

## CHOPPIES ENTERPRISES LIMITED

Registration number BW00001142508

ISIN: BW0000001072

BSE SHARE CODE: CHOP-EQO

JSE SHARE CODE: CHP

Tax Reference Number: C08710401018

("Choppies" or "the Company")



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### SMALL RELATED PARTY TRANSACTION AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

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#### INTRODUCTION

The board of directors of Choppies ("Choppies Board") hereby advises shareholders of a related party transaction at subsidiary level, between Kamoso Africa Proprietary Limited ("Kamoso"), Mediland Health Care Distribution Proprietary Limited ("Mediland"), Vidya Sanooj ("V Sanooj") and Joseph Scott Senwelo ("S Senwelo").

Kamoso is a related party and an indirect subsidiary of Choppies as a result of Choppies Distribution Centre Proprietary Limited ("CDC") holding a 76% shareholding in Kamoso. Additionally, Kamoso and CDC are related as a result of common directorships.

Kamoso Group – a Botswana based company running retail and distribution operations. Mediland is engaged in the distribution of diagnostic medical equipment and consumables, as well as distribution of pharmaceutical products. Mediland is wholly owned by Kamoso and related to Choppies through indirect common shareholding.

V Sanooj is the Chief Compliance Officer of Choppies.

S Senwelo is the Chief Executive Officer of Mediland.

#### DETAILS OF THE PROPOSED TRANSACTION

As explained above, Mediland became a non-core indirect subsidiary of Choppies in July 2023 (through CDC's acquisition of Kamoso Group in July 2023) and has been sustaining significant losses over a prolonged period of time with no prospect of returning to profitability in its present form. These losses are eroding the overall performance of the Choppies Group. Mediland is currently technically insolvent and Choppies has no desire to inject any new capital into this lossmaking operation. Therefore, the Choppies Board has decided to dispose of Kamoso's entire shareholding in Mediland to S Senwelo and V Sanooj for a nominal consideration of BWP 100.00 as a going concern. The abovementioned incoming shareholders have agreed to take over Mediland's existing revolving trade credit facility obligations ("Revolving trade credit facility") of BWP 40 million to Kamoso (subject to interest) and settle them over a period of five years. They have also agreed to retain the current employees of Mediland without making any retrenchments.

Accordingly, the board of directors of Kamoso ("Kamoso Board") has resolved to dispose of 100% of its shareholding in Mediland to S Senwelo and V Sanooj, for a consideration of BWP 100.00 in the following proportions ("Proposed Transaction"):

- V Sanooj: 30,685 096 ordinary shares representing 95% of the total issued share capital in Mediland; and
- S Senwelo: 1,615, 005 ordinary shares representing 5% of the total issued share capital in the Mediland.

(Collectively the “Sale Shares”).

Mediland’s Revolving trade credit facility of BWP 40 million to Kamoso will be interest bearing and shall be repayable by Mediland to Kamoso on or before the expiration of a period of 5 (five) years from 19 June 2024 (“Repayment Term”). For the duration of the Repayment Term and while any portion of the Revolving trade credit facility remains outstanding, no dividends will be declared by Mediland and all cash surpluses shall be paid by Mediland to Kamoso towards reducing the Revolving trade credit facility.

Based on the above, the consideration payable for the Sale Shares by V Sanooj and S Senwelo is payment of the nominal sum of BWP 100.00 in aggregate, which amount is to be paid by S Senwelo and V Sanooj in proportion to their respective shareholding. Furthermore, and as an integral component of the Proposed Transaction, V Sanooj and S Senwelo will secure the Revolving trade credit facility of BWP 40 million by granting a pledge of the Sale Shares in favour of Kamoso, in their proportionate shares.

To this end, the parties have concluded the following agreements:

- a revolving trade credit facility agreement recording the existing Revolving trade credit facility in the cumulative amount of BWP 40 million;
- a pledge of shares in favour of Kamoso, by V Sanooj and S Senwelo in respect of 100% of the issued share capital in Mediland; and
- a sale of shares agreement in respect of the Sale Shares between Kamoso, Mediland, V Sanooj and S Senwelo in respect of 100% of the issued share capital in Mediland.

The Proposed Transaction has been approved by the Kamoso Board and the Choppies Board.

There are no put, call or other options relating to the Proposed Transaction.

## **BENEFITS OF THE PROPOSED TRANSACTION TO CHOPPIES GROUP**

- Kamoso will be able to cut the losses in the region of BWP 8 million per annum that the lossmaking and technically insolvent subsidiary, Mediland, had been hitherto sustaining.
- If not for this Proposed Transaction, Kamoso will not be able to recover the funds it has advanced over the years to Mediland totaling BWP 40 million. As part of the Proposed Transaction, Kamoso will receive in present value terms circa BWP 26 million cash. The BWP 26 million is the present value of the Revolving trade credit facility of P40 million and interest.
- Approximately 30 employees of Mediland will not lose their employment with the company because the incoming shareholders have agreed to retain their services.

## **CLASSIFICATION OF THE PROPOSED TRANSACTION**

In line with section 7.2 of the BSE Equity Listing Requirements, the Proposed Transaction is a related party transaction between a subsidiary of a listed company (being Choppies) and its management.

The Revolving trade credit facility outstanding in Kamoso’s books as at the date of the Proposed Transaction is BWP 40 million and is not considered to be part of the purchase consideration.

The purchase consideration of P100.00 is less than 5% of the net asset value of Choppies Group as of the signature date of the binding agreements, being 19 June 2024, therefore it is treated as a small, related party transaction as per section 7.6 read with section 6.4 (a) of the BSE Equity Listings Requirements.

Choppies confirms that Sections 7.6(c) read with 6.9(a)(x) of the BSE Equity Listings Requirements on appointment of directors are not applicable to this small, related party transaction as the transaction relates to the granting of a revolving trade credit facility by a subsidiary and the disposal

of shares, without any appointment of directors or new service contracts relating to the appointment of new directors.

## **SMALL RELATED PARTY CONSIDERATIONS**

In accordance with section 7.6 of the Botswana Stock Exchange Listings Requirements, Choppies confirms that its Audit Risk and Compliance Committee ("the Audit Committee") has reviewed the terms of the Proposed Transaction and determined that the terms with the related parties are fair insofar as the Company's shareholders are concerned.

Shareholders are further informed that a fairness opinion from the Audit Committee will lie open for inspection at the Company's registered office for a period of 28 days from the date of this announcement.

## **CHOPPIES SHAREHOLDER APPROVAL**

Choppies confirms that in terms of section 7.6 of the BSE Equity listings Requirements, Shareholders will not be required to vote on or approve the Proposed Transaction and this announcement is therefore for information purposes only for shareholders.

## **WITHDRAWAL OF CAUTIONARY**

Shareholders are referred to the Company's cautionary announcement released on X-News and SENS on 19 June 2024.

Shareholders are hereby advised that as the particulars of the Proposed Transaction have now been announced, caution is no longer required to be exercised by shareholders when dealing in the Company's securities.

The Company has a primary listing on the BSE and a secondary listing on the JSE.

**13 September 2024**

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