



**Dated 25 October 2005**

**1 for 1 renounceable rights issue by Botry-Zen Limited to the holders of its existing ordinary shares of up to 76,666,666 ordinary shares at an issue price of 5.5 cents each, payable in full on application. The offer closes at 5 pm, on 23 November 2005.**

# **Investment Statement**

**Botry-Zen Limited**  
**Investment Statement**

**25 October 2005**

This document is an "Investment Statement" for the purposes of the Securities Act 1978.

**Important Information**

(The information in this section is required under the Securities Act 1978).

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

**Choosing an investment**

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You are entitled to a copy of that Prospectus on request.

**Choosing an investment adviser**

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition:

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

## Important Notice

This Investment Statement is dated 25 October 2005. It provides information relevant to Shareholders of Botry-Zen Limited who are New Zealand residents and who may wish to buy the New Shares available in this Offer.

NZX has granted a waiver from the requirement to make this Offer to Shareholders of the Company whose registered addresses are outside New Zealand and who fail to satisfy the Company that the Company would not be in breach of any legal requirements in the relevant jurisdiction by making the Offer to them without taking any further action. The Rights which would otherwise be offered to those Shareholders who reside outside New Zealand and who do not so satisfy the Company will be sold on market and the proceeds of sale will be distributed on a pro-rata basis (net of costs) to each such Shareholder.

Receipt of the Investment Statement and/or Letter of Entitlement will not constitute an offer in those jurisdictions in which it would be unlawful to make such an offer or invitation. Botry-Zen Limited prohibits the sending of this Investment Statement and/or Letter of Entitlement into any such jurisdictions and reserves the right to refuse to issue any New Shares if it believes to do so would violate any applicable legal and regulatory requirements.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of the allotment procedures. However, NZX accepts no responsibility for any statement in this Investment Statement or the Prospectus.

Application has been made to NZX for permission to list the Rights and all requirements of NZX relating thereto that can be complied with on or before the distribution of this Investment Statement and the date of the Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement contained in this Investment Statement or the Prospectus.

## Key Dates

Record Date for entitlements	Tuesday, 25 October 2005
Investment Statement and Letters of Entitlement sent to Shareholders	Wednesday, 26 October 2005
Offer opens	Wednesday, 26 October 2005
Existing Shares quoted ex-entitlements and Rights trading commences	Wednesday, 26 October 2005
Rights trading ceases	Monday, 21 November 2005
Offer closes - last day for receipt of applications and renunciations	Wednesday, 23 November 2005
Allotment of New Shares and issue of statements for New Shares completed	On or before Wednesday, 30 November 2005

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## Chairman's Letter

Dear Shareholder

This document contains an offer of one New Share for every one Existing Share which you already own. This "Rights Issue" will raise \$4,216,667 and will enable the Company to continue to pursue the full commercialisation of its product "BOTRY-Zen" in the New Zealand market and key international markets. Other biological products, also targeting *Botrytis* and *Sclerotinia* infection, are now being developed by the Company and any new capital may also be applied towards bringing these products through the research and development process and then, where appropriate, to full commercialisation.

The Board has been exploring various capital raising options. Having considered all of the Company's options in-depth, the Board considers a partially underwritten "Rights Issue", in conjunction with the cancellation of 90,000,000 ordinary shares in the Company previously held by its three Principal Shareholders, to be the most appropriate way to raise the necessary capital. Raising capital through the Rights Issue gives Shareholders an opportunity to invest additional funds in their company and to ensure that their existing shareholding is not diluted.

As previously announced the Company has now successfully completed the dry product BOTRY-Zen formulation development process (full New Zealand registration was granted on 29 October 2004), which has resulted in a user-friendly product with a six-month plus shelf life.

In addition, off-shore grape (and other crop) industry interest in BOTRY-Zen has continued to increase as the latest successful New Zealand field trial outcomes become more widely recognised and as consumer opposition to food and beverage chemical residues develop a higher profile internationally.

The Board believes it is now appropriate and desirable that concrete steps are taken to establish a robust platform from which BOTRY-Zen can be introduced commercially to key international markets. Initially, the Company proposes targeting the European and US markets.

The funds raised by this Rights Issue will allow the Company to progress new international field trialing together with the associated registration process in Europe and United States of America. The funds will also be utilised to facilitate a significant staged expansion of the Dunedin manufacturing plant.

To secure funding the Company has set the issue price for the New Shares at an attractive level. The Company has also secured commitments from its Principal Shareholders to subscribe for New Shares and underwriting commitments on terms which are set out in more detail within this document. The Principal Shareholders' commitment and the partial underwrite provide the Company with an assurance that the Company will raise the funds the Board considers necessary to achieve the Company's objectives.

You should read this document carefully. To take up your entitlement it is important that you send your completed Letter of Entitlement and Acceptance Form with the appropriate payment so as to be received by the share registrar, BK Registries Limited, before 5pm on Wednesday, 23 November 2005.

If you decide not to take up your entitlement, then you should nevertheless look to sell your Rights through a share broker, as they are likely to have some value. If you do nothing then your existing holding (that is, your holding after the share cancellation) will be diluted and you will receive nothing for your Rights.

The Company looks forward to the continued support of its Shareholders through participation in the Rights Issue.

Yours sincerely



Dr M G Shepherd  
Chairman  
25 October 2005

## Background to the Rights Issue

### **The Company – History**

The Company was formed in April 2001 to pursue the commercialisation of BOTRY-Zen, a biological agent for use in the control of plant diseases caused by *Botrytis* fungus infections. Winegrape Tech (a joint venture between Winegrowers of New Zealand Limited and New Zealand Grape Growers Limited) originally held the rights to this *Botrytis* fungus fighting technology. In June 2001, Winegrape Tech granted the Company a 15 year exclusive licence to the technology (with rights of renewal) which gave the Company the right to produce, distribute and sell BOTRY-Zen in key international markets, including Australia, the United States of America, Germany, Spain, France and Italy.

In April 2004 a deed of variation was signed with Winegrape Tech which allows the Company to deal with *Sclerotinia sclerotiorum* infections in addition to the *Botrytis* control applications.

The agreements with Winegrape Tech make provision for the intellectual property associated with all elements of the product manufacturing process to be retained and owned by the Company.

The Company's initial capital raising in 2001 generated \$5,000,000. These funds, together with a profit of approximately \$380,000 resulting from the sale of the Company's Dunedin factory in the second half of 2004, provided the Company with adequate capital to make significant in-roads into the commercialisation of BOTRY-Zen.

