



TSOGO SUN HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1989/002108/06
Share Code: TSH ISIN: ZAE000156238
(**"Tsogo"**)

**ACQUISITION BY TSOGO OF AN INCREASED STAKE IN CULLINAN AND
THE ACQUISITION BY CULLINAN OF VARIOUS HOTEL ASSETS FROM LIBERTY GROUP AND
SOUTHERN SUN**

1. Introduction

The board of directors of Tsogo is pleased to announce that on 2 April 2014, Southern Sun Hotel Interests Proprietary Limited (**"Southern Sun"**), a wholly owned subsidiary of Tsogo, and Liberty Group Limited (**"Liberty Group"**), a wholly owned subsidiary of Liberty Holdings Limited (**"Liberty"**), as well as The Cullinan Hotel Proprietary Limited (**"Cullinan"**), a company jointly held by Southern Sun and Liberty Group, have concluded agreements (**"Transaction Agreements"**) in terms of which:

- 1.1. Southern Sun and Liberty Group will restructure their respective shareholdings in Cullinan such that Southern Sun will increase its equity interest in Cullinan by 10% to 60% by subscribing for additional shares in Cullinan for R100 million (the **"Cullinan Restructure"**);
- 1.2. Cullinan will, following the Cullinan Restructure, acquire various hotel assets from Southern Sun (for R100 million) and Liberty Group (for R1,270 million) (the **"Cullinan Hotel Acquisitions"**); and
- 1.3. Southern Sun will grant Liberty Group a put option (the **"Put Option"**) and Liberty Group will grant Southern Sun a call option (the **"Call Option"**) at fair value (subject to a cap on the Put Option of R1 less than 20% of Tsogo's market capitalisation at the Put Option exercise date) in respect of Liberty Group's remaining 40% equity interest in Cullinan (collectively, the **"Put and Call Options"**)

(collectively, the **"Transaction"**).

The Transaction is subject to the fulfilment (or waiver, as the case may be) of the conditions precedent referred to in paragraph 5 below.

2. Background

Southern Sun and Liberty Group are currently equal shareholders in Cullinan. Southern Sun manages three hotels owned by Cullinan, namely Southern Sun Cullinan, Southern Sun Katherine Street and Garden Court Morningside and has licensed these hotels to use certain of its trademarks and trade names. Southern Sun also manages a number of hotel properties on behalf of Liberty Group and has licensed Liberty Group to use certain of its trademarks and trade names in these properties. The following hotel properties will be acquired by Cullinan from Liberty Group and, together with any associated hotel business but excluding any liabilities, are collectively referred to as the (**"Liberty Hotels"**):

- the Garden Court Eastgate property (“**Garden Court Eastgate**”);
- the Garden Court Hatfield property (“**Garden Court Hatfield**”);
- the Southern Sun Waterfront property (“**Southern Sun Waterfront**”); and
- the StayEasy Eastgate property (“**StayEasy Eastgate**”).

In addition, Liberty Group owns the property on which Southern Sun operates for its own account, the Garden Court Kings Beach hotel business.

3. Rationale

The Transaction affords Tsogo the opportunity to own hotel properties which are currently managed or leased, providing increased exposure to quality hotel properties which are well located and aligned with Tsogo’s business model.

The investment by Tsogo of a net R762 million pursuant to the Transaction is consistent with Tsogo’s growth strategy of allocating capital to attractive opportunities.

4. Terms of the Transaction

4.1. The Cullinan Restructure

Southern Sun will acquire a further 10% equity interest in Cullinan by subscribing for an additional 1,000 ordinary shares in Cullinan for a subscription price of R100 million. This will result in Southern Sun’s shareholding in Cullinan increasing from 50% to 60% and Liberty Group’s shareholding in Cullinan being reduced from 50% to 40%.

4.2. The Cullinan Hotel Acquisitions

4.2.1. Liberty Group will dispose of the Liberty Hotels and the Garden Court Kings Beach property, together with all the assets forming necessary parts of such properties (but excluding all liabilities), as going concerns, to Cullinan for an aggregate purchase consideration of R1,270 million;

4.2.2. Southern Sun will dispose of the Garden Court Kings Beach hotel business as a going concern (including the business assets but excluding any liabilities of the business) to Cullinan for a purchase consideration of R100 million;

4.2.3. The purchase consideration for the Liberty Hotels, the Garden Court Kings Beach property and the Garden Court Kings Beach hotel business will be funded out of the proceeds of the Cullinan Restructure and shareholder loans to be provided by Southern Sun and Liberty Group, in proportion to their shareholdings following the Cullinan Restructure.

4.3. The Put and Call Options

4.3.1. In terms of the Call Option, Southern Sun will have the option to acquire Liberty Group’s entire 40% equity interest in and shareholder claims against Cullinan (the “**Option Interest**”) at fair value.

4.3.2. In terms of the Put Option, Liberty Group will have an option to dispose of the Option Interest to Southern Sun at fair value, but subject to a cap of R1 less than 20% of Tsogo’s market capitalisation at the Put Option exercise date.

4.3.3. The Put and Call Options may be exercised at any time but not earlier than two years after the closing date of the Cullinan Hotel Acquisitions.

5. Conditions precedent and effective date

5.1. The Transaction is subject to the fulfilment of, *inter alia*, the following condition precedent within 12 months from the date of signature of the Transaction Agreements (or such longer period as agreed by the parties):

5.1.1. the receipt of an unconditional written approval or, if Southern Sun and Liberty Group consent to the condition, a conditional written approval of the Competition Authorities.

5.2. The effective date of the Transaction will be the last business day of the month in which the last of the conditions precedent is fulfilled or waived.

6. Pro forma financial effects

The pro forma financial effects of the Transaction on Tsogo's historical earnings, headline earnings, net asset value and net tangible asset value are not significant.

7. Categorisation

In terms of the Listings Requirements of the JSE Limited, the Transaction constitutes a category 2 transaction for Tsogo and, accordingly, does not require approval by Tsogo shareholders.

Fourways
3 April 2014

Investment bank and transaction sponsor



Corporate law adviser

T A B A C K S

Sponsor

