

Southern Charter Financial Group Limited

Independent Adviser's Report

In Respect of the Proposed Acquisition of Shares by Chang Ku EE from Golden Tower NZ Limited

November 2018

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; 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.

Simmons Corporate Finance 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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1. Introduction

1.1 Background

Southern Charter Financial Group Limited (**Southern Charter** or the **Company**) is a listed shell company that is seeking to grow by making acquisitions, preferably in the financial services sector.

Southern Charter's shares are listed on the alternative market (the **NZAX**) operated by NZX Limited (**NZX**).

The Company's market capitalisation was \$0.5 million as at 19 November 2018 and its audited total equity was \$2.5 million as at 31 March 2018.

The Company was incorporated on 10 December 2013 as Elizabeth Listco Limited. It changed its name to Lateral Corporation Limited on 27 March 2014 and to Southern Charter Financial Group Limited on 22 December 2017.

On 31 March 2014, Southern Charter acquired all of the shares in Lateral Profiles Limited (**Profiles**) from Robert McAuley and Roger Grice for \$4.275 million. Consideration was in the form of the issue of 17,100,000 fully paid ordinary shares at an issue price of \$0.25 per share. Profiles developed an e-commerce business based on the sale of digital products and services charged directly to the customer's mobile phone account.

Southern Charter undertook a compliance listing and quotation of its shares on the NZAX on 18 August 2014.

On 31 August 2017, the Company transferred all of its assets (except for \$2,615,000 of cash) and liabilities to Profiles, disposed of 100% of the shares in Profiles by way of an in specie distribution to its existing shareholders and issued 463,405,050 new fully paid ordinary shares at \$0.0071 (rounded) per share to Golden Tower NZ Limited (**Golden Tower**), raising \$3,284,250 (before costs) (the **Golden Tower Allotment**). 20,595,780 of the Golden Tower Allotment shares were issued to Tasman Capital Limited (**Tasman**) as a nominee of Golden Tower.

Golden Tower is currently Southern Charter's largest shareholder, holding 442,809,270 ordinary shares. This represents 86.00% of the Company's total shares on issue.

1.2 Proposed Acquisition of Shares

Agreement for Sale and Purchase of Shares

On 7 November 2018, Golden Tower and Chang Ku EE entered into an Agreement for Sale and Purchase of Shares (the **ASPS**) whereby Golden Tower will sell to Mr EE its 442,809,270 ordinary shares in Southern Charter for \$2,950,000 (representing a price of \$0.0067 (rounded) per share) (the **Share Acquisition**).

The key terms of the ASPS are:

- Golden Tower will sell 442,809,270 ordinary shares in the Company to Chang Ku EE
- the purchase price is \$2,950,000 (equating to \$0.0067 (rounded) per share), payable in cash
- Mr EE will pay the Company's full third party costs associated with obtaining shareholder approval of the Share Acquisition
- upon completion of the Share Acquisition, Kawo (Karl) Chan and Chong Hoi Sze will resign as directors of the Company and Chang Ku EE will be appointed as a director of the Company and assume the role of chairperson.

Completion of the Share Acquisition is conditional upon the Company's shareholders not associated with Golden Tower (the **Non-associated Shareholders**) approving the Share Acquisition by way of an ordinary resolution.

Completion of the Share Acquisition is expected to take place by 10 December 2018.

Golden Tower

Golden Tower is a company incorporated in New Zealand on 13 May 2016. It is wholly owned by Kawo (Karl) Chan. Hongwen Song is the sole director of the Company. Mr Song was a shareholder in Golden Tower until 22 November 2016.

We are advised that Golden Tower has interests in businesses operating in the financial services sector and the property investment sector.

Chang Ku EE

Mr EE is a Malaysian national. We are advised by the Company's board of directors (the **Board**) that Mr EE is a successful entrepreneur who has been involved in establishing and operating a range of South East Asian based companies including Elitesoft Asia Group, OD Group of companies and Youth Lite International.

A biography of Mr EE is set out in the notice of special meeting which this report accompanies.

