

Chow Group Limited

Independent Adviser's Report

In Respect of the Sale of Shares

August 2016

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

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

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

Index

Section	Page
1. Introduction	1
2. Evaluation of the Merits of the Share Acquisitions	6
3. Sources of Information, Reliance on Information, Disclaimer and Indemnity	14
4. Qualifications and Expertise, Independence, Declarations and Consents	16

1. Introduction

1.1 Background

History

Chow Group Limited (**CGL** or the **Company**) was incorporated on 5 February 2003 as Newcall Technologies Limited (**NTL**). The Company changed its name to Holly Springs Investments Limited on 27 February 2004 and it was listed on the NZX Alternative Market (**NZAX**) operated by NZX Limited (**NZX**) in June 2006 with the objective of it being used as a vehicle to effect a reverse listing transaction.

The Company changed its name to RIS Group Limited (**RIS**) on 3 September 2009 following the acquisition of 100% of the shares in Retail Information Systems Pty Limited in May 2009.

RIS Reverse Takeover

RIS was the subject of a reverse takeover on 26 February 2016 whereby it acquired 100% of the shares in 16 Park Avenue Limited (**16PAL**) for a purchase price of \$7,599,000 (the **RIS Reverse Takeover**).

16PAL formed part of the Chow Group of companies owned by John Chow and Michael Chow. 16PAL is the owner of the Park Avenue Residence, an Auckland residential accommodation complex comprising 2 adjacent properties and an associated accommodation business located in Park Avenue, Otahuhu, Auckland.

The purchase price for 16PAL was satisfied by CGL issuing 19,491,232,812 new ordinary shares to 2 trusts associated with Ka-Yu (John) Chow and Ka-Ming (Michael) Chow:

- 9,745,616,406 shares to John Chow and Michael Chow as the trustees of the John Chow Investment Trust
- 9,745,616,406 shares to Michael Chow and John Chow as the trustees of the Michael Chow Investment Trust.

We refer to the John Chow Investment Trust and the Michael Chow Investment Trust collectively as the **Chow Trusts**.

Upon completion of the RIS Reverse Takeover, the Chow Trusts held 94.93% of the ordinary shares in CGL and became the dominant owner of CGL. RIS changed its name to Chow Group Limited on 4 March 2016.

Share Transactions

On 4 and 8 March 2016, the Chow Trusts sold down 1,296,483,332 shares in CGL to various people, representing 6.31% of the shares then on issue (the **Share Acquisitions**). The Share Acquisitions are discussed further in section 1.2.

CGL consolidated its shares on a 25:1 basis on 7 March 2016, resulting in there being 821,306,211 ordinary shares on issue at that date.

On 15 March 2016, CGL issued 1,597,537 new ordinary shares in satisfaction of the conversion of \$21,447 of convertible notes held by VIG Limited (the **VIG Allotment**). This increased the total number of ordinary shares on issue to 822,903,748.

As the dominant owner of the Company, the Chow Trusts were obliged under Rule 54 of the Takeovers Code (the **Code**) to issue an acquisition notice to all other CGL shareholders offering them the opportunity to sell their shares to the Chow Trusts. Under the acquisition notice dated 29 March 2016 (the **Acquisition Notice**), the Chow Trusts offered \$0.011 per share in cash for the 95,113,768 ordinary shares in CGL that they did not already hold or control. The Chow Trusts acquired 1,238,853 ordinary shares under the Acquisition Notice, increasing their combined shareholding in CGL to their current 88.59% shareholding level.

CGL Financials

CGL's market capitalisation as at 3 August 2016 was \$23.9 million.

The Company's total equity was \$8.5 million as at 31 March 2016:

- its total assets as at 31 March 2016 amounted to \$18.7 million, consisting mainly of the Park Avenue investment properties (\$15.5 million)
- its total liabilities as at 31 March 2016 amounted to \$10.2 million, consisting mainly of \$7.3 million of loans secured against the Park Avenue investment properties.

CGL's net profit for the year ended 31 March 2016 was \$8.1 million:

- its revenue for the year was \$1.1 million
- it recorded a \$8.4 million increase in the fair value of the Park Avenue investment properties.

