

TSOGO SUN HOLDINGS LIMITED
(Incorporated in South Africa)
(Registration number 1989/002108/06)
JSE share code: TSH
ISIN: ZAE000156238
("Tsogo")

UPDATE ON THE PROPOSED ACQUISITION OF CERTAIN GAMING BUSINESSES FROM NIVEUS INVESTMENTS LIMITED ("NIVEUS")

1. INTRODUCTION

Shareholders are referred to the announcement released on the Stock Exchange News Service of the JSE ("**SENS**") by Tsogo on 14 December 2016 ("**Initial Announcement**"), in which Tsogo announced its intention to acquire all of Niveus' interests in Vukani Gaming Proprietary Limited and Galaxy Bingo Proprietary Limited and all their associated entities, trusts and businesses (collectively, "**Gaming Businesses**") ("**Initial Transaction**").

Shareholders are hereby advised that Niveus and Tsogo have agreed that the Initial Transaction will no longer be implemented. Instead, 93.75% of Niveus' interests in the Gaming Businesses, which are currently held via Niveus' wholly-owned subsidiary, Niveus Invest 19 Limited ("**Gameco**"), will be distributed to Niveus' shareholders, *pro rata* to their shareholdings in Niveus, on the terms set out in the Niveus announcement released on SENS today ("**Unbundling**"). Hosken Consolidated Investments Limited ("**HCI**"), the controlling company of Tsogo, has a 52.3% controlling interest in Niveus.

Tsogo has reached an in-principle agreement, subject to conditions (including the Unbundling being implemented), with HCI to acquire HCI's entire shareholding interest in Gameco which HCI will acquire pursuant to the Unbundling and to make a voluntary offer to all other shareholders of Gameco to acquire their respective shares in Gameco ("**Proposed Transaction**"). The terms of the Proposed Transaction are set out below.

2. PARTICULARS OF THE PROPOSED TRANSACTION

2.1 The HCI Transaction

Tsogo will, subject to the Unbundling being implemented, acquire HCI's entire interest in Gameco (which at the date hereof is estimated to be 225 445 352 Gameco shares) in exchange for 78 415 757 ordinary shares in Tsogo ("**Tsogo Consideration Shares**") in the ratio of 1 Tsogo ordinary share for every 2.875 Gameco shares. The aggregate value of the Tsogo Consideration Shares is approximately R2,154 billion (based on the volume weighted average price of Tsogo ordinary shares for the 30 trading days prior to the date of this announcement).

2.2 The Minority Offer

Tsogo has agreed with HCI, that subject to the HCI Transaction being implemented, it will make a voluntary offer (“**Minority Offer**”) to all shareholders of Gameco (other than HCI) (“**Minority Shareholders**”) to acquire their shareholding in Gameco, which as at the date hereof is estimated to be 234 554 748 Gameco shares, in exchange for Tsogo ordinary shares (“**the Share Offer**”) at a ratio of 1 Tsogo ordinary share for every 2.875 Gameco shares disposed of by Minority Shareholders. In addition, Tsogo will, in terms of the Minority Offer, provide a “Cash Based Alternative” to the Minority Shareholders, other than Niveus, pursuant to which such shareholders will be entitled to elect to dispose of their Gameco shares for a cash consideration of R9.74 per Gameco share, which equates to a floor price of R28 per Tsogo ordinary share (the “**Cash Offer**”).

The maximum aggregate cash consideration paid in respect of the Cash Offer will be R1.2 billion, with Tsogo acquiring a maximum of 123 214 313 Gameco shares for cash, which amount and related number of shares can be increased by Tsogo at its discretion. Gameco shareholders that wish to elect to dispose of their Gameco shares pursuant to the Cash Offer will be required to make such election within 30 days of the posting of the circular containing the full details of the Minority Offer (“**Offer Circular**”), or such other reasonable time period as may be stated in the Offer Circular, by irrevocably committing to accept the Cash Offer. Gameco shareholders that make the election to irrevocably commit to accept the Cash Offer will not be able to change such election to accept the Share Offer or to retain their Gameco shares once the Minority Offer becomes unconditional.

