



9 May 2011

Retail Food Group Limited and Oaks Hotels & Resorts Limited announce agreed takeover

Retail Food Group Limited (ASX:RFG) (**RFG**) and Oaks Hotels & Resorts Limited (ASX:OAK) (**Oaks**) are pleased to announce that RFG will make an off-market takeover offer in respect of all Oaks shares (**Offer**).

The Offer

- The Offer will be an off-market takeover offer for all Oaks shares, which will be subject to limited conditions summarised in the Schedule.
- The Offer will not be subject to any minimum acceptance condition.
- The Offer is subject to ASIC not granting the relief sought by Minor to enable the acquisition of approximately 34% of the shares in Oaks from the Receivers. RFG and Oaks note that contrary to some media reports, Minor's acquisition of these shares remains subject to ASIC granting relief from section 606(1) of the Corporations Act. If Minor's relief application is refused, Minor will have a relevant interest in 19.9% of Oaks shares, not 54.3% as indicated in its announcement dated 3 May 2011. Oaks and RFG intend to formally ask ASIC to reject Minor's relief application.
- Oaks shareholders will be able to elect to receive consideration of either:
 - a cash payment of \$0.545 for each Oaks share (**Cash Alternative**); or
 - a cash payment of \$2.60 and one RFG share for every 10 Oaks shares (**Cash and Scrip Alternative**).
- The Cash Alternative values Oaks equity at \$94.7 million.
- The Cash Alternative represents a:
 - 12% premium to the 20 day volume weighted average price of Oaks shares of \$0.49;
 - 35% premium to the 3 month volume weighted average price of Oaks shares of \$0.40;
 - 56% premium to the \$0.35 consideration offered under the takeover offer for Oaks made by Minor; and
 - 5% premium to the \$0.52 consideration that Minor has advised it will offer if certain relief is provided by ASIC.
- Based on the 20 day volume weighted average price of RFG shares of \$2.89, the Cash and Scrip Alternative represents a 1% premium to the Cash Alternative.

Director recommendations

- Oaks directors Doug Wong, Stephen Lonie and Mark Gray (the **Recommending Directors**) have indicated that in the absence of a Superior Proposal, they:
 - will recommend that Oaks shareholders accept the Offer; and
 - intend to accept the Offer for their own holdings of Oaks shares.
- Oaks directors John Cowley and Colin Archer are both directors of RFG.
- RFG has established a committee of directors not including John Cowley and Colin Archer for the purposes of RFG's considerations in respect to Oaks and the making of the Offer.
- John Cowley and Colin Archer have not been involved in the activities of the Committee which is chaired by independent non-executive RFG director Bruce Hancox.
- John Cowley and Colin Archer have not been involved in the Oaks board's deliberations and will not make a recommendation in respect of the Offer to Oaks shareholders.

RFG considers that the Offer provides attractive value to Oaks shareholders as well as the opportunity to continue to participate in potential upside associated with the Oaks business model by accepting the Cash and Scrip Alternative.

RFG CEO Tony Alford said that assuming the midpoint of Oaks core operations EBITDA of \$34 million (guidance announced by Oaks on the 15th April 2011), RFG's preliminary assessment is that the acquisition would represent an EBITDA multiple of approximately 5 times FY2011 earnings exclusive of any expense liberation opportunities as a consequence of the positive synergies and consolidation outcomes available.

"RFG anticipates the Oaks acquisition on a core operations basis and over a full year to be earnings per share (EPS) accretive in the range of 15% to 25% once identified integration synergies are realised," he said.

RFG and the Recommending Directors look forward to working together to progress the Offer for the benefit of all Oaks shareholders.

"The Oaks business model will align and benefit from the proven expertise of RFG's systems, management, property and marketing functions," Mr Alford said.

"Whilst ostensibly Oaks and RFG's business formats and revenue drivers would appear disparate, on closer inspection the respective business models are closely aligned, attractively synergistic and provide a tangible opportunity to combine the relevant divisional strengths of both enterprises given their remarkable similarity."

Mr Alford stated, as was the outcome with its previous acquisitions of Brumby's and Michel's, the Oaks acquisition is capable of short term integration and thereafter robust growth under the stewardship of an experienced asset acquirer and successful operator of business systems.