1.2 Share Acquisitions

Under the Share Acquisitions, the Chow Trusts sold down 1,296,483,332 shares in CGL (equivalent to 51,859,334 shares on a post consolidation basis) to 82 people (the **Purchasers**) on 4 and 8 March 2016.

Details of each of the 82 transactions making up the Share Acquisitions are set out in Appendix I of the accompanying notice of annual meeting. This includes:

- the name of the Purchaser
- the relationship of the Purchaser to John Chow and Michael Chow (where known)
- the number of shares acquired (on both a pre and post consolidated basis)
- the date of the transaction
- the total consideration paid for the shares
- the price per share (on a pre consolidated basis)
- the vendor (either the John Chow Investment Trust or the Michael Chow Investment Trust).

The shares were sold for a total consideration of \$1,715,600, representing an average price of \$0.033 per share (on a post consolidation basis).

The John Chow Investment Trust sold 26,513,334 shares (on a post consolidation basis) to 40 Purchasers for a total consideration of \$815,000. The sale prices ranged from \$0.007 to \$0.050 per share at an average of \$0.031 per share (on a post consolidation basis).

The Michael Chow Investment Trust sold 25,346,000 shares (on a post consolidation basis) to 42 Purchasers for a total consideration of \$900,600. The sale priced ranged from \$0.025 to \$0.050 per share at an average of \$0.036 per share (on a post consolidation basis).

Some of the Purchasers may be associates of the Chow Trusts for the purposes of the Code, although many may not. For the purposes of the Company's annual meeting it has been agreed that all of the Purchasers will be treated as associates. The definition of an associate in the Code is discussed in detail in the Explanatory Notes accompanying the notice of annual meeting. Accordingly, CGL is required to seek retrospective shareholder approval of the Share Acquisitions. This is explained in greater detail in section 1.5.

1.3 Shareholding Levels

The Share Acquisitions, combined with the acquisitions under the Acquisition Notice and after the VIG Allotment, have resulted in the Chow Trusts' combined shareholding in CGL reducing to 729,028,831 ordinary shares, representing 88.59% of the total shares on issue.

The Purchasers and the Company's shareholders not associated with the Chow Trusts or the Purchasers (the **Non-associated Shareholders**) collectively hold 11.41%.

Impact on Shareholding Levels					
	Pre the Share Acquisitions ¹		Share Acquisitions	Post the Share Acquisitions	
	No. of Shares ²	%	No. of Shares ²	No. of Shares ²	%
Michael Chow Investment Trust	390,444,082	47.45%	(25,346,000)	365,098,082	44.37%
John Chow Investment Trust	390,444,083	47.45%	(26,513,334)	363,930,749	44.23%
Chow Trusts	780,888,165	94.89%	(51,859,334)	729,028,831	88.59%
Purchasers and Non-associated Shareholders (collectively)	42,015,583	5.11%	51,859,334	93,874,917	11.41%
	822,903,748	100.00%	-	822,903,748	100.00%

1 Before the Share Acquisitions and after the VIG Allotment and the Acquisition Notice acquisitions
2 On a post consolidated basis

1.4 Annual Meeting

CGL is holding an annual meeting of shareholders on 30 August 2016, where the Company will seek shareholder approval of 3 resolutions which cover:

- the re-election of Brent King as a director of the Company (resolution 1)
- the directors being authorised to fix CGL's auditors' remuneration (resolution 2)
- the Share Acquisitions (resolution 3 – the **Share Acquisitions Resolution**).

The Share Acquisitions Resolution is an ordinary resolution (which is passed by a simple majority of the votes cast).

The Chow Trusts and the Purchasers are not permitted to vote on the Share Acquisitions Resolution.

1.5 Regulatory Requirements

Rule 6 of the Code prohibits:

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

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

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

The Chow Trusts and the Purchasers have been treated as if they are associates (as defined by the Code) for the purposes of Share Acquisitions Resolution but the notice of annual meeting proposes that it is unlikely that this relationship of association exists in respect of all Purchasers.

