

Tsogo Sun Hotels Limited

Incorporated in the Republic of South Africa

Registration number 2002/006356/06

Share Code: TGO ISIN: ZAE000272522

("Tsogo Sun Hotels" or "TSH" or "the Company")

RELATED PARTY TRANSACTIONS RELATING TO HOTELS OWNED BY TSOGO SUN GAMING LIMITED AND PROPOSED NAME CHANGE

1. INTRODUCTION

- 1.1. Shareholders are advised that the Company and its wholly owned subsidiaries, HPF Properties Proprietary Limited ("**HPF**") and Southern Sun Hotel Interests Proprietary Limited ("**SSHI**"), have concluded a sale of hotel properties and businesses agreement with Tsogo Sun Gaming Limited ("**TSG**") and its wholly-owned subsidiaries, Listed Investments Proprietary Limited ("**Listed Investments**") and Tsogo Sun Casinos Proprietary Limited ("**TSC**") pursuant to which HPF will acquire the two hotel properties and business assets located thereon, currently trading as "*Southern Sun Emnotweni*" and "*StayEasy Emnotweni*" ("**Emnotweni Hotels**") in Mbombela, Mpumalanga province, from Listed Investments and TSC, for an aggregate purchase consideration of R141,599,000 (VAT exclusive) (the "**Hotel Sale Transaction**").
- 1.2. In addition, the Company and SSHI have concluded a Separation Agreement with TSG and various subsidiaries of TSG listed in paragraph 3.1 below ("**TSG Subsidiaries**"), in terms of which the parties thereto agree to the termination of the various management and licencing agreements ("**Management Agreements**") concluded between them in relation to the management by SSHI of fifteen hotels owned by TSG, subject to payment by such TSG Subsidiaries to SSHI of an aggregate termination fee of R398,802,000 (VAT exclusive) ("**Termination Fee**") ("**Separation Transaction**").

The Hotel Sale Transaction and the Separation Transaction are hereafter referred to as the "**Proposed Transactions**".

2. RATIONALE FOR THE PROPOSED TRANSACTIONS

- 2.1. During 2019, TSG (which was known as "Tsogo Sun Holdings Limited" at the time) unbundled its shares in the Company to its shareholders, which Company shares were then listed on the JSE Limited ("**JSE**"). The unbundling resulted in all Tsogo Sun Holdings shareholders immediately before the transaction holding shares in both the Company (which would predominantly be the owner and operator of hotels) and TSG (which would predominantly be the owner and operator of various gaming and entertainment businesses, including thirteen casino and entertainment destinations with seventeen hotels associated therewith).
- 2.2. Shareholders were advised at the time that the Company's subsidiary, SSHI, had been appointed to act as the manager of the seventeen hotels owned by TSG in terms of Management Agreements concluded in respect thereof.
- 2.3. TSG recently approached the Company with a view to negotiate a termination of the Management Agreements. Pursuant to discussions, subject to approval of the Company's shareholders, SSHI agreed that it would be willing to terminate the Management Agreements previously concluded in relation to fifteen of the seventeen TSG hotels, against payment of the Termination Fee. The remaining two hotels currently managed by SSHI, being the Emnotweni Hotels, are to be sold by the owner thereof to the Company's subsidiary, HPF.

- 2.4. The effect of the implementation of the Proposed Transactions is that the TSH Group will receive a net cash inflow of approximately R257,203,000 and acquire the two Emnotweni Hotels, which the Company believes to be a beneficial transaction for the TSH Group and its shareholders.

3. SEPARATION TRANSACTION

3.1. PARTIES

The parties to the Separation Agreement are the Company, SSHI, TSG, Tsogo Sun Proprietary Limited and each of the following TSG subsidiaries (“**TSG Subsidiaries**”): TSC; Akani Egoli Proprietary Limited; Gold Reef City Theme Park Proprietary Limited; Silverstar Casino Proprietary Limited; Tsogo Sun KwaZulu-Natal Proprietary Limited; Akani Msunduzi Proprietary Limited; Tsogo Sun Newcastle Proprietary Limited; Tsogo Sun Emonti Proprietary Limited; Garden Route Casino Proprietary Limited and Tsogo Sun Caledon Proprietary Limited.

