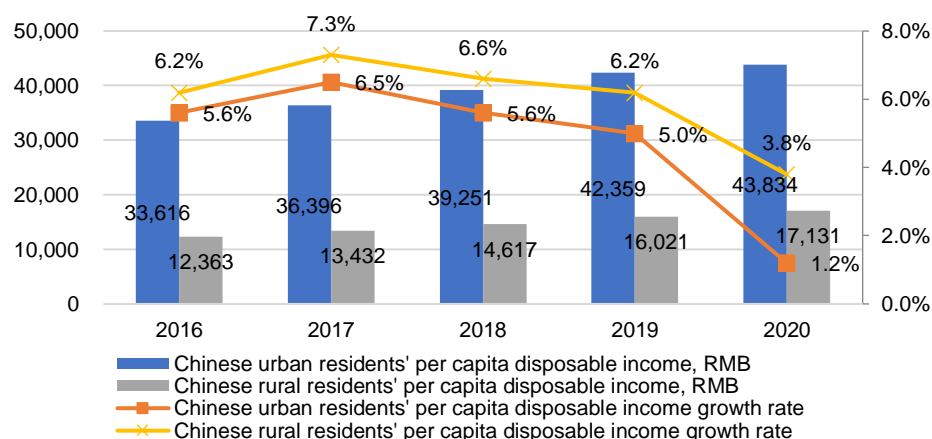


Source: National Bureau of Statistics of China

Note: The GDP data here refers to nominal GDP figures. Data for growth rate is based on actual GDP figures.

With the rapid growth of China's GDP, the per capita incomes of Chinese urban residents and rural residents have both kept on increasing in recent years. But in 2020, Chinese residents' per capita income growth was much slower than before because of the COVID-19 pandemic.

Figure 5: Chinese residents' per capita disposable income and its growth rate, 2016-2020



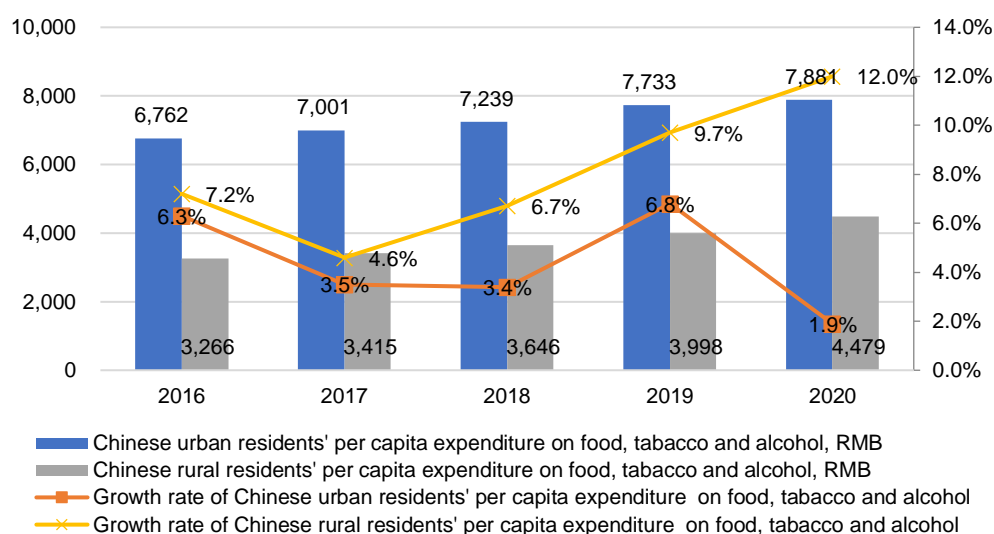
Source: National Bureau of Statistics of China

The per capita income growth has helped promote Chinese consumer spending power improvement, consumption structure upgrade, and the stable development of its consumer goods market including alcohol.

Rising expenditure on food, tobacco and alcohol

Chinese residents' per capita expenditures in food, tobacco and alcohol have also witnessed continuous growth, and the growth rate of rural residents' expenditure is faster than that of urban residents in the same period, as the income level of Chinese rural residents has been much lower than that of urban residents, suggesting greater potential for the consumption of food, tobacco and alcohol (referring to alcoholic beverages) in for rural residents. With the continuous progress of China's urbanization, there's still great growth potential for Chinese Baijiu market in the coming years.

Figure 6: Chinese urban residents' and rural residents' per capita expenditure on food, tobacco and alcohol, 2016-2020



Source: National Bureau of Statistics of China

Among all types of alcoholic beverages, distilled spirits are the most popular among Chinese consumers in terms of per capita consumption, according to data from WHO on total alcohol per capita consumption in terms of litres of pure alcohol for the population at the age of 15 years old and above. Of all distilled spirits, baijiu, China's national drink, has stayed popular among Chinese consumers in family celebrations, business functions and Chinese holidays, as it best suits Chinese culture, particularly in ancestral ceremonies and sacrifices to the gods, banquet, military triumph, or toss for the warriors to boost the spirit.

