

16 April 2019

Dear Shareholder

I am delighted to present to you the Notice of Meeting (**NOM**) for the 2019 Annual General Meeting (AGM) of Hudson Investment Group Limited (**HGL** or the **Company**) which accompanies this letter.

I refer to the NOM and note in particular item 5, which seeks shareholder approval for the acquisition of the Regent Street Project.

Management, together with the Board of HGL, have identified what we believe is an outstanding investment opportunity which we commend to you.

There are some important points to note about the Regent Street Project:

1. **The Independent Expert's Report (IER) has concluded that in their opinion the purchase of the investment in the Regent Street Project is not fair and not reasonable to the non-associated shareholders of HGL.**
2. The IER was heavily influenced by CRISP Valuation Services Pty Ltd valuers' report which did not take account of the Development Application, approved by Brisbane City Council in June 2018, as it is the valuers' view that "...there is a current oversupply of apartments in the Brisbane fringe area..." And so in the valuers' opinion ".....the highest and best use for the land is as it is now, a residential house, with potential for development in the medium to long term..." (say 5 to 10 years).
3. While valuations of property vary greatly, management and the Directors cite a comparative property used by the valuer, (number 5 in his valuation report). In this case, the property in Carl Street Woolloongabba was purchased in December 2018, for \$1,650,000, is about half the land size of the Regent Street property and was purchased **without a Development Application**. Using this Carl Street site as a referenced benchmark, comparison with the Regent Street Project shows a notional land value of \$3.3 million (being twice the size of 506 sq metres) without an approved Development Application.
4. The valuation does not reflect about \$300,000 to \$400,000 of pre and post Development Application expenditure.
5. The Directors are conscious of the possibility of paying a premium to other properties which maybe for sale, however the certainty of an approved Development Application is worth the premium in the view of your directors.
6. The Board have been advised by industry experts of an expected improvement in demand for units in the Woolloongabba area particularly over the next 2 years &

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particularly at the price point of our proposed Regent Street Project development. (reference Colliers Brisbane Inner South market analysis, March 2019).

7. Importantly, management and the directors of HGL do not propose to start the Regent Street Project development until the first quarter 2020 with an anticipated completion date of about mid 2021.
8. The Regent Street Project property is unencumbered so HGL will not incur holding costs.
9. While other properties could be purchased outright, the staged purchase over time of the Regent Street Project property is unique & allows the Company a 30% purchase today (fixed price) with a put and call option to purchase the remaining 70% by June 2021. This increases the weighted time value of the equity return to the Company.
10. The Directors are not aware of another opportunity which provides similar optionality & as high a time weighted rate of return on equity.

In summary your Directors believe the Regent Street Project property provides shareholders with a very good return which is not available elsewhere to your director's knowledge and accordingly recommend Shareholders vote in favour of Resolution 5.

I thank all shareholders for their consideration of this project in particular and the other resolutions to be considered at the AGM.

Yours Sincerely



John Farey

Chairman

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# NOTICE OF THE ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT



The Annual General Meeting of  
Hudson Investment Group Limited ACN 004 683 729  
will be held at  
Hudson House,  
Level 2 131 Macquarie Street, Sydney NSW  
at 2 pm on 21 May 2019

**The Independent Expert has concluded that resolution 5 (the Regent Street Property Project Acquisition Transaction) to be voted on by Shareholders is, not fair and not reasonable to the non-associated Shareholders.**

This Notice of General Meeting, including the Independent Expert's Report, should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company.

## Notice of the Annual General Meeting of Hudson Investment Group Limited (ACN 004 683 729)

Notice is hereby given that the 2019 Annual General Meeting of members of Hudson Investment Group Limited ACN 004 683 729 (the **Company**) will be held at the registered office of the Company, Level 2, Hudson House, 131 Macquarie Street, Sydney NSW 2000 at 2 pm on 21 May 2019.

The Explanatory Statement and Independent Expert's Report provide additional information on matters to be considered at the Meeting. The Explanatory Statement, Independent Expert's Report and the Proxy Form are included in this Notice.

### Ordinary Business

#### 1. Financial Statements and Reports

To receive the Company's financial statements and the reports of the Directors and the Auditors thereon for the financial year ended 31 December 2018.

#### 2. Resolution 1: Ordinary Resolution to approve Remuneration Report

To consider and, if thought fit, pass the following resolution **as a non-binding resolution**.

*"That the Directors' Remuneration Report for the year ended 31 December 2018 be and is hereby approved for the purposes of the Corporations Act 2001 (Cth)".*

Note: The Remuneration Report is set out on pages 13 to 15 of the Directors' Report contained in the 2018 Annual Report in accordance with Section 250R(3) of the *Corporations Act 2001 (Cth)*.

#### Voting Exclusion Statement

The company will disregard any votes cast on Resolution 1 (in any capacity, whether as proxy or as shareholder) by any of the following persons:

- (a) Key Management Personnel; and
- (b) Closely Related Parties of Key Management Personnel.

However, the Company need not disregard a vote if it is:

- (c) Cast by a person as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on Resolution 1; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above; or
- (d) Cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above.

#### 3. Election of Directors

##### a. Resolution 2: Ordinary resolution to elect John William Farey as a Director

To consider, and if thought, fit, pass the following resolution **as an ordinary resolution**.

*"That John William Farey, retiring in accordance with Article 12.10 of the Company's Constitution, be elected as a director of the Company".*

Note: the qualifications and experience of John William Farey are provided in the 2018 Annual Report.

##### b. Resolution 3: Ordinary resolution to elect John Foley as a Director

To consider, and if thought fit, pass the following resolution **as an ordinary resolution**.

*"That John Foley, retiring in accordance with Article 12.10 of the Company's Constitution, be elected as a director of the Company".*

Note: the qualifications and experience of John Foley are provided in the 2018 Annual Report.

##### c. Resolution 4: Ordinary resolution to elect Dr Cheng Fong Han as a Director

To consider, and if thought, fit, pass the following resolution **as an ordinary resolution**.

*"That Dr Cheng Fong Han, retiring in accordance with Article 12.3 of the Company's*

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*Constitution, be elected as a director of the Company”.*

Note: the qualifications and experience of Dr Cheng Fong Han are provided in the 2018 Annual Report.

4. **Resolution 5 – Ordinary resolution seeking approval of entering into an acquisition of a 30% interest in the Regent Property Trust, the owner of the 43 Regent Street Woolloongabba Qld property project, for \$1.2 million with a Put and Call Option to purchase the remaining 70% interest in the Regent Property Trust before 30 June 2021 by the Company for a further \$2.8 million.**

To consider and, if thought fit, pass the following resolution **as an ordinary resolution**:

*“That for the purposes of ASX Listing Rules 10.1 and 11.2 and all other purposes, the shareholders of the Company approve the entering into the acquisition of a 30% interest in the Regent Property Trust, the owner of the 43 Regent Street Woolloongabba Qld property project, for \$1.2 million with a Put and Call Option to purchase the remaining 70% interest before 30 June 2021 for a further \$2.8 million on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting”.*

**Voting Exclusion Statement**

A voting exclusion applies to this Resolution. The Company will disregard any votes cast in favour of Resolution 5 by or on its behalf of any party to the Regent Property Project transaction including:

- (a) Associates of Wei Huang and / or Kin Lam; or
- (b) any person who has or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed; or
- (c) any Associate of any of the above

However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

5. **Resolution 6 – Special Resolution to approve an additional 10% placement facility**

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

*“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, approval is given by the shareholders to allow the Company to issue equity securities up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**NOTE:** *this Resolution is a special resolution and can only be passed if at least 75% of the votes cast, in person or by proxy, by members who are entitled to vote on the resolution, vote in favour.*

**Voting Exclusion Statement**

A voting exclusion applies to this Resolution. The Company will disregard any votes cast in favour of Resolution 6 by any person who may participate in the proposed issue under this Resolution 6 and person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 6 is passed or an associate of any of those persons. However, the Company will not disregard the vote if:

- (a) It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy directs.

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## 6. Resolution 7 – Ordinary resolution for Share Consolidation (10 for 1)

To consider and, if thought fit, pass the following **as an ordinary resolution**:

*"That, in accordance with section 254H of the Corporations Act and for all other purposes, the Shares be consolidated with effect from 21 May 2019 on the basis of 1 Share for every 10 Shares held as at the Record Date, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

## 7. Other Business

To transact any other business that in accordance with the Company's Constitution and the Corporations Act, may be legally brought before an Annual General Meeting.

**Please refer to the Explanatory Statement that accompanies this Notice of Meeting for important information on the resolutions proposed.**

**The attached Explanatory Statement that forms part of this Notice of Meeting is provided to supply Shareholders with information to enable them to make an informed decision regarding the Resolutions set out in this Notice.**

### Proxies

Each member has a right to appoint a proxy. A proxy does not have to be a member of the Company.

A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion of number of votes each proxy is appointed to exercise. If such apportionment is not made, each proxy may exercise half of the member's voting rights. Neither proxy is entitled to vote on a show of hands.

The proxy form must be signed personally by the member or his/her attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or the Corporations Act 2001. In the case of joint members, this proxy must be signed by each person personally or by an authorised attorney.

If a proxy is executed by an attorney of a member, the original of the relevant power of attorney or a certified copy of the power of attorney, if it has not already been noted by the Company, must accompany the proxy form.

A form of proxy is attached to this notice of meeting.

To be effective, proxies must be received by the Company at its Registered office at Level 2, 131 Macquarie Street Sydney NSW 2000 at least 48 hours before the time appointed for the meeting. A proxy may be sent by fax to +61 2 9251 7500 or electronically to [corporate@higl.com.au](mailto:corporate@higl.com.au) to be received by the time specified above.

By Order of the Board



Henry Kinstlinger  
Company Secretary

16 April 2019

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## Explanatory Statement

This Explanatory Statement is intended to provide shareholders of Hudson Investment Group Limited (the **Company**) with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

The directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

If you have any queries regarding the matters set out in this Explanatory Statement or the preceding Notice of General Meeting please contact the Company or your professional advisor.

The purpose of this Explanatory Statement is to:

- provide the Shareholders with information in relation to the resolutions to be put to the Annual General Meeting; and,
- provide such other information in relation to the resolutions as is prescribed by the ASX Listing Rules and the Corporations Act.

Please note that capitalised words in this Explanatory Statement have a defined meaning which appears in the Glossary.

### 1. Financial Statements and Reports

*The Corporations Act 2001* (Cth) requires the Financial Report, Directors' Report and Auditor's Report for the past financial year to be tabled before the Annual General Meeting, and the Company's Constitution provides for such reports to be received and considered at that meeting. Neither the *Corporations Act 2001* (Cth) nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such Reports. The Annual General Meeting provides a forum for shareholders to ask questions and make comments on the Company's reports and accounts and on the business and operations of the Company for the year ended 31 December 2018.

In addition, shareholders may, at the meeting, ask questions of the auditor in relation to the following matters:

- the conduct of the audit;
- the content of the auditor's report;
- the accounting policies adopted by the Company for the preparation of the financial statements; and
- the auditor's independence in relation to the above items.

Shareholders may view the Company's Annual Report on the Company's website <https://www.higl.com.au/reports>

### 2. Resolution 1 – Adoption of Directors' Remuneration Report

Pursuant to Section 250R(2) of the *Corporations Act 2001* (Cth) a resolution that the Remuneration Report be adopted must be put to a vote at the Company's Annual General Meeting. The vote on this resolution is advisory only and does not bind the directors or the Company. The Remuneration Report is set out in the Company's Year 2018 Annual Report and is also available from the Company's website <https://www.higl.com.au/reports>

The Remuneration Report;

- describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of executives and the Company's performance;
- sets out the remuneration arrangements in place for each director and for certain members of the senior management team; and
- explains the differences between the bases for remunerating non-executive directors and senior executives, including the Chief Executive Officer.

If the Company's Remuneration Report resolution receives "No" votes of 25% or more of votes cast at the meeting the Company's subsequent Remuneration Report will include a

report on actions taken by the Board in the Company's next Annual Report. A 'NO' vote of 25% or more **was not** received at the Company's 2018 Annual General Meeting.

### 3. Election of Directors

#### a) Resolution 2 – Ordinary Resolution to elect John William Farey as a director of the Company

Mr John William Farey retires as a director of the Company in accordance with Article 12.10 of the Company's Constitution which provides that a director who has attained the age of 72 years must automatically retire at the end of the Annual General Meeting.

Mr Farey was appointed on 1 February 2002. In accordance with Article 12.10 of the Company's Constitution, Mr Farey offers himself for election. The qualifications and experience of Mr John William Farey are provided in the 2018 Annual Report tabled at this Annual General Meeting.

#### b) Resolution 3 - Ordinary resolution to elect John Foley as a director of the Company

Mr John Foley retires as a director of the Company in accordance with Article 12.10 of the Company's Constitution which provides that a director who has attained the age of 72 years must automatically retire at the end of the Annual General Meeting.

Mr John Foley was appointed on 6 August 2014. In accordance with Article 12.10 of the Company's Constitution, Mr John Foley offers himself for election. The qualifications and experience of Mr John Foley are provided in the 2018 Annual Report tabled at this Annual General Meeting.

#### c) Resolution 4 – Ordinary Resolution to elect Dr Cheng Fong Han as director of the Company

Dr Cheng Fong Han retires as a director of the Company in accordance with Article 12.3 of the Company's Constitution which states that one third of the directors must retire at each Annual General Meeting of the Company whereby they are eligible for election.

Dr Cheng Fong Han was appointed on 1 June 2017. In accordance with Article 12.3 of the Company's Constitution, Dr Cheng Fong Han offers himself for election. The qualifications and experience of Dr Cheng Fong Han are provided in the 2018 Annual Report tabled at this Annual General Meeting.