3.2. PARTICULARS OF THE SEPARATION TRANSACTION

- 3.2.1. Subject to the successful fulfilment (or to the extent permitted, waiver by TSH and TSG by agreement) of all of the suspensive conditions under the Separation Agreement, the Management Agreements shall be amended to grant the relevant TSG Subsidiary the right to terminate such Management Agreement on one calendar months’ notice. The termination shall take effect on the last day of the calendar month immediately following the calendar month during which TSG confirms in writing to SSHI that the Management Agreement applicable to such TSG Hotel shall terminate. Pursuant to the delivery of such notice by the TSG Subsidiary, the Management Agreement(s) applicable to the relevant TSG hotel(s) shall be terminated in their entirety and shall cease to be of any force or effect.
- 3.2.2. The aggregate Termination Fee payable by the TSG Subsidiaries to SSHI, in consideration for the early termination of the Management Agreements, shall be R398,802,000.

3.3. SUSPENSIVE CONDITIONS

- 3.3.1. The successful completion of the Separation Agreement is subject to the fulfilment of the following suspensive conditions:
- 3.3.1.1. the shareholders of TSH having passed all such resolutions as may be required from them to approve:
- 3.3.1.1.1. the conclusion and implementation of the Separation Agreement and the transactions contemplated therein as a “related party transaction” in terms of section 10 of the JSE Listings Requirements;
- 3.3.1.1.2. the change of name of TSH to “Southern Sun Limited”;
- 3.3.1.2. in respect of TSG:
- 3.3.1.2.1. TSG providing the JSE with written confirmation from an independent professional expert acceptable to the JSE that the terms of the Proposed Transaction are fair as far as the shareholders of TSG are concerned; or
- 3.3.1.2.2. the shareholders of TSG have passed all such resolutions as may be required from them to approve the conclusion and implementation of this Agreement and the transactions contemplated herein as a “related party transaction” in terms of section 10 of the JSE Listings Requirements; and
- 3.3.1.3. the Hotel Sale Transaction agreement becoming unconditional in accordance with its terms (save for any condition requiring the Separation Agreement to become unconditional).

- 3.3.2. In addition to the above, the termination transaction in respect of the hotel currently operated under the name “*Southern Sun Hemingways*” (“**Emonti**”) is subject to the fulfilment (or waiver by the parties) of a further suspensive condition that the Eastern Cape Gambling Board and the Tsogo Sun Emonti Proprietary Limited board of directors have, to the extent required in terms of the relevant licence conditions, requirements from the Eastern Cape Gambling Board, Memorandum of Incorporation or other agreement or undertakings provided to the Eastern Cape Gambling Board, approved the cancellation or assignment of the Management Agreement in relation to Emonti. In this regard, TSG has the right to notify TSH that it does not wish to terminate the Management Agreement in respect of Emonti, but will rather take assignment of SSHI’s rights and obligations against payment of the Termination Fee applicable to Emonti.

3.4. **EFFECTIVE DATE**

The amendment of the Management Agreements shall take effect, and the Termination Fee shall become due and payable upfront on the Effective Date, being:

- 3.4.1. with regard to the TSG hotels other than Emonti, the last day of the calendar month immediately following the calendar month during which the last of suspensive conditions in paragraph 3.3.1 above are fulfilled and/or waived, as the case may be; and
- 3.4.2. with regard to Emonti, the later of the date referred to in paragraph 3.4.1 and the date of fulfilment (or waiver by TSH and TSG by agreement), of the suspensive condition in paragraph 3.3.2.

3.5. **OTHER SIGNIFICANT TERMS OF THE SEPARATION AGREEMENT**

- 3.5.1. It is the shared intention of the parties to the Separation Agreement to rebrand the TSH Group from “*Tsogo Sun Hotels*” to “*Southern Sun*” and for TSG to rebrand the TSG hotels to exclude any trademarks which belong to TSH (to the extent included in such names) and to no longer use the Southern Sun “*Sunburst*” mark or logo.
- 3.5.2. The Separation Agreement contains other warranties, undertakings and breach provisions that are normal for a transaction of this nature.

