



## ASX ANNOUNCEMENT

### VDM Group announces a new Strategic Investor

- **\$15 million placement of 600 million shares at a price of 2.5 cents per share subject to shareholder approval**
- **Investment by H&H Holdings Australia Pty Ltd, an entity controlled by Dr Dongyi Hua, former Executive Chairman and CEO of CITIC Pacific Mining**
- **Purpose of Placement is to:**
  - **increase the financial capacity of VDM to bid and execute construction projects; and**
  - **enhance VDM's existing strategy by exploring new opportunities in the mining and construction sectors**
- **Dr Hua to be appointed to the Board as Managing Director together with two H&H nominees in a non executive capacity**
- **Investment price representing a premium of:**
  - **127% to the closing price of 1.1 cents per share on 28 May 2013**
  - **78% to the 60 day VWAP of 1.4 cents per share**
- **Proposal is fully recommended by the Board**

**Perth, 29 May 2013:** VDM Group Ltd (ASX: VMG; "VDM" or "the Company") is pleased to advise that it has entered into a binding Share Subscription Agreement under which H&H Holdings Australia Pty Ltd ("H&H") has agreed to subscribe for 600 million new fully paid ordinary VDM shares to raise \$15 million ("Placement") at 2.5 cents per share, representing approximately 40% of the then issued share capital.

The Placement is conditional upon receiving shareholder approval at a General Meeting proposed to be held in Perth by early August 2013 ("Shareholder Meeting").

#### Rationale for the Placement

VDM has made significant progress in its overhead cost reduction strategy and working capital management initiatives. Activity in the construction industry in general remains volatile and the Company has continued to see weakness across the resources sector. Notwithstanding this, the Board is of the view that opportunities exist for companies that have strong balance sheets and industry recognised capabilities.

#### BOARD & MANAGEMENT

Mr Andrew Broad  
MANAGING DIRECTOR

Mr Michael Delany Perrott AM  
NON-EXECUTIVE CHAIRMAN

Mr Barry Nazer  
NON-EXECUTIVE DIRECTOR

Mr Michael Fry  
NON-EXECUTIVE DIRECTOR

Mr Richard Mickle  
NON-EXECUTIVE DIRECTOR

Mr David Coyne  
CHIEF FINANCIAL OFFICER  
COMPANY SECRETARY

#### REGISTERED OFFICE

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#### CONTACT DETAILS

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#### WEBSITE

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#### SHARE REGISTRY

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Services Pty Limited  
GPO Box 2975  
Melbourne, VIC 2975  
Tel: 1300 850 505

#### ASX CODE

VMG

Following the approach to VDM by H&H, the Board considered that the alignment with H&H would significantly benefit the Company and its shareholders. VDM's Board considers the Placement and appointment of Dr Hua will assist the Company in meeting these challenges and to capitalise on opportunities, whereby:

- The funds will put VDM in a stronger financial position to bid and execute additional engineering and construction contracts in its key markets including Western Australian and Queensland.
- VDM can leverage H&H's experience and relationships in the mining and construction sectors, to develop new opportunities for the Company.

### **Key Terms of the Placement**

H&H will subscribe for 600 million new fully paid ordinary VDM shares ("New Shares") at 2.5 cents per New Share, to raise \$15 million.

Upon completion of the Placement, Dr Hua is to be appointed as Managing Director of the Company and H&H will have the ability to nominate two non-executive Directors to the Board. A condition of the Share Subscription Agreement is that, following completion, the Board shall comprise 7 members, with at least 4 independent non-executive directors. Mr Michael Perrott shall remain as non-executive Chairman of the Company, while Managing Director Andrew Broad will step down from this role following completion of the Placement.

The Placement is conditional on a number of matters consistent with a transaction of this type, including:

- Shareholder approval; and
- No material adverse change arising between now and completion.

A notice of meeting (including an Independent Expert's Report) will be sent to all VDM shareholders.

The Share Subscription Agreement contains customary exclusivity provisions, including no shop, no talk and no due diligence provisions. Customary provisions are also contained within the Share Subscription Agreement that allow the Board to exercise their fiduciary duties in the event that an alternate proposal eventuates. The exclusivity obligations apply until the earlier of; the end of the Shareholder Meeting to approve the Placement, or 180 days from today.