There are significant regional variations in China's baijiu consumption, with much larger usage in the colder region of northern China and lesser usage in the southern region. The provinces that traditionally have robust baijiu demand include Anhui, Jiangsu, Henan, Hubei, Hunan, Jiangxi, Shandong, Sichuan, and etc.

As a consumer goods, baijiu market demand is subject to impacts of Chinese government policies on consumption. In recent years, China has issued or rectified a series of policies, laws and regulations, with some contents affecting the baijiu consumption, especially high-end product, such as restrictions on spending on official overseas trips, official vehicles and official hospitality, strict ban on drunk driving, and making drunk driving a crime.

Overview of China's baijiu market

The baijiu industry in China has undergone different development periods in recent years.

Rapid development period during 2005-2012

After China's economy recovered from the Asian financial crisis in 1997, China's baijiu industry was booming with sound supply and robust demand, attributed to Chinese residents' rapidly elevating income level and consumption capability.

Growth slowdown period during 2013-2015

China's baijiu industry faced with a series problems including rapidly decreasing sales volume of high-end baijiu products, oversupply, and high inventory level, etc., affected by multiple factors, such as

Chinese central government's campaigns to crack down corruption since the late 2012, the negative impacts of a well-known baijiu brand's products containing excessive levels of a plasticizer in late 2012, and the slowdown of China's economy growth in this period. China's baijiu output volume and sales revenue for Chinese enterprises above designated size, namely those with annual sales revenue exceeding RMB 20 million, witnessed slowdown growth rates, and these enterprises' business operation performances kept on slipping in 2013 and 2014.

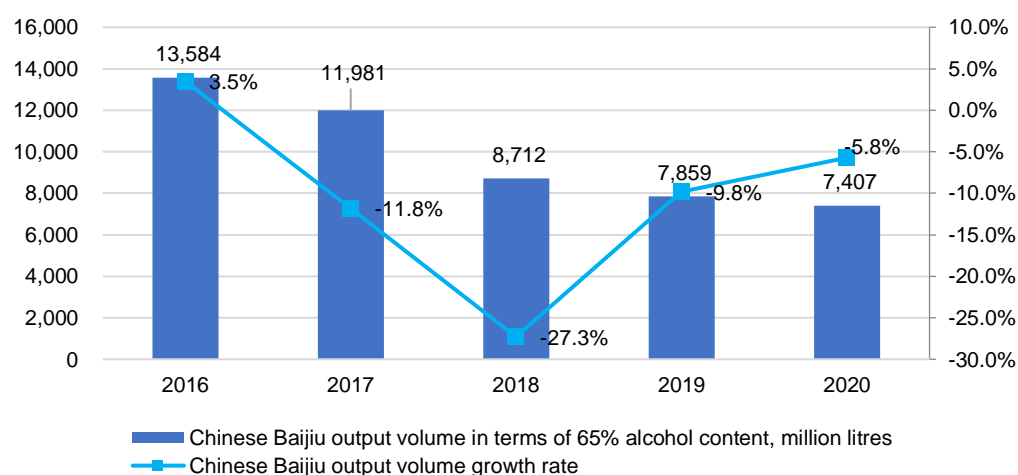
Industry adjusting development

The past five years of 2016-2020 has been an industry reconstruction period for China's baijiu industry, after the rapid growth since 2005. China's baijiu output kept on dropping in these five years because of weaker demand of Chinese consumers, especially the drop of baijiu demand for government-funded banquets, previously an important sector of baijiu consumption, especially for high-end baijiu products, as Chinese government launched a series of policies to crack down on waste, extravagant spending, and corruption from 2012, such as restrictions on spending on official overseas trips, official vehicles and official hospitality, and the Eight-point Austerity Rules aiming to reduce bureaucracy, extravagance and undesirable work practices of the Chinese Communist Party members.

Compared to the peak in 2016, China's baijiu output in 2020 dropped by 45.5%. The compound average growth rate for baijiu output during 2016-2020 is -14.1%.

