

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**The definitions and interpretations commencing on page 5 apply throughout this Circular, including this cover page.**

### **ACTION REQUIRED BY SHAREHOLDERS:**

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Shareholders", commencing on page 2.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
3. If you have disposed of all your Shares in Tsogo Sun Hotels, please forward this Circular and the attached Form of Proxy (grey) to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.

**Tsogo Sun Hotels does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Shares to notify such beneficial owner of the matters dealt with in this Circular.**

---



### **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 "the Company")

---

## **CIRCULAR TO SHAREHOLDERS**

---

### **relating to:**

the approval of the Offer, such Offer constituting a Category I Transaction in respect of Tsogo Sun Hotels, in terms of the JSE Listings Requirements;

### **and incorporating:**

- a Notice of General Meeting;
  - an Electronic Participation Application Form; and
  - a Form of Proxy (grey) for purposes of the General Meeting (only for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-Name Registration).
- 

#### **Financial Advisor and Sponsor**



#### **Legal Advisor**



#### **Independent Reporting Accountant**



### **Date of issue: Wednesday, 21 October 2020**

*This Circular is available in English only. Copies may be obtained during normal business hours from the registered office of Tsogo Sun Hotels, whose address is set out in the "Corporate Information" section of this Circular, from Wednesday, 21 October 2020 until Tuesday, 22 December 2020 (both days inclusive). A copy of this Circular will also be available on Tsogo Sun Hotels' website [www.tsogosun.com/investors/circulars/2021](http://www.tsogosun.com/investors/circulars/2021).*

---

## CORPORATE INFORMATION AND ADVISORS

---

### Directors

JA Copelyn<sup>#</sup> (Chairman)  
MN von Aulock (CEO)  
L McDonald (CFO)  
MH Ahmed<sup>\*#</sup> (Lead Independent Non-executive Director)  
SC Gina<sup>\*#</sup>  
ML Molefi<sup>\*#</sup>  
JG Ngcobo<sup>\*#</sup>  
JR Nicoella<sup>#</sup>  
CC September<sup>\*#</sup>

\* Independent non-executive

# Non-executive

### Date and place of incorporation

18 March 2002  
Johannesburg, South Africa

### Company secretary and registered office

Southern Sun Secretarial Services Proprietary Limited  
(Registration number 1969/001208/07)  
Palazzo Towers West  
Montecasino Boulevard  
Fourways  
Johannesburg, 2055  
(Private Bag X200, Bryanston, 2021)

### Transfer Secretaries

Link Market Services South Africa Proprietary Limited  
(Registration number 2000/007239/07)  
13th Floor  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844 Johannesburg, 2000)

### Financial Advisor and Sponsor

Investec Bank Limited  
(Registration number 1969/004763/06)  
100 Grayston Drive,  
Sandton, 2196  
(PO Box 785700, Sandton, 2196)

### Legal Advisor

Edward Nathan Sonnenbergs Incorporated  
(Registration number 2006/018200/21)  
1 North Wharf Square  
Loop Street  
Foreshore  
Cape Town, 8001  
(PO Box 2293, Cape Town, 8000)

### Auditor and Independent Reporting Accountant

PricewaterhouseCoopers Inc.  
(Registration number 1998/012055/21)  
4 Lisbon Lane, Waterfall City  
Jukskei View  
Johannesburg, 2090  
(Private Bag X36 Sunninghill, 2157)

---

## TABLE OF CONTENTS

---

Corporate information	Inside front cover
Actions required by Tsogo Shareholders	2
Salient dates and times	4
Definitions and interpretations	5
Circular to Shareholders	9
<b>Section 1: Introduction and purpose</b>	9
1. Introduction and purpose of this Circular	9
<b>Section 2: The Offer</b>	10
2. The business of Hospitality	10
3. Rationale for the Offer	10
4. Overview of the Offer	10
5. The Offer Consideration	10
6. The Conditions Precedent	11
7. The effective date of the Offer	11
8. Historical financial information of Hospitality	11
9. Further information relating to Hospitality	11
10. Opinions and directors' recommendation	13
<b>Section 3: Information relating to Tsogo Sun Hotels</b>	13
11. The business of the Tsogo Sun Hotels Group	13
12. Prospects	13
13. Material loans	14
14. Major shareholders and interests	14
15. Information relating to Directors	14
16. <i>Pro forma</i> financial information of Tsogo Sun Hotels	15
17. Working capital statement	16
<b>Section 4: General</b>	16
18. Expenses	16
19. General meeting and voting	17
20. Directors' responsibility statement	17
21. Advisors' consent	17
22. Documents available for inspection	17
<b>Annexure 1</b> <i>Pro forma</i> financial information of Tsogo Sun Hotels	18
<b>Annexure 2</b> Independent Reporting Accountant's report on the <i>pro forma</i> financial information of Tsogo Sun Hotels	28
<b>Notice of General Meeting</b>	30
<b>Application for electronic participation at the General Meeting</b>	Enclosed
<b>Form of Proxy</b> (grey) for purposes of the General Meeting (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-name Registration only)	Enclosed

---

## ACTIONS REQUIRED BY TSOGO SHAREHOLDERS

---

This Circular is important and requires your immediate attention.

Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what actions to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all of your Shares in Tsogo Sun Hotels, please forward this Circular and the attached Form of Proxy to the purchaser of such Shares or to the CSDP, Broker, banker, attorney or other agent through whom the disposal was effected.

The General Meeting will be held on Thursday, 19 November 2020 at 10h30 (South African Standard Time) at which General Meeting Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting attached to this Circular.

In the light of the restrictions on public gatherings arising from the Covid-19 pandemic and in the interests of reducing the risk of exposure of Shareholders and the Board to the Covid-19 pandemic, the Board has decided to proceed with the General Meeting by way of electronic participation only and not by way of a physical meeting. The General Meeting will accordingly only be accessible through electronic communication, as permitted by the JSE and in accordance with the provisions of the Companies Act and the MOI. "Attendance" throughout this notice will refer to electronic attendance.

The General Meeting will be remotely hosted via Microsoft Teams, a remote interactive electronic platform.

Should it become possible and feasible after the date of this Circular for the General Meeting to be held in person, the Board will consider whether to nevertheless hold the General Meeting in person, but if it does so, it will communicate any changes to the proposed methodology and location of the General Meeting by publication of a further announcement on SENS to that effect.

### I. **DEMATERIALIZED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALIZED SHAREHOLDERS**

#### I.1 **Voting at the General Meeting**

- I.1.1 Your Broker or CSDP should contact you to ascertain how you wish the voting rights attaching to the Shares in respect of which you are a beneficial interest holder at the General Meeting and should thereafter cast the vote in accordance with your instructions.
- I.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.
- I.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.
- I.1.4 **You must not complete the attached Form of Proxy (grey).**

#### I.2 **Attendance and representation at the General Meeting**

- I.2.1 In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:
  - I.2.1.1 personally attend, speak and vote at the General Meeting; or
  - I.2.1.2 send a proxy to represent your interests at the General Meeting.
- I.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting which should be submitted in conjunction with your Electronic Participation Application Form as set out in paragraph 3 below.

## 2. **CERTIFICATED SHAREHOLDERS AND DEMATERIALIZED SHAREHOLDERS WHO ARE OWN-NAME DEMATERIALIZED SHAREHOLDERS**

### 2.1 **Voting and attendance at the General Meeting**

- 2.1.1 You may attend the General Meeting in person and may vote at the General Meeting.
- 2.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (grey) in accordance with the instructions contained therein. It is requested that the Form of Proxy (duly completed) be returned to the Transfer Secretaries and is received by them preferably by no later than 10h30 (South African Standard Time) on Tuesday, 17 November 2020.

#### **Hand deliveries to:**

Link Market Services South Africa  
Proprietary Limited  
13th Floor  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001

#### **Postal deliveries to:**

Link Market Services South Africa Proprietary Limited  
PO Box 4844  
Johannesburg, 2000  
Fax: 086 674 2450  
Email address: meetfax@linkmarketservices.co.za

## 3. **ELECTRONIC PARTICIPATION AT THE GENERAL MEETING**

The Board has decided that the General Meeting will only be accessible through a remote interactive electronic platform as detailed below.

Any Shareholder (or representative or proxy for a Shareholder) who wishes to participate in the General Meeting by way of electronic participation, should complete the Electronic Participation Application Form and should email same to the Company's Transfer Secretaries, Link at meetfax@linkmarketservices.co.za as soon as possible after receipt of this notice, but for administrative reasons and in order to avoid delays in ensuring that the relevant Shareholder is provided with all instructions required to enable it to attend the General Meeting, Shareholders are requested to email the completed form by no later than 10:30 on Tuesday, 17 November 2020. If a Shareholder emails such form after the aforementioned date and time but before the commencement of the General Meeting, such Shareholders should be aware that there may be delays in granting such Shareholders the necessary access to attend the General Meeting in time. Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the General Meeting, as noted on the first page of notice convening the General Meeting.

Upon receipt of a duly completed Electronic Participation Application Form together with an acceptable form of identification (described in paragraph 4 below), the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the General Meeting. On successful verification, such Shareholder or their duly appointed proxy will receive, on their nominated email, a Microsoft Teams meeting invitation, which will be required to access the General Meeting.

Meeting participants will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of the Company or its Transfer Secretaries who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Shareholder or their proxy from participating in and/or voting at the General Meeting.

Further guidance on attending the General Meeting can be obtained from the Company's Transfer Secretaries.

## 4. **IDENTIFICATION OF SHAREHOLDERS**

Shareholders are entitled to attend, speak and vote at the General Meeting. In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate and vote at the General Meeting, either as a Shareholder, or as a proxy for a Shareholder, has been reasonably verified. Acceptable forms of identification include certified copies of a valid identity document, driver's licence or passport, which should be submitted together with the Electronic Participation Application Form.

---

## SALIENT DATES AND TIMES

---

The definitions and interpretations commencing on page 5 apply to the section below.

