

Financial Markets Conduct (Michael Hill Group) Exemption Notice 2016

Pursuant to section 556 of the Financial Markets Conduct Act 2013, the Financial Markets Authority, being satisfied of the matters set out in section 557 of that Act, gives the following notice.

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Notice

1 Title

This notice is the Financial Markets Conduct (Michael Hill Group) Exemption Notice 2016.

2 Commencement

This notice comes into force on 7 June 2016.

3 Revocation

This notice is revoked on the close of 31 December 2016.

4 Interpretation

(1) In this notice unless the context otherwise requires—

Act means the Financial Markets Conduct Act 2013

approval meeting means the meeting of Michael Hill International shareholders that is to be held to consider and vote on whether to approve the arrangement

arrangement means the scheme of arrangement relating to the proposal, ordered by the Court under Part 15 of the Companies Act 1993 and to be voted on at the approval meeting

Court means the High Court of New Zealand

Durante Holdings means Durante Holdings Pty Limited (ACN 146 861 056), a company incorporated in Australia

effective date means the date specified in the order given by the Court under Part 15 of the Companies Act 1993 relating to the arrangement as the date on which that order has effect

Exchange means ASX Limited

Michael Hill Australia means A.C.N 610 937 598 Limited (ACN 610 937 598), a company incorporated in Australia

Michael Hill Australia shares means the ordinary shares issued by Michael Hill Australia to Michael Hill International shareholders pursuant to the arrangement

Michael Hill Group means, before the implementation of the arrangement, Michael Hill International and all of its subsidiaries, and after the implementation of the arrangement, Michael Hill Australia and all of its subsidiaries

Michael Hill International means Michael Hill International Limited

Michael Hill International shareholders means all holders of Michael Hill International shares (excluding Michael Hill Australia) as at the effective date

Michael Hill International shares means the ordinary shares in Michael Hill International

proposal means the restructure of the Michael Hill Group involving the issue of Michael Hill Australia shares to Michael Hill International shareholders in exchange for the transfer of the Michael Hill International shares held by Michael Hill International shareholders to Michael Hill Australia in accordance with the arrangement

Regulations means the Financial Markets Conduct Regulations 2014

scheme booklet means the scheme booklet prepared by Michael Hill International in accordance with the Companies Act 1993 and containing the information prescribed in subclauses 6 (i) and (j)

Takeovers Panel means the Takeovers Panel established pursuant to the Takeovers Act 1993.

- (2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

5 Exemptions

Michael Hill International and Michael Hill Australia are exempted from Part 3 of the Act in respect of the Michael Hill Australia shares offered in accordance with the arrangement.

6 Conditions

The exemptions in clause 5 are subject to the conditions that—

- (a) the proposal proceeds by way of the arrangement approved by the Court under Part 15 of the Companies Act 1993; and
- (b) it is a term of the offer that Michael Hill Australia issues the Michael Hill Australia shares to Michael Hill International shareholders, credited as fully paid, in exchange for their shares in Michael Hill International in accordance with the arrangement; and
- (c) it is a term of the offer that, immediately after the implementation of the arrangement, Michael Hill Australia is the parent company of the Michael Hill Group; and
- (d) it is a term of the offer that that the assets and business of the Michael Hill Group immediately after the implementation of the arrangement are the same as the assets and business of the Michael Hill Group immediately prior to the implementation of the arrangement, except that the assets of the Michael Hill Group after the implementation of the arrangement will include all the Michael Hill International shares and all the shares in Durante Holdings; and
- (e) it is a term of the offer that Michael Hill Australia has submitted to the non-exclusive jurisdiction of the courts of New Zealand and has appointed an agent in New Zealand

who is authorised to accept service in New Zealand of documents on its behalf in connection with the proposal; and

- (f) no Michael Hill Australia shares are issued pursuant to the arrangement unless the application for quotation of the Michael Hill Australia shares on the Exchange is approved by the Exchange within two months of the date of the approval meeting and such approval by the Exchange is subject only to the standard pre-quotation conditions of the Exchange; and
- (g) no Michael Hill Australia shares are issued pursuant to the arrangement until after the application for quotation of the Michael Hill Australia shares on the Exchange is approved by the Exchange and such approval by the Exchange is subject only to the standard pre-quotation conditions of the Exchange; and
- (h) the scheme booklet is sent to Michael Hill International shareholders as part of the notice of meeting for the approval meeting; and
- (i) the scheme booklet includes particulars of all matters that are material to a Michael Hill International shareholder making a decision on whether to approve the proposal; and
- (j) without limiting (i) above the scheme booklet includes the following:
 - (i) the terms of the Michael Hill Australia shares:
 - (ii) the purpose and effect of the proposal:
 - (iii) the steps necessary to bring the proposal into effect:
 - (iv) a statement of the reasons why the directors of Michael Hill International recommend that Michael Hill International shareholders vote in favour of the proposal:
 - (v) a summary of the material advantages, and material disadvantages, of the proposal and the risks associated with holding Michael Hill Australia shares:
 - (vi) a summary of the costs of the proposal:
 - (vii) particulars of any material taxation issues relevant to Michael Hill International shareholders in New Zealand caused by the change in shareholding resulting from the implementation of the proposal:
 - (viii) particulars of any material differences in the taxation obligations of New Zealand shareholders in holding, or disposing of, shares in Michael Hill Australia compared to the taxation obligations of shareholders in holding, or disposing of, shares in Michael Hill International:
 - (ix) a statement of the material differences (if any) between the constitution of Michael Hill Australia and the constitution of Michael Hill International:
 - (x) a statement that Michael Hill Australia has submitted to the non-exclusive jurisdiction of the courts of New Zealand in connection with the offer:
 - (xi) the full name and address in New Zealand of one or more persons resident or incorporated in New Zealand who are authorised to accept service at that address of documents on Michael Hill Australia's behalf:
 - (xii) a comparative description of the material rights and protections of shareholders under New Zealand company law and the Main Board / Debt Market Listing Rules, and any material changes to those rights and protections as a result of holding shares in an Australian incorporated company listed on the Exchange:

- (xiii) the name and address of every person who will be a director of Michael Hill Australia immediately following the implementation of the proposal:
- (xiv) a report from an independent adviser approved by the Takeovers Panel on the merits of the arrangement for each class of Michael Hill International shareholders, and for each interest class of those shareholders, who will be asked to vote on the arrangement and a statement of the relevant qualifications of the independent adviser giving the report.

Dated at Wellington this 3rd day of June 2016.



Garth Stanish
Director of Capital Markets
Financial Markets Authority

Statement of reasons

This notice comes into force on 7 June 2016 and is revoked on 31 December 2016.

The notice exempts Michael Hill International Limited (**Michael Hill International**) and A.C.N 610 937 598 Limited (**Michael Hill Australia**) subject to conditions, from Part 3 (Disclosure of offers of financial products) of the Financial Markets Conduct Act 2013 (**Act**), in relation to the offer of shares in Michael Hill Australia to Michael Hill International shareholders under a proposed scheme of arrangement pursuant to Part 15 of the Companies Act 1993.

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 557 of the Act, considers that it is appropriate to grant these exemptions because—

- the offer is made in connection with a proposal to restructure the Michael Hill Group. It asks shareholders to exchange their shares in Michael Hill International, the current parent of the Michael Hill Group, for shares in Michael Hill Australia, the proposed new parent of the same group. This means that the offer is limited to shareholders of Michael Hill International and therefore to persons who may be expected to already be familiar with the assets and business of the Michael Hill Group. Conditions of the exemption require that the offer can only be made if Michael Hill Australia becomes the parent, and the underlying assets and business of the Michael Hill Group are the same after the implementation of the arrangement as before it (other than in respect of the Michael Hill International shares to be acquired by Michael Hill Australia immediately prior to implementation):
- the disclosure requirements of the Act and Financial Market Conduct Regulations 2014 (**Regulations**) focus on providing information about financial products being offered so would require information to be provided about Michael Hill Australia and the shares being offered in Michael Hill Australia only. However, in the circumstances of what is essentially a share exchange scheme, the shareholders to whom the offer is made to exchange shares must decide whether subscribing for shares in Michael Hill Australia is preferable to continuing to hold shares in Michael Hill International. Therefore the nature of the information shareholders require to make that assessment is different from that prescribed by the Act and Regulations:
- the offer is made pursuant to a court ordered scheme of arrangement under Part 15 of the Companies Act 1993 and is subject to other legislation and the listing rules in New Zealand and Australia. In order to comply with these requirements, shareholders are provided with a

scheme booklet containing information relevant to evaluating the proposal and which is approved by the High Court. Conditions of the exemption also require that investors receive all material information in the scheme booklet to enable them to make an informed decision on the proposal:

- Michael Hill International and Michael Hill Australia remain subject to the fair dealing provisions in Part 2 of the Act and therefore New Zealand investors will have protection against misleading or deceptive information being included in the scheme booklet. Additionally, the conditions of the exemption require that the application to quote the Michael Hill Australia shares on the Australian Securities Exchange will not be made unless the offer to shareholders to exchange their shares is accepted and the arrangement cannot be implemented until after quotation of the Michael Hill Australia shares is approved by the Australian Securities Exchange and such approval is subject only to the standard pre-quotation conditions of the Exchange. This provides protection to shareholders by preventing the exchange occurring in circumstances where the Michael Hill Australia shares are not able to be quoted on the Australian Securities Exchange:
- as such, the FMA is satisfied that the exemption is desirable in order to promote the purposes of the Act, namely to provide for timely, accurate and understandable information to be provided to Michael Hill International shareholders to assist them to make decisions relating to the proposed share exchange, and also in order to avoid unnecessary compliance costs for Michael Hill International to produce a product disclosure statement and register entry under the Act and Regulations, in addition to the scheme booklet and other documents relating to the proposal:
- in the circumstances that the exemptions are limited to the offer of financial products made in the context of the proposal, and their key impact is to provide relief from the requirements to disclose information which is not material to Michael Hill International shareholders' decision on whether to approve the proposal, the FMA is satisfied that the exemption is not broader than reasonably necessary to address the matters that gave rise to the exemptions.