

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

24 February 2016

RIS Group Limited (*the Company*) gives you notice that a special meeting of shareholders will be held at Hotel Stamford Plaza, Auckland, 22-26 Albert Street, Auckland, 1010 commencing at 3.30pm on 24 February 2016.

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The Acquisition which shareholders are being asked to vote on under Resolution I below is the acquisition by the Company of 16 Park Avenue Limited (*PAL*) from John Chow and Michael Chow in their capacities as trustees of the John Chow Investment Trust and the Michael Chow Investment Trust (*the Vendors*). *PAL*:

- (a) Owns two properties and an accommodation business;
- (b) The two properties are adjacent to each other; one is at 10-14 Park Avenue, Otahuhu; the other is at 16-20 Park Avenue, Otahuhu;
- (c) The accommodation business consists of the two buildings on the properties (one on each property);
- (d) The two buildings are run together as one accommodation business;
- (e) The properties, and the accommodation business, are managed by CGML Limited (*CGML*) which, as part of the Acquisition, is to be contracted to the Company under the Contract for Services. *CGML* would not be part of the Listed Group (comprising the Company and *PAL*), but would remain part of the Chow Group, owned by the Vendors.

The Explanatory Notes which accompany this Notice of Meeting set out the details of the transactions which are the subject of the resolutions and the approvals required for each resolution by the shareholders of the Company pursuant to the constitution of the Company, the Companies Act 1993 (*Companies Act*), the NZAX Listing Rules, and the Takeovers Code Approval Order 2000 (*Takeovers Code*).

All capitalised terms used in this Notice of Meeting are defined in the Glossary of definitions at the end of this Notice of Meeting.

The business of the meeting will be:

Chairman's introduction

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

To consider and, if thought fit, to pass the following **special** resolution:

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

- (a) for a purchase price equal to the Net Tangible Asset Value of PAL as at 1 February 2016 (Purchase Price);*
- (b) to be satisfied by the Company issuing such number of fully paid ordinary shares in the Company as have an aggregate issue price equal to the Purchase Price;*
- (c) where the issue price per share is the Adjusted Net Tangible Asset Value of the Company as at 31 December 2015 divided by the number of ordinary shares in the Company on issue at that date; and*
- (d) where, as part of the acquisition, the Company is to enter into a Contract for Services with CGML Limited,*

and otherwise on the terms described in the Explanatory Notes.

2. Resolution 2: Election of John Chow as a Director

To consider and, if thought fit, to pass the following ordinary resolution:

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

3. Resolution 3: Election of Michael Chow as a Director

To consider and, if thought fit, to pass the following ordinary resolution:

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

4. Resolution 4: Election of Clint Webber as a Director

To consider and, if thought fit, to pass the following ordinary resolution:

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

5. Resolution 5: Election of Brent King as a Director

To consider and, if thought fit, to pass the following ordinary resolution:

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

6. Resolution 6: Share Placement – Wholesale Investors

To consider and, if thought fit, to pass the following ordinary resolution in accordance with NZAX Listing Rules 7.3.1(b) and 7.3.5 and the Company's constitution:

That shareholders ratify, confirm and approve, for the purposes of NZAX Listing Rule 7.3.5(c), the issue on 2 November 2015 of 39,999,999 ordinary shares in the Company to 3 wholesale investors (Gregory Smith, Barrie Shannon and Maurice Greenough) at an issue price of 0.075 cents per share on the terms set out in the Explanatory Notes.

7. Resolution 7: Share Placement – VIG Limited

To consider and, if thought fit, to pass the following ordinary resolution in accordance with to NZAX Listing Rules 7.3.1(b) and 7.3.5 and the Company's constitution:

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

8. Resolution 8: Share Placement – VIG Limited

To consider and, if thought fit, to pass the following ordinary resolution in accordance with to NZAX Listing Rules 7.3.1(b) and 7.3.5 and the Company's constitution:

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

9. Resolution 9: Issue of Shares - Conversion of Convertible Notes

To consider and, if thought fit, to pass the following ordinary resolution pursuant to NZAX Listing Rule 7.3.1 and the Company's constitution:

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

Explanatory Notes

Explanatory Notes on the Resolutions are set out below.

Timetable

The key dates relating to the Acquisition are:

- (a) A special meeting to approve the Acquisition: 24 February 2016*
- (b) Completion of the Acquisition: 26 February 2016*
- (c) Allotment of shares to the Vendors to be quoted on NZAX: 26 February 2016*

* The above dates are indicative only and may change by agreement between the parties to the Acquisition, being the Company and the Vendors.

Independent Adviser's Report

The Takeovers Code requires the Company to obtain an independent adviser's report in relation to Resolution I, and for that report to be contained in or to accompany this Notice of Meeting. The purpose of that report is to assess the merits of the proposed allotment of shares under Resolution I. Campbell MacPherson Limited has prepared that report and a copy of their report accompanies this Notice of Meeting.

In their report, Campbell MacPherson Limited reach the following conclusions in relation to the proposed Acquisition and allotment of shares under Resolution I:

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

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

Campbell MacPherson Limited provide a summary of their conclusions relating to the proposed Acquisition and allotment of shares under Resolution I, on pages 24 and 25 of their report.

Disclosure Document

A Disclosure Document to assist shareholders in their decision whether to approve the Acquisition and allotment of shares under Resolution I also accompanies this Notice of Meeting.

Directors' Recommendation

The Directors recommend that you vote in favour of the Resolutions.

Unless Resolution I is passed the purchase of the shares in PAL will not proceed. Therefore, if Resolution I is not passed the Company will remain a listed shell.

NZX Accepts No Responsibility

NZX accepts no responsibility for any statement made in this Notice of Meeting.

Special Resolution

Resolution 1 is a special resolution. A special resolution means a resolution passed by a majority of 75% or more of the votes of those shareholders of the Company entitled to vote and voting on the Resolution in person or by proxy.

A special resolution is required to comply with Section 129 of the Companies Act (for why Section 129 applies see the subheading *Section 129 of the Companies Act* under the heading *Why is Shareholder Approval Needed for Resolution 1?* on page 19).

Resolution 1 is also required to be passed as an ordinary resolution to comply with NZAX Listing Rules 7.3.1 and 9.1.1 and Rule 7(d) of the Takeovers Code. (for the reasons why this is the case, see the subheadings *NZAX Listing Rule 7.3.1*, *NZAX Listing Rule 9.1.1* and *Takeovers Code* under the heading *Why is Shareholder Approval Needed for Resolution 1?* on page 19).

The passing of a special resolution means that the threshold for the passing of an ordinary resolution is also passed.

Ordinary Resolution

Resolutions 2 to 5 are required to be passed as ordinary resolutions to comply with clause 21 of the Company's Constitution (for the reasons why this is the case, see the heading *Why is Shareholder Approval Needed for Resolutions 2 to 5?* on page 23).

Resolutions 6 to 9 are required to be passed as ordinary resolutions to comply with NZAX Listing Rule 7.3.1 (for the reasons why this is the case, see the heading *Why is Shareholder Approval Needed for Resolutions 6 to 8?* on page 25 and the heading *Why is Shareholder Approval Needed for Resolution 9?* on page 27).

An ordinary resolution means a resolution passed by a simple majority of the votes of those shareholders of the Company entitled to vote and voting on the resolution in person or by proxy.

Minority Buy-out Rights

If Resolution 1 is passed any shareholder who has cast all of the votes attached to shares registered in that shareholder's name (and having the same beneficial owner) against Resolution 1, is entitled to require the Company to purchase those shares in accordance with section 111 of the Companies Act. A shareholder must have cast all the votes attached to the shares registered in that shareholder's name and having the same beneficial owner against that Resolution to be entitled to require the Company to purchase those shares. If shareholders wish to exercise that entitlement they must contact the Company within 10 working days of the passing of the Resolution. If a shareholder exercises that entitlement, the Company must purchase that shareholder's shares unless the Court grants an exemption under section 114 of the Companies Act. The Company would apply for an exemption if, as a consequence of shareholders exercising their rights, the Board formed the view that any of the grounds set out in section 114 existed.