### 4. Resolution 5 – Ordinary resolution seeking approval of entering into an acquisition of a 30% interest in the Regent Property Trust, the owner of the 43 Regent Street Woolloongabba Qld property project, for \$1.2 million with a Put and Call Option to purchase the remaining 70% interest in the Regent Property Trust before 30 June 2021 by the Company for a further \$2.8 million.

On 21 March 2019, the Company announced to the ASX that it had entered into a Unit and Share Purchase Agreement with Wei Huang and Kin Lam (**Messrs Huang and Lam**) for the acquisition of a 30% interest in Hudson Regent Development Pty Ltd as trustee for the Regent Property Trust, the owner of 43 Regent Street Woolloongabba Qld, for \$1.2 million (**the Regent Street Property**). In addition, the Company entered into a Put and Call option with the vendors to acquire the remaining 70% interest in the Regent Street Property before 30 June 2021 for a further \$2.8 million.

The Regent Street Property has received a Development Approval from Brisbane City Council to construct a 12-floor apartment building comprising a ground access floor with communal gardens, 54 apartments in a mix of 1, 2 and 3 bedrooms together with 3 level basement residential and visitor's car parking facility.

In early 2019, as a result of the acquisition of two commercial properties from entities and associates of Messrs Huang and Lam, located at 41-43 and 47 Brookes Street Bowen Hills Qld, by the Company, Messrs Huang and Lam became substantial shareholders of the Company as shareholders had agreed to the issue of shares as part consideration for the

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purchase. Accordingly, both Messrs Huang and Lam are persons of interest under Chapter 10 of the ASX Listing Rules. Shareholders are now required to approve this Regent Street Property transaction allowing the Company to acquire the 30% interest and the remaining 70% interest under the Put / Call Option.

RSM Corporate Australia Pty Ltd (**Independent Expert**) has prepared the Independent Expert's Report in relation to the acquisition of a 30% interest in the Regent Property Trust, the owner of the 43 Regent Street Woolloongabba Qld property project for \$1.2 million with a Put and Call Option to purchase the remaining 70% interest in the Regent Property Trust before 30 June 2021 by the Company enclosed with this Explanatory Statement and takes responsibility for that report.

The Independent Expert has prepared and is responsible for the Independent Expert's Report. The Independent Expert is not responsible for any other information contained within this Explanatory Statement.

The Independent Expert has determined that the issue of the Consideration Shares and the issue of Shares to Associates of the Vendors is not fair and not reasonable in the context of the non-associated shareholders.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

### **Background**

The Company is a public company listed on the official list of the ASX (ASX code: **HGL**). The Company is currently focused on an industrial commercial property development, including 44.5ha of land at Warnervale on the New South Wales Central Coast ("the **Warnervale Property**") and its 2 newly acquired commercial properties at Bowen Hills in Queensland (the **Bowen Hills Properties**)

Further information about the Company may be accessed at the Company's website at [www.higl.com.au](http://www.higl.com.au). This includes the audited financial statements for the financial year ended 31 December 2018. Further information on the Bowen Street Properties is available in the Notice of Meeting dated 10 December 2018, which can be found on the Company's website.

The Company recently finalised the acquisition of the Bowen Hills Properties in South East Queensland which are presently subject to leases and therefore are returning an income and are considered by the Directors to have redevelopment potential. The acquisition was structured in a manner as to not impact on the Company's cash position as it was funded through the issue of new securities and also cash received through their issue. The current use of the properties is as a commercial investment asset within the fringe of the Brisbane CBD and having the benefit of being a potential redevelopment site in the medium to long term. Neither property has any Development Approval or Applications pending.

## Effect of the Transactions

The effect of the transactions, the subject of this Notice of Meeting is demonstrated in the following table:

**Table 1: Effect of Brookes Street Bowen Hills Properties and Regent Street Woolloongabba Transactions**

	HGL Consolidated Audited 31 December 2018	Transaction 1 Impact on Balance Sheet resulting from the Acquisition of the First Brookes Street Property	Transaction 2 Impact on Balance Sheet resulting from the Acquisition of the Second Brookes Street Property	Transaction 3 Impact on the Balance Sheet resulting from the Acquisition of the 30% interest in the regent Street Property	Transaction 4 Impact on the Balance Sheet resulting in a 1 for 10 share consolidation	HGL Consolidated proforma 31 March 2019
	'000	'000	'000	'000	'000	'000
Current Assets	\$189	(\$75)	(\$189)	\$0	\$0	(\$75)
Non-Current Assets	\$19,725	\$6,200	\$4,389	\$1,200	\$0	\$31,514
<b>Total Assets</b>	<b>\$19,914</b>	<b>\$6,125</b>	<b>\$4,200</b>	<b>\$1,200</b>	<b>\$0</b>	<b>\$31,439</b>
Current Liabilities	\$44	\$0	\$0	\$0	\$0	\$44
Non-Current Liabilities	\$8,520	\$0	\$0	\$1,200	\$0	\$9,720
<b>Total Liabilities</b>	<b>\$8,564</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,200</b>	<b>\$0</b>	<b>\$9,764</b>
<b>Net Assets</b>	<b>\$11,350</b>	<b>\$6,125</b>	<b>\$4,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,675</b>
Shareholders' Equity after each transaction	\$11,350	\$17,475	\$21,675	\$21,675	\$21,675	\$21,675
Number of new shares to be issued		175,000,000	120,000,000	0	0	
Total number of Shares after each transaction	298,598,683	473,598,683	593,598,683	593,598,683	59,359,868	59,359,868

As a result of the Brookes Street Acquisition, the Company issued 295 million pre consolidation new shares and it expects net profit to increase by \$381,772 from the net rent collected from the fully tenanted First and Second Brookes Street properties. In addition, based on the acquisition price of the Brookes Street properties, net assets increased by 90.9% from \$11.35 million (as 31 December 2018) to \$21.67 million (31 January 2019).

### Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 5.

**5. Resolution 6 – Special Resolution to approve additional 10% placement facility (on a pre consolidation basis)**

ASX Listing Rule 7.1 prohibits a listed company from issuing equity securities representing more than 15% of its issued capital in any twelve month period without obtaining shareholder approval (subject to certain exceptions).

However, under ASX Listing Rule 7.1A, a company can seek shareholder approval to allow up to an additional 10% capacity to issue the same class as existing quoted class of securities over a twelve month period after an annual general meeting.

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility. A special resolution requires at least 75% of the share voting.

If Resolution 6 is approved as a special resolution then the Company, within 12 months after shareholder approval, may issue an additional 10% equity securities calculated in accordance with the formula in ASX Listing Rule 7.1A.2 which is as follows:

**(A x D) – E** where

**A =** the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement to issue: **(280,416,865 shares)**

- a) **plus** the number fully paid ordinary shares issued in the last 12 months under an exception to ASX Listing Rule 7.2 ( **18,181,818 shares issued under a convertible note conversion** (exception 4 under ASX listing rule 7.2);
- b) plus the number of partly paid ordinary shares that became fully paid within the last 12 months;
- c) plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 and 7.4 (this does not include an issue of fully paid shares under the equity's 15% capacity without shareholder approval);
- d) less the number of fully paid ordinary shares cancelled in the 12 months.

Note that **A** has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity (**298,598,683**).

**D = 10%**

**E =** the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4

The following information is provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 7.3A:

- a) the minimum price at which equity securities can be issued will be calculated in accordance with ASX Listing Rule 7.1A.3 which states the issue price of each equity security must be no less than 75% of the volume weighted average price for equity securities in that class calculated over the 15 days trading days on which trades in that class were recorded immediately before:
  - the date on which the price at which equity securities are to be issued is agreed; or
  - if the equity securities are not issued within 5 trading days of the date in paragraph (a), the date on which the equity securities are issued.
- b) if Resolution 6 is approved by shareholders and the Company issues equity securities under the 10% Placement Facility, existing shareholders voting power in the Company will be diluted as shown in the table below under point (d). There is a risk that:
  - the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of this approval under rule 7.1A; and

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- the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date; which may have an effect on the amount of funds raised by the issue of the equity securities.
- c) As at the date of this Notice, the Company would have capacity to issue:
- **44,789,802 (298,598,683 x 15%)** ordinary shares on the basis that Resolutions 5, 6, 7, & 8 are approved pursuant to ASX Listing Rule 7.1; and
  - **29,859,868 (298,598,683 x 10%)** shares pursuant to ASX Listing Rule 7.1A on the basis that Resolution 6 is approved.
- d) the below table shows examples of possible dilution of existing shareholders, on the basis of the market price of \$0.043 per share on 26 March 2019 and the number of fully-paid ordinary shares on issue of **298,598,683** pursuant to the definition of variable "A" under ASX Listing Rule 7.1A;

Variable A as per ASX Listing Rule 7.1A2		Dilution		
		\$0.0215 50% decrease in issue price	\$0.043 issue price	\$0.086 100% increase in issue price
<b>Current Variable A</b> 298,598,683 shares	10% Voting Dilution	29,859,868 shares	29,859,868 shares	29,859,868 shares
	Funds Raised	\$641,987	\$1,283,974	\$2,567,948
<b>50% Increase in Current Variable A</b>	10% Voting Dilution	44,789,802 shares	44,789,802 shares	44,789,802 shares
	Funds Raised	\$962,981	\$1,925,961	\$3,851,923
<b>100% Increase in Current Variable A</b>	10% Voting Dilution	59,719,736 shares	59,719,736 shares	59,719,736 shares
	Funds Raised	\$1,283,974	\$2,567,948	\$5,135.897

This table has been prepared on the following assumptions:

- the Company issues the maximum number of equity securities available under the 10% Placement Facility.
  - the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
  - the table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.
  - the table shows only the effect of issues of equity securities under ASX Listing Rule 7.1A, not under the 15% Placement Capacity under ASX Listing Rule 7.1.
- e) shareholder approval of the additional 10% as per ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained. This approval will cease on the earlier to occur of:
- the date that is 12 months after the date of the annual general meeting at which the approval is gained; or
  - the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

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- f) the date by which any equity securities that may be issued by the Company under ASX Listing Rule 7.1A will be no later than 12 months after the date of the annual general meeting.
- g) The Company may seek to issue the equity securities for the following purposes:
- non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - cash consideration. As disclosed in recent ASX announcements and reports, the company is actively pursuing further growth opportunities in Queensland, New South Wales and Tasmania. Any funds raised using this additional 10% capacity may be used to grow the business and / or additional working capital to fund these growth opportunities.
- The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A (4) and 3.10.5A upon issue of any equity securities.
- h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.
- The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to the factors including, but not limited to, the following:
- the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - the effect of the issue of the equity securities on the control of the Company;
  - the financial situation and solvency of the Company; and
  - advice from corporate, financial and broker advisers (if applicable).
- The allottees under this facility have not been determined as at the date of this notice but may include new or existing shareholders who are not related parties or associates of a related party of the company.
- Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.
- i) The Company has not previously obtained approval under ASX Listing Rule 7.1A at an AGM.
- j) The Company advises in accordance with LR 7.3A.6(a), the total number of equity securities issued in the 12 months preceding the date of the meeting was 18,181,818 fully paid ordinary shares (**FPO**). This represented 6.5% of the share capital issued as from the date of the last Annual General Meeting.
- k) A voting exclusion statement is included in the Notice for the purpose of Resolution

### **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 6.

### **6. Resolution 7 – Ordinary resolution Share Consolidation (Reconstruction)**

The Company proposes to consolidate its share capital through the conversion of every ten (10) ordinary shares into one (1) Company ordinary share.

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

If the consolidation is approved, the consolidation will take effect on and from 21 May 2019.

For the avoidance of doubt, entitlements under the proposed Reconstruction will be calculated based on the Company's pre-consolidation share capital.

### Treatment of fractions

Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the next whole number of shares.

Where the Directors form the opinion that shareholdings have been split or aggregated to obtain the benefit of rounding, transfers of shares and aggregated parcels of shares may be disregarded for the purpose of rounding.

### Reasons for Consolidation

The aim of the share consolidation is to ensure that the number of shares on issue and trading price of the Company's shares is at a level broadly comparable to the Company's' peer group of companies.

- **Effect of Consolidation - Summary**

On the basis that **all** resolutions are passed, the proposed share consolidation will reduce the number of the Company's ordinary shares on issue from 593,598,683 shares to approximately 59,359,868 shares (subject to rounding).

The effect on Shareholders is described in Table 1.

As the share consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of shares (subject only to the rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual shareholder in the Company.

Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not change other than minor changes as a result of rounding - as a result of the share consolidation alone (that is, assuming no other market movements or impacts occur). However, the price per share can be expected to increase to reflect the reduced number of shares on issue.

If the Consolidation Resolution is passed and the conditions to its implementation are satisfied, then the Consolidation will be implemented and binding upon all Shareholders, regardless of how (or if) they vote on the resolution.

- **Treatment of Convertible Securities**

Having regard to the ASX Listing Rules, all convertible securities on issue or issued prior to the approval of Resolution 7 will either be consolidated on the same basis as the Company's ordinary shares or the terms adjusted, so that the number of ordinary shares to be provided if the share rights vest will reflect the impact of share consolidation, with the necessary adjustments to be made to any applicable exercise or conversion price or number of securities issued on exercise or conversion.

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- **Timetable for Consolidation**

Set out below is an indicative timetable for the consolidation. These indicative dates are subject to change at the Board's discretion (subject to the Listing Rules).

<b>Event</b>	<b>Date</b>
Annual General Meeting	21 May 2019
Notification to ASX that Share Consolidation is approved	21 May 2019
Last day for trading in pre-consolidated securities	22 May 2019
Trading in the consolidated securities on a deferred settlement basis commences	24 May 2019
Last day to register transfers on a pre-consolidation basis	29 May 2019
Registration of securities on a post-consolidation basis	4 June 2019
Despatch of new holding statements Deferred settlement trading ends	14 June 2019
Normal trading starts	17 June 2019

- **Tax implications for Shareholders**

The summary in this section is general in nature. In addition, particular taxation implications will depend on the circumstances of each shareholder. Accordingly, shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders members about the tax consequences for them from the proposed share consolidation.

