



**MYKRIS LIMITED  
INDEPENDENT APPRAISAL REPORT**

**In respect of the proposed sale of its trading subsidiaries  
MyKRIS Asia Sdn Bhd and MyKRIS Net (MSC) Sdn Bhd**

**CAMPBELL MACPHERSON** LTD  
CORPORATE ADVISORS

**8 September 2015**

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## 1. INTRODUCTION

### 1.1 Background

Mykris Limited (**Mykris**; the **Company**) is a New Zealand public company listed on the Alternative Board of the New Zealand Stock Exchange (**NZAX**). The Company was incorporated as a special purpose vehicle and holding company for a Malaysian internet business in 2011. The Malaysian business comprises two companies, MyKRIS Asia Sdn. Bhd (**Mykris Asia**) and MyKRIS Net (MSC) Sdn. Bhd (**Mykris Net**), that are both wholly-owned subsidiaries of Mykris.

On 28 August 2015 Mykris entered into a conditional agreement (the **Agreement**) with its major shareholder, Mykris International Sdn. Bhd (Company No. 811039-T) (**MIB**) under which the Company is proposing to sell all of its shares in its subsidiaries, Mykris Asia and Mykris Net (**Subsidiaries**) to MIB (the **Proposed Transaction**).

The Proposed Transaction essentially seeks to “unwind” the original 2012 transaction that saw the Subsidiaries acquired by Mykris in return for new Mykris shares. In the case of the Proposed Transaction the consideration to be provided by MIB for the Subsidiaries will be in the form of Mykris shares to be transferred back and a cash payment. Further information on the terms of the Proposed Transaction are provided in Section 1.2.

In the event the Proposed Transaction proceeds Mykris will become a listed “shell company” and the Board has indicated it intends to raise further capital and seek new investment opportunities. No specific investment opportunities have been identified to date.

### 1.2 Key Terms and Conditions of the Proposed Transaction

Key terms of the Proposed Transaction include:

- MIB has conditionally agreed to purchase all of the shares held by Mykris in the Subsidiaries at a notional Purchase Price of \$12,904,020.
- In consideration for the Subsidiary shares (the **Consideration**), MIB will:
  - a) transfer back to Mykris all 35,224,545 Mykris shares held by MIB (equivalent to approximately 56.7% of the total Mykris voting securities on issue).
  - b) Procure (from shareholders selected by MIB) that there is also transferred back to Mykris, further shares in the Company to the extent that the total number of shares transferred back to the Company is equal to 80% of the total Mykris shares on issue,  
or;  
alternatively, at the option of MIB, in relation to all or any of these additional shares, to pay cash at a price equal to \$0.25 per Mykris share not transferred.
  - c) Pay Mykris \$480,000 in cash

The Agreement also provides a mechanism such that MIB will provide any funding necessary to maintain Mykris cash balance at not less than \$80,000 as at the completion date of the Proposed Transaction (this is in addition to any cash received as Consideration).

The Agreement provides that, in the event that the Proposed Transaction proceeds, Mr Chang Wai Hoong and Mr Hock Lee Siow will resign from their positions as directors of

Mykris and from any other offices held by each of them with Mykris. Mykris also advises that the current employment contracts between Mr Chew and the Company and Mr Chang and the Company will be terminated. The Agreement does not require that Mr Chew Choo Soon will resign as a Mykris Director and the Company has indicated that it expects that Mr Chew will remain as a Director following the Proposed Transaction.

The Proposed Transaction is subject to the following condition:

- Mykris obtaining all shareholder and other approvals required to sell the shares in the Subsidiaries to MIB, and acquire MIB's shares in Mykris and the other shares in Mykris to be transferred back to the Company and otherwise implement the Agreement in compliance with the Companies Act 1993, the NZAX Listing Rules and any other applicable laws and any contracts binding on the Company.

Mykris advises that, in the event that the Proposed Transaction proceeds, it intends to hold up to 653,896 of the shares transferred back to the Company as treasury stock in accordance with the 5% limit set out in Section 67A(1)(c) of the Companies Act. The balance of any shares transferred back will be cancelled by the Company.

Mykris has indicated that, in the event the Proposed Transaction proceeds, the name of the Company will also be changed. A new proposed name has yet to be selected.

### 1.3 Purpose

Mykris is listed on the NZAX and is therefore an Issuer and is subject to NZAX Listing Rules (the **Listing Rules**) and the Companies Act.

In relation to the Proposed Transaction, Mykris is required to comply with the provisions of Section 129 of the Companies Act (relating to Major Transactions), Listing Rule 7.5 (relating to Issues and Buy Backs of Securities Affecting Control), Listing Rule 7.6 (relating to Buy Backs of Equity Securities, Redemption of Securities, and Financial Assistance) Listing Rule 9.1.1(c) (also relating to Major Transactions) and Listing Rule 9.2.1 (relating to Transactions with Related Parties).

These requirements are described below and are also set out in the Explanatory Notes to the Notice of Meeting of Mykris shareholders.

#### ***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 Purchase Price for the Subsidiaries of \$12,904,020 is in excess of the relevant threshold under Section 129 of the Companies Act, and therefore the Proposed Transaction is a Major Transaction under the Companies Act.

Satisfying a portion of the Purchase Price by the transfer back to the Company of up to 80% of its shares, priced at \$12,424,020, is also an acquisition by the Company in excess of the relevant threshold under NZAX Listing Rule 9.1.1 and therefore the transfer back to the Company of up to 80% of its shares is also a Major Transaction in terms of NZAX Listing Rule 9.1.1.

**NZAX Listing Rule 7.5**

NZAX Listing Rule 7.5 prohibits the Company from making any acquisition of its shares if:

- (a) There is a significant likelihood that the acquisition will result in any person or group of Associated Persons materially increasing their ability to exercise, or direct the exercise of (either then or at any future time) effective control of the Company; and
- (b) That person or group of Associated Persons is entitled before the acquisition to exercise, or direct the exercise of, not less than 1% of the total votes attaching to the Company's shares;

Unless the precise terms and conditions of the acquisition have been approved by ordinary resolution of the Company.

As the transfer back to Mykris of up to 80% of its shares might result in remaining shareholders who hold 1% or more of the pre-Transaction shares in the Company materially increasing their ability to exercise effective control of the Company, the Transaction is one to which NZAX Listing Rule 7.5 potentially applies.

**NZAX Listing Rule 7.6**

Subject to certain exceptions that do not apply in this case, NZAX Listing Rule 7.6.1 prohibits a company, among other things, from acquiring shares in itself unless the acquisition has been approved by an ordinary resolution of shareholders complying with NZAX Listing Rule 7.6.5 (which requires the precise terms and conditions of the specific proposal to be approved). Mykris must therefore not enter into the Proposed Transaction unless that transaction is first approved by ordinary resolution of its shareholders for the purposes of NZAX Listing Rule 7.6.1.

Subject to certain exceptions (that do not apply in this case), NZAX Listing Rule 7.6.3 also prohibits the Company from giving financial assistance for the purposes of or in connection with the acquisition of its shares unless the financial assistance has been approved by an ordinary resolution of shareholders passed in accordance with NZAX Listing Rule 7.6.5 (which requires the precise terms and conditions of the specific proposal to be approved). Under the Proposed Transaction Mykris would be acquiring its own shares by virtue of the transfer back to the Company of up to 80% of its own shares. The Company would also be assisting this acquisition by undertaking the Proposed Transaction since it is the sale of these Subsidiaries that gives rise to the transfer back to the Company of up to 80% of its own shares (as part consideration of the Purchase Price).

**NZAX Listing Rule 9.1.1**

Listing Rule 9.1.1 prohibits a 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 Purchase Price for the Subsidiaries of \$12,904,020, is in excess of the relevant threshold under Listing Rule 9.1.1 and therefore the Proposed Transaction is a Major Transaction in terms of Listing Rule 9.1.1.

Satisfying a portion of the Purchase Price by the transfer back to Mykris of up to 80% of its shares, priced at \$12,424,020, is also an acquisition by the Company in excess of the relevant threshold under Listing Rule 9.1.1 and therefore the Proposed Transaction is also a Major Transaction in terms of Listing Rule 9.1.1.

Listing Rule 9.1.1 also prohibits the Company from changing the essential nature of its business without shareholder approval. Mykris is currently a holding company for a managed internet/intranet services business in Malaysia. The Board of Mykris advises that, in the event

the Proposed Transaction proceeds, the Company will become a “shell company” looking to raise further capital with a view to identifying and acquiring new assets and/or businesses in the future.

Listing Rule 9.1.2 requires that the Notice of Meeting containing the resolution to approve any transaction referred to in Listing Rule 9.1.1 shall contain or be accompanied by such information, reports, valuations, and other material as are necessary to enable the holders of Securities to appraise the implications of the Proposed Transaction.

***NZAX Listing Rule 9.2.1***

NZAX Listing Rule 9.2.1 prohibits a company from entering into a Material Transaction with a Related Party unless that Material Transaction is approved by an ordinary resolution of shareholders. A Material Transaction includes any transaction where the company disposes of assets having an Aggregate Net Value in excess of 10% of the Average Market Capitalisation of the Company. MIB is a Related Party of the Company and the Aggregate Net Value of the Subsidiaries is in excess of this threshold. Therefore, Mykris must not complete the Proposed Transaction unless it has been approved by an ordinary resolution of shareholders.

A Material Transaction also includes a transaction whereby a company acquires shares in itself having a market value in excess of 10% of the Company’s Average Market Capitalisation. Therefore Mykris must not complete the Proposed Transaction unless that transaction has been approved by an ordinary resolution of shareholders.

Listing Rule 9.2.5(c) requires that the relevant Notice of Meeting shall contain such other material to enable the holders of Securities of the NZAX Issuer to decide whether the transaction price and terms are fair.

***Requirement for an Appraisal Report***

Whilst the Listing Rules above do not specifically require the preparation of an Appraisal Report (meaning an appraisal report that complies with NZSX Listing Rule 1.7.1), NZX Regulation has advised Mykris (and the Independent Directors of Mykris agree) that the preparation of an Appraisal Report is appropriate in the context of the Company’s requirements under the NZAX Listing Rules in relation to the Proposed Transaction.

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

**1.4 MIB**

MIB is a privately-owned Malaysian company, beneficially owned 50% by Chew Choo Soon and 50% by Chang Wai Hoong. Mr Chew Choo Soon and Mr Chang Wai Hoong are both Executive Directors of Mykris and Directors of MIB and are the two most senior members of the Mykris management team, both based in Malaysia.

MIB originally acquired Mykris Asia and Mykris Net via a series of transactions on 5 May 2010 that effectively restructured and consolidated the ownership of these two companies under MIB. Current Mykris Directors Chew Choo Soon and Chang Wai Hoong (the **Mykris Founders**) founded Mykris Net and held beneficial interests in both Mykris Asia and Mykris Net prior to their acquisition by MIB. MIB sold its shares in Mykris Asia and Mykris Net to Mykris in January 2012.