Voting Restrictions

By virtue of NZAX Listing Rule 9.3.1, any person who has been issued, or has acquired or is to be issued or is to acquire ordinary shares pursuant to the placements of ordinary shares referred to in each of Resolutions 6 to 9 (inclusive), and any Associated Person of any such person, shall not be entitled to vote in respect of the Resolution and any votes cast by such person or persons in relation to the Resolution will be disregarded by the Company (unless such votes are cast by such person acting as a proxy to a person entitled to vote on the resolution and in accordance with that person's express instructions).

Proxies and Representatives

Shareholders may exercise their right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in their place. A proxy need not be a shareholder of the Company. The Chairman of the Meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose. If the shareholders appoint the Chairman of the Meeting as their proxy, and do not direct him how he is to vote, then he intends to vote any discretionary proxies he receives in favour of the Resolution. A shareholder is not permitted to confer a discretionary proxy on a shareholder who is not entitled to vote or any Associated Person of any such person. A body corporate shareholder may appoint a representative to attend the meeting on its behalf. A proxy form is enclosed with this notice.

If you wish to vote by proxy you must complete the attached form and produce it to the Company by delivering it to the Company's Share Registrar, Link Market Services Limited, Level 7, 21 Queen Street, Auckland 1010, New Zealand or by posting it to The Share Registrar, RIS Group Limited, c/- Link Market Services Limited, P O Box 91976, Auckland 1142 New Zealand (in each case, so as to be received no later than 48 hours before the meeting is due to begin (i.e before 3.30pm on 22 February 2016)).

Postal voting is not available.

By order of the Board



Roger Bennett
Chairman

EXPLANATORY NOTES

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

Reasons for the Acquisition

The Company is presently a listed shell. The Company had net assets of approximately \$46,000 as at 30 June 2015 (30 June 2014: \$414,000), and cash reserves of approximately \$54,000 at that time.

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

The Company has continued to operate as a listed company on a minimal operating budget over the past 12 months, supported by external investors who have funded the Company via a \$100,000 convertible loan (November 2014) and a \$30,000 share placement (November 2015). However, the Directors consider that the Company's current situation is not sustainable.

In the event the Acquisition proceeds, the Company would own PAL. PAL owns two properties and operate one accommodation business from the two buildings on those properties.

In particular, PAL owns two properties located in the growing Auckland property market and independently valued in 2015 at more than \$14 million. These properties are backed by shareholders funds of more than \$7 million.

Upon completion of the Acquisition, the Listed Group would have bank gearing at a level of about 50% i.e. bank borrowings would be approximately 50% of total assets. The Company considers this to be a prudent level of gearing that enables cost effective financing, whilst not exposing the Company to undue financial risk.

PAL also owns an income generating short and long stay accommodation business conducted from its two properties. PAL is projecting positive operating cash flows in FY 2016 and FY 2017. Additional information on PAL's prospective financial performance is provided in Appendices A and B to the Disclosure Document that accompanies this Notice of Meeting.

The operation and management of PAL's two properties and the accommodation business run from those properties are described under *Business Operations* on page 13.

The Acquisition would also provide the Company with access to John and Michael Chow's business expertise in the commercial property market. Upon completion of the Acquisition, they would become Directors of the Company and CGML would provide their services to the Company through a Contract for Services. This would provide the Company with access to their experience and expertise, both at Board level and, through CGML, in an executive capacity. For an explanation of the Contract for Services, see *Contract for Services* on page 14.

Going forward, the Company intends to acquire further properties and property based businesses. For an explanation of the Company's growth strategy, see *Growth Strategy* on page 15.

The above described structure would provide the Company with a platform to raise additional capital. The amount of capital the Company seeks is likely to depend on the number, size and nature of property acquisition opportunities that become available. The capital the Company seeks is likely to be a combination of share and loan capital, which is further described under *Growth Strategy* on page 15.

In summary, the Acquisition would:

- (a) Make the Company a holding company for a group that owns two properties and operates one accommodation business that has a positive cash flow since the Company (being the parent company) would own PAL (being the subsidiary), and the Company and PAL would collectively form a group, the Listed Group, and PAL's revenues would provide it with positive cash flow;
- (b) Provide the Company with new cornerstone shareholders, the Vendors, holding more than 90% of the Company's expanded shares on issue;
- (c) Increase the Company's shareholders funds from a nominal amount to in excess of \$7 million, although the percentage shareholding of existing shareholders would be largely diluted (see the next two paragraphs);
- (d) Provide the Company with access to John and Michael Chow's business experience and expertise in the commercial property market;
- (e) Provide the Company with a platform to seek further capital and expand the Listed Group's Property Portfolio.

If the Acquisition proceeds the Vendors would become the holders of more than 90% of the Company's expanded shares on issue. This would dilute the percentage shareholding of all existing shareholders accordingly. For example, a shareholder holding 100,000,000 shares in the Company currently holds approximately 10% of its shares. After the issue of shares to the Vendors that shareholder would hold less than 1% of the shares in the Company. While the Acquisition would dilute the percentage shareholding of each existing shareholder, the Directors consider that it would enhance the value of existing shareholdings.

Regarding the value of existing holdings, in the Independent Adviser's Report the Independent Adviser has assessed a pre-Acquisition value for the Company as at 31 December 2015 in the range of 0.039 cents to 0.049 cents per share, based on 1,041,406,660 shares currently on issue. The Independent Adviser estimates that as a result of the Acquisition there would be approximately 20,235,608,721 shares on issue. Based on this increased number, the value of the Company's shares as at 30 June 2016 would be 0.039 cents (rounded up) per share as at 30 June 2016 and 0.044 cents per share (rounded up) as at 30 June 2017 (assuming post-Acquisition values for the Company (based on net assets) of \$7,751,000 and \$8,802,000 as at 30 June 2016 and 30 June 2017 respectively (as assessed by the Independent Adviser in its Independent Adviser's Report)).

The Directors consider that the existing value in the Company's shares cannot be sustained for long in the absence of a transaction such as the Acquisition. By comparison, the Directors consider that the estimated post-Acquisition values for the shares referred to above are likely to be more sustainable. On that basis, while the pre-Acquisition and post-Acquisition values are similar, the Directors consider the Acquisition would enhance the value of existing shareholdings, by making those values more sustainable (for further information on the merits of the Acquisition see the Independent Adviser's Report referred to on page 14).

The Vendors

The Vendors are discretionary family trusts associated with John and Michael Chow. John and Michael are the trustees of both trusts and the discretionary beneficiaries are John and Michael, respectively, and other members of their respective families. Those trusts own all the shares in PAL.

Agreement for Sale and Purchase

The Company has entered into a conditional Agreement for Sale and Purchase with the Vendors to acquire all the shares in PAL for a purchase price equal to the Net Tangible Asset Value of PAL as at 1

February 2016 (*Purchase Price*), to be satisfied by the Company issuing such number of fully paid ordinary shares in the Company as have an aggregate issue price equal to the Purchase Price, and where the issue price per share is the Net Tangible Asset Value of the Company as at 31 December 2015 (\$106,000) plus \$300,000 but not less than \$350,000 i.e. \$406,000 divided by the number of ordinary shares in the Company on issue at that date (being 0.039 cents per share).

PAL is currently owned by the Chow Group, and the Chow Group is owned by the Vendors. The Chow Group is a group of property business companies, which includes PAL until the Company acquires it under the Acquisition, and also includes CGML which will continue to be part of the Chow Group after the Acquisition (and is to be contracted to the Company under the Contract for Services, as from Completion of the Acquisition).

Therefore, PAL is currently a member of the Chow Group. However, on Completion of the Acquisition, PAL will cease to be owned by the Chow Group. At that point PAL would be owned by the Company and together with the Company would form the Listed Group. At that point the Company would be the Listed Group holding company, and PAL would own the properties and conduct the business of the Listed Group.

The Listed Group would be a separate group of companies from the Chow Group but, upon Completion of the Acquisition, the Vendors would own more than 90% of the shares in the Listed Group and continue as the owners of the Chow Group.

CGML is a management company owned by the Chow Group. After the Acquisition, CGML will still be owned by the Chow Group. However, as from Completion of the Acquisition, CGML will contract to the Company under the Contract for Services.

Purchase Price

The Purchase Price is \$7,483,000, based on PAL's unaudited prospective net tangible assets as at 1 February 2016, subject to calculation of PAL's actual net tangible assets as at that date.

