



**ASX ANNOUNCEMENT**  
ASX Code BUG

**5 October 2016**

**CAPITAL RESTRUCTURING  
AND  
BUSINESS DEVELOPMENT**

Buderim Group Limited (Company) announces that it has entered into a binding term sheet:

1. with Asia Mark Development Limited (**AMD**) to issue it 6,505,463 ordinary shares at \$0.40 per share, raising approximately \$2.6 million (**Placement**);
2. with AMD to fully underwrite a pro rata renounceable rights issue of ordinary shares the Company will make, on a 1 for 2 basis at \$0.36 per share raising approximately \$9.0 million (**Underwritten Rights Issue**); and
3. with Wattle Hill RHC Fund 1 SPV1 L.P., an exempted limited partnership, acting through its general partner, Wattle Hill RHC Fund 1 SPV1 Ltd, (**WHC**), to issue it 25,000,000 Convertible Notes and with AMD to issue it 12,500,000 Convertible Notes raising \$15 million in total (less reasonable costs of WHC and AMD, capped at \$400,000) (**Convertible Notes Issue**),

together the **Transaction**.

The Transaction is subject to

- confirmatory due diligence by WHC and AMD on the Company's share capital and financing structure, property title and/or tenure of the sites used for material operations, employment and industrial arrangements, intellectual property rights, disputes, contingent liabilities and defaults/breaches;
- entry into definitive agreements for the Transaction; and
- shareholder approval which the Company intends to seek at an extraordinary general meeting to be held on 20 December 2016.

among other market standard conditions precedent.

Subject to completion of the Transaction, AMD (or its nominee) and WHC (or its nominee) will each have the right to appoint one (1) Director to the Company's board and, within six months post completion of the Transaction, the Company must procure a fifth director to join the Board, to be nominated by the WHC and AMD appointed Directors only.

Each element of the Transaction is interconditional with the others, so that if one element of it is not approved by shareholders, or is otherwise terminated, the entire Transaction (to the extent not already implemented) will not proceed.

The Company will engage an independent expert to issue a report on whether the Transaction is reasonable to shareholders. The report will be sent to shareholders along with the notice of meeting for approval of the Transaction. Subject to the independent expert concluding that the Transaction is reasonable to shareholders, the directors unanimously recommend the Transaction to shareholders, in the absence of a superior proposal.

## **Rationale for Transaction**

The purpose of the capital restructuring is to provide funds for a substantial reduction of bank debt and to develop the core business segments of Macadamias and Ginger, capitalising on the established brands held by the group including Buderim Ginger, MacFarms, Fresh from Hawaii, Agrimac, and Frespac. The above transaction will raise approximately \$26.1 million.

More specifically, projects contemplated include:

- Increased distribution into export markets, including China, assisted by the transaction parties.
- Development of in-house manufacturing capability for processes currently outsourced including drinks packaging.
- Facilitate further vertical integration in macadamias in orchard development and retail macadamia product processing.
- Enable potential extension into a wider tree-nut business with the support of the transaction parties.

## **Background to AMD and WHC**

Asia Mark Development Limited (AMD) is a business associate of QiaQia Food Co. Ltd., a Chinese publically listed company on the Shenzhen Stock Exchange. AMD and QiaQia have joint ventures and co-investments in numerous snack processing facilities in China.

Headquartered in Hefei, Anhui Province, QiaQia is one of China's largest modern snack production companies, specialised in roasted seeds and tree nuts. QiaQia products are sold in over 900,000 retail outlets in China. In addition to national distribution in China, it also distributes products to SE Asia, Europe and North America.

In the year ending 31 December 2015, QiaQia had annual revenues of A\$650 million, and its market capitalisation as at 30 September 2016 was over A\$1.78 billion.

Wattle Hill RHC Fund 1 SPV1 L.P. (WHC) is a holding vehicle for a private equity fund which invests in Australian and New Zealand companies that benefit from China's growth - especially companies that offer products and services in demand by Chinese consumers.

WHC's team comprises Chinese-speaking investment personnel with Australian education and professional backgrounds that can bridge the cultural gap between Australian and Chinese companies. WHC provides both financial capital and assistance with access to the Chinese market.

Founded by Albert Tse, (former Legal Representative of Macquarie Group in Beijing), who is a specialist in Chinese outbound investments, especially into Australia, across many different sectors, WHC's investors include large institutional and private investors from Europe and Asia.

The Company has determined that AMD and WHC are associates within the meaning of the Corporations Act.

## **Details of the Placement**

The Placement will be made to AMD or its nominee, and will involve an issue of 6,505,463 ordinary shares at \$0.40 per share, raising approximately \$2.6 million. This represents 15% of the shares currently on issue.

Shareholder approval for the Placement will be sought, including for the purposes of ASX Listing Rule 7.1. The issue of the shares under the Placement will occur as soon as practicable following approval of shareholders.

### **Details of the Underwritten Rights Issue**

AMD has agreed to fully underwrite a renounceable rights issue by the Company. The offer price under the Underwritten Rights issue will be \$0.36 per share, and the offer will be made to registered holders of shares at the record date who are resident in Australia or New Zealand. Each eligible holder will have the right to subscribe for 1 new share for every 2 shares held at the record date.

The Underwritten Rights Issue will only proceed if shareholders approve the Transaction. The shares issued under the Placement will obtain rights under the Underwritten Rights Issue, meaning that AMD (or its nominee) will at least be issued 3,252,732 new shares under the Underwritten Rights Issue. The number of further shares that AMD will receive is underwriter will depend on the level of acceptances under the offer. As the offer is renounceable, shareholders who do not wish to accept the offer will have the ability to sell their rights on ASX, depending on whether there is a market for such rights.

AMD is not receiving a fee in respect of its underwriting role. The Underwriting Agreement between the Company and AMD will contain market standard termination events, including a mutual termination event if shareholders do not approve the Transaction.

The timetable for the Underwritten Rights Issue will be announced following shareholder approval for the Transaction.

### **Details of the Convertible Notes Issue**

The agreed terms of issue of the Convertible Notes are summarised as follows:

1. Convertible Notes will only be issued if Shareholders approve the Transaction – this will include an approval for conversion by AMD and WHC of the Convertible Notes they hold into ordinary shares for the purposes of ASX Listing Rule 7.1 and section 611, item 7 of the Corporations Act;
2. the Convertible Notes will be issued as soon as practicable following 31 January 2017, and no later than 14 February 2017;
3. each Convertible Note may be converted by the Noteholder into 1 ordinary share at any time prior to maturity of the Convertible Note (the conversion ratio is subject to standard adjustments including for alterations to the capital of the Company);
4. except to the extent already converted, the Convertible Notes mature on the 3<sup>rd</sup> anniversary of the issue date of the notes, at which time the face value of the notes, plus any unpaid interest; will be payable by the Company to the Noteholder
5. The Subscriber may at its election require that the Company redeem any Convertible Notes not converted and held by it on the Maturity Date by seven days written notice and the Issuer must pay to the Subscriber the face value for each Convertible Note.
6. the coupon on the Convertible Notes is 4.5% per annum, payable annually in arrears or (with agreement of the Noteholder) capitalised;
7. the Convertible Notes will be secured by mortgages of the Company's Australian, Fijian and United States land and factories, second-ranking only to the existing security interests currently held by Rabobank;
8. 37.5 million Convertible Notes will be issued at a face value of \$0.40.

Further updates will be provided in the near future.

End.

For further information please contact: Buderim Group - Roger Masters, CEO on 0418 777 346

WHC and AMD – Mark Rudder, GRACosway on 0411 362 362