

JASCO ELECTRONICS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number: 1987/003293/06)
Share Code: JSC ISIN: ZAE000003794
("Jasco" or "the Group")

TRANSACTION DILUTING JASCO'S INTEREST IN REFLEX SOLUTIONS PROPRIETARY LIMITED

1 INTRODUCTION

Shareholders are advised that the minority shareholders, Gregory Michael Wilson ("Wilson") and David Edward Robinson ("Robinson") (together the "Minority Shareholders"), of Reflex Solutions Proprietary Limited ("Reflex" or the "Company"), a 51% owned subsidiary of Jasco, have entered into a subscription agreement ("Subscription Agreement") with Reflex through which Wilson and Robinson will acquire, and Reflex will issue a total of 70 additional ordinary Reflex shares, at a share price of R142,857.14 per share. This share subscription will effectively dilute Jasco's current majority interest of 51% in Reflex, to 47.7% (the "Transaction").

2 BACKGROUND TO REFLEX

Jasco acquired its 51% interest in Reflex with effect from 1 May 2017, from Wilson and Robinson.

Reflex was established in 2000 by Wilson in Johannesburg and initially specialised in the IT managed services market before adding hosted IT Infrastructure, cloud services and more recently, fibre to the home (FTTH) solutions.

Reflex's operations cover Johannesburg, Cape Town, Port Elizabeth and Durban. Its blue-chip customer base spans the retail, logistics, education, telecommunications and financial services industries. It has a solid track-record of double-digit revenue growth since 2013, with consistent operating margins above 10%.

3 BACKGROUND AND RATIONALE FOR THE TRANSACTION

Due to growing demand for data services from its existing customers, Reflex requires additional capital funding for its ongoing investment in its data centre and network infrastructure. Jasco has agreed to the rights issue of R10 million in Reflex as this is in the best interest of the Company. Jasco has decided not to follow its rights, but has entered into a Put Option Agreement as detailed below.

4 KEY TERMS OF THE TRANSACTION

4.1 Transaction Agreements

The Parties have entered into a suite of agreements to effect the Transaction. The key terms, effective dates and conditions precedent to each of the relevant agreements are detailed below:

4.1.1 Reflex Subscription Agreement

In terms of the Subscription Agreement, Wilson will acquire 58 and Robinson will acquire 12 additional Reflex ordinary shares at a purchase price of R142, 857,14 per share.

The Subscription Agreement will increase the Minority Shareholders' current interest of 490 ordinary shares (49%) in Reflex, to 560 ordinary shares (52.3%), and as a result, revert the majority interest in Reflex back to Robinson and Wilson.

The subscription date is the 2nd business day after the date on which the condition precedent to the Subscription Agreement has been filled, expected to be 22 September 2020.

4.1.1.1 The Transaction Consideration

The Transaction Consideration is the value of the 70 additional Reflex ordinary shares acquired by the Reflex Minority Shareholders, being R10 000 000.

R8 285 714.29 will be settled by Wilson and R1 714 285.71 will be settled by Robinson, to Reflex, in cash payments.

As the Transaction is resultant from a new share issue by Reflex to the Minority Shareholders, the funds will flow to Reflex and no consideration is payable to Jasco.

4.1.1.2 Condition precedent of Subscription Agreement

The Subscription Agreement is subject to the fulfilment of the conditions precedent that by no later than 14 days after the signature date of the Subscription Agreement or such later date as is agreed in writing by the parties, Jasco providing its signed written consent and waiver of any pre-emptive rights and/or other rights it may have to be offered the 70 additional Reflex ordinary shares, which consent and waiver has been provided.

4.1.2 Reflex Share Swap Agreement

In conjunction with the Subscription Agreement, Wilson, Robinson and Myriad Capital Communications Proprietary Limited ("Myriad") entered into a share swap agreement, in terms of which, subject to the implementation of the Subscription Agreement, Wilson will swap 462 Reflex ordinary shares and Robinson will swap 98 Reflex ordinary shares (collectively the "Swap Shares"), both in exchange for an equal amount of Myriad

ordinary shares ("Share Swap Agreement") in accordance with the provisions of section 42 of the Income Tax Act, 1962.

The Share Swap Agreement will have the effect of transferring the direct interests of both Wilson and Robinson in Reflex, to Myriad, with Wilson and Robinson holding an indirect interest in Reflex through their newly acquired interest in Myriad.

