



**THE FOOD
REVOLUTION
GROUP**

ASX Announcement

04 February 2019

Quarterly Overview and Operational Update – management focus on accelerating Chinese sales growth

Highlights

- FOD secures first orders for Chinese distribution from strategic partner Careline
- China Inspection and Quarantine (CIQ) approval achieved for two of FOD's juice products: Orange Juice with pulp and pulp-free. CIQ approval means FOD's products are approved for sale in physical stores in China
- Following CIQ approval, sample stock of FOD's Fruit Farm Orange Juice have been shipped to JJ Global for distribution through mainland China
- Canola oil memorandum of understanding signed with Sinopec. Distribution to commence in early 2019 with a view to roll out across its 35,000+ petrol and convenience outlets in China once CIQ is achieved
- FOD's Mill Park processing facility to be upgraded allowing for improved financial metrics, increased volume and product diversification to satisfy high demand from Chinese customers
- Upgrade will enable FOD to enter the fast-growing food supplement and health and beauty aid markets and expand FOD's export range to meet Chinese demand
- Major supply contract secured with one of Australia's top retailers, Aldi, for Apple Mango Juice
- FOD completes tranche 2 of \$20.25 million strategic investment and Norman Li appointed chairman
- Executive Chairman Dr Norman Li to focus the Company on meeting sales requirements he is lining up from China
- John Florey promoted to Chief Executive Officer from Chief Operating Officer. Mr Florey has been working closely with Dr Li on new products for Chinese market and will assume responsibility for the day-to-day running of the operation
- Dr Li has appointed Mr Joe Zhou to the board as Non-Executive director. Mr Zhou previously held senior positions at PwC and has significant experience in cross border commerce
- Bill Nikolovski has stepped down as Managing Director and CEO for health reasons

- **Management changes reflect FOD's growth into China following several significant agreements announced since Dr Li's \$20.25m strategic investment and appointment.**

The Food Revolution Group Limited (ASX: FOD) presents its Quarterly Overview for the period ended 31 December 2018 and is pleased to provide an update on operational progress and entry into the Chinese market.

During the quarter, FOD received notification that it had achieved China Inspection and Quarantine (CIQ) certification approval for two of its juice products: Orange Juice with pulp and pulp-free. FOD's compliance team is now focused on achieving CIQ approval for the Company's broad pipeline of existing and new products that FOD is developing for the Chinese market.

Following CIQ approval for its Fruit Farm Orange Juice with pulp and pulp-free juice products, the Company secured its first orders for Chinese distribution from strategic partner Careline. Following the \$20 million distribution agreement between FOD and Careline, announced in 2018, Careline purchased a 20-foot container of Fruit Farm Orange Juice for distribution through founder of careline and FOD Chairman Dr Li's 10,000 strong direct daigou network.

FOD Chairman and major shareholder Dr Norman Li is the founder of Careline, a major manufacturer and exporter of skincare products, supplements and baby formulations into China. Dr Li was appointed Executive Chairman of FOD during November and is incentivised to grow FOD's sales to A\$100M in the short-term and A\$500M within five years. Dr Li plans to grow his sales network to 30,000 daigous.

Since joining FOD, Dr Li has introduced many new partners and distributors to the Company, has built a strong distribution network and increased FOD's brand presence across China.

During November, FOD secured a juice supply contract with JJ Global Fine Foods to supply its CIQ-approved Fruit Farm juice products through mainland China. Sample stock of FOD's Fruit Farm Orange Juice has been shipped to JJ Global who will distribute FOD's products across China and to customers such as high-end hotel chains including the Marriott Group (300 hotels in China), Accor (160+ hotels in China), Peninsula, Mandarin Oriental, Hyatt, Shangri La and all major supermarkets, China Resources Vanguard, RT-Mart, China Walmart, Lianhua and Carrefour.

Incoming Chief Executive Officer Mr John Florey said:

"The Company anticipates that selling its products in high-end retail outlets will not only increase the presence and status of its Australian Fruit Farm brand in China, but also rapidly expand FOD's distribution footprint.

"FOD's growth strategy remains focused on selling functional foods and food supplements into China and the Company has also been working on developing innovative, new products.

"Combined with FOD's plant upgrade, the Company will install new machinery comprising gel/liquid sachet machines and powder sachet machines at its processing facility, which will make marine protein and food supplements to meet growing demand in China. These new food supplements will be distributed through Careline's network and FOD's distribution partners."

The quarter also saw FOD enter a Memorandum of Understanding (MOU) with China Petroleum & Chemical Corporation (“Sinopec”), the world’s largest oil, refining, gas and petrochemical conglomerate, headquartered in Chaoyang District, Beijing. Under the MOU, Sinopec will sell FOD’s canola oil products produced under its “Australia’s Garden” brand across a network of more than 35,000 petrol and convenience outlets across mainland China.

Samples of FOD’s canola are being sent to and reviewed by Sinopec. FOD expects that once CIQ Certification is received, initial orders will be received for a select number of stores in key provinces across China with a view to distribute the product China-wide in early 2019.

