

TRS Investments Limited

Independent Adviser's Report and Appraisal Report

In Respect of the Proposed Transactions Involving HuaHan International Holdings (Hong Kong) Co. Limited

June 2016

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

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

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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1. Introduction

1.1 Background

TRS Investments Limited (**TRS** or the **Company**) was incorporated on 21 January 2000 as E-Analyst Limited and listed its shares on the NZX Main Board operated by NZX Limited (**NZX**) on 18 April 2000.

The Company initially sold training and education services through different media including e-Learning. TRS acquired 3 businesses which provided corporate training in New Zealand and Australia in 2002 and 2003.

The Company divested all of its training businesses in 2007 and changed its focus to investment in small market capitalisation stocks listed on the Australian Securities Exchange (**ASX**). It subsequently disposed of all of its ASX investments in 2010.

Since then, TRS has had no operating business or material income producing assets and has been actively seeking opportunities to acquire a business to effect a backdoor listing through the Company.

TRS's market capitalisation as at 22 June 2016 was \$3.3 million and its unaudited total equity was negative \$77,000 as at 31 March 2016.

A profile of the Company is set out in section 4.

1.2 HuaHan Transactions

Overview

TRS announced on 22 March 2016 that it had entered into a conditional terms sheet (the **Terms Sheet**) with HuaHan International Holdings (Hong Kong) Co. Limited (**HuaHan**) whereby HuaHan will acquire 55% of the ordinary shares in TRS for \$570,000 (the **HuaHan Acquisition**).

Details of the HuaHan Acquisition and related share transactions were confirmed on 2 May 2016 following the signing of conditional legally binding agreements on 1 May 2016.

HuaHan Acquisition

The key terms of the HuaHan Acquisition are:

- HuaHan will acquire 666,990,766 ordinary shares from:
 - Beconwood Superannuation Pty Limited (**Beconwood Superannuation**) – 350,963,879 shares
 - interests associated with 3 of the Company's directors – Keith Jackson, Joseph van Wijk and Andrew Fiori-Dea (the **Director Shareholders**) – 316,026,887 shares in total
- the 666,990,766 ordinary shares will be acquired for a total consideration of \$570,000, equating to a price of \$0.000854585 per share
- Hao (Ryan) Sun will be appointed as a director of the Company

- the HuaHan Acquisition is conditional on:
 - TRS settling the \$94,233 debt that it owes to Beconwood Securities Pty Limited (**Beconwood Securities**) (the **Beconwood Loan Settlement**)
 - TRS paying \$60,000 to Tasman Capital Limited (**Tasman**) to settle the debt it owes to Tasman (the **Tasman Loan Settlement**)
 - shareholder approval.

Working Capital Facility

In conjunction with the HuaHan Acquisition, HuaHan will provide TRS with a working capital facility of up to \$1.0 million to be drawn down as needed by TRS (the **Working Capital Facility**).

Share Transactions Involving the Director Shareholders and Beconwood

The Director Shareholders currently collectively own or control 79,656,263 ordinary shares in the Company, representing 7.19% of the shares on issue:

- interests associated with Mr Jackson hold 2,532,453 shares (0.23%)
- interests associated with Mr van Wijk hold 77,123,810 shares (6.96%).

Subject to shareholder approval, the following share transactions will take place:

- immediately before the HuaHan Acquisition, Beconwood Securities will gift the 399,000,000 ordinary shares in TRS that it owns to the Director Shareholders for nil consideration (the **Beconwood Transfer**)
- TRS will issue 105,314,331 ordinary shares to the Director Shareholders at \$0.000854585 per share (totalling \$90,000) in respect of unpaid directors fees (the **Directors Fees Shares**) following the completion of the HuaHan Acquisition.

We refer to Beconwood Superannuation and Beconwood Securities collectively as **Beconwood**.

Directors Fees Shares and Beconwood Transfer						
	Directors Fees Shares		Beconwood Transfer		Total	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr Jackson	33,104,777	31.43%	116,000,000	29.07%	149,104,777	29.57%
Mr van Wijk ¹	51,487,006	48.89%	228,000,000	57.14%	279,487,006	55.42%
Mr Fiori-Dea	20,722,548	19.68%	55,000,000	13.78%	75,722,548	15.01%
	<u>105,314,331</u>	<u>100.00%</u>	<u>399,000,000</u>	<u>100.00%</u>	<u>504,314,331</u>	<u>100.00%</u>

¹ Held on Mr van Wijk's behalf by Trinity Portfolio Limited (**Trinity**)

HuaHan Transactions

We refer to the HuaHan Acquisition, the provision of the Working Capital Facility, the allotment of the Directors Fees Shares, the Beconwood Transfer, the Beconwood Loan Settlement and the Tasman Loan Settlement collectively as the **HuaHan Transactions**.

HuaHan has advanced \$120,000 to TRS to cover the costs associated with the HuaHan Transactions. If shareholder approval is not received, then TRS will have 30 days to repay the \$120,000 advance. If the amount cannot be repaid within the timeframe, the Company must issue such number of fully paid ordinary shares to HuaHan that will result in HuaHan holding 19.99% of TRS's total shares on issue.

1.3 HuaHan International Holdings (Hong Kong) Co. Limited

HuaHan is registered and incorporated in Hong Kong. It is affiliated through common family ownership with the HuaHan Group of companies (the **HuaHan Group**), a global conglomerate headquartered in Singapore.

The description of the HuaHan Group below has been provided to TRS by HuaHan.

The HuaHan Group operates mainly in China. It is owned by the Liu family of Chengdu, the provincial capital of the Sichuan province in Southwest China. The HuaHan Group has total assets of around ¥ 1.6 billion (approximately \$339 million) and net assets of around ¥ 620 million (approximately \$131 million).

The HuaHan Group is involved in a range of industries including:

- real estate
- eco-mining
- ecological agriculture
- pharmaceuticals
- down feather products.

The real estate activities of the HuaHan Group currently include the operation and management of 3 projects:

- the Longwu Digital Media Zone
- the Hongkui Technology Industry Zone
- the Mingqi Gongguan Enterprise Zone.

The total land area of these industrial zones is approximately 67,000 m² with floor space within the buildings of approximately 230,000 m². The total value of the projects' land and buildings is estimated to be in the vicinity of ¥ 1.29 billion (approximately \$273 million).

The eco-mining activities include Luzhou Difeng Stone Limited (**Luzhou**) which is 70% owned by the HuaHan Group. Luzhou mining is conducted over an area of 23,500 m² and has known stone reserves of approximately 1.9 million metric tons with a production value of around ¥ 260 million (approximately \$55 million) over the life of the project.

The HuaHan Group's ecological agriculture projects include an agreement to convert 800 hectares of farmland to ecological agriculture and to form an agriculture industrial group. Ecological agriculture is designed to promote sustainable agriculture with methods that include the prevention of soil erosion, water infiltration and retention, carbon sequestration and increased biodiversity.

The pharmaceutical operations of the HuaHan Group include the distribution of pharmaceutical products of around ¥ 30 million per annum (approximately \$6 million).

The HuaHan Group is involved in the production of down feather products such as coats and duvets that are exported to Taiwan, Japan and other regions. The annual sales from down feather products is around ¥12 million per annum (approximately \$3 million).

1.4 Shareholding Levels

Following the HuaHan Transactions:

- HuaHan will hold 55.00% of the Company's shares on issue
- Beconwood will hold 4.95%
- the Director Shareholders will collectively hold 22.09%:
 - interests associated with Mr Jackson will hold 35,940,726 shares (2.96%)
 - interests associated with Mr van Wijk will hold 194,722,744 shares (16.06%)
 - Mr Fiori-Dea will hold 37,280,237 shares (3.07%)
- the Company's shareholders not associated with HuaHan, Beconwood or the Director Shareholders (the **Non-associated Shareholders**) will collectively hold 17.96%.

