



michael hill

12th April 2016

Michael Hill International to seek shareholder approval for primary listing on ASX

In January this year the Board of Michael Hill International Limited (NZX:MHI) advised the market that it was considering a listing on the Australian Securities Exchange (ASX).

After further consideration the Board has determined that this move is in the company's long term best interests and it has resolved to achieve the listing through a Scheme of Arrangement. This will see a new Australian incorporated Group parent company acquire all the shares in the company by an exchange of shares on a one for one basis.

"The new company will have its primary listing on the ASX and will also maintain a listing on the NZX. Over time this will provide the Company with direct access to a wider group of investors than we currently enjoy and we believe this will be to the benefit of all of our shareholders. On a day to day basis we will have all of our governance, executive and business operations operating in one jurisdiction and this will considerably simplify our structure" said Emma Hill, Chair of Michael Hill International.

Shareholder approval and the approval of the New Zealand High Court as a Scheme of Arrangement under the Companies Act 1993 are required, as well as approvals of ASX and NZX to the necessary listings.

A Special Meeting of shareholders will be held in June 2016. If shareholders approve the proposal the ASX listing will be in place from the start of the new financial year commencing 1 July 2016.

An information sheet providing further details is attached.

For further information:

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About Michael Hill International

Michael Hill International was founded by Sir Michael Hill in 1979 when he opened his first jewellery store in Whangarei, New Zealand. The Group currently has 293 Michael Hill branded stores in New Zealand, Australia, Canada and the US and 11 Emma & Roe branded stores in New Zealand and Australia. The Group's global headquarters including its wholesale and manufacturing divisions is located in Brisbane, Australia. The Company is listed on NZX (NZX:MHI).

For more information:

<http://investor.michaelhill.com>

www.michaelhill.co.nz

www.emmaandroe.com.au



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KEY FEATURES OF THE PROPOSAL TO SEEK SHAREHOLDER APPROVAL FOR PRIMARY LISTING ON ASX

RATIONALE:

The Michael Hill brand is well recognised and supported in the Australian market and an ASX listing will continue to build on its already strong Australian presence. The 166 Michael Hill and 10 Emma & Roe stores in Australia represent about 60% of the Group's stores globally. The dominance of Australia in the Group's operations is expected to continue for the foreseeable future. Around 64% of the Group's earnings before interest and tax were generated by these Australian stores in the 2015 financial year and this is likely to climb if the Emma & Roe stores trial proves successful and is taken to a permanent retail offering.

Over the past decade the Group has progressively migrated the majority of its key functions to Australia including the global support centre, wholesale and manufacturing divisions and executive team. The intellectual property in the Group's retail systems was transferred to Australia in 2008 and in the 2014 financial year the Group changed to reporting in Australian currency as required by international financial reporting standards.

The Board believes an ASX listing is a logical next move for the company.

Key features:

- Shares will be exchanged on a one for one basis with no payment being made to nor required from shareholders (subject to specific arrangements for shareholders to whom new shares are not able to be issued by reason of local securities laws).
- There will be no change in the control of voting rights.
- The Scheme requires approval by 75% of the shareholders entitled to vote and voting in each 'interest class' as well as an overall 50% majority vote of all shareholders.
- The Takeovers Panel considers that the Hill Family interest held via its holding company Durante Holdings Pty Limited (Durate) is a separate 'interest class' from other shareholders. The Durante holding will not be counted when determining whether all other shareholders have approved the Scheme by the necessary 75% majority.
- The Scheme does not involve any capital raising or any debt raising.
- The maintenance of an NZX listing recognises there will be shareholders for whom this is important while the Company actively develops its standing amongst Australian retail and institutional investors.
- In a very small number of cases where shareholders are unable to be issued with new shares in the new company by reason of regulatory constraints their new share entitlement will be sold and the proceeds remitted to them.
- KordaMentha has been appointed by the Company and approved by the Takeovers Panel to provide an independent report to shareholders as part of the approval process. The KordaMentha report will be circulated with a full Information Memorandum (or 'Scheme Booklet') which will set out all the reasons for the proposal and the issues which will need consideration by shareholders.



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- Once the Scheme is implemented, shareholders will be able to choose whether to trade their shares on ASX or NZX and they will have the opportunity to choose whether to receive dividends in New Zealand or Australian currency. There is not expected to be any other material change for shareholders.
- Shareholders will continue to receive the same level of reporting and communication they currently enjoy although the reporting will be driven by Australian reporting requirements which are widely considered to be more comprehensive than New Zealand reporting requirements.
- The Board will consider what governance changes may be required by a shift to the ASX.
- A shareholder briefing will be held annually in New Zealand but all statutory meetings of shareholders will be held in Australia. We expect to use a technology-based solution to enable participation in such meetings from New Zealand
- A number of New Zealand broking firms have confirmed to the Company that they will be continuing to provide research coverage for the Company, and we will be actively seeking new research cover from Australian brokers.
- The Company has received a binding ruling from the New Zealand Inland Revenue Department to the effect that to the extent that the MHI Group generates imputation credits in New Zealand, those credits will be available to attach to dividends under current trans-Tasman rules.
- The Company has also received tax advice that no adverse tax consequences for should result in Australia or New Zealand from implementation of the proposal for existing shareholders. In particular, for Australian tax purposes, scrip for scrip CGT roll-over relief should be available for Australian shareholders and no Australian CGT liability should arise for other shareholders – a Class Ruling is being sought from the Australian Taxation Office to confirm these positions.

Next steps

Over the course of the next two months the Board will work with management and its professional advisers to prepare the Scheme Booklet and make the necessary applications to the High Court of New Zealand.

The Scheme Booklet together with KordaMentha's independent report will be provided to shareholders. The documents will set out in detail all the issues which shareholders will need to consider in deciding whether to support the proposal. The information pack is expected to be distributed to shareholders in May 2016 and a special meeting of shareholders held on the 1st June 2016 in Auckland