4. **DETAILS OF THE HOTEL SALE TRANSACTION AGREEMENT**

4.1. **PARTIES**

The Hotel Sale Transaction agreement has been concluded between the Company’s wholly owned subsidiaries, HPF (as the purchaser) and SSHI, and the wholly owned subsidiaries of TSG (each a seller), Listed Investments (in respect of the properties on which the Emnotweni Hotels are located and its improvements) and TSC (in respect of the movable assets used in respect of the hotel business).

4.2. **PARTICULARS OF THE TRANSACTION**

- 4.2.1. With effect from the Effective Date (as defined in paragraph 3.4.1 above), Listed Investments shall sell the properties on which the Emnotweni Hotels are located, and TSC shall sell the assets, to HPF.
- 4.2.2. The aggregate purchase price payable by HPF to Listed Investments and TSC in consideration for the Emnotweni Hotel properties and businesses is R141,599,000 (excluding conveyancing fees and VAT) (“**Purchase Price**”), which Purchase Price is payable to the sellers on the Effective Date.

4.3. SUSPENSIVE CONDITIONS

The successful completion of the Hotel Sale Transaction agreement is subject to the fulfilment (or waiver by the parties thereto), of the following suspensive conditions:

- 4.3.1. the Separation Agreement becoming unconditional in accordance with its terms, save for any condition therein requiring the Hotel Sale Transaction agreement to become unconditional; and
- 4.3.2. the financial institutions which fund the TSG group have, to the extent required in terms of the relevant funding agreements concluded between them, approved the sale of the Emnotweni Hotels.

4.4. OTHER SIGNIFICANT TERMS OF HOTEL SALE TRANSACTION

The agreement contains warranties, undertakings and breach provisions that are normal for a transaction of this nature.

5. FINANCIAL INFORMATION

- 5.1. The value of the net assets of the two Emnotweni Hotels subject to the Hotel Sale Transaction agreement was R56.7 million as at 31 March 2022, being the date of TSG's reviewed condensed consolidated financial statements for the year ended 31 March 2022. The headline profits attributable to the two Emnotweni Hotels for the year ended 31 March 2022 was R7.0 million based on the reviewed condensed consolidated financial statements of TSG published on SENS on 26 May 2022, which were prepared in terms of IFRS.
- 5.2. The headline profit attributable to Tsogo Sun Hotels in respect of the Management Agreements for the year ended 31 March 2022, was R27.2 million based on the reviewed condensed consolidated financial statements of TSH published on SENS on 26 May 2022, which were prepared in terms of IFRS.

6. CATEGORISATION

- 6.1. By virtue of the fact that TSG is an associate of Hosken Consolidated Investments Limited ("**HCI**"), which in turn is a material shareholder of the Company, the Proposed Transactions constitute "related party transactions" in terms of section 10 of the JSE Listings Requirements.
- 6.2. As the value of the Proposed Transactions exceed 5% of the Company's market capitalisation as at the date of conclusion of the relevant Proposed Transaction agreements, the Company is required to comply with paragraph 10.4 of the JSE Listings Requirements. The Company will procure that a fairness opinion will be prepared by an independent expert. The Proposed Transactions are subject to the approval of the Company's shareholders by ordinary resolution, excluding associates of TSG (including HCI).

7. NAME CHANGE

During April 2022, the Company commenced rebranding its business operations from "Tsogo Sun Hotels" to "Southern Sun". The Company wishes to also change its name to "Southern Sun Limited", and will propose a resolution to shareholders simultaneously with the consideration by shareholders of the Proposed Transactions.

8. CIRCULAR

A circular containing the full details of the Proposed Transactions, incorporating a notice convening a shareholders meeting, the fairness opinion and other required information will be posted to TSH shareholders in due course. The salient dates and times of the Proposed Transactions will also be announced to shareholders on SENS in due course.

Fourways

26 May 2022

Sponsor: Investec Bank Limited

Legal advisor: ENSafrica