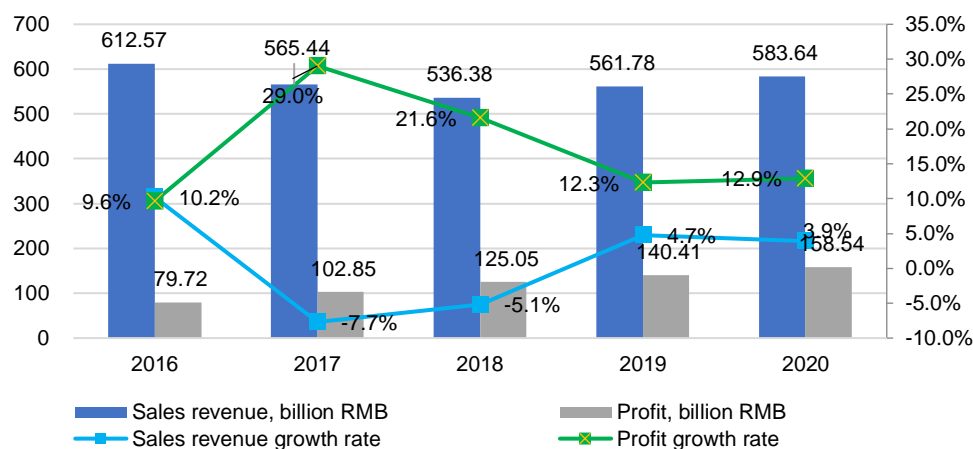
However, the sales revenue decrease of baijiu enterprises was much milder compared to their output reduction. Besides, the business operation performance of baijiu industry has been improving with continuous profit increases in these past five years.

Figure 7: China's baijiu output in terms of 65% alcohol content, 2016-2020



Source: National Bureau of Statistics of China

Figure 8: Sales revenue and profit of China's baijiu enterprises above designated size in 2016-2020

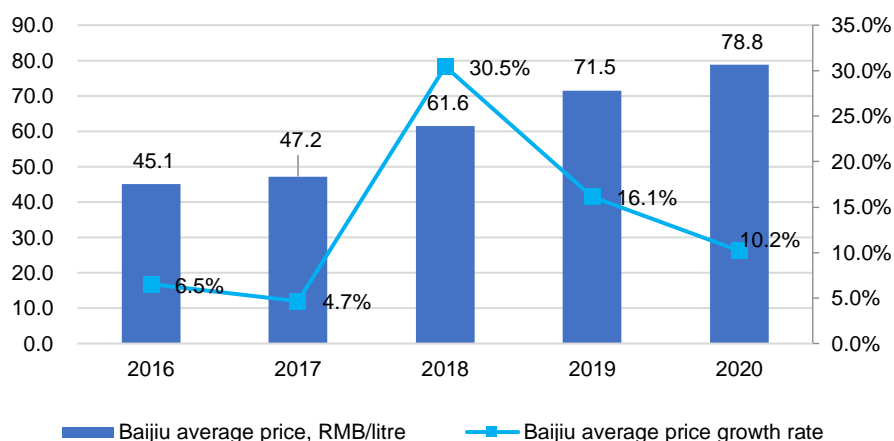


Source: National Bureau of Statistics of China, Browledge Consulting

Despite the falling demand from official functions, the Chinese Baijiu demands from business occasions and functions and from ordinary Chinese consumers remained robust, as China's GDP and Chinese residents' per capita disposable income levels continued to increase during 2016-2020 in spite of China's economic growth slowdown compared to previous years. Besides, with rising income levels and growing buying power, ordinary Chinese consumers are increasingly demanding quality Chinese Baijiu products. The Chinese Baijiu product structure has been upgrading, with growing demand for middle end products.

The average price level of China's baijiu products kept on climbing in the past five years.

Figure 9: Average annual price of China's baijiu in terms of 65% alcohol content, 2016-2020



Source: National Bureau of Statistics of China, Browledge Consulting

Note: The average price is calculated by dividing the sales revenue of Chinese baijiu enterprises above designated size by China's output of baijiu in terms of 65% alcohol content.

At the same time, China's baijiu enterprises actively adjusted their operation strategies, such as phasing out the outdated capacities, reducing inventory, developing products with creative ideas and unique characteristics to better deal with the new circumstances and better meet the changing demand of the Chinese consumers. At the same time, China's leading baijiu brands launched low-end products to make up their losses in high-end product market, since the sharp demand drop of high-end baijiu products for official functions.

China's baijiu industry development in recent years has been characterized by the following trends:

The supply of baijiu has been increasingly concentrated to core production regions.

As the production of quality baijiu has specific requirements on the temperature, humidity and microbials contained in the air, and the major raw materials such as water and grain, baijiu production in China is concentrated in several regions, such as strong-flavour baijiu in provinces of Sichuan, Anhui and Jiangsu, jiang-flavour baijiu in Guizhou, and mild-flavour baijiu in Shanxi and Beijing. China's core baijiu production regions, such as the China's Baijiu Golden Triangle with Zunyi City -Yibin City – Luzhou City as the core, have the advantages of location, favorable climate and temperature conditions, good quality water and grain supply, and the inheritance of Chinese Baijiu production and processing techniques and etc. All these factors are critical for the production and processing of quality baijiu.