Impact on Shareholding Levels					
	Beconwood	Director Shareholders	Non-associated Shareholders	HuaHan	Total
Current	809,963,879	79,656,263	217,776,011	-	1,107,396,153
-%	73.14%	7.19%	19.67%	-	
Beconwood Transfer	(399,000,000)	399,000,000	-	-	-
HuaHan Acquisition	(350,963,879)	(316,026,887)	-	666,990,766	-
Directors Fees Shares	-	105,314,331	-	-	105,314,331
Post HuaHan Transactions	60,000,000	267,943,707	217,776,011	666,990,766	1,212,710,484
-%	4.95%	22.09%	17.96%	55.00%	

1.5 Special Meeting

TRS is holding a special meeting of shareholders on 13 July 2016, where the Company will seek shareholder approval of 5 resolutions which cover:

- the Beconwood Transfer (resolution 1 – the **Beconwood Transfer Resolution**)
- the HuaHan Acquisition (resolution 2 – the **HuaHan Acquisition Resolution**)
- the allotment of the Directors Fees Shares (resolution 3 – the **Directors Fees Shares Resolution**)
- the Working Capital Facility, the Beconwood Loan Settlement, the Tasman Loan Settlement and the allotment of the Directors Fees Shares (collectively the **Related Party Transactions**) as related party transactions (resolution 4 – the **Related Party Transactions Resolution**)
- the Related Party Transactions as a major transaction under the Companies Act 1993 (the **Act**) (resolution 5).

All the resolutions are ordinary resolutions (which are passed by a simple majority of the votes cast) other than resolution 5 which is a special resolution (which is passed by a majority of not less than 75% of the votes cast).

All 5 resolutions are interdependent and require sequential approval. This means that resolution 2 can only be voted on if resolution 1 is approved, resolution 3 can only be voted on if resolution 2 is approved and so on. All 5 resolutions must be approved in order for the HuaHan Transactions to proceed. If any one of the 5 resolutions is not approved, then the HuaHan Transactions cannot proceed.

1.6 Regulatory Requirements

Takeovers Code

Rule 6 of the Takeovers Code (the **Code**) prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(c) of the Code, enables a person and its associates to increase their holding or control of voting rights by an acquisition of shares if the acquisition is approved by an ordinary resolution of the code company.

The Director Shareholders and Beconwood are acting jointly or in concert in respect of the HuaHan Transactions. Accordingly, they are deemed to be associates under the Code. They currently collectively control 80.33% of the voting rights in the Company. The Beconwood Transfer will result in interests associated with Mr van Wijk controlling more than 20% of the voting rights in TRS.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the Beconwood Transfer (resolution 1).

The HuaHan Acquisition will result in HuaHan holding or controlling 55.00% of the voting rights in TRS.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the HuaHan Acquisition (resolution 2).

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an acquisition under Rule 7(c).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 15(h).

Another exception, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The allotment of the Directors Fees Shares forms part of the HuaHan Transactions. The HuaHan Transactions will result in the Director Shareholders holding or controlling 22.09% of the voting rights in the Company.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the allotment of the Directors Fees Shares (resolution 3).

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

NZX Main Board Listing Rules

Listing Rule 9.2.1 of the NZX Main Board Listing Rules (the **Listing Rules**) stipulates that an Issuer shall not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part without first obtaining approval of the transaction by way of an ordinary resolution from shareholders not associated with the Related Party.

The Working Capital Facility, the Beconwood Loan Settlement, the Tasman Loan Settlement and the allotment of the Directors Fees Shares collectively are a Material Transaction because they comprise a series of linked transactions for the incurring of obligations in excess of 10% of the average market capitalisation of TRS.

HuaHan, Beconwood, Tasman and the Director Shareholders are Related Parties of the Company.

Accordingly, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the Related Party Transactions in accordance with the Listing Rules (resolution 4).

Listing Rule 9.2.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 9.2.1.

Listing Rule 7.3.1 states that no Issuer shall issue any Equity Securities unless the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved by separate resolutions (passed by a simple majority of votes) of holders of each Class of Quoted Equity Securities of the Issuer whose rights or entitlements could be affected by that issue.

The allotment of the Directors Fees Shares represents an issue of Equity Securities.

Listing Rule 7.5 states that no issue of Securities shall be made by an Issuer if:

- there is a significant likelihood that the issue will result in any person or group of Associated Persons materially increasing their ability to exercise, or direct the exercise of effective control of that Issuer and
- that person or group of Associated Persons is entitled before the issue to exercise not less than 1% of the total votes attaching to the Securities of the Issuer

unless the precise terms and conditions of the issue have been approved by an ordinary resolution of the Issuer.

The Director Shareholders currently hold 7.19% of the Company's shares. They will receive shares from Beconwood Securities under the Beconwood Transfer and will then immediately sell down shares to HuaHan under the HuaHan Acquisition. The allotment of the Directors Fees Shares will then be undertaken and the Director Shareholders will have a final percentage shareholding in the Company of 22.09%.

Accordingly, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the allotment of the Directors Fees Shares in accordance with the Listing Rules (resolution 3).

Listing Rule 6.2.2 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution where more than 50% of the securities to be issued will be acquired by directors of the Issuer.

Listing Rule 6.2.2 (a) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 7.5.

1.7 Purpose of the Report

The Company's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the acquisition of shares under the Beconwood Transfer and the HuaHan Acquisition and the allotment of the Director Fees Shares in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 28 April 2016 to prepare the Independent Adviser's Report.

The TRS director not associated with Director Shareholders (John Cilliers) (the **Non-associated Director**) has engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the Related Party Transactions in accordance with Listing Rule 9.2.5 (b) and the fairness of the allotment of the Directors Fees Shares in accordance with Listing Rules 6.2.2 (a) and 6.2.2 (b).

Simmons Corporate Finance was approved by NZX Regulation on 23 May 2016 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Board and issues this Appraisal Report to the Non-associated Director for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Beconwood Transfer Resolution, the HuaHan Acquisition Resolution, the Directors Fees Shares Resolution and the Related Party Transactions Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Beconwood Transfer, the HuaHan Acquisition and the allotment of the Directors Fees Shares and the fairness of the Related Party Transactions in relation to each shareholder. This report on the merits of the Beconwood Transfer, the HuaHan Acquisition and the allotment of the Directors Fees Shares and the fairness of the Related Party Transactions is therefore necessarily general in nature.

The Independent Adviser's Report and Appraisal Report is not to be used for any other purpose without our prior written consent.

1.8 Currency References

Currency references in this report are:

- \$ - New Zealand dollars
- ¥ - Chinese yuan renminbi.

2. Evaluation of the Merits of the Beconwood Transfer, the HuaHan Acquisition and the Allotment of the Directors Fees Shares

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the acquisition of shares by the Director Shareholders under the Beconwood Transfer and by HuaHan under the HuaHan Acquisition and the allotment of the Directors Fees Shares having regard to the interests of the Non-associated Shareholders.

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 Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 7 September 2015
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

The Beconwood Transfer, the HuaHan Acquisition and the allotment of the Directors Fees Shares are components of the HuaHan Transactions. All components of the HuaHan Transactions must be approved by the Non-associated Shareholders in order for any components to proceed. Accordingly, we are of the view that the overall merits of the HuaHan Transactions should be evaluated rather than just the merits of the Beconwood Transfer, the HuaHan Acquisition and the allotment of the Directors Fees Shares.

We are of the view that an assessment of the merits of the HuaHan Transactions should focus on:

- the rationale for the HuaHan Transactions
- the terms of the HuaHan Transactions
- the prospects for TRS without the HuaHan Transactions
- the impact of the HuaHan Transactions on TRS's financial position
- the impact of the HuaHan Transactions on the control of TRS
- the impact of the HuaHan Transactions on TRS's share price
- other benefits and disadvantages to the Non-associated Shareholders of the HuaHan Transactions
- the benefits and disadvantages to HuaHan of the HuaHan Transactions
- the implications if the Beconwood Transfer Resolution, the HuaHan Acquisition Resolution and the Directors Fees Shares Resolution are not approved.

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

2.2 Summary of the Evaluation of the Merits of the HuaHan Transactions

Our evaluation of the merits of the HuaHan Transactions is set out in detail in sections 2.3 to 2.15.

In our opinion, after having regard to all relevant factors, the positive aspects of the HuaHan Transactions significantly outweigh the negative aspects from the perspective of the Non-associated Shareholders.

The HuaHan Transactions represent a change in cornerstone shareholder for TRS (from Beconwood holding a 73.14% shareholding to HuaHan holding a 55.00% shareholding) rather than a backdoor listing of HuaHan through TRS. HuaHan will provide significant funding to the Company in the form of the \$1.0 million Working Capital Facility and aims to play an active role in TRS's investment initiatives.