It is anticipated that the shares in Gameco retained by Niveus (which is estimated to be 28 750 006 Gameco ordinary shares) will be acquired by Tsogo, in exchange for 10 000 000 Tsogo ordinary shares pursuant to the Minority Offer. Niveus and Tsogo will conclude an agreement in terms of which Niveus will provide Tsogo the right to clawback the Tsogo shares received by Niveus in the event that the requisite regulatory approvals required to operate Electronic Bingo Terminals in KwaZulu-Natal are not obtained by 31 March 2020 (“**Clawback**”). Any dividends received by Niveus on the Tsogo ordinary shares that are subject to the Clawback will be retained by Niveus. Tsogo has undertaken to Niveus and Gameco to make application to the JSE to list Gameco on the JSE within a 12 month period after the closing date of the Minority Offer if, on completion of the Minority Offer, not less than 20% of the issued shares of Gameco is held by shareholders other than Tsogo.

3. RATIONALE FOR THE PROPOSED TRANSACTION

The rationale for the Proposed Transaction remains the same as the Initial Transaction, namely to restructure HCI’s gaming operations under one vehicle, Tsogo.

4. CONDITIONS PRECEDENT

The Proposed Transaction is subject to the fulfilment (or waiver by the parties, to the extent legally permitted) by not later than 31 July 2017 (or such later date as may be agreed between Tsogo and HCI) of conditions precedent ("**Conditions Precedent**"), including the following:

- that all resolutions required to implement the Unbundling are approved by the shareholders of Niveus, to the extent legally required;
- that Niveus obtains any and all required statutory and regulatory approvals for the implementation of the Unbundling on such conditions as are acceptable to Niveus;
- that Tsogo shall have completed a due diligence investigation in respect of the Gameco, including a review of the earnings of Gameco for the financial year ended 31 March 2017, which due diligence investigation is expected to be concluded by no later than 31 May 2017 and Tsogo shall have confirmed to Niveus that it is satisfied with the results of such investigation;
- that the Proposed Transaction be approved by a subcommittee of independent directors of Tsogo;
- that formal written agreements are concluded between Tsogo and HCI in relation to the Proposed Transaction;
- that Tsogo and Niveus conclude a written agreement for the Clawback;
- irrevocable undertakings from shareholders representing not less than 73.21% of the shares in Gameco electing the Share Offer, which condition is capable of being waived by Tsogo in its sole discretion; and
- that Tsogo and HCI obtain any and all required statutory and regulatory approvals for the implementation of the Proposed Transaction on such conditions as are acceptable to HCI and Tsogo, to the extent applicable.

5. EFFECTIVE DATE OF THE PROPOSED TRANSACTION

Application will be made to the JSE for the listing of the Tsogo Consideration Shares once all the Conditions Precedent have been fulfilled (or waived). Delivery and payment in respect of the acquisition of HCI's shares in Gameco will take place on the 1st business day of the month following the date on which the last of the Conditions Precedent is fulfilled or waived.

6. FINANCIAL INFORMATION

The value of the net assets of Gameco as at 30 September 2016 (based on pro forma accounts) was R700 million and the attributable headline profits for the 12 months then ended, was R210 million.

7. CLASSIFICATION OF THE PROPOSED TRANSACTION

The Proposed Transaction is classified as a category 2 transaction for Tsogo in terms of the JSE Listings Requirements. Furthermore, Tsogo is a related party to both HCI and Niveus due to the fact that HCI is material shareholder of both Tsogo and Niveus. As a result, the Proposed Transaction is a related party transaction in terms of the JSE Listings Requirements.

Accordingly, in terms of the JSE Listings Requirements, a fairness opinion will be required and the shareholders of Tsogo will be requested to approve the Proposed Transaction in a general meeting prior to the implementation thereof. The board of directors of Tsogo will appoint an independent expert to prepare a fairness opinion which will be included in the circular to shareholders of Tsogo as set out in paragraph 8 below.

8. CIRCULAR

A circular containing the full details of the Proposed Transaction, incorporating a notice convening the required general meeting of Tsogo shareholders and a copy of the fairness opinion, will be posted to the shareholders of Tsogo.

Shareholders will be advised in due course of the salient dates and times relating to the Proposed Transaction and the general meeting of shareholders to be convened in order to consider and vote on the resolutions required in respect of the Proposed Transaction.

14 March 2017

Corporate advisor and transaction sponsor to Tsogo
Investec Bank Limited