



## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

29 SEPTEMBER 2015

**Mykris Limited (the Company) gives you notice that the annual meeting of shareholders will be held at, Pullman Auckland Hotel, Corner Waterloo Quadrant and Princes Street, Auckland, commencing at 2.00 pm on Tuesday 29 September 2015.**

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

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

The business of the meeting will be:

### **Chairman's Introduction**

### **Company Presentation**

#### **Resolution 1: Annual Report**

To receive and consider the Annual Report, including the audit report and financial statements, for the year ended 31 March 2015.

*"That the Annual Report be received."*

#### **Resolution 2: Auditors**

To record that the Company's Auditors, Crowe Horwath New Zealand Audit Partnership, are automatically reappointed as auditors pursuant to section 207T of the Companies Act 1993 and to consider, and if thought fit, to pass the following ordinary resolution:

*"That the directors of the Company be authorised to fix the fees and expenses of the auditors of the Company for the financial year ending 31 March 2016."*

#### **Resolution 3: Re-election of Director**

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

*"That Brent Douglas King, who retires by rotation and is eligible for re-election, be elected as a director of the Company."*

#### **Resolution 4: Re-election of Director**

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

*"That Chang Wai Hoong, who retires by rotation and is eligible for re-election, be elected as a director of the Company."*

#### **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."*

## Explanatory Notes

Explanatory notes on the Resolutions are set out below.

### Currency

References to \$ and NZD are references to NZ Dollars.

### Independent Adviser's Report

The Company has obtained an independent adviser's report in relation to Resolutions 5 and 6 from Campbell MacPherson Limited. The purpose of that report is to assess the proposed Sale of the Subsidiaries and the Transfer Back to the Company of up to 80% of its own shares under Resolutions 5 and 6 (collectively the Transaction). Campbell MacPherson Limited has prepared that report and a copy of their report accompanies this Notice of Meeting.

In their report, Campbell MacPherson Limited reached the following conclusion in relation to the Transaction:

***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.***

Campbell MacPherson Limited provide a summary of the key factors influencing their opinion on page 15 of their report.

### Directors' Recommendation

The independent Directors AFTER DUE CONSIDERATION OF THE CAMPBELL MACPHERSON LIMITED REPORT ***unanimously recommend that you vote in favour*** of the Resolutions. The independent Directors consider that the Transaction is fair to remaining shareholders having regard to the current share price, the volume of shares traded in the last 12 months and the risks identified immediately below.

The independent Directors consider that Campbell MacPherson Limited have not given sufficient weight to the following matters identified in their report:

- (a) The ongoing risk relating to the renewal of network licences;
- (b) A view of the independent Directors that any sale process to a third party would be highly problematic without the support of the Company's founders and those founders not having expressed any interest to the independent Directors to date in relation to selling the business of the Company to a third party;
- (c) The difficulties for minority shareholders attempting to sell shares on market, as evidenced by the limited liquidity in the Company's shares, and reflected in the Company's market capitalisation being well below the Company's book value;
- (d) The current reinvestment of significant cash by the Subsidiaries to fund the new corporate office;
- (e) Many offshore investors being unable to take advantage of imputation credits available to New Zealand residents.

A further explanation of these risks can be found in paragraph 2.6 on pages 14 to 16 of Campbell MacPherson Limited's report.

Unless Resolutions 5 and 6 are passed the Transaction will not take effect. Therefore, if either Resolution 5 or Resolution 6 is not passed the Company will remain as it is now.

## **Voting Details**

### **Ordinary Resolution**

Resolutions 1 to 4 are ordinary resolutions. An ordinary resolution means a resolution passed by a simple majority of votes of shareholders of the Company entitled to vote and voting.

### **Special Resolution**

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.

A special resolution is required to comply with Section 129 of the Companies Act (for why Section 129 applies see the subheading *Section 129 of the Companies Act* under the heading *Why is Shareholder Approval Needed for Resolutions 5 and 6?* on page 12)

Resolutions 5 and 6 are also required to be passed as ordinary resolutions to comply with NZAX Listing Rules 7.5, 7.6, 9.1.1 and 9.1.2. (for the reasons why this is the case, see the subheadings *NZAX Listing Rule 7.5*, *NZAX Listing Rule 7.6.*, *NZAX Listing Rule 9.1.1(c)* and *NZAX Listing Rule 9.2.1* under the heading *Why is Shareholder Approval Needed for Resolutions 5 and 6?* on page 12).