The HuaHan Transactions will have significant benefits for the Non-associated Shareholders:

- they will transform TRS from a listed shell company with negative equity of \$77,000 and \$154,000 of loans into a listed investment company with a new 55% cornerstone shareholder who aims to play an active role in the Company's operations and provide funding to TRS
- the Company's financial position will improve significantly:
 - advances owing to Beconwood and Tasman totalling \$134,233 will be settled in full for \$80,000
 - TRS will have access to the \$1.0 million Working Capital Facility provided by HuaHan
- the Company's shares may be re-rated by the market, which may improve the liquidity of the shares.

We consider the terms of the HuaHan Transactions to be reasonable:

- the price of \$0.00085 (rounded) per share under which the Directors Fees Shares will be issued and which HuaHan will pay for the 666,990,766 shares under the HuaHan Acquisition exceeds our assessment of the current fair market value of TRS's shares
- \$134,233 of advances owing to Beconwood and Tasman will be settled in full for \$80,000
- the Beconwood Transfer represents a transfer of value from Beconwood to the Director Shareholders but there is no transfer of value impact on the Non-associated Shareholders
- the 5.0% interest rate on the Working Capital Facility is below a market rate of interest and the conversion price of \$0.003 per share exceeds the HuaHan Acquisition price of \$0.00085 (rounded) and is in line with TRS's current market price.

The main negative implication for the Non-associated Shareholders of the HuaHan Transactions will be that their collective interests in the Company will reduce by 9% from 19.67% to 17.96% due to the allotment of the Directors Fees Shares.

Until such time that TRS undertakes an investment, the risk profile of the Company will not change. TRS will continue to be a listed shell company with no income producing assets.

Non-associated Shareholders should carefully consider that in the event that the HuaHan Transactions do not proceed, TRS will remain as a listed shell company and will need to either repay the \$120,000 advanced to it by HuaHan or alternatively issue new shares to HuaHan such that HuaHan holds a 19.99% shareholding in the Company. TRS may continue to seek suitable new investments and in doing so it will continue to incur operating costs associated with remaining listed on the NZX Main Board. There is no certainty regarding if or when one or more new suitable alternative investments will arise. In the absence of continued funding from TRS's major shareholders, the Company would need to undertake a capital raising or be wound up. If the Company was wound up, it is unlikely that shareholders would receive any return as the Company currently has negative total equity of \$77,000.

2.3 Rationale for the HuaHan Transactions

Background

TRS was formed in 2000 and has had a number of incarnations:

- it initially sold training and education services through different media including e-Learning
- it changed direction in late 2002 when it acquired a number of corporate training businesses
- it sold the training businesses in 2007 and changed its focus to investment in small cap stocks listed on the ASX.

The Company sold its ASX investments in 2010. Since then, TRS has had no operating businesses or material income producing assets under its control.

The Company has been actively seeking a business opportunity that could use the TRS listed entity as a vehicle to become NZX listed. It announced 3 potential backdoor listing transactions, none of which proceeded:

- on 3 December 2010, it announced that it had entered into a non-binding heads of agreement to acquire a diversified portfolio of New Zealand agricultural assets
- on 13 December 2012, it announced that it had entered into a conditional agreement to acquire Cornerstone Mineral Corporation Limited (**CMCL**), an industrial and mining project in New Zealand
- on 25 March 2014, it announced that it had entered into a conditional agreement to acquire Mega Limited (**Mega**), an early stage technology business providing encrypted cloud storage services.

HuaHan Transactions

The HuaHan Transactions will transform TRS from a listed shell company with negative equity of \$77,000 and \$154,000 of loans into a listed investment company with a new 55% cornerstone shareholder who aims to play an active role in the execution of the Company's investment initiatives.

HuaHan will provide the Company with the Working Capital Facility of up to \$1.0 million to be drawn down as needed by the Company. The Working Capital Facility will provide TRS with working capital to operate and meet its day-to-day operational and administrative costs.

The Board has stated that HuaHan intends to support the securing of larger sums of funding as required once suitable investment opportunities are identified and investigated.

It is intended that HuaHan will work with TRS to source investment and growth opportunities leveraging the HuaHan Group's experience, distribution channels and resources. Initial investment opportunities will be sought in 3 areas:

- exporting New Zealand products to China. The Board envisages that TRS will be able to leverage the HuaHan Group's distribution channels to export products such as milk and meat
- real estate development in New Zealand. HuaHan has considerable real estate development experience in China and it has a number of partners who the Board believes could potentially co-invest in suitable real estate developments in New Zealand
- the acquisition of Chinese assets. The Board is hopeful that HuaHan may be able to source attractive opportunities for TRS to acquire Chinese based assets and businesses.

We note that until the Company undertakes an investment, it will continue to have no assets of substance and therefore will not generate any income. It is probable that TRS will need to revert to shareholders for the approval of any investment under the Listing Rules and the Act as the investment will likely represent a material transaction.

2.4 Process Undertaken by TRS

We are advised by the Board that TRS initially entered into discussions with HuaHan in February 2016 following an introduction from NZX. Negotiations were held in New Zealand, led by Mr van Wijk on behalf of TRS and by HuaHan's chair, Mr Liu. On 22 March 2016, TRS entered into a conditional term sheet with HuaHan, leading to the signing of a variety of agreements and deeds in respect of the HuaHan Transactions on 1 May 2016.

We are advised by the Board that since the Company sold its ASX investments in 2010, it has evaluated numerous businesses to backdoor list into TRS. The Company announced the potential acquisition of a diversified portfolio of New Zealand agricultural assets in December 2010, the potential acquisition of CMCL in December 2012 and the potential acquisition of Mega in March 2014. However, none of these transactions proceeded.

The Board is of the view that none of the proposals it has recently evaluated are as compelling as the HuaHan Transactions. The Board has also confirmed to us that it is not evaluating any other acquisitions or transactions at this point in time.

2.5 The Prospects for TRS without the HuaHan Transactions

If the HuaHan Transactions do not proceed, TRS will remain as a listed shell company. It may continue to seek suitable new investments and in doing so it will continue to incur operating costs associated with remaining listed on the NZX Main Board. There is no certainty regarding if or when one or more new suitable alternative investments will arise. In the absence of continued funding from TRS's major shareholders, the Company would need to undertake a capital raising or be wound up. If the Company was wound up, it is unlikely that shareholders would receive any return as the Company currently has negative total equity of \$77,000.

2.6 Terms of the HuaHan Transactions

HuaHan Acquisition

HuaHan entered into 4 conditional share purchase agreements dated 1 May 2016 with Beconwood Superannuation, Mr Jackson, Mr van Wijk and Mr Fiori-Dea respectively to acquire a total of 666,990,766 ordinary shares in TRS (the **Share Purchase Agreements**).

HuaHan will acquire the 666,990,766 ordinary shares at \$0.00085 (rounded) per share for a total consideration of \$570,000.

Our analysis of the fairness of the acquisition price of \$0.00085 (rounded) per share is set out in section 5. We consider the acquisition price to be reasonable from the perspective of the Non-associated Shareholders:

- it significantly exceeds the asset backing of the shares, which amounted to negative \$0.0001 per share as at 31 March 2016
- even allowing for the value of the Company's NZX Main Board listing, we consider the value of TRS's shares to be considerably below \$0.00085 (rounded) per share
- it is the same as the issue price of the Directors Fees Shares.

Working Capital Facility

The key terms of the Working Capital Facility as set out in the loan facility agreement between TRS and HuaHan dated 1 May 2016 (the **Loan Facility Agreement**) are:

- a facility limit of \$1.0 million
- the loan is unsecured
- an interest rate of 5.0% per annum
- HuaHan may elect to convert, as full or partial repayment, the amount outstanding under the Working Capital Facility into fully paid ordinary shares in the Company at \$0.003 per share (subject to any required approvals of TRS's shareholders at the prevailing time)
- a 2 year term. If the Working Capital Facility has not been converted at the conclusion of the term, a further term may be negotiated or HuaHan can give a 6 month termination notice at which time the Working Capital Facility must be repaid.

