



THE **FOOD**
REVOLUTION
GROUP

ASX Announcement

10 September 2018

Chinese distribution agreement and \$20.25M strategic investment for FOD

Highlights

- **Proposed strategic distribution agreement with Careline Australia Pty Ltd** to target at least \$20M per annum of additional sales within two years
- **Careline incentivised to rapidly grow FOD's sales** through distribution and product expansion from c. A\$35 million to between A\$100M and A\$500 million within three to five years via the issue of Performance Shares (subject to shareholder approval and achievement of milestones)
- Careline intends to distribute FOD products in China via its growing network of more than **10,000 affiliate marketers** ("daigous").
- FOD will develop new high-end health products **for the Chinese market**.
- Careline's investment and proposed distribution agreement will allow FOD to expand the distribution and sales of existing and new products, as well as provide working capital
- FOD signs agreement with strategic investors headed by **Dr Norman Li to invest up to \$20.25 million** in the Company (subject to shareholder approval).
- Dr Li is an Australian citizen and is the **founder and CEO of Careline Australia Pty Ltd**, a major Australian manufacturer and exporter of skincare products, food, supplements and baby formulations into China through his exclusive sales distribution network of more than 10,000 daigous. Dr Li plans to grow this sales network to 30,000 daigous.

The Food Revolution Group Limited (ASX: "**FOD**" or the "**Company**") is pleased to announce it has signed a binding subscription deed with Careline Australia Pty Ltd (**Careline**) and its founder and CEO Dr Tao (Norman) Li that will see strategic investors headed by Careline and Dr Norman Li invest up to \$20.25 million in the Company (subject to shareholder approval). The parties have also committed to enter a distribution agreement to expand FOD's sales into China.

As part of the proposed distribution agreement, Careline will distribute FOD's juice, beverage and vitamin products in China, through its growing network of 10,000 daigous. The distribution agreement

will contain minimum targets of \$20M per annum of additional sales within two years at current Company margins.

Careline is incentivised to rapidly grow FOD's sales through distribution and product expansion from c. A\$35 million to at least A\$100 million over the next three to five years via the issue of up to 190 million Performance Shares. Further details are outlined below.

Pursuant to the subscription deed, Careline and/ or its nominees will invest up to \$20.25 million via the issue of 375 million ordinary shares at an issue price of \$0.054 per share. The investment will be made via the following five tranches (with the first two tranches 1 and 2 to be issued under FOD's existing placement capacity and the final three tranches will be subject to shareholder approval):

Tranche 1 – 18.5 million ordinary shares, an investment of A\$1,000,000, on or before 28 September 2018.

Tranche 2 – 46.5 million ordinary shares, an investment of A\$2,510,000, by 31 October 2018.

Tranche 3 – 100 million ordinary shares, an investment of A\$5,400,000, within 6 months up to 5 March 2019.

Tranche 4 – 100 million ordinary shares, an investment of A\$5,400,000, within 12 months up to 5 September 2019.

Tranche 5 – 110 million ordinary shares, an investment of A\$5,940,000, within 18 months up to 5 March 2020.

The total investment of A\$20.25 million is personally guaranteed by Dr Norman Li.

After the Tranche 2 investment is completed, Dr Norman Li will be appointed as Chairman of The Food Revolution Group and will have the right to appoint an additional two directors. Dr Li is an Australian citizen and is the founder and CEO of Careline, a major Australian manufacturer and exporter of skincare products, food, supplements and baby formulations into China through his sales distribution network of 10,000 daigous. Dr Li plans to significantly grow this sales network.

Careline

Dr Norman Li founded Careline in Sydney in the 1990s and has served as CEO for more than 20 years, growing it from a small shop in the western suburbs of Sydney to become a global exporter. Careline also has a TGA and GMP license for manufacturing, warehousing and packaging health care products.

Careline focuses on Australian health and skin care products as well as international markets including China. It has a number of brands in the skin care and health products market, as well as having cooperated with the largest infant formula maker in Australia to bring the OZ Care infant formula series to sale in both domestic and international markets.

Careline's Distribution and marketing capabilities

Careline and its partners have strong distribution and marketing expertise in China.

At the 2010 Shanghai World Expo in China, Careline's *Chantelle* brand was enthusiastically sought by Chinese consumers at the Australian National Pavilion. The company won the highest sales championship trophy of the Australian Pavilion. Careline products are currently sold in thousands of stores in dozens of cities in more than 20 provinces and cities, including Hong Kong, Macau, and mainland China, in the Beijing, Shanghai, Guangzhou, Chongqing, Chengdu, and Anhui provinces.

Careline participates in exhibitions every year in Japan, Shanghai, Guangzhou, Hong Kong, Dubai, Las Vegas, Sydney, Melbourne and many other cities. Careline's products have a strong reputation.

Through the proposed distribution agreement, Dr Norman Li will co-operate with FOD to adjust the existing product lines and develop new ones for export. FOD's new product line will include various types of bottled beverage products, new high-end healthy shot and sachet drinks, OEM contracts from potential customers, and the development of new series of health products.

Careline's involvement will assist FOD to cope with the rapid development of demand of the Chinese market.

Careline currently has approximately 10,000 daigous in its distribution network and has a goal of growing this to exceed 30,000. FOD will be able to access these daigous as well as a variety of Careline's distribution channels under the proposed distribution agreement.

It is intended that Careline will also connect FOD to some of the largest online and offline food and distribution companies in China to further expand FOD's distribution reach and sales growth in the region.