Subject to the implementation of the Share Swap Agreement, Myriad will own a total of 560 Reflex ordinary shares and Jasco will own the remaining 510 Reflex ordinary shares.

The effective date of the Share Swap Agreement is, subject to the fulfilment of the conditions precedent to the Share Swap Agreement, the same date as the Subscription Date of the Subscription Agreement ("Completion Date"), on which date the ownership, risk in and benefit attaching to the Swap Shares will pass to Myriad. The effective date is expected to be 22 September 2020.

4.1.2.1 Conditions Precedent of Share Swap Agreement

In addition to the Subscription Agreement becoming unconditional and effective, the Share Swap Agreement is subject to the fulfilment of the following conditions precedent by no later than 14 days after the signature date of the Share Swap Agreement (or such dates agreed to in writing between the parties):

- the written waiver by Jasco of any pre-emptive rights it may have to purchase the Swap Shares in priority to Myriad;
- an amended and restated shareholders agreement in respect of Reflex, recording Myriad as a shareholder, being concluded and becoming unconditional in accordance with its terms (which amended and restated shareholders agreement requires, amongst other things, each of Wilson and Robinson to sign written restraint of trade agreement in favour of Reflex); and
- board resolutions approving the Share Swap being provided by the boards of directors of Myriad and Reflex.

As at the date of this announcement all the above conditions precedent were fulfilled.

4.1.3 Reflex Put Option Agreement

Further to the Subscription and Share Swap Agreements, Myriad, Reflex and Jasco entered into a put option agreement, in terms of which Myriad has granted Jasco an option, exercisable at Jasco's sole discretion, to require Myriad to purchase from Jasco,

its entire Reflex shareholding of 510 Reflex Ordinary shares ("Put Option Shares"), for a transaction consideration of R72 857 143 (the "Put Option Agreement" and the "Put Option").

Jasco will have 90 days from the effective date, 18 September 2020, in which to exercise the Put Option, by written notice to Myriad (the "Put Option Period"). On the expiry of the Put Option Period, the Put Option will, to the extent that it has not been exercised, lapse and be of no further force or effect.

The further disposal of the Put Option Shares will be voetstoots and Jasco will not be obliged to provide any warranties other than the warranties that it is the legal, beneficial and registered owner of the Put Option Shares and that, other than pursuant to a pledge and cession of the Put Option Shares provided by Jasco to Myriad as security for a loan to be advanced by Myriad to Jasco pursuant to the Myriad Loan Agreement detailed in 4.1.6, the Put Option Shares are not encumbered.

If Jasco elects to exercise the Put Option within the Put Option Period, the Put Option will be effective on the date of the last fulfilment or waiver of the Put Option Conditions Precedent as detailed in 4.1.3.3 (the "Put Option Effective Date") and the closing date of the Put Option will fall on date which is six weeks after the Put Option Effective Date.

In the event that the Put Option is exercised by Jasco, the further disposal will be categorised as a category 1 disposal in terms of the Listings Requirements of the JSE Limited and will require Jasco shareholders' approval. Shareholders will be advised through a further SENS announcement of this potential event and a circular regarding the Put Option, including a notice of general meeting will be distributed to shareholders.

4.1.3.1 Put Option Consideration

The Put Option Consideration of R72 857 143 will be valued at the same value as the Disposal Consideration at R142, 857,14 per Put Option Share. The total outstanding amount of the Myriad Loan Agreement detailed in 4.1.5 will be offset against the Put Option Consideration.

If Reflex at any time between the Signature Date and the Closing Date of the Put Option Agreement, declares and pays any dividends to its shareholders, such that Jasco receives dividends with a total value:

- greater than R3,233,000.00, the Put Option Consideration will be reduced by an amount equal to the difference between the total value of all dividends received by Jasco and R3,233,000.00 on a Rand for Rand basis; or

- less than R3,233,000.00, the Put Option Consideration will be increased by an amount equal to the difference between R3,233,000.00 and the total value of all dividends received by Jasco on a Rand for Rand basis.