The above provisional Purchase Price has been calculated as at 1 February 2016 as follows:

- | | | |
|-----|---------------------|---------------|
| (a) | Total assets | \$15,155,000; |
| (b) | Total liabilities | (\$7,672,000) |
| (c) | Net Tangible Assets | \$7,483,000. |

The above figures have been taken from PAL management accounts prepared as at 1 February 2016.

The Purchase Price as at 1 February 2016 will be the Net Tangible Asset Value of PAL as at that date calculated taking into account the following factors:

- (a) Park Ave Residence is to be included at its current valuation (see the heading *Valuation of Park Ave Residence* below);
- (b) Subject to paragraphs (a) above and (c) below, in accordance with PAL's policies, principles, standards and practices applied in respect of the financial statements for PAL for the year ended 31 March 2015;
- (c) Subject to paragraph (a) above, in accordance with NZIFRS.

The Purchase Price was agreed between the parties having regard, in particular, to the above three factors, with the decision by each party being a decision made by its governing body without the benefit of any independent valuation other than the independent valuation of Park Ave Residence (see the heading *Valuation of Park Ave Residence* below).

As from Completion the Company is to guarantee PAL's bank facilities. As from Completion PAL will cease to be a guarantor of the bank facilities of any other companies owned by interests associated with John and Michael Chow, and those companies will cease to be a guarantor of PAL's bank facilities.

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

- (a) Facility A – 50% of the combined valuation of PAL's properties, being \$7,325,000; plus
- (b) Facility B – 8% of the combined valuation of PAL's properties, being \$1,207,000.

The pro-forma and prospective financial information in Appendices A and B of the Disclosure Document assume that Facility A will be drawn down in full and that Facility B will not be drawn.

The Company's guarantee will relate to the full borrowings which are forecast to be \$7,325,000, however they could increase to \$8,532,000 if Facility B is drawn.

The guarantee is effectively the quid pro quo for an investment in a company i.e. PAL whose assets are partially debt funded.

Satisfaction of the Purchase Price

The Company is to satisfy the Purchase Price by issuing fully paid ordinary shares to the Vendors that will result in the Vendors owning in excess of 90% of the Company's shares.

The issue price of these shares will be 0.039 cents per share (*Issue Price*).

The Issue Price was calculated based on a value of the Company equal to the Net Tangible Asset Value of the Company at 31 December 2015 (\$106,000), plus \$300,000, but not less than \$350,000 i.e. \$406,000. The \$300,000 figure represents the value the Board placed on the value of the Company's NZAX Listing. For further information on the value of NZAX Listings, see the Independent Adviser's Report at page 48

The Issue Price is the lower end of the range of 0.039 cents to 0.049 cents per share assessed as a pre Acquisition value for the Company as at 31 December 2015 by the Independent Adviser in its Independent Adviser's Report.

The Issue Price represents the price agreed between the Company and the Vendors, which the Directors consider is fair and reasonable to the Company and to all existing shareholders.

Based on a Purchase Price of \$7,483,000 and an issue price of 0.039 cents per share 19,194,202,061 shares in the Company would be issued to the Vendors on Completion (being 94.85% of a total of 20,235,608,721 shares then on issue).

Based on a maximum Purchase Price of \$8,000,000 (see the calculations under *Takeovers Code* on page 20) and an issue price of 0.039 cents per share 20,520,328,276 shares in the Company would be issued to the Vendors on Completion (being 95.17% of a total of 21,561,734,936 shares then on issue).

The costs of the transaction, estimated at \$550,000, are to be paid for by the Vendors.

Appointment of Directors

Pursuant to the Agreement for Sale and Purchase, the Company is required, on Completion, to appoint up to four persons nominated by the Vendors to be Directors, such appointments to be conditional on, and to take effect from, Completion i.e. at the time the Acquisition is made and the shares to be allotted pursuant to Resolution 1 are allotted (the existing Directors intend to resign on Completion of the Acquisition). The appointment of four Directors proposed to be made by Resolutions 2 to 5 would satisfy this requirement of the Agreement for Sale and Purchase. Should any of Resolutions 2 to 5 not be passed, the Directors would appoint any Director not appointed under Resolutions 2 to 5 as additional Directors pursuant to a power to do so contained in the Company's Constitution, since the appointment as Directors of up to four nominees of the Vendors is a requirement of the Agreement for Sale and Purchase.

Completion

The Agreement for Sale and Purchase is conditional upon the Company obtaining all shareholder and other approvals required to complete the Acquisition (including the issue of the Vendor Shares) in compliance with the Companies Act, NZAX Listing Rules and the Takeovers Code and any other applicable laws and any contracts binding on the Company (*Condition*).

Subject to satisfaction of the Condition, the Completion Date for the Acquisition is 26 February 2016 or such other date as is agreed in writing by the Company and the Vendors.

The Condition must be satisfied or waived on or before 17 February 2016.

Settlement is also conditional upon:

- (a) The Company remaining listed on the NZAX on Completion.
- (b) There being no material adverse change in relation to the Company, PAL or Park Ave Residence prior to Completion.

Park Ave Residence

Park Ave Residence is located immediately behind the Otahuhu Town Centre main retail strip.

Park Ave Residence comprises two adjacent short and long stay rental accommodation buildings, occupying a corner site, at 10-20 Park Avenue, Otahuhu, Auckland and run as one business.

Each building is situated on freehold land that has its own Certificate of Title.

The buildings were previously commercial but were recently completely gutted internally and converted (in 2015) into short and long stay rental accommodation, containing a total of 135 rooms. Each building contains a communal kitchen/dining room and laundry amenity. Each room is furnished with a bed, table and chairs, microwave, kettle, fridge and TV.

The land on which the buildings are situated is zoned Mix Use under the Auckland Council's Operative District Planning 1999.

The first building, situated at 10-14 Park Avenue, Otahuhu, is on land comprising 857 square metres, being the land in CT NA 18A/653, and contains a total lettable area of 1,004 square metres.

The other building, situated at 16-20 Park Avenue, Otahuhu, is on land comprising 931 square metres, being the land in CT NA 19B/1480, and contains a total lettable area of 3,203.04 square metres.

Valuation of Park Ave Residence

The property at 10-14 Park Avenue, Otahuhu, Auckland was valued by Colliers International New Zealand Limited on 5 May 2015 at \$4,585,000 plus GST (if any) on an as if complete basis.

The valuation of the above property makes the following key assumptions:

- (a) *Gross Market Income:* \$518,008 per annum.
- (b) *Outgoings:* \$125,484 per annum.
- (c) *Net Market Income:* \$392,524 per annum.
- (d) *Market Capitalisation Rate:* 8.25%*.

* The Market Capitalisation Rate is the yield rate on the assessed value required to produce the assumed Net Market Income. In this instance, Net Market Income represents 8.25% of a value of \$4,757,869. The valuer then deducted an allowance for occupancy build up of \$172,669 (four months estimated income) to arrive at a value of \$4,585,000.

The property at 16-20 Park Avenue, Otahuhu, Auckland was valued by Colliers International New Zealand Limited on 5 May 2015 at \$10,065,000 plus GST (if any) on an as if complete basis.

The valuation of the above property makes the following key assumptions:

- (a) *Gross Market Income:* \$1,096,588 per annum.
- (b) *Outgoings:* \$255,000 per annum.
- (c) *Net Market Income:* \$841,209 per annum.
- (d) *Market Capitalisation Rate:* 8.0%*.

* The Market Capitalisation Rate is the yield rate on the assessed value required to produce the assumed Net Market Income. In this instance, Net Market Income represents 8.0% of a value of \$10,515,118. The valuer then deducted an allowance for occupancy build up of \$548,294 (six months estimated income) and added a present value for telecommunication of \$100,000 to arrive at a value of \$10,065,000.

Each of the two properties making up Park Ave Residence has been valued as a long term stay boarding house. PAL is considering a mix of long term and short term stays for each property. Based on trading to date, PAL considers there is adequate demand for short stay accommodation to enable a small portion of 10-14 Park Avenue property to be utilised for short stay accommodation. Short stay accommodation is generally let at a higher nightly rate, however it generally results in reduced occupancy, compared to long stay accommodation. PAL plans to continue monitoring demand for rooms and the mix of long and short stay accommodation in order to maximise earnings for the business.

