

African Equity Empowerment Investments Limited
(Incorporated in the Republic of South Africa)
Registration number 1996/006093/06
Share code: AEE
ISIN: ZAE000195731
("AEEI")

AYO Technology Solutions Limited
(Previously Sekunjalo Technology Solutions Limited)
(Incorporated in the Republic of South Africa)
Registration number: 1996/014461/06
JSE share code: AYO
ISIN ZAE000252441
("AYO Technology")

DILUTION BY AEEI AND SUBSCRIPTION BY AYO TECHNOLOGY OF INTEREST IN BT COMMUNICATIONS SERVICES SOUTH AFRICA PROPRIETARY LIMITED ("BTSA")

1. INTRODUCTION

- 1.1. Shareholders of AEEI and AYO Technology are referred to the AYO Technology pre-listing statement issued on Wednesday, 13 December 2017 ("**Pre-listing Statement**"), in which it was disclosed that on 28 November 2017, AEEI and AYO Technology entered into a non-binding memorandum of understanding with Kilomax Investments Proprietary Limited ("**Kilomax**"), a wholly-owned subsidiary of AEEI who owns 100% of the issued share capital of Kilomix Investments Proprietary Limited ("**Kilomix**") and Kilomix, who owns 30% of the issued share capital of BTSA. In terms of that non-binding memorandum of understanding, AYO Technology agreed to enter into a binding agreement to subscribe for 9 900 ordinary shares ("**Subscription Shares**") constituting 99% of the issued share capital of Kilomix following their issue ("**Subscription**").
- 1.2. Shareholders of AEEI and AYO Technology are hereby advised that on 25 May 2018, AEEI and AYO Technology entered into the aforementioned binding subscription agreement with Kilomax and Kilomix ("**Subscription Agreement**") to implement the Subscription.

2. RATIONALE

- 2.1. AEEI wishes to hold all of its technology investments in one vehicle, namely AYO Technology. As part of the listing of AYO Technology on the main board of the JSE Limited in December 2017 ("**Listing**"), shareholders were advised that AEEI intended to transfer its interest in BTSA to AYO Technology post the Listing.
- 2.2. Given the strategic relationship that exists between AYO Technology and BTSA as a result of the BT Alliance Agreement entered into between AYO Technology and BTSA on 12 December 2017, AYO Technology wishes to hold an interest in BTSA as it will further enhance the relationship.
- 2.3. The strategic relationship and incorporation of the BTSA products and services into the AYO Technology ecosystem of products and services has the potential to unlock significant market share and growth for AYO Technology. These new products and services, along with the existing products and services of the AYO Technology group ("**Group**"), and the Group's

empowerment credentials will allow AYO Technology, in conjunction with BTSA, to target large multinationals operating in South Africa.

- 2.4. In addition to generating direct market access and providing symbiotic benefits to both parties, BTSA has been a consistent stable dividend yielding investment for AEEI.

3. THE BUSINESS OF BTSA

BTSA is part of BT Limited (“BT”), a global leader in managed network IT services, operating globally and delivering end-to-end information and communication technology solutions locally. It is a leading infrastructure solutions partner, offering network, data centre, communications, and security solutions to businesses in southern Africa.

4. SUBSCRIPTION PRICE

In terms of the Subscription Agreement and as disclosed in the Pre-listing Statement, the subscription price is R990 000 000 and will be settled in cash.

5. SUSPENSIVE CONDITIONS

The Subscription is subject to and conditional upon, the fulfilment or waiver (to the extent permissible) of the following outstanding suspensive conditions, that by no later than:

- 5.1. 7 business days after the date of signature of the Subscription Agreement, the board of directors of Kilomix resolving in accordance with section 46 of the Companies Act, No. 71 of 2008 that the distribution by Kilomix to Kilomax is approved and declared;
- 5.2. 30 business days after the date of signature of the Subscription Agreement, Kilomix notifying BT in writing of the transactions contemplated in the Subscription Agreement and obtaining BT’s and BTSA’s prior written consent thereto, to the extent required; and
- 5.3. 60 business days after the date of signature of the Subscription Agreement, the shareholders of AYO Technology (other than a related party) approving the transactions contemplated in the Subscription Agreement in accordance with the JSE Listings Requirements.

6. CLOSING DATE AND EFFECTIVE DATE

- 6.1. The closing date for the Subscription is the first business day on which all of the outstanding suspensive conditions in paragraph 5 are fulfilled or waived (as the case may be) in accordance with the terms of the Subscription Agreement (“**Closing Date**”).
- 6.2. Notwithstanding the Closing Date, the parties to the Subscription Agreement agree that the effective date of the Subscription is 1 March 2018.

7. FINANCIAL INFORMATION

- 7.1. The value of the net assets attributable to Kilomix as at 31 August 2017, the date of its last audited annual financial statements, was R784 528 829.
- 7.2. The profit after tax attributable to Kilomix for its audited financial year ending 31 August 2017 was R473 506 565.
- 7.3. The audited annual financial statements of Kilomix for the year ending 31 August 2017 were prepared in terms of IFRS.

8. AEEI WARRANTY

- 8.1. AEEI warrants to and in favour of AYO Technology that the audited profit after tax of BTSA for the year ending 31 March 2018 as reflected in the audited financial statements of BTSA for that year (“**2018 PAT**”) shall be equal to or more than the audited profit after tax of BTSA for the year ending 31 March 2017 as reflected in the audited financial statement of BTSA for that year (“**2017 PAT**”).
- 8.2. In the event that the 2018 PAT is less than the 2017 PAT, AEEI shall pay to AYO Technology an amount calculated in accordance with the following formula – 2017 PAT less the 2018 PAT divided by the 2017 PAT multiplied by R490 000 000.

9. OTHER MATERIAL TERMS

The parties to the Subscription Agreement provided each other with warranties that are standard for a transaction of this nature.

10. CATEGORISATION AND FAIRNESS OPINION

- 10.1. In terms of the JSE Listings Requirements, the Subscription qualifies as a category 2 transaction for AEEI and a category 2 related party transaction for AYO Technology by virtue of the fact that AEEI, a material shareholder of AYO Technology, holds, via its wholly-owned subsidiary, Kilomax, 100% of the issued shares of Kilomix who, in turn, holds 30% of BTSA.
- 10.2. Accordingly, the directors of AYO Technology appointed Questco Proprietary Limited (“**Questco**”) as the independent expert to compile a fairness opinion on the Subscription in terms of paragraph 10.4(f) of the JSE Listings Requirements. Questco has considered the terms and conditions of the Subscription and is of the opinion that the terms and conditions of the Subscription are fair to the shareholders of AYO Technology.

Cape Town
29 May 2018

Sponsor to AEEI and AYO Technology
PSG CAPITAL

Attorneys for AEEI and AYO Technology
WEBBER WENTZEL

Auditor and Independent reporting accounts for AEEI and AYO Technology
BDO CAPE INC

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QUESTCO