THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 14 apply throughout this Circular, including this front cover.

Action required

1. This Circular is important and should be read with particular attention to the section entitled “Action required by Hospitality Shareholders in respect of the Scheme”, which commences on page 4, and the section entitled “Action required by Hospitality Shareholders in respect of the General Offer”, which commences on page 9.

2. If you are in any doubt as to what action you should take, please consult your Broker, banker, attorney, CSDP or other professional adviser immediately.

3. If you have disposed of all your Hospitality Shares, this Circular should be handed to the purchaser of such Hospitality Shares or to the Broker, CSDP, banker or other agent through whom the disposal was effected.

Hospitality 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 Hospitality Shares to notify such beneficial owner of the Offer set out in this Circular.

HOSPITALITY PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2005/014211/06)
JSE share code: HPB
ISIN: ZAE000214656
(“Hospitality” or “the Company”)

TSOGO SUN HOTELS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/006356/06)
JSE share code: TGO
ISIN: ZAE000272522
(“Tsogo Sun Hotels”)

COMBINED OFFER CIRCULAR TO HOSPITALITY SHAREHOLDERS
regarding:

the single offer by Tsogo Sun Hotels to acquire the Hospitality Shares, other than those held by the Tsogo Sun Hotels Group and Treasury Shares, by way of:

• a scheme of arrangement in terms of section 114(1) read with section 115 of the Companies Act, proposed by the Hospitality Board to the Hospitality Shareholders;

• if the Scheme fails to be implemented in accordance with its terms, a general offer by Tsogo Sun Hotels to the Hospitality Shareholders in terms of sections 117(1)(c)(v) of the Companies Act and paragraphs 1.15(c) of section 1 of the Listings Requirements; and

• the Delisting of all Hospitality Shares from the main board of the JSE pursuant to the implementation of the Scheme or, if the Scheme fails, pursuant to the Delisting Resolution being approved and the General Offer being implemented.

and incorporating:

• a report prepared by the Independent Expert in terms of section 114(3) of the Companies Act, regulations 90 and 110 of the Companies Regulations and the Listings Requirements;

• a notice convening the General Meeting;

• an Electronic Participation Application Form;

• a Form of Proxy (yellow) for use by Certificated Hospitality Shareholders and Dematerialised Hospitality Shareholders with Own-Name Registration only;

• a Form of Election, Surrender and Transfer (blue) for use by Certificated Hospitality Shareholders only;

• a Form of Acceptance and Transfer (pink) in respect of the General Offer for use by Certificated Hospitality Shareholders only; and

• extracts of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions, section 164 of the Companies Act dealing with Dissenting Shareholders’ Appraisal Rights and section 124 of the Companies Act dealing with compulsory acquisitions.

Date of issue: Wednesday, 21 October 2020

This Circular is available in English only. A copy of the Circular will be made available for inspection by Hospitality Shareholders during normal office hours from 09:00 to 17:00 from the date of posting of this Circular on Wednesday, 21 October 2020 up to and including the Scheme Implementation Date or, if the General Offer is implemented, the General Offer Closing Date at the registered offices of the Company, which is set out on the inside front cover in the “Corporate information and advisors” section of this Circular. The Circular will also be made available on Hospitality’s website, www.hpf.co.za
CORPORATE INFORMATION AND ADVISERS

Hospitality Property Fund Limited
(Registration number 2005/014211/06)
Place of incorporation: Incorporated in the Republic of South Africa
Date of incorporation: 10 May 2005
Palazzo Towers West
Montecasino Boulevard
Fourways
Johannesburg, 2055
(Private Bag X200, Bryanston, 2021)

Tsogo Sun Hotels Limited
(Registration number 2002/006356/06)
Place of incorporation: Incorporated in the Republic of South Africa
Date of incorporation: 18 March 2002
Palazzo Towers West
Montecasino Boulevard
Fourways
Johannesburg, 2055
(Private Bag X200, Bryanston, 2021)

Company secretary of Hospitality
HPF Properties Proprietary Limited
(Registration number 2005/00743/07)
The appointed representative of HPF Properties Proprietary Limited is LR van Onselen
Palazzo Towers West
Montecasino Boulevard
Fourways
Johannesburg, 2055
(Private Bag X200, Bryanston, 2021)

Company secretary of Tsogo Sun Hotels
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 to Hospitality
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61763, Marshalltown, 2107)

Financial adviser to Tsogo Sun Hotels
Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Independent Expert
BDO Corporate Finance
(Registration number 1983/002903/07)
Wanderers Office Park
52 Corlett Drive
Iliovo, 2196
(Private Bag X60500
Houghton, 2041
South Africa)

