RIS GROUP LIMITED

INDEPENDENT ADVISER'S REPORT & INDEPENDENT APPRAISAL REPORT

In respect of the allotment of shares to trusts associated with John Chow and Michael Chow in relation to the proposed acquisition of 16 Park Avenue Limited by RIS Group Limited

CAMPBELL MACPHERSON LTD
CORPORATE ADVISORS

18 January 2016

STATEMENT OF INDEPENDENCE

Campbell MacPherson Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and,
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in the report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Campbell MacPherson Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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GLOSSARY

Agreement	The conditional agreement between RIS and the Vendors in relation to the Proposed Transaction.
Campbell MacPherson	Campbell MacPherson Limited
CGML	CGML Limited
Code	The Takeovers Code
Colliers	Colliers International New Zealand Limited
Colliers Valuations	The independent market valuations of the Properties undertaken by Colliers in May 2015.
Contract for Services	The proposed contract for services between RIS and CGML in relation to the provision of company secretarial and management services to RIS by CGML.
Convertible Notes	The Convertible Notes issued by RIS to VIG on 8 November 2014.
DCF	Discounted Cash Flow
Directors, the Board	The Directors of RIS
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EV	Enterprise Value
NTAV	Net Tangible Asset Value
NPAT	Net Profit after Tax
NZAX	Alternative Board of NZX Limited
NZSX	Main Board of NZX Limited
NZX	NZX Limited
PAL	16 Park Avenue Limited
Properties	The two properties located at 10-14 Park Avenue, Otahuhu, Auckland and 16-20 Park Avenue, Otahuhu, Auckland.
Proposed Transaction	The proposed acquisition of PAL by RIS and the associated allotment of shares to the Vendors
Report	This Independent Adviser's Report & Independent Appraisal Report
SM	Special Meeting
USG	USG Tech Solutions Limited
Vendors	John Chow and Michael Chow (as trustees of The John Chow Investment Trust and The Michael Chow Investment Trust)
VIG	VIG Limited
VWAP	Volume Weighted Average Price
RIS, the Company	RIS Group Limited
RIS PTY	Retail Information Systems Pty Limited

1. OVERVIEW

1.1 Introduction

RIS Group Limited (**RIS** or the **Company**) is listed on the Alternative Board (**NZAX**) of NZX Limited (**NZX**). The Company has a current market capitalisation of $5.21 million (as at 31 December 2015) and unaudited net assets of approximately $106,000 (as at 31 December 2015).

RIS' largest shareholder is High Street Nominees No 7 Limited (as trustee for the Nuovo Tasman Investment Trust) with 17.8% of the voting securities on issue. The second largest shareholder is VIG Limited with 14.0% of the voting securities on issue.

Following the divestment of its core business assets to USG Tech Solutions Limited (**USG**) in 2012, RIS effectively became a listed shell company. The Company's only material assets comprise a minority equity investment in USG, its NZAX listing and a residual cash position. The Directors of RIS have been actively seeking a suitable acquisition target / transaction to generate value for the current RIS shareholders from the Company's NZAX listing (e.g. a reverse listing transaction).

On 9 November 2015 (subsequently amended on 23 November 2015) RIS announced that it had entered into a conditional agreement (**Agreement**) with discretionary family trusts associated with John Chow and Michael Chow (**Vendors**). Under the terms of the Agreement RIS will acquire 100% of the shares in 16 Park Avenue Limited (**PAL**). The purchase price for PAL is to be satisfied by RIS issuing new ordinary shares to the Vendors (**Consideration Shares**), which will result in the Vendors holding over 90% of the ordinary shares in the Company (the **Proposed Transaction**).

PAL currently forms part of the Chow Group of companies (**Chow Group**) that owns a range of commercial properties as well as adult entertainment businesses and a gymnasium business. PAL is the owner of the Park Avenue Residence, an Auckland residential accommodation complex comprising two adjacent properties (the **Properties**) and an associated accommodation business located in Park Avenue, Otahuhu. The Properties and the accommodation business owned by PAL are managed by CGML Limited (**CGML**). CGML is also owned by the Vendors and is part of the Chow Group. As part of the Proposed Transaction CGML will be contracted by RIS to provide management and administrative services to the Company, including managing the Park Avenue Residence.

RIS is a Code company under the Takeovers Code and is also an Issuer under the NZAX Listing Rules. The Company has engaged Campbell MacPherson Limited (**Campbell MacPherson**) to act as Independent Adviser in respect of RIS' obligations under the Takeovers Code and the NZAX Listing Rules.

1.2 Proposed Transaction

Key Terms

The key terms of the Proposed Transaction are as follows:

- RIS has agreed to purchase 100% of the shares in PAL, the owner and operator of an Auckland based residential accommodation complex.
- The purchase price will be equal to the net tangible asset value of PAL as at 1 February 2016 (expected by the RIS Board to be approximately $7.5 million).

- The purchase price will be satisfied by RIS issuing new ordinary shares to the Vendors with an aggregate value equal to the purchase price. The issue price for the Consideration Shares will be equal to the higher of:
    - The net tangible asset value of RIS at 31 December 2015 plus $300,000, divided by the number of RIS shares on issue at that date;
    - $350,000 divided by the number of RIS shares on issue at that date.
- The intended settlement date for the Proposed Transaction is 26 February 2016.
- Upon completion of the Proposed Transaction, RIS shall appoint up to four persons, as nominated by the Vendors, to be Directors of the Company. RIS' current Directors will resign from the RIS Board in the event that the Proposed Transaction proceeds.
- Upon completion of the Proposed Transaction, RIS shall enter into a five year contract for services with CGML under which CGML will provide secretarial and management services to RIS, PAL and any other subsidiaries as required (**Contract for Services**). The amount payable to CGML under the terms of the Contract for Services must not exceed $150,000 (plus GST) per year. Further details are provided below.

Conditions

The Proposed Transaction is conditional upon a number of terms including:

- The Vendors undertaking further due diligence of the Company and being satisfied with the results of that due diligence. This condition was satisfied in November 2015.
- The Vendors obtaining consent from the Chow Group's bankers to provide:
    a) Releases of guarantees given in relation to PAL by related parties of PAL, to be replaced with a bank guarantee from the Company;
    b) A release of PAL from guarantees given by PAL in relation to related parties.

  This condition was waived in November 2015.
- The Vendors approving the Disclosure Document and other documentation to be sent to RIS shareholders with the Notice of Meeting to seek shareholder approval for the Proposed Transaction. This condition was satisfied in December 2015.
- The Company obtaining all shareholder and other approvals required to implement the Agreement in compliance with the Companies Act 1993, NZAX Listing Rules, the Takeovers Code and all other applicable laws. The date for satisfaction of this condition is 17 February 2016.
- Settlement of the Proposed Transaction on 26 February 2016 is also conditional upon:
    a) The Company remaining listed on the NZAX on completion;
    b) There being no material adverse change in relation to RIS, PAL or the Properties prior to the completion date.

Contract for Services

In the event the Proposed Transaction proceeds, the Company will, at Completion, enter into a Contract for Services with CGML (and the Vendors will procure that CGML enters into that contract) under which CGML will provide, at cost, based on CGML's existing charge out rates, for a period of five years from Completion (or such shorter period as the Company may determine by written notice to CGML at any time after Completion) such secretarial and management services as the Company may reasonably require for itself, PAL, and any other subsidiaries.

These services will include:

(a) administration management duties;

(b) investment and refurbishment management duties;
(c) property management duties; and
(d) property business management duties.

Otherwise, the Contract for Services will be on normal terms and conditions for contracts of its type, provided that the maximum amount payable by the Company in respect of any year of that contract must not exceed $150,000. RIS would be able to terminate the Contract for Services at any time without penalty.

The key personnel who would be made available to the Company under its Contract for Services with CGML would be John and Michael Chow, and CGML's financial controller, Nick Haines.

New Debt Facilities

In anticipation of the Proposed Transaction proceeding, PAL has agreed a banking facility with a New Zealand registered bank that will apply as from Completion. Under the terms of this facility, the New Zealand registered bank has agreed to provide two facilities to PAL (and subsequently to RIS post transaction):

- Facility A – 50% of the combined valuation of PAL's properties, being $7,325,000; plus
- Facility B – 8.2% of the combined valuation of PAL's properties, being $1,207,000.

The Company anticipates that Facility A will be drawn down in full and that Facility B will not be drawn. The Company's guarantee will relate to the full borrowings which are forecast to be $7,325,000, however, borrowings could increase to $8,532,000 if Facility B is drawn.

1.3 Takeovers Code Requirement

RIS is a Code company for the purposes of the Takeovers Code (the **Code**). Rule 6 of the Code states:

6(1). Except as provided in Rule 7, a person who holds or controls

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder of an increased percentage of the voting rights in the code company unless, after that event, that person and that persons associates hold or control in total not more than 20% of the voting rights in the code company:

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

There are a number of exceptions to Rule 6 of the Code. These are set out in Rule 7 of the Code. Clause 7(d) of the Code states:

7. A person may become the holder or controller of an increased percentage of the voting rights in a code company:

(d) By an allotment to the person of voting securities in the code company…if the allotment has been approved by an ordinary resolution of the code company in accordance with this code…

In the event that the Proposed Transaction proceeds, the Vendors will hold more than 20% of RIS' ordinary shares. RIS has therefore engaged Campbell MacPherson to prepare this Independent Adviser's Report (**Report**) in accordance with Rule 18 of the Code. This Report provides an evaluation of the merits of the Proposed Transaction.

This Independent Adviser's Report is required to be included in, or accompany, the Notice of Meeting (**Notice of Meeting**) pursuant to Rule 16(h). The Notice of Meeting and Explanatory Notes accompany this Report.

1.4 Definition of Associates

Rule 4 of the Code sets out the meaning of associates.

4. Meaning of associate
(1) For the purposes of this code, a person is an associate of another person if-

a. *the persons are acting jointly or in concert; or*
b. *the first person acts, or is accustomed to act, in accordance with the wishes of the other person; or*
c. *the persons are related companies; or*
d. *the persons have a business relationship, personal relationship, or an ownership relationship such that they should, under the circumstances, be regarded as associates; or*
e. *the first person is an associate of a third person who is an associate of the other person (in both cases under any of paragraphs (a) to (d)) and the nature of the relationships between the first person, the third person, and the other person (or any of them) is such that, under the circumstances, the first person should be regarded as an associate of the other person.*

The fundamental rule, Rule 6 of the Code, prevents a person (and their associates) from increasing their shareholding to above 20% unless they use one of the exceptions set out in Rule 7 of the Code.

It is our understanding, based on the disclosures made to us by RIS and its legal adviser, that none of the existing shareholders or directors of RIS are associates of the Vendors within the meaning of the Code.

By virtue their business and personal relationship, the Vendors are deemed to be associates of each other under the Code and for the purposes of the Proposed Transaction.

1.5 NZX Listing Rules

RIS is listed on the NZAX and is therefore an Issuer and is subject to the NZAX Listing Rules.

The NZX's Guidance Note – *Backdoor and Reverse Listing Transactions*, dated August 2008 (the **Guidance Note**) states that an Independent Report is required in relation to reverse listing transactions. The Independent Report is required to comply with the requirements for an Appraisal Report under NZSX Listing Rule 1.7.

In particular, the Guidance Note requires that the Independent Report includes;

- A statement of whether there are any possible alternative courses for the NZX Issuer other than the proposed transaction; and
- A statement whether or not, in the opinion of the authors of the Report, the terms of the transaction are fair and reasonable to shareholders and in the best interests of the NZX Issuer.

Other relevant NZAX Listing Rules in respect of the Proposed Transaction include;

- NZAX Listing Rule 7.3.1 permits the Company to issue new shares if the precise terms and conditions of the specific proposal to issue those shares have been approved by ordinary resolution of its shareholders.
- NZAX Listing Rule 9.1.1 prohibits the Company from entering into a Major Transaction without shareholder approval (for the purposes of the NZAX Listing Rules a Major Transaction means a transaction which has a gross value in excess of 50% of the Company's Average Market Capitalisation). The consideration for the PAL Shares, and the Vendor Shares to be issued to satisfy that consideration, are in excess of the relevant threshold under NZAX Listing Rule 9.1.1 and therefore the Proposed Transaction is a Major Transaction in terms of NZAX Listing Rule 9.1.1.