1.3 Impact of the Share Acquisition on Shareholding Levels

The Share Acquisition will result in the Company's 86.00% cornerstone shareholder changing from Golden Tower to Mr EE, who currently does not hold any shares in the Company.

The Non-associated Shareholders' shareholdings in the Company will not change. They will collectively hold 14.00% of the shares in the Company before and after the Share Acquisition.

Impact of the Share Acquisition on Shareholding Levels					
	Current		Share Acquisition	Post the Share Acquisition	
	No. of Shares	%	No. of Shares	No. of Shares	%
Golden Tower	442,809,270	86.00%	(442,809,270)	-	-
Chang Ku EE	-	-	442,809,270	442,809,270	86.00%
Non-associated Shareholders	72,085,230	14.00%	-	72,085,230	14.00%
	<u>514,894,500</u>	<u>100.00%</u>	<u>-</u>	<u>514,894,500</u>	<u>100.00%</u>

1.4 Special Meeting

Southern Charter is holding a special meeting of shareholders on 7 December 2018 where the Company will seek shareholder approval of:

- the Share Acquisition (resolution 1 – the **Share Acquisition Resolution**)
- the appointment of Chang Ku EE as a director of the Company (resolution 2 – the **Director Resolution**).

The resolutions are ordinary resolutions (which are passed by a simple majority of the votes cast).

The 2 resolutions are interdependent and must both be passed in order for either one of the resolutions to be effective.

Golden Tower and its associates are not permitted to vote on the Share Acquisition Resolution.

All shareholders are permitted to vote on the Director Resolution.

1.5 Regulatory Requirements

Southern Charter is a code company as defined by the Takeovers Code (the **Code**) and is subject to the provisions of the Code.

Rule 6 of the Code prohibits:

- a person and that person's associates who hold or control no voting rights or less than 20% of the voting rights in a code company from increasing their holding or control of voting rights beyond 20%
- a person and that person's associates holding or controlling 20% or more of the voting rights in a code company from increasing their 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 Share Acquisition will result in Mr EE increasing his control of the voting rights in Southern Charter from nil to 86.00%.

Accordingly, the Non-associated Shareholders will vote at the Company's special meeting on the Share Acquisition Resolution.

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).

1.6 Purpose of the Report

The Southern Charter directors not associated with Golden Tower, being John Cilliers and Joseph van Wijk (the **Non-associated Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Share Acquisition in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 6 November 2018 to prepare this Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Share Acquisition Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Share Acquisition in relation to each shareholder. This report on the merits of the Share Acquisition is therefore necessarily general in nature.

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

2. Evaluation of the Merits of the Share Acquisition

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Share Acquisition having regard to the interests of the Non-associated Shareholders.

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

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 1 March 2018
- 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*.

We are of the view that an assessment of the merits of the Share Acquisition should focus on:

- the rationale for the Share Acquisition
- the terms and conditions of the Share Acquisition
- the impact of the Share Acquisition on the control of Southern Charter
- the impact of the Share Acquisition on Southern Charter's share price
- other issues associated with the Share Acquisition
- the implications if the Share Acquisition Resolution is 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 Share Acquisition

The Share Acquisition involves the sale of 86.00% of the shares in the Company by Golden Tower to Chang Ku EE, resulting in a change in the Company's cornerstone shareholder and a change in the composition of the Board.

The Non-associated Shareholders have 3 alternatives with regard to their voting on the Share Acquisition Resolution:

- vote in favour of the resolution, in which case the Share Acquisition will proceed (assuming the Director Resolution is also approved), resulting in the Company's 86.00% cornerstone shareholder changing from Golden Tower to Mr EE and Golden Tower's 2 appointees resigning from the Board and Mr EE being appointed to the Board and assuming the role of chairperson, or

- vote against the resolution. In the event that the resolution is not passed, then the Share Acquisition will not proceed and Golden Tower will retain its 86.00% shareholding and 2 Board positions, or
- abstain from voting, in which case the voting of the other Non-associated Shareholders will determine the outcome.

In our opinion, if the Share Acquisition was to proceed, it would have no material negative aspects from the perspective of the Non-associated Shareholders.