We consider the terms of the Working Capital Facility to be reasonable from the perspective of the Non-associated Shareholders:

- the interest rate of 5.0% per annum is lower than a market rate of interest for a loan of this nature
- the issue price of \$0.003 per share for the conversion of the Working Capital Facility is 251% higher than the price being paid under the HuaHan Acquisition of \$0.00085 (rounded) and in line with the current share price.

Beconwood Transfer and Beconwood Loan Settlement

Beconwood Securities entered into 3 conditional share transfer deeds dated 1 May 2016 with Mr Jackson, Mr van Wijk and Mr Fiori-Dea respectively to transfer the 399,000,000 ordinary shares in TRS that it holds to the 3 Director Shareholders for no consideration (the **Share Transfer Deeds**).

TRS currently owes \$94,233 to Beconwood Securities in respect of advances it has made to the Company over a number of years up to the 2012 financial year. TRS and Beconwood Securities have entered into a settlement deed dated 1 May 2016 (the **Beconwood Settlement Deed**) whereby the debt will be satisfied in full through a cash payment of \$20,000 at the date that the HuaHan Transactions are completed (the **Completion Date**).

We are advised by the Board that the objectives of the Beconwood Transfer and the Beconwood Loan Settlement are to compensate the Director Shareholders and to facilitate the HuaHan Transactions. The Board advises that Beconwood has agreed to do this out of its own shareholding, thereby alleviating the dilutionary impact on the Non-associated Shareholders if new shares were to be issued to the Director Shareholders and / or HuaHan.

The effective outcome of the Beconwood Transfer is that the Director Shareholders will receive the consideration paid by HuaHan under the HuaHan Acquisition for the Beconwood Transfer shares rather than Beconwood. The Director Shareholders are collectively selling 316,026,887 shares to HuaHan under the HuaHan Acquisition for a total of \$270,072.

We consider the terms of the Beconwood Transfer and the Beconwood Loan Settlement to be reasonable from the perspective of the Non-associated Shareholders:

- the Beconwood Transfer represents a transfer of value from Beconwood to the Director Shareholders and has no value impact on the Non-associated Shareholders
- the Beconwood Debt Settlement extinguishes a \$94,233 liability of TRS for a cost of \$20,000 (ie at 21.22 cents in the dollar).

Tasman Loan Settlement

Tasman is associated with TRS's second largest shareholder Trinity and 2 of the Company's directors (Keith Jackson and Joseph van Wijk). Mr Jackson and Mr van Wijk are directors of Tasman and have shareholding interests in Tasman, as does Beconwood Superannuation.

Tasman advanced \$40,000 to TRS in February 2016 to fund the Company's administrative expenses (such as listing fees and auditors fees).

The advance was made on the basis that it would be capitalised into shares of the Company at \$0.0005 per share (subject to the receipt of any necessary approvals). This would amount to 80,000,000 ordinary shares. However, the capitalisation would interfere with the desired outcome of HuaHan achieving a 55% shareholding under the HuaHan Acquisition. Accordingly, TRS and Tasman have entered into a settlement deed dated 1 May 2016 (the **Tasman Settlement Deed**) whereby the debt will be satisfied in full through a cash payment of \$60,000 at the Completion Date.

In our view, the Tasman Loan Settlement is fair to the Non-associated Shareholders as the \$60,000 settlement amount represents a discount on the aggregate value of the shares that would have been issued to Tasman if the advance had been capitalised:

- the 80,000,000 shares equate to a value of \$68,367 based on the \$0.00085 (rounded) per share value under the HuaHan Acquisition. The \$60,000 Tasman Loan Settlement represents a discount of 12% off this value
- the 80,000,000 shares equate to a value of \$240,000 based on TRS's share price as at 22 June 2016 of \$0.003. The \$60,000 Tasman Loan Settlement represents a discount of 75% off this value.

Directors Fees Shares

The Company proposes to make a one-off payment of directors' fees of \$90,000 to the 3 Director Shareholders, to be settled through the issue of 105,314,331 Directors Fees Shares at \$0.00085 (rounded) per share.

The 3 Director Shareholders have acted as directors of the Company without remuneration since 1 April 2007 (in the case of Mr van Wijk and Mr Jackson) and 11 May 2009 (in the case of Mr Fiori-Dea). TRS has had no employees over this period and the 3 Director Shareholders have been solely responsible for administering and maintaining the Company and seeking investment opportunities. The proposed payment remunerates them up until the completion of the HuaHan Transactions.

We consider the terms of the Directors Fees Shares to be reasonable from the perspective of the Non-associated Shareholders:

- the payment of \$90,000 of directors fees equates to less than \$4,000 per director per annum over the period which the Director Shareholders did not receive any directors fees
- the issue price of the Directors Fees Shares is the same price as HuaHan is paying under the HuaHan Acquisition.

2.7 Impact on Financial Position

A summary of TRS's recent financial position is set out in section 4.6.

TRS's total equity as at 31 March 2016 was negative \$77,000. It had \$109,000 of total assets (including \$24,000 of cash on hand) and \$186,000 of total liabilities (including \$134,233 owing to Beconwood and Tasman).

The HuaHan Transactions will significantly improve TRS's financial position. The \$134,233 of advances owing to Beconwood and Tasman will be settled in full for \$80,000 under the Beconwood Loan Settlement and the Tasman Loan Settlement, thereby eliminating TRS's debt to these parties. In addition, TRS will have access to the \$1.0 million Working Capital Facility provided by HuaHan. The Company's only debt will be owing to HuaHan and will incur interest at the rate of 5.0% per annum.

2.8 Impact on Control

Share Capital and Shareholders

TRS currently has 1,107,396,153 fully paid ordinary shares on issue held by 1,389 shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 17 June 2016 are set out in section 4.4.

TRS currently has 2 substantial security holders:

- Beconwood – 73.14%, controlled by Paul Choiselat (a former director of TRS) and Lynette Choiselat
- Trinity – 6.96%, controlled by (TRS director) Joseph van Wijk.

The 2 shareholders collectively hold 80.11% of the ordinary shares in the Company at present. Beconwood and the 3 Director Shareholders currently collectively hold 80.33% of the ordinary shares.

Shareholding Levels

Following the HuaHan Transactions:

- HuaHan will hold 55.00% of the Company's shares
- the Director Shareholders will collectively hold 22.09%
- Beconwood will hold 4.95%
- the Non-associated Shareholders will collectively hold 17.96%.

Shareholding Voting

The HuaHan Transactions will result in HuaHan holding a significant level of control over shareholder voting. It will be able to singlehandedly determine the outcome of any ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders) and block any special resolutions (which require the approval of 75% of the votes cast by shareholders), subject always to applicable voting restrictions under the Listing Rules and the Act. However, HuaHan will not be able to singlehandedly pass special resolutions.

We note that this is not too dissimilar from the position faced by the Non-associated Shareholders at present. Beconwood currently has the ability to singlehandedly control the outcome of any ordinary resolution and block any special resolution that it is permitted to vote on. It most likely also has the ability to singlehandedly pass any special resolution that it is permitted to vote on because some shareholders in listed companies tend not to vote on resolutions and hence the relative weight of Beconwood's 73.14% shareholding increases.

HuaHan will not be able to increase its shareholding in TRS unless it complies with the provisions of the Code. It will only be able to acquire more shares in TRS if:

- it makes a full or partial takeover offer
- a share acquisition is approved by way of an ordinary resolution of shareholders
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of shareholders
- the Company undertakes a share buyback that is approved by the Company's shareholders and HuaHan does not accept the offer of the buyback
- it utilises the *creep* provisions of the Code. The *creep* provisions enable entities that hold more than 50% but less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum.

Board of Directors

If the HuaHan Transactions are approved, Andrew Fiori-Dea will retire from the Board and Hao (Ryan) Sun will be appointed to the Board as a representative of HuaHan.

NZX Main Board listed companies must have a minimum of 2 independent directors. We understand that Keith Jackson and John Cilliers will meet the criteria defined in the Listing Rules to be classed as independent directors.

Operations

Following the HuaHan Transactions, the Board will continue to manage the Company's operations. Hao (Ryan) Sun will act as TRS's corporate counsel and will handle relations with HuaHan on all legal matters in China.