Specifically, the funds raised since the Company's incorporation have been applied in:

- the continued development of BOTRY-Zen as a commercially viable product (culminating in the development of a new dry granulated formulation);
- field trials of BOTRY-Zen in key grape-growing regions around New Zealand;
- registration of BOTRY-Zen in New Zealand under the Agricultural Compounds and Veterinary Medicines Act 1997;
- advancing patent protection for BOTRY-Zen in some key international markets; and
- the research and development of additional potential biological products (such as the Company's new late season product "BOTRY-Zen II").

In order to pursue the full commercialisation of BOTRY-Zen in both the New Zealand and international markets, the Company now requires additional capital from Shareholders.

### **The "BOTRY-Zen" Product**

BOTRY-Zen is a biological control agent developed specifically for the control of *Botrytis cinerea* and *Sclerotinia sclerotiorum* infections in grapes and other crops. Where *Botrytis* fungus infections occur on grape vines the infection can cause "bunch rot" which manifests itself as a moist rot on the berries and other fleshy parts of the vine.

*Sclerotinia* infections, in a similar manner, can cause significant crop loss through rot damage and physical scarring of the fruit.

At its latest stage the *Botrytis* infection is visible as a grey felt-like mat of spores. *Botrytis* fungal infections are a significant problem for the global wine industry. New Zealand Winegrowers has estimated that in the 2004 season *Botrytis* infection resulted in direct grape losses across the New Zealand winegrowing industry to the value of \$15.5 million, with estimated potential lost wine sales of \$77.4 million. This was despite considerable cost incurred in canopy management to reduce *Botrytis* pressure, and the application of approximately \$7.2 million worth of fungicides with an application cost of \$895,000. The Company's assumption is that *Botrytis* infection can represent a potential annual risk to approximately two-thirds of the total New Zealand vineyard area (currently comprising around 22,000 hectares of land<sup>1</sup>) The Company expects the costs associated with *Botrytis* will increase as the size of New Zealand's vineyard plantings increase.

BOTRY-Zen is a live spore preparation of the non-pathogenic saprophytic fungus *Ulocladium oudemansii*, and acts as a live biological control agent by competing for the same ecological niche as *Botrytis cinerea*.

<sup>1</sup> Source: <http://www.nzwine.com/statistics/vineyard.php3>

It aggressively occupies the same physical space and out-competes *Botrytis* for nutrients in the dead and senescing floral debris in the bunches, but is non-invasive and causes no damage to live plant tissue.

BOTRY-Zen acts in a similar “out-competing manner” in respect of the limitation of *Sclerotinia* infections.

BOTRY-Zen has been extensively trialled in New Zealand vineyards and kiwifruit orchards since 1997 and the results of these trials have demonstrated that BOTRY-Zen provides protection against *Botrytis* and *Sclerotinia* infections comparable to standard chemical fungicide programmes.

Initial field trials of BOTRY-Zen in California and Italy have produced results similar to those achieved in New Zealand.

Many growers are attracted to BOTRY-Zen because it offers a field-proven and easy to use biological control for *Botrytis* and *Sclerotinia* diseases. Because it is a biological product, the use of BOTRY-Zen allows growers to avoid chemical residue problems and tight spray withholding regimes. BOTRY-Zen is user friendly from safety and application perspectives and the recently developed dry granulated formulation has a six-month plus shelf life. The product is fully water dispersible and can be easily applied via all widely available and commonly used spray units.

The New Zealand winegrowing industry is heavily promoting the benefits of “sustainable winegrowing” and, as at 30 June 2005, 431 of New Zealand’s vineyards, encompassing almost 11,600 hectares of grape production, were members of Sustainable Winegrowing New Zealand<sup>2</sup>. BOTRY-Zen is recognised as being totally consistent with the aims and objectives of the sustainable winegrowing programme and is certified in accordance with the requirements of the New Zealand BIO-Gro Organic Production Standards.

*Botrytis cinerea* and *Sclerotinia sclerotiorum* can also attack and seriously damage crops such as kiwifruit, tomatoes, berryfruits, cut flowers, lettuce and cabbages. The Company has conducted trials on the use of BOTRY-Zen on kiwifruit and these trials have demonstrated that BOTRY-Zen is an effective agent in preventing fungi infections on that crop.

The Company has the right to pursue the commercial development of the patent rights and other technology associated with the saprophytic fungus organisms in relation to all other crops in Patent Co-operation Treaty Countries. Whilst focusing its initial commercial efforts on the grape growing industry, the Board plans to continue the Company’s co-operative research programme with HortResearch into the use of BOTRY-Zen on other crops. In particular, the Board intends to expand commercial trading activities within the New Zealand market across kiwifruit, blackcurrants and selected ornamental flowers commencing this season.

The Company is also exploring the development of other biological products, and has recently conducted successful preliminary field trials of a new biological product currently identified as “BOTRY-Zen II”. It is intended that BOTRY-Zen II will provide late season protection to the ripening berries and will be a companion botryticide to compliment the early season *Botrytis* control of BOTRY-Zen. The Company currently intends to complete product development work and secure formal New Zealand registration for BOTRY-Zen II by early 2006, and to progressively complete international field-trialing and registration for the product in key international markets from 2006 onwards.

### 2005 Vintage Results

To varying degrees through the 2005 Vintage, the Gisborne, Hawkes Bay, Martinborough and Marlborough grape-growing regions all experienced heavy *Botrytis* disease pressure conditions. A HortResearch report commissioned by the Company states that “*Botrytis* infection risk was high in all regions at two important phenological stages – flowering to berries pea sized (*Botrytis* infection of trash and aborted fruitlets) and pre-harvest fruit ripening (*Botrytis* infection of ripening berries).” In virtually all field sites where BOTRY-Zen was applied, the prevailing wet weather conditions and the resulting high disease infection circumstances proved to be the most rigorous test yet for the product.

Across the 33 blocks where BOTRY-Zen was applied, assessments conducted by the HortResearch field team showed that there were 26 properties where BOTRY-Zen performed extremely well against the standard chemical programmes. There were 7 sites where the product under performed (but only marginally) when compared with the chemical outcomes, and in these there were localised and logical reasons to explain the slightly lower level of performance.

<sup>2</sup> Source: New Zealand Winegrowers 2005 Annual Report, page 17.