## 1.5 Other Offer Participants

The Agreement relating to the Proposed Transaction provides that MIB will have up until 24 hours prior to the 2015 Annual Meeting of Mykris shareholders (the **Annual Meeting**) to provide Mykris with a list of the names of the shareholders who MIB intends to be transferors of shares in Mykris to be transferred back to Mykris and also specifying on that list the number of shares that each of them expect to transfer back to the Company for cancellation.

Further discussion on the potential impact of the Proposed Transaction on the ownership and control of Mykris is provided in Section 2.

## 1.6 Notice of Meeting

The Company is holding its Annual Meeting on 29<sup>th</sup> September 2015 where the Mykris shareholders will vote on a number of resolutions as contained in the notice of annual meeting (**Notice of Meeting**). These resolutions shall include the following relating to the Proposed Transaction (the **Resolutions**);

### **Resolution 5: Sale of Subsidiaries**

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

*“That, subject to Resolution 6 being passed, the shareholders approve the sale of all the Company’s shares in MyKRIS Net (MSC) Sdn. Bhd. and MyKRIS Asia Sdn. Bhd. (Sale of the Subsidiaries) to MyKRIS International Sdn. Bhd (Company No. 811039-T) (MIB) for a sale price of \$12,904,020, on the terms described in the Explanatory Notes.”*

### **Resolution 6: Transfer back to the Company of up to 80% of its own shares from MIB and other selected shareholders**

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

*“That, subject to Resolution 5 being passed, the shareholders approve the transfer back to the Company of up to 80% of its own shares as part consideration from MIB for the Sale of the Subsidiaries to MIB, on the terms described in the Explanatory Notes.”*

Resolutions 5 and 6 are special resolutions. 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.

If either or both of Resolutions 5 and 6 are not approved, then Mykris would not be able to proceed with the Proposed Transaction.

Under the Listing Rules, neither MIB nor any of its Associated Persons (as defined under the Listing Rules) may not vote on Resolutions 5 and 6. Associated Persons of MIB will include any shareholder that MIB contracts with to include its shares in the transfer back to the Company of up to 80% of its own shares;

Also under the Listing Rules, each shareholder of Mykris holding 1% or more of the shares in the Company prior to the Proposed Transaction and who does not participate in the transfer back to the Company of up to 80% of its own shares and who’s ability to exercise effective control of the Company will be materially increased by the Proposed Transaction will not be entitled to vote on Resolutions 5 and 6.

## 1.7 Minority Buy-Out Rights

If either Resolutions 5 or 6 are passed (the passing of each of Resolutions 5 and 6 is subject to the other of those Resolutions also being 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 the Resolution that has been passed, 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 their 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 Court may grant an exemption on the grounds that:

- (a) the purchase would be disproportionately damaging to the Company; or,
- (b) the Company cannot reasonably be required to finance the purchase; or,
- (c) it would not be just and equitable to require the Company to purchase the shares.

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. As the Company has limited cash resources, and limited ability to raise finance other than through a new issue of shares, the Company is likely to apply for an exemption on one or more of the grounds described above.

## 1.8 Issue of the Report

Campbell MacPherson was approved by NZX on 31 August 2015 to prepare this Independent Appraisal Report.

Campbell MacPherson issues this Independent Appraisal Report to the Directors of Mykris who are not Associated Persons of MIB to assist the Shareholders of Mykris who are not Associated Persons of MIB (**Non-Associated Shareholders**) in forming their own opinion on whether to vote for or against Resolutions 5 and 6.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness of voting for or against Resolutions 5 & 6 in relation to each individual shareholder. This Report is therefore necessarily general in nature.

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

## 2. FAIRNESS OF THE PROPOSED TRANSACTION

### 2.1 Basis of Evaluation

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

This Appraisal Report is addressed to the Directors of the issuer not associated with any relevant Associated Persons. This Report is for the benefit of the Non-associated Shareholders of Mykris being those shareholders who are not Associated Persons of MIB.

There is no legal definition of the term fair in New Zealand in either the NZAX Listing Rules or in any statute dealing with securities or commercial law. We have evaluated the fairness of the Proposed Transaction with reference to:-

- The Rationale for the Proposed Transaction, including any potential alternatives considered by Mykris.
- The Terms of the Proposed Transaction.
- The value of Mykris shares held by the Non-Associated Shareholders prior to the Proposed Transaction, compared against the value of Mykris shares held by the Non-Associated Shareholders following the Proposed Transaction.
- Impact on the ownership and control of Mykris.
- Other relevant factors.

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

### 2.2 Rationale for the Proposed Transaction

As noted in Section 1, the Proposed Transaction essentially seeks to “unwind” the original transaction which saw the Malaysian internet service businesses of Mykris Asia and Mykris Net listed on the NZAX via a compliance listing of Mykris. Mykris has been unable to deliver on its original growth plans to expand its operations into the New Zealand market. The Company’s operations have remained Malaysian-centric and deliver similar earnings to that when it listed in early 2012.

This has been disappointing for both the original founders, Mykris Directors Chew Choo Soon and Chang Wai Hoong, and for the shareholders of Mykris. New Zealand investor interest in the Company has been low. Mykris shares have lacked liquidity and have generally traded well below the valuation of the Company determined in the NZAX Disclosure Document at the time of listing. Despite positive earnings, Mykris has not paid any dividends to shareholders in the past 2 financial years and is not expected to pay any dividend in the current financial year ending 31 March 2016. The Independent Directors note that dividend payments are not tax effective for many of its offshore investors, who are unable to take advantage of imputation credits available to New Zealand residents.

Mykris advises that the Mykris Founders no longer wish to continue to operate the business as a New Zealand listed company, and the Independent Directors of Mykris also consider that the current ownership structure is not optimal in the longer term. The Independent Directors of Mykris have also noted the current reinvestment of significant cash by the Malaysian

subsidiaries to fund the new corporate office and the ongoing risk relating to the renewal of the Network Licences (see Section 2.6).

The Proposed Transaction reflects the results of discussions between the Mykris Independent Directors and the Mykris Founders at Board level during 2015 regarding the future strategy and ownership of the Company. These culminated in negotiation with MIB of the Agreement in relation to the Proposed Transaction.

The Independent Directors advise that, as far as they are aware, there has been no formal sale process undertaken for Mykris Asia or Mykris Net, nor has there been any informal approaches to or from third parties in Malaysia or elsewhere who may be interested in acquiring these businesses.

We consider that MIB is certainly the logical buyer for Mykris Asia and Mykris Net given its relationship to the Mykris Founders and their key roles as the senior management of the Company. The Independent Directors note that any sale process to a third party would likely be highly problematic without the support of the Mykris Founders and that the Mykris Founders have not expressed any interest to the Independent Directors to date in relation to selling the business or the Company to a third party.

### 2.3 Terms of the Proposed Transaction

The terms and conditions of the Proposed Transaction are straightforward and the key issue of the value of Mykris compared against the consideration being offered by MIB is considered in Section 2.4 below.

The Purchase Price set out in the Agreement of \$12,904,020 includes \$12,424,020 payable in Mykris shares at a price of \$0.25 per share (to be transferred back), and a further \$480,000 in cash. We note that the price of \$0.25 per share is the same effective purchase price per share as originally paid by Mykris for the shares in Mykris Asia and Mykris Net in January 2012.

Whilst MIB is deemed a Related Party of the Company under NZAX Listing Rules, the Independent Directors of Mykris consider that the Proposed Transaction is nevertheless a transaction that was negotiated on an arms length and commercial basis. Mykris advises that, while Mr Chew Choo Soon and Mr Chang Wai Hoong represented MIB in the negotiations, they did not participate in any Board decision by Mykris to enter into the Proposed Transaction.

### 2.4 Assessed Value of Mykris

In determining whether the Proposed Transaction is fair to the Non-associated Shareholders, Campbell MacPherson has considered whether the Proposed Transaction will result in a transfer of value from the Non-associated Shareholders to MIB and any associated shareholders.

As set out in Section 1.2, the final structure of the Proposed Transaction has not yet been determined (i.e. the number of Mykris shares to be transferred back) and therefore the exact cash consideration to be paid to Mykris, has not yet been finalised. Campbell MacPherson has therefore assessed the fairness of the Proposed Transaction under two scenarios that reflect the maximum and minimum number of shares that could be transferred back.

**Scenario 1:** 80% / 49,696,080 Mykris shares are transferred back as part consideration for the Proposed Transaction. This represents the maximum number of Mykris shares to be transferred back in accordance with the Proposed Transaction. While formal commitments

from Mykris' shareholders other than MIB have not been obtained, the Independent Directors of Mykris consider that this scenario is the most likely to eventuate.

**Scenario 2:** 56.7% / 35,224,545 Mykris shares are transferred back as part consideration for the Proposed Transaction. This represents the minimum number of Mykris shares to be transferred back in accordance with the Proposed Transaction. While formal commitments from Mykris' shareholders other than MIB have not been obtained, the Independent Directors of Mykris consider that this scenario is unlikely to eventuate.

Campbell MacPherson's assessment of the value of Mykris before and after the completion of the Proposed Transaction, and also any associated transfer of value, is set out below.

**Assessed Value of Mykris Prior to the Proposed Transaction**

Campbell MacPherson has assessed the value of Mykris at \$0.21 to \$0.25 per share. Our results are summarised in the table below. Further information is provided in Section 4.

Assessed Value of Mykris Prior to the Proposed Transaction				
NZ\$000	Scenario 1		Scenario 2	
	Low	High	Low	High
Assessed equity value of Mykris (100%)	12,936	15,436	12,936	15,436
<b>Assessed value per share (\$)</b>	<b>0.21</b>	<b>0.25</b>	<b>0.21</b>	<b>0.25</b>
<u>Associated Shareholders</u>				
Shareholding prior to the Proposed Transaction (%)	80%	80%	56.7%	56.7%
Assessed value of Mykris shareholding	10,348	12,348	7,335	8,753
<u>Non-associated Shareholders</u>				
Shareholding prior to the Proposed Transaction (%)	20%	20%	43%	43%
Assessed value of Mykris shareholding	2,587	3,087	5,601	6,683

**Assessed Value of Mykris after the Proposed Transaction**

Following the completion of the Proposed Transaction, the Non-associated Shareholders will collectively hold 100% of the shares in Mykris. Campbell MacPherson has assessed the value of Mykris at \$0.12 to \$0.13 per share under Scenario 1 and \$0.19 to \$0.193 per share under Scenario 2. Our results are summarised in the table below. Further information is provided in Section 5.