Protection for Minority Shareholders

While HuaHan will have a high degree of control over TRS, it cannot act in an oppressive manner against minority shareholders. The Act provides a level of protection to minority shareholders. Furthermore, any transactions between TRS and any shareholder holding 10% or more of the Company's shares will be required to satisfy the requirements of the Listing Rules with respect to transactions with related parties.

2.9 Impact on Share Price and Liquidity

A summary of TRS's daily closing share price and daily volume of shares traded from 2 January 2013 is set out in section 4.8.

Re-rating of TRS Shares

TRS is currently a listed shell company with negative equity and no income-earning assets. In the year up to the announcement of the HuaHan Transactions on 22 March 2016, only 3.2% of the Company's shares traded at a VWAP of \$0.002.

Following the announcement of the HuaHan Transactions, 24,172,255 shares (2.2%) have traded on the NZX Main Board on 13 out of 63 trading days up to 22 June 2016 at between \$0.002 and \$0.004 per share at a VWAP of \$0.003.

In our view, the prices at which TRS's shares have traded since the announcement of the HuaHan Transactions reflect a heavy speculative element that assumes that not only will the HuaHan Transactions proceed, but that the value of TRS may increase due to HuaHan's involvement in the governance and management of the Company.

The combination of these factors may lead to greater demand for the Company's shares which in turn may lead to higher prices for the shares. However, the Non-associated Shareholders should also bear in mind that any re-rating of the Company's shares may increase the variability in the share prices and this may result in the Company's share price either increasing or decreasing.

While we would expect increased demand for the Company's shares post the HuaHan Transactions, we note that the relatively small free float means that there will be a limited number of shares available for sale and this may restrict the level of trading in the Company's shares.

Liquidity of TRS Shares Unlikely to Increase

Trading in the Company's shares is extremely thin, reflecting that Beconwood holds 73.14% of the fully paid ordinary shares and the top 10 shareholders collectively hold 86.33% of the shares.

Non-associated Shareholders currently have very limited opportunities to sell their shares. Prior to the announcement of the HuaHan Transactions, only 3.2% of the Company's shares traded in the preceding year.

The size of the pool of shares held by the Non-associated Shareholders will not change under the HuaHan Transactions and therefore the liquidity of the Company's shares is unlikely to change in the near term. However, if TRS is able to successfully execute its investment initiatives, this may potentially attract new investors, which in turn is likely to increase the level of demand for the Company's shares and enhance the ability for Non-associated Shareholders to sell their shares.

2.10 Main Advantage to the Non-associated Shareholders of the HuaHan Transactions

The HuaHan Transactions will be a significant step in helping to accomplish what TRS has sought to achieve since disposing of its ASX investments in 2010 – to enable the backdoor listing of a business through the Company or the investment in one or more value enhancing businesses.

Following the HuaHan Transactions, the Non-associated Shareholders will hold 17.96% of the shares in a listed investment company that has a new 55.00% cornerstone shareholder and which has access to up to \$1.0 million of funding to pursue its investment initiatives.

2.11 Main Disadvantage to the Non-associated Shareholders of the HuaHan Transactions

The main disadvantage to the Non-associated Shareholders of the HuaHan Transactions is that their collective interests in the Company will reduce slightly. Following the HuaHan Transactions, their collective shareholding will reduce by 9% from 19.67% to 17.96% due to the allotment of the Directors Fees Shares.

In our view, the positive aspects of the transformation of the Company into a much better funded entity that is better placed to pursue investment opportunities far outweigh the slight dilutionary impact of the HuaHan Transactions.

2.12 Other Issues for Non-associated Shareholders to Consider

Change in Business Risk

As a listed shell company with negligible income generating assets, the business risks associated with the current TRS business are limited. However, shareholders face considerable investment risk as the Company has negative total equity of \$77,000 and is totally reliant on the funding that has been provided by Beconwood, Tasman and HuaHan. The provision of the Working Capital Facility by HuaHan removes considerable financial risk from the Company as it will be able to adequately fund its operating costs in the near term.

Until such time that TRS undertakes one or more acquisitions, it will remain a listed shell company and accordingly the Non-associated Shareholders will not face a significant change in business risk. However, the business risks faced by TRS will likely change once it undertakes one or more acquisitions, depending on the nature of the investments undertaken.

HuaHan to Fund the HuaHan Transactions Costs and TRS's Ongoing Costs

HuaHan has advanced \$120,000 to TRS to pay all of its costs associated with the HuaHan Transactions such as legal expenses and costs associated with the special meeting (including the fees for this report, NZX fees and Takeovers Panel fees).

In addition, HuaHan will provide the Working Capital Facility which will enable TRS to meet its day-to-day operational and administrative costs.

If the HuaHan Transactions do not proceed, the Company will have 30 days from the date of the special meeting to repay the \$120,000 advance to HuaHan. If this amount cannot be repaid in this timeframe, TRS must issue to HuaHan shares in the Company such that HuaHan will hold a 19.99% shareholding in the Company.

Future Requirements for Capital

TRS had \$24,000 of cash and cash equivalents on hand as at 31 March 2016 and HuaHan will provide the Company with the Working Capital Facility of up to \$1.0 million.

In the event that TRS undertakes one or more investments, it may need to raise additional capital. This will result in HuaHan, the Director Shareholders, Beconwood and the Non-associated Shareholders having to either contribute capital (eg through a rights issue or a share purchase plan) or be further diluted if they do not participate in the capital raising.

Attraction of TRS as a Takeover Target is Unlikely to Change

We are of the view that HuaHan's 55.00% shareholding is unlikely to reduce the attraction of TRS as a takeover target. Any bidder currently looking to fully or partially take over the Company would need to ensure that Beconwood would accept its offer. Following the HuaHan Transactions, any bidder looking to fully or partially take over the Company would need to ensure that HuaHan would accept its offer.

2.13 Advantages to HuaHan of the HuaHan Transactions

TRS offers HuaHan an effective and efficient means to achieve a controlling shareholding in an investment company listed on a recognised stock exchange. This will provide a number of benefits to HuaHan:

- an enhancement of its profile in the New Zealand market place
- the ability to raise equity capital more easily
- the ability to use scrip for acquisitions.

2.14 Likelihood of the Resolutions Being Approved

Resolutions 1 to 4 are ordinary resolutions and resolution 5 is a special resolution.

Beconwood and the Director Shareholders collectively hold 80.33% of the voting rights in TRS and the Non-associated Shareholders collectively hold 19.67%.

Beconwood and the Director Shareholders are not permitted to vote on the Beconwood Transfer Resolution, the HuaHan Acquisition Resolution, the Directors Fees Shares Resolution or the Related Party Transactions Resolution. Accordingly, the voting of the Non-associated Shareholders will dictate whether the resolutions are passed or not.

If Non-associated Shareholders holding 9.83% of the Company's shares vote in favour of the resolutions, then the resolutions are certain to be passed. Given that the resolutions can be passed by a simple majority of votes cast, then if not all of the Non-associated Shareholders' shares are voted on the resolutions, it is possible that the resolutions can be passed by a smaller percentage of shares than 9.83%.

Beconwood and the Director Shareholders are permitted to vote on the special resolution in respect of the Related Party Transactions (resolution 5). We would expect Beconwood and the Director Shareholders to vote in favour of this resolution, in which case it is certain to be passed.

2.15 Implications if the Resolutions are not Approved

As the resolutions are interdependent and require sequential approval, if any one of the 5 resolutions is not approved, then the HuaHan Transactions will not proceed.

TRS will have 30 days from the date of the special meeting to pay \$120,000 to HuaHan (being the amount HuaHan has already paid to the Company to cover professional and compliance costs associated with the HuaHan Transactions). If this amount cannot be repaid in this timeframe, the Company must issue to HuaHan a number of shares in the Company that is necessary in order for HuaHan to hold 19.99% of all shares on issue in the Company.

TRS may attempt to continue as a shell company listed on the NZX Main Board with no income producing assets. The Board would need to continue to seek opportunities to acquire one or more businesses that could be backdoor listed into TRS. There is no certainty as to if, or when, such a transaction could be completed.

In the meantime, TRS would continue to incur operating costs associated with remaining listed on the NZX Main Board (including listing fees and audit fees) and evaluating potential acquisitions / backdoor listing candidates.