1.6 Shareholders Meeting

RIS is holding a Special Meeting (**SM**) of shareholders in Auckland on 17 February 2016 to seek shareholder approval for Resolutions 1 to 9 (as set out in the Notice of Meeting) in relation to:

Resolution 1: Acquisition of 16 Park Avenue Limited, and Issue of Shares to the Vendors

That the shareholders approve the acquisition by the Company of all the shares in 16 Park Avenue Limited (PAL):

(a) for a purchase price equal to the Net Tangible Asset Value of PAL as at 1 February 2016 (Purchase Price);

(b) to be satisfied by the Company issuing such number of fully paid ordinary shares in the Company as have an aggregate issue price equal to the Purchase Price;

(c) where the issue price per share is the Adjusted Net Tangible Asset Value[1] *of the Company as at 31 December 2015 divided by the number of ordinary shares in the Company on issue at that date; and*

(d) where, as part of the acquisition, the Company is to enter into a Contract for Services with CGML Limited,

and otherwise on the terms described in the Explanatory Notes.

Resolution 2: Election of John Chow as a Director

That subject to and conditional upon the passing of Resolution 1, John Chow be elected as a Director of the Company, such appointment to be subject to, conditional upon, and to take effect from the time of, the allotment of shares to be made pursuant to Resolution 1.

Resolution 3: Election of Michael Chow as a Director

That subject to and conditional upon the passing of Resolution 1, Michael Chow be elected as a Director of the Company, such appointment to be subject to, conditional upon, and to take effect from the time of, the allotment of shares to be made pursuant to Resolution 1.

Resolution 4: Election of Clint Webber as a Director

That subject to and conditional upon the passing of Resolution 1, Clint Webber be elected as a Director of the Company, such appointment to be subject to, conditional upon, and to take effect from the time of, the allotment of shares to be made pursuant to Resolution 1.

[1] *Adjusted Net Tangible Asset Value of the Company* means the actual Net Tangible Asset Value of the Company, plus $300,000, but not less than $350,000.

Resolution 5: Election of Brent King as a Director

That subject to and conditional upon the passing of Resolution 1, Brent King be elected as a Director of the Company, such appointment to be subject to, conditional upon, and to take effect from the time of, the allotment of shares to be made pursuant to Resolution 1.

Resolution 6: Share Placement – Wholesale Investors

That shareholders ratify, confirm and approve, for the purposes of NZAX Listing Rule 7.3.5(c), the issue on 2 November 2015 of 39,999,999 ordinary shares in the Company to three wholesale investors (Gregory Smith, Barrie Shannon and Maurice Greenhough) at an issue price of 0.075 cents per share on the terms set out in the Explanatory Notes.

Resolution 7: Share Placement – VIG Limited

That shareholders ratify, confirm and approve, for the purposes of NZAX Listing Rule 7.3.5(c), the issue on 2 November 2015 of 110,000,000 ordinary shares in the Company to VIG Limited at an issue price of 0.0537 cents per share on the terms set out in the Explanatory Notes.

Resolution 8: Share Placement – VIG Limited

That shareholders ratify, confirm and approve, for the purposes of NZAX Listing Rule 7.3.5(c), the issue on 8 January 2016 of 36,281,333 ordinary shares in the Company to VIG Limited at an issue price of 0.0537 cents per share on the terms set out in the Explanatory Notes.

Resolution 9: Issue of Shares - Conversion of Convertible Notes

That shareholders approve the issue of up to 39,938,406 ordinary shares in the Company to the holder or holders of the 21,446.92 convertible notes still on issue under the Convertible Note Agreement dated 8 November 2014 between the Company and VIG Limited on conversion of those convertible notes at an issue price of 0.0537 cents per share.

Resolution 1 is a special resolution. Resolutions 2 to 9 are ordinary resolutions. A special resolution can only be passed by a majority of not less than 75% of votes of shareholders of RIS entitled to vote and voting. An ordinary resolution can only be passed by a majority of not less than 50% of votes of shareholders of RIS entitled to vote and voting.

The implementation of Resolutions 2 to 5 are conditional upon Resolution 1 being first approved by the shareholders of the Company. Resolutions 6, 7, 8 and 9 are unrelated to the Proposed Transaction.

1.7 Minority Buyout Rights

The Proposed Transaction represents a "major transaction" for the purposes of Section 129 of the Companies Act. Section 129 of the Companies Act requires that Resolution 1 must be passed by a special resolution of shareholders present in person or proxy and able to vote at the meeting.

In the event that Resolution 1 is approved, Section 110 of the Companies Act gives those shareholders who vote against the Resolution that has been passed, certain rights to require the Company to purchase their shares. Any shareholder who casts all votes attached to the shares registered in their name (and having the same beneficial owner) against the Resolution that has been passed is entitled to require the Company to purchase their RIS shares.

The right to have shares purchased must be exercised within 10 Business Days of the passing of the relevant Resolution by the dissenting shareholder by giving written notice to the Company. Further information on minority buy-out rights is provided in the Notice of Meeting.

1.8 Compulsory Acquisition Rights

In accordance with Rule 52 of the Takeovers Code, if a person becomes a dominant owner in a code company (i.e. becomes the holder or controller of 90% or more of the voting rights in a code company), the dominant owner has the right to acquire all the outstanding securities in the code company.

If the right to acquire all the outstanding securities in the code company is waived, then in accordance with Rule 53 of the Takeovers Code, the outstanding security holders have the right to sell their outstanding securities in the code company to the dominant owner.

By virtue of the Proposed Transaction, the Vendors will become the dominant owner of RIS voting securities. Campbell MacPherson has been advised that the Vendors have no desire to exercise their right to compulsorily acquire the outstanding RIS shares. All RIS shareholders (other than the Vendors) will therefore have the right to sell their RIS shares to the Vendors. In accordance with Rules 54 and 55 of the Takeovers Code, the Vendors must send an acquisition notice to the outstanding RIS shareholders, no less than 30 days after becoming a dominant owner, which states (among other things):

- Whether they intend to exercise their compulsory acquisition right.
- That the outstanding security holders have the right to sell their equity securities to the dominant owner (if the compulsory acquisition right has been waived).
- The consideration offered for the outstanding securities. In accordance with Rule 57 of the Takeovers Code, the consideration specified in the acquisition notice must be a cash sum specified as fair and reasonable by an independent adviser.

1.9 Purpose and Issue of this Report

The Directors of RIS (**Directors; Board**) have engaged Campbell MacPherson to prepare an Independent Adviser's Report on the merits of the Proposed Transaction in accordance with Rule 18 of the Code. Campbell MacPherson was approved by the Takeovers Panel on 3 December 2015 to prepare the Independent Adviser's Report.

The Directors of RIS have also engaged Campbell MacPherson to prepare an Independent Appraisal Report on the Proposed Transaction that complies with NZSX Listing Rule 1.7. Campbell MacPherson was approved by the NZX on 24 December 2015 to prepare the Independent Appraisal Report.

Campbell MacPherson issues this Independent Adviser's Report and Independent Appraisal Report (collectively the **Report**) to the Directors to assist the shareholders of RIS to form their own opinion on whether to vote for or against the Resolutions in respect of the Proposed Transaction, being Resolutions 1 through 5.

We note that each shareholder's circumstances and objectives are unique. Accordingly it is not possible to report on the merits of voting for or against the Resolutions in relation to each individual shareholder. This Report is therefore necessarily general in nature. This Report is not to be used for any other purpose without our prior written consent.

1.10 Other

The sources of information that Campbell MacPherson has had access to and relied upon in relation to the preparation of this Report are set out in Appendix I. This Report is provided to the shareholders of RIS subject to the statements set out in Appendix II.

References to $ relate to New Zealand dollars unless otherwise specified. References to financial years (**FY**) means RIS' financial year ending 30 June or PAL's financial year ending 31 March. Summary information and tables may not add due to rounding.

2. MERITS OF THE PROPOSED TRANSACTION

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares to the Vendors under the Proposed Transaction. There is no legal definition of the term "merits" in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of "merits", guidance can be taken from:

- The Takeover Panel guidance note on the role of Independent Advisers dated September 2015;
- Definitions designed to address similar issues within New Zealand regulations which are relevant to the Proposed Transaction;
- Overseas precedents; and
- The ordinary meaning of the term "merits".

We are of the view that an assessment of the merits of the Proposed Transaction should focus on the following:

- Rationale for the Proposed Transaction.
- The purchase price for PAL.
- The price at which the Consideration Shares will be issued to the Vendors.
- The terms of the Contract for Services with CGML.
- The impact on the ownership of RIS by the Vendors.
- The impact on the control of RIS by the Vendors.
- The potential impact on RIS' share price and liquidity.
- The intentions of the Vendors with respect to RIS and the future business activities it may engage in.
- Any change in the business risk of RIS as a result of the Proposed Transaction.
- Any alternatives to the Proposed Transaction.
- The implications of the Resolutions in respect of the Proposed Transaction not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the rationale underlying this opinion.

2.2 Rationale for the Proposed Transaction

Subsequent to the sale of RIS' core business assets to USG three years ago, the Directors of RIS advise that they have considered a number of different investment and capital raising opportunities to utilise the Company's NZAX listing and create value for RIS shareholders.

As at 31 December 2015, RIS had unaudited net assets of approximately $106,000, and cash reserves of approximately $195,000. RIS has continued to operate as a listed company on a minimal operating budget over the past 12 months, supported by external investors who have funded the Company via a $100,000 convertible loan (November 2014) and a $30,000 share placement (November 2015). However, the Company's current situation is not considered by the Directors to be sustainable.

In the event that the Proposed Transaction proceeds, RIS will become the owner of an income generating business (i.e. PAL), which is underpinned by ownership of two commercial properties (converted to short-stay and long-stay accommodation) located in the growing Auckland property market. PAL is projecting positive operating cash flows in FY16 and FY17, and capital gains in FY17. Additional information on PAL's / RIS' prospective financial performance is provided in Section 4.

Furthermore, the Proposed Transaction will provide RIS with a platform to raise additional capital which may allow the Company to pursue future growth opportunities as they arise (e.g. additional property acquisitions). This capital may be in the form of debt or equity depending on the circumstances.

The Proposed Transaction will provide RIS with access to John and Michael Chow's business expertise in the commercial property market and also any associated commercial property acquisition / investment opportunities.

2.3 16 Park Avenue Limited Purchase Price

The Proposed Transaction contemplates the acquisition of 100% of the shares in PAL. Under the terms of the Proposed Transaction, the purchase price for PAL will be equal to the net tangible asset value of PAL as at 1 February 2016, where the market value of the Properties, as determined by Colliers International New Zealand Limited (**Colliers**) on 5 May 2015, will be incorporated into PAL's net tangible asset value calculation.

Based on PAL's unaudited prospective financial position as at 1 February 2016 (as summarised below), Campbell MacPherson has estimated the purchase price for PAL to be $7.48 million.

PAL - Prospective Financial Position	
NZ$000	**Prospective 1-Feb-16**
Total assets	15,155
Total liabilities	(7,672)
Net tangible assets	**7,483**

We note that PAL's actual financial position as at 1 February 2016 may differ to its prospective financial position, resulting in a purchase price (and assessed value) which could be higher or lower than $7.48 million. However, we are advised by the RIS Directors that any variance between PAL's prospective and actual financial position as at 1 February 2016 is not likely to be material.

As set out in Section 6, we consider that the most appropriate method to value PAL is to utilise the net tangible asset value (**NTAV**) methodology. The NTAV methodology is generally most relevant for valuing investment or property companies where the market value of net assets closely reflects the NPV of the company's cash flows.

On the basis that the estimated purchase price for PAL has been calculated in accordance with the NTAV methodology, our assessed prospective value of PAL as at 1 February 2016 is $7.48 million.

