



16 September 2014

### **Proposed Acquisition of China Master Franchise**

Cooks Global Foods (NZX:CGF) is pleased to advise that it has entered conditional agreements with Beijing Yunnan Building Hotel Co. Ltd (**BYBH**), Kashgar Xinkun Chuangye Investment Co. Ltd and Ms. Shuxin Zhang (together, the **Vendors**) to acquire all of the shares on issue in Beijing Esquires Management Co. Limited (**Esquires China**).

### **About Esquires China**

Esquires China is CGF's master franchise for Esquires Coffee Houses in the People's Republic of China and currently owns and operates 10 Esquires Coffee Houses stores and sub-franchises 6 Esquires Coffee Houses stores in China.

Esquires China's main office is in Beijing where the company has 10 stores and is the third largest café chain behind Starbucks and Costa. The business is led by Ms. Ellen Zhang, a former Esquires Franchisee of the Auckland Quay Street cafe with a strong team of experienced executives. Ms. Zhang will remain the Managing Director of Esquires China following completion.

### **Transaction Structure**

The conditional agreements provide that:

- The Vendors will subscribe for 65 million shares in CGF at an issue price of \$0.128 per share, representing a total investment of \$8.32 million.
- CGF will acquire all of the shares of Esquires China from the Vendors and fund the repayment of their shareholder loans to Esquires China for approximately \$7.56 million in aggregate.
- BYBH will advance to Esquires China an interest free one year loan of approximately \$1.5 million to fund working capital requirements as Esquires China pursues new growth initiatives. The loan will be secured against the shares of Esquires China.

The transaction is subject to a number of conditions including relevant Government and administrative approvals in China and CGF obtaining authorisation under the listing rules to issue the 65 million

shares. These conditions will be worked through by CGF and the Vendors over the course of the next few months.

### **Effects of the Transaction**

The shares to be issued to the Vendors by CGF will constitute less than 20% of all shares on issue at the time they are issued.

BYBH will likely become the second largest shareholder in CGF with a stake of approximately 15%. Recognising the significance of this investment, a nominee of BYBH will be appointed to the new Esquires China board of directors. BYBH is ultimately owned by the Provincial Government of Yunnan province in China which controls a multi-billion dollar investment portfolio with a strong focus on property and covering sectors including Hotels, Hospitals, Education, Finance and Insurance.

CGF Chairman Keith Jackson said this was an outstanding opportunity for CGF to welcome a highly reputable cornerstone shareholder to CGF who is already very knowledgeable about the business and is committed to the growth of the brand internationally. In addition owning the China master franchise will give CGF greater flexibility for increased growth in China.

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