The Company currently has negative total equity of \$77,000 and is reliant on the funding that has been provided by Beconwood, Tasman and HuaHan. It cannot be taken for granted that Beconwood, Tasman or HuaHan would continue to fund the Company and therefore the Board would either need to raise additional capital or evaluate the option of winding up the Company. If the Company was wound up, it is highly unlikely that Non-associated Shareholders would receive any return given the Company's current financial position.

2.16 Options for Non-associated Shareholders who do not Wish to Retain Their Investment in TRS

Sell On-market

If Non-associated Shareholders do not wish to remain shareholders in the Company after the HuaHan Transactions are completed, they could possibly sell their shares on-market now at the current market prices. Since the HuaHan Transactions were announced on 22 March 2016, a total of 24,172,255 shares have traded on the NZX Main Board up to 22 June 2016 in the range of \$0.002 to \$0.004 and at a VWAP of \$0.003. However, the ability to sell on-market may not be an option for large parcels of shares due to the lack of liquidity in the market.

Minority Buy-out Rights Under the Act

If the special resolution approving the Related Party Transactions (resolution 5) is passed, those shareholders who voted against the special resolution will be entitled to require the Company to buy their shares in accordance with the provisions of the Act.

A shareholder entitled to require the Company to purchase its shares by virtue of section 110 of the Act may, within 10 working days of the passing of the special resolution, give written notice to the Company requiring it to purchase the shares.

The Board is then required to give notice to the shareholder of a fair and reasonable price for the shares. Shareholders who do not agree with the nominated price can object to the price, in which case the price will be determined by arbitration.

A detailed explanation of the minority buy-out rights is set out in the Appendix of the notice of special meeting.

2.17 Voting For or Against the Beconwood Transfer Resolution, the HuaHan Acquisition Resolution and the Directors Fees Shares Resolution

Voting for or against the Beconwood Transfer Resolution, the HuaHan Acquisition Resolution and the Directors Fees Shares Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Evaluation of the Fairness of the Related Party Transactions

3.1 Basis of Evaluation

Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the Working Capital Facility, the Beconwood Loan Settlement, the Tasman Loan Settlement and the allotment of the Directors Fees Shares are *fair* to the Non-associated Shareholders.

There is no legal definition of the term *fair* in New Zealand in either the Listing Rules or in any statute dealing with securities or commercial law.

We are of the view that an assessment of the merits of a transaction is a broader test than the fairness of the transaction and encompasses a wider range of issues associated with the transaction. Our assessment of the merits of the HuaHan Transactions is set out in section 2 and considers the impact of the effective control by HuaHan over TRS as well as the fairness of the terms and conditions of the Related Party Transactions.

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

3.2 Evaluation of the Fairness of the Related Party Transactions for the Purposes of Listing Rule 1.7.2

In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the Related Party Transactions are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.15. In summary, the key factors leading to our opinion are:

- the rationale for the Related Party Transactions is sound
- the terms of the Working Capital Facility are reasonable:
 - the interest rate of 5.0% per annum is lower than a market rate of interest for a loan of this nature
 - the issue price of \$0.003 per share for the conversion of the Working Capital Facility is 251% higher than the price being paid under the HuaHan Acquisition of \$0.00085 (rounded) and in line with the current share price
- the terms of the Beconwood Loan Settlement are reasonable. It extinguishes a \$94,233 liability of TRS for a cost of \$20,000 (ie at 21.22 cents in the dollar)
- the terms of the Tasman Loan Settlement are reasonable. The \$60,000 settlement amount represents a discount on the aggregate value of the 80,000,000 shares that would have been issued to Tasman if the advance had been capitalised:
 - the 80,000,000 shares equate to a value of \$68,367 based on the \$0.00085 (rounded) per share value under the HuaHan Acquisition. The \$60,000 Tasman Loan Settlement represents a discount of 12% off this value

- the 80,000,000 shares equate to a value of \$240,000 based on TRS's share price as at 22 June 2016 of \$0.003. The \$60,000 Tasman Loan Settlement represents a discount of 75% off this value
- the terms of the Directors Fees Shares are reasonable:
 - the payment of \$90,000 of directors fees equates to less than \$4,000 per director per annum over the period which the Director Shareholders did not receive any directors fees
 - the issue price of the Directors Fees Shares is the same price as HuaHan is paying under the HuaHan Acquisition.

3.3 Voting For or Against the Related Party Transactions Resolution

Voting for or against the Related Party Transactions Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

4. Profile of TRS Investments Limited

4.1 Background

The Company was incorporated on 21 January 2000 as E-Analyst Limited. It changed its name to E-cademy Holdings Limited on 10 February 2000, to Training Solutions Plus Limited on 16 July 2003, to TRS Investments Limited on 31 January 2007 and to TRS Investments Limited on 14 February 2007.

The Company acquired E-cademy Pty Limited for A\$3.08 million by issuing 53,500,000 shares on 18 April 2000. It placed 40,000,000 shares at \$0.09 per share and listed its shares on the NZX Main Board.

The Company subsequently became associated with MatrixIP Pty Limited and its associated company Beconwood (which now holds 73.14% of TRS's shares). The Company began to promote a proprietary on-line learning platform developed for the internet.

The Company undertook a change of direction when 2 acquisitions were made in the second half of 2002:

- Performance Edge Systems Pty Limited – a Sydney based provider of corporate training
- Champagne Consultants Limited – a New Zealand business providing training programs and services to corporate clients around the world.

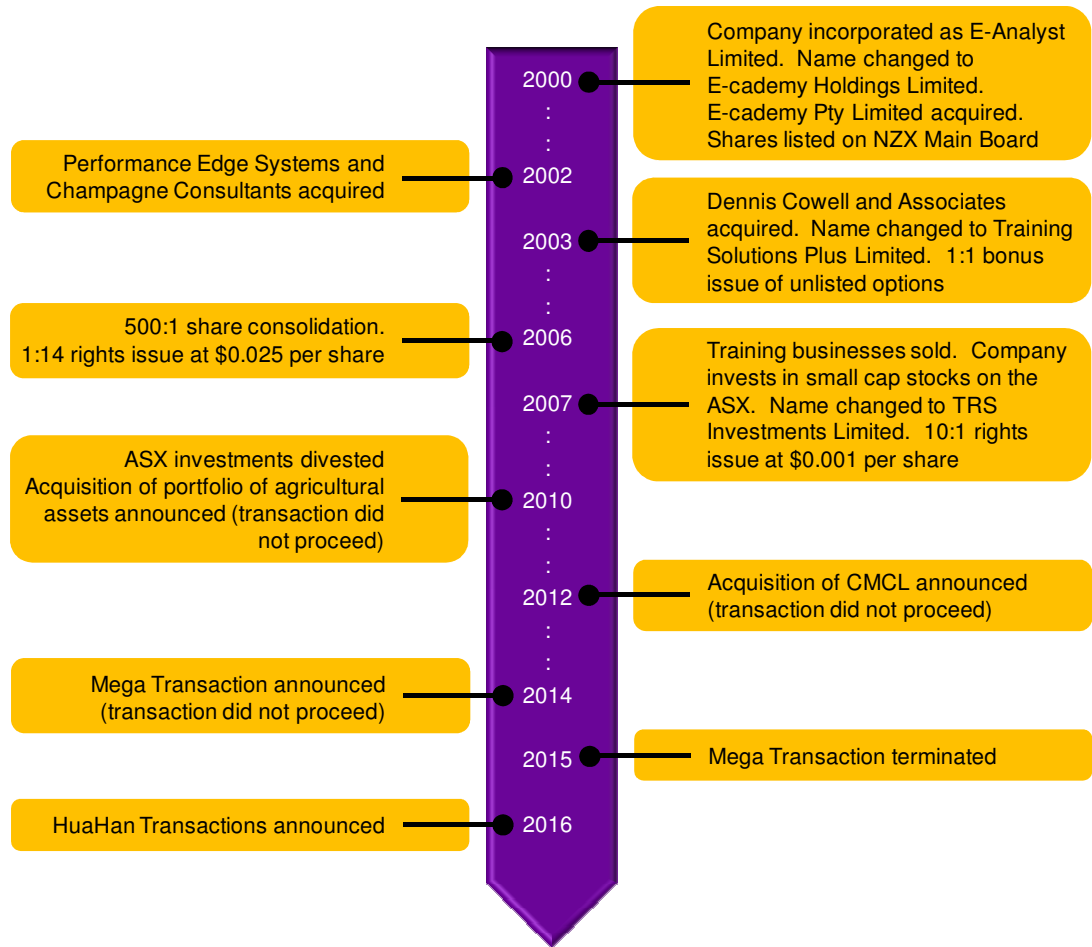
In May 2003 the Company announced an agreement to acquire Dennis Cowell and Associates (trading as Action People), an Australian provider of corporate training. It changed its name to Training Solutions Plus Limited in July 2003.