The share consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each shareholder in the Company as a result of the consolidation.

Accordingly no capital gains tax (CGT) event will occur as a result of the CSR share consolidation and therefore there will be no taxation implications arising for shareholders in the Company.

- **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 7.

**Other Information**

The Company is also required to provide all other information that is reasonably required by members in order to decide whether or not it is in the Company's interests to pass the proposed resolutions and is known to the Company and its Directors.

Shareholders should have regard to all of the information provided in this Explanatory Statement before deciding how to vote on these Resolutions.

The Company is a continuing disclosing entity and therefore is subject to regular reporting and disclosure obligations. Copies of continuing disclosure notices are on the ASX website at <https://www.asx.com.au/asx/share-price-research/company/HGL> and also may be obtained from an

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ASIC office. Information about the Company may also be obtained from the Company's website at [www.higl.com.au](http://www.higl.com.au).

Other than as contained in this Explanatory Statement and the accompanying Independent Expert's Report, there is no other information known to the Company material to the decision on how to vote on the resolution.

### How to Vote

The annual general meeting of members of the Company will be held at 2pm on 21 May 2019 to consider and vote on the resolution set out in the Notice of Meeting. To vote on the resolution you must either:

- complete and return the proxy form which is enclosed with the Notice of Meeting to or by facsimile to or electronically to at least 48 hours before the time appointed for the meeting; or
- attend the meeting.

### Further Information

If you require further information about the matters set out in this Explanatory Statement please contact the company secretary Henry Kinstlinger or Mona Esapournoori on 02 9251 7177.

### Glossary

**\$** means Australian Dollars

**ASIC** means the Australian Securities and Investments Commission;

**Associate** has the same meaning as the expression "associate" has in the Listing Rules;

**ASX** means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it;

**Board** means the board of directors of the Company;

**Company** means Hudson Investment Group Limited ACN 004 683 729;

**Consolidation** means the consolidation of the Company's shares on a ten (10) for one (1) basis

**Constitution** means the constitution of the Company;

**Corporations Act** means the *Corporations Act 2001* (Cwth);

**Directors** means the directors of the Company;

**GST** has the same meaning as the expression "GST" has in the GST Act;

**GST Act** means *A New Tax System (Goods and Services Tax) Act, 1999*;

**Listing Rules** means the listing rules of the ASX;

**Resolution** means a resolution referred to in this Notice of Meeting;

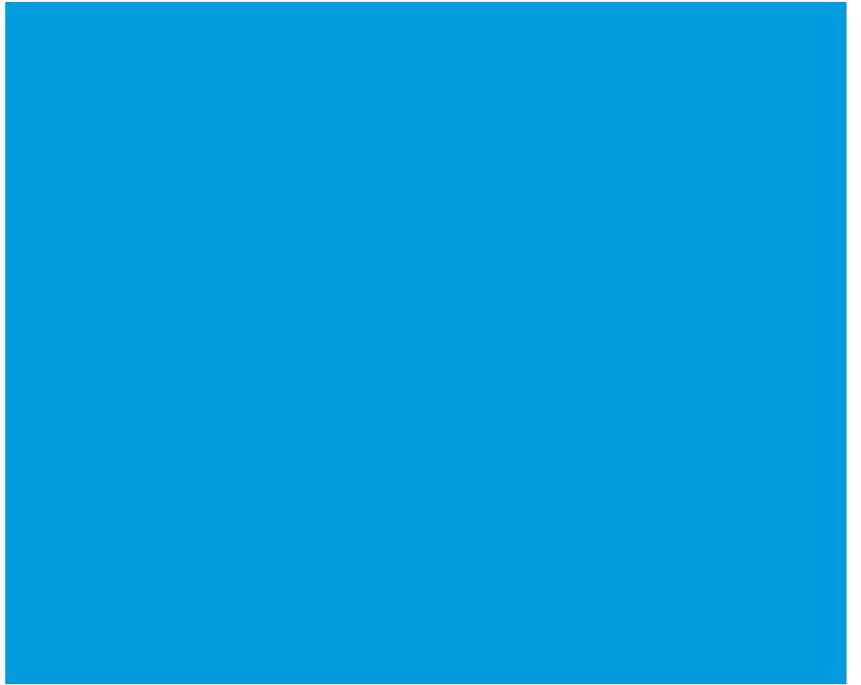
**Share** or **Shares** means an ordinary share in the Company;

**Shareholder** means a holder of a Share;

**VWAP** means volume weighted average price of the Company's Shares.

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# HUDSON INVESTMENT GROUP LIMITED

Financial Services Guide and Independent Expert's Report

10 April 2019

# FINANCIAL SERVICE GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## Complaints resolution

### Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au). You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

## Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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10 April 2019

The Directors  
Hudson Investment Group Limited  
Level 2, 131 Macquarie Street  
Sydney NSW 2000

Dear Directors

## INDEPENDENT EXPERT'S REPORT ("REPORT")

### 1. Introduction

1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Hudson Investment Group Limited ("Hudson" or "the Company") to be held on or around 21 May 2019, at which shareholder approval will be sought for a number of resolutions, including the resolution set out below ("the Proposed Transaction").

1.2 **Resolution 5 – Approval of entering into an acquisition of a 30% interest in the Regent Property Trust, the owner of the 43 Regent Street Woolloongabba, Queensland property project, for \$1.2 million with a Put and Call Option to purchase the remaining 70% interest in the Regent Property Trust before 30 June 2021 by the Company for a further \$2.8 million.**

*To consider and, if thought fit, pass the following resolution as an ordinary resolution:*

*"That for the purposes of ASX Listing Rules 10.1 and 11.2 and all other purposes, the shareholders of the Company approve the entering into the acquisition of a 30% interest in the Regent Property Trust, the owner of the 43 Regent Street Woolloongabba Qld property project, for \$1.2 million with a Put and Call Option to purchase the remaining 70% interest before 30 June 2021 for a further \$2.8 million on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting".*

1.3 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").

1.4 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

## 2. Summary and conclusion

### Opinion

2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is **not fair and not reasonable** to the Non-Associated Shareholders of Hudson.

### Approach

2.2 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or relevant substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.

2.3 An asset is considered substantial "if its value; or the value of the Consideration paid for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX".

2.4 ASX Listing Rule 10.10.2 sets out the requirement for the inclusion of an independent expert's report opining on whether the transaction is fair and reasonable.

2.5 We have considered whether or not the Proposed Transaction is "fair" to the Non-Associated Shareholders by assessing and comparing:

- The Fair Market Value of the issued units of the Regent Property Trust and issued equity of Hudson Regent Development Pty Ltd; with
- The Fair Market Value of the Consideration to be paid by Hudson;

and, considered whether the Proposed Transaction is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

2.6 Further information of the approach we have employed in assessing whether the Proposed Transaction is "fair" and "reasonable" is set out at Section 4 of this Report.

### Fairness

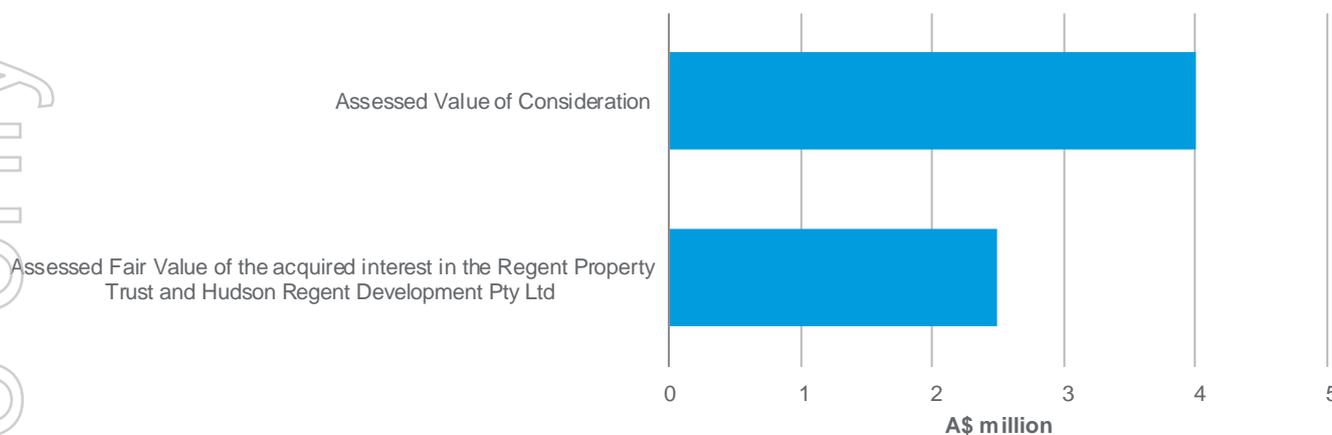
2.7 Our assessed values are summarised in the table and figure below.

	Reference	\$
Assessed Fair Value of the acquired interest in the Regent Property Trust and Hudson Regent Development Pty Ltd	Section 8	2,500,000
Assessed Value of Consideration	Section 9	4,000,100

Source: RSM Analysis

**Table 1: Valuation Summary**

We have summarised the values included in the table above in the chart below.



Source: RSM analysis

**Chart 1: Valuation summary graphical representation**

2.8 The chart above indicates the Consideration that would be paid by Hudson in this Proposed Transaction is more than the assessed fair value of the assets to be acquired.

2.9 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we consider the Proposed Transaction to be **not fair** to the Non-Associated Shareholders of Hudson.

**Reasonableness**

2.10 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

**Future prospects of Hudson if the Proposed Transaction does not proceed**

2.11 For the period ended 31 December 2018 (“FY18”), Hudson disclosed net profit after income tax (“NPAT”) of \$1.23 million, net assets of \$11.35 million (had increased to \$21.35m at 31 January 2019 as a result of the settlement of the Bowen Hills Properties and related issue of equity) and net debt of \$8.52 million.

2.12 The majority of Hudson’s assets by value (99% at 31 December 2018) are the investment properties held by the Company.

2.13 If the Proposed Transaction does not proceed, Hudson will seek to acquire another suitable development site. However, Management has advised that there are no other sites similar to the Regent Street Property in the Brisbane area with development approval already obtained and the potential option to defer payment of 70% of the Consideration until June 2021.

## Advantages of approving the Proposed Transaction to Shareholders

2.14 The key advantages of the Proposed Transaction are:

- the Brisbane City Council has approved the development of 54 dwellings across 12 levels at the Regent Street Property. Non-Associated shareholders will benefit from any upside potential of completion of the development of the Regent Street Property;
- we understand that the Company has undertaken an internal analysis to assess the potential profitability of the development and consider that the development is in the interests of the Company. This internal analysis projects a profitability margin of 21.3% for the development;
- at present, Hudson has property in two locations, Warnervale and Bowen Hills. The Regent Street property would further diversify the geographical locations in Hudson's investment portfolio, reducing the risk for investors;
- successful completion of the Proposed Transaction will increase the size of the Company's property portfolio, which may improve the Company's ability to raise capital in the future for additional development projects; and
- an independent property finance broker, has advised Hudson they would be confident of securing bank funding of up to \$10.5 million for the Company for the development of the Regent Street Property, based on a maximum loan-to-value ratio of 40%, and subject to presales being at a level to cover a minimum of 100% (net of GST and sales commissions) of the facility limit and subject to Hudson having a fixed price/time contract in place with an experienced builder.

## Disadvantages of approving the Proposed Transaction to Shareholders

2.15 The key disadvantages of the Proposed Transaction are:

- the Proposed Transaction is considered **not fair**;
- the Company is acquiring an asset for approximately 60% more than its assessed Market Value;
- Non-Associated shareholders will be exposed to downside risks associated with the development of the Regent Street Property (for example, cost overruns or dwelling selling prices being below forecasts);
- payment of the Consideration to acquire the remaining 70% of the Regent Property Trust together with the funding of the development costs to enable completion of the development of the Regent Street Property will require the Company to raise additional capital through either debt or equity. This may result in higher interest expenses to the Company and a higher risk of default in the event of financial difficulties or the potential dilution of Non-Associated shareholders' interests;
- the Company may have to forgo other investment opportunities in the future as a result of the funding commitment required for this project; and
- We have not been provided with sufficient supporting documentation from independent third parties to substantiate the Company's internal analysis.

2.16 RG 170 states that "the making of a statement that contains prospective financial information must have reasonable grounds", and that "reasonable grounds" means "there must be a sufficient objective foundation for the statement".

2.17 The Company's internal analysis, which calculates a forecast net profit of 21.3%, is an assessment of the development project's profitability based on the expected sales value of the developed units and the expected costs associated with development project.

2.18 Whilst Management has taken certain steps in preparing the internal analysis, we do not consider this approach constitutes “reasonable grounds” such that there is a “sufficient objective foundation for the statement”. Consequently, Management’s estimates cannot be sufficiently substantiated for consideration in our assessment of the project’s reasonableness.

2.19 Therefore, in the absence of any other relevant information, we consider that the Proposed Transaction is **not reasonable** for the Non-Associated Shareholders of Hudson.

### 3. Summary of Proposed Transaction

#### Overview

3.1 On 21 March 2019, Hudson announced its proposal to acquire a 100% interest in the Regent Street Property Trust and its associated trustee company, Hudson Regent Development Pty Ltd, from Wei Huang and Kin Lam. Approval of this transaction by the Company’s shareholders is required as Messrs Huang and Lam are substantial shareholders of Hudson under ASX Listing Rule 10.1.

3.2 Management has confirmed that the Trust is a special purpose vehicle formed for this transaction and owns one asset, the property at 43 Regent Street, Woolloongabba, Queensland. Management has confirmed that the Trust does not have any liabilities.