Assessed Value of Mykris After the Proposed Transaction				
NZ\$000	Scenario 1		Scenario 2	
	Low	High	Low	High
Assessed equity value of Mykris (100%)	1,485	1,585	5,103	5,203
<b>Assessed value per share (\$)</b>	<b>0.12</b>	<b>0.13</b>	<b>0.19</b>	<b>0.193</b>
<u>Associated Shareholders</u>				
Shareholding after the Proposed Transaction (%)	0%	0%	0%	0%
Assessed value of Mykris shareholding	-	-	-	-
<u>Non-associated Shareholders</u>				
Shareholding after the Proposed Transaction (%)	100%	100%	100%	100%
Assessed value of Mykris shareholding	1,485	1,585	5,103	5,203

### ***Transfer of Value as a Result of the Proposed Transaction***

Based on Campbell MacPherson's assessed value of Mykris before and after the Proposed Transactions, and also the resulting change in Mykris' shareholding structure, the Proposed Transaction will result in a significant transfer of value from the Non-associated shareholders to MIB and any associated shareholders of MIB who participate in the Proposed Transaction.

Our assessed transfer of value under Scenario 1 (the most likely Scenario) is \$1.30 million on a collective basis, which equates to \$0.10 per share. This represents a decrease in value of approximately 46%.

Our assessed transfer of value under Scenario 2 (the least likely Scenario) is \$0.99 million on a collective basis, which equates to \$0.04 per share. This represents a decrease in value of approximately 16%. Our assessed transfer of value under Scenario 2 is lower on a relative basis as a result of the additional cash payment to Mykris of \$0.25 per share for every Mykris share not transferred back up to the 80% threshold. Our results are summarised in the table below.

<b>Mykris - Assessed Transfer of Value as a Result of the Proposed Transaction</b>		
	<b>Scenario</b>	<b>Scenario</b>
<b>NZ\$000</b>	<b>1</b>	<b>2</b>
<u>Prior to the Proposed Transaction - Non-associated Shareholders</u>		
Assessed value of Mykris shareholding (mid-point)	2,837	6,142
Assessed value per share (mid-point) (\$)	0.23	0.23
<u>After the Proposed Transaction - Non-associated Shareholders</u>		
Assessed value of Mykris shareholding (mid-point)	1,535	5,153
Assessed value per share (\$)	0.12	0.19
<u>Assessed transfer of value from the Non-associated Shareholders</u>		
<b>Collective value</b>	<b>1,302</b>	<b>988</b>
<b>Value per share (\$)</b>	<b>0.10</b>	<b>0.04</b>

**In our view it is clear that the Proposed Transaction will result in a significant loss of value by Non-associated Shareholders on a per share basis when compared against the current value of the shares that they hold.**

## **2.5 Impact on Ownership & Control of Mykris**

### ***Ownership of Mykris***

In the event that the Proposed Transaction proceeds, MIB will no longer be a shareholder of Mykris and up to 80% of the shares in Mykris will be transferred back. Following the Proposed Transaction the remaining constituent shareholders of Mykris, the number of shares held by each shareholder, and the percentage of voting securities held by each shareholder may all vary depending on:

- (a) The extent to which MIB is able to procure the transfer of shares in Mykris held by other shareholders, (such that the maximum percentage of shares to be transferred

back, inclusive of MIB's Mykris shares, would be equal to 80% of the current shares on issue.)

- (b) The names of each Mykris shareholder agreeing to transfer back their shares and the number of shares each of these shareholders agrees to transfer back.
- (c) Whether, as a result of the Proposed Transaction, any Mykris shareholder (including their Associates where applicable) holds 20% or more of the total voting securities on issue.

It is possible that the number of voting securities held by a Mykris shareholder, (including their Associates as defined by the Takeovers Code) may exceed 20% of the total voting securities on issue. Mykris advises that, in the event that this occurs, Clause 5 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001 (the **Class Exemptions Notice**) would apply.

The Class Exemption Notice provides an exemption for a share buyback that is not approved by shareholders for the purposes of the Code. Each shareholder holding 20% or more of the voting securities will be permitted a six month period to sell sufficient shares in Mykris such that the control percentage of the person is decreased within 6 months after the increase in the person's voting control to, or below, either:

- (a) the control percentage of the person immediately before the increase in the person's voting control; or
- (b) if—
  - (i) the person's control percentage immediately before the increase in the person's voting control was more than 50%, the maximum control percentage to which the person would have been entitled under rule 7(e) of the Code at the time of the decrease had the increase not occurred; or
  - (ii) the aggregate of the control percentages of the person and the person's associates immediately before that increase was less than 20%, 20% less the aggregate of the control percentages of the person's associates at the time of the decrease; and

The exemption is also provided subject to the further condition that the additional voting rights of the person are not exercised before that decrease.

The impact on control of Mykris as a result of the Proposed Transaction will vary depending on all of the factors (a) through (c) listed at the start of this Section 2.5.

### ***Control of Mykris***

MIB is currently the majority shareholder of Mykris, holding 56.7% of the voting securities. In the event the Proposed Transaction proceeds, MIB will transfer back all of the shares it holds in Mykris and will no longer be a Mykris shareholder. There are currently no other substantial shareholders of Mykris (defined as those shareholders holding 5% or more of the voting securities of the Company).

As noted in our discussion regarding the ownership of Mykris, no current shareholder of Mykris will be permitted to hold 20% or more of Mykris for a period of six months or more following the Proposed Transaction and, in the event that a person does hold 20% or more of the voting securities they will not be entitled to exercise any additional voting rights they receive other than in accordance with the provisions of the Takeovers Code.

## 2.6 Other Relevant Issues to Consider

### ***Lack of Liquidity in Mykris Shares***

As noted in Section 3.7, Mykris shares are highly illiquid and the last shares traded on the NZAX implied a market capitalisation of circa \$4.35 million. This market capitalisation is far below our assessed value for 100% of Mykris (notwithstanding the minority parcels of shares often trade at a discount to the underlying full value of a company). Opportunities for the Non-associated Shareholders to generate value for their shares in the short-term are therefore likely to be restricted, particularly if they are seeking to sell their shares “on-market”.

### ***Licence Renewal Risk***

As disclosed in the Mykris FY15 annual report, the Network facilities and Network services licences (**Network Licences**) granted to Mykris Asia under the Malaysian Communications and Multimedia Act 1998 were extended during the FY14 period and now expire on 10 March 2019. The licences are subject to the requirement that Mykris Asia shall not have foreign shareholding greater than 49% and shall have Bumiputera equity of not less than 30%. According to Wikipedia, Bumiputera is a Malaysian term to describe the Malay race and other indigenous peoples of Southeast Asia, and is used particularly in Malaysia. The Mykris group of companies had 12 months from 12 February 2014 to comply with these conditions.

During the FY15 year, Mykris Asia met the requirement to not have foreign shareholding greater than 49% but did not meet the requirement to have Bumiputera equity of not less than 30%. Mykris therefore applied for an extension of time to meet the Bumiputera equity requirement from the relevant authority.

This issue is yet to be resolved and presents a significant risk to Mykris in the event that Mykris remains unable to meet this requirement. In the event that the Proposed Transaction proceeds this risk would be eliminated for remaining Mykris shareholders.

### ***Legal Action – ACN System Solutions Sdn. Bhd***

As disclosed in the Mykris FY15 Annual Report, Mykris Asia and other defendants were the subject to legal action by ACN System Solutions Sdn. Bhd (**ACN**) launched in 2010. ACN sought special damages amounting to RM11,626,400 (NZ\$4,114,400) and general, exemplary and punitive damages with interest.

Following Court proceedings during 2014, including subsequent appeals by both the Plaintiff and Mykris Asia, nominal damages and costs were awarded that resulted in a total sum payable by Mykris Asia to the Plaintiff of RM50,000 (NZ\$17,700). No further action has been taken by the Plaintiff since the Court of Appeal decision on 7 July 2015.

### ***Capital Commitment***

As disclosed in the Mykris FY15 Annual Report, on 8 April 2014 Mykris Asia entered into a Sale and Purchase Agreement with Berjaya Golf Resort Berhad for the acquisition of a unit of 6 storey corner shop office for a total purchase consideration of RM9,298,880 (NZ\$3,328,200). On 8 October 2014 Mykris announced that Mykris Asia had obtained bank facilities of RM7.904 million to enable it to purchase the unit.

The facility relating to funding of the unit (loan amount RM7,439,104) represents 80% of the purchase price of the unit. This facility is joint and severally guaranteed by Mr Chew Choo Soon and Mr Chang Wai Hoong. As at 31 July 2015 progress payments totalling RM3,813,086 had been made in relation to this partially-constructed unit, funded via loan facilities drawn to RM1,861,872 and cash paid of RM1,951,214.

The completion of progress payments in relation to the purchase of the unit will result in Mykris Asia incurring significant debt facilities with principal and interest repayment obligations. This will place increased financial risk on Mykris. Mykris will however benefit from reduced rental costs of circa \$145,000 per annum currently paid by Mykris' Malaysian operations. In the event that the Proposed Transaction proceeds the unit, together with the debt facilities and any obligations in relation to funding the balance of payments owing to Berjaya Golf Resort Berhad, would be transferred to MIB.

***Employment Agreement Renewal***

Mykris Executive Directors Chew Choo Soon and Chang Wai Hoong provide their respective services to the Company under fixed term (five year) employment agreements. Each of these employment agreements expires on 31 October 2016. We understand that both Executive Directors have already indicated to the Mykris Board they wish to see an increase in their remuneration packages. The success of the Company in entering into new employment agreements with these key executives on reasonable commercial terms presents an operating risk to Mykris in the event that the Proposed Transaction does not proceed.

***Independent Directors Recommend the Proposed Transaction***

We note that the Independent Directors of Mykris are recommending that Mykris shareholders vote in favour of Resolutions 5 and 6. Further information in relation to the Independent Directors reasons for their recommendation are provided in the explanatory notes to the Notice of Meeting.

**2.7 Implications if the Resolutions are not Approved**

In the event that any of Resolutions 5 and 6 are not approved, the Independent Directors of Mykris have indicated that they will need to further engage with the Mykris Founders and consider the full range of options open to Mykris subject to those discussions and further deliberations by the Company's Board of Directors as a whole.

**2.8 Voting For or Against the Resolutions**

Voting for or against the Resolutions is a matter for individual shareholders to consider. Such a decision by each shareholder would be based on their own views as to future operating and market conditions, exchange rate fluctuations, future share price and other factors. Non-Associated Shareholders of Mykris will therefore need to weigh up carefully these consequences and consult their own professional adviser as appropriate.

**2.9 Summary of our Evaluation of Fairness**

**In our opinion, taking into account all of the relevant factors, the Proposed Transaction is not fair to the Non-associated Shareholders of the Company and is not in the best interests of Mykris.**

A summary of the key factors influencing our opinion is as follows:

- We consider that the current value of 100% of Mykris is in the range of \$0.21 to \$0.25 per share. We also consider that, in the context of the Proposed Transaction, this represents a fair value range of the shares held by the Non-associated Shareholders of Mykris.