### Salient dates relating to the General Meeting

---

**2020**

Record date for Shareholders to be recorded in the Register in order to receive this Circular	Friday, 16 October
Circular incorporating the Notice of General Meeting and Form of Proxy (grey), distributed to Shareholders on	Wednesday, 21 October
Announcement of distribution of Circular and notice convening the General Meeting released on SENS on	Wednesday, 21 October
Last day to trade Shares in order to be recorded in the Register to vote at the General Meeting (see note 2 below) on	Tuesday, 10 November
Record date for a Shareholder to be registered in the Register in order to be eligible to attend and participate in the General Meeting and to vote thereat, by close of trade on	Friday, 13 November
Forms of Proxy (grey) in respect of the General Meeting to be lodged at the Transfer Secretaries, preferably by 10h30 on	Tuesday, 17 November
General Meeting held at 10h30 on	Thursday, 19 November
Results of the General Meeting published on SENS on	Thursday, 19 November
Offer anticipated to be implemented on or about	Monday, 21 December

---

**Notes:**

- 1. The above dates and times are subject to amendment at the discretion of Tsogo Sun Hotels. Any such amendment will be released on SENS.*
- 2. Shareholders should note that as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three South African Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on Tuesday, 10 November 2020 will not be eligible to attend, participate in and vote at the General Meeting.*
- 3. All dates and times indicated above are South African Standard Time.*

---

## DEFINITIONS AND INTERPRETATIONS

---

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and vice versa, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite them in the second column.

<b>“Board” or “Directors”</b>	the directors of Tsogo Sun Hotels from time to time, comprising, as at the Last Practicable Date, those persons whose names appear in the “ <i>Corporate Information</i> ” section of this Circular;
<b>“Broker”</b>	any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;
<b>“Business Day”</b>	any day, other than a Saturday, Sunday or public holiday in South Africa;
<b>“Certificated Shareholders”</b>	Shareholders who hold Certificated Shares;
<b>“Certificated Shares”</b>	Shares which have not yet been Dematerialised, title to which is represented by a share certificate or other Document of Title;
<b>“Circular”</b>	this bound document dated Wednesday 21, October 2020 to Shareholders, including all annexures hereto;
<b>“Combined Offer Circular”</b>	the circular to be sent to Hospitality Shareholders containing, amongst other things, the full terms and conditions of the Offer, dated Wednesday, 21 October 2020;
<b>“Companies Act”</b>	the Companies Act, 2008 (Act No. 71 of 2008), as amended;
<b>“Coronation Fund Managers”</b>	Coronation Fund Managers, in its capacity as the investment manager in relation to its clients' Hospitality Shares;
<b>“Covid-19”</b>	the infectious respiratory illness caused by a novel coronavirus which has been classified by the World Health Organization as a global pandemic;
<b>“CSDP”</b>	a central securities depository participant registered in terms of the Financial Markets Act with whom a beneficial holder of shares holds a Dematerialised share account;
<b>“Dematerialise”</b>	the process by which securities held by Certificated Shareholders are converted or held in an electronic form as uncertificated securities and recorded in a sub-register of security holders maintained by a CSDP or Broker;
<b>“Dematerialised Shareholders”</b>	those Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
<b>“Documents of Title”</b>	share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares acceptable to Tsogo Sun Hotels;
<b>“Electronic Participation Application Form”</b>	the application form to participate electronically in the General Meeting and attached to this Circular;
<b>“Financial Advisor and Sponsor” or “Investec”</b>	Investec Bank Limited (acting through its Corporate and Institutional Banking Division) (registration number 1969/004763/06), a public company incorporated under the laws of South Africa and conducting the business of a bank;
<b>“Financial Markets Act”</b>	the Financial Markets Act, 2012 (Act No. 19 of 2012), as amended;
<b>“Form of Proxy”</b>	for purposes of the General Meeting, the form of proxy ( <i>grey</i> ) for use only by Certificated Shareholders and Own-name Dematerialised Shareholders;

<b>“General Meeting”</b>	the general meeting of Shareholders to be held in electronic format only at 10h30 (South African Standard Time) on Thursday, 19 November 2020, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular; together with any reconvened general meeting held as a result of the adjournment or postponement of that general meeting;
<b>“General Offer”</b>	the general offer to the Hospitality Shareholders and made by Tsogo Sun Hotels, as contemplated by section 117(1)(c)(v) of the Companies Act and paragraph 1.15(c) of section 1 of the JSE Listings Requirements, to acquire all of the General Offer Shares for the General Offer Consideration, subject to the General Offer Conditions Precedent (subject to any modification or amendment made thereto to which Hospitality and Tsogo Sun Hotels may agree in writing, and which the TRP approves, to the extent that the TRP’s approval is required);
<b>“General Offer Conditions Precedent”</b>	the conditions to the implementation of the General Offer, described below and set out in in the Combined Offer Circular;
<b>“General Offer Consideration”</b>	1.77 Tsogo Sun Hotels Shares for every one General Offer Share held by participants of the General Offer;
<b>“General Offer Shares”</b>	all of the Hospitality Shares (other than the Hospitality Shares already owned by Tsogo Sun Hotels Group), which are in issue before the General Offer becomes effective, being a maximum of 141 741 172 Hospitality Shares, excluding Treasury Shares;
<b>“HCI”</b>	Hosken Consolidated Investments Limited (registration number 1973/007111/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE and being the Holding Company of Tsogo Sun Hotels;
<b>“HCI Foundation”</b>	the trustees for the time being of the HCI Foundation (Master Reference No. IT 1408/93), an independent trust which is the corporate and social investment arm of HCI and which trust has been duly registered with the Master of the High Court;
<b>“Holding Company”</b>	a “holding company” as defined in the Companies Act, but also includes an entity incorporated outside South Africa which, if incorporated in South Africa, would be a “holding company” as defined in the Companies Act;
<b>“Hospitality”</b>	Hospitality Property Fund Limited (registration number 2005/014211/06), a company incorporated in accordance with the laws of South Africa and a Subsidiary of Tsogo Sun Hotels;
<b>“Hospitality Shares”</b>	ordinary shares with no par value in the issued share capital of Hospitality;
<b>“Hospitality Shareholder”</b>	registered holders of Hospitality Shares;
<b>“Implementation Agreement”</b>	the implementation agreement entered into between Hospitality and Tsogo Sun Hotels on 7 October 2020 in relation to the Scheme and General Offer;
<b>“IFRS”</b>	the International Financial Reporting Standards as issued from time to time by the International Accounting Standards Board or its successor body, as adopted or applied in South Africa;
<b>“Independent Reporting Accountant”</b>	PricewaterhouseCoopers Inc. (registration number 1998/012055/21), registered auditors, a firm of Chartered Accountants (SA) and the independent reporting accountants to Tsogo Sun Hotels, details of which firm are contained in the “Corporate Information and Advisors” section of this Circular;
<b>“JSE Listings Requirements”</b>	the Listings Requirements of the JSE;
<b>“JSE”</b>	JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa and which is licensed as an exchange in terms of the Financial Markets Act;
<b>“Last Practicable Date”</b>	the last practicable date before finalisation of this Circular, which date was Monday, 12 October 2020;



<b>“Legal Advisor”</b> or <b>“ENSafrica”</b>	Edward Nathan Sonnenbergs Incorporated (registration number 2006/018200/21), a private company duly incorporated in accordance with the laws of South Africa;
<b>“MOI”</b>	the memorandum of incorporation of Tsogo Sun Hotels;
<b>“Notice of General Meeting”</b>	the notice of the General Meeting of Shareholders, forming part of this Circular;
<b>“Offer”</b>	the single all-share offer to be made by Tsogo Sun Hotels comprising the Scheme and, failing the successful implementation of the Scheme, the General Offer;
<b>“Offer Consideration”</b>	the Scheme Consideration or the General Offer Consideration, as the context may require;
<b>“Own-name Registration”</b> or <b>“Own-name Registered”</b> or <b>“Own Name Dematerialised Shareholders”</b>	Shareholders who hold Dematerialised Shares and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
<b>“Register”</b>	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
<b>“Scheme”</b>	the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Hospitality board to Hospitality Shareholders in terms of which Tsogo Sun Hotels shall, upon fulfilment of the Scheme Conditions Precedent, acquire the Scheme Shares;
<b>“Scheme Conditions Precedent”</b>	the conditions to the implementation of the Scheme, described below and set out in the Combined Offer Circular;
<b>“Scheme Consideration”</b>	1.77 Tsogo Sun Hotels Shares for every one Scheme Share;
<b>“Scheme Shares”</b>	all of the Hospitality Shares held by Hospitality Shareholders, other than Tsogo Sun Hotels Group, which are allotted and issued before the Scheme becomes effective; the Stock Exchange News Service of the JSE;
<b>“SENS”</b>	the Stock Exchange News Service of the JSE;
<b>“Shareholders”</b> or <b>“Tsogo Sun Hotels Shareholders”</b>	registered holders of Shares;
<b>“Shares”</b> or <b>“Tsogo Sun Hotels Shares”</b>	no par value ordinary shares in the Company’s share capital;
<b>“Share for Share Transactions”</b>	transactions whereby Tsogo Sun Hotels acquired additional shares in Hospitality in exchange for the issue of Shares in the Company, as detailed in the SENS announcements dated 3 July 2020, 20 July 2020 and 11 August 2020;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“South African Standard Time”</b>	the time zone used by all of South Africa, Botswana, the kingdoms of Lesotho and eSwatini, which zone is two hours ahead of Coordinated Universal Time;
<b>“Strate”</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, being a licensed central securities depository in terms of section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
<b>“Subsidiary”</b>	a “subsidiary” as defined in the Companies Act;

<b>“Transfer Secretaries”</b>	Link Market Services South Africa Proprietary Limited (registration number 2000/007239/07) a private company incorporated under the laws of South Africa, the particulars of which are set out in the “Corporate Information” section of this Circular;
<b>“Treasury Shares”</b>	Shares beneficially owned by Subsidiaries of Hospitality;
<b>“TRP”</b>	the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;
<b>“Tsogo Sun Hotels Group” or “Group”</b>	Tsogo Sun Hotels and its Subsidiaries;
<b>“Tsogo Sun Hotels” or “the Company”</b>	Tsogo Sun Hotels Limited (registration number 2002/006356/06), a public company duly incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE; and
<b>“Value-Added Tax”</b>	value-added tax levied in terms of the Value Added Tax Act, 1991 (Act No. 89 of 1991).