3.3 Hudson Regent Development Pty Ltd, the associated trustee company, has no assets or liabilities and a value of \$nil accordingly.

3.4 Under the Proposed Transaction, the Consideration for the Trust will be payable under two agreements:

- Unit and Share Purchase Agreements to acquire 30% of the issued units of the Regent Property Trust and 30% of the issued equity of Hudson Regent Development Pty Ltd, for total cash consideration of \$1,200,030; and
- Put and Call option deeds to acquire the remaining 70% of the issued units of the Regent Property Trust and the remaining 70% of the issued equity of Hudson Regent Development Pty Ltd, for total cash consideration of \$2,800,070.

3.5 On 6 June 2018, the Brisbane City Council approved the Company’s plan to perform extensive construction at the site, with the Council authorising the development of a 54 unit apartment complex.

3.6 The planned building will comprise ground access floor with communal gardens, the apartments will be built with a mix of 1, 2 and 3 bedrooms and there will be a 3 level basement residential and visitors car parking facility.

3.7 Hudson has undertaken an internal analysis to determine the economic viability of the planned development on this site, which forecasts a project profitability margin of 21.3%. However, we have not been provided with sufficient supporting documentation from independent third parties to validate the Company’s internal analysis.

### 4. Scope of the Report

#### ASX Listing Rules

4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity’s ordinary securities.

4.2 An asset is considered substantial “if its value; or the value of the Consideration for it is, or in the ASX’s opinion is 5% or more of the equity interest of the entity as set out in the latest financial statements given to the ASX”.

4.3 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.1 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.

4.4 Accordingly, Hudson is to hold a meeting of its Shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSM, to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

#### **Basis of evaluation**

4.5 In determining whether the Proposed Transaction is "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.

4.6 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

4.7 RG 111 states that the expert's report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

4.8 RG 111 states that in relation to a related party transactions the expert's assessment of fair and reasonable should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is "fair" and "reasonable" as in a control transaction.

4.9 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:

- whether the value of the Consideration is less than the fair value of the issued units of the Regent Property Trust and Hudson Regent Development Pty Ltd – fairness; and
- a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.10 The other significant factors to be considered include:

- the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.11 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

## 5. Profile of Hudson Investment Group Limited

### Background

5.1 Hudson Investment Group Limited (“Hudson” or “the Company”) is an ASX-listed company involved in the development and leasing of industrial and commercial property.

5.2 Hudson currently owns the following properties:

- 171-175 Sparks Road, Halloran, New South Wales;
- 59 Mountain Road, Halloran, New South Wales (both collectively the “Warnervale Properties”); and
- 47 Brookes Street, Bowen Hills, Queensland;
- 41-43 Brookes Street, Bowen Hills, Queensland (both collectively the “Bowen Hills Properties”).

5.3 The Warnervale Properties are located within the Central Coast Council’s Wyong Employment Zone, where it is proposed that \$1.5 billion will be invested, generating approximately 40,000 jobs over the next 20 years.

5.4 The properties are on a 44.5-hectare site, comprising a factory and office complex, which occupy 5 hectares of the site, with the remaining land currently surplus. The Sparks Road Property is tenanted by Bunnings Limited, a wholly owned subsidiary of Wesfarmers Limited, and Better Concrete Products Pty Ltd. The Company intends to explore development opportunities for the surplus land.

5.5 The Bowen Hills Properties are commercial properties located approximately 2 kilometres from the Brisbane CBD.

5.6 The Properties are currently subject to leases, presently producing a rental income of approximately \$560,000 per annum. The Company has indicated its intention to explore development opportunities on this land at the conclusion of these lease obligations, with the potential for a high rise commercial tower development to be explored.

### Directors and management

5.7 At the date of this Report, the directors of Hudson comprise the following:

- Mr John W Farey (Chairman / Chief Executive Officer);
- Mr Alan Beasley (Managing Director);
- Mr John Foley (Non-Executive Director);
- Dr Cheng Fong Han (Non-Executive Director); and
- Mr Warren Wen-Shih Choo (Alternate Director to Dr Cheng Fong Han).

### Financial information

5.8 The information in the following section provides a summary of the consolidated financial performance and financial position of Hudson for the years ended 31 December 2016 (“FY16”), 31 December 2017 (“FY17”) and 31 December 2018 (“FY18”).

## Financial performance

5.9 The following table sets out a summary of the consolidated financial performance of Hudson for FY16, FY17 and FY18.

Hudson Investment Group Limited Financial Performance		Year ended 31-Dec-18 <i>Audited</i> \$'000	Year ended 31-Dec-17 <i>Audited</i> \$'000	Year ended 31-Dec-16 <i>Audited</i> \$'000
Ref				
	<b>Revenue</b>	<b>1,044</b>	<b>981</b>	<b>974</b>
	Cost of services	(118)	(125)	(117)
	<b>Gross profit</b>	<b>926</b>	<b>856</b>	<b>857</b>
	Other income	2,832	3,126	3,025
	<b>Expenses</b>			
	Consulting and professional expenses	(183)	(35)	(83)
	Director and employee on costs	(153)	(231)	(145)
	Other administration expenses	(365)	(285)	(191)
	Finance expenses	(440)	(418)	(455)
	Change in FV of Investment Project	(1,385)	-	-
	<b>Total expenses</b>	<b>(2,526)</b>	<b>(969)</b>	<b>(874)</b>
	<b>Profit before income tax</b>	<b>1,232</b>	<b>3,013</b>	<b>3,008</b>
	Income tax benefit / (expense)	-	-	-
	<b>Net profit after income tax</b>	<b>1,232</b>	<b>3,013</b>	<b>3,008</b>
	Other comprehensive income, net of tax	-	-	-
	<b>Total comprehensive income</b>	<b>1,232</b>	<b>3,013</b>	<b>3,008</b>

Source: Audited financial statements for FY17 and FY18

**Table 2: Hudson Financial Performance**

- 5.10 Hudson's revenue is derived from the leasing of investment properties for industrial and commercial use. Total revenue remained relatively consistent over the Historical Period, increasing from \$974,000 in FY16 to \$981,000 in FY17 and \$1,044,000 in FY18. This represents annual increases of 0.7% and 6.4% respectively.
- 5.11 Cost of services includes property outgoings, rates, taxes, levies and insurance.
- 5.12 Other income primarily comprises changes in fair value of investment properties and interest income.
- 5.13 The Company disclosed total expenses of \$2,526,000 for FY18, an increase of 161% compared to expenditure of \$969,000 in FY17. The increase in expenditure was primarily due to a provision raised against capitalised development costs of \$1.385m, including a deposit of \$0.675m, for a prospective Hudson project.
- 5.14 Director and employee on costs totalled \$153,000 in FY18, a decrease of \$78,000 from FY17. This is offset by an increase in consulting and professional expenses, which include \$107,000 of payments made to Management and Directors.
- 5.15 Other administration expenses primarily comprise audit and legal fees, insurance, and other overhead expenditure.

5.16 The Company has not recognised an income tax expense over the Historical Period due to the utilisation of carry forward tax losses.

5.17 Hudson disclosed net profit after income tax of \$1,232,000 for FY18, driven by increases in the fair value of investment properties.

## Financial position

5.18 The table below sets out a summary of the consolidated financial position of Hudson as at 31 December 2016, 31 December 2017 and 31 December 2018.

Hudson Investment Group Limited Financial Position	Ref	As at 31-Dec-18 <i>Audited</i> \$'000	As at 31-Dec-17 <i>Audited</i> \$'000	As at 31-Dec-16 <i>Audited</i> \$'000
<b>Current assets</b>				
Cash and cash equivalents		150	82	306
Trade and other receivables		9	15	263
Other current assets		30	27	12
<b>Total current assets</b>		<b>189</b>	<b>124</b>	<b>581</b>
<b>Non-current assets</b>				
Investment properties	5.21 & 5.22	19,723	16,821	13,673
Other assets		2	751	395
<b>Total non-current assets</b>		<b>19,725</b>	<b>17,572</b>	<b>14,068</b>
<b>Total assets</b>		<b>19,914</b>	<b>17,696</b>	<b>14,649</b>
<b>Current liabilities</b>				
Trade and other payables		44	74	40
Financial liabilities	5.23	-	7,500	-
Convertible notes		-	500	-
<b>Total current liabilities</b>		<b>44</b>	<b>8,074</b>	<b>40</b>
<b>Non-current liabilities</b>				
Financial liabilities	5.23	8,000	-	7,500
Convertible notes		-	-	500
Loan notes		520	-	-
<b>Total non-current liabilities</b>		<b>8,520</b>	<b>-</b>	<b>8,000</b>
<b>Total liabilities</b>		<b>8,564</b>	<b>8,074</b>	<b>8,040</b>
<b>Net assets</b>		<b>11,350</b>	<b>9,622</b>	<b>6,609</b>
<b>Equity</b>				
Issued capital	5.24	53,094	52,598	52,598
Reserves		5,626	5,626	5,626
Accumulated losses		(47,370)	(48,602)	(51,615)
<b>Total equity</b>		<b>11,350</b>	<b>9,622</b>	<b>6,609</b>

Source: Audited financial statements for FY17 and FY18

**Table 3: Hudson Financial Position**

5.19 Hudson disclosed net assets of \$11.4 million at 31 December 2018 compared to \$9.6 million at 31 December 2017. The \$1.8 million increase in net assets was due primarily to the increase in the fair value of investment properties. The Company's net assets at 31 January 2019 had increased to \$21.35 million, as a result of the settlement of the Bowen Hills properties and related issue of equity.

5.20 The Company disclosed total assets of \$19.9 million at 31 December 2018, predominantly comprising investment properties amounting to \$19.7 million, cash and cash equivalents of \$150,000 and other assets totalling \$41,000.

5.21 Investment properties represent circa 99% of the Company's total assets and comprises the fair value of the following properties at 31 December 2018:

- 171-175 Sparks Road, Halloran, New South Wales;
- 59 Mountain Road, Halloran, New South Wales;

The Bowen Hills Properties were settled in January 2019.

5.22 Hudson disclosed the fair value of investment properties of \$19.7 million at 31 December 2018, an increase of 17.3% compared to a fair value of \$16.8 million at 31 December 2017.

5.23 At 31 December 2018, Hudson disclosed total financial liabilities of \$8.0 million, compared to financial liabilities of \$7.5 million at 31 December 2017. The financial liabilities represent a bank loan secured by first mortgages over the Company's investment properties, as well as fixed and floating charges over assets owned by Hudson.

5.24 The company disclosed issued capital of \$53.1 million at 31 December 2018, an increase of \$496,000 compared to issued capital of \$52.6 million at 31 December 2017 and 2016. On 1 May 2018, Hudson issued 18,181,818 fully paid ordinary shares to convert three convertible notes issued on 12 December 2016 into equity. This resulted in a \$500,000 decline in current liabilities due to the conversion of the convertible notes and a corresponding \$496,000 increase in equity, net of share issue costs totalling \$4,000.

## Capital structure

5.25 Hudson has 593,598,683 ordinary shares on issue at 28 February 2019. The top 20 shareholders at this date are set out below.

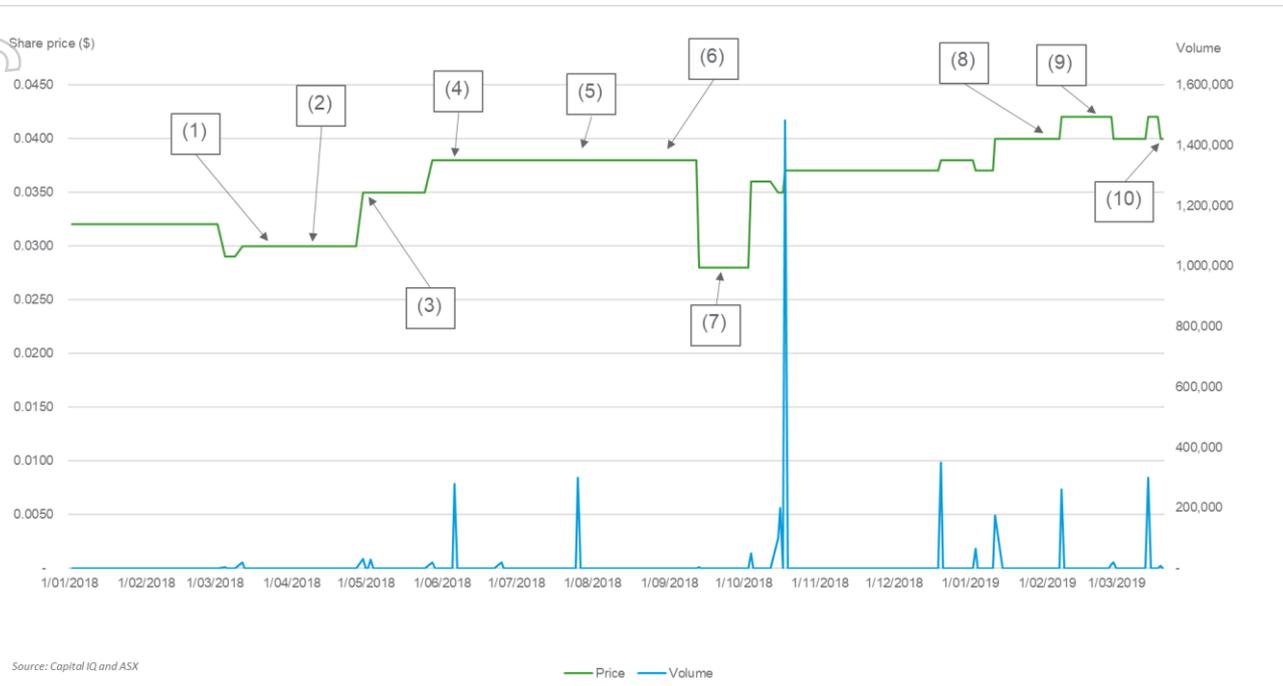
Shareholder	Number	%
RAFFLESCO LIMITED	90,200,000	15.2%
RAFFLES NOMINEES PTY LIMITED	69,447,196	11.7%
MILLENNIUM INVESTMENT GROUP PTY LTD	65,000,000	11.0%
WAYTEX AUSTRALIA PTY LTD	60,000,000	10.1%
YLH INVESTMENT PTY LTD	35,000,000	5.9%
CITICORP NOMINEES PTY LIMITED	30,183,600	5.1%
ZY CAPITAL PTY LTD	30,000,000	5.1%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,756,000	4.7%
YEE TEE HOLDINGS LTD	27,000,000	4.5%
JT CAPITAL PTY LTD	15,383,362	2.6%
MR AARON LANGLEY	15,000,000	2.5%
PACIFIC PORTFOLIO INVESTMENTS PTY LTD	12,598,386	2.1%
G & H BRASHER PTY LTD <THE BRASHER SUPER FUND A/C>	12,000,000	2.0%
MS KOON LIN VENUS CHIU	11,600,000	2.0%
FORWARD DELTA PTY LTD <BLUE ROSE SUPER FUND A/C>	10,000,000	1.7%
LIP KOON HWANG	10,000,000	1.7%
JT CAPITAL HOLDINGS PTY LTD	8,257,660	1.4%
MILLENNIUM PROPERTY INVESTMENTS PTY LTD	6,000,000	1.0%
SEI HAN TAN	5,000,000	0.8%
AZHAR HEWITTSSEN ARIFFIN BIN IBRAHIM	4,425,000	0.7%
	<b>544,851,204</b>	<b>91.8%</b>
Other Shareholders	48,747,479	8.2%
<b>Total</b>	<b>593,598,683</b>	<b>100.0%</b>

Source: Company

**Table 4: Hudson shareholder summary as at 28 February 2019**

## Share price performance

5.26 The figure below sets out a summary of Hudson's closing share prices and traded volumes from 1 January 2018 to 20 March 2019.