2.4 Value of RIS Shares

Issue Price for RIS Shares

Under the terms of the Proposed Transaction, RIS will issue new ordinary shares to the Vendors as consideration for acquiring PAL. The issue price for the Consideration Shares will be equal to the higher of:

- The net tangible asset value of RIS at 31 December 2015 plus $300,000, divided by the number of RIS shares on issue at that date (whereby $300,000 represents the Board's estimate of the value of RIS' NZAX listing); or
- $350,000 divided by the number of RIS shares on issue at that date (i.e. 0.034 cents per share).

Campbell MacPherson has calculated the issue price for the Consideration Shares based on RIS' unaudited financial position as at 31 December 2015, as summarised below.

RIS - Financial Position	
NZ$000	**Unaudited 31-Dec-15**
Total assets	358
Total liabilities	(252)
Net tangible assets	**106**

Based on RIS' unaudited financial position as at 31 December 2015 and the number of RIS shares outstanding as at 31 December 2015, Campbell MacPherson has calculated the issue price for the Consideration Shares to be 0.039 cents per share.

Issue Price for the Consideration Shares	
NZ$000	
RIS' reported net asset value as at 31 December 2015	106
Plus $300,000 (as per the terms set out above)	300
RIS' adjusted net tangible asset value	**406**
Number of RIS shares outstanding (million)	1,041
Issue price (cents)	**0.039**

RIS Assessed Value

As set out in Section 7, Campbell MacPherson has assessed the aggregate value of RIS (including its NZAX listing) as at 31 December 2015 to be in the range of $406,000 to $506,000. Accordingly, we assess the value of RIS to be in the range of 0.039 cents to 0.049 cents per share.

The issue price for the Consideration Shares of 0.039 cents per share (as calculated above in accordance with the terms of the Proposed Transaction), is at the lower end of our assessed value range for RIS shares.

We note that, following the allotment of the Consideration Shares to the Vendors, any remaining tax losses available to RIS will be lost due to the breach of IRD shareholder continuity rules. We have therefore not ascribed any value to RIS' current tax losses.

2.5 Terms of the Contract for Services

The Contract for Services has yet to be signed by the parties, nor has a draft of the document been provided to Campbell MacPherson. However, we are advised by RIS that all of the material commercial terms of the Contract for Services are covered in the wider Agreement relating to the Proposed Transaction. Campbell MacPherson would typically review a complete signed copy of the final agreement.

As described in Section 1.2 the Contract for Services will include a range of management and administrative services and will have a maximum fee capped at $150,000 + GST per annum. These services will principally be provided by John Chow, Michael Chow and Nick Haines. This fee equates to approximately 1.0% of the current value of the Properties that will be initially managed by CGML. We note that John and Michael Chow will not receive any Directors fees from RIS.

Whilst a number of the listed property vehicles (LPV's) in the New Zealand market have now internalised management of their businesses, historical data indicates typical fee structures for these companies comprises a base fee in the order of 0.5% to 0.75% of gross assets under management, plus a performance fee based on various thresholds depending on the LPV. The asset base of these companies is typically much larger than that of RIS post-transaction.

In our opinion the proposed fee structure of the Contract for Services is reasonable and indeed appears relatively attractive from the perspective of RIS. Particularly given it is likely to be capped for the five year period of the initial Contract for Services.

2.6 Impact on Ownership and Control of RIS

Ownership

RIS currently has 1,041,406,660 ordinary shares on issue. A list of the top ten RIS shareholders is provided in Section 4 of this Report.

The Company has six substantial shareholders (holding 5% or more) comprising:

- High Street Nominees No 7 Limited (as trustee for the Nuovo Tasman Investment Trust);
- VIG Limited;
- RA Compusoft Private Limited (a related party of USG);
- Golden Pacific Group Limited;
- Advanced Retail Technologies Limited, and;
- Myriad Holdings Limited

The table below presents the current holdings of the substantial shareholders of RIS.

RIS - Substantial Shareholders (as at 31 December 2015)	# Shares	%
High Street Nominees No 7 Ltd	185,000,000	17.8%
VIG Ltd	146,281,333	14.0%
Ra Compusoft Private Ltd	125,000,000	12.0%
Golden Pacific Group Ltd	110,000,000	10.6%
Advanced Retail Technologies Ltd	90,000,000	8.6%
Myriad Holdings Ltd	56,082,833	5.4%

In the event that the Proposed Transaction proceeds, we estimate that RIS will issue 19,194,202,061 new ordinary shares to the Vendors, as shown in the table below. We note that our analysis of the ownership and control of RIS following the completion of the Proposed

Transaction assumes a purchase price of $7.48 million and an issue price of 0.039 cents for the Consideration Shares.

RIS - Ownership and Control Analysis				
	Prior to the Proposed Transaction		Post the Proposed Transaction	
	Shares (M)	%	Shares (M)	%
The Vendors (collectively)	**-**	**0.00%**	**19,194**	**94.85%**
The John Chow Investment Trust	-	0.00%	9,597	47.43%
The Michael Chow Investment Trust	-	0.00%	9,597	47.43%
Existing RIS shareholders	**1,041**	**100.00%**	**1,041**	**5.15%**
High Street Nominees No 7 Ltd	185	17.76%	185	0.91%
VIG Ltd	146	14.05%	146	0.72%
Ra Compusoft Private Ltd	125	12.00%	125	0.62%
Golden Pacific Group Ltd	110	10.56%	110	0.54%
Advanced Retail Technologies Ltd	90	8.64%	90	0.44%
Myriad Holdings Ltd	56	5.39%	56	0.28%
Other	329	31.60%	329	1.63%
Total	**1,041**		**20,236**	

Existing RIS shareholders will be diluted by a factor of approximately 19.5x (i.e. a 10% shareholding in RIS prior to the Proposed Transaction would become a 0.51% shareholding in RIS after the Proposed Transaction.

As a result of the allotment of the Consideration Shares, the Vendors will collectively have dominant ownership of RIS with 94.85% of the ordinary shares on issue, and existing RIS shareholders will be significantly diluted:

- RIS' largest shareholder, High Street Nominees No 7 Limited, will be diluted from 17.76% to 0.91% of the ordinary shares on issue.
- VIG Limited will be diluted from 14.05% to 0.72% of the ordinary shares on issue.
- RA Compusoft Private Limited will be diluted from 12.00% to 0.62% of the ordinary shares on issue.
- Golden Pacific Group Limited will be diluted from 10.56% to 0.54% of the ordinary shares on issue.
- Advanced Retail Technologies Limited will be diluted from 8.64% to 0.44% of the ordinary shares on issue.
- Myriad Holdings Limited will be diluted from 5.39% to 0.28% of the ordinary shares on issue.
- All other shareholders will be collectively diluted from 31.60% to 1.63% of the ordinary shares on issue.

We note that both the Vendors and the existing RIS shareholders will suffer additional shareholder dilution in the event that VIG exercises its option to convert its remaining 21,446.92 Convertible Notes into RIS shares following the completion of the Proposed Transaction.

Shareholder Voting

There are a number of key thresholds in relation to the voting rights of NZAX listed companies such as RIS.

- Ordinary resolutions require passing by more than 50% of votes of holders of securities who are eligible to vote and voting.

- Special resolutions require passing by 75% or more of votes of holders of securities who are eligible to vote and voting.
- A shareholder holding more than 25% of a company is able to block a special resolution.
- A shareholder holding more than 50% of the voting securities of a company is able to pass an ordinary resolution.
- A shareholder holding 50% or more of the voting securities of a company is able to block an ordinary resolution.
- A shareholder holding 75% or more of the voting securities of a company is able to pass (or block) both ordinary resolutions and special resolutions.

A shareholder's ability to influence voting on ordinary or special resolutions may be impacted by other legal and regulatory factors such as the Companies Act, Takeovers Code, NZAX Listing Rules, and the Company's constitution.

The typical powers that can be exercised by an ordinary resolution of shareholders include:

- adoption of financial statements;
- appointment or removal of directors;
- appointment of auditors;
- alteration of shareholder rights; and
- decisions involving remuneration and other benefits.

The typical powers that can be exercised by a special resolution of shareholders include:

- adopting, altering or revoking the company's constitution;
- approval of a major transaction;
- approval of an amalgamation; and
- placing the company into liquidation.

In the event that the Proposed Transaction proceeds, the Vendors will collectively hold more than 90% of the voting securities of the Company. The Vendors would therefore, in their own right, be able to pass or block ordinary and special resolutions.

The effect of the Proposed Transaction is that the Vendors will have dominant control over the Company. Other shareholders in RIS will have very little ability to influence the future direction of the Company. Whilst the Vendors have provided an indication in general terms as to the future strategy for the Company, this strategy remains high level and is subject to change in the future, entirely at the discretion of the Vendors.

Board of Directors

In the event the Proposed Transaction proceeds there will be fundamental changes to the Board of Directors of the Company. Upon settlement of the Proposed Transaction, RIS' three existing directors will resign from the Board and four new directors will be appointed, as nominated by the Vendors. Summary profiles on the four directors nominated by the Vendors are provided below.

John (Ka-yu) Chow

John Chow is an Auckland-based businessman with considerable expertise in commercial and residential property investment and development. John co-founded the Chow Group in 1999, which now has extensive property interests in Wellington, Auckland and Rotorua, as well as the Exodus gym and adult entertainment businesses in both Auckland and

Wellington. CGML (a company associated with the Chow Group) reportedly manages a property portfolio in excess of $200 million.

John Chow is a graduate of Victoria University of Wellington where he obtained a Bachelor of Science in Computer Science.

Michael (Ka-ming) Chow

Michael Chow is a Wellington-based businessman with considerable expertise in commercial and residential property investment and development. Michael co-founded the Chow Group in 1999, which now has extensive property interests in Wellington, Auckland and Rotorua, as well as the Exodus gym and adult entertainment businesses in both Auckland and Wellington. CGML (a company associated with the Chow Group) reportedly manages a property portfolio in excess of $200 million.

Michael Chow is a graduate of Victoria University of Wellington where he obtained a Business Degree.

Brent King

Brent King is an Auckland based Investment Banker who has over 30 years of experience in Public Markets, Finance and Investments. He has served on a number of public and private company Boards and is currently a New Zealand public company director on the boards of Australasian Food Corporation Limited and Mykco Limited.

Mr King has advised on a number of high profile listings and capital raisings in New Zealand. He holds a degree from Canterbury University (BCom) and is a Chartered Accountant (C.A.) and a registered financial adviser (R.F.A.).

Mr King was the founder and Managing Director of Dorchester Pacific Limited for 17 years before resigning in December 2005. Mr King has also served on the Boards of other New Zealand public companies, comprising Finzsoft Solutions Limited, 42 Below Limited and Charlies Limited.

Clint Webber

Clint Webber has almost 20 years' experience in the banking and finance industry, including director roles at ANZ Bank New Zealand Limited (where he specialised in property and construction finance and property investment lending) and Lloyds Banking Group (where he specialised in loan recoveries). More recently Mr Webber established his own finance house, Webber Capital Limited, and in October 2015 cofounded Inno Capital Management Limited with John and Michael Chow.

We note that Clint Webber is both a shareholder (via CSL Limited) and director of Inno Capital Management Limited, a company associated with the Vendors.

Post-transaction, the RIS Board would comprise a total of four directors. The Vendors will not have a majority of seats on the RIS Board. However, the Vendors would have the ability to appoint or remove directors. It is anticipated that the Board of RIS would, at its first meeting post-transaction, discuss and appoint a new Chairman. Whilst the NZAX has no requirement for independent directors, we are advised that Brent King considers himself to be independent of the Vendors.

Following completion of the Proposed Transaction, both Brent King and Clint Webber will receive Directors fees of $35,000 each per annum. John Chow and Michael Chow will not receive any Directors fees from RIS.

In our view, the effect of the Proposed Transaction is that the Vendors will have effective control over the Board and governance of the Company.

2.7 Impact on RIS' Share Price & Liquidity

As a listed shell company, RIS is a very illiquid stock. In the 12 month period prior to the announcement of the Proposed Transaction on 9 November 2015, RIS shares were very rarely traded, with a total of 2,520,970 shares changing hands, representing just 0.2% of the total number of shares currently on issue.