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

### **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 that entitlement they must contact the Company within 10 working days of the passing of the Resolution. If a shareholder exercises that entitlement, the Company must purchase that shareholder's shares unless the Court grants an exemption under section 114 of the Companies Act. The 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.

### **Voting Restrictions**

By virtue of NZAX Listing Rule 9.3:

- (a) MIB and each associated person of MIB will not be entitled to vote on Resolutions 5 and 6 relating to the Transaction (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);

- (b) Each shareholder of the Company holding 1% or more of the pre-Transaction shares in the Company 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 Transaction will not be entitled to vote on Resolutions 5 and 6 relating to the Transaction.

Any votes cast by such person or persons not entitled to vote in relation to the relevant Resolution will be disregarded by the Company (unless such votes are cast by such person or persons acting as a proxy for a person entitled to vote on the Resolution and in accordance with that person's express instructions).

### ***Proxies and Representatives***

Shareholders may exercise their right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in their place. A proxy may vote at the meeting and at any adjournment thereof and on any resolution to amend any of the resolutions, on any resolution so amended and on any other resolution proposed at the meeting (or any adjournment). A proxy need not be a shareholder of the Company. The Chairman of the Meeting (who will not be Chew Choo Soon or Chang Wai Hoong) is willing to act as proxy for any shareholder who may wish to appoint him for that purpose. If the shareholders appoint the Chairman of the Meeting as their proxy, and do not direct him how he is to vote, then the Chairman of the Meeting intends to vote any discretionary proxies that he receives in favour of the Resolutions. A shareholder is not permitted to confer a discretionary proxy on a shareholder who is not entitled to vote or any associated person of any such person (hence discretionary proxies cannot be conferred on Chew Choo Soon or Chang Wai Hoong). A body corporate shareholder may appoint a representative to attend the meeting on its behalf. A proxy form is enclosed with this notice.

If you wish to vote by proxy you must complete the attached form and produce it to the Company by delivering it to the Company's Share Registrar, Computershare Investor Services Ltd, Level 2, 159 Hurstmere Road, Takapuna, Auckland or by posting it to The Share Registrar, Mykris Limited, c/o Computershare Investor Services Ltd, Private Bag 92119, Auckland 1142, New Zealand in each case, so as to be received no later than 48 hours before the meeting is due to begin (i.e. before 2.00 pm on 27 September 2015).

Postal voting is not available.

By order of the Board



Chew Choo Soon  
**Chairman**

## **EXPLANATORY NOTES**

### **1. AUDITORS (Resolution 2)**

Crowe Horwath New Zealand Audit Partnership is automatically reappointed as auditors under section 207T of the Companies Act 1993. Resolution 2 authorises the Board to fix the fees and expenses of the auditors for the financial year ending 31 March 2016.

### **2. ELECTION OF DIRECTORS (Resolution 3 – 4)**

NZAX Listing Rule 3.2.6 (adopted within the Company's constitution) requires that at every annual meeting, at least one third of the Directors and being those who have been longest in office since their last election, shall retire from office.

The Company currently has five directors. Two of those directors (Brent Douglas King and Chang Wai Hoong) retire by rotation, and being eligible for re-election, have offered themselves for re-election. Brent Douglas King is an independent Director. Chang Wai Hoong is not an independent Director.

#### **BRENT DOUGLAS KING**, *BCom, CA, CMA, RFA*

Brent Douglas King has been an Independent Non-Executive Director of Mykris Limited since 30 September 2011. He is the Managing Director of Investment Research Group Limited. He was also the founder and Managing Director of the Dorchester Group of Companies for seventeen (17) years until he resigned in 2005. He holds a number of public and private directorships. He has more than twenty (20) years experience in financial, investment banking, underwriting, capital raising and accounting areas and has assisted a number of public and private companies.

#### **CHANG WAI HOONG**, *Associate Degree, Electronic Engineering*

Chang Wai Hoong is the Executive Director and Co-founder of Mykris Limited and has been a Director of the Company since 21 December 2011. He was appointed as a Director of MyKRIS International Sdn Bhd on 25 March 2008 and re-designated as the Executive Director of MyKRIS International Sdn Bhd on 20 May 2010. He graduated from RIMA College with an Associate Degree in Electronic Engineering in 1992.