**Chart 2: Hudson traded share price and volume chart**

- 5.27 (1) On 23 March 2018, the Company released its annual report and accounts for FY17.
- 5.28 (2) On 10 April 2018, Hudson announced that its wholly owned subsidiary, Halloran Properties 1 Pty Ltd, as trustee for Halloran Properties 1 Unit Trust, entered into a contract for the sale of land on 6 April 2018 to purchase Lot 3 in DP801029, located at 143 Sparks Road, Warnervale, for a consideration of \$13.5 million, pursuant to the call option agreement dated 8 April 2018.
- 5.29 (3) On 1 May 2018, the Company announced the issue of 18,181,818 fully paid ordinary shares at a deemed issue price of \$0.0275 per share, due to the conversion of 3 convertible notes issued on 12 December 2016.
- 5.30 (4) On 5 June 2018, Hudson announced the appointment of Mona Esapournoori as Joint Company Secretary, effective from 5 June 2018.
- 5.31 (5) On 25 July 2018, the Company announced that its wholly owned subsidiary, Halloran Properties 1 Pty Ltd, as trustee for Halloran Properties 1 Unit Trust, terminated the contract for sale of land, entered into on 6 April 2018, in relation to the purchase of Lot 3 in DP801029, located at 143 Sparks Road, Warnervale. The termination was due to the vendor failing to complete, pursuant to the Notice to Complete, issued by Halloran Properties 1 Pty Ltd.
- 5.32 (6) On 27 August 2018, Hudson announced its half yearly report and accounts for FY18.
- 5.33 (7) On 24 September 2018, the Company announced its intention to acquired two fully tenanted commercial properties in Bowen Hills, Brisbane for a total of \$3.875m in cash and \$6.125m worth of shares in Hudson. The properties proposed to be acquired were Units 1 and 2, 41-43 Brookes St, Bowen Hills, Queensland and 47 Brookes St, Bowen Hills, Queensland.

5.34 (8) On 31 January 2019, the Company announced the settlement of the Bowen Hills Properties proposed to be acquired on 24 September 2018.

5.35 (9) On 25 February 2019, the Company released its Appendix 4E for FY18.

5.36 (10) On 20 March 2019, the Company released its annual report for FY18.

5.37 We note that Hudson's shares have been highly illiquid over the period under review, with shares traded on only 21 days from the period 1 January 2018 to 20 March 2019. Over the same period, Hudson's share price has fluctuated from a low of \$0.028 on 13 September 2018 to a high of \$0.04 first reached on 7 February 2019. Hudson's share price closed at \$0.04 on 20 March 2019, the last date shares traded prior to the announcement of the Proposed Transaction on 21 March 2019.

## 6. Profile of the Regent Property Trust and Hudson Regent Development Pty Ltd

### Background

6.1 Management has confirmed the Regent Property Trust is a non-trading entity and its only held asset is the Regent Street Property. Management has confirmed the Trust does not hold any liabilities. No financial statements are produced for the Trust, which is a special purpose vehicle formed specifically for this transaction. We have obtained an independent valuation of the Regent St Property, see Appendix D.

6.2 Hudson Regent Development Pty Ltd is the associated trustee company of the Regent Property Trust.

## 7. Valuation approach

### Basis of Valuation

7.1 The valuation of the issued units of the Regent Property Trust and the Consideration have been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

### Valuation methodologies

7.2 In assessing the Fair Market Value of both the assets being disposed of and the Consideration, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

### *Market based methods*

7.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

7.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

### *Income based methods*

7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

7.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

### *Asset based methods*

7.10 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

## Selection of valuation methodologies

### *Valuation of Assets being acquired*

- 7.14 In assessing the issued units of the Regent Property Trust (and the associated trustee company, Hudson Regent Development Pty Ltd) we have utilised the net assets on a going concern basis methodology. We have instructed CRISP Valuation Services Pty Ltd ("CRISP") to act as an independent specialist to value the Trust's only asset, the Regent Street Property.

### *Valuation of the Consideration*

- 7.15 Given the Consideration is settled on a cash basis, we have valued the payment at face value.

## 8. Valuation of the Regent Property Trust and Hudson Regent Development Pty Ltd

- 8.1 As stated at paragraph 7.14, we have utilised the net assets on a going concern methodology.
- 8.2 We have instructed CRISP to act as an independent specialist to value the Regent Property Trust's only asset, the Regent Street Property, at 25 March 2019. See CRISP's valuation report attached at Appendix D.
- 8.3 Hudson Regent Development Pty Ltd is the associated trustee company of the Regent Property Trust. It has no assets or liabilities and therefore has a value of \$nil.
- 8.4 Our assessed value of the Regent Property Trust and Hudson Regent Development Pty Ltd is summarised at the table below:

<b>Fair Value of Regent Street Property</b>	<b>2,500,000</b>
---------------------------------------------	------------------

*Source: CRISP Valuation at 25 March 2019*

**Table 5: Valuation of Regent Street Property**

## 9. Valuation of the Consideration

9.1 We summarise our valuation of the Consideration for the acquisition of 100% of the issued units in the Regent Property Trust and 100% of the issued equity in the associated trustee company, Hudson Regent Development Pty Ltd, in the table below:

	\$
Unit and Share Purchase Agreements to acquire 30% of the issued units of the Regent Property Trust	1,200,000
Unit and Share Purchase Agreements to acquire 30% of the issued equity of the associated trustee company, Hudson Regent Development Pty Ltd	30
Put and Call Option Deeds to acquire the remaining 70% of the issued units of the Regent Property Trust	2,800,000
Put and Call Option Deeds to acquire the remaining 70% of the issued equity of the associated trustee company, Hudson Regent Development Pty Ltd	70
<b>Value of consideration</b>	<b>4,000,100</b>

Source: RSM analysis, Unit and Share Purchase Agreements and Put and Call Option Deeds

**Table 6: Valuation of Consideration**

## 10. Is the Proposed Transaction Fair to Non-Associated Shareholders?

10.1 In order to assess whether the Proposed Transaction is fair to Shareholders, we have compared the value of the acquired interest in the Regent Property Trust and Hudson Regent Development Pty Ltd to the Consideration to be paid.

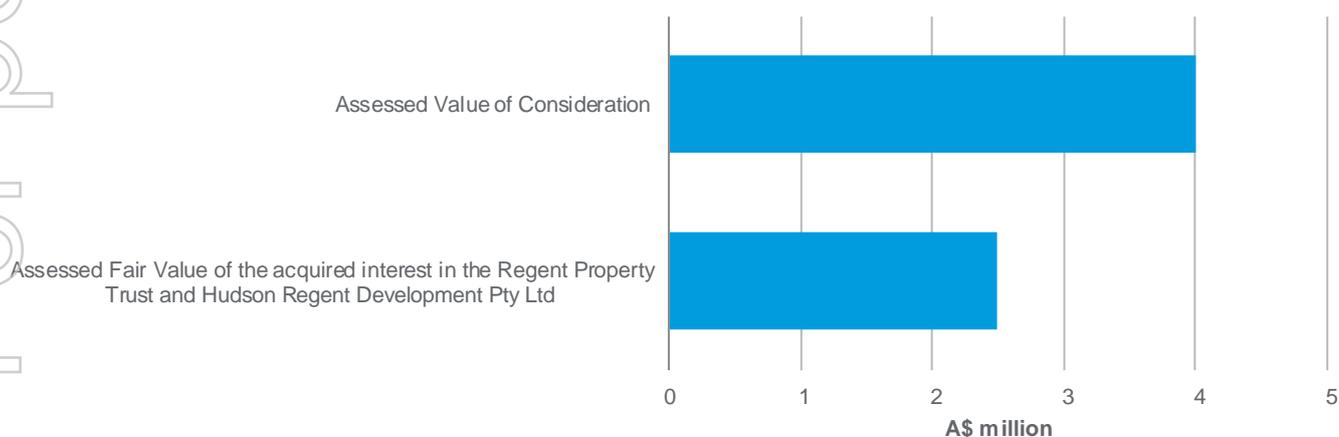
10.2 A table setting out this analysis has been included below:

	Reference	\$
Assessed Fair Value of the acquired interest in the Regent Property Trust and Hudson Regent Development Pty Ltd	Section 8	2,500,000
Assessed Value of Consideration	Section 9	4,000,100

Source: RSM Analysis

**Table 7: Assessment of Fairness**

10.3 We have summarised the values included in the table above in the chart below.



Source: RSM analysis

**Chart 3: Valuation summary graphical representation**

10.4 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, we consider the Proposed Transaction to be **not fair** to the Non-Associated Shareholders as the fair value of the issued units of the Regent Property Trust and issued equity in Hudson Regent Development Pty Ltd acquired is less than the consideration payable.

## 11. Is the Proposed Transaction Reasonable to Non-Associated Shareholders?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have assessed the following:

- The future prospects of Hudson if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

### Future prospects of Hudson if the Proposed Transaction does not proceed

11.2 For the period ended 31 December 2018 (“FY18”), Hudson disclosed net profit after income tax (“NPAT”) of \$1.23 million, net assets of \$11.35 million (had increased to \$21.35m at 31 January 2019 as a result of the settlement of the Bowen Hills Properties and related issue of equity) and net debt of \$8.52 million.

11.3 The majority of Hudson’s assets (99% at 31 December 2018) are the investment properties held by the Company.

11.4 If the Proposed Transaction does not proceed, Hudson will seek to acquire another suitable development site. However, Management has advised that there are no other sites similar to the Regent Street Property in the Brisbane area with development approval already obtained and the potential option to defer payment of 70% of the Consideration until June 2021.

### Trading in Hudson shares following the announcement of the Proposed Transaction

11.5 Hudson share liquidity has been low, with shares traded on only 2 days in the 8 calendar days after the announcement of the Proposed Transaction on 21 March 2019. Only 200,000 shares have been traded in this time.

	Share price Low \$	Share price High \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
<i>Calendar days prior to 28 March 2019</i>							
90 days	0.037	0.042	7	841,930	34,629	0.041	0.21%
120 days	0.037	0.042	8	1,191,930	47,929	0.040	0.32%
180 days	0.028	0.042	12	3,024,470	115,083	0.038	0.88%
<i>Calendar days prior to 28 March 2019</i>							
8 days	0.040	0.043	2	200,000	8,600	0.043	0.03%

Source: Capital IQ and RSM analysis

**Table 8: Hudson VWAP after the announcement of the Proposed Transaction**

11.6 The price per share has increased from \$0.04 per share on 20 March 2019 (prior to the announcement) to \$0.043 as at the date of this report, indicating that the market has responded favourably to the announcement of the Proposed Transaction.

11.7 Given the above, it is possible that if the Proposed Transaction is not approved, Hudson's price per share may revert back to the price prior to announcement of the Proposed Transaction.

### Advantages of approving the Proposed Transaction to Shareholders

11.8 The key advantages of the Proposed Transaction are:

- the Brisbane City Council has approved the development of 54 dwellings across 12 levels at the Regent Street Property. Non-Associated shareholders will benefit from any upside potential of completion of the development of the Regent Street Property;
- we understand that the Company has undertaken an internal analysis to assess the potential profitability of the development and consider that the development is in the interests of the Company. This internal analysis projects a profitability margin of 21.3% for the development;
- at present, Hudson has property in two locations, Warnervale and Bowen Hills. The Regent Street property would further diversify the geographical locations in Hudson's investment portfolio, reducing the risk for investors;
- successful completion of the Proposed Transaction will increase the size of the Company's property portfolio, which may improve the Company's ability to raise capital in the future for additional development projects; and
- an independent property finance broker, has advised Hudson they would be confident of securing bank funding of up to \$10.5 million for the Company for the development of the Regent Street Property, based on a maximum loan-to-value ratio of 40%, and subject to presales being at a level to cover a minimum of 100% (net of GST and sales commissions) of the facility limit and subject to Hudson having a fixed price/time contract in place with an experienced builder.

