

RETAILFOODGROUP

STRENGTH IN BRANDS

21 January 2015

Entry into Joint Venture for Chinese Market

Australia's largest multi-brand retail food franchisor and leading wholesale coffee roaster, Retail Food Group Limited ('RFG' or the 'Company') today announced that it had partnered with Tian Jin Sen Yong Tai Co Limited ('JV Partner'), a subsidiary of Chinese based GouBuLi Group Co Ltd, to establish a joint venture for the purposes of exploiting the Gloria Jean's Coffees and It's A Grind Brand Systems within the People's Republic of China (the 'Territory').

The JV Partner is already successfully operating two Gloria Jean's Coffees outlets within the Territory, and its parent, GouBuLi Group Co Ltd, has been successfully operating a restaurant chain in China under the GouBuLi Brand, which has over a 150 year old heritage and annual revenues of RMB1billion (c.AUD\$197m).

Under the agreement, RFG will be possessed of a 20% interest in a specific purpose joint venture vehicle ('JV Vehicle'), with the remaining 80% to be held by the JV Partner. The joint venture arrangements also contemplate:

- The grant, subject to usual and ordinary conditions, to the JV Vehicle of an exclusive, perpetual and royalty free licence to use the Gloria Jean's Coffees and It's a Grind intellectual property within the Territory for the purposes of the joint venture;
- The payment to RFG by the JV Partner or its associates of an initial licence fee of AUD\$6m;
- The JV Vehicle being funded solely by the JV Partner and retained earnings;
- Assignment to the JV Vehicle of existing master franchise agreements within the Territory, which are currently represented by six (6) outlets, in addition to the two outlets presently operated by the JV Partner;
- Subject to relevant taxes and programmed debt repayments commencing in FY19, application of net profits of the joint venture equally to: (a) expansion of the business within the Territory; and (b) dividends paid to the joint venture participants consistent with their interest in the JV Vehicle; and
- The establishment of a further joint venture vehicle for the purposes of establishing coffee roasting operations to service the Territory, such vehicle to be owned in equal shares by RFG and the JV Partner (or their associates).

RFG CEO Tony Alford noted that the initial licence fee of AUD\$6m had been received in full, and that the parties were in the process of implementing the terms of the joint venture.



“The joint venture represents the culmination of a twelve month engagement between the Gloria Jean’s Coffees Brand System, Tian Jin Sen Yong Tai Co Limited and their respective associates, and affords RFG immediate revenue in terms of the initial licence fee paid, together with scope for future earnings by way of profit share and supply-side opportunity”.

“Importantly, the joint venture unites RFG with a substantial and motivated local partner, well able to apply sufficient resources, retailing expertise and resolve to ensure the success of the enterprise”, he said.

About Retail Food Group Limited:

RFG owns the Donut King, Brumby’s Bakery, Michel’s Patisserie, bb’s Café, Esquires, Gloria Jean’s Coffees, It’s A Grind, The Coffee Guy, Café2U, Pizza Capers Gourmet Kitchen and Crust Gourmet Pizza Bar franchise systems. In addition, the Company is a significant wholesale coffee roaster supplying existing Brand Systems and third party accounts under the Evolution Coffee Roasters Group, Caffè Coffee, Roasted Addiqtion, Maranatha Import Export, Café Palazzo and Barista’s Choice coffee brands. On 25 November 2014 the Company entered into a Share Purchase Agreement to acquire Di Bella Coffee, with settlement scheduled for 31 January 2015.

About GouBuLi Group Co Ltd:

GouBuLi, which was established over 150 years ago as a small stuffed-bun shop in Tianjin, outside of Beijing, China, has grown to become one of the pre-eminent catering brands on the Chinese mainland. The company operates more than 30 high-end restaurants across the country, and is also involved in the food-processing, logistics and training industries. GouBuLi Group Chairman, Mr Yan Sen Zhang, is not only involved in the food and beverage industry, but also the Chinese Pharmaceutical industry, where he is the controlling shareholder of both TianJin Tong Ren Tang and Tian Jin Hong Ren Tang, brands which have over a 200 year old heritage.

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