His career started in 1992 as a Special Project Engineer in a local private limited multinational company and he was promoted to Project Manager in 1993. He was mainly responsible for Bank Islam Malaysia's Smart Card Project, which was among the earliest uses by banks of smart cards for banking purposes. He then joined a local MSC company in 1994 as Project Engineer and was later appointed as the Executive Officer in 1996 responsible for assisting the Vice President of the information access division in accountability and business strategy, as well as in the reorganisation of the engineering division. In his current tenure as the Executive Director of the MyKRIS Group, he plays a vital role in the business development and strategic partnerships of the Group.

### **3. THE TRANSACTION (Resolutions 5 and 6)**

#### ***Agreement for Sale and Purchase***

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

The sale price to the Company, and the Purchase Price for MIB, is NZ\$12,904,020, to be satisfied by transferring back to the Company up to 80% of its shares (Transfer Back to the Company of up to 80% of its own shares) and paying cash as follows:

- (a) \$8,806,136.25 to be satisfied by the Company re-purchasing all MIB's 35,224,545 shares in the Company (56.7% of the Company's total shares on issue) at a price of \$0.25 cents per share;
- (b) \$3,617,883.75 to be satisfied by MIB procuring third parties to transfer back to the Company 14,471,535 shares in the Company (23.3% of the Company's total shares on issue) which as between MIB and the Company will be deemed to be transferred at a price of \$0.25 cents per share, provided that MIB may elect to satisfy all or any part of the said sum of NZ\$3,617,883.75 by making payment to the Company in cash;
- (c) Payment of \$480,000 in cash,

(collectively the Transaction).

The Transaction is subject to the condition that on or before 30 October 2015, or such later date as may be agreed in writing between the parties, the Company obtains all shareholder and other approvals required to implement the agreement.

Subject to satisfaction of the above condition, completion of the Transaction will take place 14 days after the condition has been satisfied or such later date as may be agreed in writing between the parties.

The agreement requires Chang Wai Hoong (but not Chew Choo Soon) and Hock Lee Siow to resign at completion of the Transaction.

After completion:

- (a) The Company will be a cashed up shell whose principal assets will be the cash paid to it by MIB on completion, plus its existing cash resources;
- (b) If MIB procures third parties to transfer 14,471,535 shares back to the Company then the Company will have 12,424,020 shares on issue, as a result of transfers back to Mykris of 80% of its shares on completion, plus up to 653,896 of the shares transferred back to the Company under the Transaction which are intended to be shares held by the Company in itself as treasury stock (the rights and obligations attaching to these shares would be suspended whilst held by the Company and they could only be reissued in compliance with NZAX Listing Rules and the Takeovers Code). The remaining shares transferred back to the Company under the Transaction will be cancelled.

As soon as practically possible after completion of the Transaction the Company intends to change its name to a name that does not include the word "Mykris". The Company is yet to decide on a new name.

Further background information about the Transaction can be found in paragraph 1.1 on page 3 of Campbell MacPherson Limited's report.

### ***Reasons for the Transaction***

After three years as a company incorporated and listed by MIB on the NZAX, as a holding company for the Subsidiaries, MIB has offered to re-acquire the Subsidiaries and thereby make them part of a MIB owned non listed group carrying on business in Malaysia, but with no New Zealand presence.

For the Company, the Sale of the Subsidiaries would involve the Company selling its existing business and continuing as a much smaller company that is effectively a cash shell with estimated cash and cash

equivalents of \$474,000 (see the pro forma post-Transaction statement of financial position on pages 10 and 11).

While the Group as a whole has produced an EBITDA of \$1,660,738 for the twelve months to 31 March 2015, the NPAT for that period was a much smaller \$149,580, and the Company (has not paid any dividend to shareholders since July 2013). This is due to a range of factors referred to in the Company's latest annual report, including:

- (a) The Company having very significant non-cash items including amortisation (\$1,025,458) and depreciation (\$925,826) for the twelve months to 31 March 2015.
- (b) The NZD having strengthened against the Malaysian Ringgit (MYR) in recent times, effectively reducing returns when calculated in NZD, and increasing costs that are funded in MYR but paid in NZD (which include costs of audit, listing and registry and other costs that need to be paid in NZD).
- (c) The Subsidiaries continue to focus on growth and retain cash within the business.