## *Grower endorsements*

Grower endorsement of BOTRY-Zen has been recorded as follows:

“Since Botry-Zen Limited was formed I have been watching the product development process and the field performance with considerable interest. I must say that we have found the new dry powdered BOTRY-Zen formulation to be most user-friendly. When correctly applied, we have found the product to perform well in our situation comparable to the traditional synthetic chemicals. This product, in my view, has a serious future where the biological control of *Botrytis* at flowering is sought.”

*Mr Steve Smith MW, Wine & Viticulture Director, Craggy Range Winery, Hawkes Bay*

“With the increasing international interest and importance in limiting residues in wines it is certainly desirable that New Zealand vineyards continue to expand recognition of the benefits of the industry’s Sustainable Winegrowing programme. As part of utilizing natural methods towards the limitation of plant diseases I believe that we should consider lending support to companies using natural methods such as Botry-Zen Limited. The BOTRY-Zen product when correctly applied has reportedly performed well in the field through the 04/05 season and if the Company can continue to make improvements and advances on biological control product development I feel it will earn a prominent position in this country’s winegrowing future.”

*Mr George Fistonich, Managing Director, Villa Maria Wines Limited.*

## **Future Direction**

In order to pursue the full commercialisation of BOTRY-Zen in both the New Zealand and international markets, the Company now requires additional capital from Shareholders to specifically fund:

- Off-shore field trials and registration of BOTRY-Zen in the United States of America and Europe (these being two of the Company’s key target markets). Adequate trials and registration in these markets is fundamental to the commercialisation of BOTRY-Zen in each market. The Board is targeting full BOTRY-Zen registration in the United States of America and Europe by February/March 2007 and February/March 2008 respectively, and anticipates gradually building a presence in each of these markets after the registration process has been completed;
- Up-scaling the Company’s manufacturing capacity in 2005 to meet anticipated demand from the New Zealand market and to create further capacity to cover development in the following years once entry has been gained to key international markets;
- Evaluation of potential European-based manufacture, under license, of BOTRY-Zen and the related possibility of early German market registration under “Pflanzenstärkungsmittel” (which loosely translates as “plant strengthening agent”) regulatory criteria; and
- Continued research and development of new products including “BOTRY-Zen II” and the off-shore registration of these new products as soon as practicable.

As stated previously, the Board also intends to expand commercial trading activities within the New Zealand market across kiwifruit, blackcurrants and selected ornamental flower crops commencing this season. The Company anticipates that market penetration is likely to be slow initially as growers become accustomed to the application steps and mode of action covering BOTRY-Zen. It is expected, however, that the Company will retain the support of the major wine industry parties who have been involved in the development of BOTRY-Zen from an early stage and that through this cooperation wider grower interest will expand.

Until the off-shore registration is achieved in Europe and the United States of America and given that the expansion of the Dunedin factory will be undertaken in a series of gradual but significant steps, the Board does not anticipate reaching a profitable trading position until the year ending March 2008. The Board expects the company’s trading prospects to improve in a marked manner through the March 2009 financial year and beyond.

## ***Non-Financial Implications of the Rights Issue***

The Company is assured, by virtue of the Underwriting Agreements, of having access to the moneys which the Board presently considers necessary for the next stage of the commercialisation of BOTRY-Zen. If there is a significant level of support from Shareholders for the Rights Issue then it is unlikely that there would be many implications of a non-financial character flowing from the Rights Issue.

In the event there is a material Shortfall, the Underwriters could materially increase their aggregate shareholding in the Company by holding up to 42.02% of the Company following allotment of the New Shares.

## ***Financial Implications of the Rights Issue***

The Board considers that the Rights Issue will provide the Company with sufficient funds and opportunity to complete the next stage of the commercialisation of BOTRY-Zen in both the New Zealand and key international markets.

For those Shareholders who take up their entitlements to New Shares in full, the Rights Issue has no dilutionary effect on their economic interest, or proportion of voting rights, in the Company following the Share Cancellation. Those Shareholders who fail to take up their entitlements (either in whole or in part) will suffer a dilution of such interests and rights relative to their current (post Share Cancellation) levels in favour of those persons who purchase the Rights (in the event the Rights are renounced by a sale) or the Underwriters (in the event that the Rights are allowed to lapse).

Because rights issues are almost always priced at a discount to the prevailing market price of existing shares of a company, there will be an adjustment to the price at which the Existing Shares trade once they are quoted on an ex-entitlement basis. This adjustment is dependent on the number of New Shares, the price at which the New Shares are offered and the price of the Existing Shares immediately prior to going ex-entitlement. In this case, the New Shares are being offered at a price which the Board would expect to encourage Shareholder participation in the Rights Issue, either by way of subscription for the New Shares or alternatively through renouncing the Rights and selling them on market. While the Rights are expected to have value, the price at which they will trade will be dependent not only upon the prevailing price of the Existing Shares, but also upon the supply and demand for Rights.

## ***No Forecast Financial Statements***

The Company is not including any forecast financial statements. This is because this would involve considerable speculation as to the rate at which the proceeds of the issue of the New Shares are used in the product commercialisation process, as well as the success, and timing of that success, in generating local and international sales revenue.

## ***Principal Shareholders' Commitments***

In order to achieve a more optimal long-term shareholding structure for the Company, the Board and the Principal Shareholders agreed that it was in the Company's best interests to acquire and immediately cancel 30,000,000 ordinary shares in the Company from each Principal Shareholder for \$1 (\$3 in aggregate). The Share Cancellation was approved by shareholders at the special meeting of shareholders held on 21 October 2005, and took place on that date.

Because the consideration paid for the shares acquired from each Principal Shareholder was a nominal sum, the net asset backing of the Existing Shares has increased significantly. The Share Cancellation has therefore benefited the remaining shareholders in the Company. The Share Cancellation has also had the effect of increasing the discount in the price of the Rights relative to the underlying value of the Existing Shares and the theoretical market price of the Existing Shares.

The Company's Principal Shareholders (who together hold, following the Share Cancellation, 23.25% of the Company) have signalled their support for the Rights Issue by providing independent commitments to subscribe for New Shares under the Rights Issue.

Each Principal Shareholder has undertaken to subscribe for the lesser of New Shares to the value of \$300,000 or their respective entitlement under the Right Issue.

Where a Principal Shareholder's commitment is less than the full amount of its entitlement under the Rights Issue, the Principal Shareholders have agreed not to renounce the excess Rights but rather to allow them to lapse and fall within the scope of the underwriting arrangements or, subject to compliance with all applicable laws, pre-place its excess Rights with person(s) acceptable to the Company prior to the opening date for the Rights Issue. As at the date of this Investment Statement, no Principal Shareholder has pre-placed any excess rights.