We note that, since the announcement of the Proposed Transaction on 9 November 2015, the RIS share price has increased from 0.2 cents to 0.5 cents per share as at 31 December 2015, an increase of 150%. At the current share price (as at 31 December 2015), RIS has a market capitalisation of approximately $5.21 million.

Whilst it is not possible to accurately predict the future price of RIS shares, the Proposed Transaction may lead to increased interest in, and demand for the Company's shares. The Company is likely to be more attractive to investors, particularly if it becomes a dividend paying stock in the future. However, majority ownership by the Vendors may restrict investor interest. Ultimately the future share price and liquidity will likely be impacted by a wide range of factors including the future financial performance of the Company and its investments as well as wider macro-economic and other factors.

2.8 The Vendors' Intentions for RIS

As noted earlier, in the event the Proposed Transaction proceeds, the Vendors would become the dominant owners of RIS and would be in a position to dictate the future direction and strategy of the Company. Post-Transaction RIS' primary business operations and revenue will be derived from PAL and PAL's ownership of the Park Avenue Residence.

We understand that it is the Vendors' intention to leverage the anticipated success of the Park Avenue Residence and RIS' status as an NZAX listed company to raise additional share capital. This will allow the Company to pursue future growth opportunities as they arise (for example, the acquisition of additional properties owned by the Chow Group).

The Vendors intend to promote RIS as a growth company with a focus on commercial (including accommodation) property acquisition and development. In particular this growth strategy will focus on acquisition (and refurbishment as required) of existing properties to minimise development costs and related funding costs. This is expected to flow through to improved capital gains as well as the ability to operate these properties on a lower cost base than equivalent competitors who have purpose-built from scratch (i.e. greenfield developments). The Vendors specifically advise that they do not intend to use RIS as a listed vehicle to own or operate any adult entertainment businesses. Further information on the Company's proposed growth strategy is contained in the Explanatory Notes to the Notice of Meeting.

We note that shareholders are likely to be required to approve any decision by the Company to acquire further property. Any future acquisition of property from the Vendors or the Chow Group would likely require approval by ordinary resolution in accordance with relevant NZAX Listing Rules. Neither the Vendors nor their associates would be able to vote on any such resolution. Further information on specific circumstances where shareholder approval would be required is contained in the Explanatory Notes to the Notice of Meeting.

It is the Company's intention to have its listing transferred to the NZX Main Board by 2018. To be eligible to apply for migration to the NZX Main Board, the Company (based on the current NZSX Listing Rules) would need to have a market capitalisation of not less than $5,000,000, at least 500 shareholders, a 25% free float, and at least three directors, two of whom would need to be independent. This is considerably more stringent than the requirements of the NZAX Listing Rules where there is no minimum market capitalisation requirement and the other requirements comparable to those under the NZSX Listing Rules are less stringent i.e. NZAX listed companies only need to have at least 50 shareholders, and at least three directors, but there is no requirement for independent directors.

2.9 Change in Business Risk for RIS

The Proposed Transaction will fundamentally change RIS' business risk profile from that of a listed investment / shell company to an operating business with all facets of commercial interactions, including dealing with employees, suppliers, customers and competitor behaviour. The Explanatory Notes to the Notice of Meeting contain an analysis of key risks relating to the Company post-transaction, these include:

- Concentration risk – relating to RIS initially owning only one accommodation business and its related Properties.
- Acquisition risk – relating to RIS' ability to acquire further properties in accordance with the Company's growth strategy.
- Room revenue risk – relating to the risk that future revenues from the Park Avenue Residence may be negatively impacted by a variety of factors.
- Funding risk – relating to the risk that the Company is unable to meet it future debt obligations.
- Reliance on key personnel – key man risk relating to the ongoing access to the business skills and acumen of John and Michael Chow.
- Unanticipated capital expenditure and maintenance – relating to risk of unforeseen costs of maintaining the Properties.
- Regulatory issues and changes in law.

We note that the Proposed Transaction will deliver a significant reduction in RIS' financial risk, with the Company's net asset position increasing from approximately $106,000 (as at 31 December 2015) to approximately $7.5 million following the completion of the Proposed Transaction, underpinned by the market value of the Properties. However, the use of significant external debt funding will increase debt-related risk, particularly in the event that under-performance of the accommodation business impacts on the ability of RIS to meet its future obligations.

2.10 Alternatives to the Proposed Transaction

The Directors of RIS advise that they are not currently considering any alternatives to the Proposed Transaction. However, the Directors have examined other potential investment opportunities prior to entering into the Agreement with the Vendors. The Directors consider that the Proposed Transaction is the best available option for the Company and will deliver enhanced value for existing RIS shareholders and may provide future growth opportunities via additional property acquisitions.

2.11 Implications if the Resolutions Are Not Approved

In the event that the Proposed Transaction does not proceed, then the Directors of RIS will meet to consider the viability of the Company as it currently stands and any alternative opportunities. There is no assurance that RIS will continue to operate as a going concern and the Directors may need to consider alternative options such as de-listing, sale or liquidation of the Company.

2.12 Alternatives for RIS Shareholders Who Do Not Wish To Retain Their Investment

In the event that the Proposed Transaction proceeds and existing shareholders of RIS do not wish to retain their shares, they could potentially sell their shares on-market. However, the level of media and investor interest for RIS shares post-transaction is uncertain. Therefore the ability to sell on market may be constrained by an ongoing lack of liquidity in the trading of RIS shares.

If the special resolution (i.e. Resolution 1) approving the Proposed Transaction is passed, those shareholders who voted against that special resolution are (subject to certain conditions) entitled to require the Company to buy their shares in accordance with provisions of the Companies Act 1993. Further information on minority buy-out rights is provided in Section 1.7 and in the Notice of Meeting.

As set out in Section 1.8, by virtue of the Vendors become a dominant owner of RIS shares following the completion of the Proposed Transaction (i.e. over 90%), all outstanding shareholders have the right to sell their shares to the Vendors (in accordance with Rule 53 of the Takeovers Code).

2.13 Summary of Evaluation of Merits

In our view the Proposed Transaction will have important benefits for RIS shareholders, including:

- There are limited alternative courses of action for RIS other than the Proposed Transaction. RIS is essentially a shell company with minimal net tangible assets and no material revenue. The Directors of RIS do not consider the current operating and financial position of RIS to be sustainable and unanimously support the Proposed Transaction.
- Ownership of a sustainable, income generating New Zealand accommodation business, which is underpinned by ownership of two commercial properties located in the growing Auckland property market.
- Exposure to the Auckland long and short-stay accommodation sector.
- The Proposed Transaction will significantly reduce the financial risk associated with RIS. The Company's net asset position is expected to increase from approximately $106,000 as at 31 December 2015 to approximately $7.5 million following the completion of the Proposed Transaction.
- The purchase price for PAL will be calculated in accordance with the NTAV methodology, resulting in a purchase price which is equal to our assessed value of PAL.
- The issue price for the Consideration Shares is at the lower end of our assessed value range for RIS shares. However, this essentially reflects our intangible value range for RIS' NZAX listing.
- The proposed terms of the Contract for Services with CGML are, in our opinion, attractive from the perspective of RIS.
- The Proposed Transaction will provide RIS with a platform to raise additional capital, which may allow the Company to pursue further growth opportunities.
- The Proposed Transaction may result in an increase in interest and demand for RIS shares relative to historic levels of trading.

The Proposed Transaction will have some negative features for RIS shareholders including:

- RIS will be exposed to a single business asset (i.e. the Park Avenue accommodation complex).

- RIS will substantially increase its core debt from approximately $21,000 to $7.3 million. This presents additional debt-related risk in the event that RIS is unable to meet its debt obligations as they fall due.
- Existing RIS shareholders will be diluted by a factor of approximately 19.5 times i.e. a 10% shareholding in RIS prior to the Proposed Transaction would become a 0.51% shareholding in RIS after the Proposed Transaction.
- By virtue of holding in excess of 90% of the voting securities of the Company, the Vendors would, in their own right, be able to pass or block ordinary and special resolutions. The effect of the Proposed Transaction is that the Vendors will have dominant control over the Company and the Board of Directors. As a result, existing shareholders of RIS will have very little influence over the future strategic direction and operations of the Company.
- RIS will lose any available tax losses currently held by the Company.
- The presence of a single large shareholder group (i.e. the Vendors) may suppress trading in RIS shares.

Having given due regard to all of the above factors we consider that, on balance, the benefits of the Proposed Transaction substantially outweigh its negative features.

2.14 Voting for or Against the Resolutions

Voting for or against the Resolutions in respect of the Proposed Transaction is a matter for individual shareholders to consider based on their own view as to value, control issues, future market conditions, state of the global economy, risk profile and other factors. Shareholders will need to consider carefully these consequences and consult their own professional adviser as appropriate.

3. FAIRNESS OF THE PROPOSED TRANSACTION

3.1 Basis of Evaluation

As described in Section 1.5 of this Report, the NZX requires our Independent Report on the Proposed Transaction to comply with the requirements for an Appraisal Report. In addition the Guidance Note also requires our Report to include:

- A statement of whether there are any possible alternative courses for RIS other than the Proposed Transaction.
- A statement of whether or not, in Campbell MacPherson's opinion, the terms of the transaction are fair and reasonable to shareholders and in the best interests of RIS.

NZSX Listing Rule 1.7.2 requires an Appraisal Report to consider whether or not, in the opinion of the Appraiser, the consideration and the terms and conditions of the Proposed Transaction are fair to the holders of equity securities other than those associated with the Vendors, and the grounds for that opinion.

There is no legal definition of the term fair in New Zealand in either the NZSX Listing Rules or in any statute dealing with securities or commercial law. However, it is generally accepted that an assessment of the fairness of a transaction is a narrower test than an assessment of the merits of a transaction (under the Takeovers Code). Notwithstanding this we have evaluated the fairness of the Proposed Transaction with reference to:

- Rationale for the Proposed Transaction.
- The purchase price for PAL.
- The price at which the Consideration Shares will be issued to the Vendors.
- The terms of the Contract for Services with CGML.
- The impact on the ownership of RIS by the Vendors.
- The impact on the control of RIS by the Vendors.
- The potential impact on RIS' share price and liquidity.
- The intentions of the Vendors with respect to RIS and the future business activities it may engage in.
- Any change in the business risk of RIS as a result of the Proposed Transaction.
- Any alternatives to the Proposed Transaction.
- The implications of the Resolutions in respect of the Proposed Transaction not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the process underlying the opinion.

3.2 Evaluation of the Fairness of the Proposed Transaction

Having given due consideration to all of the relevant factors, it is Campbell MacPherson's opinion, that the terms of the Proposed Transaction are fair and reasonable to shareholders and in the best interests of RIS.

The grounds for our opinion are provided in Sections 2.2 to 2.13 and are summarised below.

- As outlined in Section 2.10 and 2.11 there are limited alternative courses for RIS other than the Proposed Transaction. RIS is essentially a shell company with minimal net tangible assets and no revenue. The Directors of RIS do not consider the current operating and financial position of RIS to be sustainable and unanimously support the Proposed Transaction.
- The Proposed Transaction will result in RIS owning a sustainable, income generating New Zealand accommodation business. However, RIS will be exposed to a single business asset (i.e. the Park Avenue accommodation complex).
- The Proposed Transaction will significantly reduce the financial risk associated with RIS. The Company's net asset position is expected to increase from approximately $106,000 as at 31 December 2015 to approximately $7.5 million following the completion of the Proposed Transaction. However, we note that RIS' debt position will increase substantially to approximately $7.3 million as a result of the Proposed Transaction. This presents additional debt-related risk in the event that RIS is unable to meet its debt obligations as they fall due.
- The purchase price for PAL will be calculated in accordance with the NTAV methodology, resulting in a purchase price which is equal to our assessed value of PAL.
- The issue price for the Consideration Shares is at the lower end of our assessed value range for RIS shares. However, this essentially reflects our intangible value range for RIS' NZAX listing.
- The proposed terms of the Contract for Services with CGML are, in our opinion, attractive from the perspective of RIS.
- The Proposed Transaction will provide RIS with a platform to raise additional capital, which may allow the Company to pursue further growth opportunities in the future.
- The Proposed Transaction may result in an increase in interest and demand for RIS shares relative to historic levels of trading. However, the presence of a single large shareholder group (i.e. the Vendors) may suppress trading in RIS shares.
- Existing RIS shareholders will be diluted by a factor of approximately 19.5 times i.e. a 10% shareholding in RIS prior to the Proposed Transaction would become a 0.51% shareholding in RIS after the Proposed Transaction.
- By virtue of holding in excess of 90% of the voting securities of the Company, the Vendors would, in their own right, be able to pass or block ordinary and special resolutions. The effect of the Proposed Transaction is that the Vendors will have dominant control over the Company and the Board of Directors. As a result, existing shareholders of RIS will have very little influence over the future strategic direction and operations of the Company.