The Share Acquisition may place the Company (and hence the Non-associated Shareholders) in a more advantageous position if Mr EE undertakes a proactive role in the governance of Southern Charter and its investment activities.

Our evaluation of the merits of the Share Acquisition is set out in detail in sections 2.3 to 2.8. In summary, the key factors leading to our opinion are:

- the rationale for the Share Acquisition is sound. The Share Acquisition is a transaction between Golden Tower and Mr EE whereby Mr EE will acquire Golden Tower's shareholding in the Company. It does not represent a backdoor listing transaction nor will it impact on the Company's capital structure or financial position
- the terms and conditions of the Share Acquisition are reasonable. The acquisition price for the 442,809,270 shares is \$0.0067 (rounded) per share, which is:
 - marginally lower than the issue price of \$0.0071 (rounded) paid by Golden Tower for the shares in August 2017
 - higher than the Company's net tangible assets (**NTA**) of \$0.0048 per share as at 31 March 2018
 - significantly higher than the \$0.001 to \$0.002 volume weighted average share prices (**VWAP**) at which the shares have traded on the NZAX over the past 3 to 12 months (albeit on very small volumes)
- Mr EE will fully fund the Company's third party costs associated with seeking shareholder approval of the Share Acquisition
- the Share Acquisition will have no impact on the level of control over shareholder voting from the perspective of the Non-associated Shareholders. Mr EE will simply assume the level of control that Golden Tower currently holds
- the Share Acquisition will impact the composition of the Board. Golden Tower's 2 representatives will resign from the Board and Mr EE will be appointed to the Board and assume the role of chairperson
- the Share Acquisition may have a positive impact on the Company's operations if Mr EE undertakes a proactive role in seeking and executing investment transactions
- the Share Acquisition may have a positive impact on Southern Charter's share price. However, the extremely limited trading in the Company's shares may restrict any significant uplift in the Company's share price
- the Share Acquisition will have no impact on the liquidity of Southern Charter's shares

- the Share Acquisition will have no dilutionary impact on the Non-associated Shareholders' voting rights
- the Share Acquisition will have no impact on the attraction of Southern Charter as a takeover target
- the implications of the Share Acquisition Resolution not being approved by the Non-associated Shareholders are that the Share Acquisition cannot proceed. The Company will continue to operate as it currently does with Golden Tower holding 86.00% of the Company's shares and having 2 appointees to the Board. We would expect that Golden Tower would seek an alternate buyer of its shares, in which case, shareholder approval of the transaction would once again be required.

2.3 Rationale for the Share Acquisition

The Golden Tower Allotment was approved by the Company's shareholders on 7 August 2017. At the time, Golden Tower and the Company stated that Southern Charter would focus on developing new business interests in the financial services sector.

We are advised by the Board that Golden Tower has now decided to focus on its operations in Hong Kong and therefore wishes to dispose of its shareholding in the Company.

The Share Acquisition simply represents the sale of Golden Tower's 86.00% shareholding in the Company to Mr EE. It will introduce a new cornerstone shareholder into the Company (Mr EE) and enable Golden Tower to exit its investment.

The Board understands that Mr EE intends to use Southern Charter as a vehicle to acquire businesses in either New Zealand or overseas.

The Share Acquisition does not represent a backdoor listing transaction or the acquisition or divestment of any assets by the Company.

The Share Acquisition will not have any direct impact on the Company's capital structure or on its financial position.

We note that if and when the Company does make an acquisition, it will likely need to revert to shareholders for the approval of the transaction. Depending on the size of the transaction, the Company may need to raise additional capital, which may be in the form of debt and / or fresh equity.

2.4 Impact on Control

Shareholding Voting

Southern Charter currently has 514,894,500 fully paid ordinary shares on issue held by 488 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 15 November 2018 are set out below.