4.1.3.2 Conditions Precedent to the Put Option Agreement

The Put Option Agreement is subject to the fulfilment or waiver of the following conditions precedent:

- The signature of the following agreements together with the signature of the Put Option Agreement:
 - the Reflex Master Services Agreement detailed in 4.1.4;
 - the Reflex Subscription Agreement detailed in 4.1.1;
 - the Reflex Share Swap Agreement detailed in 4.1.2; and
 - the Myriad Loan Agreement detailed in 4.1.6.
- The Myriad board of directors and the shareholders having passed the requisite resolutions approving the Put Option Agreement and the grant of the Put Option to Jasco.
- The Reflex board of directors having passed the requisite resolutions approving the Put Option Agreement.
- The Jasco board of directors having passed a resolution approving the Put Option Agreement.

As at the date of this announcement all the above conditions precedent were fulfilled.

4.1.3.3 Conditions Precedent to the Put Option

If Jasco elects to exercise the Put Option within the Put Option Period, the implementation of the Put Option transaction will be subject to the fulfilment of the following Put Option Conditions Precedent:

- on the date of the Put Option Notice, the board of directors of Jasco will have passed a resolution approving the exercise by Jasco of the Put Option and giving the directors of Jasco the power to exercise the Put Option and to perform all acts required of Jasco in order to implement the Put Option transaction;
- by not later than 120 days after the date of the Put Option Notice, the requisite majority of shareholders of Jasco will have passed the requisite resolution(s) in accordance with the Companies Act and/or the JSE Listings Requirements approving the exercise by Jasco of the Put Option and giving the directors of Jasco the power to exercise the Put Option and to perform all acts required of Jasco in order to implement the Put Option transaction;

- by not later than 120 days after the date of the Put Option Notice, to the extent applicable, the regulatory approvals required by, amongst others, the Competition Authorities and the Takeover Regulation Panel established in terms of the Companies Act, for the implementation of the Put Option Transaction shall have been granted;
- by not later than 14 days after the date of the Put Option Notice,
 - the Reflex Master Service Agreement will have become unconditional in accordance with its terms;
 - the Reflex Subscription Agreement will have become unconditional in accordance with its terms; and
 - the Reflex Share Swap Agreement will have become unconditional in accordance with its terms.

4.1.4.4 Call Option

The Put Option Agreement further provides Jasco with a call option which will allow Jasco, in the event that Myriad fails to pay the Put Option price (“Trigger Event”), to purchase 36 additional Reflex ordinary shares at the same value per share as the Disposal and Put Option shares, within 180 days from the Trigger Event.

If exercised, the call option will result in Jasco’s interest in Reflex being restored to a majority interest of 51% as it was prior to the Disposal. In the event that the call option is exercised it is expected to be classified as a category 2 acquisition in terms of the JSE Listings Requirements. Shareholders will be advised through a further SENS announcement should this event take place.

4.1.4 Reflex Master Services Agreement

Jasco, Reflex and four of its wholly owned subsidiaries (namely Jasco Trading (Pty) Ltd (“Jasco Trading”), Jasco Systems (Pty) Ltd, Jasco Enterprise (Pty) Ltd and Jasco Security and Fire (Pty) Ltd (“Jasco Subsidiaries”) entered into a revised written master services agreement in terms of which, amongst other things, Jasco agrees to appoint Reflex, and Reflex agrees to accept such appointment, to continue to provide certain services and certain products to the Jasco group of companies for a period of three years, with the option to renew the agreement for a further two years (“Reflex Master Services Agreement”). The Reflex Master Services Agreement replaces the existing master services agreement entered into between Reflex and Jasco Trading on 21 November 2019 (“Existing Master Services Agreement”).

4.1.4.1 Conditions Precedent to the Reflex Master Services Agreement

The Reflex Master Services Agreement is subject to the fulfilment or waiver of the following conditions precedent within 7 days of the signature date of the Reflex Master Services Agreement:

- the Guarantee and Indemnity Agreement detailed in 4.1.5 being concluded and becoming unconditional; and
- the passing of resolutions of the directors and shareholders of Jasco and the Jasco Subsidiaries (including resolutions in terms of section 44, 45 and 46 of the Companies Act) to the extent required, authorising the conclusion of the Reflex Master Services Agreement.

Subject to the fulfilment of the conditions precedent, the Reflex Master Services Agreement will only commence if Jasco elects to exercise the Put Option detailed in 4.1.3, such that the commencement date of the Reflex Master Services Agreement will be the first day of the month following the date on which Jasco exercises the Put Option. If Jasco does not elect to exercise the Put Option, the Existing Master Services Agreement will remain in place. If Jasco exercises the Put Option but the Put Option transaction fails to become unconditional in accordance with its terms or Myriad fails to pay the Put Option price, then the Reflex Master Services Agreement will cease to apply and the Existing Master Services Agreement shall apply with effect from the first day of the month following the applicable failure event.