In February 2007 it changed its name to TRS Investments Limited after divesting its training businesses and changing its focus to investment in small cap stocks listed on the ASX.

The Company disposed of its ASX investments in 2010. Since then, it has announced 3 potential backdoor listing transactions, none of which proceeded:

- on 3 December 2010, it announced that it had entered into a non-binding heads of agreement to acquire a diversified portfolio of New Zealand agricultural assets
- on 13 December 2012, it announced that it had entered into a conditional agreement to acquire CMCL, an industrial and mining project in New Zealand
- on 25 March 2014, it announced that it had entered into a conditional agreement to acquire Mega (the **Mega Transaction**), an early stage technology business providing encrypted cloud storage services
- on 6 May 2015, the Company announced that the Mega Transaction had been terminated.

The Company's key events are set out below.



4.2 Nature of Operations

Since the divestment of its training businesses in 2007 and its ASX investments in 2010, TRS has had no operating business or material income generating assets under its control.

The Company has been actively seeking business opportunities that could use the TRS listed entity as a vehicle to become NZX listed.

4.3 Directors

The directors of TRS are:

- John Cilliers, non-executive director (appointed 1 May 2016)
- Andrew Fiori-Dea, non-executive director
- Keith Jackson, chair and non-executive director, associated with Tasman
- Joseph van Wijk, non-executive director, associated with Trinity and Tasman.

4.4 Capital Structure and Shareholders

TRS currently has 1,107,396,153 fully paid ordinary shares on issue held by 1,389 shareholders.

The names, number of shares and percentage holding of the 10 largest ordinary shareholders as at 17 June 2016 are set out below.

TRS's 10 Largest Ordinary Shareholders		
Shareholder	No. of Shares	%
Beconwood Superannuation	410,963,879	37.11%
Beconwood Securities	399,000,000	36.03%
Trinity	77,123,810	6.96%
Takawa Trustees Limited	17,526,161	1.58%
New Zealand Central Securities Depository Limited	12,670,381	1.14%
Mary Coker	10,000,000	0.90%
Peter Bolam	8,836,000	0.80%
Lili Wang	8,810,000	0.80%
John Howe	6,086,480	0.55%
William Coman	5,000,000	0.45%
Subtotal	956,016,711	86.33%
Others (1,379 shareholders)	151,379,442	13.67%
Total	<u>1,107,396,153</u>	<u>100.00%</u>

Source: NZX Company Research

Beconwood currently holds 809,963,879 ordinary shares (73.14%). Beconwood is controlled by Paul Choiselat and Lynette Choiselat. Mr Choiselat was the Company's managing director until his resignation on 11 May 2009.

4.5 Financial Performance

A summary of TRS's recent financial performance is set out below.

Summary of TRS Financial Performance				
	Year to 31 Mar 13 (Audited) \$000	Year to 31 Mar 14 (Audited) \$000	Year to 31 Mar 15 (Audited) \$000	Year to 31 Mar 16 (Unaudited) \$000
Operating revenue	3	3	33	215
Operating expenses	(30)	(41)	(86)	(71)
Operating profit / (deficit) before tax	<u>(27)</u>	<u>(38)</u>	<u>(53)</u>	<u>144</u>
Tax expense	-	-	-	-
Net profit / (deficit) for the year	<u>(27)</u>	<u>(38)</u>	<u>(53)</u>	<u>144</u>

Source: TRS audited financial statements and preliminary 2016 annual results

Since the sale of its ASX investments in 2010, TRS's sole source of revenue has been interest received. Revenue in the 2016 financial year included \$206,947 in respect of the settlement of the Mega debt.

Operating expenses consist mainly of NZX fees and auditors fees. No payments have been made to directors for salaries or fees in the past 9 years. The proposed issue of the Directors Fees Shares is to compensate the Director Shareholders for this.

4.6 Financial Position

A summary of TRS's recent financial position is set out below.

Summary of TRS Financial Position				
	As at 31 Mar 13 (Audited) \$000	As at 31 Mar 14 (Audited) \$000	As at 31 Mar 15 (Audited) \$000	As at 31 Mar 16 (Unaudited) \$000
Cash and cash equivalents	2	7	10	24
Investments	75	75	75	75
Receivables, prepayment and other assets	2	6	7	10
Current assets	79	88	92	109
Payables and other liabilities	(15)	(20)	(17)	(32)
Loan advances	(194)	(236)	(296)	(154)
Current liabilities	(209)	(256)	(313)	(186)
Total equity	(130)	(168)	(221)	(77)

Source: TRS audited financial statements and preliminary 2016 annual results

TRS's current assets as at 31 March 2016 comprised cash on hand of \$24,000, a payment bond in favour of NZX of \$75,000 and \$10,000 of prepayments and receivables.

Subsequent to the execution of a Share Sale Deed between TRS and Mega in March 2014, Mega advanced over a period time a total of \$206,947 to TRS. This enabled TRS to repay the \$137,000 CMCL loan advance, fund the costs associated with the proposed acquisition of Mega and fund TRS's ongoing operating costs.

On 6 November 2015, TRS announced that it had entered into a settlement agreement with Mega whereby all obligations owing by TRS to Mega had been settled in full and no payments were required to be paid and no shares were required to be issued.

As at 31 March 2016, TRS owed \$154,233 by way of loan advances provided by:

- Beconwood - \$94,233
- Tasman - \$40,000
- HuaHan - \$20,000.

The advances are unsecured, interest free and repayable on demand.

The Company had negative equity of \$77,000 as at 31 March 2016. In the past few years, TRS has been totally dependent upon the financial support provided in the form of loan advances from Beconwood, CMCL, Mega, Tasman and HuaHan.

4.7 Cash Flows

A summary of TRS's recent cash flows is set out below.

Summary of TRS Cash Flows				
	Year to 31 Mar 13 (Audited) \$000	Year to 31 Mar 14 (Audited) \$000	Year to 31 Mar 15 (Audited) \$000	Year to 31 Mar 16 (Unaudited) \$000
Net cash outflow from operating activities	(66)	(37)	(57)	(46)
Net cash used in investing activities	-	-	-	-
Net cash from financing activities	60	42	60	60
Net increase / (decrease) in cash held	(6)	5	3	14
Opening cash balance	8	2	7	10
Closing cash balance	2	7	10	24

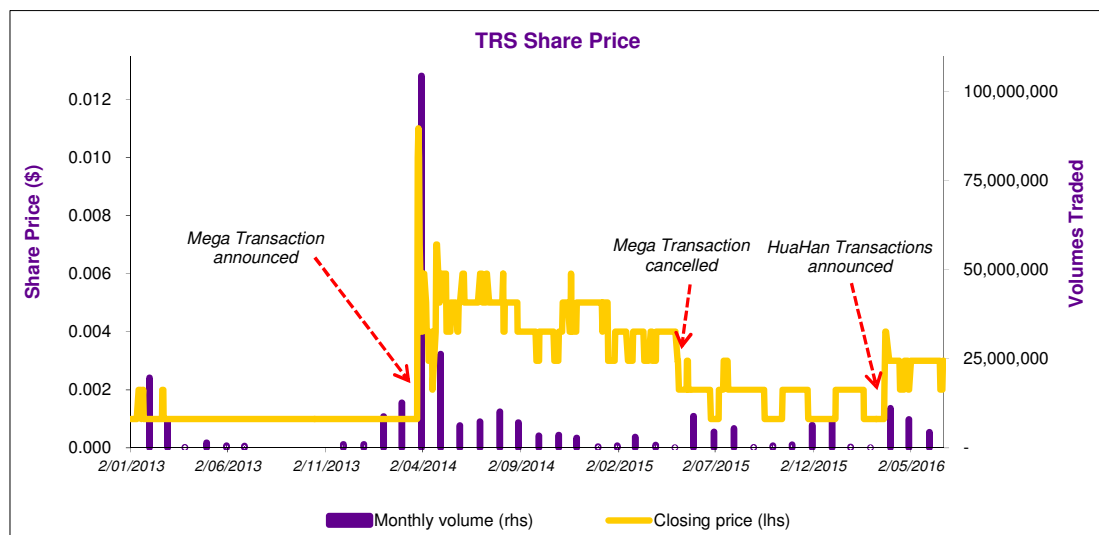
Source: TRS audited financial statements and preliminary 2016 annual results

Cash outflows from operating activities reflect the losses made by the Company each year.