The Principal Shareholders details and the number of New Shares they have each committed to subscribe for are set out in the following table:

Name	Number of New Shares to be subscribed for
Cheung Tak Hung and Downie Stewart Trustee Limited as trustees of the Pine Hill Trust whose interest is held through Polson Higgs Nominees Limited	5,454,545
Maxwell Gilbert Shepherd and Downie Stewart Trustee Limited as trustees of the Rutherglen Trust whose interest is held through Polson Higgs Nominees Limited	5,454,545
Otago Trustee Company Limited	5,429,523

None of Polson Higgs Nominees Limited, Otago Trustee Company Limited, the trustees of the Pine Hill Trust, the trustees of the Rutherglen Trust, Maxwell Shepherd or Cheung-Tak Hung guarantee the New Shares, the Existing Shares, or any amounts payable in respect of the Existing Shares or New Shares.

**Dividend Policy**

The Company's policy is to pay dividends once the Company has established consistent profitability. This policy will not change as a result of the Rights Issue.

## About the Offer

In summary, the Rights Issue will:

- increase the Company's share capital by 76,666,666 ordinary shares;
- increase the Company's assets by approximately \$4,216,667 (before issue costs and underwriting fees); and
- thereby enable the Company to pursue the full commercialisation of BOTRY-Zen in the New Zealand market and key international markets.

Set out below are further details of the Offer and the Underwriting Agreements.

### 1 The Issuer

The issuer of the New Shares is Botry-Zen Limited, a company incorporated in New Zealand. The Company was incorporated under the Companies Act 1993 under registration number 1125261 on 4 April 2001. The Company's registered office is Level 1, 30 London Street, Dunedin.

### 2 The Offer

The Company is offering, on a renounceable basis, a maximum of 76,666,666 New Shares at an issue price of 5.5 cents each to the registered holders of Existing Shares as at 5pm on Tuesday, 25 October 2005 in the ratio of 1 New Share for every Existing Share. The proceeds from the issue of the New Shares will enable the Company to continue to pursue the full commercialisation of its product "BOTRY-Zen" in the New Zealand market and key international markets. Other biological products, also targeting *Botrytis* and *Sclerotinia* infection, are now being developed by the Company and any new capital may also be applied towards bringing these products through the research and development process and then, where appropriate, to full commercialisation.

The holder of any Existing Shares purchased after 5 pm on Tuesday, 25 October 2005, will not qualify to participate in the Offer in respect of those shares.

If you have sold your Botry-Zen shares on or before Tuesday, 25 October 2005 please send this Investment Statement and the enclosures to the Primary Market Participant or other person or sharebroker through whom you made the sale, requesting that they be forwarded to the new Shareholder.

### 3 Price

The consideration for each New Share offered is 5.5 cents, payable in full on application. The total value of the New Shares offered is \$4,216,667.

### 4 Ranking of New Shares

The New Shares will rank equally in all respects with the Existing Shares in the capital of the Company. As such, every New Share will be entitled to one vote and the right to an equal share in dividends authorised by the Board, and any distribution of the surplus assets of the Company.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of the allotment procedures. However, NZX accepts no responsibility for any statement in this Investment Statement or the Prospectus.

### 5 Entitlement

The extent of each Shareholder's entitlement to subscribe for New Shares is recorded on the Letter of Entitlement accompanying this Investment Statement. Fractional entitlements to New Shares have been disregarded in calculating entitlements.

Entitlements to Rights have not been scaled to any minimum amount.

## **6 Acceptance of Offer**

The Offer may be accepted either in full or in part.

The Offer is renounceable. Shareholders who do not wish to accept the Offer, or wish to accept it in part only, may sell or transfer their entitlement in whole or in part. Shareholders may not apply for New Shares in excess of the number to which they are entitled.

## **7 Rights Trading**

Application has been made to NZX for permission to list the Rights and all requirements of NZX relating thereto that can be complied with on or before the distribution of this Investment Statement and the date of the Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement contained in this Investment Statement or the Prospectus.

If you decide not to accept all or part of your Rights, you may choose to sell (renounce) all or some of your Rights rather than allow them to lapse. Any Rights which you choose not to accept or renounce will lapse and you will receive no benefit for them.

Rights may be traded by contacting a Primary Market Participant. Rights trading on the NZX commences on Wednesday, 26 October 2005 and will cease at the close of trading on Monday, 21 November 2005. Trading via Primary Market Participants will be effected through FASTER. Tradability will depend on there being a demand from prospective purchasers of the Rights.

If you wish to sell your Rights using this method you must do so before close of trading on Monday, 21 November 2005. It is important that you take action either to accept or renounce your Rights by no later than 5:00pm on Monday, 21 November 2005 (New Zealand time).

Investors are encouraged to submit their acceptance as soon as possible, and before 5pm on Wednesday, 23 November 2005 (New Zealand time).

## **8 Lodgement of Renunciations**

Primary Market Participants will be required to lodge renunciations with BK Registries Limited, PO Box 384, Ashburton, New Zealand not later than 5pm on Wednesday, 23 November 2005.

If the Company receives on or before 5pm on Wednesday, 23 November 2005 both an acceptance and a renunciation by the offeree in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

## **9 No Guarantee**

No person named in this Investment Statement, nor any other person, guarantees the New Shares or the Existing Shares or payment of any moneys payable in respect of the New Shares or the Existing Shares.

## **10 Allotment and Mailing of Statements**

Shareholders who apply for New Shares in excess of the number to which they are entitled will not be allocated the excess New Shares. In such circumstances surplus application moneys will be returned to the relevant Shareholders by cheque within 5 working days of the New Shares being allotted. No interest will be payable on surplus funds returned to subscribers.

The New Shares will be allotted, and statements for New Shares sent to the subscribers as soon as practicable after the Offer closes but in any event allotment will be completed, and statements for New Shares will be sent to Shareholders, no later than Wednesday, 30 November 2005.

## **11 Underwriting**

The Underwriters have underwritten (on a several basis) 60,328,053 New Shares. The Underwriters and their respective commitments are set out below. No Underwriter is liable for the failure of another Underwriter to perform its obligations.

