



BROO Limited

ACN 060 793 099

20 Langtree Avenue,
Mildura Victoria, 3500 Australia

Telephone (03) 5984 2222
Email enquiries@broo.com.au
www.broo.com.au

27 November 2017



ASX Announcement

BROO SECURES MAJOR CHINESE DISTRIBUTION NETWORK

Broo Limited ("Broo") is pleased to announce that as part of its strategy to create strategic distribution partnerships for the Broo Premium Lager beer products in China, Broo, via its wholly owned subsidiary, Broo Export Pty Ltd, has entered into a Binding Agreement (Agreement) with Beijing Jihua Information Consultant Ltd ("Jihua"), to exclusively market and distribute the Broo Premium Lager beer products in China for a period of 7 years.

This exclusive distribution arrangement with Jihua will enormously accelerate the expansion of Broo Premium Lager beer products sales and distribution in the lucrative Chinese beer market.

Jihua has interests in a wide variety of industries in China and established impressive supply and distribution channels with major Chinese organisations across multiple market segments, including:

- COFCO, China's largest food processor, manufacturer and trader China National Cereals, Oils and Foodstuffs Corporations,
- China hypermarkets, supermarkets and convenience store chains including Wumei Holdings Inc,
- Chinese restaurant chains including China Quanjude (Group) Co Ltd,
- Hotel chains including Huatian Hotel Group Co Ltd,
- China Aerospace, Science and Technology Corporation and many other high profile Chinese based businesses.

Jihua's extensive distribution network in China will expand Broo Premium Lager beer products offering not only into the supermarkets and retail chains, but also into the hospitality industry in China.

As part of the 7 year distribution arrangement, Jihua will purchase the Broo Premium Lager beer products that are manufactured in China directly from Broo's approved manufacturers in China. Jihua will fund the marketing and promotional costs associated with the brand in China. This agreement is structured to provide Broo with enormous reach and platform to compete with the major International beer brands currently available in China with minimal implementation overheads.

The Agreement is binding on a 'Take or Pay' basis for 1.5 Billion litres of Broo Premium Lager beer products over the 7 year period with Jihua paying a fixed rate per litre. Based on the full seven (7) year term of the distribution arrangement, the aggregate distribution revenue generated for Broo is RMB602 million (approximately AUD \$120 million).

Jihua have committed significant upfront marketing and advertising funds to expedite the growth volume of Broo in the first three 3 years of the distribution, and Broo has agreed revenue payments for that term can be accrued and paid upon completion of the 3rd year, with payments continuing on a 6 – monthly basis thereafter. Kent Grogan, Founder and CEO of Broo, was recently present at Jihua's head office in Beijing to finalise the terms of the binding agreement with Jihua.

In commenting, Mr Grogan said:

"There has been an extensive period of product assessment and negotiation, I am delighted to have reached agreement with such a high-calibre Chinese distribution partner. Jihua's distribution reach in China will see Broo Premium Lager penetrate the Chinese beer market and expand into a major brand over the coming years."

"Our focus is now on continuing discussions we are having in other international markets and expansion domestically".

ABOUT BROO

Broo Limited is a unique Australian beer company that distinguishes itself from competitors through strong brands, company ethos, unique marketing platform and quality beer products.

For personal use only