Legal adviser to Tsogo Sun Hotels and Hospitality
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)

Sponsor to Tsogo Sun Hotels and Transaction Sponsor to Hospitality
Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)
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**NOTICE CONVENING THE GENERAL MEETING**

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE GENERAL MEETING  
Enclosed

FORM OF PROXY  
Enclosed

FORM OF ELECTION, SURRENDER AND TRANSFER IN RESPECT OF THE SCHEME  
Enclosed

FORM OF ACCEPTANCE AND TRANSFER FOR THE GENERAL OFFER  
Enclosed
IMPORTANT LEGAL NOTICES

The definitions and interpretations commencing on page 14 of this Circular have been used in this disclaimer.

FOREIGN SHAREHOLDERS

The Circular is governed by the laws of South Africa and is subject to any applicable laws and regulations and has been prepared for the purposes of complying with the Listings Requirements, the Companies Act and the Takeover Regulations and is published in terms thereof, and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

This Circular is not intended to and does not constitute or form part of an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction in which such solicitation would be unlawful or in which securities may not be offered or sold without registration or an exemption from registration. This Circular does not constitute a prospectus or a prospectus-equivalent document. Shareholders are advised to read this Circular, which contains the full terms and conditions of the Scheme and General Offer, with care. Any decision to approve the Scheme, Delisting Resolution or to accept the General Offer or other response to the proposals should be made only on the basis of the information in this Circular.

The Scheme and General Offer, which are the subject of this Circular, may be affected by the laws of the relevant jurisdictions of Foreign Shareholders. Foreign Shareholders must satisfy themselves as to the full observance of any applicable laws concerning the receipt of the Scheme Consideration and/or the General Offer Consideration, including (without limitation) obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such jurisdiction. Foreign Shareholders who are in any doubt as to their positions should consult their professional advisers immediately.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about Hospitality and Tsogo Sun Hotels that are or may be forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the media industry; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Hospitality and Tsogo Sun Hotels and their professional advisers caution that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments including within the industry in which Hospitality and Tsogo Sun Hotels operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, all of which estimates and assumptions, although Hospitality and Tsogo Sun Hotels may consider them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to Hospitality and Tsogo Sun Hotels, or not currently considered material), could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

Hospitality Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors may emerge from time to time that could cause the business of Hospitality and Tsogo Sun Hotels or other matters to which such forward-looking statements relate, not to develop as expected and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Hospitality and Tsogo Sun Hotels have no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.
ACTION REQUIRED BY HOSPITALITY SHAREHOLDERS IN RESPECT OF THE SCHEME

This Circular is important and requires your immediate attention. The actions you need to take are set out below.

The definitions and interpretations commencing on page 14 of this Circular have been used in this section.

Please take careful note of the following provisions regarding the action required by Hospitality Shareholders in respect of the Scheme:

• If you are in any doubt as to what action to take, you should consult your CSDP, Broker, attorney or other professional adviser immediately.

• If you have disposed of all your Hospitality Shares, then this Circular, together with the accompanying notice convening the General Meeting, Form of Proxy (yellow) and Form of Election, Surrender and Transfer (blue), should be forwarded to the purchaser to whom, or the Broker, agent, CSDP or banker through whom you disposed of your Hospitality Shares.

• In order for the Scheme to become operative, among other things, the Scheme Special Resolution must be adopted at the General Meeting.

I. GENERAL MEETING

The General Meeting will be held at 11:00 on Thursday, 19 November 2020 (or any adjourned or postponed date in accordance with the provisions of section 64(11) of the Companies Act and the MOI, read with the Listings Requirements) to consider and, if deemed fit, pass, with or without modification, the Resolutions set out in 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 Hospitality Shareholders and the Hospitality Board to the Covid-19 pandemic, the Hospitality 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 Company’s 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 Hospitality 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.

Section 63(1) of the Companies Act: Identification of meeting participants

Meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. Forms of identification that will be accepted include certified copies of a valid identity document, drivers’ licence and passport, which should be submitted together with the Electronic Participation Application Form.