For the reasons set out on page 3, the Board has concluded that the Transaction is in the best interest of the Company and its shareholders remaining after the Transaction and will enable the Company to attract new investment to make investments that the Board intends would be more profitable, in terms of NPAT/share, for the Company and its shareholders.

At this time:

- (a) The Board expects that the Company will remain listed;
- (b) After the Transaction the Company will be an investment company looking to raise further capital with a view to identifying assets and businesses it considers:
  - (i) have a real value in excess of their market value;
  - (ii) through restructuring and rationalisation are anticipated to increase in value.
- (c) However, the Board is still to decide on the Company's post-Transaction strategic direction;
- (d) The Board is not currently investigating or considering any possible investments, and has not entered into any discussions to acquire assets.

### ***Description of the Transaction***

The Transaction has two components:

- (a) The Sale of the Subsidiaries for a Purchase Price of \$12,904,020; and
- (b) As consideration for the Sale of the Subsidiaries, MIB arranging for the Transfer Back to the Company of up to 80% of its shares, from shareholders selected by MIB, plus payment to the Company of cash equal to an amount by which the Purchase Price exceeds the agreed price of the shares transferred back to the Company.

If 80% of its shares are transferred back to the Company the amount of the Purchase Price MIB will be required to pay to the Company in cash will be \$480,000.

The Transaction involves:

- (a) Pricing the Company at \$0.25 per share (which was the initial issue price of the Company's shares on issue on the date of its listing on the NZAX on 10 January 2012 and compares to an

issue price for the last shares to be issued of \$0.17 per share and a share price as at 31 August 2015 of \$0.07 per share). The initial issue price of \$0.25 was considered to be the value of the shares based on net assets. Note that net assets per share calculated based on the audited accounts of the Company as at 31 March 2015 was 25 cents per share i.e. total net assets of \$14,726,976 divided by 59,920,100 shares on issue. This reduces to \$0.07 when calculated on a net tangible assets basis. As the proposed Transaction was first announced on 15 August 2015, the Company expects the post-Transaction price of its shares to be approximately \$0.07 per share.

- (b) Agreeing a Purchase Price for the Subsidiaries of \$12,904,020.
- (c) Effectively distributing the majority of the assets of the Company, in the form of the Subsidiaries, to one of the shareholders, MIB, in exchange for the return of up to 80% of the shares in the Company, plus cash equal to an amount by which the Purchase Price exceeds the agreed price of the shares transferred back to the Company.

The Transaction is therefore designed:

- (a) To return the Subsidiaries to MIB; and
- (b) To inject cash into the Company equal to an amount by which the Purchase Price exceeds the agreed price of shares transferred back to the Company (where that price is assessed to be \$0.25 per share).

The result will be that:

- (a) The Transaction returns the Subsidiaries to MIB;
- (b) The post-Transaction shareholders own the shares in the Company that retains the residual assets after disposing of the Subsidiaries plus cash equal to the amount by which the Purchase Price exceeds the agreed price of shares transferred back to the Company (where that price is assessed at \$0.25 per share).

After the Transaction:

- (a) The Company will be a much smaller company;
- (b) However, a minimum of 20% of the shares in the Company will remain on issue after the Transaction, with less concentration in the holdings as a result of MIB transferring back to the Company its 56.7% stake in the Company;
- (c) Those shares will be held in a company whose assets are cash or of a cash equivalent form.

The Transaction is designed to effectively divide the Company between the departing shareholders and the remaining shareholders with the Subsidiaries being allocated to MIB as one of the departing shareholders (and allowing for agreements made between MIB and other departing shareholders).

The Transaction is not intended to alter the value of the post-Transaction shares in the Company, either positively or negatively. Assuming MIB arranges for 80% of the Company's shares to be transferred back to the Company, such transfers will be made based on an assessed aggregate pre-Transaction value of \$12,424,020 (49,696,080 shares at 25 cents per share). The Subsidiaries received in return for these shares have an assessed value of \$12,904,020 (being \$12,424,020 plus \$480,000). MIB is therefore required to equate what it provides to the Company in the form of an 80% stake in the Company with what it takes in return, in the form of the Subsidiaries, by making a payment of \$480,000 (based on a transfer back to the Company of 80% of its shares).