<i>Underwriters and Maximum Share of Shortfall:</i>	Trevor Donald Scott, David Houghton Wale, Christopher John Swann as trustees of the T D Scott No.2 Family Trust	13.562%
	PKHB Holdings Limited	7.535%
	Southern Viticulture Limited	18.083%
	Aspiring Asset Management Limited	29.175%
	De Tourettes Holdings Limited	12.055%
	John McDonald Paterson	12.055%
	David John Smallbone	7.535%

The key terms and conditions of each of the seven Underwriting Agreements are as follows:

- Each Underwriter severally underwrites subscription of a percentage proportion of any Shortfall as set out above opposite their respective names.
- No Underwriter is responsible for meeting any other Underwriter's obligations under its Underwriting Agreement.
- The Company must procure the quotation of the Rights on the NZSX and the New Shares must be listed on the NZSX upon issue and allotment.
- The Rights Issue will open on Wednesday, 26 October 2005 and close at 5pm on Wednesday, 23 November 2005, or such other dates as the parties agree.
- The Company must accept all valid applications received and lodged with its share registrar by 5pm on the Closing Date.
- In the event that there is a Shortfall, the Company, on or before the third business day following the Closing Date, shall be entitled to give written notice (accompanied by a signed certificate from the share registrar verifying the Shortfall) to the Underwriters of the Shortfall.
- In the event that the Underwriters receive notice of the Shortfall, they each must, on or before 12 noon on the second business day from (and including) the day they each receive the written notice (or within such extended time as the written notice may specify), apply for the allotment and issue of that number of Underwritten Shares which comprise the Shortfall in proportion to their respective obligations, and must pay the issue price of 5.5 cents per New Share in full on application.
- If the Company refuses to accept a valid application for New Shares, those shares may not be included in the notice of Shortfall given under the Underwriting Agreements.
- The Underwriters' obligations under their respective Underwriting Agreement remains in force until the earlier of the dates upon which:
  - without recourse to the Underwriters, the Company allots all the Underwritten Shares; or
  - the relevant Underwriter has applied and paid for the allotment and issue to it of that number of Underwritten Shares as corresponds to its respective portion of the Shortfall.
- The Company must pay the Underwriters their respective underwriting fee on the earlier of the dates upon which:

- without recourse to the Underwriters, the Company allots all the Underwritten Shares; or
- the relevant Underwriter has applied and paid for the allotment and issue to it of that number of Underwritten Shares as corresponds to its respective portion of the Shortfall.
- The performance by the Underwriters of their obligations under their respective Underwriting Agreements is subject to:
  - various warranties including, warranties that all of the offering documents in relation to the Rights Issue comply with all laws, and in particular those which require proper disclosure of all material matters;
  - the Underwriters approving the form of the Prospectus and Investment Statement (such approval not to be unreasonably withheld or delayed);
  - no order being issued which prevents or suspends the Rights Issue, the use of the Prospectus or Investment Statement or the issue of the New Shares.
- Where:
  - there is a material breach of any warranty or the Underwriters reasonably withhold approval of the Prospectus or Investment Statement, other than a breach which is capable of remedy and is remedied; or
  - the Underwriters become aware that information in the Prospectus or Investment Statement is not true and accurate in all material respects,

then only Aspiring Asset Management Limited is entitled to give the Company notice (on behalf of all the Underwriters) cancelling the Underwriting Agreements. Such notice can only be given if Underwriters representing at least 50% of the Underwritten Shares agree to such action.

- Neither the Company nor the Underwriters may assign their Underwriting Agreements or any part of their respective benefits or obligations under them.

## 12 **No Minimum Subscription**

The Directors have not set a minimum level of subscriptions for the issue to proceed. In the event that there are any Rights which are not taken up, the Company will call upon the Underwriters to take up the lapsed Rights in accordance with the Underwriting Agreements.

## Answers to Important Questions

### What sort of investment is this?

The securities being offered are ordinary shares in the capital of Botry-Zen Limited which will rank equally in all respects with the Existing Shares. This means the New Shares being offered confer the following rights on their holder:

- the right to vote (on a poll one vote per fully paid share).
- the right to participate in dividends on the same basis as other holders of ordinary shares.
- the right to share in surplus assets in a liquidation on the same basis as other holders of ordinary shares.
- the right to receive an annual report and other information required by the Companies Act 1993.
- the other rights conferred by the Company's constitution and Companies Act 1993 on shareholders generally.

### Who is involved in providing it for me?

Botry-Zen Limited is the issuer of the New Shares being offered. Its address is Level 1, 30 London Street, Dunedin.

The Company was formed in April 2001 to pursue the commercialisation of BOTRY-Zen, a biological agent for use in the control of plant diseases caused by *Botrytis* fungus infections. Winegrape Tech (a joint venture between Winegrowers of New Zealand Limited and New Zealand Grape Growers Limited) originally held the rights to this *Botrytis* fungus fighting technology. In June 2001, Winegrape Tech granted the Company a 15 year exclusive licence to the technology (with rights of renewal) which gave the Company the right to produce, distribute and sell BOTRY-Zen in key international markets, including Australia, the United States of America, Germany, Spain, France and Italy.

In April 2004, the Company also acquired the licence to deal with *Sclerotinia sclerotiorum* infections from Winegrape Tech.

The Company's initial capital raising in 2001 generated \$5,000,000. These funds, together with a profit of approximately \$380,000 resulting from the sale of the Company's Dunedin factory in the second half of 2004, provided the Company with adequate capital to make significant in-roads into the commercialisation of BOTRY-Zen.

Specifically, the funds raised since the Company's incorporation have been applied in:

- the continued development of BOTRY-Zen as a commercially viable product (culminating in the development of a new dry granulated formulation);
- field trials of BOTRY-Zen in key grape-growing regions around New Zealand;
- registration of BOTRY-Zen in New Zealand under the Agricultural Compounds and Veterinary Medicines Act 1997;
- advancing patent protection for BOTRY-Zen in some key international markets; and
- the research and development of additional potential biological products (such as the Company's new late season product "BOTRY-Zen II").

## **How much do I pay?**

Subscribers for the New Shares being offered must pay 5.5 cents for each New Share subscribed for, by sending a cheque or bank cheque for the appropriate amount to any of the following:

- (i) Botry-Zen Limited  
c/- BK Registries Limited  
P O Box 384  
Ashburton  
New Zealand, or
- (ii) any Primary Market Participant, or
- (iii) any other channel approved by the NZX,

so as to be received by the Registrar in Ashburton no later than 5pm on Wednesday, 23 November 2005.

The number of New Shares to which each subscriber is entitled is set out in the Letter of Entitlement which accompanies this Investment Statement.