- We have assessed the value of Mykris shares held by Non-associated Shareholders following the Proposed Transaction to range between \$0.12 and \$0.193 per share. We note that under the most likely Scenario the value ranges from \$0.12 to \$0.13 per share.
- In our view it is clear that the Proposed Transaction will result in a significant loss of value by Non-associated Shareholders on a per share basis when compared against the current value of their shares.
- We note that, in the (less likely) event that only MIB transfers back its shares (i.e. no other shares are transferred back) and MIB is required to pay \$0.25 per share in cash for the balance of 14,471,535 shares to reach to 80% threshold in the Agreement, then our assessed value of Mykris shares held by Non-associated Shareholders following the Proposed Transaction ranges between \$0.19 and \$0.193 per share.
- We are aware that the business of Mykris Asia and Mykris Net remains at risk from several operating and other factors including their ability to retain the important Network Licences held by Mykris Asia. However we note that Mykris has to date actively managed and mitigated these risks and we understand the Directors of Mykris continue to actively pursue resolutions to outstanding matters.
- Mykris (via its subsidiary Mykris Asia) has entered into debt facility agreements to fund the purchase of a new unit in Kuala Lumpur that will become the new Malaysian headquarters for the business. These debt facilities can be drawn up to a maximum of RM7.904 million and will place additional financial risk on the Company in the future until such time debt is repaid back to current levels. In the event the Proposed Transaction proceeds Mykris will no longer bear any risk associated with these debt facilities.
- We are also aware that Mykris shares currently suffer from very low liquidity and trade on the NZAX (albeit infrequently) at a large discount to our assessed value for 100% of the Company.
- In the event the Proposed Transaction proceeds MIB will no longer be a shareholder in Mykris. We do not anticipate that the Proposed Transaction will result in any undue negative outcomes in respect of the ownership and control of Mykris from the perspective of the Non-associated shareholders of the Company.

In our opinion the information to be provided by the Company, being the Notice of Meeting and this Report, is sufficient to enable shareholders to understand all relevant factors, and make an informed decision, in respect of the question of whether or not the Proposed Transaction is fair to the Non-associated Shareholders of the Company.

Campbell MacPherson has obtained all information we believe is required for the purpose of preparing this Report, including all material information which is or should have been known to any Director of the Company and made available to the Directors of the Company.

The material assumptions on which our opinion is based are:

- All assumptions made by the Company in relation to the preparation of prospective financial information are correct.
- All other pre-conditions of the Proposed Transaction will be met.
- Mykris and its subsidiaries will continue to comply with all of their legal and regulatory obligations in respect of current and future New Zealand and international legislation.

**We note that the Independent Directors are recommending that Mykris shareholders vote in favour of the Proposed Transaction. It is therefore important in our view that each Non-**

**associated Shareholder of Mykris carefully reads, in full, the Notice of Meeting and our Report and forms their own opinion on whether to vote for or against Resolutions 5 and 6.**

### 3. PROFILE OF MYKRIS LIMITED

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#### 3.1 Background and Overview

Mykris was established in 2011 via an in-specie distribution of shares to the then shareholders of Investment Research Group Limited for the purposes of acquiring Malaysian based internet businesses Mykris Asia and Mykris Net.

- Mykris Asia is a Malaysian Tier 1 internet content and services provider specialising in offering managed broadband services. These services include high speed internet access and installing wireless network systems.
- Mykris Net develops and provides web –based application software, including facilitating e-commerce and the provision of multi-media systems.

The founders of the Mykris business are Mr Chew Choo Soon, the current Executive Chairman, and Mr Chang Wai Hoong, the current Executive Director, who established Mykris Asia in 2000 in Kuala Lumpur.

At the time of its NZAX compliance listing (January 2012), Mykris explained that it had sought an NZAX listing to gain exposure to new shareholders, believing that New Zealand investors had a growing appetite for high growth scalable companies with exposure to international markets.

Soon after listing in early 2012, the Company announced it was seeking acquisitions as part of its plan for growth in Malaysia as well as in the Asia Pacific region. In June 2012, Mykris advised the NZX that it had secured two contracts for \$2.85 million for its one stop high speed internet access services with Pan Pacific Hotels and Malaysia Airports (Sepang). Later in August 2012 Mykris announced plans to move to new premises in Puchong, Selangor to help capture the strong economic growth in that region.

In early 2014 Mykris was awarded a three year contract to deliver high speed internet managed services to the Courts retail chain in Malaysia with a value of \$1.9 million. This Wide Area Network covered 74 branches throughout Malaysia.

During October 2014, Mykris announced the purchase of a unit of a six storey shop/office complex located next to the Bukit Jalil Golf Club in Kuala Lumpur, Malaysia. This new building will house the Malaysian operations of the Mykris Group with a total cost to complete of circa \$3.3 million. Funding was obtained from a major bank with the facilities guaranteed by executive directors Mr Chew Choo Soon and Mr Chang Wai Hoong.

On 6 August 2015 the Company advised the NZX that it had made a private placement of new shares at 17 cents per share to Barter Fund Limited to raise \$374,000 payable in cash and Bartercard Trade Dollars.

Mykris' largest shareholder, MIB, signalled its intention to make an offer to acquire the key subsidiaries Mykris Asia and Mykris Net in mid-August for \$12.9 million, subject to various approvals. MIB is controlled by Executive Directors Chew Choo Soon and Chang Wai Hoong.

### 3.2 Corporate Strategy

The Mykris business was founded to leverage the opportunity created by the development of the Malaysian Government multi-media super corridor. Government policy in Malaysia seeks to stimulate economic development and improve living standards through the roll out of high speed broadband across the country. A key agency is the Malaysia Multimedia and Communication Commission.

The number of network service providers in Malaysia has grown over time and now totals 163. As a result, Mykris faces growing competitive pressure. Despite the demand for data and steady growth in the internet/intranet, connectivity services continue to be commoditised. Mykris has stated that to combat market threats it has leveraged value-add services and improved network service quality (e.g. managed IT services for clients).

Mykris has identified several market opportunities including:

- Rapid growth is expected in the “Internet of Things” which revolves around increased machine-to-machine communication built on cloud computing and networks of data gathering sensors.
- The cloud computing market is expected to more than double in Malaysia over the next two years. This growth is due to Government incentives provided to SME’s and also significant spending by the Government on cloud services. Mykris expects more companies to revamp their existing IT network infrastructures and streamline non-core operations to improve performance and profitability.

The key sources of Mykris’ competitive advantage include:

- Operation of a secure Network Operating Centre on a 24/7 basis. From this centre Mykris manages multiple robust node locations, local caching servers, and other network infrastructure. System security and reliability are key features required by Mykris’ clients.
- Managed domain name services (**DNS**), which enable users to access web content and applications by translating URL names into IP addresses. Every icon, URL and all embedded content on a web page requires a DNS hook up. The steady growth in DNS traffic is closely linked to the rollout of new services, applications, cloud computing services and more users with access to high-speed wired and wireless networks.
- Its ability to provide a hybrid network that allows access to both wired broadband and wireless networks.

Mykris has now developed a fifteen year track record in Malaysia and as a Tier 1 licensed service provider has partnered with several Telcos to lease fibre-optic circuits with extensive reach across the entire country.

### 3.3 Current Capital Structure and Substantial Shareholders

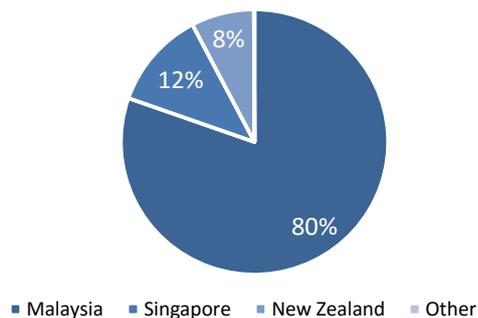
Mykris is a public company listed on the NZAX. The Company has a single class of shares on issue comprising 62,120,100 ordinary shares collectively held by approximately 780 shareholders. As at the date of this Report, there were no options or warrants outstanding.

The top ten shareholders of Mykris are shown in the table below.

<b>Mykris - Top Ten Shareholders (as at 17 August 2015)</b>		
<b>Shareholder</b>	<b>No. of Shares</b>	<b>%</b>
MYKRIS INTERNATIONAL SDN BHD	35,224,545	56.70%
ERICA WAN CHIN YEO	2,950,000	4.75%
EMILY PEIHUA YEO	2,654,500	4.27%
BARTER FUND LIMITED	2,200,000	3.54%
EE PIAO WONG	1,788,921	2.88%
WEI LOON LOOI	1,671,652	2.69%
SII YIH TING	1,480,000	2.38%
LEE PENG WONG	1,400,000	2.25%
KOON WENG LEE	1,291,325	2.08%
CHU KIAN THEN	1,008,300	1.62%
Other	10,450,857	16.82%
<b>Total</b>	<b>62,120,100</b>	<b>100.00%</b>

Mykris International Sdn Bhd (MIB) is owned by Chew Choo Soon and Chang Wai Hoong.  
Brent King is a common director of Mykris and Barter Fund Limited.

**Mykris - Shareholders by Domicile**



The only substantial security holder of Mykris is MIB, who holds 35,224,545 shares representing 56.7% of the voting securities of the Company. 80% of the Company's shareholders are domiciled in Malaysia.

Mykris completed a private placement to Barter Fund Limited on 6 August 2015, whereby 2.2 million new shares were issued at 17 cents each, raising \$374,000.

### 3.4 Board of Directors

The current Directors of Mykris are listed below.

<b>Mykris Limited – Board of Directors</b>	
<b>Name</b>	<b>Role</b>
Chew Choo Soon	Executive chairman, Chief executive officer and Co-founder
Chang Wai Hoong	Executive director and Co-founder
Siow Hock Lee	Independent Non- executive director
Brent Douglas King	Independent Non-executive director
Huei Min (Lyn) Lim	Independent Non- executive director

Both Brent King and Lyn Lim are based in Auckland. Chew Choo Song, Chang Wai Hoong and Siow Hock Lee are domiciled in Malaysia. Chew Choo Song and Chang Wai Hoong are appointees of MIB. The remaining three Directors are considered by the Company to be Independent Directors (as referred to in the Mykris 2015 Annual Report). We note that NZAX Listing Rules do not require the Company to state whether the Directors are independent.

Other key executives in the Mykris business include Teo Lai Ping, the Chief Financial Officer and Kenny Hoon, Head of IT and Managed Services.