II. VOTING AND ATTENDANCE AT THE GENERAL MEETING

A. Dematerialised Hospitality Shareholders without Own-Name Registration

If you (or the relevant holder of voting rights as contemplated in section 57(1) of the Companies Act) wish to attend the General Meeting, you (or the relevant holder of voting rights) should instruct your CSDP or Broker to issue you (or the relevant holder of voting rights) with the necessary letter of representation to attend the General Meeting in person (to be submitted to the Transfer Secretaries together with your Electronic Participation Application Form), in the manner stipulated in the Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature.
If you (or the relevant holder of voting rights) do not wish to, or are unable to attend the General Meeting, but wish to have the voting rights attaching to the Hospitality Shares in respect of which you are the beneficial interest holder exercised at the General Meeting, you (or the relevant holder of voting rights) should provide your CSDP or Broker with your voting instructions in the manner stipulated in the Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature. If your CSDP or Broker does not obtain voting instructions, it will be obliged to vote in accordance with the instructions contained in the Custody Agreement.

You must NOT complete the attached Form of Proxy (yellow).

B. **Own-Name Dematerialised Shareholders**

Subject to section 57(1) of the Companies Act, you may attend, speak and vote at the General Meeting in person.

If you (or the person entitled to do so in terms of section 57(1) of the Companies Act, as the case may be) do not wish to or are unable to attend the General Meeting but wish to be represented thereat, you (or such person) must complete and return the attached Form of Proxy (yellow) in accordance with the instructions contained therein. It is recommended that the Form of Proxy (yellow) is received by the Transfer Secretaries, by no later than 48 hours before (excluding weekends and South African public holidays) the General Meeting that is to be held at 11:00 on Thursday, 19 November 2020, i.e. by 11:00 on Tuesday, 17 November 2020. Shareholders or their duly authorised proxies who wish to participate in the General Meeting, must register to do so by lodging a completed Electronic Participation Application Form with Computershare Investor Services (Pty) Ltd as soon as possible after receipt of this notice, preferably no later than 11:00 on Tuesday, 17 November 2020.

C. **Certificated Hospitality Shareholders**

Subject to sections 56 and 57 of the Companies Act, you may attend the General Meeting and speak and vote at the General Meeting.

If you (or the relevant holder of voting rights contemplated in section 57(1)) do not wish to or are unable to attend the General Meeting and wish to be represented thereat, you (or such person) must complete the attached Form of Proxy (yellow) in accordance with the instructions contained therein. It is recommended that the Form of Proxy (yellow) is received by the Transfer Secretaries by no later than 48 hours before (excluding weekends and public holidays) the General Meeting that is to be held at 11:00 on Thursday, 19 November 2020, i.e. by 11:00 on Tuesday, 17 November 2020.

D. **Electronic participation at the General Meeting**

The Hospitality 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 Transfer Secretaries, Computershare at proxy@computershare.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 e-mail the completed form by no later than 11:00 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 join and 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 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.
III. GENERAL

A. Approval of the Scheme at the General Meeting

The Scheme must be approved by a Special Resolution of Hospitality Shareholders, in accordance with sections 114(1) and 115(2)(a) of the Companies Act at the General Meeting, at which at least three Hospitality Shareholders are present and sufficient Hospitality Shareholders are present to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised at the General Meeting.

In order to be approved, the Special Resolutions must be supported by at least 75% of voting rights exercised on the resolution. The Tsogo Sun Hotels Group and the HCI Foundation will not vote on the Scheme Special Resolution.

B. Court approval

Hospitality Shareholders are advised that, in terms of section 115(3) of the Companies Act, Hospitality may in certain circumstances not proceed to implement the Scheme Special Resolution required to approve the Scheme, despite the fact that such Special Resolution has been adopted at the General Meeting, without the approval of the Court.

A copy of section 115 of the Companies Act pertaining to the required approval for the Scheme is set out in Annexure 7 to this Circular.

C. Dissenting Hospitality Shareholders

A Hospitality Shareholder who is entitled to vote at the General Meeting is entitled to seek relief in terms of section 164 of the Companies Act if that Hospitality Shareholder complied with the requirements in section 164 of the Companies Act, including that it:

• notified Hospitality in advance in writing of its intention to oppose the Scheme Special Resolution;
• was present at the General Meeting;
• voted against the Scheme Special Resolution;
• sent Hospitality a Demand contemplated in section 164(5) of the Companies Act; and
• complied with the remaining requirements in section 164.

A copy of section 164 of the Companies Act pertaining to Dissenting Shareholders’ Appraisal Rights is set out in Annexure 8 to this Circular and a summary is contained in section 6.7 of this Circular.

IV. TRP APPROVALS

Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of “affected transactions”, as defined in section 117(1)(c) of the Companies Act, when it approves such transactions.

