



26<sup>th</sup> February 2019

**Mr John Williams**  
Head of Admissions  
NSX Limited  
1 Bligh Street, Sydney NSW 2000  
Dear John,

## **789 HOLDINGS LIMITED – PRE-QUOTATION DISCLOSURE**

### **Introduction**

1. We refer to the listing application of 789 Holdings Limited (**789** or the **Company**, together with its subsidiaries the **Group**) dated 3 October 2018 including the prospectus dated 27 September 2018 (as supplemented on 21 December 2018) (**Prospectus**) to raise a minimum of \$2,500,000 (**Offer**).
2. We wish to update the market regarding certain issues raised by NSX to ensure full disclosure of relevant matters prior to 789's admission to NSX's official list and commencement of trading.

### **Confirmation of the raising of the minimum amount and allotment of the shares under the offer**

3. The Offer closed on 1 February 2019 and the Company has raised the minimum of \$2,500,000.
4. The shares under the Offer were allotted on 22 February 2019.

### **Impact of increased PRC capital controls on the Company's business**

5. There has been reports in the media in Australia that the PRC government has in recent years tightened capital control including the stiff penalties introduced by the China's Supreme Court for illegal currency exchange at the start of January 2019. It was reported that the tightened capital control by PRC government makes it more difficult for Chinese investors to transfer money out of China to invest into the Australian real estate market.
6. While the Group's agents do not operate in China, part of the Group's property marketing and sale business targets the sale of properties to potential buyers from South East Asia and China. For the last three financial years that ended on 30 June 2016, 2017 and 2018, the proportion of revenues of the Group from PRC investors and Non-PRC investors are as follows:

	2016	2017	2018



Proportion of revenues from PRC investors (property sales)	13%	6%	14%
Proportion of revenues from Non-PRC investors (property sales)	87%	94%	86%
Proportion of revenues from PRC investors (rent rolls)	18%	14%	13%
Proportion of revenues from Non-PRC investors (rent rolls)	82%	86%	87%
Proportion of revenues from PRC investors (property sale and rent rolls)	13.20%	6.41%	13.91%
Proportion of revenue from Non-PRC investors (property sale and rent rolls)	86.80%	93.59%	86.09%

7. The Company notes whilst the Chinese Supreme Court has introduced stiff penalties for illegal currency exchange in the black market, the foreign exchange quota of US\$50,000 per year to PRC individuals remains unchanged. While any tightened PRC capital control may affect the Group's business, the Company is of the view that such effect is not substantial since a majority of the Group's clients are Non-PRC investors.

#### Trademarks

8. As set out in section 5.7 of the Prospectus, the trademarks under which the Group's business is conducted are owned by SWASA Wealth Pty Limited ATF the CJ Family Trust (Kai (Walton) Zhu's family trust) (**SWASW**), and the Group has been granted with the licence to use the trademarks.
9. On 30 September 2015, HOME789 and SWASW entered into a trademark license agreement whereby SWASW granted HOME789 an exclusive right to use the trademarks as set out in section 5.7 of the Prospectus. The first five years of the grant is free and HOME789 will pay an annual license of \$20,000 (plus GST) starting from the sixth year from the date of the agreement. The term of the license agreement is not specified in the agreement.

#### Relationship between Aust Sunshine Marketing Pty Limited and the Company's Executive Chairman Kai (Walton) Zhu

10. As disclosed in section 5.1 of the Prospectus, the Group's property sales business was initially conducted through both HOME789 and Aust Sunshine Marketing Pty Ltd (ACN 143 306 254)



(Aust Sunshine); with Aust Sunshine as the master project marketing company appointing HOME789 as its sub-agent for selling properties. Total sales revenue generated is about 10% and 90% from HOME789 stocks and Aust Sunshine stocks respectively.

11. Aust Sunshine and HOME789 have varied the sub-agency agreement so that HOME789 will receive all future revenue entitlements from the existing property sales under the sub-agency agreement. HOME789 has also entered into agreements with the Group's agents and will carry out the property sales business for the Group including marketing any project, and Aust Sunshine has ceased to carry out master project marketing business and property sales business. Revenues received by Aust Sunshine for its businesses other than the existing property sales business are not under the scope of the sub-agency agreement and will remain with Aust Sunshine.
12. Aust Sunshine is 99% owned by SWASW Wealth Pty Limited ATF the CJ Family Trust (Kai (Walton) Zhu's family trust).
13. Aust Sunshine carries out the following business: property development and marketing consulting service and project model supplier businesses.

For and on behalf of the Board

Kai (Walton) Zhu

Executive Chairman