

Dear Shareholder

Unsolicited offer for shares in First NZ Properties Limited

Unsolicited offer

First NZ Properties Limited (**First NZ** or the **Company**) has recently received an unsolicited offer from CNP Holdings Limited (**CNP**) to acquire 200,000 shares in First NZ, representing 4.92% of the Company's shares on issue, with the discretion to accept oversubscriptions of up to a further 750,000 shares (18.45%), totalling 950,000 shares (23.37% of the Company's shares on issue) (the **CNP Offer**).

This letter forms part of First NZ's response to the CNP Offer and includes a Fairness Opinion prepared by Simmons Corporate Finance Limited. You should read the Fairness Opinion carefully and in full when considering whether to accept the CNP Offer.

Independent Director

I am the sole Independent Director of the Company and have acted on all matters arising in connection with, or as a consequence of, the CNP Offer. I have sought advice from Duncan Cotterill as legal adviser and have carefully considered the Fairness Opinion.

Summary of the Fairness Opinion

The Fairness Opinion evaluates the merits and fairness of the CNP Offer.

Set out below is an extract from the Fairness Opinion, summarising Simmons Corporate Finance Limited's opinion on the merits and fairness of the CNP Offer:

The CNP Offer is an unsolicited partial takeover offer for between 4.92% and 23.37% of the Company's shares at \$4.42 cash per share (after deducting the 9 November 2021 \$0.08 net dividend).

The CNP Offer provides a liquidity event for shareholders where they will receive \$4.42 cash for each share that is accepted into the offer.

Factors that shareholders should consider when deciding whether to accept the CNP Offer include:

- *the CNP Offer is an offer for 4.92% of the shares in First NZ (with the discretion for CNP to accept up to 23.37% of the shares) and therefore does not necessarily provide an opportunity for a complete exit (although shareholders with small parcels of shares may possibly be able to have all of their shares accepted into the offer);*
- *we assess the full underlying value of First NZ's shares to be in the range of \$5.92 to \$6.49 per share on an ex-dividend (**ex-div**) basis as at the present date. The assessed value range excludes the fully imputed gross dividend of \$0.12 per share declared by the Board on 26 October 2021 and payable on 9 November 2021;*
- *the Adjusted Offer Price of \$4.42 per share is 25% to 32% below our assessed valuation range;*
- *minority interests in a company generally trade at a discount to the pro rata value of the company as a whole. Discounts in the range of 10% to 40% are often applied to minority interests to reflect the lack of control that minority parcels of shares are able to exert of a company's affairs;*
- *a shareholding of (up to) 23.37% would represent a significant minority interest in the Company. Accordingly, if a minority discount were to be applied to our valuation range of \$5.92 to \$6.49 per share (ex-div), the discount would be at the lower end of the observed discount range of 10% to 40%;*

- *the Adjusted Offer Price of \$4.42 per share represents a premium of 12% over the \$3.95 price at which the Company's shares last traded on 9 September 2021. However, trading in the Company's shares is extremely thin and therefore the recent share transactions do not necessarily represent a strong indication of the fair market value of First NZ's shares;*
- *the CNP Offer is subject to a number of conditions. However, in our view the conditions do not provide a significant impediment to the likelihood of the offer being declared unconditional;*
- *if the CNP Offer is successful, CNP would control (at most) 23.37% of the Company's shares. This would potentially allow it to block special resolutions but it would not be able to determine the full composition of the Board. Accordingly, CNP would not be in a position to exert significant control and influence over the affairs of First NZ;*
- *the likelihood of an alternative takeover offer is uncertain.*

The main advantage for shareholders of accepting the CNP Offer is that they will be able to realise cash of \$4.42 for each of their shares accepted into the offer. This represents an exit opportunity for shareholders which is not readily available anywhere else as the Company's shares are not quoted on any stock exchange and trading on the Syndex online trading platform is extremely thin.

The main disadvantage of accepting the CNP Offer is that shareholders will not participate in any potential appreciation in the value of the Company's shares because of increases in the value of the Company's property portfolio. As previously stated, we assess the full underlying value of First NZ's shares to be in the range of \$5.92 to \$6.49 per share (ex-div) as at the present date. Shareholders should however take into consideration that the Company's shares are illiquid and therefore there may be difficulties in monetising any increase in the value of First NZ through the sale of their shares.

No recommendation

I will not be making a recommendation of whether you should accept the CNP Offer. You should carefully consider the Fairness Opinion and decide based on your own circumstances and views as to the value and future market conditions, risk profile, liquidity preference, tax position and other factors.

I encourage you to seek professional advice in relation to your circumstances.

Acceptances

If you wish to accept the CNP Offer, please use the acceptance form accompanying the CNP Offer document. Complete and return your acceptance form in accordance with the instructions on that form.

If you do not wish to accept the CNP Offer, then you do not have to take any action.

On behalf of the Board, I thank you for your support of First NZ.

Yours faithfully


John Murray
Independent Chair