The Share Acquisitions result in the Chow Trusts decreasing their control of the voting rights in CGL from 94.89% to 88.59%. However, the Share Acquisitions do not result in any change in the Chow Trusts and the Purchasers' collective control of voting rights in the Company, which remains at 94.89%.

The Share Acquisitions do however result in the Purchasers increasing their aggregate control of voting rights in the Company by 6.30% and, if any Purchaser were in fact an associate of the Chow Trusts, this would represent a breach of Rule 6.

Because it is uncertain as to whether some of the Purchasers may be associates, only the Non-associated Shareholders will vote at the Company's annual meeting on the Share Acquisitions Resolution.

The Share Acquisitions Resolution seeks to retrospectively approve the Share Acquisitions. The ability to retrospectively approve the Share Acquisitions has been permitted under the Takeover Code (Chow Group Limited) Exemption Notice (No 2) 2016 (the **Exemption Notice**). In effect, the Exemption Notice grants an exemption for the Share Acquisitions from Rule 6 on the condition that the Share Acquisitions Resolution is approved.

The Exemption Notice requires the Chow Trusts to obtain an Independent Adviser's Report on the merits of the Share Acquisitions.

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to the Exemption Notice.

1.6 Purpose of the Report

CGL's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the acquisition of shares under the Share Acquisitions in accordance with the Exemption Notice.

Simmons Corporate Finance was approved by the Takeovers Panel on 20 July 2016 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Board 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 Acquisitions 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 Acquisitions in relation to each shareholder. This report on the merits of the Share Acquisitions is therefore necessarily general in nature.

The 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 Acquisitions

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the acquisition of shares by the Purchasers under the Share Acquisitions having regard to the interests of the Non-associated Shareholders.

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

In the absence of an explicit definition of *merits*, guidance can be taken from:

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

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

- the rationale for the Share Acquisitions
- the terms and conditions of the Share Acquisitions
- the impact of the Share Acquisitions on the control of the Company
- the impact of the Share Acquisitions on CGL's share price
- other issues associated with the Share Acquisitions
- the implications if the Share Acquisitions 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 Acquisitions

The Share Acquisitions represent transactions between CGL's 2 largest shareholders and 82 other persons in respect of 6.30% of the Company's shares. In our opinion, if the Share Acquisitions are retrospectively approved, they will have no significant negative impacts from the perspective of the Non-associated Shareholders.

Our evaluation of the merits of the Share Acquisitions 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 Acquisitions is reasonable. The Share Acquisitions were transactions undertaken in early March 2016 between the Chow Trusts and the Purchasers to reduce the Chow Trusts' combined shareholding in the Company below 90%. When entering into the Share Acquisitions, the Chow Trusts did not appreciate that the transactions would require shareholder approval under the Code if some or all of the Purchasers were deemed to be associates of the Chow Trusts

- the terms and conditions of the Share Acquisitions are reasonable. The acquisition prices for the 51,859,334 shares (on a post consolidation basis) ranged from \$0.007 to \$0.050 per share and averaged \$0.033 per share (on a post consolidation basis). The average price approximates the Company's current share price
- the Share Acquisitions have negligible impact on the Chow Trusts' ability to influence the outcome of shareholder voting. Their 94.89% combined shareholding prior to the Share Acquisitions provided them with a significant level of influence over shareholder voting. This level of influence will not diminish to any great degree after the Share Acquisitions as their combined shareholding will still be 88.59%
- the Share Acquisitions do not impact on the Chow Trusts' influence over the Board or the Company's operations
- the Share Acquisitions are unlikely to have any significant impact on CGL's share price
- the Share Acquisitions are unlikely to have any significant impact on the liquidity of CGL's shares
- the Share Acquisitions have no dilutionary impact on the Non-associated Shareholders' voting rights
- the Share Acquisitions do not change CGL's business risk profile
- the Share Acquisitions do not impact the attraction of CGL as a takeover target
- the implications of the Share Acquisitions Resolution not being approved by the Non-associated Shareholders are that other options to deal with the Share Acquisitions will need to be considered. Given the provisions of the Code, this may entail the Company seeking shareholder approval of one or more transactions at a later date (at additional cost) or the requirement for the Purchasers who are established to be associates of the Chow Trusts to sell the shares they acquired under the Share Acquisitions, which in turn may have a negative impact on the Company's share price.