4. PROFILE ON RIS GROUP LIMITED

4.1 Background and History

RIS (formerly known as Holly Springs Investments Limited) was listed on the NZAX in June 2006 as an investment / shell company with the objective that the Company would be used for a reverse listing transaction.

In May 2009, RIS acquired 100% of the shares in Retail Information Systems Pty Limited (**RIS PTY**), an Australian based information technology company that provided EFTPOS terminal and payment system services. The purchase price for RIS PTY was approximately $27 million, satisfied via the issue of 450,000,000 fully paid ordinary RIS shares, resulting in a reverse takeover of RIS by the RIS PTY shareholders.

The RIS PTY business failed to achieve its projected growth, and in December 2012, RIS announced the sale of RIS PTY to USG for US$1.0 million. RIS received US$0.15 million in cash and US$0.85 million in USG shares (representing a 10.19% shareholding in USG at the time of the transaction) as consideration for the sale of RIS PTY. Further information on RIS' investment in USG is provided in Section 4.2 below.

Following the divestment of RIS PTY (the Company's principal operating subsidiary), RIS effectively became an investment holding / shell company. Its primary assets now comprise shares in USG, its NZAX listing and a residual cash position. The Directors of RIS have subsequently sought a suitable acquisition target / transaction to utilise the Company's NZAX listing and create value for RIS shareholders.

On 9 November 2015 (subsequently amended 23 November 2015), RIS announced details of the Proposed Transaction, as described in more detail in Section 1 of this Report.

4.2 USG Tech Solutions

Incorporated in 1999, USG is an Indian-based company which develops payment processing and loyalty systems for large retailers, corporates and banks / financial services companies. USG is listed on the Bombay Stock Exchange with a market capitalisation of approximately NZ$1.84 million (as at 31 December 2015).

USG offers a range of payment processing services including:

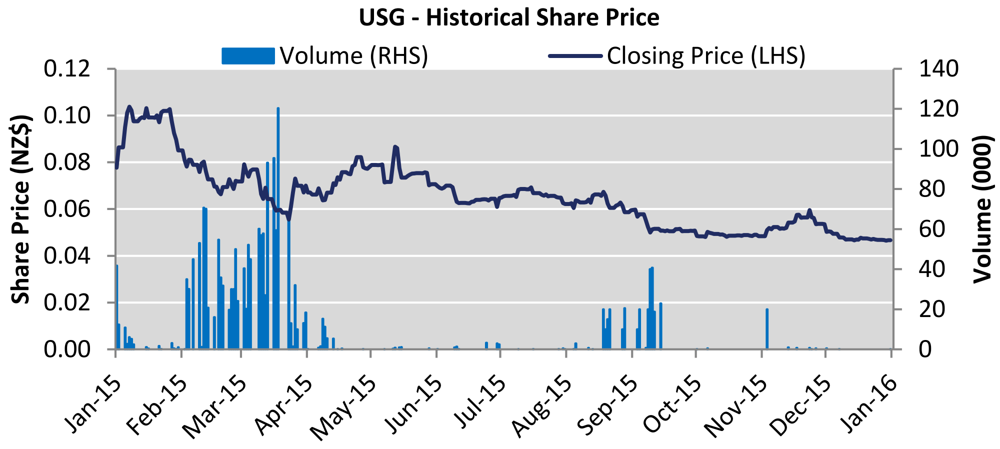
- Application development
- Information management
- Analytics
- Managed services
- Integration
- Mobility services
- Business process engineering
- Product engineering

USG's historical financial performance over the 3 year period ending 31 March 2015 is summarised below.

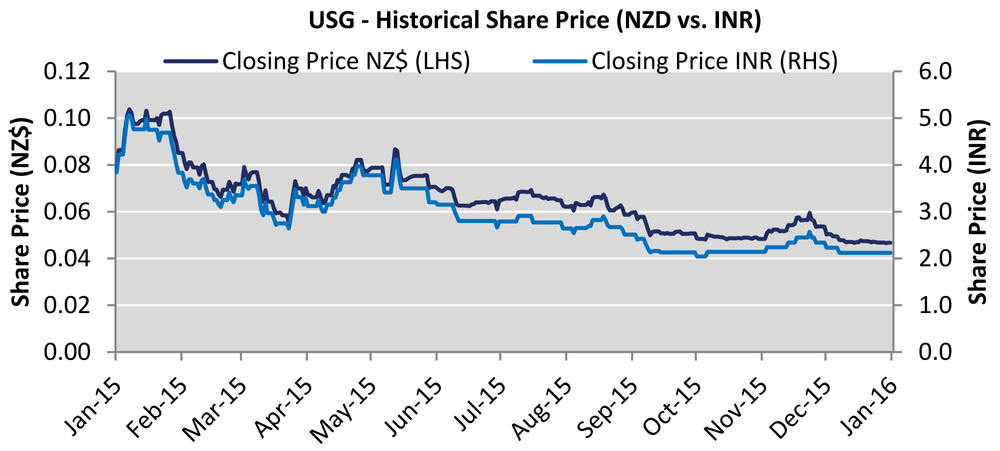
USG - Summary Financial Performance			
NZ$000	**Mar-13**	**Mar-14**	**Mar-15**
Total Revenue	1,368	544	216
Gross Profit	299	(52)	(12)
EBITDA	93	(115)	(98)

Source: Capital IQ

USG's financial performance has declined over the FY13 – FY15 period, with revenue falling from NZ$1.4 million in FY13 to NZ$216k in FY15 (a decline of 84% over the period). In line with this performance, USG's share price has declined over the past 12 months, falling from a high of 5.07 Rupee in January 2015 to a low of 2.04 Rupee in October 2015. The decline of USG's share price in New Zealand dollars has been offset to some extent by an increase in the value of the Rupee relative to the New Zealand dollar over the past 12 months.



Source: Capital IQ



Source: Capital IQ

Trading of USG shares has been relatively thin over the 12 month period to 31 December 2015, with the traded volume of shares representing only 4.9% of the total shares on issue (i.e. only 1.9 million shares have traded over the past 12 months, less than the number of shares held by RIS).

The lack of liquidity in USG shares represents a key risk to RIS in relation to its ability to realise the market value of its USG investment. We understand that the RIS Board is currently in discussions with a potential acquirer of its USG shares, but there is no guarantee that a sale will materialise.

4.3 Board of Directors

The current directors of RIS are:

Roger Bennett: Director and Chairman

Roger Bennett is a business development executive with extensive business experience in sales and marketing roles within the Information Technology and Telecommunication industry. Mr Bennett's industry knowledge is coupled with an extensive business network within New Zealand and Australia, having worked with customers in Local Government, Education, IT and Commercial Enterprises.

Mr Bennett has been on a number of advisory boards, such as the Techvana New Zealand Computer Museum Project and is the former Vice President Convenor – Committee Member of Auckland ICT. Mr Bennett is currently a member of the Ntec Advisory Committee and joined the RIS Board in June 2014.

Rewi Bugo: Director

Rewi Bugo is a graduate of the University of Canterbury where he obtained a Bachelor of Science in Management Science and a Master of Commerce in Business Administration. He has business experience in several sectors including oil and gas, property development, insurance broking and travel and tourism.

Mr Bugo sits on the board of several private companies in Malaysia and New Zealand and is Vice Chairman of the Sarawak Chapter of the Malaysia New Zealand Chamber of Commerce. Mr Bugo only recently joined the RIS Board in June 2015.

Colin Gardner: Director

Colin Gardner graduated from the University of Port Elizabeth in South Africa. He is a Chartered Accountant (SA) and was a KPMG Partner for nearly 29 years before his retirement from the profession in February 2009 (20 years with KPMG in South Africa and nearly 9 years with KPMG in the CIS, based in Moscow).

Colin has more than 40 years of experience in the accounting profession and has provided professional services and advice to both private and public entities across a broad spectrum of industries and business sectors. Mr Gardner recently joined the RIS Board in June 2015 and RIS advises that he has been instrumental in improving the governance structure of the Company and the quality of its financial reporting.

The current Directors of RIS received no Directors fees or other remuneration in the last financial year ending 30 June 2015.

4.4 Current Ownership & Capital Structure

RIS Shareholding

RIS currently has 1,041,406,660 ordinary shares on issue held by over 1,600 shareholders. All shares have equal rights and there are currently no other equity securities on issue.

RIS is closely held, with the top five shareholders collectively holding 63.0% of the voting securities on issue and the top ten shareholders collectively holding 76.4% of the voting securities on issue. Details of the top ten shareholders as at 31 December 2015 are set out below.

RIS - Top 10 Shareholders (as at 31 December 2015)		
	# Shares	**%**
High Street Nominees No 7 Ltd[1]	185,000,000	17.8%
VIG Ltd[2]	146,281,333	14.0%
Ra Compusoft Private Ltd[3]	125,000,000	12.0%
Golden Pacific Group Ltd[4]	110,000,000	10.6%
Advanced Retail Technologies Ltd	90,000,000	8.6%
Myriad Holdings Ltd	56,082,833	5.4%
Justin Cunningham & Andrew Scott	22,818,310	2.2%
Bf Investment Holdings Pty Ltd	20,000,000	1.9%
Michelle Bryant	20,000,000	1.9%
Mikhael Mikhael	20,000,000	1.9%
Other	246,224,184	23.6%
Total	**1,041,406,660**	**100%**

1. Controlled by interests associated with Robert Best.
2. Controlled by interests associated with John Sorensen.
3. Controlled by interests associated with USG.
4. Controlled by interests associated with I-Venture Group Pty Limited.

The largest RIS shareholder is High Street Nominees No 7 Limited, as trustee for the Nuovo Tasman Investment Trust, with 185 million shares (17.8% of the voting securities on issue).

On 2 November 2015, RIS announced that it had completed a share placement with three investors at 0.075 cents per share, raising $30,000 via the issuance of 39,999,999 new shares. The cash proceeds were used for working capital purposes.

Convertible Notes

In November 2014, RIS issued 100,000 convertible notes to VIG Limited (**VIG**), raising $100,000 (**Convertible Notes**). The terms of the Convertibles Notes are summarised as follows:

- Face value of $1.00 per Convertible Note.
- Interest is charged at a rate of 5% per annum.
- The subscriber may exercise their right to convert the Convertible Notes into ordinary RIS shares at a fixed conversion price of 0.0537 cents per share prior to 8 November 2016.
- The maturity date of the Convertible Notes is 8 November 2016.

In October 2015, RIS received notice from VIG of its intention to convert 59,070 Convertible Notes into 110,000,000 ordinary shares (converted at 0.0537 cents per share). These shares were issued on 2 November 2015. In December 2015 RIS received notice from VIG of its intention to convert a further 19,483.08 Convertible Notes into 36,281,333 ordinary shares (converted at 0.0537 cents per share). These shares were issued on 31 December 2015. Campbell MacPherson has been advised that it is VIG's intention to convert the balance of its Convertible Notes (i.e. 21,446.92 Convertible Notes) to ordinary shares following the completion of the Proposed Transaction.

I-Venture Settlement

Prior to the divestment of RIS PTY to USG, RIS entered into an agreement with I-Venture Group Pty Limited (**I-Venture**) whereby the Company agreed to issue 142 million RIS shares to I-Venture as settlement for a A$0.33 million debt owed to I-Venture by RIS PTY.