10 Largest Shareholders		
Shareholder	No. of Shares	%
Golden Tower	442,809,270	86.00%
Trinity Portfolio Limited (Trinity)	12,395,630	2.41%
Robert McAuley	7,464,312	1.45%
Roger Grice	7,459,505	1.45%
Dene Biddlecombe and Peter Hine	5,273,406	1.02%
Russell Maloney	5,015,092	0.97%
Tasman	5,000,000	0.97%
John Philpott	4,938,425	0.96%
Lei Pei	4,000,000	0.78%
Global Paradigm	2,785,714	0.54%
Subtotal	497,141,354	96.55%
Others (478 shareholders)	17,753,146	3.45%
Total	<u>514,894,500</u>	<u>100.00%</u>

Source: NZX Company Research

The Share Acquisition will result in Mr EE replacing Golden Tower as the holder of 86.00% of the voting rights in the Company.

From the Non-associated Shareholders' perspective, there will be no change in the level of control over shareholder voting as Mr EE will simply assume the level of control that Golden Tower currently holds.

Mr EE will be able to singlehandedly determine the outcome of any special resolutions (which require the approval of 75% of the votes cast by shareholders) and the outcome of any ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders), subject always to applicable voting restrictions under the NZAX Listing Rules and the Companies Act 1993 (the **Act**).

Following the Share Acquisition, Mr EE will not be able to further increase his shareholding in Southern Charter unless he complies with the provisions of the Code. Mr EE will only be able to acquire more shares in Southern Charter if:

- he makes a full or partial takeover offer or
- a share acquisition is approved by way of an ordinary resolution of shareholders or
- 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 Mr EE does not accept the offer of the buyback
- Mr EE utilises the *creep provisions* under Rule 7(e) 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 acquire up to a further 5% of the code company's shares per annum. The *creep provisions* will become available to be utilised 12 months after the completion of the Share Acquisition.

We note that under Rule 50 of the Code, if Mr EE holds or controls 90% or more of the voting rights in the Company, he will be classed as a dominant owner of Southern Charter. Accordingly, he would have the right under Rule 52 of the Code to acquire all outstanding shares in the Company and the Non-associated Shareholders would have the right under Rule 53 of the Code to sell their shares to Mr EE.

Board of Directors

The directors of Southern Charter are:

- Kawo (Karl) Chan, chairperson and non-executive director, associated with Golden Tower
- John Cilliers, independent non-executive director
- Chong Hoi Sze, non-executive director, associated with Golden Tower
- Joseph van Wijk, non-executive director, associated with Trinity and Tasman.

Under the terms of the ASPS, Mr Chan and Mr Sze will resign from the Board and Mr EE will be appointed as a director of the Company and will assume the role of chairperson of the Board.

NZAX listed companies must have a minimum of 3 directors, but there is no requirement for independent directors.

Operations

The Company has not undertaken any acquisitions since the Golden Tower Allotment in August 2017. It has remained as a listed shell company with approximately \$2.5 million of cash on hand.

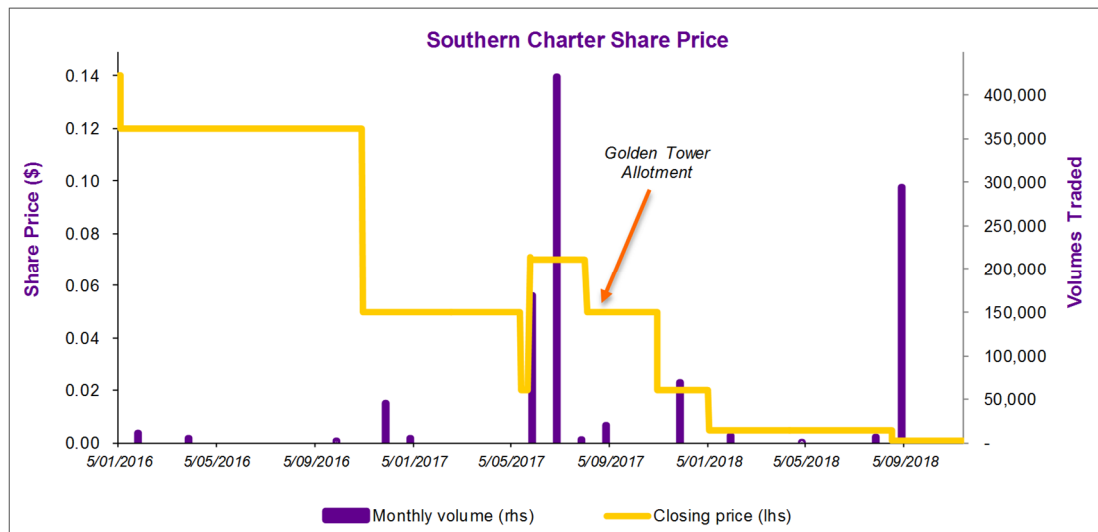
The Board is of the view that Mr EE's presence as a cornerstone shareholder and chairperson may be beneficial to the Company as it may place Southern Charter in a better position to acquire new businesses in New Zealand or overseas and commence active trading.