If a subscriber fails to pay the appropriate amount by 5pm on Wednesday, 23 November 2005 the subscriber's entitlement to participate in the Offer lapses. There is no "cooling-off" period in which subscribers can change their minds once the subscription has been lodged.

The Rights entitlement is anticipated to have value and recipients of this Offer are encouraged to sell any Rights they are not intending to take up.

## **What are the charges?**

There are no charges payable by subscribers in connection with the Offer. All expenses or overheads incidental to the Offer are being met by the Company.

Botry-Zen Limited will pay a total underwriting fee of \$132,722 to the Underwriters on a pro rata basis according to their commitment, and a fee of \$33,180 to Aspiring Asset Management Limited for its role as arranger of the underwriting arrangements. The amounts of these fees cannot be altered without amending the Underwriting Agreements or the agreement between the Company and Aspiring Asset Management Limited as arranger (as applicable). Further details about the Underwriting Agreements are set out on pages 11-13.

A sale of Rights, or New Shares (following issue and allotment), or Existing Shares will attract brokerage if they are sold through a sharebroker. The rates of brokerage vary from broker to broker and may be dependent on the value of the transaction.

## **What returns will I get?**

### *Shares*

A return on the New Shares may be derived by way of dividend or capital gain (in the case of the latter, either on a sale of the New Shares or upon the distribution of assets in the liquidation of the Company). The Company does not currently pay dividends. The Company's policy is to begin paying dividends when it has established consistent profitability. This policy will not change as a result of the Rights Issue. The date of any payment of dividends or capital gain is unknown.

The key factors which will determine the returns (whether by way of dividend or capital gain) will be the success of the Board and management in fully commercialising the Company's products in an efficient and cost effective manner. Returns will also be influenced by general economic factors such as interest rates, exchange rates and general demand for products of this type.

No return, in the form of dividend or capital gain, is guaranteed, or promised by the Company and enforceable by Shareholders and the dates at which capital gains in respect of the New Shares will be either realised or reflected in the price of the Company's shares cannot be predicted with accuracy. There is no guarantee that the value of the New Shares or Existing Shares will increase.

The person legally liable to pay returns which are in the nature of capital gains on the New Shares and Existing Shares will be the person who purchases the shares in the event of a sale, or the Company in the event of a distribution upon the liquidation of the Company.

The Company is the party legally liable to pay any dividends which are declared by the Directors and must pay any dividends to those persons appearing on the share register in proportion to their respective shareholdings.

### *Rights*

Any return on the Rights will be derived by way of a capital gain on their sale, with the purchaser of those Rights being the person legally liable for the payment of any such return. The date of such sale is unknown. The level of demand for the Rights and the prevailing relative value of the Existing Shares during the Rights trading period are the key factors which will determine the value of the Rights, with the value of the Existing Shares also being in turn influenced by the matters outlined in the preceding paragraphs and by prevailing economic conditions.

No return on the Rights is guaranteed, or promised by the Company.

### *Tax*

The imposition of tax may affect returns depending on the status of individual investors. If in doubt, obtain professional advice. Any dividends will be subject to deductions of such withholding taxes as the law requires.

No person guarantees the New Shares being offered or any return on them, nor any return on the Rights.

### **What are my risks?**

All investments carry risks. The principal risks of a subscriber of the New Shares not being able to recoup its initial investment or the subscriber not receiving the returns described in the preceding section are:

- that the price at which the subscriber is able to sell the New Shares is less than the price paid due to changes in market circumstances and/or the Company's performance;
- that a subscriber is unable to sell the New Shares or the Rights;
- the Company being placed in receivership or liquidation making it reasonably foreseeable that shareholders could receive none, or only some, of their initial investment; and
- the Company failing to generate sufficient profit in order to pay dividends.

In addition, share prices can be adversely affected by prevailing economic conditions irrespective of the Company's performance.

The key risk factor for the Company which could lead to the above is that the full commercialisation of BOTRY-Zen in the New Zealand market and key international markets may prove more difficult, time consuming, or costly than anticipated by the Board and management or will fail to produce the sales revenue which the Board anticipates. This is particularly significant for the Company while BOTRY-Zen remains the Company's only product. The success of the overall commercialisation process is therefore fundamental to the Company's prospects.

While the appropriate manufacturing process trials have been completed it is not inconceivable that unforeseen problems associated with the up-scaling of the factory will be encountered.

In addition to the Company's operational and financial performance, the government policies and regulations in the jurisdictions in which the Company operates and changes to such policies and regulations may affect the value of a subscriber's investment in the Company.

Special trade factors and risks which may not be known or anticipated by the general public and which could materially affect the prospects of the Company in relation to the above are:

#### *Product Efficacy and Commerciality*

- Further scientific investigations may disprove the efficacy of BOTRY-Zen or identify adverse consequences that prevent or limit the commercial use of BOTRY-Zen.
- The Company will need to establish distribution channels for BOTRY-Zen in its key targeted markets. Failure to successfully establish such distribution channels will impact on the Company's ability to gain a market share in its target markets.
- While the Company may be able to commercialise BOTRY-Zen and establish effective distribution channels in the key targeted markets, the ultimate success of the Company will depend on industry acceptance of BOTRY-Zen producing sufficient revenue to ensure ongoing sustainable profitability. Such acceptance and revenue generation needs to be established within the Company's resources resulting from the Rights Issue.

#### *Regulatory*

- BOTRY-Zen is subject to a broad range of regulatory processes in the Company's target markets, ranging from production through to entitlement to sell. These regulatory requirements differ from jurisdiction to jurisdiction and no assurance can be given that BOTRY-Zen will satisfy all the regulatory requirements of the Company's targeted markets, which could impact on the Company's ability to sell BOTRY-Zen in the relevant market(s).
- Regulatory regimes by their nature are subject to change and this can impose significant additional costs.

#### *Intellectual Property Protection and Efficacy*

- Securing the full benefits of the commercialisation of BOTRY-Zen and any other product developed by the Company requires protection of the intellectual property which the Company develops. This generally occurs through the registration of patents.
- At this stage, BOTRY-Zen remains subject to various patent applications in key international markets. The risks are that the patents may not be granted in the desired form in any or all desired jurisdictions or at all. The patent application process is also lengthy and may not be free from opposition.
- Even if the patents are granted in the desired form in the desired jurisdictions, patent protection may prove to be ineffective in practice or, after being granted, the patent may be challenged by a competitor or an as yet unknown party claiming priority patent rights. If such a suit is brought, the Company may be prevented from using the technology protected by the patents, and could be prevented from selling that technology or from producing or selling its products. The costs of any such action could be substantial.
- The Company's intellectual property rights, including its patent rights, offer only limited protection and may not adequately protect the Company's rights or allow it to gain or keep a competitive advantage. More effective technologies may exist or be discovered in the future. If the most effective technology is not covered by the Company's intellectual property rights, it may have an adverse effect on licensing and royalties.