4.1.5 Guarantee and Indemnity Agreement

Jasco and Reflex entered into a written guarantee and indemnity agreement in terms of which, amongst other things, Jasco agrees to unconditionally and irrevocably guarantee, as a principal obligation, the due and punctual payment of all monies which the Jasco Subsidiaries may owe to Reflex, and the due and punctual performance and discharge by the Jasco Subsidiaries of their respective obligations, under the Existing Master Services Agreement (“Guarantee and Indemnity Agreement”),

4.1.5.1 Condition Precedent to the Guarantee and Indemnity Agreement

The Guarantee and Indemnity Agreement is subject to the fulfilment of the condition precedent that, within 7 days of the signature date of the Guarantee and Indemnity Agreement, resolutions are passed of the directors and shareholders of Jasco (including resolutions in terms of section 44, 45 and 46 of the Companies Act) to the extent required, authorising the conclusion of the Guarantee and Indemnity Agreement.

4.1.6 Myriad Loan Agreement

Myriad, Reflex, Jasco and a 100% owned subsidiary of Jasco, Jasco Trading entered into a loan agreement in terms of which Myriad will lend to Jasco up to an amount not exceeding the sum of R25 000 000, (the “Myriad Loan Agreement”).

The loan amount will be advanced to Jasco within two weeks of Jasco providing a written request to Myriad for the payment of the loan amount, provided that such written request may only be made if Jasco has exercised the Put Option. The Loan will be repayable on the earlier of:

- the date on which the Put Option price is payable by Myriad to Jasco, if the effective date of the Put Option transaction falls on a date on or before 31 December 2020, in which event, the loan amount and interest accrued thereon will be offset against the Put Option Consideration;
- 31 December 2020, if the effective date of the Put Option transaction has not occurred by 31 December 2020; or
- the date on which the condition precedent to the Put Option transaction relating to the passing of the requisite resolutions by the shareholders of Jasco in accordance with the Companies Act and/or the JSE Listings Requirements fails.

The loan amount will accrue interest at the prime interest rate plus four percent from the advance date to the earlier of the date of final repayment or the effective date of the Put Option transaction provided that the Put Option Shares are subsequently transferred into the name of Myriad. In the event that the Put Option transaction has not become effective by 31 December 2020, the loan amount will accrue interest at the prime interest rate plus ten percent, from the advance date until the date of final repayment save that if the Put Option price is due and payable and has not been paid by Myriad on or before 15 February 2021, the interest rate increase from prime plus four percent to prime plus ten percent will only apply if the loan amount and accrued interest is repaid by Jasco after 31 March 2021.

In terms of the Myriad Loan Agreement, Jasco has pledged all of the 510 Put Option Shares to Myriad as security for the Myriad Loan, in the event that Jasco fails to pay any amount due by it to Myriad in terms of the Myriad Loan Agreement, or in the event of an order relating to the liquidation or commencement of business rescue proceedings of Jasco.

As additional security for the Myriad Loan, Jasco Trading has agreed to provide a suretyship in favour of Myriad for the due performance by Jasco of its repayment obligations to Myriad in terms of the Myriad Loan Agreement.

4.1.6.1 Conditions Precedent to the Myriad Loan Agreement

The Myriad Loan Agreement is subject to the fulfilment of condition precedent that within 10 business days of the signature date of the Myriad Loan Agreement, resolutions of the directors and shareholders of Jasco and Jasco Trading (including resolutions in terms of section 44, 45 and 46 of the Companies Act) to the extent required, authorising the conclusion of the Myriad Loan Agreement are passed.

5 PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO REFLEX

The net assets of Reflex as per the unaudited interim financial results for the 6 months ended 31 December 2019, was R34,4 million, and the net operating profit after tax attributable to the net assets for the same period was R7,4 million. The unaudited interim financial results for the 6 months ended 31 December 2019 was prepared in accordance with IFRS.

6 CATEGORISATION OF THE TRANSACTION

The Disposal constitutes a category 2 transaction in terms of the Listings Requirements of the JSE Limited, and is therefore not subject to Jasco shareholder approval.

Midrand
21 September 2020

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