Subject to approval by FOD shareholders and the Investor, 190 million performance shares (**Performance Shares**) will be issued to Careline (or its nominee) once the strategic distribution agreement is entered into by FOD and Careline or its nominee and the strategic investment as described above has been made. Performance Shares will have no voting, dividend or other rights save for the right to convert into ordinary shares (on a 1 for 1 basis) upon certain milestones being achieved as measured over five years as follows:

1. 100 million of the Performance Shares will convert into 100 million ordinary shares on FOD achieving revenue of at least A\$100 million per annum in total revenue from ordinary activities in any of the 3 years post completion (between 1 July 2018 and 30 June 2021, pro rated for the first financial year);
2. 30 million of the Performance Shares will convert into 30 million ordinary shares on FOD achieving at least A\$200 million per annum in total revenue from ordinary activities in any of the 3 years post completion (between 1 July 2018 and 30 June 2021);
3. 30 million of the Performance Shares will convert into 30 million ordinary shares on FOD achieving at least A\$350 million per annum in total revenue from ordinary activities in any of the 4 years post completion (between 1 July 2018 and 30 June 2022); and
4. 30 million of the Performance Shares will convert into 30 million ordinary shares on FOD achieving at least A\$500 million per annum in total revenue from ordinary activities in any of the 5 years post completion (between 1 July 2018 and 30 June 2023).

If any of the above milestones are not achieved, the right to convert the applicable Performance Shares into ordinary shares will lapse and the Performance Shares will be automatically cancelled.

The Food Revolution Group's Executive Chairman, Bill Nikolovski, said the agreement would transform the Company in both the Australian and Chinese markets.

"Working with Careline to move our existing and new products into China is a huge opportunity for our Company, as entry into the Chinese market has been a long-term goal for us. "

"We have been achieving strong growth of our branded products in Australia and with the partnership with Careline it will give us a step change in sales with access to the Chinese market. "

"Careline and Dr. Norman Li have a deep and proven understanding of the Chinese consumer and have an established distribution and marketing platform that we will work with Careline to leverage."

"Careline has been building its sales network to more than 10,000 sale agents. The core value proposition of this channel is Manufacturer to Customer which ensures Chinese consumers are buying Australian product directly from the manufacturer. "

"Careline has been looking to sell more Australian manufactured product through this channel and are now pleased to be a part of this network."



Dr Li, pictured above with FOD products, said: "I am really excited with the opportunities we will create with The Food Revolution Group."

“FOD has great products, capability and capacity. It is a very innovative company. We will add some new products to the product portfolio which will include new bottled beverages, new high-end health shot drinks, and introduce some OEM contracts.”

“We will make FOD product line richer to cope with the rapid development of demand by the Chinese market. We will sell these products in our distribution network locally and in China.”

“The Careline distribution network has now been developed to a level that it needs access to more high-quality products that can be produced in high quantities.”

“When we commence marketing products through our channels such as registered Daigous, TV sales and Physical stores we need to be able to meet the demand with rapid manufacturing capacity.”

“We have been looking for this high-quality capacity which we have now found in The Food Revolution Group's manufacturing assets which are currently only used to about a 30% capacity.”

“This, combined with FOD's proven ability to rapidly innovate new products, means the partnership gives us the ability to more fully utilise our China distribution and sales capacity through Careline's proven networks.”



02 COFFEE/ TEA/ PLANT & ROOT SPORT DRINKS



COFFEE
NITRO COLD BREW



PLANT BASED
HEMP DRINK



PLANT BASED
PEA DRINK

03 JUICE & SMOOTHIES



BEAUTY DRINK
SKIN REVIVE



BEAUTY DRINK
SKIN DETOX



BEAUTY DRINK
DEEP CLEANSE

HYDRATION THAT HEALS



Dr Norman Li at this year's Careline Spring Distributors Conference in Beijing with a group of his senior sales and distribution leaders





Chinese movie star Miss Mengying Huang who is a promotor for Carline products in China

Shareholders' meeting and indicative timetable

The Company will convene a meeting of its shareholders to approve the transactions set out above in accordance with the indicative timetable set out below. The notice of meeting will set out further details relating to the transaction and an independent expert's report. FOD reserves the right to amend the timetable and notes that the timetable may be extended if third party or regulatory processes take longer than currently anticipated.

Event	Indicative Timing
ASX announcement of transaction	10 September 2018
First Tranche Subscription	28 September 2018
Entry into distribution agreement	28 September 2018
Lodgment of meeting materials with ASX and ASIC	10 October 2018
Dispatch of meeting materials	26 October 2018
Second Tranche Subscription	31 October 2018
EGM to vote on resolutions to approve transaction	30 November 2018
Third tranche subscription*	5 March 2019
Fourth tranche subscription*	5 September 2019
Fifth tranche subscription*	5 March 2020
Last date for satisfaction of conditions for conversion of Performance Shares	30 June 2023

**Subject to shareholder approval*

Taylor Collison is acting as the Corporate Advisor to the transaction and will receive a corporate advisory fee on the transaction payable in the form of the issue of 21,750,000 fully paid ordinary shares subject to shareholder approval on the business day following the day that shareholder approval is obtained.

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About The Food Revolution Group

The Food Revolution Group Limited (ASX: FOD) is an Australian-based food processing company that uses a combination of conventional juice processing equipment and custom-developed equipment and processes to manufacture a range of high-quality juices, fibres, infused fruits and fruit waters that are sold as branded products or ingredients to customers domestically and overseas.

FOD uses a range of processing technologies, including Current Counter Extraction (CCE) technology which was developed in conjunction with Australia's CSIRO to extract juice from fruit and vegetables. Its processing facilities are located in Mill Park, Victoria.

FOD is aiming to generate shareholder value through exploring opportunities for growth in the functional food, beverage and nutraceutical markets in Australian and key international markets.