Protection for Minority Shareholders

While Mr EE will have significant control over Southern Charter, he cannot act in an oppressive manner against minority shareholders. The Act provides a level of protection to minority shareholders. Furthermore, any transactions between Southern Charter and any shareholder holding 10% or more of the Company's shares will need to satisfy the requirements of the NZAX Listing Rules with respect to transactions with related parties.

2.5 Impact on Share Price and Liquidity

Set out below is a summary of Southern Charter's daily closing share price and monthly volumes traded from 5 January 2016 to 19 November 2018.



Source: NZX Company Research

During the period, Southern Charter's shares traded between \$0.001 (on 21 August 2018) and \$0.140 (on 5 January 2016) at a VWAP of \$0.024.

\$0.001 is the lowest price that a share can trade at on the NZAX.

Share Price May be Positively Impacted

The Share Acquisition price of \$0.0067 (rounded) per share:

- is marginally below the issue price of the shares to Golden Tower in August 2017 of \$0.0071 (rounded) per share
- is higher than the Company's NTA of \$0.0048 per share as at 31 March 2018
- is significantly higher than the \$0.001 to \$0.002 VWAP at which the Company's shares have traded over the past 3 to 12 months (albeit on very small volumes).

In our view, the Share Acquisition may have a positive impact on Southern Charter's share price as it is at a price that is significantly higher than the Company's current share price. However, the extremely limited trading in the Company's shares may restrict any significant uplift in the Company's share price.

Liquidity of Southern Charter Shares Unlikely to Change

Trading in the Company's shares is extremely thin, reflecting that the top 10 shareholders collectively hold 96.55% of the shares.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 19 November 2018 is set out below.

Share Trading up to 19 November 2018					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	n/a	n/a	n/a	n/a	n/a
3 months	0.001	0.001	0.001	294	0.1%
6 months	0.001	0.005	0.001	301	0.1%
12 months	0.001	0.020	0.002	320	0.1%
<i>n/a: Not applicable as the shares did not trade</i>					
<i>Source: NZX Company Research</i>					

The shares traded on only 6 days in the year to 19 November 2018.

The number of shares held by the Non-associated Shareholders will not change under the Share Acquisition. Therefore the liquidity of the Southern Charter shares is unlikely to change.

2.6 Other Issues

Impact of Mr EE as the Company's Cornerstone Shareholder

The Share Acquisition offers Mr EE an effective and efficient means to achieve a controlling shareholding in a New Zealand listed shell company with approximately \$2.5 million of cash on hand and total equity as at 31 March 2018.

The Share Acquisition will provide a number of benefits to Mr EE:

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

Mr EE to Pay the Company's Third Party Shareholder Approval Costs

Under the terms of the ASPS, Mr EE will pay an initial amount of \$100,000 to Southern Charter to be applied by the Company towards third party costs associated with obtaining shareholder approval of the Share Acquisition. These costs include legal expenses and costs associated with the special meeting (including fees for this report, NZX fees and Takeovers Panel fees).

The payment of \$100,000 was received by the Company on 25 October 2018.

In the event that the Company's actual costs are:

- greater than \$100,000, Mr EE will pay to the Company the additional amount
- less than \$100,000, the Company will refund the balance to Mr EE within 30 business days of the completion of the Share Acquisition.