### 3.5 Key Issues Affecting Mykris

The key industry and business factors and risks that Mykris faces include:

- Mykris' fortunes are heavily weighted toward the general economic conditions in Malaysia where it is based.
- Competition is increasing as more internet service providers enter the market.
- Digital data flow and associated internet services are becoming commoditised.
- Since listing on the NZAX in January 2012, Mykris has suffered low share liquidity and minimal exposure to the New Zealand financial and investments markets.
- It appears that Mykris has been unable or unsuccessful in acquiring or creating a market presence in New Zealand or Australia.
- The parent Company is listed on the NZAX and the majority of shareholders by value reside in Malaysia and Singapore.
- Over 80% of Mykris' operating revenue is derived from wireless internet access fees.
- There is a contingent liability dating back to July 2010 whereby a third party IT company has instigated legal action against Mykris Asia and others seeking special damages of over \$4.0 million plus recovery of other losses with interest. The case has been heard in the Kuala Lumpur Court of Appeal and total net costs/damages of RM50,000 were awarded to the Plaintiff. (See Section 2.6)
- The construction of a new office block and company headquarters in Malaysia under a sale and purchase agreement will significantly increase the debt of the Company (see Section 2.6).
- There is key man risk with the major shareholders also being the two most senior executives in the Company.
- Fluctuations in the value of the Malaysian ringgit versus the NZ dollar can disguise the underlying performance of the business.
- As at 31 March 2015, Mykris held 422,782 Bartercard Trade Dollars. However Bartercard Trade Dollars are not legal tender and rely on a counter party accepting conversion in return for the provision of goods or services.
- The industry sector is regulated and the license to operate granted to Mykris Asia under the Communications and Multimedia Act 1998 expires on 10th March 2019. This licence is subject to the requirement that Mykris Asia does not have foreign ownership greater than 49% and does not have Bumiputera equity less than 30%. Mykris has applied for an extension of time to meet the requirement to meet the minimum Bumiputera equity threshold.

### 3.6 Summary Financial Information

#### *Financial Performance*

Mykris' summary historical financial performance is set out below.

<b>Mykris - Summary Financial Performance</b>				
<b>NZ\$000</b>	<b>Full Year Mar-13</b>	<b>Full Year Mar-14</b>	<b>Full Year Mar-15</b>	<b>YTD Jun-15</b>
Operating Revenue	8,879	7,329	8,349	2,358
Cost of Sales	(3,835)	(2,888)	(3,226)	(873)
<b>Gross Profit</b>	<b>5,044</b>	<b>4,441</b>	<b>5,123</b>	<b>1,485</b>
<i>Margin</i>	<i>56.8%</i>	<i>60.6%</i>	<i>61.4%</i>	<i>63.0%</i>
Other Income	42	48	33	2
Selling and Distribution Expenses	(418)	(558)	(916)	(275)
Admin Expenses	(2,312)	(2,890)	(3,099)	(767)
Other Expenses	(1,274)	(1,207)	(1,432)	(344)
	(4,005)	(4,656)	(5,447)	(1,385)
<b>Operating Profit</b>	<b>1,081</b>	<b>(167)</b>	<b>(291)</b>	<b>102</b>
<i>Margin</i>	<i>12.2%</i>	<i>-2.3%</i>	<i>-3.5%</i>	<i>4.3%</i>
Net Finance Income / (Expense)	(8)	3	2	(4)
Tax Benefit / (Expense)	213	261	438	53
<b>Net Profit After Tax</b>	<b>1,287</b>	<b>97</b>	<b>150</b>	<b>151</b>
<b>Profitability Metrics</b>				
EBITDA	2,633	1,571	1,661	577
EBITA	2,158	894	735	345
EBIT	1,081	(167)	(291)	102
Earnings per share (\$)	0.021	0.002	0.003	n/a
Dividends per share (\$)	0.015	-	-	-

Whilst Mykris has exhibited significant fluctuations in revenue over the FY13 – FY15 period, revenue from its core business (managed internet services) has shown stable growth, increasing from \$5.3 million in FY13 to \$7.5 million in FY15. Fluctuations in revenue have been driven by large installation contracts. By geography, Malaysia is Mykris' largest market, contributing 99% of the Company's FY15 revenue.

Mykris' operating profit is impacted by significant non-cash depreciation and amortisation expenses. At an EBITDA level the Company reported a profit of \$1.57 million in FY14 and \$1.66 million in FY15.

The Company's FY15 result was impacted by the strengthening New Zealand dollar against the Malaysian Ringgit (MYR), which increased from a low of MYR2.53 to a high of MYR 2.84 over the period.

As a result of significant reinvestment over the FY14 – FY15 period, Mykris has elected not to pay any dividends to shareholders. However, in December 2012 the Company declared an interim dividend of 0.7 cents per share and a final dividend for FY13 was declared on 14 June 2013 of 0.8 cents per share.

### **Financial Position**

Mykris' summary historical financial position is set out below.

<b>Mykris - Summary Financial Position</b>				
<b>NZ\$000</b>	<b>Full Year Mar-13</b>	<b>Full Year Mar-14</b>	<b>Full Year Mar-15</b>	<b>YTD Jun-15</b>
<u>Current Assets</u>				
Cash and Equivalents	1,748	1,148	840	1,255
Receivables	1,744	1,380	1,555	2,559
Prepayments & Other Current Assets	1,195	1,373	1,107	1,307
Tax	179	58	32	42
	<u>4,865</u>	<u>3,958</u>	<u>3,534</u>	<u>5,164</u>
<u>Non-current Assets</u>				
Property, Plant and Equipment	1,387	1,825	2,957	3,751
Intangible Assets and Goodwill	12,933	11,925	10,723	10,487
Investment Properties	-	284	284	306
	<u>14,319</u>	<u>14,035</u>	<u>13,964</u>	<u>14,544</u>
<u>Current Liabilities</u>				
Trade and Other Payables	540	550	544	538
Deferred Income	742	786	374	1,236
Related Party Payables	146	-	194	271
Term Borrowings	31	29	65	70
Tax Payable / Deferred Tax	362	353	250	250
	<u>1,821</u>	<u>1,719</u>	<u>1,427</u>	<u>2,365</u>
<u>Non-current Liabilities</u>				
Term Borrowings	89	52	76	787
Deferred Tax	1,921	1,665	1,269	1,219
	<u>2,010</u>	<u>1,717</u>	<u>1,345</u>	<u>2,006</u>
<b>Net Assets</b>	<b><u>15,354</u></b>	<b><u>14,557</u></b>	<b><u>14,727</u></b>	<b><u>15,337</u></b>

As at 30 June 2015 Mykris had net assets of \$15.34 million. The Company's core assets comprise intangible assets and goodwill (\$10.49 million) relating to the two operating subsidiary companies in Malaysia (Mykris Asia and Mykris Net). These book values were established when Mykris listed on the NZAX in early 2012 and are impairment tested each balance date by the Directors.

Mykris' receivables and deferred income increased significantly over the 31 March 2015 – 30 June 2015 period. This increase is largely attributable to the impact of a new GST regime which has been introduced in Malaysia.

Mykris' investment in its new office building in Kuala Lumpur is reflected in the book value of the Company's property, plant and equipment, which has increased to \$3.75 million. This investment has been partially funded by debt.

### Cashflow

Mykris' summary historical cashflow is set out below.

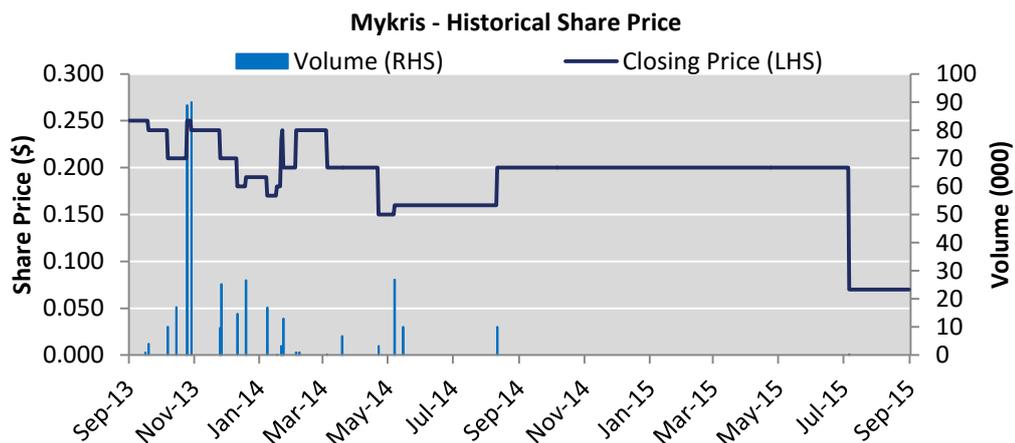
Mykris - Summary Cashflow			
NZ\$	Full Year Mar-13	Full Year Mar-14	Full Year Mar-15
Cash from operating activities	1,576	1,611	1,707
Cash from investing activities	(677)	(1,680)	(2,077)
Cash from financing activities	(488)	(529)	61
<b>Net increase / (decrease) in cash</b>	<b>411</b>	<b>(598)</b>	<b>(309)</b>

Mykris continues to generate positive cash-flow from operating activities of approximately \$1.6 million to \$1.7 million per year. Net cash of \$2.1 million was re-invested in the business in FY15 (approximately \$0.7 million was spent on plant & equipment and \$1.4 million on the office building construction project).

### 3.7 Share Price History

As at 31 August 2015, Mykris shares were trading at 7 cents per share, representing a market capitalisation of circa \$4.35 million. Over the 24 month period to 31 August 2015, Mykris shares have traded between 7 cents and 25 cents per share (closing daily price).

Mykris' share price performance and trading volumes over the 24 month period 31 August 2015 are shown below.



Source: Capital IQ

The total volume of Mykris stock traded on the NZAX Main Board over the last 12 months was less than 0.01% of the current total ordinary shares on issue (i.e. the Company's shares are highly illiquid).

## 4. VALUATION OF MYKRIS (PRIOR TO THE PROPOSED TRANSACTION)

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### 4.1 Valuation Basis and Methodology

We consider that the most appropriate valuation approach is to assess the value of Mykris on the basis of fair market value. Fair market value is defined as;

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

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

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

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

A brief summary of potential valuation methods is outlined below.

#### ***Discounted Cash Flow Methodology***

The Discounted Cash Flow (DCF) methodology estimates the value of a company based on the net present value (NPV) of its future free cash flows, recognising the time value of money and company specific risk factors. The DCF method requires management to prepare detailed, long-range cash flow projections for the business, together with an assessment of the cost of capital or “discount rate” that should be applied to determine the NPV of those cash flows.

The DCF method is usually calculated in a two-stage process which combines the NPV of expected future free cash flows over an explicit forecast period and a terminal value representing the NPV of free cash flows beyond that period. Valuations derived using the DCF method are often highly sensitive to the cost of capital used and the terminal value.