"The Oaks business is poised for reinvigoration and its amalgamation with RFG's existing franchise system, further diversifies RFG's revenues and remains consistent with its broad focus on property, leasing, and management of third party stakeholder relationships and interests. Indeed RFG perceives an opportunity in the immediate term to capitalise on its franchising expertise for the benefit of the Oaks business model via the introduction of franchising relationships."

"Notwithstanding that Oaks possesses a unique and compelling business model its development pathway has been restricted by access to attractive and or appropriate funding. RFG will leverage its strong

banking relationships combined with strong equity support to obviate this shortcoming and underpin both organic and acquisitional growth,” Mr Alford said.

Oaks chairman Doug Wong said that:

“We welcome the RFG Proposal, which reinforces the Oaks Recommending Directors’ view that the Minor bid is inadequate. The Proposal provides Oaks shareholders the choice of taking a higher cash price for their Oaks shares or retaining an exposure to the Oaks business by opting for the cash and shares alternative.

“The Oaks Board has always maintained its key priority has been to maximise value for all shareholders, while maintaining the highest levels of corporate governance.

“Despite Minor last week indicating that it will increase its offer price from the original \$0.35 to \$0.52 per share, if certain relief is provided by ASIC, the Board continued to believe this did not adequately reflect the value of Oaks.

“The Oaks Board has been actively canvassing alternative proposals since the unsolicited takeover bid by Minor International and the offer today from RFG certainly vindicates our actions.

“The Recommending Directors are pleased to recommend RFG’s Offer to shareholders, in the absence of a superior offer.”

Intentions of RFG if Offer is successful

RFG’s specific intentions with respect to Oaks will be described in detail in the Bid Implementation Agreement. At this juncture, assuming RFG acquires 100% of Oaks shares:

- **Business** – RFG intends to conduct the Oaks’ business in the ordinary course whilst introducing initiatives designed to enhance and facilitate growth.
- **Oaks employees** – RFG will seek to retain all Oaks employees.
- **Headquarters** – RFG will also engage with staff and other relevant stakeholders prior to embarking on rationalisation programs including relocation of offices and functions.
- **Compulsory acquisition** - If it becomes entitled to do so, RFG intends to compulsorily acquire any outstanding Oaks shares in accordance with section 661B of the Corporations Act.

The statements above reflect RFG’s current intentions with respect to Oaks’ business. They may change as further information becomes available or circumstances change.

Bid Implementation Agreement

RFG and Oaks have entered into a Bid Implementation Agreement (**BIA**) setting out the terms on which they will work together to progress the Offer. Key terms of the BIA include:

- **No-shop and no-talk provisions** – Oaks is subject to customary no-shop and no-talk provisions which are subject to an appropriate fiduciary carve out.
 - **Break fee** – the BIA provides for Oaks to pay a RFG break fee of \$250,000 in circumstances where there is a Superior Proposal in respect of Oaks shares or where any of the Recommending Directors publicly state their support for a Superior Proposal or indicate that they will not accept the Offer in respect of their Oaks shares.
 - **Dispatch of takeover documents** – RFG has agreed to finalise its bidder’s statement within 21 days of the date of this announcement. To expedite the Offer and the provision of consideration to
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Oaks shareholders, Oaks has agreed that RFG may dispatch its bidder's statement to Oaks shareholders as soon as it is finalised and that it will dispatch its target's statement within 7 days thereafter.

- **Termination** – the BIA is terminable by either party in certain circumstances including where a Superior Proposal is made or announced in respect of Oaks, the other party is in material and continuing breach of the bid implementation agreement, a defeating condition is triggered in respect of the Offer or an insolvency event occurs in respect of either party.

Advisers

RFG has engaged McCullough Robertson as legal adviser.

Oaks has engaged Mallesons Stephen Jaques as legal adviser and Austock Corporate Finance as corporate adviser.

For further information please contact:

RFG

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Oaks

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Background information about RFG and Oaks

About RFG

RFG is an Australian company listed on ASX and with in excess of 1100 franchise outlets is a leading Australian retail food brand manager and franchisor. It is the intellectual property owner and manager of Donut King, Michel's Patisserie, Brumby's Bakeries, bb's cafe and Esquires franchise systems.