#### *Competition*

- Local and international markets for the control of plant diseases caused by *Botrytis* and *Sclerotinia* fungi infections are competitive. The Company faces the risk that competition from other manufacturers (both chemical and biological) will prevent BOTRY-Zen from gaining adequate market share in its target markets. This may have an adverse impact on the Company's sales and financial performance.

The Company's Board and management are responsible for the identification and mitigation of these risks.

The New Shares will be fully paid on receipt of the full subscription moneys, therefore, there is no risk of a subscriber being required to pay more money in respect of the New Shares than that disclosed in this section (below) or "How much do I pay?" (above). It is reasonably foreseeable that on a sale of the New Shares below the issue price, or on a liquidation of the Company, where there is insufficient money to repay shareholders their original subscription moneys, an investor will receive less than the amount paid to the Company.

In the event of insolvency, subscribers, as the holders of fully paid ordinary shares would not normally be liable to pay money to any person as a result. An exception could occur where a distribution, such as a dividend, has been made to shareholders in circumstances where the Company was unable at that time to meet the solvency test set out in the Companies Act 1993. In that case, a liquidator may call for a return of such distributions.

In the event of it being put into liquidation or wound up all creditors of the Company are entitled to be paid in priority to any return of capital to shareholders. Once all creditors have been paid, shareholders rank equally amongst themselves, and are entitled to share in the distribution of any remaining assets in proportion to their shareholding.

### **Can the investment be altered?**

The rights of the holders of ordinary shares in the Company can generally only be altered by special resolution of all shareholders of the Company in accordance with its constitution. This requires a 75% majority of shareholders voting on the resolution. In limited circumstances rights can be altered by a court order.

The terms and conditions on which investors may apply for New Shares may be altered by an amendment to the Prospectus by the Company. Details of any such amendment must be filed with the Registrar of Companies.

### **How do I cash in my investment?**

Neither the subscriber nor the Company or any other person has a right to terminate, cancel or surrender the New Shares following allotment.

A subscriber has no right to receive back from the Company the amount subscribed for the New Shares, except in circumstances where the Company is being wound up, or alternatively if the Company seeks to buy back its own shares and the subscriber agrees.

Shareholders may sell some or all of their Rights. If a shareholder wishes to sell some or all of its Rights the procedure set out on pages 21 and 22 should be followed.

The Company is unable to predict with certainty whether there will be an established market for the sale of the Rights. New Shares, like Existing Shares, may after issue and allotment, be sold or transferred by the subscriber at any time, on the NZSX market, which is, in the Company's opinion, an established market.

Sales through a broker will attract brokerage at the rates charged by that broker. The rates of brokerage vary from broker to broker and may be dependent on the value of the transaction. The Company does not charge fees for registering share transfers.

## **Who do I contact with enquiries about my investment?**

Enquiries about the New Shares may be directed to:

John Scandrett  
Chief Executive Officer  
Botry-Zen Limited  
Level 1, 30 London Street  
PO Box 1777  
Dunedin  
New Zealand  
Tel: +64 (3) 477 6447  
Fax: +64 (3) 477 2953

Enquiries concerning the details which may be entered on the share register should be directed to:

The Share Registrar  
Botry-Zen Limited  
BK Registries Limited  
P O Box 384  
Ashburton  
New Zealand  
Tel: +64 (3) 308 8887  
Fax: +64 (3) 308 1311

## **Is there anyone to whom I can complain if I have problems with the investment?**

Complaints about the New Shares can be directed to:

John Scandrett  
Chief Executive Officer  
Botry-Zen Limited  
Level 1, 30 London Street  
PO Box 1777  
Dunedin  
New Zealand  
Tel: +64 (3) 477 6447  
Fax: +64 (3) 477 2953

There is no Ombudsman to whom complaints can be addressed in relation to the New Shares.

## **What other information can I obtain about this investment?**

Other information about the Company and the New Shares is contained or referred to in the Prospectus (which contains the offer in respect of the New Shares referred to in this Investment Statement) and in the financial statements of the Company for the 12 month period ended 31 March 2005.

A copy of the Prospectus and the Company's most recent Annual Report (containing the most recent financial statements of the Company) can be obtained, free of charge, from the Company at Level 1, 30 London Street, Dunedin, or by writing to the Company at PO Box 1777, Dunedin.

The Prospectus, annual financial statements and other documents of, or relating to, the Company are filed on a public register at the Companies Office of the Ministry of Economic Development. These documents are available for public inspection on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) (upon payment of the relevant fee) and may be obtained (upon payment of the relevant fee) by telephoning the Companies Office contact centre on 0508 266 726.

The Company will within 5 months of 31 March in each year send to each shareholder a copy of the financial statements of the Company, together with a copy of the auditor's report thereon.

The following information is available on request from the Company, free of charge, a copy of:

- The most recent annual report of the Company;
- The most recent financial statements of the Company, including associated documents;
- The most recent prospectus relating to the New Shares, including associated documents;
- The most recent investment statement relating to the New Shares; and
- Any information held by the Company in accordance with and subject to section 178 of the Companies Act 1993.

All requests for information should be made to Botry-Zen Limited, Level 1, 30 London Street, Dunedin.

## Action to be Taken by Shareholders

### You may take the following action:

- A **Accept** your entitlement in full; or
- B **Accept part** of your entitlement and **sell** the balance of your entitlement; or
- C **Sell** your entitlement in full; or
- D **Allow** your Rights to lapse.

#### A **Accept In Full**

To accept your entitlement in full:

- (a) Complete the Letter of Entitlement which accompanies this Investment Statement in accordance with the instructions on that form;
- (b) Attach your cheque or bank cheque made payable to "Botry-Zen Limited" for the amount required to be paid in accordance with the payment instructions set out below; and
- (c) Forward your completed Letter of Entitlement and your cheque or bank cheque to any of the following:
  - (i) Botry-Zen Limited  
C/- BK Registries Limited  
P O Box 384  
Ashburton, New Zealand, or
  - (ii) any Primary Market Participant, or
  - (iii) any other channel approved by the NZX,

so as to be received by the Registrar in Ashburton no later than 5pm on Wednesday, 23 November 2005.

