

## ECSPONENT LIMITED

Incorporated in the Republic of South Africa  
 Registration number: 1998/013215/06  
 JSE Code: ECS - ISIN: ZAE000179594  
 Debt Issuer Code: ECSD  
 ("the Company" or "Ecsponent")

### SPECIFIC ISSUE OF SHARES FOR CASH TO A RELATED PARTY AND RENEWAL OF THE CAUTIONARY ANNOUNCEMENT

#### 1. INTRODUCTION

Further to the announcement dated 2 March 2020, the Board of Directors ("Board") is pleased to inform shareholders that Ecsponent and ECS Mauritius Private Equity Limited ("**ECS Mauritius**"), a wholly owned subsidiary of the Ecsponent has, on 19 March 2020, entered into a binding term sheet with MHMK Group Limited ("**MHMK Group**") in terms of which MHMK Group will subscribe for, and the Company will issue, 8,808,624,705 ordinary shares ("**Specific Issue Shares**") to MHMK Group at a subscription price of ZAR0.0245 per ordinary share ("**Subscription Price**"), resulting in a total subscription consideration of ZAR215 811 305 ("**Subscription Consideration**") ("**the Specific Issue**").

The Subscription Consideration will not be paid in cash but will be offset against ECS Mauritius' liability amounting to ZAR215 811 305 towards Tailored Investments Limited ("**Tailored Investments**"), a third party, unrelated creditor ("**Tailored Claim**"), following the acquisition by MHMK Group of the Tailored Claim from Tailored Investments.

Following the Specific Issue, MHMK Group will hold, directly and indirectly, 9,419,475,981 of the ordinary shares in Ecsponent's share capital, comprising 95.26% of the total issued share capital after the Specific Issue.

#### 2. RATIONALE

Shareholders have been advised that the Company is in the process of investigating a recapitalisation of its balance sheet, including, *inter alia*, negotiations with its ultimate major shareholder, MHMK Group, regarding the recapitalisation of the Company.

The Specific Issue will partially recapitalise the group's balance sheet, which is necessary to position the Ecsponent group for growth going forward.

#### 3. FINANCIAL EFFECTS OF THE SPECIFIC ISSUE

The table below illustrates the financial effects of the Specific Issue:

(cents per share)	<b>Before (1)</b>	<b>Specific Issue (2)</b>	<b>After (3)</b>	<b>% Change</b>
Basic and diluted earnings	(23.656)	20.94	(2.716)	89%
Basic and diluted headline earnings	(12.637)	11.186	(1.451)	89%
Basic and diluted net asset value	(5.734)	7.24	1.506	126%
Basic and diluted tangible net asset value	(6.262)	7.707	1.445	123%
Number of shares in issue ('000)	1 079 551	8 323 680	9 403 232	771%

Notes

1. The "Before" column is based on the unadjusted published audited consolidated results of the group for the financial year ended 30 June 2019.

2. This column shows the adjustments relating to the Specific Issue, and involve:

In relation to the Earnings and Headline Earnings:

- i. the issue of 8,323,680,802 new ordinary shares, being the number of shares that would have been issued in settlement of the Tailored Claim based on the loan balance in place at 30 June 2019, being R203.7m, and at a subscription price of R0,0245; and
- ii. no adjustment to finance cost, as the Tailored Claim attracted interest at a rate of 0%.

In relation to the Net Asset Values:

- iii. the issue of 8,808,624,705 new ordinary shares, being the number of shares that would have been issued in settlement of the Tailored Claim based on the loan balance in place at 30 June 2019, being R203.7m, and at a subscription price of R0,0245;
  - iv. the de-recognition of financial liabilities amounting to R203.7m, being the balance of the Tailored Claim at 30 June 2019;
  - v. an increase in share capital amounting to R203.7m, being the balance of the Tailored Claim at 30 June 2019
  - vi. a decrease in cash balances for transaction expenses expected in relation to the Specific Issue amounting to R0.45million, capitalised to share capital;
3. This column shows the impact of the Specific Issue on the unadjusted published audited consolidated of the group for the financial year ended 30 June 2019.

The above financial information has not been reported on by the Company's auditors and is the responsibility of the directors.

#### **4. SUSPENSIVE CONDITIONS**

The Specific Issue is subject to the following suspensive conditions which are not capable of being waived:

- regulatory approvals being acquired (i.e. from the South African Reserve Bank if required and the JSE Limited;
- execution of a subscription agreement by MHMK Group; and
- approval by Ecsponent shareholders at a general meeting.

#### **5. CIRCULAR TO SHAREHOLDERS**

MHMK Group is an associate of George Manyere, the group's Executive Chairman and is therefore a related party to Ecsponent in terms of the JSE's listings Requirements. The Specific Issue Shares will be accordingly be subject to the Company's shareholders, excluding MHMK and its associates, approving the Specific Issue in terms of the JSE's Listings Requirements and approval from shareholders in terms of section 41(3) of the Companies Act, 71 of 2008.

The Subscription Price is based on the weighted average traded price of the Company's ordinary shares over the 30 business days prior to 2 March 2020, the date on which the Subscription Price was agreed between Ecsponent and MHMK and first announced and SENS, and accordingly will not be issued at a discount and accordingly, in terms of the JSE Listings Requirements, a fairness opinion will not be required in respect of the Specific Issue.

A circular, setting out further details of the Specific Issue will be convening the necessary general meeting will be distributed to shareholders in due course.

#### **6. RENEWAL OF THE CAUTIONARY ANNOUNCEMENT**

Having regard to the fact that the Company is continuing to consider various other capital restructuring initiatives, the outcome of which is unknown and may have a material impact on the Company's share price, shareholders are advised to continue to exercise caution when dealing in the Company's securities until a further announcement is made.

For more information about this announcement or the Ecsponent group, email [investor.relations@ecsponent.com](mailto:investor.relations@ecsponent.com) or visit [www.ecsponentlimited.com/investor-relations](http://www.ecsponentlimited.com/investor-relations)

20 March 2020  
Pretoria

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