## TSOGO SUN HOTELS LIMITED

Incorporated in the Republic of South Africa  
Registration number 2002/006356/06  
Share code: TGO ISIN: ZAE000272522  
("Tsoغو Sun Hotels" or "the Company")

---

### Directors

JA Copelyn<sup>#</sup> (Chairman)  
MN von Aulock (CEO)  
L McDonald (CFO)  
MH Ahmed<sup>\*#</sup> (Lead Independent Non-executive Director)  
SC Gina<sup>\*#</sup>  
ML Molefi<sup>\*#</sup>  
JG Ngcobo<sup>\*#</sup>  
JR Nicolella<sup>#</sup>  
CC September<sup>\*#</sup>

\* Independent

# Non-executive

---

## CIRCULAR TO SHAREHOLDERS

---

### SECTION I: INTRODUCTION AND PURPOSE

#### I. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

- I.1 Shareholders are referred to the joint firm intention announcement by Tsoغو Sun Hotels and Hospitality on SENS on Wednesday, 7 October 2020, advising the terms and conditions of the Offer.
- I.2 As detailed in the SENS announcements dated 3 July 2020 and 20 July 2020, Tsoغو Sun Hotels acquired additional shares in Hospitality in exchange for the issue of Shares in the Company. At the time these Share for Share Transactions were categorised as a Category 2 transaction for Tsoغو Sun Hotels. In order to issue the Shares in respect of the Share for Share Transactions, an ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the Board to acquire assets (such as ordinary shares in Hospitality) in exchange for Shares in the Company. This ordinary resolution was duly approved by the Shareholders entitled to exercise more than 50% of the voting rights exercisable thereon.
- I.3 One of the parties to the Share for Share Transactions was the HCI Foundation. As the HCI Foundation is a Hospitality Shareholder and controlled by HCI, and HCI is a material shareholder of Tsoغو Sun Hotels, the HCI Foundation is therefore a related party to Tsoغو Sun Hotels. The acquisition of Hospitality Shares from the HCI Foundation was categorised as a small related party transaction in terms of the JSE Listings Requirements and announced on 11 August 2020. The Board was provided with written confirmation from an independent professional expert that the terms of the acquisition were fair insofar as Shareholders were concerned.
- I.4 When aggregated with the number of Shares issued in respect the Share for Share Transactions, the number of Shares to be issued by Tsoغو Sun Hotels pursuant to the Offer exceeds 30% of the number of Shares in issue, excluding Treasury Shares, prior to the Share for Share Transactions.
- I.5 The Offer is therefore a "Category 1 Transaction" in terms of section 9 of the JSE Listings Requirements and requires the approval of the Tsoغو Sun Hotels Shareholders by way of an ordinary resolution of Shareholders.
- I.6 The purpose of this Circular is to:
  - I.6.1 provide Shareholders with the relevant information relating to the Offer so as to enable Shareholders to make an informed decision in respect of the resolutions set out in the Notice of General Meeting enclosed with this Circular; and
  - I.6.2 convene the General Meeting of Shareholders in order to consider and, if deemed fit, approve the resolutions authorising the Offer.

## **SECTION 2: OFFER**

### **2. THE BUSINESS OF HOSPITALITY**

Hospitality is a publicly traded company and has been listed on the main board of the JSE since 16 February 2006. Hospitality is a specialised REIT on the JSE investing in the hospitality industry, providing investors with exposure to income streams from the hospitality sector. Hospitality's portfolio comprises 54 properties with more than 9 000 rooms in South Africa.

### **3. RATIONALE FOR THE OFFER**

The nature of the business of Tsogo Sun Hotels and Hospitality are substantially similar and have in-principle the same economic drivers. Hotels owned by Hospitality and operated by Tsogo Sun Hotels make up the vast majority of both groups' economic value. Furthermore, Tsogo Sun Hotels currently owns 75.4% of the issued share capital of Hospitality.

The Tsogo Sun Hotels Group currently includes two listed companies, both exposed to the hospitality sector and with many interrelated services and offerings. If the Offer is implemented, it will allow Hospitality Shareholders to benefit from a larger and further diversified portfolio of hotels.

The successful implementation of the Tsogo Sun Hotels Offer will:

- allow for Hospitality Shareholders to benefit from a significant company within the Tsogo Sun Hotels Group that has been trading since 1969, with complementary assets in addition to Hospitality's asset holding, and further simplify the Tsogo Sun Hotels Group;
- grant Hospitality Shareholders an opportunity to swap their Hospitality Shares into Tsogo Sun Hotels Shares, thereby fully aligning the interests of Tsogo Sun Hotels and the interests of those Hospitality Shareholders, and creating significantly more liquidity for those shareholders by holding Tsogo Sun Hotels Shares than what they currently have given the very limited liquidity in Hospitality Shares as recently traded on the JSE; and
- simplify Tsogo Sun Hotels' corporate and operating structure, as Hospitality could become a wholly-owned subsidiary of Tsogo Sun Hotels if the Offer were to be implemented, thereby reducing structural complexity and costs associated with maintaining two separate listings on the JSE.

### **4. OVERVIEW OF THE OFFER**

Tsogo Sun Hotels wishes to acquire all of the Hospitality Shares, other than the Hospitality Shares already owned by Tsogo Sun Hotels Group and the Treasury Shares, by way of a single offer comprising:

- the Scheme; and
- if the Scheme does not become operative, the General Offer.

If either the Scheme becomes operative or the General Offer becomes wholly unconditional, and subject to obtaining the necessary shareholder approval pursuant to the General Offer, application will be made for the delisting of all Hospitality Shares from the main board of the JSE.

Further details on the terms of the Offer are set out in the Combined Offer Circular circulated or to be circulated to Hospitality Shareholders and which is available on Tsogo Sun Hotels' website, [www.tsogosun.com/investors/circulars/2021](http://www.tsogosun.com/investors/circulars/2021).

### **5. THE OFFER CONSIDERATION**

The Scheme Consideration or General Offer Consideration payable for the Hospitality Shares which shall be acquired by Tsogo Sun Hotels pursuant to the Scheme (subject to the fulfilment or waiver of the Scheme Conditions Precedent) or, alternatively, the General Offer (subject to the fulfilment or waiver of the General Offer Conditions Precedent), as the case may, shall be 1.77 Tsogo Sun Hotels Shares per Hospitality Share acquired.

The maximum number of Hospitality Shares to be acquired is 142 303 946.

## 6. THE CONDITIONS PRECEDENT

The Offer is subject to, *inter-alia*, the fulfilment of the condition precedent that the Shareholders approve of the Offer as a Category I Transaction in accordance with section 9 the JSE Listings Requirements, to the extent legally required.

Full details of the Scheme Conditions Precedent and General Offer Conditions Precedent are set out in the Combined Offer Circular.

## 7. THE EFFECTIVE DATE OF THE OFFER

If the Scheme becomes unconditional, then the Offer will be implemented by way of the Scheme and in accordance with the provisions detailed in the Combined Offer Circular, with an expected implementation date of Monday, 21 December 2020.

If the Scheme fails then, subject to fulfilment (or waiver) of the General Offer Conditions Precedent, the Offer will be implemented by way of the General Offer, with an expected implementation date of Monday, 14 December 2020.

Should the General Offer not be implemented (due to the non-fulfilment or waiver of the General Offer Conditions Precedent or for any other reason), then the Offer shall be deemed to have failed and shall not be implemented.

## 8. HISTORICAL FINANCIAL INFORMATION OF HOSPITALITY

8.1 The value of the net assets of Hospitality as at 31 March 2020, being the date of the last audited annual financial statements, was R7 673 768 000.

8.2 The audited net loss of Hospitality for the 12 months ended 31 March 2020, per the last audited financial statements was R1 988 171 000. The audited financial statements were prepared in terms of IFRS.

8.3 The audited historical financial information of Hospitality for its last 3 financial years ended 31 March 2020, 31 March 2019 and 31 March 2018, are incorporated herein by reference and can be accessed on Tsogo Sun Hotels' website.

<b>Information incorporated by reference</b>	<b>Website link</b>
Hospitality Integrated Annual Report 2020	<a href="https://www.tsogosun.com/hospitality-property-fund/investors/financial-reports/integrated-annual-reports/2020">https://www.tsogosun.com/hospitality-property-fund/investors/financial-reports/integrated-annual-reports/2020</a>
Hospitality Integrated Annual Report 2019	<a href="https://www.tsogosun.com/hospitality-property-fund/investors/financial-reports/integrated-annual-reports/archive">https://www.tsogosun.com/hospitality-property-fund/investors/financial-reports/integrated-annual-reports/archive</a>
Hospitality Integrated Annual Report 2018	<a href="https://www.tsogosun.com/hospitality-property-fund/investors/financial-reports/integrated-annual-reports/archive">https://www.tsogosun.com/hospitality-property-fund/investors/financial-reports/integrated-annual-reports/archive</a>

8.4 Copies of the historical financial information of Hospitality will also be available for inspection by Shareholders during normal business hours at the registered office of Tsogo Sun Hotels from the date of publication of this Circular until the date of the General Meeting (both days inclusive).

## 9. FURTHER INFORMATION RELATING TO HOSPITALITY

### 9.1 Material changes

Apart from the significant impact that Covid-19 has had on the operations of both Tsogo Sun Hotels and Hospitality as discussed in detail in the respective companies' integrated annual reports for the year ended 31 March 2020, Tsogo Sun Hotels is not aware of any material changes in the financial or trading position of Hospitality since the end of the financial year ended 31 March 2020.