Cash flows from financing activities relate mainly to the various advances provided by Beconwood, CMCL, Mega, Tasman and HuaHan. These advances have been used to repay the CMCL loan advance and fund the Company's operating expenses.

4.8 Share Price History

Set out below is a summary of TRS's daily closing share price and monthly volumes of shares traded from 2 January 2013 to 22 June 2016.



Source: NZX Company Research

During the period, TRS's shares have traded between \$0.001 and \$0.011 at a VWAP of \$0.005.

Trading in the Company's shares is extremely thin, reflecting that 73.14% of the shares are currently held by Beconwood and the top 10 shareholders collectively hold 86.33% of the shares.

An analysis of TRS's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to the announcement of the HuaHan Transactions is set out below.

Share Trading up to 21 March 2016					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	n/a	n/a	n/a	-	n/a
3 months	0.001	0.002	0.001	503	0.0%
6 months	0.001	0.002	0.001	15,111	1.4%
12 months	0.001	0.004	0.002	35,513	3.2%
<i>n/a: Not applicable – no trades</i>					
<i>Source: NZX Company Research</i>					

3.2% of TRS's shares traded on 44 days in the year to 21 March 2016 in the range of \$0.001 to \$0.004 at a VWAP of \$0.002.

Following the announcement of the HuaHan Transactions on 22 March 2016, 24,172,255 shares have traded on 13 out of 63 trading days up to 22 June 2016 in the range of \$0.002 to \$0.004 at a VWAP of \$0.003. The volumes traded represent 2.2% of TRS's total number of shares on issue.

5. Reasonableness of the Acquisition Price

5.1 Introduction

The HuaHan Acquisition involves the acquisition of 666,990,766 ordinary shares at \$0.00085 (rounded) per share for a total consideration of \$570,000.

We have assessed the reasonableness of the acquisition price by reference to:

- the prices at which the shares have recently traded on the NZX Main Board prior to the announcement of the HuaHan Transactions
- the prices at which the Company has recently issued shares
- the asset backing of the shares.

5.2 Share Price History

As set out in section 4.8, trading in the Company's shares has been extremely thin. 35,512,933 shares (3.2% of the shares on issue) traded in the year up to the announcement of the HuaHan Transactions on 22 March 2016, in the range of \$0.001 to \$0.004 at a VWAP of \$0.002.

Following the announcement of the HuaHan Transactions, 24,172,255 shares have traded on 13 out of 63 trading days up to 22 June 2016 in the range of \$0.002 to \$0.004 at a VWAP of \$0.003. The volumes traded represent 2.2% of TRS's total number of shares on issue.

We are of the view that the observed trading prices are based largely on speculation by the purchasers of the shares that following the HuaHan Transactions, HuaHan's involvement in the governance and management of TRS may lead to one or more value enhancing acquisitions and the transformation of TRS's operations.

In our view, little reliance can be placed on the observed share prices as an indication of the fair value of the TRS shares given the very thin trading. Furthermore, \$0.001 is the lowest price that a share can trade at on the NZX Main Board.

5.3 Share Issues

TRS has not undertaken any share issues in over 8 years. Its last share issue was a 10:1 rights issue in November 2007 at \$0.001 per new ordinary share.

Subject to shareholder approval, TRS proposes to issue the 105,314,331 Directors Fees Shares at \$0.00085 (rounded) per share immediately after the HuaHan Acquisition.

5.4 Net Assets per Share

TRS's total equity amounted to negative \$77,000 as at 31 March 2016, equating to net assets of negative \$0.0001 per share.

The nature of the Company's assets (cash and a payment bond) is such that their carrying values represent reasonable proxies of their market values.

As a listed shell company, TRS's only material intangible asset is likely to be its NZX Main Board listing. In general terms, the value ascribed to a NZX Main Board / NZX Alternative Market (**NZAX**) listing is a function of the costs saved by a company undertaking a backdoor listing or reverse listing rather than undergoing an initial public offering (**IPO**) or compliance listing.

The costs of an IPO (when a company seeks to raise capital at the time of its listing) can be significant due to brokerage fees as well as other expense such as share registry expenses, legal fees, accounting fees, advertising costs, printing costs and postage costs associated with preparing an investment statement and prospectus. However, the costs associated with a compliance listing, where a company's shares are listed but no new capital is raised, are considerably lower.

Recent backdoor listings and reverse listings on the NZX Main Board / NZAX have ascribed values in the range of \$200,000 to \$450,000 to the NZX Main Board / NZAX listings.

We consider a reasonable value for TRS's NZX Main Board listing to be in the range of \$200,000 to \$450,000.

Based on the above, we are of view that the value of TRS shares prior to the HuaHan Transactions, and in the absence of any alternative transaction, is negligible.

Value of TRS Shares Prior to the HuaHan Transactions				
	Total		Per Share	
	Low \$000	High \$000	Low \$	High \$
Net assets as at 31 March 2016	(77)	(77)	(0.0001)	(0.0001)
Directors Fees Shares	-	-		
Value of NZX Main Board listing	200	450	0.0002	0.0004
Value of TRS shares	<u>123</u>	<u>373</u>	<u>0.0001</u>	<u>0.0003</u>

A value of \$0.00085 (rounded) per TRS share implies a value of approximately \$1.0 million for TRS's NZX Main Board listing.

5.5 Conclusion

The Company has been totally reliant on the funding provided by Beconwood, CMCL, Mega and Tasman over a number of years in the form of unsecured advances. Even after allowing for the value of the Company's NZX Main Board listing, we are of view that the value of TRS's shares prior to the HuaHan Transactions, and in the absence of any alternative transaction, is negligible.

We consider the \$0.00085 (rounded) price under the HuaHan Acquisition to be reasonable:

- it significantly exceeds the asset backing of the shares, even allowing for the value of the Company's NZX Main Board listing
- it is the same price as the issue price of the Directors Fees Shares.

6. Sources of Information, Reliance on Information, Disclaimer and Indemnity

6.1 Sources of Information

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

- the draft notice of special meeting
- the Terms Sheet
- the Share Purchase Agreements
- the Loan Facility Agreement
- the Share Transfer Deeds
- the Beconwood Settlement Deed
- the Tasman Settlement Deed
- the TRS annual reports for the years ended 31 March, 2011 to 2015
- the TRS preliminary unaudited results for the year ended 31 March 2016
- data in respect of TRS from NZX Company Research
- information in respect of the HuaHan Group from HuaHan and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and TRS's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report and Appraisal Report with all information relevant to the HuaHan Transactions 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 desirable for the purpose of preparing this Independent Adviser's Report and Appraisal Report.

In our opinion, the information to be provided by TRS to the Company's shareholders is sufficient to enable the Board and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the HuaHan Transactions.

6.2 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 TRS 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 TRS. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

6.3 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 that any forecasts of future profits, cash flows or financial position of TRS will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of TRS and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

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, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

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 this report.

We have had no involvement in the preparation of the notice of special meeting issued by TRS and have not verified or approved the contents of the notice of special meeting. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

6.4 Indemnity

TRS has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance 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. TRS has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

7. Qualifications and Expertise, Independence, Declarations and Consents

7.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

7.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with TRS, HuaHan, Beconwood or Tasman or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the HuaHan Transactions.

Simmons Corporate Finance has not had any part in the formulation of the HuaHan Transactions or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance 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 voting in respect of the Beconwood Transfer Resolution, the HuaHan Acquisition Resolution, the Directors Fees Shares Resolution or the Related Party Transactions Resolution. We will receive no other benefit from the preparation of this report.

7.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

7.4 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 special meeting to be sent to the Company's 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.



Peter Simmons
Director

Simmons Corporate Finance Limited

23 June 2016