Both valuations produced by Colliers International New Zealand Limited have been produced on an 'As If Complete' basis. As at the date of valuation the property at 16-20 Park Avenue was practically complete, and, the property at 10-14 Park Avenue was in the process of being internally refitted. As such, these valuations assumed that:

- (a) both properties would be completed as per the original plans
- (b) Council code of compliance certificates would be obtained for both properties
- (c) subsequent to completion, trading would be broadly in line with the valuation assumptions.

Given Council code of compliance has been obtained and trading has been in line with valuation assumptions, the Directors consider that the current valuations represent a fair market value of the properties.

Based on trading to date, PAL considers there is adequate demand for short stay accommodation to enable a small portion of the 10-14 Park Avenue property to be utilised for short stay accommodation. This short stay accommodation is let at a higher nightly rate, however it generally results in reduced occupancy. PAL management plan to continue monitoring demand for rooms and the mix of long and short stay accommodation in order to maximise earnings for the business.

Business Operation

Upon Completion of the Acquisition, the Company would operate under the direction of the Board. Management of the Company and PAL would be contracted out to CGML under the Contract for Services described on page 13 below. This would include management of PAL's two properties and the accommodation business managed from those properties.

The Listed Group's revenue would be derived primarily from revenues earned by PAL from its accommodation business. PAL actively markets its accommodation via a number of channels with a view to maximising demand for rooms.

Based on trading to date, PAL considers there is adequate demand for short stay accommodation to enable a small portion of the 10-14 Park Avenue property to be utilised for short stay accommodation. This short stay accommodation is let at a higher nightly rate, however it generally results in reduced occupancy. PAL management plan to continue monitoring demand for rooms and the mix of long and short stay accommodation in order to maximise earnings for the business.

By actively managing the proportion of long and short stay guests PAL aims to operate at approximately 87% occupancy and at an average room rate of \$45 per room per night. These financial parameters form the basis for PAL's projected operating profits for FY 2016 and FY 2017 set out in Appendix B of the Disclosure Document accompanying this Notice of Meeting.

Total operating expenses are projected to be 30% of total operating revenue for FY 2017 (again, see Appendix B of the Disclosure Document). Operating expenses are a key factor impacting on operating profit and net yield. The Company considers that if PAL can achieve operating expenses at or about (and preferably below) 30% of total operating revenue they will be at a satisfactory level.

The maximum management fee (which forms part of total operating expenses) payable to CGML is \$150,000 per annum. This would be approximately 1% of the projected book value of PAL's two properties at the end of FY 2017. The Company would therefore have the benefit of a capped maximum fee that it considers to be acceptable.

The projected operating profit for FY 2017 of \$1,648,000 represents a net yield on investment properties of approximately 10% (again, see Appendix B of the Disclosure Document).

Going Concern Assumption

On page 4 of their audit report on PAL's financial statements for the year ended 31 March 2015, the auditors highlight note 24 of those statements as follows:

Without qualifying our opinion, we draw your attention to Note 24 in the financial statements, which indicates that the validity of the going concern assumption is dependent on the Company's continued financial support from a related party. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the Company were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the

amounts at which they are currently recorded in the statement of financial position and that the Company may have to provide for further liabilities that might arise and reclassify non current liabilities as current liabilities.

The Directors note that this report relates to the year ended 31 March 2015 when PAL had borrowings from related parties of \$3,226,742 and had acquired Park Ave Residence for \$1,050,000 and had construction work in progress of \$2,085,958. Refurbishment of Park Ave Residence has now been completed. PAL is to refinance all borrowings from related parties with external bank debt on 1 February 2016. Bank debt is to comprise Facility A of \$7,325,000 (50% of the combined value of PAL's two properties) and Facility B of \$1,207,000 (8% of the combined value of PAL's two properties). Appendix B shows the pro forma prospective financial statements for the Listed Group (the Company plus PAL) for the years ended 30 June 2016 and 30 June 2017. These project the Listed Group to be solvent at the end of each of those periods with no related party borrowings and minimal current liabilities. The Directors therefore consider that the auditor's note regarding going concern being dependent on continued financial support from a related party will cease to be relevant upon that support being refinanced by Bank debt, scheduled for 1 February 2016.

Contract for Services

Pursuant to the Agreement for Sale and Purchase, the Company is, at Completion, to enter into a Contract for Services with CGML (and the Vendors are procure that CGML Limited enters into that contract) under which CGML provides, at cost, based on CGML's existing charge out rates, for a period of five years from Completion (or such shorter period as the Company may determine by written notice to CGML Limited at any time after Completion) such secretarial and management services as the Company may reasonably require for itself, PAL, and any other subsidiaries. These services will include: (a) administration management duties; (b) investment and refurbishment management duties; (c) property management duties; and (d) property business management duties. Otherwise, the Contract for Services will be on normal terms and conditions for contracts of its type, provided that the maximum amount payable by the Company in respect of any year of that contract must not exceed \$150,000. The Company would be able to terminate the Contract for Services at any time without penalty.

The Directors consider that the maximum fee of \$150,000 per annum to run a company with two properties valued in excess of \$15,000,000 compares favourably with market rates. i.e. the maximum fee is approximately 1% of total assets. The agreement was negotiated on an arms length commercial basis. CGML will only become a related party of the Company as a result of settlement under the Agreement for Sale and Purchase. The Agreement for Sale and Purchase was negotiated at a time when the Company and CGML were unrelated parties. The Directors consider the Contract for Services to be fair and reasonable to the Company and its shareholders.

Competitor Analysis

PAL acquired its two properties because of their strategic central location and because there is insufficient short-stay accommodation in Otahuhu.

While there is other rental accommodation in Otahuhu, such as a new development currently being constructed directly opposite Park Ave Residence the Company expects its accommodation complex to have a competitive advantage in the short-stay accommodation market in Otahuhu for the immediate future.

The Company is actively marketing the rooms via a number of channels in order to maximise demand for rooms. Additionally by actively managing the proportion of long and short stay guests the Company aims to operate at approximately 87% occupancy and an average room rate of \$45 per room per night.

Growth Strategy

If the Acquisition proceeds, the Company intends to acquire further properties and to operate the buildings on them as property based businesses.

The Company's philosophy is to build value through growth, rather than simply trying to enhance yield from existing assets. The Company will seek to achieve the former i.e. building value from growth, through the following:

- (a) Astute acquisition of property where the buildings on them have already been refurbished, or require refurbishment in order to unlock their value i.e. the acquisition of properties that have on them buildings with the potential to be refurbished and used as property based businesses, such as accommodation complexes, commercial office space and other commercial uses;
- (b) Where properties are purchased prior to refurbishment of their buildings, unlocking that value by completing refurbishments to a standard substantially equivalent to new developments, but over shorter time frames, at less cost, and for what should involve less reduced risk, due to being able to commence work on existing skeletal frames i.e. the time period for planning approvals should be shorter, the structural work required should be less, and hence the risks (associated primarily with time and cost of construction) should be reduced;
- (c) Having a reduced cost base, compared to completing a development from scratch, and hence being able to provide accommodation to tenants at more competitive costs and/or absorbing reduced returns during time of economic contraction.

The Company's strategy is to acquire properties with buildings that need to be refurbished, or have been refurbished. This reflects the Company's strategy to acquire as cheaply as possible and maximize gain through refurbishment (in the case of unrefurbished property), as opposed to acquiring properties that require buildings to be completely demolished and rebuilt prior to the buildings opening for business. The Company views the latter as being more expensive, more time consuming and resulting in smaller capital gains. Properties the Company acquires are therefore likely to require refurbishment, or to have been refurbished (as opposed to being properties where the building needs to be demolished and completely rebuilt before the buildings can open for business).

Even where the property is acquired on a fully refurbished basis, such as would be the case with the Acquisition of PAL, the Company aims to provide a product with a competitive edge in its market, due to the type of business created by the nature of the refurbishment. For example, the accommodation business on PAL's two properties has been built to specifications that cater for functionality, rather than luxury, but which the Company nevertheless considers to be attractive to customers wanting value for money market to be one that is still largely untapped. Traditionally, customers have been able to choose between expensive hotel chains and office blocks on the one hand and tired buildings in need of refurbishment on the other. The Company's philosophy is that sufficient money has to be spent on the refurbishment to create real value and reduce ongoing maintenance, but at the same time not involve expenditure that only appeals to the luxury end of the market or to people wanting a very short expensive stay. For instance, PAL's buildings are tastefully finished, but less frequently used amenities are provided in communal areas i.e. eating facilities, dryers etc. The Company considers that this allows a more efficient use of space without compromising the quality of the product.