As the consumers are paying more and more attention to the quality and brand of baijiu, the quality baijiu products from the core production regions are gaining growing popularity and enjoy higher market acceptance. China's leading baijiu brands, Kweichow Moutai, Wuliangye and Luzhou Laojiao are all located in China's Baijiu Golden Triangle.

China's baijiu capacity has been increasingly concentrated to leading enterprises

Although the whole Chinese Baijiu industry has witnessed output decrease and sales revenue reductions since 2016, the leading Chinese Baijiu enterprises that focused on middle- and high-end products have started to recover and grow during this time period from the previously downward trend, as they can better stimulate and meet the consumers demand with their continuous investments in product development, service system improvement and human resource construction, etc. For middle and small Chinese Baijiu enterprises and workshops without core competitiveness, their capacities are gradually phased out of the market.

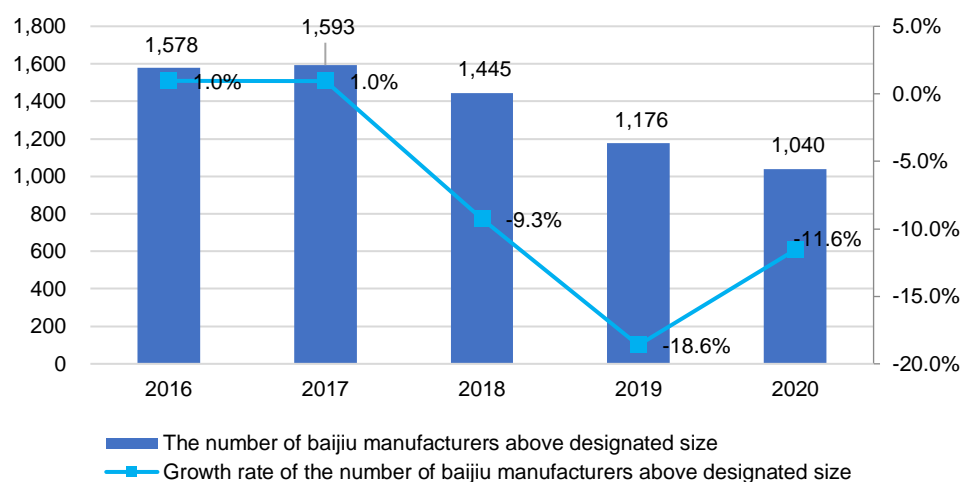
The market share for middle- and high-end baijiu has been expanding

Chinese residents' per capita disposable income has kept on growing in recent years, reaching RMB 32,189 in 2020, 35.1% higher than that of 2016. With rising income level, Chinese consumers are more inclined to buying high quality baijiu products. This has promoted the expanding market shares of middle and high-end baijiu products.

Growing consolidation for China's baijiu industry

As of the end of year 2020, there were 1,040 baijiu manufacturers with above designated size, namely with annual sales revenue more than RMB20 million. The number of China's baijiu manufacturers has kept on dropping in recent years, suggesting the continuous industry consolidation trend in recent years.

Figure 10: Changes in number of China's baijiu enterprises with designated size, 2016-2019



Source: National Bureau of Statistics of China

Besides the enterprises above designated size, there are also a large number of small-scale baijiu manufacturers and workshops in China. With Chinese government policies to enhance industry consolidation and consumers' growing preference to quality baijiu, the market share for these small players has kept on shrinking in recent years.

Competition characteristics between different flavours of baijiu

By flavour, the national market for baijiu has been dominated by strong-flavour baijiu, followed by jiang-flavour baijiu and then mild-flavour baijiu. The sound development of Kweichow Moutai, the top one baijiu brand in China, with core products being jiang-flavour baijiu, has promoted the demand for jiang-flavour baijiu to grow on the whole in recent years.

Brief overview of jiang-flavour baijiu market in China

Compared to other types of baijiu, jiang-flavour baijiu, with the name derived from its distinct and lingering fragrance, has longer production process and higher cost. Its production is labor and resource intensive, involving multiple fermentations in subterranean pits lined with stone bricks, multiple times of steaming of the fermented sorghum, and multiple liquor distillations.

Jiang-flavour baijiu production, originated in the middle ranges of Chishui River in Maotai Town of Renhuai City in China's western Guizhou Province, currently is concentrated in the middle ranges of Chishui River in Sichuan and Guizhou, with Guizhou being the largest production region for jiang-flavour baijiu. Leading jiang-flavour baijiu brands like Kweichow Moutai, Guizhou Xijiu, Guizhou Guotai Liquor, etc. are all located in Renhuai City of Guizhou Province.

Sichuan is the second largest production region for jiang-flavour baijiu in China, with the representative manufacturer of Sichuan Langjiu Group. Jiang-flavour baijiu is also produced in provinces of Shandong, Guangdong and Hunan, etc., but without any well-known jiang-flavour baijiu brands in these regions by now.

