



12 September 2018

Ms Penelope Reid
Adviser, Listings Compliance
Australian Stock Exchange

By email: tradinghaltspert@asx.com.au; penelope.reid@asx.com.au

Dear Ms Reid

The Food Revolution Group Limited (ASX:FOD): Response to ASX query

We refer to your letter of 10 September 2018. Our responses to each of ASX's queries are set out below.

Capitalised terms not defined in this letter have the meaning given to them in your letter.

Question 1: Has FOD, its officers or corporate advisers conveyed information to the media regarding the distribution agreement and \$20.25 million investment agreement ("Agreements") the subject of the Announcement?

No.

Question 2: Does FOD have an explanation as to how the details of the Agreements appeared in the Article before they were given to ASX?

Yes.

FOD engaged NWR Communications, an external communications consultant, to assist FOD to prepare the Announcement and manage FOD's media strategy.

FOD now understands that NWR Communications provided a draft press release to *The Australian* on an embargoed basis, in order to secure an interview with *The Australian* for FOD's executive chairman, Mr Bill Nikolovski, after the release of the Announcement to the market.

FOD was not aware that NWR Communications had provided *The Australian* with the draft press release, and did not consent to it doing this. Mr Nikolovski has not spoken to *The Australian* about either the transaction or the subject matter of the Announcement.

The draft press release was provided by NWR Communications to *The Australian* after FOD had entered into a trading halt, but prior to the release to the market of the Announcement. Accordingly, the draft press release provided to *The Australian* does not reflect all of the wording in the Announcement, as the Announcement had not been finalised. FOD remained in a trading halt at all relevant times until the Announcement was released to the market.

FOD only became aware of the article in *The Australian* at approximately 9:00am AEST on the morning of 10 September 2018, after it had lodged an English and Chinese language version of the Announcement with ASX at approximately 7:45am AEST.

The Announcement was only released by ASX at 10:06am AEST on 10 September 2018. The delay in release was due to ASX requiring a typographical error to be corrected and ASX objecting to the inclusion of a Chinese language version of the Announcement which had been lodged with the Announcement by FOD.

FOD acknowledges ASX's views in relation to Listing Rules 3.1 and 15.7 and regrets that the actions of its media and communications adviser have resulted in these concerns being raised. FOD is currently reviewing its relationship with NWR Communications as a result.

Question 3: In light of the fulsome information regarding the Agreements appearing in the Article (including similar and at times identical wording between the Article and the Announcement, and quotes from FOD's executive chairman), what enquiries has FOD undertaken to ensure its compliance with Listing Rule 15.7?

FOD has asked for a full explanation from NWR Communications as to why this information was released to *The Australian* prior to it being announced to the market, and which is addressed in FOD's response to question 2 above.

Question 4: Does FOD consider that it has acted in compliance with its Continuous Disclosure Policy? If the response to this question is "yes", please explain the basis for that response.

Yes. FOD did not intend to, and nor did it authorise the release of any material information to *The Australian* ahead of the Announcement being released to the market. FOD was unaware that information relating to the Announcement was going to be provided to *The Australian* before the Announcement was released.

Question 5: If the current arrangements for ensuring compliance with Listing Rule 15.7 and the Continuous Disclosure Policy are inadequate or not being enforced, what additional steps does FOD intend to take to ensure compliance?

FOD takes its compliance with the Listing Rules extremely seriously, and will conduct further training with its Directors and Senior Management on Listing Rules 3.1 and 15.7, and compliance with FOD's Continuous Disclosure Policy. More specifically, FOD will remind its senior executives that it is not appropriate for FOD, or any adviser to FOD, to provide information to the media on an embargoed basis. FOD will also ensure its terms of engagement with external consultants and professional advisers are appropriate to achieve compliance with the ASX Listing Rules and FOD's Continuous Disclosure Policy.

Question 6: Does the board of directors consider it appropriate that Mr Nikolovski, as FOD's executive chairman, provided information about the Agreements to The Australian before such information was given to ASX. If the response to this question is "yes", please explain the basis for that response.

No. Please see the response to question 2.

Mr Nikolovski did not provide information about the Agreements to *The Australian*, and has not met with, or spoken with, any journalist at *The Australian* about the subject matter of the Announcement.

The draft release was provided to *The Australian* without FOD's knowledge or authority.

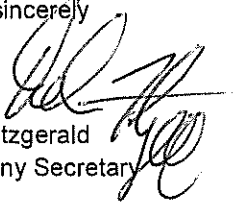
Question 7: Please confirm FOD is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

FOD confirms it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Question 8: Please confirm that FOD's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FOD with delegated authority from the board to respond to ASX on disclosure matters.