To demonstrate and secure its commitment to subscribe for the Placement, H&H has entered into an Escrow Agreement with VDM. Under the terms of the Escrow Agreement, H&H shall place \$15 million into an escrow account at least five business days prior to the Shareholder Meeting, and upon completion, this amount will immediately be released to VDM. An amount of \$500,000 has already been placed into the escrow account and is payable to VDM should completion not occur as a result of H&H being unable to fulfil certain of its obligations under the terms of the Share Subscription Agreement.

## **About Dr Hua and H&H Holdings Australia Pty Ltd**

H&H was developed as a private investment platform in Australia by Dr Dongyi Hua. H&H is 100% owned and controlled by Dr Hua.

Dr Hua is the former Executive Chairman and CEO of CITIC Pacific Mining. He recently resigned after holding the position since October 2009. He was previously with Beijing-based CITIC Group, which he joined in 2002. Dr Hua has held executive management positions during the past 15 years for construction and resource development projects across Asia, Africa and Latin America. He has extensive experience in construction management, particularly in the areas of project management, cost control and risk management.

Dr Hua holds a Doctorate of Engineering from the China University of Geosciences, and is also the Vice President of the Australian China Business Council Western Australia.

## **Unanimous Board Recommendation**

The Board unanimously supports the proposed Placement unless the independent expert opines that the Placement is "not fair and reasonable". The Board believes that it will deliver a number of benefits to the Company:

- Strengthen the balance sheet to support ongoing work;
- Improve market confidence in VDM which would have a flow on benefit to clients, shareholders, staff, and contractors;
- Provide increased working capital support allowing the business to bid for additional projects, enabling the Company to target new markets and increase revenues;
- Improve the ability of the Company to renegotiate banking and security facilities; and
- The presence of H&H allows the Company to pursue new opportunities, leveraging off the global experience of H&H in the mining and construction sectors.

Commenting on the addition of H&H as a strategic investor in the Company, VDM Chairman Michael Perrott said: *"The investment by H&H at an attractive premium price for shareholders strengthens the balance sheet, positions the business to target new contracts and enables the Company to utilise the contacts, skills and experience of a high calibre individual such as Dr Hua. The Board unanimously recommends the Placement to shareholders and encourages you to support the proposal at the upcoming Shareholder meeting."*

Dr Dongyi Hua said: *"H&H's goal is to build shareholder wealth by accelerating and expanding VDM's current strategy. H&H believes that with additional capital and H&H's strong relationships within the engineering and construction sector, in particular with Chinese stakeholders, it can significantly enhance the growth and sustainability of VDM's project pipeline."*

## **Board and Management**

Following the Placement, VDM's Board has agreed it will appoint Dr Hua to the Board as Managing Director along with two H&H nominees in a non-executive capacity. Each nominee will stand for re-election at VDM's next AGM as required by law and the VDM constitution. VDM already has, and will retain, four independent non-executive directors on the Board.

Prior to his appointment to the Board as Managing Director, Dr Hua shall enter into an Executive Services Agreement with the Company that will be substantially similar with the agreement in place for the current Managing Director, both in terms of employment conditions and aggregate remuneration.

Should the Placement be approved by shareholders, the current Managing Director, Mr Andrew Broad, will step down from this role following completion of the Placement and will continue to provide support to the Company during a transitional period.

## **Indicative Timetable**

It is intended that the despatch of Notice of Meeting (including Independent Expert's Report) will occur in late June 2012, with a shareholder meeting to occur by early August 2013. The placement will be completed as soon as practical thereafter.

This timetable is indicative only, and the actual timetable will depend on various factors, some of which are outside the control of VDM. VDM may vary the timetable and will advise shareholders of any significant changes to the timetable.

## **Other Matters**

VDM's corporate adviser is Azure Capital Limited and its legal advisor is Clayton Utz.

H&H's corporate adviser is Ernst & Young Transaction Advisory Services Limited and its legal advisor is Minter Ellison.

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## **For further information please contact:**

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Mr Michael Perrott  
Chairman  
(08) 9265 1100

## **About VDM Group**

VDM is an engineering and construction company that services the mining and resources, transport and civil infrastructure and urban development sectors. VDM's highly skilled engineers develop innovative technical solutions for clients and deliver projects that are cost effective, reliable and sustainable.