The focus on growth is not intended to be at the expense of enhancing yields from existing assets, since the Company would still intend value derived from growth to be supported and supplemented by enhancing yields from assets already held. As outlined above, the Company intends to seek to enhance yields, particularly where it acquires a property prior to refurbishment. In such cases, the Listed Group considers that, with a reduced cost base relative to developing a building from scratch, it should have greater flexibility to be more competitive with its pricing, particularly in a time of

economic contraction. Even where it acquires previously refurbished buildings and therefore does not derive the gain in value from refurbishment that is unlocked with a subsequent sale), the Company considers it will nevertheless benefit from assets it believes will be able to sustain occupancy rates better (than more expensive buildings built from scratch) due to being able to cater for a wider section of the market on account of providing a service where economies do not compromise customer satisfaction i.e. the Company would not have pitched its product to the top end user, but it does intend to seek to attract customers whose mindset is value for money.

As outlined above, the Company's strategy is to operate in the niche market of value for money users. The Company considers this market to be more limited than is generally perceived due to the Company's perception that property based businesses fail to properly distinguish between the top and bottom ends of the market, thereby, in the Company's view, failing to sufficiently highlight their attraction as someone occupying a middle market that represents value for money. The Company's view is that many property businesses accept that they do not operate in the top end of the market, but then fail to be sufficiently rigorous in spending sufficient money, time and expertise to ensure they offer products that represent value for money, rather than simply a second class product.

The Company considers that with the skill and expertise of John and Michael Chow, it will have the ability to operate successfully in the niche value for money property business market.

Any properties the Company might acquire going forward could be Chow Group properties, or they might be acquired from unrelated third parties. The acquisitions might be made for cash, or (particularly where acquired properties are Chow Group properties) they might be by way of scrip for scrip purchases. Where, and to the extent that, an acquisition is made for cash, it would likely involve raising share and loan capital from third parties. Both scrip for scrip purchases and cash purchases funded by share issues would involve the dilution of existing shareholders (unless, in the case of the latter, funding was by way of a rights issue and all shareholders took up their pro rata portion). However, any acquisition (including one having a dilutionary effect) would need to comply with the Companies Act 1993, NZAX Listing Rules and the Takeovers Code, which are aimed (among other things) at ensuring that dilutions in percentage holdings do not dilute the value of those holdings.

Shareholders are likely to be required to approve any decision by the Company to acquire further property. Circumstances where shareholder approval by ordinary resolution would be required are:

- (a) *Major Transaction:* If the acquisition is a major transaction for the Company for the purposes of Rule 9.1 of the NZAX Listing Rules i.e. if the amount of the consideration exceeds 50% of the Company's Average Market Capitalisation (an acquisition might also be a major transaction for the Company for the purposes of Section 129 of the Companies Act 1993, in which case shareholder approval by special resolution would be required i.e. if the amount of the consideration exceeded 50% of the Company's total assets);
- (b) *Acquisitions Funded by Shares:* If the acquisition was to be funded (wholly or in part) by an issue of shares made otherwise than on a pro rata basis, and the issue could not be made within the limits set out in the NZAX Listing Rules for non-pro rata share issue;
- (c) *Related Party Transactions:* If the acquisition was to be made from a related party (such as the Vendors or the Chow Group) and the purchase price exceeded 10% of the Company's Average Market Capitalisation.

Any acquisition of property from the Vendors or the Chow Group would likely require approval from shareholders under all three of the above heads. Neither the Vendors nor their associates would be able to vote on any shareholder approval required under the second heading (*Acquisitions Funded by Shares*) where shares were to be issued to the Vendors or their associates (i.e. if the transaction was like the Acquisition of PAL and involved a scrip for scrip purchase; that is to say involved scrip being issued to the Vendors or their associates). The Vendors and their associates would also not be able

to vote on any acquisition from the Vendors or the Chow Group that exceeded the related party threshold described in the third of the above headings (*Related Party Transactions*).

The Listed Group intends to grow its Property Portfolio as quickly as prudently possible, having regard to opportunities that become available, its ability to access capital and the state of the property market.

Risks

Concentration Risk

Nature and Magnitude: The Listed Group, through PAL, would initially have only two properties at Otahuhu, making up Park Ave Residence, and run as one accommodation business. Otahuhu might become less attractive as an accommodation venue. This might happen for a number of reasons, including people considering it to be too far from the central city, or Otahuhu becoming less attractive than other areas in the Auckland region. Loss of revenue due to a failure to attract occupants to Otahuhu and the costs associated with such lost revenue may adversely affect PAL's profitability and the value of its properties.

Mitigation Strategies: To improve the visibility and accessibility of Otahuhu as an accommodation venue PAL, in its marketing material, highlights different routes to and from Otahuhu and destination travel time. PAL considers Otahuhu to be a popular destination for those seeking accommodation of the type PAL offers, in its price bracket. The Company also has a strategy for the Listed Group to acquire further property businesses. Any further acquisition, particularly in a different area of Auckland, would reduce concentration risk.

Assessment of Likelihood of Circumstances Arising: Low

Assessment of Impact: Moderate

Acquisition Risk:

Nature and Magnitude: The Listed Group's success would rely, in part, on being able to acquire further properties. Continued substantial increases in the price of property might make acquisitions too expensive. Any inability to acquire further properties at affordable prices might accentuate concentration risk and adversely impact on the Listed Group's ability to achieve capital growth through the purchase and refurbishment of further property.

Mitigation Strategies: To improve the Listed Group's ability to acquire affordable properties, it would focus particularly on properties that require refurbishment, but where the refurbishment is sufficiently extensive to require more than general refurbishment skills. By doing so the Listed Group would be looking to identify properties that are not immediately attractive to most buyers, and therefore not most in demand, on account of their condition and the refurbishment work required.

Assessment of Likelihood of Circumstances Arising: Low

Assessment of Impact: Moderate

Room Revenue Risks:

Nature and Magnitude: PAL relies on rental from its rooms and aims to operate at approximately 87% occupancy and an average room rate of \$45 per room per night. Rental income could drop if occupancy levels and/or room rates decrease. This might occur for a number of reasons including if the demand for long stay accommodation decreases and is not replaced by short stay or there are other difficulties attracting occupants. It might also happen if room rates prove too high to attract sufficient occupants. Loss of revenue associated with reduced occupancy and/or room rates and the

cost associated with such lost revenue may adversely affect PAL's ability to meet its commitments (including bank finance costs) as well as its profitability and the value of its properties.

Mitigation Strategies: To maximize demand for rooms PAL markets its rooms through a number of channels, and undertakes market intelligence of room rates to see that PAL's rates are competitive. Also, PAL actively manages the proportions of long and short stay guests as long stay increases occupancy, but at lower rates than short stay.

Assessment of Likelihood of Circumstances Arising: Medium

Assessment of Impact: Moderate to Severe

Funding Risk:

Nature and Magnitude: As from Completion, PAL would have bank indebtedness secured over Park Ave Residence and guaranteed by the Company. Adverse changes in the market value of Park Ave Residence and/or PAL's earnings may cause it to breach its banking covenants, in particular the requirements to maintain a maximum loan to value ratio and a minimum interest cover against net rental income. Should PAL breach these ratios or any other term of its banking facilities, and the breach not be remedied, PAL's bank may enforce its security and sell Park Ave Residence. PAL might also not be able to renew its bank facilities at the end of their term. If Park Ave Residence was to be sold under a forced sale scenario, PAL might receive less than current market value for Park Ave Residence and this might adversely affect PAL's financial position and profitability.

Mitigation Strategies: PAL monitors its bank facilities closely. In the event PAL was in danger of breaching its bank facilities it would seek to renegotiate appropriate covenants or other relief to maintain those facilities in place.