#### B **Accept Part**

To accept part of your entitlement and sell the balance:

- (a) Instruct a Primary Market Participant to sell the number of Rights which you wish to renounce;
- (b) Complete the Letter of Entitlement for the number of New Shares you wish to accept and those you wish to renounce, in accordance with the instructions on that form;
- (c) Attach your cheque or bank cheque made payable to "Botry-Zen Limited" for the amount required to be paid in accordance with the payment instructions set out below; and
- (d) Forward the completed Letter of Entitlement, together with your cheque or bank cheque, to the Primary Market Participant whom you instructed to sell the Rights.

If you wish to sell some of your Rights, you must do so before Rights trading ceases. Please refer to the Key Dates set out on page 3 of this Investment Statement.

#### C **Sell**

To sell your entitlement in full

- (a) Instruct a Primary Market Participant to sell your entitlement; and
- (b) Complete the Letter of Entitlement by stipulating you have renounced all your Rights. Forward the completed form to the Primary Market Participant who sold your entitlement.

If you wish to sell your Rights, you must do so before Rights trading ceases. Please refer to the Key Dates set out on page 2 of this Investment Statement.

#### **D Lapse**

If you do not take one of actions A to C outlined above, your Rights will lapse and you will not receive any benefit from them.

#### **Payment Instructions**

The New Shares are payable in full by payment of 5.5 cents per New Share on acceptance. Payment must be made in New Zealand dollars by cheque or bank cheque, drawn on and payable at any New Zealand bank. Cheques should be crossed "Not Transferable".

Cheques or bank cheques drawn on overseas banks in either New Zealand dollars or in foreign currency will not be accepted unless prior arrangements have been made with the Company.

Forward your completed Letter of Entitlement and your cheque or bank cheque to any of the following:

- (i) Botry-Zen Limited  
C/- BK Registries Limited  
PO Box 384  
Ashburton, New Zealand, or
- (ii) any Primary Market Participant, or
- (iii) any other channel approved by the NZX,

so as to be received by the Registrar in Ashburton no later than 5pm on Wednesday, 23 November 2005.

## Definitions

The following definitions are used in this Investment Statement and, unless the context otherwise requires, they have the following meanings:

**“Board”** means the Board of Directors of the Company.

**“BOTRY-Zen”** means the biological control agent produced by the Company for use in the control of plant diseases caused by *Botrytis cinerea* and *Sclerotinia sclerotiorum* fungi infections.

**“Closing Date”** means 23 November 2005.

**“Company”** means Botry-Zen Limited.

**“Directors”** means the directors of the Company.

**“Existing Shares”** means the 76,666,666 existing ordinary shares in the capital of the Company on issue at the date of this Investment Statement.

**“FASTER”** means the Fully Automated Screen Trading and Electronic Registration System.

**“Investment Statement”** means this Investment Statement as required by the Securities Act 1978 in respect of the Offer.

**“Letter of Entitlement”** means the letter of entitlement and acceptance form accompanying and forming part of this Investment Statement

**“Listing Rules”** means the rules of the NZSX.

**“New Shares”** means the ordinary shares in the Company offered pursuant to this Investment Statement.

**“NZSX”** means the main board equity security market operated by the NZX.

**“NZX”** means New Zealand Exchange Limited.

**“Offer”** and **“Rights Issue”** means the Company’s offer of New Shares as contained in this Investment Statement.

**“Patent Co-operation Treaty Countries”** means the United States of America, all European Union countries, Australia, South Africa, selected countries in South America and selected countries in Asia, being in total approximately 110 countries.

**“Principal Shareholders”** means:

- a. Cheung Tak Hung and Downie Stewart Trustee Limited as trustees of the Pine Hill Trust whose interest is held through Polson Higgs Nominees Limited;
- b. Maxwell Gilbert Shepherd and Downie Stewart Trustee Limited as trustees of the Rutherglen Trust whose interest is held through Polson Higgs Nominees Limited; and
- c. Otago Trustee Company Limited, together, and each a **“Principal Shareholder”**;

**“Primary Market Participant”** has the meaning given in the Listing Rules.

**“Prospectus”** means the prospectus dated 25 October 2005 which was registered with the Registrar of Companies on 25 October 2005.

**“Registrar”** means BK Registries Limited.

**“Rights”** means the entitlement to subscribe for New Shares under the Offer.

**“Shareholders”** means the holders of Existing Shares.

**“Share Cancellation”** means the buy-back for an aggregate consideration of \$3.00, and immediate cancellation of 90,000,000 ordinary shares held by the Principal Shareholders pursuant to the Share Cancellation and Subscription Agreement, which occurred immediately prior to the Rights Issue;

**“Share Cancellation and Subscription Agreement”** means the Share Cancellation and Subscription Agreement dated 21 September 2005 between the Principal Shareholders and the Company.

**“Shortfall”** means the difference (if any) between the 60,328,053 Underwritten Shares and the actual number of New Shares for which valid applications are received (other than valid applications from the Principal Shareholders pursuant to the Share Cancellation and Subscription Agreement).

**“\$”** means New Zealand dollars unless otherwise specified.

**“Underwriter”** means each of the entities set out on page 12 of this Investment Statement.

**“Underwriting Agreements”** means the underwriting arrangements created pursuant to the underwriting agreements between the Company and each Underwriter pursuant to which the Underwriters have agreed (on a several basis) to partially underwrite the Rights Issue in accordance with the terms set out on page 11 to 13 of this Investment Statement.

**“Underwritten Shares”** means 60,328,053 New Shares.

All references to statutes or regulations are to statutes or regulations of New Zealand, unless otherwise specified in this Investment Statement.

All references to the time of the day are to New Zealand time.

## **Directory**

### **Directors**

Dr M G Shepherd (Chairperson)

Dr J W Forrest

J W Gilks

D J Smallbone

### **Registered Office**

Level 1

30 London Street

Dunedin

### **Corporate Office**

Level 1, 30 London Street

PO Box 1777

Dunedin

Telephone: (03) 477 6447

Facsimile: (03) 477 2953

### **Solicitors to the Rights Issue**

Kensington Swan

Level 9, 89 The Terrace

PO Box 10 246

Wellington

### **Registrar**

BK Registries Limited

Level 1, National Bank Chambers

138 Tancred Street

PO Box 384

Ashburton



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Level One, 30 London Street  
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