## 9.2 Material borrowings

Details of the material borrowings of Hospitality, as at the Last Practicable Date, are disclosed below:

<b>Lender</b>	Standard Bank of South Africa
<b>Borrower</b>	HPF Properties Properties Limited
<b>Type of loan</b>	5-year – Term loan
<b>Reason for loan</b>	Funding of properties
<b>Loan amount</b>	R500 000 000
<b>Loan facility</b>	R500 000 000
<b>Interest rate</b>	3M Jibar plus 1.98%
<b>Security</b>	First ranking mortgage bond over entire portfolio (54 hotels)
<b>Conditions of repayment</b>	Bullet repayment – 31 August 2022
<b>Lender</b>	Standard Bank of South Africa
<b>Borrower</b>	HPF Properties Properties Limited
<b>Type of loan</b>	3-year – Revolving Credit Facility
<b>Reason for loan</b>	Funding of properties and capital expenditure
<b>Loan amount</b>	R212 365 283
<b>Loan facility</b>	R500 000 000
<b>Interest rate</b>	Prime less 1.90%
<b>Security</b>	First ranking mortgage bond over entire portfolio (54 hotels)
<b>Conditions of repayment</b>	Bullet repayment – 19 December 2022
<b>Lender</b>	Nedbank Limited
<b>Borrower</b>	HPF Properties Properties Limited
<b>Type of loan</b>	13-month – Revolving Credit Facility
<b>Reason for loan</b>	Funding of properties and capital expenditure
<b>Loan amount</b>	R152 564 704
<b>Loan facility</b>	R250 000 000
<b>Interest rate</b>	3M Jibar plus 1.25%
<b>Security</b>	First ranking mortgage bond over entire portfolio (54 hotels)
<b>Conditions of repayment</b>	Bullet repayment – 31 August 2021. The facility is a 13-month notice period facility and will roll unless given notice by the lender in which case it will be refinanced.
<b>Lender</b>	HPF11
<b>Borrower</b>	Hospitality Property Fund Limited
<b>Type of loan</b>	Corporate Bond – 5 years
<b>Reason for loan</b>	Funding of properties and capital expenditure
<b>Loan amount</b>	R600 000 000
<b>Loan facility</b>	R600 000 000
<b>Interest rate</b>	3M Jibar plus 1.95%
<b>Security</b>	First ranking mortgage bond over entire portfolio (54 hotels)
<b>Conditions of repayment</b>	Bullet repayment – 31 March 2023
<b>Lender</b>	HPF12
<b>Borrower</b>	Hospitality Property Fund Limited
<b>Type of loan</b>	Corporate Bond – 5 years
<b>Reason for loan</b>	Funding of properties and capital expenditure
<b>Loan amount</b>	R300 000 000
<b>Loan facility</b>	R300 000 000
<b>Interest rate</b>	3M Jibar plus 1.60%
<b>Security</b>	First ranking mortgage bond over entire portfolio (54 hotels)
<b>Conditions of repayment</b>	Bullet repayment – 31 March 2024
<b>Lender</b>	HPF13
<b>Borrower</b>	Hospitality Property Fund Limited
<b>Type of loan</b>	Corporate Bond – 5 years
<b>Reason for loan</b>	Funding of properties and capital expenditure
<b>Loan amount</b>	R800 000 000
<b>Loan facility</b>	R800 000 000
<b>Interest rate</b>	3M Jibar plus 1.50%
<b>Security</b>	First ranking mortgage bond over entire portfolio (54 hotels)
<b>Conditions of repayment</b>	Bullet repayment – 30 September 2024

### 9.3 **Material contracts and vendors**

Other than the Implementation Agreement, Tsogo Sun Hotels is not aware that Hospitality has entered into any material contract either verbally or in writing that is outside the ordinary course of business in the preceding two years to the date of issue of this Circular or at any time prior to the date of issue of this Circular which contains an obligation or settlement that is material to Hospitality.

There have been no vendors of material assets to Hospitality or its Subsidiaries during the three years preceding the Last Practicable Date. No provisions for the settlement of any liability for accrued taxation have been included in the agreements entered into. No promoter or director of Hospitality had any material beneficial interest in the Offer. No amount in cash or securities has been transferred to any promoter in the above Offer and no shares have been pledged nor ceded by Hospitality.

### 9.4 **Litigation statement**

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which Tsogo Sun Hotels is aware, which may have or have over the previous 12 months had a material effect on the financial position of Hospitality.

## 10. **OPINIONS AND DIRECTORS' RECOMMENDATION**

- 10.1 The Board has considered the terms and conditions of the Offer and all members of the Board who are entitled to vote on the matter are unanimously of the opinion that the terms and conditions thereof are fair to and in the interest of Shareholders and, accordingly, recommend that Shareholders vote in favour of the resolution to be proposed at the General Meeting relating to the approval of the Offer.
- 10.2 The Directors, in their personal capacities, intend to vote the Shares beneficially owned by them in favour of the resolutions to be proposed at the General Meeting.

## **SECTION 3: INFORMATION RELATING TO TSOGO SUN HOTELS**

### 11. **THE BUSINESS OF THE TSOGO SUN HOTELS GROUP**

Tsogo Sun Hotels owns, leases and manages hotels in South Africa as well as several sub-Saharan countries, the Seychelles and Abu Dhabi. The Group holds a 75.4% interest in Hospitality, which it acquired through the sale of hotels in asset-for-share transactions in 2016 and 2017 and the subsequent Share-for-Share Transactions described above. Tsogo Sun Hotels also holds a minority investment in RBH Hotel Group Limited, a leading hotel management company and International Hotel Properties Limited, a listed hotel and leisure focused property investment company, both based in the United Kingdom. The Group also operates the hotels that were developed as part of the various casino complexes owned by Tsogo Sun Gaming Limited under long-term management agreements. With a portfolio of more than 110 hotels, an extensive selection of restaurants and bars, and a diverse collection of conference and banqueting facilities (including the renowned Sandton Convention Centre), Tsogo Sun Hotels offers unparalleled variety, footprint and scale.

### 12. **PROSPECTS**

The 2020 financial year has been one of highs, with the Group celebrating its 50th anniversary and the separate listing of Tsogo Sun Hotels on the JSE. A short nine months later, the Group experienced the low of having to deactivate the vast majority of its hotels, including those operated for Hospitality, in response to the national lockdown implemented on 27 March 2020 in order to contain the spread of Covid-19 in South Africa. While we are encouraged by the recent move to Level 1 of the national lockdown and the Group now trading approximately half of the hotels in its portfolio, the recovery of the hospitality industry specifically is expected to be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals leading to reduced spend on hotel accommodation and conferences.

In this low revenue environment, where Hospitality is increasing its debt burden and building on its assessed loss through covering the fixed property-related costs of the hotels, such as administered costs, insurance and security via the working capital facility catered for in the lease agreements, the preference going forward is to retain cash resources. The successful implementation of the Offer will eliminate the pressure for Hospitality to declare pre-tax cash distributions, post the recovery of activity levels in order to retain its REIT status and will allow the Group to focus on rebuilding the balance sheet and protecting the livelihoods of the many stakeholders who depend on the Tsogo Sun Hotels Group – from our employees and suppliers to our communities and investors.

The medium-term outlook for the travel and tourism industry remains positive and the Group is of the view that demand for travel will resume once the levels of uncertainty, fear and regulatory restrictions associated with the Covid-19 pandemic have subsided. Tsogo Sun Hotels offers investors access to a unique portfolio of hospitality product from deluxe to budget across South Africa and in key markets on the African continent. The demand drivers of the combined Tsogo Sun Hotels and Hospitality portfolio remain the same as current, being a mixture of business and leisure-related travel. Further details on the impact of Covid-19 is set out on pages 10 to 13 of the Integrated Annual report and the Company will continue to update the market on developments in line with JSE guidance.

### 13. MATERIAL LOANS

The Offer does not result in any change to the material loans of Tsogo Sun Hotels as disclosed in the Company's annual financial statements as at 31 March 2020.

### 14. MAJOR SHAREHOLDERS AND INTERESTS

As far as the Directors are aware, as at the Last Practicable Date, the following persons are the direct or indirect beneficial owners of 5% or more of the Shares in issue:

Shareholder	Number of Shares Direct beneficial	Number of Shares Indirect beneficial	Percentage of total issued Share capital pre Offer	Percentage of total issued Share capital post Offer
HCI	106 784 202	417 035 518	42.7	35.4
Allan Gray	231 292 910	–	18.8	15.6
Prudential	80 404 518	–	6.6	5.4
HCI Foundation	75 857 145	–	4.7	5.1
Steyn Capital	61 326 650	–	5.0	4.2
<b>Total</b>	<b>555 665 425</b>	<b>417 035 518</b>	<b>77.8</b>	<b>65.7</b>

Following the Share for Share Transactions the percentage of the total issued share capital held by Tsogo Sun Hotels' controlling Shareholder, HCI, reduced from 49.4% to 42.7%. If the Offer is implemented and the maximum number of Tsogo Sun Hotels Shares are issued, the controlling shareholder's interest in the total issued share capital will reduce further to 35.4%.

Following implementation of the Offer, Coronation Fund Managers will have a 11.9% beneficial interest in Tsogo Sun Hotels and the HCI Foundation will have a 5.1% beneficial interest in Tsogo Sun Hotels.

### 15. INFORMATION RELATING TO THE DIRECTORS

#### 15.1 Details of Directors

The full names, age as at the Last Practicable Date, capacity and business address of each of the Directors of Tsogo Sun Hotels, who are all South African citizens, are outlined below:

Name	Age	Capacity	Business Address
JA Copelyn	70	Chairman	Suite 801, 76 Regent Road Sea Point, Cape Town, 8005
MN von Aulock	46	CEO	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055
L McDonald	38	CFO	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055
JR Nicoletta	51	Non-executive	Suite 801, 76 Regent Road Sea Point, Cape Town, 8005
MH Ahmed	56	Lead independent	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055
SC Gina	61	Independent	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055
ML Molefi	51	Independent	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055
JG Ngcobo	69	Independent	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055
CC September	61	Independent	Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055



## 15.2 Directors' interests in the issued Shares

15.2.1 The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any directors who may have resigned during the last 18 months, in Tsogo Sun Hotels' issued Shares, as at the Last Practicable Date or at the date of resignation, as applicable:

<b>Director</b>	<b>Direct</b>	<b>Indirect beneficial</b>	<b>Percentage of issued Shares</b>	<b>Percentage of issued Shares</b>
MN von Aulock	–	3 659 451	0.30	0.25
L McDonald	46 377	247 687	0.02	0.02
JA Copelyn		2 591 111	0.21	0.18
JR Nicolella		59 479	0.01	0.00
<b>Total</b>	<b>46 377</b>	<b>6 557 728</b>	<b>0.54</b>	<b>0.45</b>

## 15.3 Directors' remuneration

The remuneration of the Directors will not be varied as a result of the Offer. The Directors' remuneration for the year ended 31 March 2020 is included on page 72 – 77 of Tsogo Sun Hotels' annual report which is available on Tsogo Sun Hotels' website, [www.tsogosun.com/investors](http://www.tsogosun.com/investors).