Assessment of Likelihood of Circumstances Arising: Medium

Assessment of Impact: Moderate to Severe

Reliance on Key Personnel:

Nature and Magnitude: The Company's success would rely, in part, on the Listed Group having experienced and skilled personnel. In particular, the Listed Group would be reliant on the specialist skills that John and Michael Chow bring to property management businesses. Loss of their services, or the loss of senior management team members, might interrupt business or adversely impact PAL's ability to run its business and/or the Company's ability to comply with its reporting and other compliance obligations.

Mitigation Strategies: Upon Completion, there would be a very strong alignment between the interests of shareholders and key personnel since John and Michael Chow, through their investment trusts would be the main shareholders in the Company and they would also be directors of the Company, as well as having their executive skills provided to the Listed Group under the Contract for Services.

The Contract for Services also locks CGML into providing all management and secretarial services the Company requires for the Listed Group for a period (at the option of the Company) of up to five years, at a capped management fee of \$150,000 per annum, meaning that John and Michael Chow are incentivized to grow shareholder value as the principal means of preserving and enhancing the value of the investment their investment trusts would have in the Company.

Should the Contract for Services be terminated for any reason, the Company considers that John and Michael Chow would nevertheless retain a strong incentive to support a suitable replacement service provider in order to preserve the value of the investment their investment trusts have in the Company.

Assessment of Likelihood of Circumstances Arising: Low

Assessment of Impact: Moderate

Unanticipated Capital Expenditure and Maintenance

Nature and Magnitude: PAL may need to outlay capital expenditure for a number of reasons, for example because of changes to current regulations or industry standards, and PAL might not be able to recover all of this in room charges or charges for accessories.

Mitigation Strategies: As PAL has only recently completely refurbished its properties as an accommodation complex, the Company does not anticipate PAL needing to make any material capital expenditure in the short to medium term, although routine maintenance may be required.

Assessment of Likelihood of Circumstances Arising: Low

Assessment of Impact: Low

Regulatory Issues and Changes in Law

Nature and Magnitude: PAL is susceptible to the Auckland Council or Parliament changing planning laws, building laws, health and safety laws, employment or other laws in a way that makes it more expensive for PAL to conduct its business. Should that happen PAL may not be able to recover the additional expenditure from occupants through increased room charges and/or charges for accessories.

Mitigation Strategies: PAL's business is reasonably priced accommodation, for which there is usually strong demand, and which local and national government are under pressure to incentivise. Therefore, the Company does not foresee any legal or regulatory changes that would unduly inhibit the ability of PAL to provide reasonably priced accommodation that meets industry standards.

Assessment of Likelihood of Circumstances Arising: Low

Assessment of Impact: Low

Why is Shareholder Approval Needed for Resolution 1?

Resolution 1 is required to comply with the provisions of section 129 of the Companies Act (relating to Major Transactions), Listing Rule 7.3.1 (relating to the issue of equity securities), Listing Rule 9.1.1 (also relating to Major Transactions) and Rule 7(d) of the Takeovers Code.

These requirements are described below.

Section 129 of the Companies Act

Section 129 of the Companies Act provides that a company must not enter into a Major Transaction unless the transaction is approved by, or is contingent on approval by, a special resolution of shareholders. A Major Transaction includes a transaction that has, or is likely to have, the effect of the company acquiring rights or interests or incurring obligations or liabilities the value of which is more than half of the value of the Company's assets before the transaction.

The consideration for the PAL Shares and the Vendor Shares to be issued to satisfy that consideration, are in excess of the relevant threshold under section 129 of the Companies Act, and therefore the Acquisition is a Major Transaction under the Companies Act.

NZAX Listing Rule 7.3.1

NZAX Listing Rule 7.3.1 permits the Company to issue new shares if the precise terms and conditions of the specific proposal to issue those shares have been approved by ordinary resolution of its shareholders.

NZAX Listing Rule 9.1.1

NZAX Listing Rule 9.1.1 prohibits the Company from entering into a Major Transaction without shareholder approval (for the purposes of the NZAX Listing Rules a Major Transaction means a transaction which has a gross value in excess of 50% of the Company's Average Market Capitalisation). The consideration for the PAL Shares, and the Vendor Shares to be issued to satisfy that consideration, are in excess of the relevant threshold under NZAX Listing Rule 9.1.1 and therefore the Acquisition is a Major Transaction in terms of NZAX Listing Rule 9.1.1.

Takeovers Code

The issue of the Vendor Shares will result in the Vendors becoming the holder of more than 20% of the voting rights in the Company and therefore the issue of the Vendors Shares must be approved by an ordinary resolution of the Company in order to comply with the requirements of the Takeovers Code (Code).

Except as provided in Rule 7 of the Code, Rule 6 of the Code prohibits a person who holds or controls less than 20% of the voting rights in a company from becoming the holder or controller of an increased percentage of the voting rights in the company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the company. However, Rule 7(d) permits any such increase by allotment to that person of voting securities in the company or in any other body corporate if the allotment has been approved by an ordinary resolution of the company in accordance with the requirements of the Code.

The Code provides strict requirements as to the type of information shareholders must receive before voting on any such resolution, in particular as set out in Rule 16 of the Code.

The following information is provided in order to comply with the requirements of Rule 16 of the Code (the paragraph numbering below corresponds with the paragraphs of Rule 16):

- (a) The allottees of the Vendor Shares are John Chow and Michael Chow, in their capacities as trustees of the John Chow Investment Trust (*Trustees of the John Chow Investment Trust*), and Michael Chow and John Chow, in their capacities as trustees of the Michael Chow Investment Trust (*Trustees of the Michael Chow Investment Trust*).
- (b) The following information is included as required by Rule 16(b)(ii) of, and Schedule 5 to, the Code. Paragraphs (a) to (g) in the table provide the information required by paragraphs (a) to (g) of Schedule 5.

(a)	Maximum number of voting securities that could be allotted (the approved maximum number) to the allottee:	
	(i) The Trustees of the John Chow Investment Trust.	10,260,164,138
	(ii) The Trustees of the Michael Chow Investment Trust.	10,260,164,138

(b)	<p>The percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents:</p> <p>(i) The Trustees of the John Chow Investment Trust.</p> <p>(ii) The Trustees of the Michael Chow Investment Trust.</p>	<p>47.585%</p> <p>47.585%</p>
(c)	<p>The maximum percentage of all voting securities that could be held or controlled by the allottee after completion of the allotment or allotments:</p> <p>(i) The Trustees of the John Chow Investment Trust.</p> <p>(ii) The Trustees of the Michael Chow Investment Trust.</p>	<p>47.585%</p> <p>47.585%</p>
(d)	<p>The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments (not including voting securities of any of the allottee's associates who also are relying on rule 7(d) in relation to the allotment or allotments (the relying associates)):</p> <p>(i) The Trustees of the John Chow Investment Trust.</p> <p>(ii) The Trustees of the Michael Chow Investment Trust.</p>	<p>47.585%</p> <p>47.585%</p>
(e)	<p>The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments:</p> <p>(i) The Trustees of the John Chow Investment Trust.</p> <p>(ii) The Trustees of the Michael Chow Investment Trust.</p>	<p>95.17%</p> <p>95.17%</p>
(f)	<p>The date used to determine the information referred to in this clause (<i>the calculation date</i>).</p>	<p>8 January 2016</p>
(g)	<p>The assumptions on which the particulars in paragraphs (a) to (f) are calculated, are:</p> <p>(i) That the number of voting securities is the number of voting securities on issue on the calculation date; and</p> <p>(ii) That there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotment or allotments); and</p> <p>(iii) That, in relation to paragraphs (a) to (c), the allottee is allotted the approved maximum number under the allotment or allotments; and</p> <p>(iv) That, in relation to paragraph (d), the allottee and each of the allottee's associates (not including the relying associates) are allotted the maximum number of voting securities; and</p>	