FOD confirms that its responses to the questions above have been authorised by its board.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Fitzgerald', written over the printed name.

John Fitzgerald
Company Secretary



10 September 2018

Mr John Fitzgerald
Company Secretary
The Food Revolution Group Limited
20 Heaths Court
Mill Park
VICTORIA 3082

By email

Dear Mr Fitzgerald

THE FOOD REVOLUTION GROUP LIMITED ("FOD"): QUERY

ASX Limited ("ASX") refers to the following.

- A. FOD's request for a trading halt released on the ASX Market Announcements Platform ("Platform") on 6 September 2018, requesting a trading halt for its securities pending the release of an announcement regarding "a strategic investment in the company and a strategic distribution agreement".
- B. The article appearing on page 20 of *The Australian* newspaper on 10 September 2018 entitled 'Li's Careline pumps \$20m into Bucha Shop's Food Revolution' ("Article"), reporting the following.

"One of the top three kombucha businesses in Australia is set to receive a \$20 million capital injection from Chinese-Australian businessman Norman Li and a group of investors as they bankroll the groups expansion plans in China and ambitions to grow sales to \$500m in five years."

"The listed Food Revolution Group... will today announce the issue of new shares to Mr Li's Australian infant milk powder producer Careline Group."

"As part of the deal, which will see Mr Li become FRG chairman and have the right to nominate up to two directors to its board..."

"Careline currently has a sales distribution network in China of 10,000 staff and Mr Li wants to build this to 30,000 after vowing to provide FRG with a minimum of \$20m worth of orders in first two years of their five-year partnership. He is also being incentivised, through performance shares, to boost FRG's revenue to \$100m. If the shares are issued he will acquire 51 per cent of the company. The issue of the performance shares are subject to the achievement of various milestones."

"FRG's executive chairman, Bill Nikolovski, claimed the agreement would transform FRG's position in both Australian and Chinese markets."

"Working with Careline to move our products into China is a huge opportunity for our company, as it has been a long-term goal for us. We have been achieving strong growth of our branded products in Australia..."

- C. FOD's announcement entitled 'Chinese Distribution Agreement & 20.25 million strategic investment for FOD' intended to end the suspension from trading of its securities, released on the Platform at 10:06 am AEST on 10 September 2018 (the "Announcement"), disclosing, amongst other things, the following.

"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."

"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 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."

"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..."

- D. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- E. Listing Rule 15.7, which requires that an entity must not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to ASX and received an acknowledgment that ASX has released it to the market.
- F. Listing Rule 18.6, which requires that on admission to the official list, an entity must comply with the Listing Rules.
- G. FOD's 'Continuous Disclosure and Communications Policy' ("Continuous Disclosure Policy") available on its website, stating (amongst other things):

"The Company is committed to:

- complying with its continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act;

- preventing the selective or inadvertent disclosure of material price sensitive information..."

"The Company will not release Material Information that is required to be given to ASX under Listing Rule 3.1 to an external party except where that information has first been disclosed to ASX and the Company

has received an acknowledgement from ASX that the information has been released to the market generally.”

Listing Rule 15.7 prohibits an entity from releasing information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to ASX and received an acknowledgment that ASX has released it to the market.

As an article appeared in *The Australian* newspaper prior to any announcement being released to ASX, it appears that FOD may be in breach of listing rules 3.1 and/or 15.7.

Having regard to the above, ASX asks FOD to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Has FOD, its officers or corporate advisers conveyed information to the media regarding the distribution agreement and \$20.25 million investment agreement (“Agreements”) the subject of the Announcement?
2. Does FOD have an explanation as to how the details of the Agreements appeared in the Article before they were given to ASX?
3. In light of the fulsome information regarding the Agreements appearing in the Article (including similar and at times identical wording between the Article and the Announcement, and quotes from FOD’s executive chairman), what enquiries has FOD undertaken to ensure its compliance with Listing Rule 15.7?
4. Does FOD consider that it has acted in compliance with its Continuous Disclosure Policy? If the response to this question is “yes”, please explain the basis for that response.
5. If the current arrangements for ensuring compliance with Listing Rule 15.7 and the Continuous Disclosure Policy are inadequate or not being enforced, what additional steps does FOD intend to take to ensure compliance?
6. Does the board of directors of FOD consider it appropriate that Mr Nikolovski, as FOD’s executive chairman, provided information about the Agreements to *The Australian* before such information was given to ASX. If the response to this question is “yes”, please explain the basis for that response.
7. Please confirm that FOD is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that FOD’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FOD with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 7.00am AWST on Thursday, 13 September 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in FOD’s securities under Listing Rule 17.3.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Please contact me if you have any queries about this matter.

Yours sincerely

Penelope Reid

Adviser, Listings Compliance (Perth)