## 15.4 Directors' interests in the Offer

Save to the extent that some Directors may be Shareholders in Tsogo Sun Hotels, the Directors (including any person who may have resigned as a director within the last 18 months) do not have any material beneficial interest, directly or indirectly, in the Offer or in any transactions that were:

- 15.4.1 effected by Tsogo Sun Hotels during the current or immediately preceding financial year; or
- 15.4.2 during an earlier financial year and remain in any respect outstanding or unperformed.

As at the Last Practical Date none of the Directors own any Hospitality Shares.

## 15.5 Service contracts of executive Directors

Service contracts with executive Directors of Tsogo Sun Hotels as well as the Company's company secretary were concluded on terms and conditions that are standard for such appointments and contain normal terms of employment. The service contracts are available for inspection as described in paragraph 22 of this Circular. There are no service contracts in place in respect of non-executive Directors of Tsogo Sun Hotels.

## 16. PRO FORMA FINANCIAL INFORMATION OF TSOGO SUN HOTELS

- 16.1 The consolidated *pro forma* financial effects of the Offer, as set out below, are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of Tsogo Sun Hotels has been prepared and in terms of Tsogo Sun Hotels' accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present Tsogo Sun Hotels' financial position, changes in equity, results of operations or cash flows post the implementation of the Offer.
- 16.2 The *pro forma* financial information of Tsogo Sun Hotels has been prepared based on the published audited consolidated financial information of Tsogo Sun Hotels for the year ended 31 March 2020.
- 16.3 The consolidated *pro forma* financial effects set out below should be read in conjunction with the consolidated *pro forma* income statement, the consolidated *pro forma* statement of comprehensive income and the consolidated *pro forma* balance sheet as set out in **Annexure I**, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in **Annexure I**.

16.4 The report of the Independent Reporting Accountant in respect of the *pro forma* financial statements referred to in paragraph 16.3 above, appears in **Annexure 2** to this Circular.

<b>Pro forma financial effects (cents)</b>	<b>Audited as at 31 March 2020<sup>1</sup></b>	<b>Pro forma after the subsequent events<sup>2</sup></b>	<b>Pro forma after the Tsogo Sun Hotels Offer<sup>3</sup></b>	<b>% Change</b>
Earnings per share (cents) <sup>4</sup>	(84.5)	(55.3)	(47.3)	14%
Headline earnings per share (cents) <sup>4</sup>	20.4	23.7	25.2	6%
Adjusted headline earnings per share (cents) <sup>4</sup>	26.2	28.7	29.6	3%
Net asset value per share (cents)	597.8	573.6	595.5	4%
Tangible net asset value per share (cents) <sup>5</sup>	551.3	533.3	562.1	5%
Number of Shares in issue excluding Treasury Shares (m)	1 061	1 227	1 479	
Weighted average number of shares in issue (m)	1 061	1 227	1 479	

**Notes and Assumptions:**

- The "Audited as at 31 March 2020" column is based on the audited consolidated annual financial statements of the Tsogo Sun Hotels Group for the year ended 31 March 2020.
- The "Pro forma after the subsequent events" column reflects the impact of the following subsequent events:
  - Disposal of the Tsogo Sun Hotels Group's interest in United Resorts and Hotels Limited, as announced on the SENS dated 14 July 2020.
  - Acquisition of additional ordinary shares in Hospitality, as announced on the SENS dated 3 July 2020, 20 July 2020 and 11 August 2020.
- The "pro forma after the Tsogo Sun Hotels Offer" column represents the impact of the Tsogo Sun Hotels Offer.
- Pro forma earnings, headline earnings and adjusted headline earnings per share are based on the principal assumption that the subsequent events and Tsogo Sun Hotels Offer were effective on 1 April 2019.
- Pro forma net asset value and net tangible asset value per share are based on the principal assumption that the subsequent events and Tsogo Sun Hotels Offer were effective on 31 March 2020.
- Although there is current significant uncertainty regarding the implications of the Covid-19 pandemic, there is no post-balance sheet event that has been adjusted for in this regard. There are no other material subsequent events that require an adjustment to the *pro forma* financial information.

## 17. WORKING CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to the Tsogo Sun Hotels Group is sufficient for the Tsogo Sun Hotels Group's present working capital requirements and will, post implementation of the Offer, be adequate for at least 12 months from the date of issue of this Circular. In preparing the cash flow forecasts utilised to assess the working capital statement, the impact of Covid-19 on the group's operations and liquidity was considered. The liquidity of the group was further enhanced by the sale of the Maia Luxury Resort and Spa detailed in the SENS announcement dated 14 July 2020.

## SECTION 4: GENERAL

### 18. EXPENSES

18.1 The estimated costs by Tsogo Sun Hotels of preparing and distributing this Circular, holding the General Meeting, implementing the Offer, including the fees payable to professional advisors, are approximately R3.5 million, excluding Value-Added Tax, and include the following:

		<b>R'000</b>
Financial	Investec Bank	2 000
Legal	ENSafrica	340
Independent Expert fees	BDO	150
Independent Reporting Accountant	PwC	445
Printing and other costs	Various	95
JSE documentation fees	JSE	92
JSE share listing fees	JSE	170
TRP documentation fees	TRP	125
Miscellaneous costs	Various	33
<b>Total</b>		<b>3 450</b>

## 19. GENERAL MEETING AND VOTING

- 19.1 The General Meeting of Shareholders will be held electronically at 10h30 (South African Standard Time) on Thursday, 19 November 2020, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the Offer.
- 19.2 A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "Action required by Shareholders" section of this Circular.
- 19.3 The ordinary resolutions for the approval of the Offer in terms of paragraph 9.20(b) of the JSE Listings Requirements, set out in the Notice of General Meeting, are subject to more than 50% of the votes cast by Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.

## 20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are listed in the "Corporate Information" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the JSE Listings Requirements.

## 21. ADVISORS' CONSENTS

Each of the advisors, whose name appears in the "Corporate information" section of this Circular, has consented in writing to act in the capacities stated and to the inclusion of its names and, where applicable, to the inclusion of its reports in this Circular in the form and context in which they appear and has not withdrawn its consent prior to the publication of this Circular.

## 22. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of Tsogo Sun Hotels from the date of publication of this Circular until the date of the General Meeting (both days inclusive) and online at Tsogo's website [www.tsogosun.com/investors/circulars/2021](http://www.tsogosun.com/investors/circulars/2021):

- 22.1 the MOI of Tsogo Sun Hotels;
- 22.2 the audited historical financial information of Hospitality for its last three financial years ended 31 March 2020, 31 March 2019 and 31 March 2018;
- 22.3 the Independent Reporting Accountant's report on the *pro forma* financial information of Tsogo Sun Hotels, as reproduced in **Annexure 2**;
- 22.4 the Implementation Agreement;
- 22.5 copies of service agreements with Directors, managers and secretary/ies, underwriters and promoters entered into during the last three years;
- 22.6 the written consents from each of the advisors referred to in paragraph 21;
- 22.7 the published audited annual financial statements of Tsogo Sun Hotels for the preceding three financial years ended 31 March 2020, 31 March 2019 and 31 March 2018; and
- 22.8 a copy of this Circular and all annexures hereto.

## **SIGNED AT FOURWAYS ON 21 OCTOBER 2020 BY MARCEL VON AULOCK ON BEHALF OF ALL THE DIRECTORS OF TSOGO SUN HOTELS**

Marcel Van Aulock  
**Chief Executive Officer**

**PRO FORMA FINANCIAL INFORMATION OF TSOGO SUN HOTELS**

---

The consolidated *pro forma* financial effects of the Offer, as set out below, are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of Tsogo Sun Hotels has been prepared and in terms of Tsogo Sun Hotels' accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present Tsogo Sun Hotels' financial position, changes in equity, results of operations or cash flows post the implementation of the Offer.

The *pro forma* financial information of Tsogo Sun Hotels has been prepared based on the published audited consolidated financial information of Tsogo Sun Hotels for the year ended 31 March 2020.

**PRO FORMA CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 March 2020

<b>Rm</b>	<b>Notes</b>	<b>Audited results as at 31 March 2020</b>	<b>Disposal of interest in United Resorts and Hotels Limited</b>	<b>2</b>	<b>Subsequent acquisition of additional interest in HPF</b>	<b>3</b>	<b>Pro forma after the subsequent events</b>	<b>4</b>	<b>Acquisition of remaining 24.61% interest in hospitality</b>	<b>5</b>	<b>Transaction costs</b>	<b>6</b>	<b>Pro forma after the offer</b>
Rooms revenue		2 791					2 791						2 791
Food and beverage revenue		1 063					1 063						1 063
Property rental income		331					331						331
Other revenue		290	(9)				281						281
<b>Income</b>		<b>4 475</b>	<b>(9)</b>				<b>4 466</b>						<b>4 466</b>
Property and equipment rentals		(97)					(97)						(97)
Amortisation and depreciation		(348)					(348)						(348)
Employee costs		(1 321)					(1 321)						(1 321)
Other operating expenses		(1 871)		(1)			(1 872)						(1 871)
Impairment of property, plant and equipment		(716)					(716)						(716)
Fair value adjustment of investment properties		(888)					(888)						(888)
Other gains and losses		–	341				341						341
<b>Operating (loss)/profit</b>		<b>(766)</b>	<b>332</b>			<b>(1)</b>	<b>(435)</b>					<b>1</b>	<b>(434)</b>
Finance income		40					40						40
Finance costs		(400)	20				(380)						(380)
Share of loss of associates and joint ventures		(3)	(4)				(7)						(7)
<b>Loss before income tax</b>		<b>(1 129)</b>	<b>348</b>			<b>(1)</b>	<b>(782)</b>					<b>1</b>	<b>(700)</b>
Income tax expenses		(96)	(2)				(98)			172	(1)		73
<b>Loss for the year</b>		<b>(1 225)</b>	<b>346</b>			<b>(1)</b>	<b>(880)</b>			<b>172</b>			<b>(708)</b>
<b>Loss attributed to:</b>													
Equity holders of the company		(896)	346			(129)	(679)			(21)			(700)
Non-controlling interests		(329)	–			128	(201)			193			(8)
		<b>(1 225)</b>	<b>346</b>			<b>(1)</b>	<b>(880)</b>			<b>172</b>			<b>(708)</b>