	<p>(v) That, in relation to paragraph (e), the allottee and each of the allottee's associates are allotted the maximum number of voting securities; and</p> <p>(vi) That the Net Tangible Asset Value of PAL as at 1 February 2016, being the date as at which the Purchase Price under the Agreement for Sale and Purchase is calculated, is \$8,000,000 (should this figure be the current estimated figure of \$7,483,000 or some other number less than \$8,000,000 then the numbers of shares and percentages recorded in this table would reduce accordingly).</p>	
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- (c) Not applicable (as the voting securities to be allotted are not securities of a body corporate other than a Code company).
- (d) The issue price of the voting securities being allotted to the Vendors is 0.039 cents per Vendor Share. Subject to the Condition having been satisfied, the issue price is to be satisfied on 26 February 2016, or such other date agreed in writing by the Company and the Vendors. The Condition must be satisfied on or before 17 February 2016.
- (e) The proposed allotment of Vendor Shares to the Vendors arises from a commitment made by the Company under the Agreement for Sale and Purchase and the Company's reasons for entering into the Agreement for Sale and Purchase are set out under Reasons for the Acquisition above.
- (f) The allotment of the Vendor Shares to the Vendors under the Agreement for Sale and Purchase, if approved, will be permitted under Rule 7(d) of the Code as an exception to Rule 6 of the Code.
- (g) The Company has been advised by the Vendors that, except for the Agreement for Sale and Purchase, no agreements or arrangements have been, or are intended to be, entered into between the Vendors and any other person relating to:
- (i) The allotment, holding or control of the Vendor Shares to be allotted to the Vendors; or
 - (ii) The exercise of voting rights in the Company.
- (h) This Notice of Meeting is accompanied by an independent adviser report from Campbell MacPherson Limited on the merits of the proposed allotment of voting securities to the Vendors. The report, having given due regard to all relevant factors, states:
- Having given due regard to all of the above factors we consider that, on balance, the benefits of the Proposed Transaction substantially outweigh its negative features.*
- Having given due consideration to all of the relevant factors, it is Campbell MacPherson's opinion, that the terms of the Proposed Transaction are fair and reasonable to shareholders and in the best interests of RIS.*
- (i) The directors of the Company have issued a statement recommending approval of the proposed allotment of voting securities to the Vendors on the grounds that the issue of the Vendor Shares will ensure that new equity of not less than NZ\$7,000,000 is received by the Company which, compared with the Company's nominal assets and shareholder funds prior to the Acquisition, represents a significant strengthening of the Company's financial position (see pages 4 and 8).

Resolutions 2 to 5: Election of Directors

Why is Shareholder Approval Needed for Resolutions 2 to 5?

Under clauses 2 and 21 of the Constitution, the number of Directors must not at any time be less than 3. At least two Directors must be ordinarily resident in New Zealand. The Constitution does not provide for any maximum number of Directors. Under clause 21 of the Constitution, a Director may be appointed by ordinary resolution.

John Chow, Bachelor of Science (Computer Science)

John Chow is an Auckland based businessman with more than 15 years experience as a property investor.

John's experience as a property investor includes experience with property refurbishment, property leasing, property management and property finance.

John and his brother Michael (see below) formed Chow Group Limited in 1999 and through that and other companies acquired extensive commercial property interests in Wellington, Auckland and Rotorua. They also set up the Exodus Health & Fitness Club in Wellington, and set up and operate adult entertainment businesses in Wellington and Auckland. In October 2015 John and Michael cofounded with Clint Webber (see below) Inno Capital Management Limited, which specialises in property finance.

John has been a member of the Property Council of New Zealand since 2007, and a member of the Hong Kong New Zealand Business Association since 2012.

Michael Chow, BCA (Business)

Michael Chow is an Wellington based businessman with more than 15 years experience as a property investor.

Michael's experience as a property investor includes experience with property refurbishment, property leasing, property management and property finance.

Michael and his brother John (see above) formed Chow Group Limited in 1999 and through that and other companies acquired extensive commercial property interests in Wellington, Auckland and Rotorua. They also set up the Exodus Health & Fitness Club in Wellington, and set up and operate adult entertainment businesses in Wellington and Auckland. In October 2015 Michael and John cofounded with Clint Webber (see below) Inno Capital Management Limited, which specialises in property finance.

Clint Webber B.Com LLB

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

Brent King B.Com, C.A., C.M.A., R.F.A.

Brent King is an Auckland based Investment Banker who has over 30 years of experience in Public Markets, Finance and Investments. He has served on a number of public and private company Boards. Brent King sits on the boards of the following public companies:

- (a) Australasian Food Corporation Limited; and

(b) Mykco Limited.

Mr King has also been a director of a number of public and private companies and a member of a number of voluntary organisations. Listed companies that Mr King has been a member of include: Dorchester Pacific Limited, Finzsoft Solutions Limited, 42 Below Limited and Charlies Limited.

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

Mr King was the founder and Managing Director of Dorchester Pacific Limited for 17 years before resigning in December 2005.

Resolutions 6 to 8: Information Applicable to all Share Placements

Why is Shareholder Approval Needed for Resolutions 6 to 8?

NZAX Listing Rule 7.3.5 permits companies listed on NZAX to issue equity securities without obtaining shareholder approval where the total number of equity securities issued and all other equity securities of the same class issued pursuant to that Rule during the 12 month period preceding the date of issue (or the period from the date of listing) to the date of issue, if shorter) does not exceed the aggregate of 25% of the total number of equity securities on issue at the commencement of that period and any equity securities issued pursuant to NZAX Listing Rule 7.3.5, the issue of which has been ratified by shareholders (25% Limit).

NZAX Listing Rule 7.3.5 also allows companies listed on the NZAX to renew this capacity to issue securities within the 25% Limit when it has been used, by obtaining subsequent shareholder ratification of issues which have already been made.

The Company wishes to retain the maximum flexibility permitted by NZAX Listing Rules to raise capital from equity and make acquisitions funded by the issue of shares and other equity securities. This assists the Company to act quickly, both to raise cost effective capital where it is available, and in relation to prospective acquisitions that the Company proposes to fund by the issue of its own shares. If the Company is not able to act quickly, it risks losing the opportunity to raise the capital, or to make the acquisition, as the case may be, which might be detrimental to the Company's shareholders.

During the last 12 months, the Company has issued 296,281,332 shares under the 25% Limit as set out below (being 25% of the Company's shares on issue at the commencement of the 12 month period plus the shares issued pursuant to NZAX Listing Rule 7.3.5, the issue of which has been ratified by shareholders).

The issue of 110,000,000 of the 296,281,332 shares issued under the 25% Limit was ratified by shareholders at the Company's annual meeting on 20 October 2015.

The Company is now seeking shareholder ratification of the remaining 186,281,332 shares issued under the 25% Limit.

Resolution 6 : Share Placements – Wholesale Investors

On 2 November 2015, the Company issued 39,999,999 ordinary shares in the Company at an issue price of 0.075 cents per share to 3 wholesale investors (Gregory Smith, Barrie Shannon and Maurice Greenhough). These shares were issued under NZAX Listing Rule 7.3.5 (Issues within 25% limit). There was no trading in the Company's shares in the three month period prior to these issues being made, and the issue price of 0.075 cents per share was considered by the Directors to be the best price obtainable in the circumstances (note that the issue price was substantially higher than the 0.049 cents per share which is the upper end of the assessed pre-Acquisition value for the Company as at 31 December 2015 determined by the Independent Adviser in the Independent Adviser's Report). The issues were subscribed for in cash. The funds raised from these issues were to assist the Company to continue to operate and pay its debts as they fall due. These placements represented 5.37% of the Company's shares on issue 12 months prior to the date the placements were made and the Company now seeks shareholder ratification of the placements. If Resolution 6 is not passed the status of the wholesale investors as shareholders in the Company would not be affected (since the purpose of this Resolution is to renew the Company's capacity to issue further securities within the 25% Limit).

Resolution 7 : Share Placement – VIG Limited

On 2 November 2015, the Company issued 110,000,000 ordinary shares in the Company at an issue price of 0.0537 cents per share to VIG Limited. These shares were issued under NZAX Listing Rule 7.3.5 (Issues within 25% limit). The issue was made to convert 59,070 Convertible Notes, in terms of

the Convertible Note Agreement, dated 8 November 2014 between the Company and VIG Limited (*Convertible Note Agreement*). The issue price of 0.0537 cents per share represents the conversion price agreed in the Convertible Note Agreement. The Convertible Notes had been issued to raise funds to assist the Company to continue to operate and pay its debts as they fell due. This placement represented 14.76% of the Company's shares on issue 12 months prior to the date the placement was made and the Company now seeks shareholder ratification of the placement. If Resolution 7 is not passed the status of VIG Limited as a shareholder in the Company and as a Noteholder in relation to the outstanding Convertible Notes would not be affected (since the purpose of this Resolution is to renew the Company's capacity to issue further securities within the 25% Limit).