#### ***Capitalisation of Earnings Methodology***

The capitalisation of earnings methodology is an adaptation of the DCF methodology. It requires an assessment of the future maintainable earnings of the business and the selection of a capitalisation rate (or earnings multiple) appropriate for that particular business. This method is based on the principle that comparable companies engaged in similar business activities will have similar operating and financial risks and returns and can therefore be valued using a similar multiple of earnings.

The advantage of the capitalisation of earnings methodology over the DCF methodology is that earnings multiples can often be directly observed in the market. A multiple is often applied to earnings before interest, tax, depreciation and amortisation (EBITDA) or earnings before interest and tax (EBIT) in order to determine the enterprise value of the business. The capitalisation of earnings methodology is generally most appropriate for established companies with stable earnings.

The enterprise value represents the value of the business as a whole. Net debt is then deducted to determine the equity value of the business.

Comparable multiples are generally derived using two key sources of information:

- Earnings multiples based on recent transactions of comparable companies.
- Earnings multiples based on the current share price of comparable listed companies.

Multiples derived from comparable transactions are often the most relevant when determining the fair market value of a private company. However, this data is often confidential and can be difficult to obtain due to its commercial sensitivity. Earnings multiples calculated using the current share price of comparable listed companies are generally easier to obtain, but are typically less relevant as issues of size, liquidity, transparency and the implicit minority discount must be taken into consideration.

#### ***Capitalisation of Dividends Methodology***

The capitalisation of dividends method is similar to the capitalisation of earnings approach and is generally used to value minority equity shareholdings. This method involves a direct determination of the equity value of a company using an assessment of its future maintainable dividends. The future maintainable dividends are capitalised using an appropriate dividend yield to determine the equity value per share. This method is often used in situations where minority share parcels of stable dividend paying companies are being valued.

#### ***Asset-based Methodologies***

An asset based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them.

A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

#### ***Industry-Specific Techniques***

Different industries may develop their own informal approaches or “rule of thumb” valuation methods that can be applied to companies in their industry.

## **4.2 Valuation Approach**

Our preferred valuation method for assessing the fair market value of Mykris is the DCF method, which takes into consideration future growth opportunities and the associated capital expenditure / working capital requirements. However, we have not been provided with a Board approved long-range forecast suitable for a DCF valuation. We have therefore applied the Capitalisation of Earnings method for the purposes of this Report, cross-checked against the implied value of Mykris based on the Company’s recent private placement to Barter Fund Limited at \$0.17 per share.

### 4.3 Capitalisation of Earnings Valuation – Inputs and Assumptions

#### *Future Sustainable Earnings*

Mykris' historical earnings have fluctuated significantly over the FY13 – FY15 period, with normalised EBITDA ranging from \$1.56 million to \$2.45 million. As a result of this earnings volatility, and also the Company's growth objectives, it is difficult to accurately assess Mykris' long-term future sustainable earnings (FSE).

Our assessment of Mykris' future sustainable earnings is based on the Company's normalised historical EBITDA over the FY13 – FY15 period. We have also taken the Company's YTD FY16 financial performance into consideration. No Mykris budget for FY16 is currently available.

EBITDA is commonly used as the basis for FSE as it reflects a company's underlying operating earnings before the effects of financing and non-cash adjustments.

A summary of Mykris' normalised financial performance is set out below.

<b>Mykris - Normalised Financial Performance</b>				
<b>NZ\$000</b>	<b>Full Year Mar-13</b>	<b>Full Year Mar-14</b>	<b>Full Year Mar-15</b>	<b>YTD Jun-15</b>
Reported EBITDA	2,633	1,571	1,661	577
<u>Normalisations</u>				
Foreign currency conversion adjustment <sup>1</sup>	(180)	(39)	9	(3)
Impairment of goodwill	-	13	74	-
Development expenditure written off	-	-	135	-
Other <sup>2</sup>	-	14	2	-
<b>Total Normalisations</b>	<b>(180)</b>	<b>(13)</b>	<b>221</b>	<b>(3)</b>
<b>Normalised EBITDA</b>	<b>2,453</b>	<b>1,558</b>	<b>1,882</b>	<b>574</b>

1. Based on a constant NZD/MYR cross rate of 2.68 (3 month average as at 30 June 2015).

2. Includes gain on sale of equipment, equipment written off and legal costs (based on NZD values as reported in Mykris' annual accounts).

Taking into consideration the above analysis, Campbell MacPherson has assumed a future sustainable earnings range of \$1.9 million to \$2.0 million for the purposes of assessing the value of Mykris.

#### *Valuation Multiple*

Campbell MacPherson has reviewed a range of transactions in the telecommunications / online services sector in the Asia-Pacific region. Transactions were selected based on their relevance to Mykris and also the availability of transaction multiples. While a number of these transactions are not directly comparable to Mykris, they represent a guide for valuation purposes.

Comparable transactions reviewed by Campbell MacPherson are summarised below.

<b>Comparable Transaction Multiples - Telecommunications / Online Services - Asia Pacific</b>				
<b>Target</b>	<b>Date</b>	<b>Domicile</b>	<b>Implied EV (\$M)</b>	<b>Implied EV/EBITDA</b>
Intelligent IP Communications	Aug-13	Australia	22.8	14.3
Pacnet Internet	Jan-07	Singapore	142.5	12.5
TPG Holdings	Feb-08	Australia	276.6	11.6
PCCW Mobile HK	Jun-05	Hong Kong	447.0	11.4
Dodo Australia Holdings	Mar-13	Australia	256.4	9.7
PowerTel	Jan-07	Australia	373.9	8.1
GIGAPRIZE Co	Nov-07	Japan	24.8	8.0
Millicom Lao Co.	Sep-09	Laos	149.5	7.5
CRPTC	Oct-05	Hong Kong	630.4	6.5
Hong Kong CSL	Dec-13	Hong Kong	2,951.8	5.7
TelstraClear Limited	Jul-12	New Zealand	657.5	4.4
Yunbo Information Technology Co.	Feb-08	China	5.0	4.3
Clever Communications Australia	Nov-10	Australia	5.1	4.0
China Motion Telecom (HK)	Nov-12	Hong Kong	7.7	3.2
B Digital	Sep-06	Australia	142.9	2.9
Conexus	Nov-12	Australia	6.1	2.9
Dream Train Internet	Jul-07	Japan	45.7	2.4
<b>Mykris Asia and Mykris Net</b>	<b>Jan-12</b>	<b>Malaysia</b>	<b>14.0</b>	<b>5.9</b>
<b>Average</b>			<b>342.2</b>	<b>7.0</b>
<b>Median</b>			<b>142.7</b>	<b>6.2</b>
<b>Average (EV &lt; \$100M)</b>			<b>16.4</b>	<b>5.6</b>
<b>Median (EV &lt; \$100M)</b>			<b>10.9</b>	<b>4.2</b>

Source: Capital IQ

As summarised above, EV/EBITDA multiples for our list of comparable transactions have ranged from 2.4x to 14.3x with an average of 7.0x and a median of 6.2x. Excluding the transactions with an implied enterprise value over \$100 million, the average multiple is 5.6x and the median multiple is 4.2x.

Of particular relevance to this valuation is the EV/EBITDA multiple implied by the initial acquisition of Mykris Asia, Mykris Net and Mykris Penang by Mykris in 2012. Prior to listing on the NZAX in 2012, Mykris acquired 100% of the shares in Mykris Asia, Mykris Net and Mykris Penang for a total consideration of \$14 million, which was satisfied by issuing 56 million new Mykris shares to the vendor at a price of \$0.25 per share. The purchase price of \$14 million implied a valuation multiple of 5.9x FY10 EBITDA, which was \$2.36 million.

Campbell MacPherson has also considered trading multiples for comparable listed companies in the telecommunications / online services sector in emerging markets throughout the Asia Pacific region.

Comparable trading multiples reviewed by Campbell MacPherson are set out below.

<b>Comparable Trading Multiples - Telecommunications / Online Services - Asia Pacific</b>				
<b>Company</b>	<b>Domicile</b>	<b>Market Cap (\$M)</b>	<b>Historic EV/EBITDA</b>	<b>Forward EV/EBITDA</b>
Tata Teleservices	India	290.7	12.9	n/a
Internet Thailand Public Company	Thailand	26.5	11.4	n/a
Ortel Communications	India	150.0	11.3	n/a
AcrossAsia	Hong Kong	84.9	8.9	n/a
BigAir Group	Australia	155.5	8.8	6.1
Intech	Bangladesh	5.8	6.7	n/a
GIGAPRIZE	Japan	37.3	5.5	n/a
ASAHI Net	Japan	202.7	5.2	5.2
GMO CLOUD	Japan	109.7	4.3	n/a
TeamTalk	New Zealand	19.9	4.3	3.9
XOX Berhad	Malaysia	8.2	2.1	n/a
<b>Average</b>		<b>99.2</b>	<b>7.4</b>	<b>5.1</b>
<b>Median</b>		<b>84.9</b>	<b>6.7</b>	<b>5.2</b>
<b>Average (EV &lt; \$100M)</b>		<b>34.4</b>	<b>5.6</b>	<b>3.9</b>
<b>Median (EV &lt; \$100M)</b>		<b>23.8</b>	<b>4.9</b>	<b>3.9</b>

Source: Capital IQ

Mykris currently trades at an EV/EBITDA multiple of 2.4x. However, as discussed in Section 3.6, there has been very limited trading in Mykris shares over the past 12 months. The total volume of shares traded during this period represented less than 0.01% of the total shares on issue. Given the extreme lack of liquidity, we do not consider that the use of the Company's current trading data provides a strong basis for determining the current equity value of Mykris.

Taking into consideration the above transactional and trading multiples, and also factors specific to Mykris (as listed in Section 3.5), Campbell MacPherson has assessed an appropriate EV/EBITDA multiple ranging from 5.0x to 6.0x to apply to the earnings of Mykris.

#### **Net Debt**

As at 30 June, 2015, Mykris had external bank debt of \$0.83 million and a corresponding cash position of \$1.21 million, resulting in a net debt position of \$0.38 million. However, for valuation purposes, a number of adjustments have been made to estimate Mykris' normalised net debt position. Key adjustments include:

- An increase in Mykris' cash position to reflect the Company's recent private placement to Barter Fund Limited which was completed on 6 August 2015.
- An increase in Mykris' cash position to reflect the Company's net working capital surplus as at 30 June 2015 relative to the Company's historical average net working capital position.
- A reduction in Mykris' cash position to reflect the Company's related party liabilities as at 30 June 2015 (unpaid management fees).

<b>Mykris - Net Debt</b>	
<b>NZ\$000</b>	<b>Jun-15 <sup>1</sup></b>
Term borrowings	(826)
Plus cash	1,211
Reported net cash / (debt)	384
Net value of adjustments	216
<b>Net cash / (debt) for valuation purposes</b>	<b>600</b>

1. Adjusted based on a NZD/MYR cross rate of 2.68 (3 month average as at 30 June 2015).

Taking into consideration the above adjustments, Campbell MacPherson has assessed Mykris' net cash position for valuation purposes to be \$0.6 million.