**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 March 2020

Rm	Audited results as at 31 March 2020	Disposal of interest in United Resorts and Hotels Limited	Subsequent acquisition of additional interest in HPF	Pro forma after the subsequent events	Acquisition of remaining interest in hospitality	Transaction costs	Pro forma after the offer
Notes	1	2	3	4	5	6	
<b>Loss for the year</b>	<b>(1 225)</b>	<b>346</b>	<b>(1)</b>	<b>(880)</b>	<b>172</b>	<b>-</b>	<b>(708)</b>
<b>Other comprehensive income for the year, net of tax</b>							
<b>Items that may be reclassified subsequently to profit or loss:</b>	<b>221</b>			<b>221</b>	<b>-</b>	<b>-</b>	<b>221</b>
Cash flow hedges	(50)			(50)			(50)
Currency translation adjustment	256			256			256
Income tax relating to items that may subsequently be reclassified to profit or loss	15			15			15
<b>Items that may not be reclassified subsequently to profit or loss</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
Remeasurements of post-employment defined benefit liability	3			3			3
Income tax relating to items that may subsequently be reclassified to profit or loss	(1)			(1)			(1)
<b>Total comprehensive (loss)/income for the year</b>	<b>(1 002)</b>	<b>346</b>	<b>(1)</b>	<b>(657)</b>	<b>172</b>	<b>-</b>	<b>(485)</b>
<b>Total comprehensive (loss)/income attributable to:</b>							
Equity holders of the company	(660)	346	(135)	(449)	(30)		(479)
Non-controlling interests	(342)	-	134	(208)	202		(6)
	<b>(1 002)</b>	<b>346</b>	<b>(1)</b>	<b>(657)</b>	<b>172</b>	<b>-</b>	<b>(485)</b>
<b>Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)</b>							
Number of shares in issue (million)	1 061		166	1 227	252		1 479
Weighted average number of shares in issue (million)	1 061		166	1 227	252		1 479
Basic and diluted (loss)/earning per share (cents)	(84.5)			(55.3)			(47.3)
Basic and diluted headline earnings per share (cents)	20.4			23.7			25.2

**Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings**

<b>Rm</b>	<b>Notes</b>	<b>Audited results as at 31 March 2020</b>	<b>1</b>	<b>Disposal of interest in United Resorts and Hotels Limited</b>	<b>2</b>	<b>Subsequent acquisition of additional interest in HPF</b>	<b>3</b>	<b>Pro forma after the subsequent events</b>	<b>4</b>	<b>Acquisition of remaining interest in hospitality</b>	<b>5</b>	<b>Transaction costs</b>	<b>6</b>	<b>Pro forma after the offer</b>
(Loss)/profit attributable to equity holders of the company		(896)		346		(129)		(679)		(21)				(700)
Loss on disposal of property, plant and equipment		2						2						2
Impairment of property, plant and equipment		716						716						716
Fair value adjustment of investment properties		888						888						888
Impairment relating to RBH (associate)		17						17						17
Gain on disposal of joint venture		–		(341)				(341)						(341)
Share of associates' headline earnings adjustment		41						41						41
Total tax effects of adjustments		(52)						(52)		(199)				(251)
Total non-controlling interest effects of adjustments		(500)				199		(301)		301				–
<b>Headline earnings</b>		<b>216</b>		<b>5</b>		<b>70</b>		<b>291</b>		<b>81</b>		<b>–</b>		<b>372</b>
Transaction costs		3				(1)		2				3		5
Fair value adjustment on RDI investment		1						1						1
Restructuring costs		40						40						40
Impairment inventory		2						2						2
Derecognition of Southern Sun Maputo deferred tax		30						30						30
Share of associates' exceptional items		1						1						1
Tax effect of other exceptional items		(11)						(11)						(11)
Total non-controlling interest effects of exceptional items		(4)						(4)						(4)
<b>Adjusted headline earning</b>		<b>278</b>		<b>5</b>		<b>69</b>		<b>352</b>		<b>81</b>		<b>3</b>		<b>436</b>

## Notes

1. The "Audited as at 31 March 2020" column has been extracted from the audited consolidated annual financial statements of the Tsogo Sun Hotels Group for the year ended 31 March 2020.
2. On 13 July 2020, the Group entered into a sale of shares and loans agreement with MH Limited, whereby Southern Sun Africa ("SSA") (wholly owned subsidiary of the Group) will dispose of its entire 50% beneficial interest comprising shares and loan claims against United Resorts and Hotels Limited ("URH") for aggregate proceeds of US\$27.8 million (R465 million). Refer to the SENS announcement dated 14 July 2020. At 31 March 2020, the Group's investment in URH is classified as an investment in joint venture and is accounted for on an equity basis. The Disposal Consideration will be applied towards the settlement of the Group's US\$ denominated debt, resulting in interest savings calculated using the weighted average interest rate of 4.3%.

The impact of the once-off profit on sale, derecognition of the Group's share of URH's profit and application of the Disposal Consideration is the following:

	<b>Rm</b>
Disposal Consideration	465
Less: Carrying value of the Group's 50% interest	(124)
<b>Profit on disposal</b>	<b>341</b>
Reversal of management fees	(9)
Derecognition of the Group's share of profit	(4)
Interest savings	20
Tax on the above transactions	(2)
	<b>346</b>

3. As announced on the SENS dated 3 July 2020, 20 July 2020 and 11 August 2020, Tsogo Sun Hotels has, subsequent to year end, acquired additional ordinary shares in Hospitality. An ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the board to acquire assets in exchange for ordinary shares in Tsogo Sun Hotels. On 10 July 2020, this ordinary resolution was duly approved by the Group's shareholders entitled to exercise more than 50% of the voting rights exercisable thereon. Accordingly, Tsogo Sun Hotels entered into Share for Share Transactions with various Hospitality shareholders to acquire, in aggregate, 93 857 696 Hospitality shares constituting 16.24% of Hospitality's issued share capital. The shares were acquired in exchange for the issue and allotment of 166 128 102 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired. The impact of these transactions was to reduce the losses attributable to non-controlling interests by R128 million.

Once-off transaction costs of c.R1 million, relating to the Share for Share Transactions were borne by Tsogo Sun Hotels.

4. Represents the pro forma results after the Subsequent Events.
5. Assumes that the Offer will be implemented and accordingly, Tsogo Sun Hotels will acquire the remaining 142 303 946 Hospitality shares not already owned by the Tsogo Sun Group in exchange for the issue of 251 855 984 ordinary no par value shares in Tsogo Sun Hotels at an exchange ratio of 1.77 Tsogo Sun Hotels' Shares for every 1 Hospitality Share in terms of the Offer.



The implementation of the Offer would result in the reduction of losses attributable to non-controlling interests by R193 million.

Based on the assumption that the Offer was implemented on 1 April 2019 for pro forma purposes, Tsogo Sun Hotels will hold 100% of Hospitality's shares in issue and accordingly Hospitality is assumed not to comply with REIT (Real Estate Investment Trust) requirements with effect from 1 April 2019. Accordingly, the profits generated by Hospitality will be subject to taxation at the corporate tax rate of 28%. For the purposes of the pro forma tax computation, building allowances were claimed on qualifying improvements in terms of section 13bis of the Income Tax Act. The allowances on plant and machinery were calculated based on qualifying assets in terms of section 12c of the Income Tax Act. All remaining items of property, plant and equipment were assessed for a capital allowance in terms of s11e of the Income Tax Act. No current tax was raised based on the fact that the Hospitality Property Fund was in a tax loss position as at 31 March 2020. A deferred tax liability will initially be raised on the effective date. This initial deferred tax liability has not been adjusted and will need to be determined on the effective date and as an illustration of this liability, assuming the effective date was 1 April 2019, this liability would have been R231 million. A tax credit of R89 million is adjusted based on the tax loss within Hospitality in the current year. The distribution received by Tsogo Sun Hotels from Hospitality is now exempt from normal tax in terms of section 10(1)(k) of the Income Tax Act, resulting in a reduction in the current tax charge of R83 million.

6. Once-off transaction costs, of R3.4 million, relating to the Offer, as detailed in paragraph 17 to the Circular, will be borne by Tsogo Sun Hotels.

Cost savings of R4 million after tax, representing actual costs incurred during the year to 31 March 2020 in respect of non-executive director fees, sponsor, annual debt listing and Computershare services, shareholder analysis and subscriptions fees, will be realised post delisting of HPP after the Group acquires 100% interest therein.