### Disadvantages of approving the Proposed Transaction to Shareholders

11.9 The key disadvantages of the Proposed Transaction are:

- the Proposed Transaction is considered **not fair**;
- the Company is acquiring an asset for approximately 60% more than its assessed Market Value;
- Non-Associated shareholders will be exposed to downside risks associated with the development of the Regent Street Property (for example, cost overruns or dwelling selling prices being below forecasts);
- payment of the Consideration to acquire the remaining 70% of the Regent Property Trust together with the funding of the development costs to enable completion of the development of the Regent Street Property will require the Company to raise additional capital through either debt or equity. This may result in higher interest expenses to the Company and a higher risk of default in the event of financial difficulties or the potential dilution of Non-Associated shareholders' interests;
- the Company may have to forgo other investment opportunities in the future as a result of the funding commitment required for this project; and
- We have not been provided with sufficient supporting documentation from independent third parties to substantiate the Company's internal analysis.

11.10 RG 170 states that "the making of a statement that contains prospective financial information must have reasonable grounds", and that "reasonable grounds" means "there must be a sufficient objective foundation for the statement".

11.11 The Company's internal analysis, which calculates a forecast net profit of 21.3%, is an assessment of the development project's profitability based on the expected sales value of the developed units and the expected costs associated with development project.

11.12 Whilst Management has taken certain steps in preparing the internal analysis, we do not consider this approach constitutes “reasonable grounds” such that there is a “sufficient objective foundation for the statement”. Consequently, Management’s estimates cannot be sufficiently substantiated for consideration in our assessment of the project’s reasonableness.

11.13 Therefore, in the absence of any other relevant information, we consider that the Proposed Transaction is **not reasonable** for the Non-Associated Shareholders of Hudson.

### Conclusion on Reasonableness

11.14 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is less advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and, we consider that the Proposed Transaction is **not reasonable** for the Non-Associated Shareholders of Hudson.

11.15 An individual shareholder’s decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



Glyn Yates

Director



Andrew Clifford

Director

APPENDICES



## A. DECLARATIONS AND DISCLAIMERS

### Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Glyn Yates and Andrew Clifford are directors of RSM Corporate Australia Pty Ltd. Both Glyn Yates and Andrew Clifford are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

### Reliance on this Report

This report has been prepared solely for the purpose of assisting Non-Associated Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

### Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Hudson and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

### Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Andrew Clifford, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$15,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Hudson receives Shareholder approval for the Proposed Transaction, or otherwise.

### Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for Hudson for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- Unit and Share Purchase Agreements and Put and Call Option Deeds;
- Regent Street Property development proposal acceptance dated 6 June 2018;
- Shareholder register of Hudson as at 28 February 2019;
- CRISP Valuation Services Pty Ltd Valuation Report, dated 25 March 2019, relating to the Regent Street Property;
- Hudson's internal analysis for the Regent Street Property provided 22 March 2019;
- ASX announcements of Hudson;
- S&P Capital IQ database; and
- Discussions with Directors and Management of Hudson.

For personal use only

## C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Bowen Hills Properties	41-43 Brookes Street and 47 Brookes Street, Bowen Hills, Queensland
Company or Hudson	Hudson Investment Group Limited
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Consideration	<ul style="list-style-type: none"> <li>Unit and Share purchase agreements to acquire 30% of the issued units of the Regent Property Trust and 30% of the issued equity of the associated trustee company, Hudson Regent Development Pty Ltd, for total cash consideration of \$1,200,030; and</li> <li>Put and Call option deeds to acquire the remaining 70% of the issued units of the Regent Property Trust and the remaining 70% of the issued equity of the associated trustee company, Hudson Regent Development Pty Ltd, for total cash consideration of \$2,800,070.</li> </ul>
CRISP	CRISP Valuation Services Pty Ltd
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FSG	Financial Services Guide
IER	This Independent Expert Report
Management	Management of Hudson Investment Group Limited
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Proposed Transaction	Resolution 5 as set out in the Notice of General Meeting and Explanatory Statement accompanying this IER
(the) Regent Street Property	The property located at 43 Regent Street, Woolloongabba, Queensland.
Report	This Independent Expert's Report prepared by RSM dated 9 April 2019
Resolution	The resolutions set out in the Notice

<b>RG 111</b>	ASIC Regulatory Guide 111 Content of Expert Reports
<b>RG 170</b>	ASIC Regulatory Guide 170 Prospective Financial Information
<b>RSM</b>	RSM Corporate Australia Pty Ltd
<b>S&amp;P Capital IQ</b>	An entity of Standard and Poors which is a third party provider of company and other financial information
<b>Share or Hudson Share</b>	Ordinary fully paid share in the capital of the Company
<b>Shareholder</b>	A holder of Share
<b>Trust</b>	The Regent Property Trust
<b>VWAP</b>	Volume weighted average share price
<b>Warnervale Properties</b>	171-175 Sparks Road, Halloran, New South Wales and 59 Mountain Road, Halloran, New South Wales

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D. CRISP VALUATION SERVICES PTY LTD –  
VALUATION REPORT – REGENT STREET  
PROPERTY – DATED 25 MARCH 2019

For personal use only

Ref: SDC:C113272  
28 March 2019

ABN: 43 152 831 126

A: Level 1, Unit 3  
8 Mowbray Terrace  
East Brisbane QLD 4169

P: PO Box 7756  
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## Valuation Report

**43 Regent Street, Woolloongabba Qld 4102**

**Instructed By**  
**Prepared For**  
**Date of Valuation**

**Mr Andrew Clifford, RSM Corporate Australia Pty Ltd**  
**RSM Corporate Australia Pty Ltd**  
**25 March 2019**

*"Liability limited by a scheme approved under Professional Standards Legislation"*

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## Executive Summary (to be read in conjunction with the body of this report)

### Valuation Details

<b>Address</b>	43 Regent Street Woolloongabba Qld 4102
<b>Instructing Party</b>	Mr Andrew Clifford, RSM Corporate Australia Pty Ltd
<b>Prepared For</b>	RSM Corporate Australia Pty Ltd
<b>Purpose</b>	Potential Acquisition Purposes
<b>Interest Valued</b>	Freehold
<b>Valuation Approach</b>	Direct Comparison
<b>Registered Owner</b>	Regent Developments Pty Ltd
<b>Date of Valuation</b>	25 March 2019
<b>Date of Inspection</b>	25 March 2019



### Property Details

<b>Land Area</b>	1,012m <sup>2</sup>
<b>Local Authority</b>	Brisbane City Council
<b>Zoning</b>	High Density Residential (up to 15 Storeys) Zone
<b>Brief Description</b>	The property comprises the amalgamation of 2 adjoining allotments positioned to the western side of Regent Street and is located within the Buranda Residential 1C Sub-Precinct of the Eastern Corridor Neighbourhood Plan. The property presents as one and is improved with an older style highset residential dwelling which comprises 3 bedrooms, 1 bathroom, and generally offers a moderate standard of accommodation. The property gained Development Approval on 6 June 2018 for an 11 level residential unit complex comprising 55 units plus 3 levels of basement car parking.
<b>Highest &amp; Best Use</b>	Given the surrounding development for high density residential uses, and what we consider to be an oversupply of new residential unit stock in the greater Brisbane fringe area, we consider the highest and best use of the site to be as a residential property with medium to long term redevelopment potential.

### Valuation Analysis

<b>Assessed Value</b>	<b>\$2,500,000 Exclusive of GST</b> <b>(Two Million Five Hundred Thousand Dollars)</b>
<b>Analysis \$/m<sup>2</sup></b>	\$2,300/m <sup>2</sup> - \$2,600/m <sup>2</sup>
<b>\$rate/unit</b>	\$45,000/unit - \$50,000/unit

### Qualifications

- While all reasonable endeavours have been made to clarify the accuracy of the information sourced, it is assumed the information consists of a full and frank disclosure of all information that is relevant.
- We have assumed the property is free of all easements, encumbrances and interests other than those listed and there are no encroachments outside the boundaries of the Plan.
- We have assumed all necessary town planning and approvals for the proposed subdivision have been obtained and complied with.

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## 1. Instructions

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### 1.1. Brief

Written instructions, letter dated 26 March 2019, were received from Mr Andrew Clifford of RSM Corporate Australia Pty Ltd to assess the current market value of the amalgamated site of 43 Regent Street in Woolloongabba Qld 4102.

The report has been prepared for the private and confidential use of RSM Corporate Australia Pty Ltd and may not be reproduced in whole or in part or relied upon for any other purpose or by any party other than the above without our written authority.

### Qualification

Unless otherwise stated, all financial information and valuation calculations in this report exclude GST.

Accordingly, the treatment of GST can be handled in a number of ways with respect to the subject property. Being a commercial property, it is most likely that the “going concern” method of handling GST will be adopted, and therefore the transaction can be GST neutral. Alternatively, a vendor may require a notional purchaser to pay GST in addition to the purchase price, with such purchaser able to claim back this payment as an input tax credit. As a third method, the vendor and purchaser may elect to adopt the margin scheme, with the purchaser paying GST on the margin or difference in value of the property between the current date and 1 July 2000.

Our valuation is expressed GST exclusive.

This valuation is based on the assumptions relating to GST set out above. If any of these assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to us for comment and, in appropriate cases, amendment.

### 1.2. Purpose of Valuation

This valuation has been prepared to assess the market value of the property for potential acquisition purposes.

This report also complies with the Seventh Edition of the Australia and New Zealand Valuation and Property Standards (dated January 2012).

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### **1.3. Date of Inspection**

25 March 2019

### **1.4. Date of Valuation**

25 March 2019

### **1.5. Basis of Valuation**

The valuation is based on the following definition and is current as at the Date of Valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period, (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the Date of the Valuation, or such earlier date if an event occurs which has an impact on the valuation.

#### **Market Value**

The International Valuation Standards Committee defines market value as:

*“..... the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

The value assessed assumes a professional marketing campaign and reflects a selling period of no more than six months.

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## 2. Title Details

### 2.1. Title Search

<b>CURRENT TITLE SEARCH</b>	
<b>NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND</b>	
Request No: 30891883	Title Reference: 11799102
Search Date: 27/03/2019 12:57	Date Created: 13/02/1930
Previous Title: 11471205 11471206	
<b>REGISTERED OWNER</b>	
Dealing No: 718522921 17/01/2018	
REGENT DEVELOPMENTS PTY LTD A.C.N. 616 939 470 TRUSTEE UNDER INSTRUMENT 718522921	
<b>ESTATE AND LAND</b>	
Estate in Fee Simple	
LOT 102	REGISTERED PLAN 12076 Local Government: BRISBANE CITY
LOT 103	REGISTERED PLAN 12076 Local Government: BRISBANE CITY
<b>EASEMENTS, ENCUMBRANCES AND INTERESTS</b>	
1. Rights and interests reserved to the Crown by Deed of Grant No. 19561120 (SUBN POR 177)	
2. MORTGAGE No 718522929 17/01/2018 at 11:37 BENDIGO AND ADELAIDE BANK LIMITED A.C.N. 068 049 178	
<b>ADMINISTRATIVE ADVICES - NIL</b>	
<b>UNREGISTERED DEALINGS - NIL</b>	
<b>CERTIFICATE OF TITLE ISSUED - No</b>	
Caution - Charges do not necessarily appear in order of priority	
** End of Current Title Search **	
COPYRIGHT THE STATE OF QUEENSLAND (NATURAL RESOURCES, MINES AND ENERGY) [2019] Requested By: D-ENQ CITEC CONFIRM	

### Summary

Real Property Description	Lots 102 & 103 on Registered Plan 12076
Local Government	Brisbane City
Title Reference	11799102
Registered Owner	Regent Developments Pty Ltd A.C.N. 616 939 470 as Trustee under Instrument No. 718522921

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## 2.2. Easements, Encumbrances and Interests

- Rights and interests reserved to the Crown by Deed of Grant No. 19561120 (SUBN POR 177)
- Mortgage No. 718522929 dated 17 January 2018 to Bendigo and Adelaide Bank Limited

Our valuation takes into account the effect, if any, on the value of the interest valued of any easements, encumbrances and interests registered on the included copy of the Current Title Search and Registered Plan obtained from the *Department of Natural Resources and Mines*. It assumes that there are no other easements, encumbrances and interests other than those recorded on Title.

As no identification survey has been sighted, and aside from the encroachment mentioned above, the valuation is made on the basis that there are no other encroachments or restrictions by or upon the property and this should be confirmed by a survey report and/or advice from a Registered Surveyor. If any other encroachments are noted on the survey report we should be consulted to reassess if there is any impact on the value stated in this report.

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### 3. Planning and Development Controls

#### 3.1. Planning Overview

Local Authority	Brisbane City Council
Planning Scheme	Brisbane City Plan 2014
Zoning	High Density Residential (up to 15 storeys) Zone



Brisbane City Plan 2014 Zoning Map Extract

Zoning Purpose	The purpose of the High density residential zone code is to provide for higher density multiple dwellings supported by community uses and small-scale services and facilities that cater for local residents.
Constraints	<ul style="list-style-type: none"> <li>Eastern Corridor Neighbourhood Plan</li> <li>Eastern Corridor NP – Buranda Precinct</li> <li>Dwelling House Character Overlay</li> <li>Streetscape Hierarchy Overlay</li> <li>Transport Noise Corridor</li> <li>Traffic, Parking Control or Residential Parking Permit Area</li> <li>Potential and Actual Acid Sulfate Soils Overlay</li> <li>Critical Infrastructure and Movement Network Overlay</li> <li>Airport Environs Overlay</li> <li>Road Hierarchy Overlay</li> <li>Bicycle Network Overlay</li> <li>Eastern Corridor NP – Buranda Residential 1C Sub-Precinct</li> </ul>
Use Assessment	The current and proposed use of the land for residential purposes is a conforming land use within this Zoning.