2.3 The Rationale for the Share Acquisitions

We understand that the rationale for the Share Acquisitions was to reduce the Chow Trusts' combined shareholding in CGL to below 90%.

The Company stated in its 7 March 2016 market announcement:

There has been criticism of the dominance of the Chow Trusts on the register, with a combined holding of approximately 94%. The John Chow Investment Trust and the Michael Chow Investment Trust have today announced the sell down of shares from a combined total of 94.928% to 91.624%.

Mr John Chow said "It is pleasing to have the company trading under the Chow Group Ltd name. It is a proud day for us. We took on board the comments that the percentage we held was going to impact the liquidity of the shares. We had been approached by friends and family to purchase shares and we have agreed to sell shares. We anticipate further sales in the next 2 days."

On 17 March 2016, the Company announced that the Chow Trusts had sold further shares, reducing their shareholding in CGL to 88.614%, stating:

These transactions were part of Michael and John Chow's long term plan to levels closer to that which would be required to meet the spread requirements of NZX for main board companies.

The announcement also made mention that the Takeovers Panel had contacted the Company seeking information of the Purchasers to determine whether they were associates of the Chow Trusts as defined in the Code.

In our view, the rationale for the Share Acquisitions is reasonable. The sales were made by the Chow Trusts in an effort to reduce their combined shareholding in the Company to below 90%, thereby increasing the number of CGL shareholders and potentially enhancing the liquidity of the Company's shares. However, in undertaking the sales, consideration was not adequately given in respect of compliance with the provisions of the Code.

While it is likely that a number of the Purchasers (possibly many of them) are not associates of the Chow Trusts (as defined by the Code), the Chow Trusts have taken a conservative (and pragmatic) approach by seeking retrospective shareholder approval of all of the Share Acquisitions.

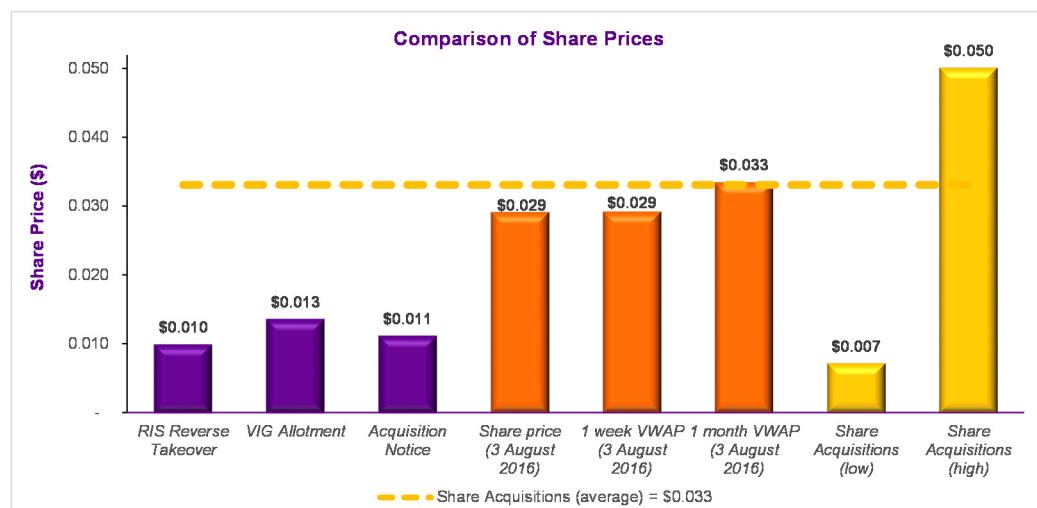
2.4 Terms of the Share Acquisition

The Chow Trusts sold down 1,296,483,332 shares (equivalent to 51,859,334 shares on a post consolidation basis) to 82 Purchasers on 4 and 8 March 2016 for a total consideration of \$1,715,600.