Promoted by the positive influence of China's leading baijiu brand, Kweichow Moutai, jiang-flavour baijiu has gained growing popularity among Chinese consumers and witnessed rapidly growing market in recent years. According to estimates from Zhongtai Securities, China's jiang-flavour baijiu capacity in 2018 accounted for 4% of China's total baijiu capacity, while its profit accounted for around 35% of the national total that year, suggesting the fat profit margin of jiang-flavour baijiu in China.

The market of jiang-flavour baijiu is expected to continue to expand in the coming years. More and

more new jiang-flavour baijiu brands will expand to the national markets.

Forecast on China's baijiu market to 2025

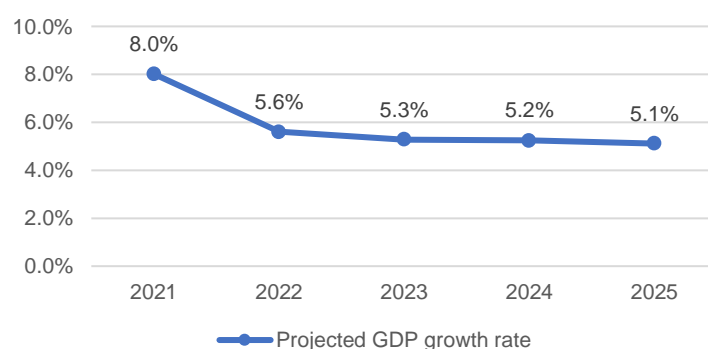
Drivers

- Continuous economic growth

China's economy maintained steady growth in recent years, with annual GDP growth rate staying above 6% in recent years, except the year of 2020. China's GDP growth rate in 2020 was only 2.3% because of two factors, the outbreak of the COVID-19 first breaking out from China in the late 2019 and early 2020, then spreading to most other countries in the world, and the escalating tensions between the United States and China on multiple fronts. With these two factors, most countries in the world witnessed negative economic growth in 2020. Compared to most major economies, China's economic performance in 2020 was still quite outstanding.

According to the forecast by the International Monetary Fund in its World Economic Outlook published in October 2021, China's economy will keep the strong growth momentum, with GDP growth rates staying above 5% in the coming five years, still pretty fast among most major economies, slower only than those of India and Indonesia. China's GDP growth rate in 2021 is even expected to reach 8.0%, recovering from the heavy blow by the COVID-19 pandemic.

Figure 11: Forecasted growth rates of China's GDP to 2025



Source: World Economic Outlook published in October 2021 by IMF

Note: The data is year-on-year changes for the annual percentages of constant price GDP.

Boosted by China's strong economic growth expectations, Chinese residents' per capita income level is projected to rise accordingly. China's continuous economic growth and Chinese residents' rising income level will provide sound economic conditions for China's baijiu industry development and promote the consumption structure upgrade.

- Government policies to boost domestic consumption

Domestic consumption has been a key priority for China, especially when overseas demand has been weak in recent several years and US is conducting trade war against China. Chinese government has been issuing policies to further boost residents' income level and to stimulate domestic consumption in recent years, in the context of global economic growth slowdown, US-China trade war. At the same time, the increasingly wealthier Chinese consumers are placing growing emphasis on quality rather than quantity of products and services purchased.

- On September 24, 2018, the State Council released an action plan (2018-2020) on improving China's consumption mechanism to further stimulate the vitality of domestic consumers,

suggesting the consumption structure should be improved from six aspects.

- On January 29, the State Council, in conjunction with 10 other ministries including the National Development and Reform Commission issued the: “Notice to further optimizing supply to promote steady growth in consumption (2019)” (“the 2019 Domestic Consumption Policy Package”) to stimulate domestic consumption growth in 2019.

Chinese government’s efforts are expected to boost consumption of goods and services, including baijiu.

- China’s baijiu drinking culture provides solid foundation for baijiu consumption

As China’s unique national drink, baijiu has been the dominant alcoholic beverage type, with a wide range of consumer groups and profound social and cultural background. Chinese residents have developed their unique baijiu drinking culture and habits. Baijiu has played an important role in the business activities, usual social interactions and various banquets and celebrations in China. This has been and will continue to be the cornerstone for supporting the development of baijiu industry in China.

Barrier

- Competition from other alcoholic beverages and consumers’ diversifying demands

China’s baijiu market has faced growing competition from other alcoholic beverages such as brandy, whisky, and various wine products, as Chinese consumers’ demand has become increasingly diversifying with expanding international trade and Chinese residents’ lifestyle more and more westernized. Not only foreign alcoholic beverage enterprises are entering China’s alcoholic beverage market, snatching market shares from baijiu market, but also domestic baijiu enterprises have been launching low-alcohol baijiu products, fruit wine, health alcoholic beverages, etc., to meet the diversifying consumer demands.