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### 3.2. Approvals

A search of the Brisbane City Council PD Online system indicates there is a Development Approval (dated 6 June 2018) over the property for the construction of an 11 storey residential building comprising 55 units plus 3 levels of basement car parking.

I have perused the approval documentation. The Development Conditions are subject to standard conditions, which are considered reasonable for a development of this nature

### 3.3. Department of Natural Resources and Mines

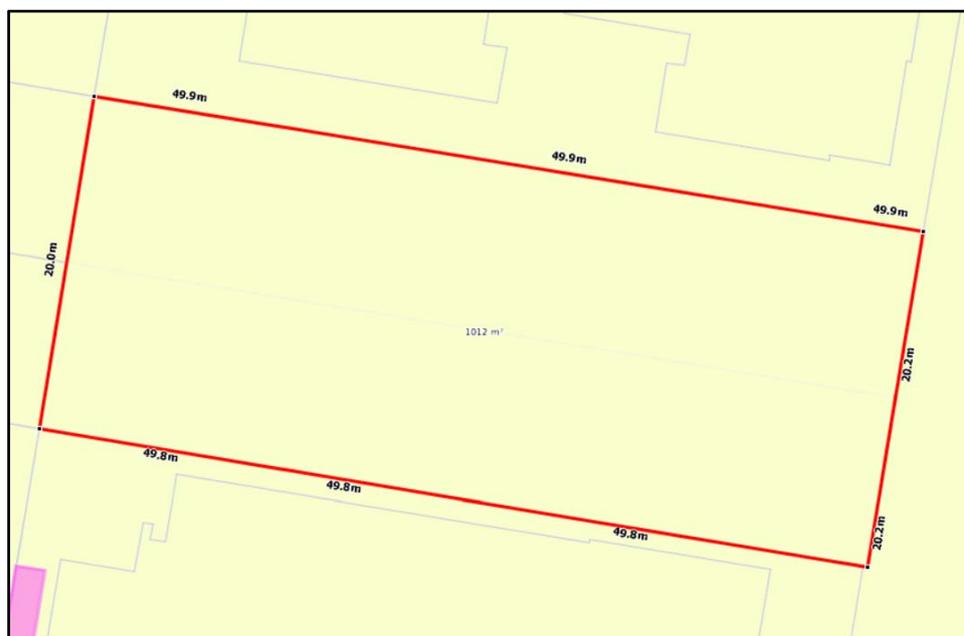
For rating and taxing purposes the current site value is assessed at \$810,000 (\$800/m<sup>2</sup>).

Date of Valuation	1 October 2016   Date of Effect	30 June 2017
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## 4. Land

### 4.1. Land Details



Cadastral Map Extract

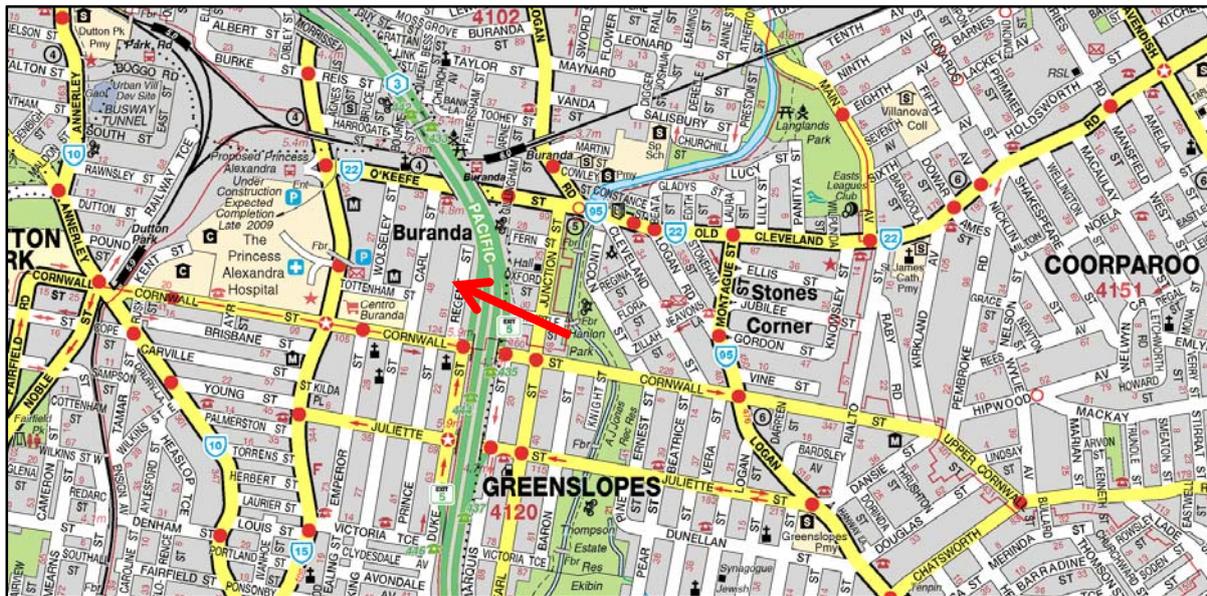
Land Area	1,012m <sup>2</sup>
Street Frontages	Regent Street – 20.2 metres approximately Average Depth – 49.9 metres approximately
Topography	Gentle rise above the Regent Street road frontage to the rear alignment.
Flooding	Our search of the Brisbane City Council, FloodWise Property Report indicates the property is not susceptible to flooding from creek, river, storm tide and overland flow paths and therefore, considered low risk.
Services	Services available include electricity, town water, sewerage and telephone.
Other Comments	We are unaware of any planned changes in the area, such as amended road patterns, population and demographic movements, Council requests or plans, which may result in an adverse effect to the market value of the property.

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#### 4.2. Location & Surrounding Development

The property is located on the western side of Regent Street, approximately 170 metres north of its intersection with Cornwall Street. The property is also approximately 3.7 radial kilometres south-east of the Brisbane GPO.

Surrounding development comprises multi-unit dwellings and detached dwellings in various states of repair. The property is also in close proximity to the Centro Buranda Shopping Centre (includes Woolworths (2,994m<sup>2</sup>) and Target (4,043m<sup>2</sup>) and 23 specialty shops) which is positioned on the corner of Cornwall and Carl Streets. Public transport includes buses, travelling along Ipswich Road and the Buranda Bus and Train Stations being approximately 250 metres to the north-east.



Reproduced with permission © Copyright UBD Australian City Streets



Aerial photograph (3 November 2018) showing the subject and surrounding development

#### 4.3. Roads, Access and Exposure

Regent Street is a two lane bitumen sealed suburban cul-de-sac road with concrete kerbing and channelling to both sides. Regent Street links generally carries low levels of traffic and links with Cornwall Street to the south.

Access/egress from the property is via a concrete crossover from Regent Street and this is considered easy and direct.



Southward along Regent Street

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## 5. Improvements

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### 5.1. Existing Accommodation

The property is improved with a highset residential dwelling which comprises 3 bedrooms, 1 bathroom, and generally offers a moderate standard of accommodation.



Front Elevation of the Improvements

### 5.2. Building Materials & Contamination

As we are not building construction and/or structural experts we are unable to certify as to structural soundness of the improvements. Greater certainty as to structural condition and presence of any form of infestation can only be obtained by commissioning further reports from relevant experts.

We have assumed for the purpose of this assessment that no major defects exist and that the improvements comply with relevant Statutory Authority codes and standards. From our inspection of the property, we did not see any evidence of asbestos. An Asbestos Materials Report has not been provided.

We are not aware of any environmental issues affecting the property. We are not experts in the detection or quantification of environmental problems and, have not carried out a detailed environmental investigation. This valuation is made on the assumption that there are no actual or potential contamination issues affecting the value or marketability of the property. If verification is required that the property is free from contamination and has not been affected by contaminants of any kind, this could be obtained from a suitably qualified environmental professional. Should subsequent investigation show that the site is contaminated this valuation may require revision.

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## 6. Market Analysis

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### 6.1. Market Commentary

Brisbane's apartment market has been the subject of much controversy since 2015. The sudden surge in the level of development activity has led to oversupply concerns, particularly within the inner-city area. The strong increase in total project completions in Inner Brisbane\* is evidence of this, with total apartment completions increasing by 83.9% from 2014 to 2015, and total completions from 2015 to 2017 together amounting to almost 15,000 apartments.

The future development pipeline from 2019 onwards is thus a cause of concern for investors and owners alike, with fears that incorrect stock selection may only compound price and supply issues previously felt. Evidence of this concern playing out has been seen in the action developers and landlords have taken, with incentives of gift cards, body corporate fee payments and even cars being offered to prospective purchasers and tenants. Further, the number of deferred (indefinitely sidelined) or abandoned (cancelled without further plans) apartment projects within Inner Brisbane increased by 23.0% from 2017 to 2018, with the development of over 3,000 apartments deferred or abandoned in this period.

Analysis of the development pipeline revealed two key findings. First, a potential undersupply of apartments exists in the medium-term within Inner Brisbane. There is a current estimated shortfall of up to 15,500 apartments by the end of 2023 based on total known development; a trend which is set to snowball year-on-year from 2019 onwards. Second, historically speaking there has been an oversupply of 1-bedroom apartments, which is set to continue despite an evident decline in demand for the product. Historic sales demand also reveals a growing appetite for 3 and 4 bedroom apartments, which are currently undersupplied. At the same time, demand for 2 bedroom apartments is quite well met, though developers appear to be shifting away from these to favour 1 bedroom apartments.

Englobo land and townhouse opportunities remain popular within the outer and middle suburbs. Sales volumes for inner-city sites are expected to remain subdued in the short to medium term as the market absorbs upcoming supply. An increase in interest rates would pose a risk to developers and their currently low holding costs.

Heightened construction costs remain an issue for the feasibility of projects. This is expected to continue in the short-term as local builders work through a large supply pipeline. Most projects currently in the plans approved and plans submitted stages are not expected to commence this cycle.

Development site sales activity is anticipated to remain concentrated in the englobo land and townhouse markets. Owners of non-active inner-city development sites are more likely to take advantage of the low holding costs and hold onto sites. Developers may seek an alternative use for an existing site, however viable options are limited.

## 6.2. Comparable Evidence

To assist us in arriving at the market value of the property, we have obtained, inspected and analysed sales evidence of comparable mixed use redevelopment sites within Woolloongabba and the surrounding suburbs.

In compiling the following market evidence we have relied on a range of external sources including publicly available information, subscription to information databases and information generally provided verbally by others such as real estate agents, property managers, property valuers and consultants. In many instances we have not had access to the original source material. Although we have endeavoured to the best of our ability to confirm the accuracy of the information provided, we have had to rely on some of this information in good faith. We are unable to state with absolute certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

All of the properties have been inspected externally, but we have not been able to inspect every property internally. Our comments are based on the external inspections as well as our conversations with parties associated with the transaction.

The Department of Natural Resources and Mines does not currently differentiate between or record whether or not a transaction is inclusive or exclusive of GST. Where we have not been able to verify the status of a transaction, we have assumed the recorded information is inclusive of GST and have made appropriate adjustments to establish a GST exclusive figure.

The following schedules detail those most comparable transactions which we have relied on in making our assessment:

## 6.3. Sales Evidence

1		<b>Address:</b>	687-705 Main Street Kangaroo Point
		<b>Purchase Price:</b>	\$2,270,000
		<b>Date:</b>	Jun-18
		<b>Land Area:</b>	1,256m <sup>2</sup>
		<b>Land Analysis:</b>	\$1,807/m <sup>2</sup>
		<b>Zoning:</b>	Mixed Use (Inner City) Zone Application Approved Jun-16
		<b>Prop No. of Units:</b>	45
		<b>\$rate/unit:</b>	\$50,444/unit

The property comprises a regular shaped lot being positioned to the western side of Main Street, directly opposite The Pineapple Hotel. The property comprises the amalgamation of two adjoining properties with each previously being improved with an older style weatherboard dwelling with a corrugated iron roof. These improvements were demolished post the issuance of the DA, and the land was more recently sold as one parcel of vacant land with a DA for a 9 level mixed use residential medium rise development. The complex comprises a 2 level basement carpark and will include 45 x 2 bedroom units plus 1 commercial unit to the ground level of 295m<sup>2</sup>.

**Comparison:** *The property is located along a busy arterial road. This property has a larger land area, however, is within a zoning which allows for lesser density and height development which has resulted in a lower analysed land sale rate but broadly comparable analysed \$rate/unit.*

2		<b>Address:</b>	163 Wellington Road East Brisbane
		<b>Purchase Price:</b>	\$3,900,000
		<b>Date:</b>	Mar-17
		<b>Land Area:</b>	1,610m <sup>2</sup>
		<b>Land Analysis:</b>	\$2,422/m <sup>2</sup>
		<b>Zoning:</b>	Mixed Use (Inner City) Zone No Applications made/lodged Application Approved Sep-17
		<b>Prop No. of Units:</b>	75
<b>\$rate/unit:</b>	\$52,000/unit		

The property comprises a mostly regular shaped corner allotment being positioned to the south-eastern corner of the intersection of Wellington Road and Waterloo Street. At the time of purchase, the property was improved with a semi-modern showroom/office/warehouse style building and this offered a good standard of accommodation. On 1 September 2017, the property received Development Approval for the removal of the existing improvements and construction of a new mixed use complex comprising 2 levels of basement car parking and 8 levels of accommodation above including a ground level retail tenancy.