The independent Directors have noted the assessment of Campbell MacPherson Limited that under the most likely scenario for the Transaction there would be a transfer of value from Non-Associated Shareholders to MIB of \$1.30, or \$0.10 per share (representing a decrease in value of approximately 46%). This assessment is based on a comparison of their assessed pre and post Transaction equity values of the Company. It is the view of the independent Directors that this does not accord sufficient weight to the risk factors referred to on page 3. In light of those risk factors, and the reality of the Company's share price, the view of the independent Directors is that it is more realistic to assess the question of value transfer by comparing the current and expected post-Transaction share price (of approximately \$0.07 per share) against the value that will remain in the Company post-Transfer. Based on a share price of \$0.07 per share, 12,424,020 shares on issue post-Transaction (under Campbell MacPherson Limited's most likely scenario) would have an aggregate market value of \$869,681.40. This compares to an expected post-Transaction book value for the Company of \$1,186,000 (as per the pro forma statement of financial position set out below).

Set out below is:

- (a) The audited consolidated statement of financial position of the Company as at 31 March 2015, as set out on page 27 of the Company's Annual Report for that year, adjusted to reflect the post balance date issue to Barter Fund Limited of 2,200,000 shares at 17 cents per share paid for as to \$78,000 in cash and \$296,000 in Barter Card Trade Dollars.\*
- (b) A pro forma statement of financial position of the Company showing its post-Transaction financial position.

\* A Bartercard Trade Dollar is an accounting unit used to record the value of goods and services. The Bartercard Trade Dollar is recognised by the Inland Revenue Department and financial institutions as having the same value as the New Zealand Dollar. Bartercard's credit/debit system functions in the same way the Mastercard and Visa systems deliver service to cash-paying customers. Bartercard Trade Dollars are not legal tender, securities, debentures or commodities.

<b>Shareholders Equity</b>	<b>Pre-Transaction</b>	<b>Post-Transaction</b>
Share capital	15,374,000	2,949,980
Retained earnings	273,388	(1,763,980) <sup>1</sup>
Foreign currency translation reserve	(546,412)	
<b>Total shareholders equity</b>	<b>15,100,976</b>	<b>1,186,000</b>

<b>Current assets</b>		
Cash and cash equivalents	917,638	474,000
Trade receivables	1,555,312	
Prepayments and other current assets	1,402,649	741,000
Taxation receivable	341	
Deferred tax assets – current portion	32,066	
<b>Total current assets</b>	<b>3,908,006</b>	<b>1,215,000</b>
<b>Non current assets</b>		
Property, plant and equipment	2,957,059	
Intangible assets and goodwill	10,723,066	
Investment properties	284,245	
Total non current assets	13,964,370	
<b>Total assets</b>	<b>17,872,376</b>	<b>1,215,000</b>
<b>Current liabilities</b>		
Trade and other payables	544,457	29,000
Deferred income	374,118	
Related party payables	193,569 <sup>2</sup>	
Term borrowings - current portion	65,002	
Deferred tax liabilities – current portion	249,552	
<b>Total current liabilities</b>	<b>1,426,698</b>	<b>29,000</b>
<b>Non current liabilities</b>		
Term borrowings – non current portion	75,882	
Deferred tax liabilities – non current portion	1,268,820	
Total non current liabilities	1,344,702	
<b>Total liabilities</b>	<b>2,771,400</b>	<b>29,000</b>
<b>Total net assets</b>	<b>15,100,976</b>	<b>1,186,000</b>
Net tangible assets per share (\$ per share)	0.07	0.10

The most recent financial statements for the Company can be accessed on the NZAX website at <https://www.nzx.com.market/nzax>.

- <sup>1</sup> The change from the pre-Transaction figure of \$273,388 is \$2,037,368 represented by group profit before tax on the results up to the disposal of the Subsidiaries of \$180,000, less expenses relating to the Transaction of \$125,000, and less accounting loss on disposal of the Subsidiaries of \$2,092,368.
- <sup>2</sup> The related party payables are to be settled prior to completion of the Transaction.

### **Why is shareholder approval needed for Resolutions 5 and 6?**

Resolutions 5 and 6 are required to comply with the provisions of section 129 of the Companies Act (relating to Major Transactions), NZAX Listing Rule 7.5 (relating to Issues and Buy Backs of Securities Affecting Control), NZAX Listing Rule 7.6 (relating to Buy Backs of Equity Securities, Redemption of Securities, and Financial Assistance) NZAX Listing Rule 9.1.1 (also relating to Major Transactions) and NZAX Listing Rule 9.2.1 (relating to Transactions with Related Parties).