- Potential safety incidents posed by small-scale baijiu manufacturers and workshops

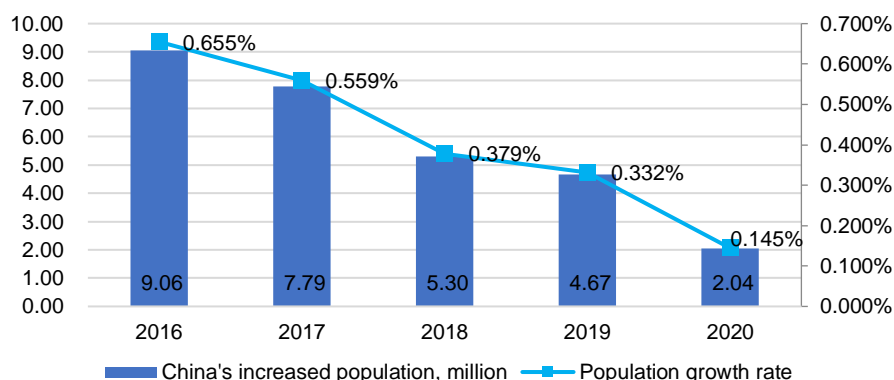
As there are a number of small-scale baijiu manufacturers and workshops in China, there are potential risks in the safety and quality control of their products, as most of them, restricted by their capital and technology constraints, haven’t established sound quality control systems. The potential risks of food incidents occurring in such manufacturers and workshops are high. This will pose severe damage to the development of China’s overall baijiu industry.

- Much slower growth rate of Chinese population

China’s population increase has kept on dropping in recent years. In 2020, China’s population increase was only 2.04 million. The figure even dropped to only 0.48 million in 2021, up by only 0.034%, according to the latest figures released by China’s National Bureau of Statistics.

The population growth rate is expected to keep dropping in the coming years. This is not favorable for China’s baijiu demand.

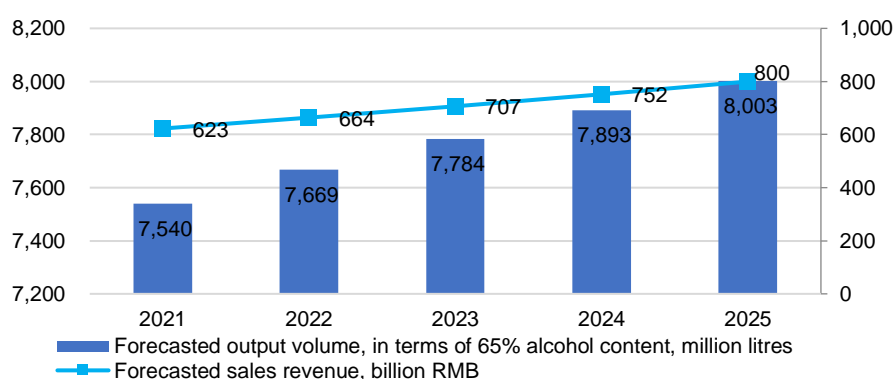
Figure 12: China's population increase during 2016-2020



Source: National Bureau of Statistics of China

China's baijiu annual output in 2025 is expected to reach around 8,000 million litres in terms of alcohol content, and the sales revenue is projected to be around RMB 800 billion that year.

Figure 13: Forecast on China's baijiu output and sales revenue to 2025



Source: Brokedge Consulting

Major players in China's baijiu market

In China's baijiu industry, there are more than 1,000 baijiu manufacturers above designated size (namely, annual sales revenue of over RMB20 million) as of the end of year 2021. The industry has kept on consolidating in recent years. The market shares of leading players have been continuously expanding. As of January 2022, 19 baijiu manufacturers have got listed in China's stock markets. The total market share of these 19 listed baijiu companies by revenue in 2020 reached 45.05% of China's total baijiu manufacturers above designated size that year, up 1.23% than that in 2019.

Table 4: Top 5 players in China's baijiu industry

No.	Company name	Location (province)	Market share by revenue, 2020	Brief introduction
1	Kweichow Moutai Co., Ltd.	Guizhou	16.79%	Kweichow Moutai is China's leading jiang-flavour baijiu brand with production base in Maotai Town, Renhuai City of Guizhou Province. Its main products include Maotai, Maotai Prince, etc.

2	Wuliangye Yibin Co., Ltd.	Sichuan	9.82%	Wuliangye is China's leading strong-flavour baijiu brand, with production base in Yibin City of Sichuan Province. Its main products include Wuliangye, Wuliangchun, etc.
3	Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.	Jiangsu	3.62%	Yanghe is also a leading strong-flavour baijiu brand in China, with production base in Suqian City of Jiangsu Province. Its main products include Mengzhilan, Tianzhilan, Yanghedaqu, etc.
4	Luzhou Laojiao Co., Ltd.	Sichuan	2.85%	Luzhou Laojiao is also a leading strong-flavour baijiu brand in China, with production base in Luzhou City of Sichuan Province. Its main products include Guojiao 1573, Luzhou Laojiaotequ, etc.
5	Beijing Shunxin Agriculture Co., Ltd.	Beijing	2.66%	Shunxin Agriculture is also a leading strong-flavour baijiu brand in China, with production base in Beijing. Its main products include Erguotou, Niulanshan series, etc.