The consideration equated to an average price of \$0.033 per share and ranged from \$0.007 to \$0.050 per share on a post consolidation basis.

The prices paid under the Share Acquisitions are set out below, compared with:

- the issue price under the RIS Reverse Takeover (\$0.010)
- the issue price under the VIG Allotment (\$0.013)
- the price certified as fair and reasonable under the Acquisition Notice (\$0.011)
- CGL's recent observed share prices (ranging from \$0.029 to \$0.033).



VWAP: Volume weighted average share price

The average price paid by the Purchasers of \$0.033 is in line with the Company's current share price and was higher than the issue prices for the RIS Reverse Takeover and the VIG Allotment and the price certified as fair and reasonable in the Acquisition Notice. As such, we consider the terms of the Share Acquisitions to be reasonable.

2.5 Impact on Control

Share Capital and Shareholders

CGL currently has 822,903,748 ordinary fully paid shares on issue held by 1,635 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 29 July 2016 are set out below. These shareholdings are after the Share Acquisitions.

CGL's 10 Largest Shareholders		
Shareholder	No. of Shares Held	%
Michael Chow Investment Trust	365,098,082	44.37%
John Chow Investment Trust	363,930,749	44.23%
High Street Nominees No 7 Limited	7,148,240	0.87%
Snowdon Peak Investments Limited (Snowdon)	7,000,000	0.85%
Ra CompuSoft Private Limited	5,000,000	0.61%
Ideaqu Pte. Limited	3,600,000	0.44%
Lup Chow	2,520,000	0.31%
Qijun Zhu	2,500,000	0.30%
Hung Chow	2,400,000	0.29%
Custodian Nominee Company Limited	2,185,312	0.27%
Subtotal	761,382,383	92.52%
Others (1,625 shareholders)	61,521,365	7.48%
Total	822,903,748	100.00%

Source: NZX Company Research

The Chow Trusts hold 729,028,831 shares, representing 88.59% of the voting rights in the Company.

Snowdon is owned by CGL director Brent King.

Shareholding Voting

Prior to the Share Acquisitions (and after the VIG Allotment and the acquisitions under the Acquisition Notice), the Chow Trusts' 94.89% shareholding enabled them to exert a significant level of influence over shareholder voting:

- they held the ability to block the passing of special resolutions (which require the approval of 75% of the votes cast by shareholders)
- they held the ability to control the outcome of an ordinary resolution (greater than 50% of votes cast).

The Share Acquisitions decrease the Chow Trusts' control of voting rights from 94.89% to 88.59%. The reduction by 6.30% does not alter the Chow Trusts' significant ability to control the outcome of shareholder voting to any great degree.

We note that the ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Companies Act 1993 and the NZAX Listing Rules.

Board Control

The Company currently has 4 directors:

- Michael Chow, executive director
- John Chow, executive chair
- Brent King
- Clint Webber.

Michael Chow and John Chow are trustees of the Chow Trusts.

Mr King and Mr Webber are 2 of the 82 Purchasers:

- Mr King (through Snowdon) acquired 7,000,000 shares from the John Chow Investment Trust for \$50,000 (\$0.007 per share) (on a post consolidation basis)
- Mr Webber acquired 1,000,000 shares from the Michael Chow Investment Trust for \$25,000 (\$0.025 per share) (on a post consolidation basis).

We are advised by the Board that the Share Acquisitions have no impact on the composition of the Company's board of directors or the Chow Trusts' level of influence at board level.