7. None of the above adjustments are expected to have a continuing effect on Tsogo Sun Hotels.

**PRO FORMA CONSOLIDATED BALANCE SHEET**  
as at 31 March 2020

<b>Rm</b>	<b>Notes</b>	<b>Audited results as at 31 March 2020</b>	<b>Disposal of interest in United Resorts and Hotels Limited</b>	<b>Subsequent acquisition of additional interest in HPF</b>	<b>Pro forma after the subsequent events</b>	<b>Acquisition of remaining 24.61% interest in hospitality</b>	<b>Transaction costs</b>	<b>Pro forma after the offer</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>offer</b>
<b>ASSETS</b>								
<b>Non-current assets</b>								
Property, plant and equipment		7 554	—	—	7 554	—	—	7 554
Right-of-use assets		799	—	—	799	—	—	799
Investment properties		4 149	—	—	4 149	—	—	4 149
Goodwill		354	—	—	354	—	—	354
Other intangible assets		56	—	—	56	—	—	56
Investments in associates		446	—	—	446	—	—	446
Investments in joint ventures		124	(124)	—	—	—	—	—
Post-employment benefit liability		4	—	—	4	—	—	4
Non-current receivables		14	—	—	14	—	—	14
Other financial assets		2	—	—	2	—	—	2
Deferred income tax assets		84	—	—	84	—	—	84
Total non-current assets		13 586	(124)	—	13 462	—	—	13 462
<b>Current assets</b>								
Inventories		58	—	—	58	—	—	58
Trade and other receivables		454	—	—	454	—	—	454
Other current assets		3	—	—	3	—	—	3
Cash and cash equivalents		1 281	(1)	(1)	1 280	(3)	(3)	1 277
Total current assets		1 796	—	(1)	1 795	(3)	(3)	1 792
<b>Total assets</b>		<b>15 382</b>	<b>(124)</b>	<b>(1)</b>	<b>15 257</b>	<b>—</b>	<b>(3)</b>	<b>15 254</b>

**PRO FORMA CONSOLIDATED BALANCE SHEET CONTINUED**  
as at 31 March 2020

Rm	Audited results as at 31 March 2020	Notes	1	2	3	4	5	6
ASSETS			Audited results as at 31 March 2020	Disposal of interest in United Resorts and Hotels Limited	Subsequent acquisition of additional interest in HPF	Pro forma after the subsequent events	Acquisition of remaining interest in hospitality	Pro forma after the offer
<b>Non-current assets</b>								
<b>EQUITY</b>								
<b>Capital and reserves attributable to equity holders of the company</b>								
Ordinary share capital and premium	4 642		309	4 951	413	5 364		
Other reserves	599		46	645	1 419	2 064		
Retained earnings	1 102		(1)	1 442	(59)	1 380	(3)	
Total shareholders' equity	6 343		354	7 038	1 773	8 808	(3)	
Non-controlling interests	2 352		(355)	1 997	(1 832)	165		
<b>Total equity</b>	<b>8 695</b>		<b>(1)</b>	<b>9 035</b>	<b>(59)</b>	<b>8 973</b>	<b>(3)</b>	
<b>LIABILITIES</b>								
<b>Non-current liabilities</b>								
Interest-bearing borrowings	3 974		–	(465)	–	3 509	–	3 509
Lease liabilities	1 024		–	–	–	1 024	–	1 024
Derivative financial instruments	50		–	–	–	50	–	50
Deferred income tax liabilities	175		–	–	–	175	142	317
Long-term incentive liabilities	–		–	–	–	–	–	–
Deferred revenue	37		–	–	–	37	–	37
Provisions	58		–	–	–	58	–	58
Other non-current liabilities	–		–	–	–	–	–	–
Total non-current liabilities	5 318		–	(465)	–	4 853	142	4 995
<b>Current liabilities</b>								
Interest-bearing borrowings	559		–	–	–	559	–	559
Lease liabilities	13		–	–	–	13	–	13
Trade and other payables	622		–	–	–	622	–	622
Deferred revenue	75		–	–	–	75	–	75
Current income tax liabilities	100		–	–	–	100	(83)	17
Total current liabilities	1 369		–	–	–	1 369	(83)	1 286
<b>Total liabilities</b>	<b>6 687</b>		<b>–</b>	<b>(465)</b>	<b>–</b>	<b>6 222</b>	<b>59</b>	<b>6 281</b>
<b>Total equity and liabilities</b>	<b>15 382</b>		<b>(1)</b>	<b>(124)</b>	<b>(1)</b>	<b>15 257</b>	<b>–</b>	<b>15 254</b>
Number of shares in issue (million)	1 061		166	1 227	252	1 479		1 479
Net asset value ("NAV") (cents)	597,8			573,6	595,5	595,5		595,5
Tangible Net Asset Value ("TNAV") (cents)	551,3			533,3	562,1	562,1		562,1

**NOTES:**

1. The "Audited as at 31 March 2020" column has been extracted from the audited consolidated annual financial statements of the Tsogo Sun Hotels Group for the year ended 31 March 2020.
2. On 13 July 2020, the Group entered into a sale of shares and loans agreement with MH Limited, whereby Southern Sun Africa ("SSA") (wholly owned subsidiary of the Group) will dispose of its entire 50% beneficial interest comprising shares and loan claims against United Resorts and Hotels Limited ("URH") for aggregate proceeds of US\$27.8 million (R465 million). Refer to the SENS announcement dated 14 July 2020. At 31 March 2020, the Group's investment in URH is classified as an investment in joint venture and is accounted for on an equity basis. The Disposal Consideration will be applied towards the settlement of the Group's US\$ denominated debt.

The impact of the once-off profit on sale, derecognition of the Group's share of URH's profit and application of the Disposal Consideration is the following:

	<b>Rm</b>
Disposal Consideration used to settled US\$ debt	465
Less: Carrying value of the Group's 50% interest	(124)
<b>Profit on disposal</b>	<b>341</b>
Tax thereon	–
<b>Net profit on disposal</b>	<b>341</b>

3. As announced on the SENS dated 3 July 2020, 20 July 2020 and 11 August 2020, Tsogo Sun Hotels has subsequent to year end acquired additional ordinary shares in Hospitality. An ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the board to acquire assets in exchange for ordinary shares in Tsogo Sun Hotels. On 10 July 2020, this ordinary resolution was duly approved by the Group's shareholders entitled to exercise more than 50% of the voting rights exercisable thereon. Accordingly, Tsogo Sun Hotels entered into Share for Share Transactions with various Hospitality shareholders to acquire, in aggregate, 93 857 696 Hospitality shares constituting 16.23% of Hospitality's issued share capital. The shares were acquired in exchange for the issue and allotment of 166 128 102 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired. The resulting impact is a R309 million increase in the Group's ordinary share capital and premium calculated using the share price of Tsogo Sun at each transaction date and a R355 million decrease in the non-controlling interest's share of consolidated NAV relating to Hospitality.

	<b>Rm</b>
Increase in the Group's ordinary share capital and premium	309
Non-controlling interest's share of consolidated NAV relating to Hospitality	(355)
	<b>(46)</b>

The investment in HPF will be assessed for an impairment at each reporting date. No assessment of impairment has been performed for purposes of this pro forma financial information.

Once-off transaction costs of c.R1 million, relating to the Share for Share Transactions will be borne by Tsogo Sun Hotels.

4. Represents the pro forma results after the Subsequent Events.

5. Assumes that the Offer will be implemented on 31 March 2020, Tsogo Sun Hotels will acquire the remaining 142 303 946 Hospitality shares not already owned by the Tsogo Sun Group in exchange for the issue of 251 855 984 ordinary no par value shares in Tsogo Sun Hotels at an exchange ratio of 1.77 Tsogo Sun Hotels' Shares for every 1 Hospitality Share in terms of the Offer. The resulting impact is a R413 million increase in the Group's ordinary share capital and premium calculated using the share price of Tsogo Sun for the latest practicable date of 164 cents per share and a R1.832 million decrease in the non-controlling interest's share of consolidated NAV relating to Hospitality.

	<b>Rm</b>
Increase in the Group's ordinary share capital and premium	413
Non-controlling interest's share of consolidated NAV relating to Hospitality	1 832
	<b>(1 419)</b>
Deferred tax liability raised on the effective date	142
Reduction in tax liability assuming distributions from Hospitality were received on or after the effective date	(83)
	<b>59</b>

The investment in HPF will be assessed for an impairment at each reporting date. No assessment of impairment has been performed for purposes of this pro forma financial information.

6. Once-off transaction costs, of R3.4 million, relating to the Offer, as detailed in paragraph 17 to the Circular, will be borne by Tsogo Sun Hotels.

---

## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF TSOGO SUN HOTELS

---

To the Directors of Tsogo Sun Hotels Limited

### Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in a Circular

We have completed our assurance engagement to report on the compilation of the *Pro Forma* Financial Information of Tsogo Sun Hotels Limited (the "Company" or "Tsogo Sun") by the directors. The *Pro Forma* Financial Information, as set out in paragraph 16 and **Annexure I** of the Circular, consists of the *pro forma* financial effects, the *pro forma* consolidated balance sheet as at 31 March 2020, the *pro forma* consolidated income statement and *pro forma* consolidated statement of comprehensive income for the year ended 31 March 2020 and related notes. The applicable criteria on the basis of which the directors have compiled the *Pro Forma* Financial Information are specified in the JSE Limited (JSE) Listings Requirements and described in the Circular to be dated on or about 16 October 2020.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of Tsogo Sun's proposed acquisition of the remaining interest in Hospitality Property Fund Limited ("HPF") in exchange for Tsogo Sun shares on its results for the year ended 31 March 2020 (the "*Pro Forma* Financial Information"). As part of this process, information about the Company's consolidated financial position and consolidated financial performance has been extracted by the directors from the Company's financial statements for the year ended 31 March 2020, on which an audit report has been published.

### Directors' responsibility

The directors of the Company are responsible for compiling the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure I of the Circular.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure I of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

The purpose of *Pro Forma* Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure I of the Circular.

### **PricewaterhouseCoopers Inc.**

Director: Pietro Calicchio

Registered Auditor

Waterfall

12 October 2020



## TSOGO SUN HOTELS LIMITED

Incorporated in the Republic of South Africa

Registration number 2002/006356/06

Share code: TGO ISIN: ZAE000272522

("Tsogo Sun Hotels")

---

### NOTICE OF GENERAL MEETING

---

**All terms defined in the Circular to which this Notice of General Meeting is attached, shall bear the same meanings where used in this Notice of General Meeting.**

The Board has decided to proceed with the General Meeting by way of electronic participation only and not by way of a physical meeting. The General Meeting will accordingly be accessible through electronic communication, as permitted by the JSE and in accordance with the provisions of the Companies Act and the MOI. **"Attendance" throughout this notice will refer to electronic attendance.**

The General Meeting will be hosted via Microsoft Teams, a remote interactive electronic platform.

**NOTICE IS HEREBY GIVEN** that a general meeting of Shareholders will be held electronically on Thursday, 19 November 2020 at 10h30 (South African Standard Time), to consider and, if deemed fit, pass, with or without modification, the resolutions set out hereunder.