2. Disclaimer

This is a reproduction of the material component of the independent market report issued by Guangzhou Browledge Consulting Co., Ltd (**Browledge Consulting**) dated January 2022 (**Market Report**). Save for the preparation of this report and services rendered in connection with this report, Browledge Consulting has no interest in the Company and no interest in the outcome of the listing. Browledge Consulting has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Browledge Consulting does not hold any financial services licence and their report does not constitute advice in respect of the Acquisition.

13 ANNEXURE B – CORPORATE GOVERNANCE STATEMENT

No. Y/N If not, why not

Principle 1: Lay solid foundations for management and oversight

- | | | |
|-----|---|---|
| 1.1 | Y | The Company has adopted a formal board charter setting out the responsibilities of the board. A copy of this board charter can be downloaded from the link below: https://www.nsx.com.au/ftp/news/021734569.PDF . |
| 1.2 | Y | The entire Board will carry out appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director. The board will provide Shareholders with all material information in the possession of the Company for Shareholders to decide on whether to elect or re-elect a Director.

The Company's board charter sets out the processes to appoint or remove a Director. |
| 1.3 | Y | Each Director is required to sign a letter of appointment setting out the terms of his or her appointment. Senior executives are employed on full-time basis and have signed employment contracts under relevant labour laws of the jurisdiction which they were employed. |
| 1.4 | Y | The chair and each member of the board has free and unfettered access to the company secretary. The company secretary is also authorised to communicate any issue or raise any concern directly with the chair and/or any member of the board as he or she considers necessary. |
| 1.5 | N | The board supports workplace diversity, including gender diversity but considers that the Company is not of a size or maturity to justify a formal diversity policy. The board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company at its early stages of operations rather than focusing on gender and other diversity factors. The board currently consists of one female director and four male directors. |
| 1.6 | Y | As set out in the Company's board charter, to ensure the Directors and the board work efficiently and effectively in achieving their responsibilities, the chair will meet with each Director at least annually to discuss individual performance and ideas for improvement. The board will also, at least annually, meet to discuss and evaluate its own performance for that financial year so as to make improvements for the following year.

The Company will disclose whether a performance evaluation was undertaken in each reporting period in accordance with this process. |
| 1.7 | Y | The board will meet at least annually to review the performance of executives. The senior executives' performance is assessed against the performance of the group as a whole.

The Company has carried out a performance evaluation in accordance with this process for the financial period ended 31 March 2021. |

Principle 2: Structure the board to add value

- | | | |
|-----|---|--|
| 2.1 | N | The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the board either as addition to the board to supplement its current skills and experience or as part of succession planning for the board. |
| 2.2 | Y | Following Completion of the Acquisition, the skills matrix setting out the mix of skills and |

diversity that the board will have are set out below:

		Ilmars DRAUDINS	ZHANG Houyi	Long Huy (Bill) LAM
		✓		✓
	Corporate governance			
	General and administrative management		✓	
	Sales and marketing		✓	
	Risk management	✓		✓
	Financial management	✓		✓
	Entrepreneurship		✓	
2.3	Y	Following Completion of the Acquisition, the board will comprise of two independent Non-Executive Directors and one Executive Director. All Directors are subject to re-election at the next annual general meeting.		
2.4				
2.5	Y	Following Completion of the Acquisition, the chair of the board will be ILMARS DRAUDINS who is an independent Non-Executive Director. The Executive Director will be ZHANG Houyi.		
2.6	Y	<p>The board has put in place a programme in which all new directors will be assessed by the Company's nominated adviser as to the extent of his or her awareness of his or her responsibilities as a director of a company which is listed on NSX, and where such awareness is insufficient, to undergo such training or induction as may be recommended by the nominated adviser.</p> <p>The present members of the board are aware of their personal responsibilities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively and, if so requested by a Director, the Company will bear reasonable costs and expenses of any continuing education programme or course which a Director may request to attend.</p> <p>Finally, the board intends to appoint as Director a person who has the necessary skills and knowledge to perform his or her intended role and who is aware of his or her personal responsibility for his or her own continual education.</p>		

Principle 3: Act ethically and responsibly

- 3.1 N The Company has not formally adopted a Code of Conduct, a whistleblower policy or an anti-bribery and anti-corruption policy. However, every director, senior executive and employee is aware of his or her responsibility to, at all times, act ethically and strictly
- 3.2 comply with the spirit and letter of all laws and regulations of countries in which the group
- 3.3 carry on business.
- 3.4

Principle 4: Safeguard integrity in corporate reporting

- 4.1 N The board has not established a separate audit committee. The full board carries out the duties that would ordinarily be assigned to the audit committee.
- The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify having a separate audit committee.
- The board maintains regular communication with the external auditor and monitors their performance on a yearly basis. Currently, the board considers the Company's financial affairs not to be of such complexity as to justify the rotation of audit partner.
- 4.2 Y The board will receive an annual assurance in the form of a declaration from the chief

executive officer (or equivalent) and the chief financial officer (or equivalent) as required by the Corporations Act 2001.