**Comparison: The property is located along a busy arterial road. This property has a larger land area, however, is within a zoning which allows for lesser density and height development which has resulted in a lower analysed land sale rate but broadly comparable analysed \$rate/unit.**

3		<b>Address:</b>	47-49 Cleveland Street & 5-9 Flora Street Greenslopes
		<b>Purchase Price:</b>	\$5,500,000
		<b>Date:</b>	Dec-18
		<b>Land Area:</b>	2,428m <sup>2</sup> (\$2,862/m <sup>2</sup> )
		<b>Land Analysis:</b>	\$2,265/m <sup>2</sup>
		<b>Zoning:</b>	High Density Residential (up to 8 Storeys) Zone Application Approved Dec-15
		<b>Prop No. of Units:</b>	107
<b>\$rate/unit:</b>	\$51,401/unit		

The property comprises the amalgamation of 4 adjoining properties to form a mostly regular shaped lot being positioned to the north-western corner of the intersection of Flora Street and Cleveland Street in Greenslopes. At the time of sale, the property at 47 Cleveland Street comprised a block of 6 older style residential units, 49 Cleveland Street and 5 Flora street each comprised an older style two level timber dwelling, and 9 Flora Street comprised a block of flats. A Development Application was lodged in July 2015 (and subsequently approved in December 2015) for the demolition of the existing improvements and construction of 2 x 8 level residential unit buildings comprising a total of 107 units – 14 x 1 bedroom units, 85 x 2 bedroom units and 8 x 3 bedroom units. The complex will include 2 levels of basement car parking, lifts and a roof top terrace with bbq facilities and pool. This property previously sold for \$6,950,000 in November 2015 (\$2,862/m<sup>2</sup> or \$64,953/unit).

**Comparison: The property is located in the nearby location of Greenslopes. The property comprises a much larger size parcel of land and Development Approvals were obtained in 2015 just prior to the previous settlement transaction for this property. Considered broadly comparable overall.**

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4		<b>Address:</b>	130-148 Wellington Road East Brisbane
		<b>Purchase Price:</b>	\$8,250,000
		<b>Date:</b>	Dec-18
		<b>Land Area:</b>	4,080m <sup>2</sup>
		<b>Land Analysis:</b>	\$2,022/m <sup>2</sup>
		<b>Zoning:</b>	Mixed Use (Inner City) Zone Application Approved Jun-16
		<b>Prop No. of Units:</b>	146
		<b>\$rate/unit:</b>	\$56,507/unit

The property comprises the amalgamation of 10 lots to form a rectangular corner shaped lot having two street frontages to Wellington Road and Toohey Street and is located directly opposite its intersection with Mowbray Terrace. The amalgamated property has a street frontage of 95 metres to Wellington Road and our search of the Brisbane City Council PD Online system indicates that a Development Application was lodged in December 2015 (approved in June 2016) for 2 x 8 level mixed use development plus two levels of basement car parking. Overall, the development will include 146 units in total (45 x 1 bedroom, 88 x 2 bedroom, 13 x 3 bedroom) plus 177 basement level car parking spaces. We note from our search of the Brisbane City Council website, that the property is not affected by flood. This property previously sold in May 2016 for \$10,500,000 (\$2,579/m<sup>2</sup> or \$71,917/unit).

**Comparison:** *The property is located along a busy arterial road. This property has a larger land area, however, is within a zoning which allows for lesser density and height development which has resulted in a lower analysed land sale rate but, given the lower density, this has resulted in a higher analysed \$rate/unit.*

5



<b>Address:</b>	27-31 Carl Street & 30-36 Wolseley Street Woolloongabba
<b>Purchase Price:</b>	27-29 - \$2,699,000 (Nov-16) 31 - \$1,750,000 (Nov-18) 30 - \$1,050,000 (May-16) 32 - \$650,000 (Sep-15) 36 - <u>\$4,350,000</u> (Sep-15) \$10,499,000
<b>Land Area:</b>	27-29 - 1,012m <sup>2</sup> 31 - 506m <sup>2</sup> 30 - 506m <sup>2</sup> 32 - 506m <sup>2</sup> 36 - <u>1,014m<sup>2</sup></u> 3,544m <sup>2</sup>
<b>Land Analysis:</b>	\$2,962/m <sup>2</sup>
<b>Zoning:</b>	High Density Residential (up to 15 storeys) Zone No Applications made/lodged Application Approved Feb 2019
<b>Proposed No. of Units:</b>	204
<b>\$rate/unit:</b>	\$51,465/unit

The property comprises a regular shaped parcel of land positioned to the western side of Carl Street and being the amalgamation of 5 adjoining properties. A search of the Brisbane City Council website indicates the property was purchased without any Development Approvals in place. A Development Application was subsequently lodged November 2018 and approved on 7 February 2019 for the removal of the existing dwellings and construction of 2 x 11 level residential unit buildings plus 3 levels of basement car parking. The complex will comprise a mixture of one and two bedroom units. Other facilities in the complex will include 2 lifts and a roof top terrace which will also include a swimming pool and BBQ facilities for each building.

**Comparison: The property is located in close proximity to the subject property in Carl Street and was sold with no Development Approvals in place. The site has been amalgamated over a 3 year period with some sales transacting in superior economic conditions for this class of asset which has resulted in a higher analysed sale rate, however, the density approved has resulted in a slightly higher analysed \$rate/unit.**

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We have derived from the above sales evidence which ranges in price from \$2,270,000 to \$10,499,000, and that analysed land sale rates range from \$1,807/m<sup>2</sup> for a slightly larger site located on a busy main road and having a lower density development approval in Kangaroo Point up to \$2,962/m<sup>2</sup> for a larger site which has been amalgamated over time (5 sale transactions between September 2015 and November 2018) in close proximity to the subject property in Carl Street, Woolloongabba.

We have also found that analysed sale rates based on a \$rate/unit range between \$50,444/unit up to \$56,507/unit depending on the location of the developments, its size, density, height and proximity to services and amenity.

In assessing an appropriate land rate and \$rate/unit rate for the property, we have had regard to the following factors that influence the value of the property. These include but are not limited to the:

- size of the land
- shape and topography of the land
- access and exposure
- frontage to Regent Street
- proximity to Buranda Railway and Bus Stations
- location within Woolloongabba's emerging high density residential precinct
- surrounding amenity and uses
- general market demand from developers
- quantum of dollar bracket into which the subject property lies (sub \$5 million)

Based on the sales evidence detailed above and taking into account the factors outlined, we consider a land area rate range of between \$2,300/m<sup>2</sup> and \$2,600/m<sup>2</sup> and a \$rate per unit rate range of between \$45,000/unit and \$50,000/unit to be appropriate.

## 7. Methodology

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### 7.1. Highest and Best Use

Real property is valued in terms of its “highest and best use” which may be defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value for the property being valued. In this instance we consider the highest and best use of the land is as a medium rise high density residential redevelopment site in line with the current town planning constraints and surrounding activity, and it is on this basis we have assessed its market value.

### 7.2. Direct Comparison Approach

The most appropriate way to value a redevelopment site is under the Direct Comparison Approach. Using this approach, we have directly compared the property to the Sales Evidence, after first making appropriate adjustments for variations in:

- access to property and surrounding transport infrastructure
- access to and from the M1 and Brisbane CBD
- proximity to retail and commercial amenity
- standard of accommodation and presentation
- location within an establishing high density residential area
- size and scale of the proposed development

We have then applied an assessed rate range based on the square metre of land area, as well as the proposed / approved no of units allowed to be constructed on the property.

## 8. Calculations

Direct Comparison Approach			
Land Area		1,012m <sup>2</sup>	
Improved Market Range	\$2,300/m <sup>2</sup>	to	\$2,600/m <sup>2</sup>
Calculated Value Range	\$2,327,600	to	\$2,631,200
<b>Adopt</b>			<b>\$2,500,000</b>

Direct Comparison Approach			
No of Potential Units		54	
Improved Market Range	\$45,000/unit	To	\$50,000/unit
Calculated Value Range	\$2,430,000	To	\$2,700,000

Using the Direct Comparison Approach, the resultant value range is between \$2,327,600 and \$2,700,000.

For the purposes of this report, and due to variables such as timing of sales, size of development and varying locations between the sales evidence tabled earlier in this report, we consider the most appropriate method of assessing the value of the property on an 'As is' basis should be on a \$rate/m<sup>2</sup> of land area, and we have adopted the value of **\$2,500,000 exclusive of GST** in this instance.

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## 9. Valuation

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In accordance with my appointment and any qualifications detailed herein, I have assessed the market value of **43 Regent Street, Woolloongabba Qld 4102** as at **25 March 2019** to be:

**\$2,500,000 GST exclusive**  
**(Two Million Five Hundred Thousand Dollars)**

This valuation is made subject to the assumptions, remarks and qualifications contained in this report and is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this report in isolation.

Neither the whole nor any part of this valuation report or any reference thereto may be included in any published documents, circular or statement, nor published in part or full, without written approval of the form and context in which it will appear.

Neither Crisp Valuation Services Pty Ltd nor the signatory to this report have any interest financial, pecuniary or otherwise in, or with parties associated with the subject of this report.

### CRISP VALUATION SERVICES PTY LTD



STUART CAMERON  
Director  
Registered Valuer No. 2499  
Certified Practising Valuer  
Specialist Retail Valuer

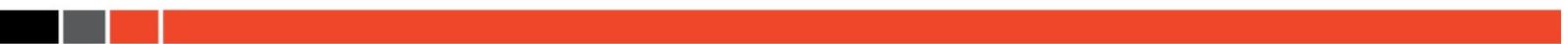
Date: 28 March 2019

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## **APPENDIX 1**

# **VALUATION INSTRUCTIONS**



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26 March 2019

Mr Stuart Cameron  
CRISP Valuation Services Pty Ltd  
Unit 3, 8 Mowbray Terrace  
East Brisbane QLD 4169

*By email*

Dear Sir,

**Hudson Investment Group Limited's proposed acquisition of the Regent Property Trust ("the Proposed Transaction")**

The Regent Property Trust owns the property below:

- 43 Regent Street, Woolloongabba, Queensland 4102 ("the Regent St Property").

RSM Corporate Australia Pty Ltd ("RSM") has been engaged by the Directors of Hudson Investment Group Limited's ("Hudson") to prepare an Independent Expert's Report ("IER") in relation to the Proposed Transaction.

Accordingly, we require CRISP to provide an independent valuation of the Regent St Property.

**Fees**

Hudson will be responsible for the payment of all fees. The cost the independent valuation report is to be agreed between yourself and Hudson.

**Timing**

We anticipate receiving your report within 3 to 5 business days from the date of your receipt of all necessary information from Hudson to complete the independent valuation.

**Scope**

As set out above, CRISP's scope of work is to provide an independent valuation report for the Regent St Property as at 25 March 2019.

Your report should be addressed to RSM Corporate Australia Pty Ltd and will be included as an appendix in the IER.

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**Agreement of Terms**

By signing this document, you agree to accept the scope of work and terms set out in this letter and you confirm that you are independent and perceived to be independent of Hudson.

We look forward to working with you on this assignment.

Yours faithfully,

A handwritten signature in blue ink that reads 'A. Clifford'.

Andrew Clifford  
**Director**

Acknowledged on behalf of CRISP Valuation Services Pty Ltd by

Name .....

Title .....

Date .....

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**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU.

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HUDSON INVESTMENT GROUP LIMITED  
ACN 004 683 729

ANNUAL GENERAL MEETING OF SHAREHOLDERS PROXY FORM

Please complete, sign and return this document to:

To: The Secretary  
Hudson Investment Group Limited  
Level 2, Hudson House  
131 Macquarie Street  
SYDNEY NSW 2000

Email executed form to: [corporate@higl.com.au](mailto:corporate@higl.com.au)  
fax executed form to: 02 9251 7500  
By 2.00 pm Sydney Time on 19 May 2019

I / We .....  
being a member of Hudson Investment Group Limited (the **Company**), appoint:

Name of proxy: .....

Address of proxy: .....

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my / our proxy to act generally at the Meeting on my / our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of the Company on 21 May 2019 and at any adjournment of or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:**

Where I / we have appointed the Chairman of the Meeting as my / our proxy (or the Chairman becomes my / our proxy by default), I / we expressly authorise the Chairman to exercise my / our proxy on Resolution 1 (except where I / we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on any Resolution by marking the appropriate box below.

The Chairman intends to vote all undirected proxies that he receives in favour of each resolution to be brought before the meeting, except where the Chairman is expressly forbidden to do so, under the *Corporations Act 2001 (Cth)*.

**Items of Business**

Please mark  to indicate your directions

**PLEASE NOTE:** If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or poll and your votes will not be counted in computing the required majority.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
Resolution 1 – Ordinary Resolution to adopt the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ordinary Resolution to elect Mr John William Farey as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Ordinary Resolution to elect Mr John Foley as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Ordinary Resolution to elect Dr Cheng Fong Han as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Ordinary Resolution approval to enter into Regent Street Property Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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**RESOLUTIONS****FOR****AGAINST****ABSTAIN**

Resolution 6 – Special Resolution Additional 10% Placement Facility

Resolution 7 – Ordinary Resolution for share consolidation

The Chairman of the meeting intends to vote all available proxies in favour of each item of business.

**SIGNATURE OF MEMBER (S)****Individual or Member 1****Member 2****Member 3****Sole Director/  
Company Secretary****Director****Director/Company Secretary****Date:** \_\_\_\_\_**Email:** \_\_\_\_\_**Contact Name:** \_\_\_\_\_ **Contact Phone (daytime):** \_\_\_\_\_**Notes on Proxies**

1. Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box, your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.
2. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead pursuant to the Constitution.
3. If a member appoints one proxy only, that proxy shall be entitled to vote on a show of hands, but if a member appoints two proxies neither shall be entitled to vote on a show of hands.
4. Where more than one proxy is appointed, each proxy must be appointed to represent a specific portion of the member's voting rights. Otherwise each proxy may exercise half of your votes.
5. A proxy need not be a security holder of the Company.
6. Signing instructions:

Individual: Where the holding is in one name, the security holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry or the Company, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to Section 204A of the *Corporations Act 2001* (Cth) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

For your vote to be effective, the completed proxy form must be received by 2.00pm AEST on 19 May 2019.

Please advise of any change of address by completion of the section below:

My new address is: \_\_\_\_\_  
\_\_\_\_\_

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