On 5 September 2015, RIS entered into a settlement agreement with I-Venture whereby the debt owed to I-Venture has been settled in full via the issue of 110 million new RIS shares to Golden Pacific Group Limited (a company nominated by I-Venture). These shares were issued to Golden Pacific Group Limited on 11 September 2015.

4.5 Historical Financial Information

A summary of RIS' audited financial results for the two year period ending 30 June 2015, together with RIS' unaudited financial results for the six month period ending 31 December 2015, is set out below.

RIS - Summary Financial Performance			
NZ$000	**Audited Full Year Jun-14**	**Audited Full Year Jun-15**	**Unaudited Half Year Dec-15**
Income	1	1	1
Expenses			
Auditors remuneration	(15)	(10)	-
Finance costs	(5)	(2)	(2)
Other	(49)	(46)	2
Impairment of assets available for sale	(492)	(311)	(49)
	(561)	(369)	(49)
Profit / (loss) before tax	**(560)**	**(368)**	**(48)**
Tax expense	-	-	-
Profit / (loss) after tax	**(560)**	**(368)**	**(48)**
Other comprehensive income	32	-	-
Total comprehensive income	**(528)**	**(368)**	**(48)**

RIS - Summary Financial Position			
NZ$000	**Audited Full Year Jun-14**	**Audited Full Year Jun-15**	**Unaudited Half Year Dec-15**
Current assets			
Cash and equivalents	32	54	195
Trade and other receivables	7	11	1
	39	65	196
Non-current assets			
Assets available for sale	521	210	162
Current liabilities			
Trade and other payables	112	84	210
Related party payables	34	-	0
	146	84	210
Non-current liabilities			
Borrowings (convertible notes)	-	100	21
Other payables	-	45	21
	-	145	42
Net assets	**414**	**46**	**106**

RIS - Summary Cash Flows			
NZ$000	Audited Full Year Jun-14	Audited Full Year Jun-15	Unaudited Half Year Dec-15
Cash flow from operating activities	(57)	(78)	191
Cash flow from investing activities	49	-	0
Cash flow from financing activities	-	100	(50)
Net increase / (decrease) in cash	**(8)**	**22**	**141**

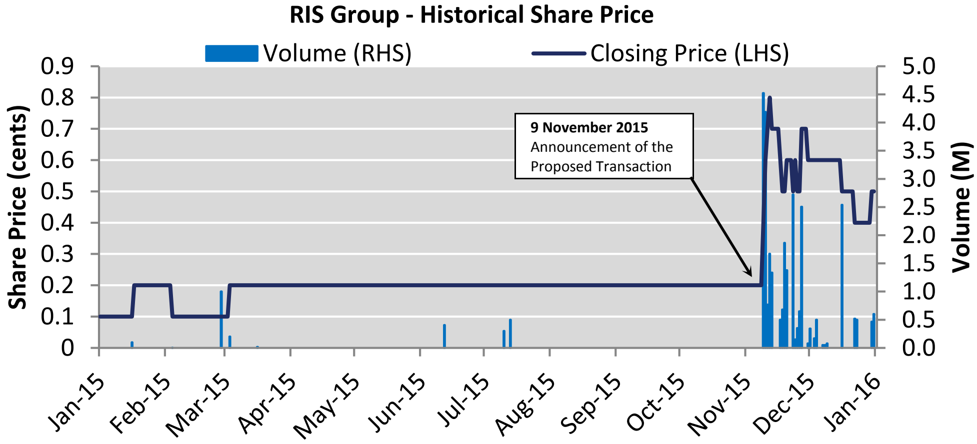
The recent financial results of RIS reflect the Company's status as a listed shell company with no material operating assets or revenue.

The Company's only material assets comprise its investment in USG, its listing on the NZAX and a residual cash position. As at 31 December 2015, RIS had net assets of approximately $106,000. We note that, the increase in RIS' total assets since 30 June 2015 mainly relates to the $200,000 non-refundable deposit received from PAL in relation to the Proposed Transaction, and the increase in RIS' total liabilities since 30 June 2015 mainly relates to unpaid expenses associated with the Proposed Transaction.

4.6 Share Price History

RIS' current share price (as at 31 December 2015) is 0.5 cents per share. However, we note that, prior to the announcement of the Proposed Transaction on 9 November 2015, RIS' share price was significantly lower, at 0.2 cents per share.

Trading of RIS shares has been sporadic with very limited liquidity. The traded volume of RIS shares over the 12 month period to 31 December 2015 totalled 31.7 million shares, representing only 3.0% of the total number of shares currently on issue. As shown below, a significant proportion of this traded volume occurred following the announcement of the Proposed Transaction. Comparatively, only 0.2% of the total number of shares currently on issue traded over the 12 month period to 8 November 2015.



Source: Capital IQ

4.7 Prospective Financial Information (Assuming the Proposed Transaction Proceeds)

In conjunction with PAL management, RIS has prepared unaudited annual projections for the Company on the basis that the Proposed Transaction proceeds. Campbell MacPherson has reviewed the prospective financial information provided and has discussed the assumptions relating to the prospective financial information and the key drivers of the PAL business with RIS and PAL management.

A summary of RIS' unaudited prospective financial results for the two year period ending 30 June 2017, assuming the Proposed Transaction proceeds, is set out below.

RIS - Prospective Financial Performance		
NZ$000	**Unaudited Jun-16**	**Unaudited Jun-17**
Operating Revenue		
Rental income	1,397	1,899
Other income	26	25
Unrealised gain in value of investment properties	-	440
	1,423	2,364
Operating Expenses		
Operational expenses	(348)	(396)
Impairment of assets available for sale	(49)	-
CGML management fee	(95)	(150)
Proposed transaction costs	(550)	-
Directors fees	(70)	(70)
Compliance costs	(100)	(100)
	(1,212)	(716)
Operating profit before finance costs	**211**	**1,648**
Finance expense	(383)	(358)
Profit / (loss) before taxation	**(172)**	**1,290**
Tax expense	(119)	(238)
Total comprehensive income	**(291)**	**1,052**

RIS - Prospective Financial Position		
NZ$000	**Unaudited Jun-16**	**Unaudited Jun-17**
Current Assets		
Cash and equivalents	271	885
Trade debtors	23	23
	294	908
Non-current assets		
Investment properties	14,650	15,090
Assets available for sale	162	162
	14,812	15,252
Current liabilities		
Trade creditors	30	33
	30	33
Non-current liabilities		
Borrowings	7,325	7,325
	7,325	7,325
Net assets	**7,751**	**8,802**

RIS - Prospective Cash Flows		
NZ$000	Unaudited Jun-16	Unaudited Jun-17
Cash flow from operating activities	638	614
Cash flow from investing activities	-	-
Cash flow from financing activities	(433)	-
Net increase / (decrease) in cash	**205**	**614**

Key assumptions underpinning the prospective financial statements for RIS to 30 June 2017 are summarised below.

General assumptions

- The Proposed Transaction has been accounted for as a share based payment under IFRS 2.
- An effective transaction date of 1 February 2016.
- Transaction costs of $0.55 million (incurred during FY16).
- External compliance costs of $100,000 per annum (including NZAX costs of $25,000 per annum).
- The Properties are initially recognised at market value within the statement of financial positon (based on the Colliers Valuations dated 5 May 2015).
- An unrealised property valuation gain of 0% in FY16 and 3% in FY17.

Trading assumptions

- The 16 – 20 Park Avenue property begins trading in July 2015.
- The 10 – 14 Park Avenue property begins trading in December 2015.
- An average occupancy rate of 87% for both properties (following a suitable ramp-up period).
- An average occupied room rate of $45 per night for both properties.
- Other income of $25,000 per annum (generated from cell tower rent received).
- CGML management fees of $95,000 in FY16 and $150,000 in FY17 (the maximum allowed under the proposed Contract for Services).

Financing assumptions

- Interest on intercompany balances charged at IRD prescribed rates.
- All related party balances between PAL and CGML are settled as at 1 February 2016.
- PAL refinances with an external bank on 1 February 2016 (total drawdown equal to 50% of the market value of the Properties.
- Bank debt financed on interest only terms until at least the end of FY17.
- External financing costs of BKBM (2.9%) plus an agreed margin %
- VIG converts its remaining Convertible Notes to ordinary RIS shares following the completion of the Proposed Transaction.

Tax assumptions

- Income tax expense of 28%.

Commentary

FY17 represents the first full year of operations of the Park Avenue Residence. PAL anticipates earning annual rental income of approximately $1.4 million in FY16 and $1.9 million in FY17.

Operating profits are expected from FY16. However, FY16 profitability is negatively impacted by one-off costs of $550,000 relating to the Proposed Transaction and $49,000 relating to the impairment of RIS' investment in USG. FY17 profitability is positively impacted by an expected (unrealised) gain in the value of the Properties. Excluding these non-operating costs/revenues the prospective financial information indicates EBIT of $810,000 in FY16, increasing to $1,208,000 in FY17.

Cash flow from operations is expected to be similar in FY16 and FY17 at $638,000 in FY16 and $614,000 in FY17.

Based on the prospective financial information, RIS anticipates having Net Assets of approximately $7.75 million at the end of FY16, increasing to $8.80 million by the end of FY17. The anticipated increase primarily relates to higher retained earnings together with the unrealised gain on the Properties. Borrowings (including bank debt) are projected to remain unchanged at $7.325 million in each financial year.

The CGML management fee is projected to be 0.65% of the value of the Properties in FY16 and 1.0% of the value of the Properties in FY17.

5. PROFILE ON 16 PARK AVENUE LIMITED

5.1 Background & Ownership

PAL was incorporated on 12 March 2012 as a commercial property investment company. The shareholders of PAL are the respective discretionary family trusts of John Chow and Michael Chow, each with a 50% shareholding. John and Michael Chow are the trustees of both trusts and in each case the beneficiaries are members of their respective families. John and Michael Chow are the sole directors of PAL.

John and Michael Chow established the Chow Group in 1999, which now owns extensive commercial property interests in Wellington, Auckland and Rotorua, as well as adult entertainment businesses in Auckland and Wellington and a gymnasium business in Wellington. CGML (a company associated with the Chow Group) manages the Chow Group's property portfolio.

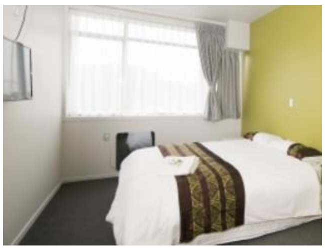
During 2014, PAL purchased two adjacent Otahuhu properties, 10-14 Park Avenue and 16-20 Park Avenue (the **Properties**).

These commercial properties, previously tenanted by the IRD, have been recently refurbished by PAL into a 132 room residential accommodation complex known as the Park Avenue Residence.

5.2 Summary of the Properties

PAL owns and operates two adjacent commercial properties in Auckland. A brief overview of each property is set out below.

10-14 Park Avenue, Otahuhu, Auckland	
Location	10 – 14 Park Avenue, Otahuhu, Auckland
Zoning	Mixed use
Description	▪ A two story building constructed in the 1970s. ▪ The entire interior fit-out has been replaced as part of a recent renovation, whereby the property has been converted into a 45 room accommodation complex with communal kitchen, dining room and bathroom amenities. Laundry facilities are located in the adjacent building (16-20 Park Avenue). ▪ Each room has an average size of 14m^2 and has been furnished with a bed, table and chairs, microwave, kettle, fridge and TV.
Tenancy Profile	Long-stay and short-stay tenancies.
Site Area	857m^2
Floor Area	1,004m^2
Capital Valuation	$1,030,000 (as at 1st July 2014)



16-20 Park Avenue, Otahuhu, Auckland	
Location	16 – 20 Park Avenue, Otahuhu, Auckland
Zoning	Mixed use
Description	▪ A four story commercial building constructed in the 1970s. ▪ The entire interior fit-out has been replaced as part of a renovation, whereby the property has been converted into an 87 room accommodation complex with individual ensuites and communal kitchen/dining room and laundry amenities. ▪ Each room has an average size of $14m^2$ and has been furnished with a bed, table and chairs, microwave, kettle, fridge and TV.
Tenancy Profile	Long-stay and short-stay tenancies.
Site Area	$931m^2$
Floor Area	$3,203.04m^2$
Capital Valuation	$2,700,000 (as at 1st July 2014)

Source: Colliers

5.3 Business Strategy & Operations

Overview

The Park Avenue Residence is owned and operated by PAL and provides budget short-stay and long-stay accommodation in the growing South Auckland region. The accommodation can be compared to a basic hotel room and rooms are marketed on Trade-Me and other web-based accommodation platforms.