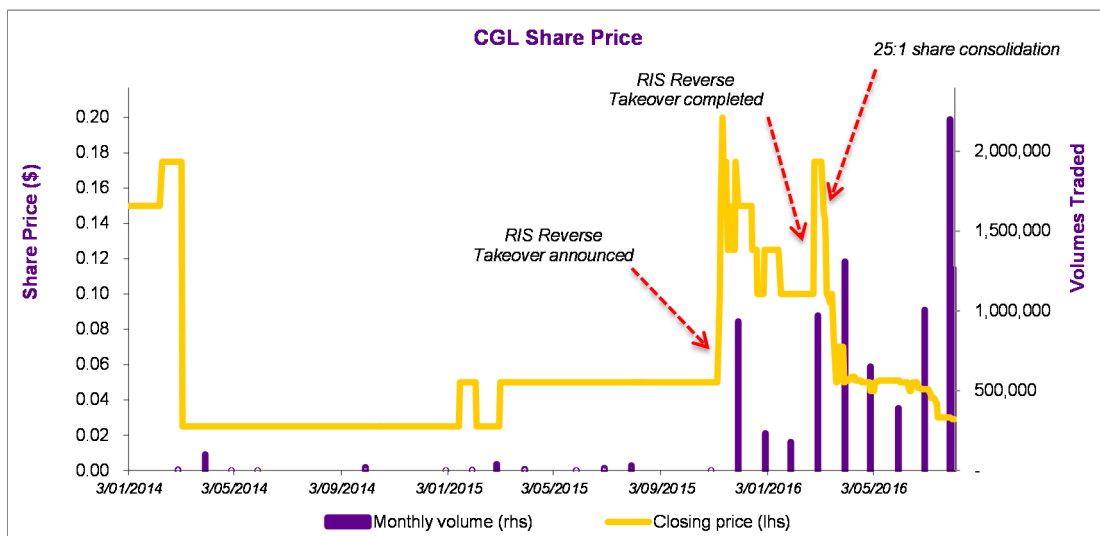
Operations

We are advised by the Board that the Share Acquisitions have no impact on the Chow Trusts' level of influence over the operations of the Company.

2.6 Impact on Share Price and Liquidity

Share Price

Set out below is a summary of CGL's daily closing share price and monthly volumes of shares traded from 3 January 2014 to 3 August 2016. Share prices and monthly volumes prior to 7 March 2015 have been adjusted to reflect the 25:1 share consolidation on 7 March 2016.



Source: NZX Company Research

During the period, CGL's shares have traded between \$0.025 and \$0.200 at a VWAP of \$0.067 (on a post consolidation basis).

Since the completion of the RIS Reverse Takeover on 26 February 2016, CGL's shares have traded between \$0.029 and \$0.150 at a VWAP of \$0.049 (on a post consolidation basis).

The Share Acquisitions were undertaken at prices ranging from \$0.007 to \$0.050 per share and at an average of \$0.033 per share (on a post consolidation basis). The average price approximates CGL's current share price as at 3 August 2016:

- as at 3 August 2016 - \$0.029
- 1 week VWAP to 3 August 2016 - \$0.029
- 1 month VWAP to 3 August 2016 - \$0.033.

Given this, we are of the view that the Share Acquisitions will have negligible impact on the Company's share price.

Liquidity

Trading in the Company's shares is extremely thin, reflecting that 88.59% of the shares are currently held by the Chow Trusts and the top 10 shareholders collectively hold 92.52% of the shares.

An analysis of CGL's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) since the RIS Reverse Takeover and up to 3 August 2016 is set out below.

Share Trading to 3 August 2016					
Period (to 3 August 2016)	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 week	0.029	0.030	0.029	1,311	0.2%
1 month	0.029	0.045	0.033	3,420	0.4%
3 months	0.029	0.051	0.038	4,858	0.6%
29 Feb 2016 onwards	0.029	0.150	0.049	6,820	0.8%

Source: NZX Company Research

The size of the pool of shares held by the Non-associated Shareholders did not change as a result of the Share Acquisitions. However, the number of shares held by the Purchasers increased by 51,859,334, representing 6.30% of the total shares on issue.

In our view, the Share Acquisitions are unlikely to have any significant impact on the liquidity of CGL's shares as the transactions, on their own, are unlikely to lead to any significant increased interest in, and demand for, the Company's shares. However, should some of the Purchasers seek to sell some or all of the shares that they have acquired, this may lead to some increase in the liquidity of CGL's shares.

2.7 Other Issues

No Dilutionary Impact

As the Share Acquisitions are transfers of shares between the Chow Trusts and the Purchasers, they have no dilutionary impact on the Non-associated Shareholders' voting rights. No new shares were issued by the Company under the Share Acquisitions.