#### **ORDINARY RESOLUTION NUMBER 1: APPROVAL OF OFFER**

**IT IS RESOLVED AS AN ORDINARY RESOLUTION** that the Offer, being the proposed acquisition all of Hospitality Shares, other than the Hospitality Shares already owned by Tsogo Sun Hotels Group and Treasury Shares, by way of a single offer comprising:

- the Scheme; and
- if the Scheme does not become operative, the General Offer,

pursuant to the Implementation Agreement, on terms and conditions more fully set out in the Circular, be and is hereby approved as Category 1 transaction in terms of paragraph 9.20 of the JSE Listings Requirements.

#### **Reason and effect**

*The reason for ordinary resolution number 1 is that the Offer is categorised as a category 1 transaction for Tsogo Sun Hotels in terms of the paragraphs 9.5, 9.6 and 9.20 of the JSE Listings Requirements. Consequently, Shareholders are required to approve the Offer by way of an ordinary resolution in terms of paragraph 9.20 of the JSE Listings Requirements.*

*The effect of ordinary resolution number 1, if passed, will be to grant the Directors the necessary approval for the conclusion and implementation of the Offer, as required in terms of the JSE Listings Requirements.*

#### **ORDINARY RESOLUTION NUMBER 2 – DIRECTORS' AUTHORITY**

**IT IS RESOLVED AS AN ORDINARY RESOLUTION** that any Director of Tsogo Sun Hotels, be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to give effect to the ordinary resolutions set out above in this Notice of General Meeting, and anything already done in this respect be and is hereby ratified.

#### **Reason and effect**

*The reason for and effect of ordinary resolution number 2 is to authorise each Director of Tsogo Sun Hotels to do all such things and sign all such documents as are deemed necessary or desirable to implement the resolutions set out above in the Notice of General Meeting.*

*For ordinary resolution number 1 and 2 to be approved, it must be supported by more than 50% of the voting rights exercised on such resolution by Shareholders.*



## VOTING AND PROXIES

The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 16 October 2020.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 6 November 2020, with the last day to trade being Tuesday, 3 November 2020.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the General Meeting and must accordingly provide a certified copy of their identity document, passport or drivers' license, to be submitted together with the Electronic Participation Application Form. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a Shareholder of Tsogo Sun Hotels. A Form of Proxy (grey), which sets out the relevant instructions for its completion, is enclosed for use by Certificated Shareholders or Own-name Dematerialised Shareholders who wish to be represented at the General Meeting. Completion of a Form of Proxy (grey) will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries, at the addresses given below, to be received by them preferably by no later than 10h30 (South African Standard Time) on Tuesday, 17 November 2020.

Dematerialised Shareholders, other than Own-name Dematerialised Shareholders, who wish to attend the General Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such Shareholders and the CSDP or Broker.

Dematerialised Shareholders, other than Own-name Dematerialised Shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or Broker in the manner and time stipulated therein.

By order of the Board

M von Aulock

**Chief Executive Officer**

### **Company Secretary**

Southern Sun Secretarial Services Proprietary Limited  
(Registration number 1969/001208/07)  
Palazzo Towers West  
Montecasino Boulevard  
Fourways  
Johannesburg, 2055  
(Private Bag X200, Bryanston, 2021)

### **Transfer Secretaries**

Link Market Services South Africa Proprietary Limited  
(Registration number 2000/007239/07)  
13th Floor  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844 Johannesburg, 2000)





## 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 "the Company")

---

### APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE GENERAL MEETING

---

#### General Meeting Instructions

Shareholders or their proxies, have the right, as provided for in Tsogo Sun Hotels' MOI and the Companies Act, to participate in the General Meeting by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the General Meeting must complete this application form and email it (together with the relevant supporting documents referred to below) to the Transfer Secretaries at [meetfax@linkmarketservices.co.za](mailto:meetfax@linkmarketservices.co.za) by no later than 10:30 on Tuesday, 17 November 2020.

Upon receiving a completed Electronic Participation Application Form, the Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate electronically in and/or vote at the General Meeting. The Transfer Secretaries will provide the Company with the nominated email address of each verified Shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the General Meeting.

#### Please note

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Neither the Company, nor the Transfer Secretaries will be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such participant from participating electronically in and/or voting at the General Meeting.

By signing this Electronic Participation Application Form, the participant indemnifies and holds Tsogo Sun Hotels harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the General Meeting or any interruption in the ability of the participant to participate in the General Meeting via electronic communication, whether or not the problem is caused by any act or omission on the part of the participant or anyone else, including without limitation Tsogo Sun Hotels and its employees.

#### Information required for participation by electronic communication at the General Meeting

Full name of shareholder: \_\_\_\_\_

Identity or registration number of shareholder: \_\_\_\_\_

Full name of authorised representative (if applicable): \_\_\_\_\_

Identity number of authorised representative: \_\_\_\_\_

Email address: \_\_\_\_\_

*\* Note: this email address will be used by the Company to share the Microsoft Teams meeting invitation required to access the General Meeting electronically.*

Cell phone number: \_\_\_\_\_ Telephone number, including dialling codes: \_\_\_\_\_

*\* Note: The electronic platform to be utilised for the General Meeting does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the General Meeting, by completing the proxy form found at page 35. Participants who indicate in this form that they wish to exercise their votes during the General Meeting will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.*

Indicate (by marking with an "X") whether:

- votes will be submitted by proxy (in which case, please enclose the duly completed proxy form with this form); or
- the participant wishes to exercise votes during the General Meeting. If this option is selected, Tsogo Sun Hotels Transfer Secretaries will contact you to make the necessary arrangements.

By signing this application form, I consent to the processing of my personal information above for the purpose of participating in the General Meeting.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2020

Signed: \_\_\_\_\_

*Please read documents required to be attached to this application form overleaf*

## **Documents required to be attached to this application form**

In order to exercise their voting rights at the General Meeting, Shareholders who choose to participate electronically may appoint a proxy, which proxy may participate electronically in the General Meeting, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the General Meeting. A copy of the proxy form can be found on page 35. Documentary evidence establishing the authority of the Shareholder or duly appointed proxy, including any person acting in a representative capacity, who is to participate electronically in the General Meeting, must be attached to this application. This includes the Shareholder's full title to the shares issued by Tsogo Sun Hotels, in the form of share certificates (in the case of certified shares) and (in the case of dematerialised Shares) written confirmation from the Shareholder's Central Securities Depository Participant ("CSDP") confirming the Shareholder's title to the dematerialised Shares. A certified copy of the valid identity document/passport of the person attending the General Meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application. Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the Shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.



## 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 "the Company")

### FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

All terms defined in the Circular, to which this Form of Proxy is attached, shall bear the same meanings when used in this Form of Proxy.

For use only by Shareholders holding Certificated Shares and Own-name Dematerialised Shareholders at the General Meeting to be held electronically on Thursday, 19 November 2020 at 10h30 (South African Standard Time).

Dematerialised Shareholders who are not Own-name Dematerialised Shareholders must not complete this Form of Proxy and must provide their CSDP or Broker with their voting instructions, in terms of the custody agreement entered into between them and their CSDP or Broker. Dematerialised Shareholders who are not Own-name Dematerialised Shareholders wishing to attend the General Meeting must inform their CSDP or Broker of such intention and request their CSDP or Broker to issue them with the necessary letter of representation to attend.

I/We (Full name in print) of (address) \_\_\_\_\_

Telephone: (work) area code ( ) \_\_\_\_\_ Telephone: (home) area code ( ) \_\_\_\_\_

Cell phone number: \_\_\_\_\_ E-mail address: \_\_\_\_\_

being the holder of  Shares in Tsogo Sun Hotels, hereby appoint:

1. \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ or failing him/her
3. the chairperson of the General Meeting,

as my/our proxy to attend, speak and vote for me/us at the General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instructions (see notes):

	In favour of *	Against *	Abstain *
<b>Ordinary Resolution Number 1</b> Approval of the Offer			
<b>Ordinary Resolution Number 2</b> Directors' authority			

\* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Shares held by them. If the Form of Proxy is returned without an indication as to how the proxy should vote on any particular matter, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature(s) \_\_\_\_\_

Capacity of signatory (where applicable) \_\_\_\_\_

Assisted by (where applicable) (state capacity and full name) \_\_\_\_\_

Each Shareholder is entitled to appoint one or more proxy(ies) (who need not be Shareholder(s) of Tsogo Sun Hotels) to attend, speak and vote in his/her stead at the General Meeting.

**Notes:**

A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered Shareholder of Tsogo Sun Hotels.

In the event of a poll, every Shareholder shall be entitled to that proportion of the total votes in Tsogo Sun Hotels which the aggregate amount of the nominal value of the Shares held by such Shareholder bears to the aggregate amount of the nominal value of all the Shares issued by Tsogo Sun Hotels.

Shareholders who have Dematerialised their Shares with a CSDP or Broker, other than Own-name Dematerialised Shareholders, must arrange with the CSDP or Broker concerned to provide them with the necessary authorisation to attend the General Meeting or the Shareholders concerned must instruct their CSDP or Broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or Broker concerned.

**Instructions on signing and lodging the Form of Proxy:**

A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided, with or without deleting "the chairperson of the General Meeting", but any such deletion must be initialled by the Shareholder. Should this space/s be left blank, the proxy will be exercised by the chairperson of the General Meeting. The person whose name appears first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries or Tsogo Sun Hotels.

The completed Form of Proxy must be lodged with, posted to or sent via e-mail to the Transfer Secretaries at the addresses set out below, to be received by them preferably by no later than 10h30 (South African Standard Time) on Tuesday, 17 November 2020.

**Transfer Secretaries****Hand deliveries to:**

Link Market Services South Africa Proprietary Limited  
(Registration number: 2000/007239/07)  
13th Floor  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001

**Postal deliveries to:**

Link Market Services South Africa Proprietary Limited  
PO Box 4844  
Johannesburg  
2000

Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries or waived by the chairperson of the General Meeting.

The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

The appointment of a proxy in terms of this Form of Proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a Shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Tsogo Sun Hotels.

The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this Form of Proxy must be initialled by the signatory/ies.

The chairperson of the General Meeting may accept any Form of Proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a Shareholder wishes to vote.