No Dilutionary Impact

As the Share Acquisition is a transfer of existing shares between Golden Tower and Mr EE, it will have no dilutionary impact on the Non-associated Shareholders. No new shares are being issued by the Company.

No Change to the Attraction of Southern Charter as a Takeover Target

In our view, the Share Acquisition is unlikely to have any impact on the attraction of Southern Charter as a takeover target.

Any bidder looking to make a takeover offer for the Company would need to ensure that the Company's 86.00% cornerstone shareholder would accept its offer, irrespective of whether that is Golden Tower or Mr EE.

Non-associated Shareholder Approval is Required

Pursuant to Rule 7(c) of the Code, the Non-associated Shareholders must approve by ordinary resolution the Share Acquisition.

The Share Acquisition will not proceed unless the Non-associated Shareholders approve the Share Acquisition Resolution (and the Director Resolution is also approved).

No Impact on Financial Position

As the Share Acquisition is a transfer of existing shares and does not alter the Company's capital structure, it will have no direct impact on Southern Charter's financial position.

No Change in Business Risk

Similarly, the Share Acquisition will have no immediate impact on the business risks faced by the Company.

2.7 Likelihood of the Share Acquisition Resolution Being Approved

The Share Acquisition Resolution and the Director Resolution are ordinary resolutions and are interdependent. Golden Tower and its associates cannot vote on the Share Acquisition Resolution but all shareholders can vote on the Director Resolution.

The Non-associated Shareholders collectively hold 14.00% of the Company's shares. Accordingly, their votes will determine the outcome of whether the Share Acquisition Resolution will be approved. If all of the Non-associated Shareholders' shares are voted, then over 7.00% of the shares must be voted in favour of the resolution for it to pass.

The 2 Non-associated Directors collectively control 3.39% of the voting rights in the Company. The Non-associated Directors have stated in the notice of special meeting that they recommend voting in favour of the Share Acquisition Resolution.

Golden Tower is permitted to vote on the Director Resolution. If Golden Tower votes in favour of the Director Resolution, it is certain to be passed.

2.8 Implications if the Share Acquisition Resolution is not Approved

If either the Share Acquisition Resolution or the Director Resolution is not approved, the Share Acquisition cannot proceed. Golden Tower will retain its 86.00% shareholding, the Board composition will remain the same and the Company will continue to operate as it has since Golden Tower acquired its shareholding in August 2017. The Company will need to continue to meet its ongoing compliance costs associated with being a listed company, which it expects to be able to do so on the basis of its current financial position.

We would expect that Golden Tower would seek to find another buyer for its shares. If it does so, shareholder approval of the transaction will be required.

We consider it highly unlikely that Golden Tower (or another bidder) would make a full takeover offer for Southern Charter given that the Company is a listed shell company whose main asset is cash.

Similarly, given the nature of the Company, we consider it highly unlikely that the Board would decide to wind up Southern Charter.

2.9 Voting For or Against the Share Acquisition Resolution

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

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

3.1 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 ASPS dated 6 November 2018
- the Southern Charter annual reports for the years ended 31 March, 2015 to 2018
- data in respect of Southern Charter from NZX Company Research and S&P Capital IQ
- information provided by Chang Ku EE to the Non-associated Directors.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors.

The Non-associated Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Share Acquisition 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.

In our opinion, the information to be provided by Southern Charter to the Non-associated Shareholders is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Share Acquisition.

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

3.3 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 Southern Charter 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 Southern Charter 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 Southern Charter 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.

3.4 Indemnity

Southern Charter 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. Southern Charter 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.

4. Qualifications and Expertise, Independence, Declarations and Consents

4.1 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.

4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Southern Charter, Golden Tower or Mr EE or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Share Acquisition.

Simmons Corporate Finance has not had any part in the formulation of the Share Acquisition 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 Share Acquisition Resolution. We will receive no other benefit from the preparation of this report.

4.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their 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.

4.4 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 Non-associated 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
20 November 2018