V. LOST OR DESTROYED DOCUMENTS OF TITLE IN RESPECT OF CERTIFICATED HOSPITALITY SHAREHOLDERS

If Documents of Title have been lost or destroyed, Certificated Hospitality Shareholders should nevertheless return the Form of Election, Surrender and Transfer (blue) duly signed and completed. The Transfer Secretaries shall issue a suitable indemnity form to such Certificated Hospitality Shareholder, such indemnity form to be in a form and substance acceptable to Hospitality and the Offeror (in their sole and absolute discretion) and the Offeror and the Transfer Secretaries must be satisfied that the Documents of Title have been lost or destroyed.

Only upon receipt of such indemnity form duly completed and signed by such Certificated Hospitality Shareholder (to be received by 09:00 on the Scheme Consideration Record Date) will the Company consider the action taken by such Certificated Hospitality Shareholder in terms of the Scheme.

VI. SURRENDER OF DOCUMENTS OF TITLE

A. Dematerialised Hospitality Shareholders

You do not have to surrender any Documents of Title. This will be done by your CSDP or Broker. You must NOT complete the attached Form of Election, Surrender and Transfer (blue).
B. Certificated Hospitality Shareholders

If the Scheme becomes operative, you will be required to surrender your Documents of Title in respect of all your Hospitality Shares in order to claim the Scheme Consideration payable to you. Since the Financial Markets Act prohibits the issuance of new shares in certificated form, you will furthermore be required to provide the Transfer Secretaries with the details of your CDSP or Broker for the purpose of receiving the Scheme Consideration.

If you wish to expedite receipt of the Scheme Consideration and surrender your Documents of Title in anticipation of the Scheme becoming operative, you should complete the attached Form of Election, Surrender and Transfer (blue) and return it, together with the relevant Documents of Title relating to all your Hospitality Shares, in accordance with the instructions contained therein, to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (P.O. Box 61763, Marshalltown, 2107), by 09:00 on the Scheme Consideration Record Date.

If Documents of Title relating to any Hospitality Shares to be surrendered are lost or destroyed, the Offeror may dispense with the surrender of such Documents of Title upon production of evidence satisfactory to the Offeror that the Documents of Title to the Hospitality Shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Hospitality and the Offeror. Accordingly, if the Documents of Title in respect of any of your Hospitality Shares have been lost or destroyed, you should nevertheless return the attached Form of Election, Surrender and Transfer (blue), duly signed and completed, together with a duly signed and completed indemnity form which is obtainable from the Transfer Secretaries.

Should you surrender your Documents of Title in anticipation of the Scheme becoming operative and the Scheme then does not become operative and you do not accept the General Offer within the stipulated time frame, or the General Offer does not become unconditional, then the Transfer Secretaries shall return the Documents of Title to you, by registered post, at your own risk within five Business Days of the later of the date on which (i) you reject or are deemed to have rejected the General Offer or if you accept the General Offer, but the General Offer does not become unconditional, then on the day on which it becomes known that the General Offer will not be implemented, and (ii) the Documents of Title are received by the Transfer Secretaries.

VII. DEMATERIALISATION OR REMATERIALISATION OF AND TRADING IN SCHEME SHARES

You are not required to Dematerialise your Hospitality Shares in order to participate in the Scheme. If you wish to Dematerialise your Scheme Shares, please contact the Transfer Secretaries or your CSDP or Broker.

You should note that once you have surrendered your Documents of Title in respect of your Scheme Shares, in anticipation of the Scheme becoming operative, you may not Dematerialise or trade any of the Scheme Shares to which those Documents of Title relate.

Subject to the immediately preceding paragraph, no Dematerialisation or re-materialisation of Scheme Shares may take place:

• from the Business Day following the last day to trade prior to the General Meeting up to and including the Voting Record Date in respect of the General Meeting; and

• if the Scheme becomes operative, on or after the Business Day following the Scheme Last Day to Trade.

Should the Scheme not become operative and:

• you have not accepted the General Offer in respect of all of your General Offer Shares, the Transfer Secretaries shall, within five Business Days of either the General Offer Closing Date or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later, return the Documents of Title to you, by registered post, at your own risk; or

• you have accepted the General Offer in respect of all of your General Offer Shares but the General Offer does not become unconditional in all respects, the Transfer Secretaries shall, within five Business Days of either the date upon which it becomes known that the General Offer will not be implemented or on receipt by the Transfer Secretaries of the required Documents of Title, whichever is the later, return the Documents of Title to you, by registered post, at your own risk.
VIII. POSTING FORMS OF SURRENDER AND TRANSFER AND DOCUMENTS OF TITLE

Forms of Election, Surrender and Transfer (blue), and Documents of Title that are sent through the post are sent at the risk of the Hospitality Shareholder concerned. Accordingly, Hospitality Shareholders should take note of postal delivery times so as to ensure that the forms and relevant Documents of Title are received timeously. It is therefore recommended that such forms and Documents of Title rather be sent by registered post or delivered by hand to the Transfer Secretaries.