- 4.3 Y The Company will in each of its annual report, other periodic report and on its website, include a description of the process it undertakes to verify the integrity of the information in its annual Director's report.

Principle 5: Make timely and balanced disclosure

- 5.1 Y The board has adopted a formal continuous disclosure policy which can be downloaded from the link below: <https://www.nsx.com.au/ftp/news/021734570.PDF>.

- 5.2
5.3 The Company will ensure that its board receives copies of all material market announcements promptly after they have been made.

When the Company gives a new and substantive investor or analyst presentation, a copy of the presentation materials will be announcement on the NSX market announcement platform ahead of the presentation.

Principle 6: Respect the rights of security holders

- 6.1 Y Following Completion of the Acquisition, the Company's website will be <https://gzbnlsjy.com/>. The website will contain information about the Company and its operating subsidiaries. This Corporate Governance Statement will also be published on the website.

- 6.2 Y The Company implement an active investor relations programme. We outsource our investor relations functions to our nominated adviser who designates one of its personnel to act as our investor relations officer tasked to attend all communication with you. The e-mail address of the investor relations officer is info@jgy.qidao100.com. Shareholders or investors are encouraged to write to the Company with any query.

- 6.3 Y The Company has not put in place any written policy and processes to facilitate and encourage participation at meetings of security holders. However, the Company allows unrestricted reasonable discussions and dialogue with and receive feedback from security holders during the Company's general meetings.

- 6.4 Y All substantive resolutions at a meeting of security holders will be decided by a poll rather than by a show of hands.

- Y The Company's security registry has in place and has implemented a system in which security holders are given the option to receive communication from, and send communication to, the entity and its security registry electronically.

Principle 7: Recognise and manage risk

- 7.1 N The board has not established a separate risk management committee. The board is ultimately responsible for risk oversight and risk management taking into account key material risks faced by the Company and how these risks or, if the risks materialise, its possible impact can be minimised.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify having a separate risk committee.

The board will ensure that risk management is included on the agenda of meetings of the board.

- 7.2 Y The board will review the Company's risk management framework at least annually to satisfy itself that it continues to be sound.

- 7.3 Y The Company does not have an internal audit function.

The primary responsibility for risk management and internal controls on a day-to-day basis at the operations level vests with the board. The board, through the risk management committee, will ensure that risk management is included on the agenda of meetings of the board for discussion.

- 7.4 Y Material risks which the Company is exposed to and how it manages or intend to manage these risks are disclosed in the prospectus. The board will continue to monitor the Company's exposure to these risks (or for any other risks the Company may become expose to in the future) and disclose them in the Company's annual report.

Principle 8: Remunerate fairly and responsibly

- 8.1 N The board considers that the Company is not of a size to justify the formation of a remuneration committee. The board as a whole will perform the function of a remuneration committee.

The remuneration of Executive Directors is set out in their employment contracts. The board will seek Shareholder approval at general meetings before paying any Directors' fees.

The Company adopts the following policies and practices regarding the remuneration of Executive Directors, Non-Executive Directors and senior executives:

- Executive Directors and Non-Executive Directors are paid only Directors' fees. The policies and practices for payment of Director fees to Non-Executive Directors are the same as those for Executive Directors.
- The board sets and determines the remuneration for senior executives and will do so having regard to prevailing levels paid to executives performing similar roles at comparable companies.

- 8.3 N/A This Recommendation is not applicable as the Company does not have an equity-based remuneration scheme.

Principle 9: Additional recommendations that apply only in certain cases

- 9.1 Y Upon Completion, the Company has one Director who does not speak English, being ZHANG Houyi. The proposed Company Secretary, LI Xuekun, can speak and write both English and Chinese. With Ms Li's assistance, Mr Zhang will be able to understand and can contribute to the discussions at board meetings and Shareholder meetings, and understand and can discharge his obligations in relation to key corporate documents.

- 9.2 Y The Company will ensure that meetings of its Shareholders in the future will be held at reasonable places and times.

- 9.3 Y The Company will ensure that its external auditor attends its annual general meetings and is available to answer questions from its Shareholders relevant to the audit.