These requirements are described below.

#### *Section 129 of the Companies Act*

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

The 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 Sale of Subsidiaries 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 the Company 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 the Company, among other things, from acquiring shares in the Company 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). The Company must therefore not enter into the Transfer Back to the Company of up to 80% of its shares 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 Transaction the Company 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 making the Sale of the Subsidiaries 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 for the Sale of the Subsidiaries).

#### *NZAX Listing Rule 9.1.1*

NZAX Listing Rule 9.1.1 prohibits the Company from entering into a Major Transaction without shareholder approval (for the purposes of the NZAX Listing Rules a Major Transaction means a transaction which has a gross value in excess of 50% of the Company's Average Market Capitalisation). The Purchase Price for the Subsidiaries of \$12,904,020, is in excess of the relevant threshold under NZAX Listing Rule 9.1.1 and therefore the Sale of the Subsidiaries is a Major Transaction in terms of NZAX Listing Rule 9.1.1.

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 9.1.1 also prohibits the Company from changing the essential nature of its business without shareholder approval. The Company is currently a holding company for one of the leading managed internet/intranet services companies in Malaysia. After the Transaction the Company will be an investment company looking to raise further capital with a view to identifying assets and businesses it considers:

- (a) have a real value in excess of their market value;
- (b) through restructuring and rationalisation are anticipated to increase in value.

#### *NZAX Listing Rule 9.2.1*

NZAX Listing Rule 9.2.1 prohibits the 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, the Company must not complete the conditional Sale of the Subsidiaries unless this transaction has been approved by an ordinary resolution of shareholders. A Material Transaction also includes a transaction whereby the Company acquires shares in the Company having a market value in excess of 10% of the Company's Average Market Capitalisation. Therefore the Company must not complete the conditional Transfer Back to the Company of up to 80% of its shares unless that transaction has been approved by an ordinary resolution of shareholders.

As outlined above, MIB is a Related Party of the Company. The independent Directors consider that the Transaction is nevertheless a transaction that was negotiated on an arms length and commercial basis. While the executive directors represented MIB in the negotiations, they did not participate in any Board decision by Mykris to enter into the Transaction.

**GLOSSARY**

*Aggregate Net Value* has the same meaning as in the NZAX Listing Rules.

*Agreement for Sale and Purchase* means a conditional agreement for the Sale of the Subsidiaries and the Transfer Back to the Company of up to 80% of its own shares.

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

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

*Board* means the Directors, acting as a board.

*Companies Act* means the Companies Act 1993.

*Company* means Mykris Limited.

*Directors* means the directors of the Company.

*Group* means the Company and the Subsidiaries.

*Major Transaction:*

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

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

*MIB* means MyKRIS International Sdn. BHD. (Company No. 811039-T).

*MYR* means Malaysian Ringgit.

*Non-Associated Shareholders* means shareholders who are not Associated Persons of MIB.

*NZAX* means the alternative market operated by NZX.

*NZAX Listing Rules* means NZX's listing rules for NZAX.

*NZD* means New Zealand dollars.

*NZX* means NZX Limited.

*ordinary resolution* means a resolution passed by a simple majority of votes of shareholders of the Company entitled to vote and voting.

*Purchase Price* means \$12,904,020.

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

*Resolutions 1, 2, 3, 4, 5 and 6* respectively, mean the resolutions set out under the Chairman's Introduction at the commencement of this Notice of Meeting.

*Resolutions* means Resolutions 1 to 6.

*Sale of the Subsidiaries* means the sale of the Subsidiaries for the Purchase Price pursuant to the Agreement for Sale and Purchase.

*shareholders* means the shareholders of the Company.

*shares* means ordinary shares in the Company.

*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.

Subsidiaries means MyKRIS Net (MSC) Sdn. Bhd. and MyKRIS Asia Sdn. Bhd.

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

*Transaction* means the transactions agreed to in the Agreement for Sale and Purchase including the Sale of the Subsidiaries and the Transfer Back to the Company of up to 80% of its own shares.

*Transfer Back to the Company of up to 80% of its own shares* means the transfer back to the Company pursuant to the Agreement for Sale and Purchase of up to 80% of the Company's own shares.