### **Surplus Assets**

#### Commercial Office Building

As previously announced to the market, Mykris Asia has entered into a conditional Sale and Purchase agreement for the acquisition of a new commercial office building to be constructed for approximately \$3.3 million. We understand that construction activity in relation to this new building has commenced and will be completed in 2019. As at 30 June 2015, Mykris had spent \$2.1 million on the construction of this building.

Upon completion, Mykris' Malaysian operations will be located at this facility, resulting in significant rental savings for the Company. However, these savings will not be realised until 2019.

Mykris' commercial building does not currently form part of the Company's core operating assets. We have therefore treated Mykris' investment in the new building as at 30 June 2015 (i.e. \$2.1 million) as a surplus asset for valuation purposes.

#### Barter Trade Dollars

Mykris currently holds 718,782 Barter Trade Dollars. A Barter Trade Dollar is an accounting unit used to record the value of goods and services traded under the Bartercard exchange network. The IRD considers one Trade Dollar to be equivalent to one New Zealand dollar for all accounting and taxation purposes.

Mykris' Barter Trade Dollars do not form part of the Company's core operating assets and have therefore been treated as a surplus asset for valuation purposes.

<b>Mykris - Surplus Assets (Book Value)</b>	
<b>NZ\$000</b>	<b>Jun-15 <sup>1</sup></b>
Commercial office building	2,117
Barter Trade Dollars <sup>2</sup>	719
<b>Total Surplus assets</b>	<b>2,836</b>

1. Adjusted based on a NZD/MYR cross rate of 2.68 (3 month average as at 30 June 2015).

2. Adjusted to reflect Mykris' recent private placement to Barter Fund Limited.

Campbell MacPherson has assessed the value Mykris' surplus assets to be \$2.84 million. Our assessed value is based on the book value of these assets as at 30 June 2015 (adjusted to reflect a NZD/MYR cross rate of 2.68 and Mykris' recent private placement).

#### 4.4 Assessed Value of Mykris – Capitalisation of Earnings Methodology

Based on the inputs and assumptions summarised above, Campbell MacPherson has assessed the enterprise value of Mykris to be in the range of \$9.5 million to \$12.0 million. After adjusting for net debt and surplus assets, Campbell MacPherson has assessed the equity value of Mykris (assuming a 100% shareholding) to be in the range of \$12.94 million to \$15.44 million. **This equates to \$0.21 to \$0.25 per share.**

<b>Mykris - Capitalisation of Earnings Valuation</b>		
<b>NZ\$000</b>	<b>Value Range</b>	
	<b>Low</b>	<b>High</b>
Future Sustainable EBITDA	1,900	2,000
EBITDA Multiple	5.00	6.00
<b>Assessed Enterprise Value</b>	<b>9,500</b>	<b>12,000</b>
Plus net cash / (less net debt)	600	600
Plus surplus assets	2,836	2,836
<b>Assessed Equity Value</b>	<b>12,936</b>	<b>15,436</b>
Number of shares on issue (000)	62,120	62,120
<b>Assessed Equity Value (per share)</b>	<b>0.21</b>	<b>0.25</b>

#### 4.5 Valuation Cross-Check – Market Based Methodology

Given the extreme lack of liquidity associated with Mykris, we do not consider that the use of the Company's current trading data provides a strong basis for determining the current equity value of Mykris. However, we have cross-checked our assessed value of Mykris with the implied value of the Company based on the recent private placement of 2.2 million shares to Barter Fund Limited at \$0.17 per share that took place in August 2015.

Based on an issue price of \$0.17 per share, the implied equity value of Mykris is \$10.56 million, which is significantly below our assessed value range based on the Capitalisation of Earnings methodology. However, an implicit minority discount must be taken into consideration when using market based trading data. Assuming a notional minority discount of 25%, an issue price of \$0.17 per share for a minority position implies a value of \$0.23 per share for 100% of the Company. This is in line with our assessed value under the Capitalisation of Earnings methodology.

## 5. VALUATION OF MYKRIS (AFTER THE PROPOSED TRANSACTION)

### 5.1 Proposed Transaction

In the event that the Proposed Transaction is approved by the Non-associated shareholders, MIB will acquire Mykris' shares in the key subsidiaries Mykris Asia and Mykris Net (i.e. the Company's primary business assets). The consideration offered under the Proposed Transaction will comprise a cash payment of at least \$480,000 (payable to Mykris) and the transfer back of up to 49,696,080 existing Mykris shares. The Non-associated Shareholders will therefore hold 100% of the shares in Mykris following the completion of the Proposed Transaction.

As set out in Section 1.2, the final structure of the Proposed Transaction has not yet been determined. The number of Mykris shares to be transferred back and the total cash consideration to be paid to Mykris is not yet finalised.

As a result of the Proposed Transaction, Mykris will become a listed shell company with some residual assets, primarily comprising cash, Barter Trade Dollars and an NZAX listing.

Campbell MacPherson has assessed the value of Mykris following the completion of the Proposed Transaction by reference to the value of Mykris' net assets together with our assessed value of Mykris' listing on the NZAX.

### 5.2 Value of Mykris Following the Proposed Transaction

Based on Mykris' pro-forma balance sheet following the Completion of the Proposed Transaction, the Company will have net assets (excluding the value of its listing on the NZAX) ranging from \$1.19 million to \$4.80 million under Scenarios 1 and 2 respectively. As summarised below, the cash consideration payable to Mykris increases significantly in the event that only 56.7% of the Company's shares are transferred back under the Proposed Transaction (i.e. Scenario 2).

<b>Mykris - Net Assets Following the Proposed Transaction (Excluding NZAX Listing)</b>		
<b>NZ\$000</b>	<b>Scenario 1</b>	<b>Scenario 2</b>
% of Mykris shares transferred back	80%	56.70%
<u>Assets</u>		
Cash	474	4,091
Barter Trade dollars	719	719
Prepayments / NZX Deposit	22	22
	1,214	4,832
<u>Liabilities</u>		
Accruals	29	29
<b>Net Assets (excluding NZAX listing)</b>	<b>1,185</b>	<b>4,803</b>
Number of shares on issue (000's)	12,424	26,896
<b>Net Assets per Share</b>	<b>0.10</b>	<b>0.18</b>

### **Value of Mykris' NZAX Listing**

While intangible in nature, there is value inherent in Mykris' listing on the NZAX. The value ascribed to a listing on the NZAX reflects the time, risk and costs potentially saved by a company undertaking a reverse-listing rather than completing a direct compliance listing or initial public offering (IPO) on an equivalent stock exchange.

Major costs associated with a direct compliance listing would likely include legal and other advisory fees, share registry expenses, accounting fees, NZX fees, disclosure statements and/or an investment statement and prospectus.

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

The value ascribed to a NZSX or NZAX listing in reverse listing transactions often varies significantly and should be considered in the context of the individual transaction (e.g. the benefits to the target company need to be considered on a case-by-case basis). Based on our analysis of selected reverse listing transactions undertaken in New Zealand, the implied value of a listing has been in the range of \$0.2 million to \$1.2 million, with an average of \$0.5 million. More recent transactions (2012 onwards) have been in the range of \$0.20 million to \$0.45 million with an average of \$0.36 million.

#### **Selected Reverse Listing Transactions - Implied Listing Value**

<b>Listed Vehicle</b>	<b>Acquisition / Investment</b>	<b>Acquisition Date</b>	<b>Implied Listing Value (\$000)<sup>1</sup></b>
Vetilot	Investment by NZ Silveray	Apr-15	450
Claridge Capital	Sea Dragon Marine Oils	Oct-12	440
Velo Capital	Voucher Mob	Aug-12	200
Holly Springs	Retail Information Systems	Sep-09	300
RLV No 3	Minera Varry	Dec-08	240
Vistron	MFS New Zealand	Jul-07	1,210
Spectrum Resources	Charlies	Jul-05	700
RLV No 3	TJRE Holdings	Not completed	490
<b>Average</b>			<b>500</b>
<b>Median</b>			<b>450</b>

1. Rounded to the nearest \$10,000.

Taking into consideration the above analysis, Campbell MacPherson has assessed the value of Mykris' listing on NZAX to be in the range of \$0.3 million to \$0.4 million with a mid-point of \$0.35 million.

### **Assessed Value of Mykris (Post the Proposed Transaction)**

We consider that the most relevant measure of the value of Mykris following the completion of the Proposed Transaction comprises the Company's net assets plus our assessed value of the Company's NZAX listing.

As summarised below, our assessed value of Mykris following the completion of the Proposed Transaction is highly sensitive to the final structure of the Proposed Transaction.

<b>Mykris - Assessed Value Following the Proposed Transaction</b>				
<b>NZ\$000</b>	<b>Scenario 1</b>		<b>Scenario 2</b>	
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
% of Mykris shares transferred back	80.0%	80.0%	56.7%	56.7%
Net Assets (as reported above)	1,185	1,185	4,803	4,803
NZAX listing	300	400	300	400
<b>Assessed Value</b>	<b>1,485</b>	<b>1,585</b>	<b>5,103</b>	<b>5,203</b>
Number of shares on issue (000's)	12,424	12,424	26,896	26,896
<b>Assessed value per share (\$)</b>	<b>0.12</b>	<b>0.13</b>	<b>0.19</b>	<b>0.193</b>

Under Scenario 1 (the likely Scenario), Campbell MacPherson has assessed the aggregate value of Mykris following the completion of the Proposed Transaction to range from \$1.49 million to \$1.59 million, i.e. **\$0.12 to \$0.13 per share**.

Under Scenario 2 (the less likely Scenario), Campbell MacPherson has assessed the aggregate value of Mykris following the completion of the Proposed Transaction to range from \$5.10 million to \$5.20 million, i.e. **\$0.19 to \$0.193 per share**.

## APPENDIX I. INFORMATION, DISCLAIMER & INDEMNITY

### I.a Sources of Information

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

- The draft Notice of Meeting.
- The Sale and Purchase Agreement between Mykris and MIB dated 28 September 2015.
- Mykris' audited annual reports for the years ended 31 March 2013, 31 March 2014 and 31 March 2015.
- Mykris unaudited management accounts as at 30 June 2015.
- Mykris Asia debt facility agreements.
- The NZAX Disclosure Document dated 21 December 2011.
- Various NZX announcements by Mykris.
- Other publically available information on Mykris.
- Capital IQ (share price data, company financials and transaction analysis).
- Correspondence and / or discussions with the Independent Directors of Mykris.

During the course of preparing this Report, we have had discussions with and/or received information from the Directors who are not associated with MIB, executive management of Mykris and Mykris' legal advisers.

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

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Report.

In our opinion, the information set out in this Report is sufficient to enable the Directors who are not associated with MIB and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of Resolutions 5 and 6.