In anticipation of increased sales into China, FOD’s Mill Park processing facility will be upgraded. The Company will install a state-of-the-art fully self-contained 1260sqm clean room with laboratory and powder mix room. Subsequently, the upgrade means the facility will be able to produce in-demand functional health and beauty aids which can be sold into China.

FOD has seen continued success in growing its domestic footprint and announced during the quarter that it had secured a 12-month supply contract to produce a new Apple Mango juice for Aldi. The contract positions FOD to generate further distribution deals within Australia’s supermarket industry and drive revenue growth domestically. Aldi is one of the fastest growing retailers in the country with more than 500 stores nationally.

During October, the Company announced it had issued 46,481,482 fully paid ordinary shares in total to Careline and Pacific International Fund Management Pty Ltd for the Pi Trust in line with Tranche 2 of the \$20.25 million strategic investment led by Careline and Norman Li. In Tranche 2, Careline subscribed for 5,740,741 ordinary shares and the Trust has subscribed for 40,740,741 ordinary shares to raise a total of \$2,510,000. Following the issue of the Tranche 2 Shares, Careline and the Trust jointly hold approximately 13% of the issued ordinary shares in FOD.

Dr Li has established and will manage the Trust to attract new strategic partners to invest in FOD and help distribute FOD products in Australia and China. The first two strategic partners and investors in the Trust are Top Warehouse and Aurelife Pty Ltd. Top Warehouse offers local retailers a one-stop shop for a large range of premium Australian products. It covers approximately 50 warehouses, 200 gift shops and 20,000 daigous in Sydney, Melbourne and Brisbane. Top Warehouse also has a centralised warehouse where it picks and sends products directly into China.

Aurelife Pty Ltd is an Australian Company with a mission to export high quality Australian and New Zealand products to China using cross border and E-commerce platforms between Australia and China. Aurelife has strong relationships with Alibaba, JD, Netease Kaola.com, Sasa and Mannings. The Company is also the owner of three Golden Crowns Taobao Shop which has over 400,000 followers and in the offline space it supplies many supermarkets, department stores and Sinopharma Pharmacies.

Dr Li said: “FOD has made significant progress during the quarter and we have worked diligently to boost our Aus-China sales network. Combined with our growing product portfolio we are in a unique position to launch products into China.

“We are moving forward to quickly grow our presence in China and working towards becoming a

large juice supplier into China.

“The upgrade at our Mill Park processing facility will allow for increased volume to build our sales domestically and into Asia and we look forward to producing new and innovative product lines which will expand the company’s export range and increase revenue growth.”

Post quarter-end, the Company made changes its executive management team to accelerate the Company’s growth strategy and increase product sales across China.

Dr Li will be responsible for building new partnerships in China and building an in-house team, which sharpens its focus on growing its presence and building sales into China.

In line with Mr Li’s strategic agenda, the Board has appointed Chief Operating Officer Mr John Florey as the Chief Executive Officer effective immediately. Mr Florey has been instrumental in formulating FOD’s strategy, building key relationships with domestic and international retailers and overseeing the Mill Park processing facility upgrade.

Mr Florey has an extensive leadership background in retail, wholesale and trade channels across Australia, New Zealand and China.

Mr Florey has held senior positions for the past 20 years, including CEO of Gippsland Business Developments Pty Ltd, General Manager Coles – Merchandise/Apparel, Entertainment and Paper Shop, Executive Director Mitre 10 Mega Stores/Group General Manager Merchandise and Marketing and a General Manager of Repco Pty Ltd.

Norman Li became Executive Chairman on 1 November 2018 following a \$20.25 million strategic investment in FOD led by Careline Australia Pty Ltd, of which Norman Li is founder and CEO. Dr Li has served as CEO of Careline for more than 20 years’, growing it from a small shop in the western suburbs of Sydney to become a global exporter.

Dr Li is heavily incentivised to rapidly grow FOD’s sales through distribution and product expansion from c. A\$35M to A\$500M within three to five years with the issue of performance shares.

Since joining FOD, Norman Li has introduced new partners and distributors to the Company and built FOD’s brand presence across China.

In line with strengthening management capability, Mr Li will be nominating Mr Joe Zhou to the board as Non-Executive director. Mr Zhou previously held senior positions at PwC and has significant experience in cross border commerce.

Mr Bill Nikolovski has resigned as Chief Executive Officer and Managing Director for health reasons, effective 1 February 2019. FOD appreciates the valuable contribution Mr Nikolovski has made to the Company.

“Norman can continue to build his team and culture and I am confident the Company will meet its strategic objectives as it undertakes a significant growth phase. I will now focus on my health requirements,” Mr Nikolovski said.

Dr Li said: “We enter a new phase in the Company that is very much focused on China.

“On behalf of the Board, I would like to thank Bill for his significant contribution to the Company. Bill put the Company in a strong position to allow new management to take the Company forward and rapidly grow sales into China. We wish him well for his future endeavors.”

For more information, please contact:

Nathan Ryan

Investor/media relations

Nathan.ryan@nwrcommunications.com.au

+61 420 582 887

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, including China.