The development of the Park Avenue Residence has benefited from a lower-cost construction approach using two existing former office blocks which have been completely re-fitted for purpose. Current advertised rates on Trade-Me (as at 11 December 2015) for a 1 bedroom room are from $249 per week. The rates are highly competitive when compared with typical budget hotel rates and demand has been strong since the first accommodation block opened in July, 2015.

The ability to blend short-term (as little as one night) and long-term (currently up to 3 month) stays provides flexibility to maximise returns when demand is high, through maximising short-stays. Current and recent customers have included a range of professionals and other persons including doctors and nurses working at Middlemore Hospital, as well as a mix of WINZ-funded tenants. All long-term tenants are fully vetted prior to their stay including security checks, references and other relevant information.

Local competition includes a small number of other traditional boarding houses in the Otahuhu area, largely already tenanted. A new development is currently being constructed directly opposite the Park Avenue Residence which is likely to provide competition in the form of approximately 30 units for long-term accommodation.

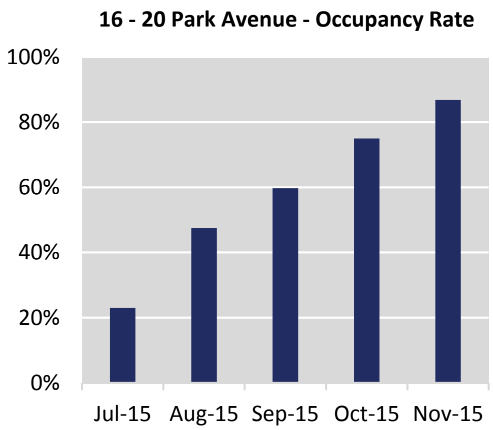
Whilst PAL has not indicated any plans to replicate the Park Avenue Residence, it would appear that, based on the initial performance to date, this business model may also work well elsewhere in Auckland.

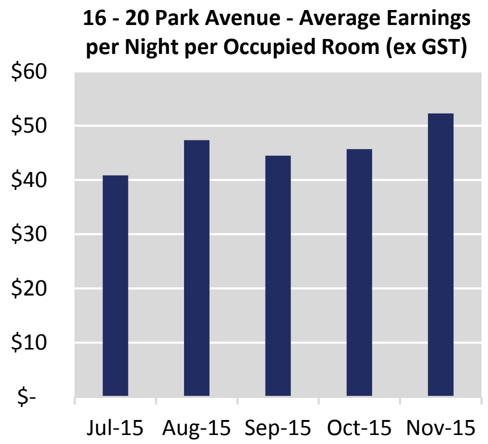
16 – 20 Park Avenue Trading Statistics as at 30 November 2015

Following the completion and business opening of PAL's 16 – 20 Park Avenue property in July 2015, the property's average monthly occupancy rate has shown consistent growth over the 5 month "ramp-up" period ending 30 November 2015, with the current occupancy rate sitting at approximately 87% and expected to increase further. PAL's current occupancy rate for 16 – 20 Park Avenue is in line with that assumed in the Company's prospective financial performance summarised in Section 4.

The 16 – 20 Park Avenue property has generated average earnings of approximately $46 per night (per occupied room) over the 5 month period ending 30 November 2015, very close to the average occupied room rate assumed in the Company's prospective financial performance.

Recent trading statistics for the 16 – 20 Park Avenue property are summarised below. We note that renovations to the 10 – 14 Park Avenue property were only completed in November 2015, and therefore trading statistics for the 10 – 14 Park Avenue property are not yet available.





5.4 New Zealand Hotel Accommodation Sector

Whilst there is little information available on the long-stay boarding accommodation market, key trends in short-stay accommodation are outlined below.

New Zealand Overview[2]

The New Zealand hotel and tourism sector has continued its strong run during 2015, with many regions throughout the country setting new highs in occupancy levels as well as undergoing record growth in room rates and revenue per available room (**RevPAR**).

New Zealand has now reached three million international visitors for the first time, with annual international visitor arrivals reaching 3.02 million in the year ending August 2015, up 7.8% compared to the same period in 2014.

In the short/medium-term, further increases in inbound visitation numbers are likely with the added benefit of a lower New Zealand dollar and New Zealand's growing reputation as a safe

[2] Source: Colliers International – NZ Hotel Market – October 2015

holiday destination. This is supported by recent research by the Ministry of Business, Innovation and Employment (MBIE), which has forecast that annual international visitation numbers will reach 3.8 million by 2021.

The supply of accommodation in key markets remains heavily constrained. Auckland and Queenstown in particular are both suffering from a critical shortage of guest rooms over peak visitation periods. This trend looks set to continue with no new hotels currently under construction in these regions and minimal new supply throughout the entire country.

Constrained supply, combined with increasing demand, is having a positive impact on key performance metrics. Auckland has continued its strong performance over recent months with RevPAR growth of 12.6% for the year ending September 2015, with Wellington and Christchurch both recording RevPAR growth of 8% over the same period. Overall, performance metrics in all key markets are likely to remain strong over the short/medium-term given the strong levels of demand and low levels of new supply. Campbell MacPherson expects that this level of strong demand will underpin new hotel construction contracts and commercial building conversion into accommodation in key markets.

Colliers believe that the investment market is in the first stages of the next transaction cycle. In the first nine months of 2015, hotel transactions exceeded $200 million, up by 500% over the same period in 2014. This has been highlighted by the record sale price achieved for the Novotel Ibis Auckland Ellerslie Hotel, the largest hotel to be sold in New Zealand since the Hilton Auckland in 2012. Market commentators are anticipating further significant sales over the remainder of the year and the first quarter of 2016.

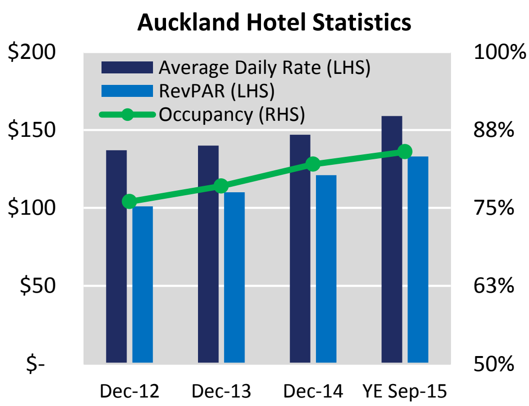
Sale prices for existing hotels in recent months confirms an emerging view that there is a 'repricing' occurring in the marketplace. The significant improvement in bottom-line profitability and compressing investment yields is now resulting in record hotel values, particularly in New Zealand's main cities.

***Auckland Overview*[3]**

Key features of the Auckland hotel sector include:

- Occupancy rates reached a record high of 83.5% for the year ending September 2015, the highest occupancy rate observed across New Zealand's five major cities. This represents an increase of 1.6% compared to the 82.2% occupancy recorded for the 2014 calendar year.
- With market occupancy at record highs, average daily rates have improved significantly.
- Strong improvements in occupancy and average daily rates have resulted in RevPAR increasing for the year ending September 2015, up 9.6% since the end of 2014.

Waterfront Auckland's request for expressions of interest in the Wynyard Quarter Development included a 5 star 220-270 room hotel opposite the Viaduct Events Centre. Recently Sky City and Central Government have agreed terms for funding and construction of the International Convention Centre to be built in Auckland which is expected to help improve occupancy rates in the winter and shoulder seasons. Work has begun on the conversion of the Reserve Bank building in the CBD into a 5 star 130 room hotel owned by the CP Group.



Source: Colliers International – NZ Hotel Market – October 2015

[3] Source: Colliers International – NZ Hotel Market – October 2015

5.5 Property Valuations

In May 2015, PAL engaged Colliers to undertake independent market valuations of the two Properties (**Colliers Valuations**). These valuations were conducted on the basis that the renovation work associated with converting the Properties into a residential accommodation complex had been completed. As at the date of this Report, all renovation work assumed in the Colliers Valuations has now been completed. These valuation reports have subsequently been re-addressed for the benefit of RIS.

As summarised below, Colliers has assessed the market value of the 10-14 Park Avenue and 16 – 20 Park Avenue properties to be $4.59 million (plus GST if any) and $10.07 million (plus GST if any) respectively.

10-14 Park Avenue - Valuation Summary	
Assumptions	
Occupancy rate	95%
% of long-stay residents	100%
Rental rate ($ p/w)	250
Results	**NZ$000**
Annual income (net of GST)	518
Annual expenses	(125)
Net income	393
Capitalisation rate	8.25%
Value	**4,758**
Allowance for occupancy build-up (4 months)	(173)
Adopted value as if complete	**4,585**

Source: Colliers Valuations - May 2015

16-20 Park Avenue - Valuation Summary	
Assumptions	
Occupancy rate	95%
% of long-stay residents	100%
Rental rate ($ p/w)	275
Results	**NZ$000**
Annual income (net of GST)	1,097
Annual expenses	(255)
Net income	841
Capitalisation rate	8.00%
Value	**10,515**
Allowance for occupancy build-up (6 months)	(548)
Present value of telecommunications revenue	100
Adopted value as if complete	**10,065**

Source: Colliers Valuations - May 2015

This implies a total value for the two Properties of $14.65 million.

We note that, once the operating assumptions set out above are achieved (e.g. occupancy rates), the assessed value of the Properties may increase on the basis that the occupancy build-up deduction will no longer apply. As set out above, the 16 – 20 Park Avenue Property has already achieved an occupancy rate of approximately 87% (as at 30 November 2015).

Furthermore, as set out in the assumptions above, Colliers has valued the Properties on the basis that 100% of the occupants are long-stay residents. However, we understand that, based on demand to-date, PAL intends to target both the short-stay and long-stay markets. Rates for short-stay occupants are typically much higher than that of long-stay occupants, however, this is off-set to some extent by lower occupancy.

5.6 Financial Results

A summary of PAL's audited financial results for the two year period ending 31 March 2015 is set out below.

PAL - Summary Financial Performance		
NZ$	**Audited Mar-14**	**Audited Mar-15**
Revenue	1	26
Other income	-	1
Subvention income	-	8
Unrealised gain in value of investment properties	-	-
Direct operating expenses	(0)	(177)
Operating profit / (loss)	1	(141)
Net financing income / (costs)	-	0
Profit / (loss) before tax	**1**	**(141)**
Tax benefit / (expense)	2	93
Profit / (loss) after tax	**3**	**(48)**

PAL - Summary Financial Position		
NZ$000	**Audited Mar-14**	**Audited Mar-15**
Current assets		
Cash and equivalents	0	2
Trade and other receivables	8	12
Other	-	0
	8	14
Non-current assets		
Investment property	1,307	4,655
Deferred tax asset	2	95
	1,310	4,750
Current liabilities		
Trade and other payables	1,315	4,810
	1,315	4,810
Non-current liabilities		
Term loans	-	-
	-	-
Net assets	**3**	**(45)**

PAL - Summary Cash Flows		
NZ$000	**Audited Mar-14**	**Audited Mar-15**
Cash flow from operating activities	(0)	(89)
Cash flow from investing activities	(1,250)	(3,136)
Cash flow from financing activities	1,250	3,227
Net increase / (decrease) in cash	**0**	**2**

PAL's audited financial performance for the two year period ending 31 March 2015 reflects the historical development and renovation of the Properties. Neither of the two properties had been completed as at 31 March 2015. For additional information on the prospective financial performance of PAL and RIS, refer to Section 4.

6. VALUATION OF 16 PARK AVENUE LIMITED

6.1 Basis of Valuation

Campbell MacPherson considers that the most appropriate valuation approach is to assess the underlying value of PAL on the basis of fair market value. Fair market value is defined as:

"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, both acting at arm's length."