### I.b Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Mykris 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 Mykris. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

### **I.c Disclaimer**

We have prepared this Report with care and diligence and the statements in this Report are given in good faith and in the belief, on reasonable grounds, that such statements are true and correct.

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

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

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

### **I.d Indemnity**

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

## APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS

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### II.a Qualifications

Campbell MacPherson is a private New Zealand-owned investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, debt and equity capital-raising and prepares independent corporate advisory reports, valuation reports and strategic advice to a wide range of private and public New Zealand companies, local bodies and other organisations. Further information on Campbell MacPherson can be found on our website [www.campbellmacpherson.com](http://www.campbellmacpherson.com)

The persons in Campbell MacPherson responsible for issuing this Report are Alistair Ward, Tony Haworth and Brad Caldwell. These individuals are experienced corporate finance practitioners with relevant expertise in preparing a report of this nature.

### II.b Independence

Campbell MacPherson does not have at the date of this Report, and has not had, any shareholding in or other relationship with Mykris or MIB that could affect our ability to provide an unbiased opinion in relation to this Report.

Campbell MacPherson has not had any part in the formulation of the Proposed Transaction nor any aspects thereof. Our sole involvement has been the preparation of this Report.

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

### II.c Declarations

Advance drafts of this Report were provided to the Directors who are not associated with MIB for their comments as to factual accuracy as opposed to opinions, which are the sole responsibility of Campbell MacPherson. Changes made to the Report as a result of circulation of the drafts have not changed the methodology or conclusions reached by Campbell MacPherson.

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

### II.d Consents

We consent to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting to be sent to Mykris' 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.

## APPENDIX III. COMPARATIVE TRANSACTIONS

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### **Intelligent IP Communications**

Intelligent IP Communications provides IP telephony, video conferencing, private data networks, and secure high-speed internet services to businesses worldwide. The company also provides high definition video, VPN, high-speed internet and telephone services to residential customers throughout Australia. The company was founded in 2005 and is based in Australia. Intelligent IP Communications operates as a subsidiary of BigAir Group Limited.

### **Pacnet Internet**

Pacnet Internet provides telecommunications services to carriers, large enterprises, and small/medium enterprises worldwide. It offers IP, data, voice, managed solutions and internet services. Internet solutions offered by Pacnet Internet include business-grade DSL, cable, business broadband and Pacnet Nextreme, a high-speed alternative to traditional broadband with fibre-based access. The company was founded in 1995 and is based in Singapore. Pacnet Internet operates as a subsidiary of Pacnet Services Corporation Limited.

### **TPG Holdings**

TPG Holdings provides internet and networking services. The company was founded in 1987 and is based in Australia. TPG Holdings operates as a subsidiary of TPG Telecom Limited.

### **CSL Mobile (Previously PCCW Mobile HK)**

CSL Mobile provides mobile communications and multimedia services in Hong Kong. The company offers fixed-line, broadband internet, broadband pay-tv, and mobile services. Its mobile services include 4G, Wi-Fi, mobile broadband, and mobile data setup. The company was founded in 1994 and is headquartered in Hong Kong. CSL Mobile operates as a subsidiary of PCCW Limited.

### **Dodo Australia**

Dodo Australia provides telecommunication services to residential consumers and corporate markets in Australia. The company offers broadband internet, wireless broadband, dial-up internet, home phone, wireless telephony, and VOIP services. The company also offers internet hosting services. The company was incorporated in 2012 and is based in Australia. Dodo Australia operates as a subsidiary of M2 Group Limited.

### **PowerTel**

PowerTel offers data, voice, and internet solutions for small and medium businesses, large corporates, carriers, and other telecommunication service providers in Australia. The company's internet products and solutions include dedicated internet access, broadband internet and SHDSL-based internet connections. It serves businesses through direct sales, channel partners, wholesale carriers, and service providers. The company was founded in 1979 and is based in Australia. PowerTel Limited operates as a subsidiary of Spark New Zealand Limited.

### **GIGAPRIZE**

GIGAPRIZE provides residential internet connection and infrastructure services. In addition, it provides network hosting and maintenance services. GIGAPRIZE was founded in 1997 and is headquartered in Tokyo, Japan.

### **VimpelCom Lao (Previously Millicom Lao)**

VimpelCom Lao provides mobile telecommunication services for subscribers in Laos. It offers 3G and 4G, prepaid, post-paid, SMS/MMS, roaming, international calling and internet services. The company was founded in 2003 and is headquartered in Laos. VimpelCom Lao operates as a subsidiary of VimpelCom Limited.

**China Mobile Hong Kong Company (Previously China Resources Peoples Telephone Company)**

China Mobile Hong Kong Company provides voice, data, IDD, and international roaming communication services through 4G LTE, 3GHSPA, GPRS, EDGE, and other technologies for customers in Hong Kong, China, and internationally. In addition, it offers multi-SIM data sharing, Wi-Fi and mobile data. The company was founded in 1994 and is based in Hong Kong. China Mobile Hong Kong Company operates as a subsidiary of China Mobile Limited.

**Hong Kong CSL**

Hong Kong CSL offers mobile and broadband services to customers in Hong Kong and internationally. The company was incorporated in 1980 and is based in Hong Kong. Hong Kong CSL operates as a subsidiary of HKT Limited.

**Vodafone Fixed (Previously Telstra Clear)**

Vodafone Fixed provides mobile network, fixed line, broadband, and internet services. The company is based in New Zealand. Vodafone Fixed Limited operates as a subsidiary of Vodafone New Zealand Limited

**Yunbo Information Technology**

Yunbo Information Technology operates as a wireless service provider in the short-messaging service (SMS) and multimedia messaging (MMS) market. The company was founded in 2000 and is based in China. Yunbo Information Technology operates as a subsidiary of Galleon Holdings.

**Clever Communications Australia**

Clever Communications Australia provides a range of broadband communications services to the corporate, enterprise, small and medium enterprise, and small office markets in Australia. It owns and operates a fixed wireless broadband network that reaches a market of businesses in Sydney, Melbourne, Brisbane, and Adelaide. The company provides broadband internet, virtual private networks, fixed telephony, mobile, security, and application services. The company was founded in 1987 and is headquartered in Australia. Clever Communications Australia operates as a subsidiary of BigAir Group Limited.

**China Motion Telecom (HK)**

China Motion Telecom (HK) provides mobile communication services. The company was incorporated in 1993 and is based in Hong Kong. China Motion Telecom (HK) operates as a subsidiary of Gulfstream Capital Partners Limited.

**B Digital**

B Digital provides telecommunication services including mobile post-paid and prepaid, internet, voice over internet protocol, and fixed wire services to consumers and businesses. The company was incorporated in 2005 and is based in Australia. B Digital operates as a subsidiary of TPG Telecom Limited.

**Conexus**

Conexus provides internet services for business and residential customers. The company offers internet connectivity solutions, which include ADSL, SHDSL, hybrid options and Ethernet; hosting services and network/virtual private network services. The company was founded in 1989 and is based in Australia. Conexus operates as a subsidiary of My Net Fone Limited.

**Dream Train Internet**

Dream Train Internet provides internet services. The company was founded in 1995 and is based in Tokyo, Japan. Dream Train Internet operates as a subsidiary of FreeBit Co Limited.

## APPENDIX IV. COMPARATIVE COMPANIES

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### **Tata Teleservices**

Tata Teleservices provides basic and cellular telecommunication services in India. It offers wireline services, code division multiple access services, global system for mobile communications services, and 3G services. The company also provides high speed internet access services. The company was incorporated in 1995 and is based in India. Tata Teleservices is a subsidiary of Tata Sons Limited.

### **Internet Thailand Public Company**

Internet Thailand Public Company provides internet and information / communication technology infrastructure services for businesses and individuals in Thailand. The company operates through two segments, Access Business and Business Solutions. It offers internet access services, including MetroLAN, a hi-speed internet service. The company also provides internet data centre services. Internet Thailand Public Company Limited is headquartered in Thailand.

### **Ortel Communications**

Ortel Communications engages in the distribution of analog and digital cable television, high speed broadband, and voice over Internet protocol (VoIP) services. The company also offers fibre infrastructure leasing services to corporates and signal uplinking services. The company was founded in 1995 and is based in India.

### **AcrossAsia**

AcrossAsia provides cable TV, broadband network services, broadband internet access, and 4G services in Indonesia. The company operates through three segments: Multimedia Services and Broadband Network Services, Broadband Wireless Services, and Others. It offers broadband internet and digital TV services through a two-way HFC (hybrid fibre coaxial) network, as well as pay-tv network services. The company was incorporated in 2000 and is headquartered in Hong Kong. AcrossAsia is a subsidiary of Cyport Limited.

### **BigAir Group**

BigAir Group, together with its subsidiaries, provides managed internet services, cloud-based solutions, networking infrastructure, and managed campus-based networking solutions in Australia. It operates through Fixed Wireless for Business, BigAir Community Broadband, and Cloud Managed Services segments. The company offers a range of network services, including wide area network, fixed wireless network, local area network, fixed line connectivity, multi-protocol label switching VPNs, wireless LAN solutions, private networks, and high-speed business internet services. BigAir Group Limited was founded in 2002 and is based in Australia.

### **Intech**

Intech provides internet connectivity services through broadband and dial-up services to corporate entities and individual clients. The company offers dial-up connection, ADSL and DSL broadband, radio link, and domain registration, as well as ICT solutions. Intech was founded in 2000 and is headquartered in Bangladesh.

### **GIGAPRIZE**

GIGAPRIZE provides residential internet connection and infrastructure services. In addition, it provides network hosting and maintenance services. GIGAPRIZE was founded in 1997 and is headquartered in Tokyo, Japan.

### **ASAHI Net**

ASAHI Net operates as an internet service provider in Japan. It offers internet connection services under the ASAHI NET name, which include fibre-optic broadband, ADSL, and mobile, as well as related services, including email, security, and hosting services. ASAHI Net was founded in 1990 and is headquartered in Japan.

**GMO CLOUD**

GMO CLOUD develops and operates hosting services, security services, and other internet solutions in Japan and internationally. It offers shared, dedicated, and virtual private server hosting services, ISP services and server / cloud hosting services. The company was founded in 1993 and is based Tokyo, Japan.

**TeamTalk**

TeamTalk provides mobile radio networks, high speed broadband, and ISP services in New Zealand. The company operates through three segments: Mobile Radio, Broadband Networks and ISP. TeamTalk was founded in 1994 and is headquartered in New Zealand.

**XOX Berhad,**

XOX Berhad provides mobile telecommunication products and services primarily in Malaysia. It offers various services, including GSM, GPRS, and 3G to 3.5G services. The company also provides mobile application, convergence and management services. In addition, the company markets telecommunication and broadband internet services. XOX Berhad is based in Malaysia.