About Oaks

Oaks is an Australian company listed on the ASX and is a hotel and resort operator in the serviced apartment hotel sector. Oaks property portfolio includes CBD apartments, resorts and villas located throughout Australia, New Zealand, and in Dubai in the United Arab Emirates.

Schedule: Offer conditions

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- 1 **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, no Prescribed Occurrence occurs in relation to Oaks or its Subsidiaries.
- 2 **(ASIC relief)** ASIC does not grant the relief sought by Minor to enable the acquisition of Oaks shares from the Receivers and Minor does not otherwise complete the acquisition of any of the Oaks shares held by the Receivers.
- 3 **(No material transactions or events)** Except for any proposed transaction publicly announced by Oaks prior to the Announcement Date, none of the following events occur between the Announcement Date and the end of the Offer Period:
 - (a) other than Settlement of the Lonsdale Litigation, any member of the Target Group disposes, or agree to dispose of one or more companies, management and letting rights, businesses or assets (or an interest in one or more companies, management and letting rights, businesses or assets) which is not in the ordinary course of Oaks' business or for an amount in aggregate greater than \$2 million or announces an intention to do so; or
 - (b) any member of the Target Group acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) which is not in the ordinary course of Oaks' business or for an amount in aggregate greater than \$2 million or announces an intention to do so.
- 4 **(Non-ordinary course arrangements)** other than Settlement of the Lonsdale Litigation, neither Oaks nor its Subsidiaries becomes a party to or announces an intention to enter into any agreement or arrangement which is not in the ordinary course of Oaks' business or which is on onerous terms.
- 5 **(No regulatory action)** Between the Announcement Date and the end of the Offer Period:
 - (c) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - (d) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - (e) no application is made to any Regulatory Authority (other than by the Bidder),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of Oaks shares by RFG, the rights of RFG in respect of Oaks and the Oaks shares or the continued operation of the businesses of Oaks or its Subsidiaries.
- 6 **(Superior Proposal)** Between the Announcement Date and the end of the Offer Period, there is no Superior Proposal.

RFG may waive the conditions in accordance with the terms of the Offer.

Glossary

These meanings apply unless the contrary intention appears or the context requires otherwise:

Announcement Date means 9 May 2011.

Competing Proposal means a transaction which, if completed, would mean a person other than RFG would:

- (a) acquire control of Oaks, within the meaning of section 50AA of the Corporations Act;
- (b) acquire all or a substantial part of Oaks' business, assets or undertaking; or
- (c) otherwise acquire or merge with Oaks.

Corporations Act means the *Corporations Act 2001* (Cth).

Government Agency means a government or government department or other body, semi-governmental or judicial person, or a person (whether autonomous or not) who is charged with the administration of a law.

Minor means Minor International Public Company Limited and each of its Subsidiaries including Delicious Food Holdings (Singapore) Pte Ltd.

Oaks means Oaks Hotels & Resorts Limited ACN 113 972 366 a company incorporated in Australia.

Offer Period means the period that the Offer is open for acceptance.

Prescribed Occurrence means an occurrence specified in section 652C(1) of the Corporations Act as if that section applied to the Takeover Bid.

Receivers means the receivers and managers for Centrepont Holdings Pty Ltd and Oaks Apartment Management Pty Ltd.

Regulatory Authority includes ASX, ASIC, ACCC, the Foreign Investment Review Board and the Australian Taxation Office, a Government Agency, a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government and any regulatory organisation established under statute.

Relevant Interest has the meaning given to that term by section 9 of the Corporations Act.

RFG means Retail Food Group Limited ACN 106 840 082 a company incorporated in Australia through its wholly owned subsidiary Systems Franchisor Pty Ltd ACN 134 506 013.

Settlement of the Lonsdale Litigation means settlement of the dispute between MP Investment Nominees Pty Ltd and Oaks relating to the lease of premises at 23-33 Lonsdale Street, Melbourne.

Subsidiaries has the meaning given to that term by section 9 of the Corporations Act.

Superior Proposal means a publicly announced Competing Proposal that, taking into account all aspects of the Competing Proposal, is reasonably capable of being completed and is more favourable to Oaks shareholders than the takeover bid made by RFG.

Target means Oaks.

Target Group means the Target and each of its Subsidiaries.