Resolution 8 : Share Placement – VIG Limited

On 8 January 2016, the Company issued 36,281,333 ordinary shares in the Company at an issue price of 0.0537 cents per share to VIG Limited. These shares were issued under NZAX Listing Rule 7.3.5 (Issues within 25% limit). The issue was made to convert 19,483.08 Convertible Notes, in terms of the Convertible Note Agreement, dated 8 November 2014 between the Company and VIG Limited (*Convertible Note Agreement*). The issue price of 0.0537 cents per share represents the conversion price agreed in the Convertible Note Agreement. The Convertible Notes had been issued to raise funds to assist the Company to continue to operate and pay its debts as they fell due. This placement represented 4.87% of the Company's shares on issue 12 months prior to the date the placement was made and the Company now seeks shareholder ratification of the placement. If Resolution 8 is not passed the status of VIG Limited as a shareholder in the Company and as a Noteholder in relation to the outstanding Convertible Notes would not be affected (since the purpose of this Resolution is to renew the Company's capacity to issue further securities within the 25% Limit).

Resolutions 6 to 8 – Dilution Effect

The shares issued pursuant to the transactions described in Resolutions 6 to 8 rank equally with all other shares in the Company on issue. As a result of the issues of shares described in Resolutions 6 to 8, the wholesale investors referred to in Resolution 6 hold 3.8% of the total shares currently on issue, and VIG Limited holds 14.0% of the total shares currently on issue. The issues of shares described in Resolutions 6 to 8 diluted the percentage holdings of other shareholders in the Company, including existing substantial shareholders as detailed below:

Shareholder	Number of Shares held before allotment	% of Shares	Number of Shares held after allotment	% of Shares
High Street Nominees No7 Limited	185,000,000	21.63	185,000,000	17.8
VIG Limited	-	-	146,281,333	14.0
Ra CompuSoft Private Ltd	125,000,000	14.62	125,000,000	12.0
Golden Pacific Group Limited	110,000,000	12.86	110,000,000	10.6
Advanced Retail Technologies Limited	90,000,000	10.53	90,000,000	8.6
Myriad Holdings Limited	56,082,833	6.56	56,082,833	5.4
Wholesale Investors	-	-	39,999,999	3.8
Other Shareholders	289,042,594	33.80	289,042,495	27.8
	855,125,328	100.00	1,041,406,660	100.00

Resolution 9: Issue of Shares – Conversion of Convertible Notes

Why is Shareholder Approval Needed for Resolution 9?

Since the 21,446.92 convertible notes still on issue under the Convertible Note Agreement dated 8 November 2014 between the Company and VIG Limited represent convertible notes outstanding under an existing transaction, the Company is seeking shareholder approval to issue the shares to be issued on the conversion of those convertible notes in order to avoid using capacity under the 25% Limit to do so (for a discussion of the 25% Limit see *Why is Shareholder Approval Needed for Resolutions 6 to 8?* on page 25).

The issue price of 0.0537 cents per share represents the conversion price agreed in the Convertible Note Agreement. The issue of shares on conversion of the remaining 21,446.92 convertible notes would represent 3.8% of the Company's shares on issue on the date of this Notice of Meeting. Should Resolution 1 be passed and the Acquisition proceed these shares would represent approximately 0.2% of the Company's shares on issue after the issue of the shares to be issued to the Vendors under the Agreement for Sale and Purchase.

The convertible notes were issued with a face value of NZ\$1.00 per note. Unless previously converted to shares, the notes are due to be redeemed on 8 November 2016 i.e. the redemption date. The notes carry interest at the rate of 5% per annum. The subscriber may convert all or part of the notes to shares at any time prior to their redemption date. The notes are convertible in accordance with the following formula:

$$OS = FV \div A$$

Where:

OS = the number of ordinary shares in the Company to be issued on conversion of the notes;

FV = the face value of the notes, excluding any accrued interest; and

A = NZ\$0.000537.

The subscriber can demand immediate redemption of the notes in the event the Company undertakes a major transaction (as defined in Section 129 of the Companies Act 1993) or the shareholders pass a special resolution and the noteholder does not approve that special resolution.

The remaining convertible notes are expected to be redeemed or converted after Completion under the Agreement for Sale and Purchase.

GLOSSARY

Acquisition means the acquisition of PAL, by acquiring the PAL Shares, pursuant to the Agreement for Sale and Purchase.

Adjusted Net Tangible Asset Value of the Company means the Net Tangible Asset Value of the Company, plus \$300,000, but not less than \$350,000.

Agreement for Sale and Purchase means a conditional agreement for the purchase of the PAL Shares and the issue of the Vendors Shares made between the Company as purchaser and the Vendors as vendors.

Associated Person has the same meaning as in the NZAX Listing Rules.

Average Market Capitalisation has the same meaning as in the NZAX Listing Rules.

Board means the Directors, acting as a board.

CGML means CGML Limited.

The Chow Group means a group of property business companies owned by the Vendors, which includes PAL until the Company acquires it under the Acquisition, and also includes CGML which will continue to be part of the Chow Group after the Acquisition (to be contracted to the Company under the Contract for Services, as from Completion of the Acquisition).

Code means the Takeovers Code in force pursuant to the Takeovers Code Approval Order 2000.

Companies Act means the Companies Act 1993.

Company means RIS Group Limited.

Completion means completion under the Agreement for Sale and Purchase.

Completion Date means the date for Completion, being 26 February 2016.

Condition means the condition described under the heading Agreement for Sale and Purchase.

Constitution means the Constitution of the Company.

Directors means the directors of the Company.

Disclosure Document means a document that accompanies this Notice of Meeting that is designed to assist shareholders with their decision whether to approve the Acquisition.

FY 2016 means the financial year of the Company ending 30 June 2016.

FY 2017 means the financial year of the Company ending 30 June 2017.

Independent Adviser means Campbell MacPherson Limited.

Independent Adviser's Report means the report of the Independent Adviser commissioned by the Company to appraise the Acquisition and assess the merits of the issue of shares to be made to the Vendors pursuant to the Agreement for Sale and Purchase.

Issue Price means the price per share at which the Vendor Shares are issued to the Vendors under the Agreement for Sale and Purchase.

Listed Group at the date of this Notice of Meeting means the Company, upon completion of the Acquisition means the Company and its subsidiary PAL, and at any future date means the Company and its subsidiaries.

Major Transaction:

- (a) For the purposes of the Companies Act has the same meaning as in the Companies Act;
- (b) For the purposes of the NZAX Listing Rules has the meaning set out in Rule 9.1.1(b) of the NZAX Listing Rules.

Material Transaction has the same meaning as in the NZAX Listing Rules.

Net Tangible Asset Value of PAL means, at any time, an amount equal to the tangible assets of PAL minus the liabilities of PAL.

Net Tangible Asset Value of the Company means, at any time, an amount equal to the consolidated tangible assets of the Company minus the liabilities on consolidation of the Company.

NZAX means the alternative market operated by NZX.

NZAX Listing Rules means NZAX's listing rules.

NZX means NZX Limited.

PAL means 16 Park Avenue Limited.

PAL Shares means the shares in PropCo immediately prior to Completion under the Agreement for Sale and Purchase.

Park Ave Residence means Park Ave Residence (10-20 Park Avenue, Otahuhu).

Property Portfolio means the property or properties owned by the Listed Group from time to time.

Purchase Price means the Net Tangible Asset value of PAL as at 1 February 2016, calculated in the manner described on page 9.

Related Party has the same meaning as in the NZAX Listing Rules.

Resolution means the resolution set out under the Chairman's introduction at the commencement of this Notice of Meeting.

Resolutions means Resolutions 1 to 9.

shareholders means the shareholders of the Company.

shares means ordinary shares in the Company.

Takeovers Code means the Takeovers Code enforced pursuant to the Takeovers Code Approval Order 2000.

Trading Day means any day on which ordinary shares in the Company are traded on NZAX.

Vendors means John Chow and Michael Chow in their capacities as trustees of the John Chow Investment Trust and Michael Chow and John Chow in their capacities as trustees of the Michael Chow Investment Trust.

Vendor Shares means the shares to be issued to the Vendors under the Agreement for Sale and Purchase.