A range of valuation methodologies can be applied to determine fair market value, including:

- Discounted cash flow.
- Capitalisation of earnings / dividends.
- Net asset value / liquidation value.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the availability of information, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

6.2 Valuation Approach

Taking into account the available information on PAL, we consider that the most appropriate method to assess the value of PAL is the net tangible asset value (**NTAV**) methodology. The NTAV methodology is generally most relevant for valuing investment or property companies where the market value of net assets closely reflects the NPV of a company's cash flows.

6.3 Valuation Results

As summarised in Section 5, PAL recently engaged Colliers to undertake a market valuation of the land and buildings owned by PAL. This valuation was undertaken as at 5 May 2015 on the assumption that all renovation work associated with converting the Properties into a residential accommodation complex had been completed.

In addition to its core property assets, PAL's balance sheet comprises various components of working capital and related party borrowings. As set out in RIS' prospective financial information, PAL's related party borrowings will be replaced with external bank debt immediately after the completion of the Proposed Transaction. PAL's net tangible asset value, based on PAL's unaudited prospective financial position as at 1 February 2016 (the date on which the purchase price for PAL will be calculated) is summarised below.

PAL's unaudited prospective financial position as at 1 February 2016 incorporates Colliers' market valuation of the Properties as at 5 May 2015. Based on the information provided to Campbell MacPherson by RIS and PAL, we do not believe that any adjustment to the Colliers Valuation is required to reflect the actual trading performance of the 16 – 20 Park Avenue Property, nor any changes in market conditions.

PAL - Prospective Financial Position	
NZ$000	**Prospective 1-Feb-16**
Total assets	15,155
Total liabilities	(7,672)
Net tangible assets	**7,483**

Based on the analysis above, Campbell MacPherson has assessed the prospective value of PAL to be $7.48 million as at 1 February 2016.

We note that PAL's actual financial position as at 1 February 2016 may differ to its prospective financial position, resulting in a valuation which could be higher or lower than $7.48 million. However, we are advised by the RIS Directors that any variance between PAL's prospective and actual financial position as at 1 February 2016 is not likely be material.

7. VALUATION OF RIS

7.1 Proposed Transaction

RIS has entered into a conditional agreement with the Vendors. Under the terms of the Agreement RIS will acquire 100% of the shares in PAL, the owner of Park Avenue Residence, an Auckland residential accommodation complex. The purchase price is to be satisfied by RIS issuing new shares to the Vendors.

Campbell MacPherson has considered the value of RIS shares by reference to:

- The price at which RIS shares have recently traded prior to announcement of the Proposed Transaction.
- RIS' recent share placement at 0.075 cents per share.
- The value of RIS' net assets (including our assessed value of RIS' listing on the NZAX).

7.2 Value of RIS Shares

Pre-Announcement Market Trading

As discussed in Section 4, there has been very limited trading in RIS shares over the 12 month period prior to the announcement of the Proposed Transaction. The total volume of shares traded during this period represented only 0.2% of the total number of shares currently on issue (RIS shares only traded on 8 days over the 12 month period prior to the announcement of the Proposed Transaction).

Prior to the announcement on 9 November 2015 detailing the Proposed Transaction, RIS shares traded at 0.2 cents per share.

RIS currently has 1,041,406,660 shares on issue. Based on the Company's traded share price of 0.2 cents per share (prior to the announcement of the Proposed Transaction), the implied equity value of RIS is approximately $2.08 million. However, given the extreme lack of liquidity, we do not consider that the use of market data provides a strong basis for determining the equity value of RIS.

Recent Share Placements

On 2 November 2015, RIS announced that it had completed a share placement with three investors at 0.075 cents per share, raising a total of $30,000 via the issuance of 39,999,999 new shares.

Given the relatively small amount of capital raised via this placement, and also the potential impact of market speculation in relation to any future transactions involving RIS on the agreed issue price, we do not consider that the issue price of 0.075 cents per share provides a strong basis for determining the equity value of RIS.

Net Assets of RIS

As summarised in Section 4, RIS had unaudited net assets of approximately $106,000 as at 31 December 2015, equivalent to 0.01 cents per share. This comprised total assets of approximately $358,000 and total liabilities of approximately $252,000.

A summary of RIS' unaudited balance sheet as at 31 December 2015 is set out below. We note that the increase in RIS' total assets since 30 June 2015 mainly relates to the $200,000 non-refundable deposit received from PAL in relation to the Proposed Transaction, and the increase in RIS' total liabilities since 30 June 2015 mainly relates to unpaid expenses associated with the Proposed Transaction.

RIS - Financial Position	
	Unaudited
NZ$000	**31-Dec-15**
Total assets	358
Total liabilities	(252)
Net tangible assets	**106**

One of RIS' primary assets is its 8.8% equity investment in USG, an Indian domiciled company which develops payment processing software products. USG is listed on the Bombay Stock Exchange with a market capitalisation of approximately NZ$1.84 million (as at 31 December 2015).

The Directors of RIS have estimated the market value of RIS' investment in USG to be approximately $162,000 as at 31 December 2015 (as reported in RIS' interim FY16 accounts). The value of RIS' investment in USG was determined by reference to the quoted price of USG shares as at the reporting date. As stated in Section 4, the lack of liquidity in USG shares represents a key risk to RIS in relation to its ability to realise the market value of its USG investment.

Net Asset Adjustment - Value of RIS' NZAX Listing

Whilst it is intangible in nature, there is value inherent in RIS' listing on the NZAX. The value ascribed to a listing on the NZAX reflects the time, risk and costs potentially saved by a company undertaking a reverse-listing rather than undertaking a direct compliance listing or initial public offering (**IPO**). Major costs associated with a direct compliance listing would likely include legal and other advisory fees, share registry expenses, accounting fees, NZX fees, disclosure statements and/or an investment statement and prospectus. A NZAX compliance listing would also require a company to meet the minimum requirements of the NZAX Listing Rules including having a spread of at least 50 shareholders.

Increased compliance requirements and costs placed on NZX issuers involved in reverse listings has, in our view, reduced the attractiveness of reverse listings over time, and therefore, the value of an existing listing on the NZAX. Furthermore, the launch of the NXT market by the NZX, which provides small and mid-sized businesses with a platform to raise capital and publically trade their shares, may further reduce the attractiveness of reverse listings. The NXT market has simplified listing rules and disclosure requirements, which should ultimately lessen the cost of listing a company.

The value ascribed to a NZSX or NZAX listing in reverse listing transactions often varies significantly and should be considered in the context of the individual transaction (e.g. the benefits to the target company need to be considered on a case-by-case basis).

Based on our analysis of selected reverse listing transactions undertaken in New Zealand, the implied value of a listing has been in the range of $0.20 million to $0.45 million, with an average of $0.33 million. Summary information on these transactions is provided in the table below.

Selected Reverse Listing Transactions - Implied Listing Value			
Listed Vehicle	Acquisition / Investment	Acquisition Date	Implied Listing Value ($000)[1]
Vetilot	Investment by NZ Silveray	Apr-15	450
Claridge Capital	SeaDragon Marine Oils	Oct-12	440
Velo Capital	Voucher Mob	Aug-12	200
Holly Springs Investments	Retail Information Systems	Sep-09	300
RLV No 3	Minera Varry	Dec-08	240
Average			**330**

1. Rounded to the nearest $10,000.

Based on the above analysis, we have assessed the value of RIS' existing listing on NZAX to be in the range of $0.3 million to $0.4 million.

<u>*Tax Losses Carried Forward*</u>

For a company to be able to carry forward a loss to a future tax year it must meet the IRD shareholder continuity test. The shareholder continuity test will generally be met if there is a group of shareholders whose combined voting interest in the company during the "continuity period" is 49% or more.

RIS advises that it has current unaudited tax losses of approximately $0.8 million. We have not ascribed any value to these tax losses given their contingent nature and the inability of RIS to generate any material profits from its current business and asset base.

Assessed Value of RIS Shares

We consider that the most relevant measure of the current value of RIS comprises the Company's net assets as at 31 December 2015, adjusted for our assessed value of the Company's NZAX listing.

As summarised below, we assess the aggregate value of RIS to be in the range of $0.406 million to $0.506 million. Accordingly, we assess the value of each RIS share to be in the range of 0.039 cents to 0.049 cents per share as at 31 December 2015.

RIS - Assessed Value		
	Value Range	
NZ$000	Low	High
Reported net tangible assets as at 31 December 2015	106	106
Assessed value of RIS' NZAX listing	300	400
Assessed value of RIS as at 31 December 2015	**406**	**506**
Number of shares outstanding (million)	1,041	1,041
Assessed value per share (cents)	**0.039**	**0.049**

APPENDIX I: SOURCES OF INFORMATION

I.a Sources of Information

The statements and opinions expressed in this Report are based on the following main sources of information:

- The Draft Notice of Meeting and Disclosure Document relating to the Special Meeting of RIS shareholders to be held on 17 February 2016.
- The Sale and Purchase Agreement relating to the acquisition of PAL by RIS.
- RIS' audited annual reports for the years ended 30 June 2012 through 30 June 2015.
- RIS' unaudited interim accounts as at 31 December 2015.
- PAL's audited annual reports for the years ended 31 March 2014 through 31 March 2015 2015.
- PAL's unaudited prospective balance sheet as at 1 February 2016.
- RIS prospective financial information for the years ended 30 June 2016 through 30 June 2017.
- New Zealand Companies Office records.
- Various NZAX announcements by RIS.
- Capital IQ (share price and financial data).
- Correspondence and/or discussions with the Directors of RIS.
- Discussion with representatives of PAL (including a site visit to the Park Avenue properties).

During the course of preparing this Report, we have had discussions with and/or received information from the Directors of RIS and its advisers.

The Directors of RIS have confirmed that we have been provided for the purpose of this Report with all information relevant to the Proposed Transaction that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise. Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Report.

In our opinion, the information set out in this Report is sufficient to enable the Directors and shareholders of RIS to understand all the relevant factors and to make an informed decision in respect of the Proposed Transaction.

I.b Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by RIS and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of RIS. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

I.c Disclaimer

We have prepared this Report with care and diligence and the statements in the Report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant any forward-looking statements included in this Report.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this Report or to review, revise or update our Report.

We have had no involvement in the preparation of the Notice of Meeting issued by RIS and have not verified or approved the contents of the Notice of Meeting. We do not accept any responsibility for the contents of the Notice of Meeting except for this Report.

I.d Indemnity

RIS has agreed that, to the extent permitted by law, it will indemnify Campbell MacPherson and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. RIS has also agreed to indemnify Campbell MacPherson and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Campbell MacPherson or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or terms of reference Campbell MacPherson shall reimburse such costs.

APPENDIX II: QUALIFICATIONS, DECLARATIONS & CONSENTS

II.a Qualifications

Campbell MacPherson is an Auckland based investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice. The persons in the Company responsible for issuing this Report are Alistair Ward, Tony Haworth and Brad Caldwell.

Campbell MacPherson has experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of transactions.

II.b Independence

Campbell MacPherson does not have at the date of this Report, and has not had, any shareholding in or other relationship with RIS that could affect our ability to provide an unbiased opinion in relation to the Proposed Transaction. Campbell MacPherson has no conflict of interest that could affect its ability to provide an unbiased Report. Campbell MacPherson has not had any part in the formulation of the Proposed Transaction, or any aspects thereof.

Campbell MacPherson will receive a fixed fee for the preparation of this Report. This fee is not contingent on the conclusions of this Report or the outcome of the Proposed Transaction. We will receive no other benefit from the preparation of this Report.

II.c Declarations

Advance drafts of this Report were provided to the RIS Directors for their comments as to factual accuracy as opposed to opinions, which are the sole responsibility of Campbell MacPherson. Changes made to the Report as a result of the circulation of the drafts have not changed the methodology or conclusions reached by Campbell MacPherson. Our terms of reference for this engagement did not contain any term which materially restricted the scope of this Report.

II.d Consents

We consent to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting to be sent to RIS shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.