No Change in Business Risk

As the Share Acquisitions do not involve the acquisition of one or more new businesses or the disposal of part or all of CGL's existing business, they do not change CGL's business risk profile.

No Change to the Attraction of CGL as a Takeover Target

To the Chow Trusts

The Share Acquisitions decrease the Chow Trusts' control of voting rights in the Company from 94.89% to 88.59% and as such do not change their level of control over the Company to any significant degree nor (presumably) change their desire (if any) to increase their level of control.

As long as the Chow Trusts hold more than 20% and not more than 90% of the voting rights in the Company, they will not be able to increase their shareholdings in CGL unless they comply with the provisions of the Code. They will only be able to acquire more shares in CGL if:

- they make a full or partial takeover offer
- a share acquisition is approved by way of an ordinary resolution of shareholders
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of shareholders
- the Company undertakes a share buyback that is approved by the Company's shareholders and the Chow Trusts do not accept the offer of the buyback.

On the basis that the John Chow Investment Trust controls 44.23% of the Company's voting rights and the Michael Chow Investment Trust controls 44.37%, neither of the Chow Trusts will be able to utilise the *creep* provisions of the Code. Rule 7(e) of the Code enables entities that hold more than 50% but less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum.

To Other Bidders

Any bidder looking to make a takeover offer for the Company would need to ensure that the Chow Trusts would accept its offer, irrespective of whether they held 94.89% or 88.59% of the shares in the Company.

Conclusion

In our view, the decrease in the Chow Trusts' shareholdings from 94.89% to 88.59% due to the Share Acquisitions will have no impact on the attraction of CGL as a takeover target.

Non-associated Shareholder Approval is Required

Pursuant to the Exemption Notice, the Non-associated Shareholders must approve by ordinary resolution the Share Acquisitions.

The Share Acquisitions will not proceed unless the Non-associated Shareholders approve the Share Acquisitions Resolution.

2.8 Implications of the Share Acquisitions Resolution not Being Approved

If the Share Acquisitions Resolution is not approved, we are advised that the likely outcome is that the Takeovers Panel will take such action as it sees fit under the Code. This may involve the Takeovers Panel convening hearings to determine which of the 82 Purchasers are, or are not, associates of the Chow Trusts. For those Purchasers deemed to be associates of the Chow Trusts, outcomes could be:

- a requirement for them to sell the shares they acquired under the Share Acquisition, or
- a requirement for them to unwind their specific Share Acquisitions, transferring the shares to the respective Chow Trust who would have to refund the purchase price, or
- a requirement for them to seek shareholder approval again of their specific Share Acquisitions, at additional cost to the Company.

While the impact of the above outcomes may not be significant on the Non-associated Shareholders, any forced sale of a reasonable quantity of the Company's shares is likely to have a negative impact on CGL's share price in the near term.

2.9 Voting For or Against the Share Acquisitions Resolution

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

3. 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 annual meeting
- details regarding the Share Acquisitions including:
 - the Purchasers
 - the number of shares sold
 - the consideration
- the Exemption Notice
- the CGL annual report for the year ended 31 March 2016
- the RIS Independent Adviser's Report and Appraisal Report prepared by Campbell MacPherson Limited dated 18 January 2016
- the CGL Independent Adviser's Report prepared by Campbell MacPherson Limited dated 29 March 2016
- data in respect of CGL from NZX Company Research and S&P Capital IQ.

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

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Share Acquisitions 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 CGL to the Company's shareholders is sufficient to enable the Board and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the Share Acquisitions.

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 CGL 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 CGL. 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 CGL 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 CGL 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 annual meeting issued by CGL and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

3.4 Indemnity

CGL 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. CGL 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), INFENZ (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 CGL, the Chow Trusts, or the Purchasers or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Share Acquisitions.

Simmons Corporate Finance has not had any part in the formulation of the Share Acquisitions 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 Acquisitions 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 Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

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

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 annual meeting to be sent to the Company's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited
4 August 2016