IX. FOREIGN SHAREHOLDERS

If you are a Foreign Shareholder, you are urged to read the important information relating to the Scheme described in this Circular. If you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction.

X. OTHER

The contents of this Circular do not purport to constitute personal legal advice or to comprehensively deal with the legal, regulatory and tax implications of the Scheme or any other matter for each Shareholder. Shareholders are accordingly advised to consult their professional advisers about their personal legal, regulatory and tax positions regarding the Scheme or any other matter and in particular the receipt of the Scheme Consideration, as applicable.

Hospitality does not accept responsibility and will not be held liable for any act of, or omission by, any CSDP or Broker, including, without limitation, any failure on the part of the CSDP or Broker or any registered holder of Scheme Shares to notify the holder of any beneficial interest in those Scheme Shares in respect of the Scheme or any other matter set out in this Circular.
ACTION REQUIRED BY HOSPITALITY SHAREHOLDERS IN RESPECT OF THE GENERAL OFFER

The definitions and interpretations commencing on page 14 of this Circular shall apply, mutatis mutandis, to this section (unless the context indicates otherwise).

Please take careful note of the following provisions regarding the actions required by Shareholders in respect of the General Offer:

• If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, attorney, accountant or other professional adviser immediately.
• If you have disposed of all your Shares, this Circular should be forwarded to the purchaser of such Shares or to the Broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.
• In order for the General Offer to become operative, the General Offer must become wholly unconditional.

The implementation of the General Offer will be conditional on, inter alia, the Scheme not becoming operative.

For the avoidance of doubt, Eligible Shareholders will be entitled to accept the General Offer from 09:00 on the General Offer Opening Date, however, any General Offer Shares Tendered will not be acquired by Tsogo Sun Hotels until such time as the General Offer is implemented, which is conditional, inter alia, on the Scheme not becoming operative and the General Offer becoming wholly unconditional.

Eligible Shareholders shall be entitled to either:

• accept the General Offer in respect of all (and not only some) of their General Offer Shares (accordingly no partial acceptances will be accepted); or
• reject the General Offer.

If you wish to accept the General Offer, you must do so in the manner described below, depending on whether you are a Certificated Hospitality Shareholder or a Dematerialised Hospitality Shareholder.

I. VOTING, ATTENDANCE AND REPRESENTATION AT THE GENERAL MEETING

Shareholders are referred to section II of “Action required by Hospitality Shareholders in respect of the Scheme” to ascertain the action required by Hospitality Shareholders in respect of the General Meeting.

II. ACTION REQUIRED IN RESPECT OF THE GENERAL OFFER

A. Dematerialised Hospitality Shareholders

If you are a Dematerialised Hospitality Shareholder, you may be contacted by your duly appointed CSDP or Broker in the manner stipulated in the Custody Agreement and subject to the cut-off time in order to ascertain whether or not you wish to accept the General Offer. If you wish to accept the General Offer, you must notify your CSDP or Broker of your acceptance of the General Offer in the time and manner stipulated in the Custody Agreement.

If you are a Dematerialised Hospitality Shareholder and wish to accept the General Offer but have not been contacted by your CSDP or Broker, it would be advisable for you to contact and furnish your CSDP or Broker with instructions in regard to the acceptance of the General Offer. These instructions must be provided in the manner and by the cut-off date and time stipulated in your Custody Agreement and must be communicated by your CSDP or Broker to the Transfer Secretaries by no later than 12:00 on the General Offer Closing Date.

You must NOT complete the attached Form of Acceptance and Transfer (pink).

B. Certificated Hospitality Shareholders

If you are a Certificated Hospitality Shareholder and wish to accept the General Offer, you must complete the Form of Acceptance and Transfer (pink) attached to this Circular in accordance with its instructions and forward it, together with your Documents of Title to be received by the Transfer Secretaries, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (hand deliveries) or P.O. Box 61763, Marshalltown, 2107 (for postal deliveries), by no later than 09:00 on the General Offer Closing Date.

If you accept the General Offer and surrender your Documents of Title, you will NOT be able to Dematerialise and/or trade your General Offer Shares from the date that you surrender your Documents of Title in respect of those General Offer Shares.
C. Approval of the Delisting at the General Meeting

The Delisting must be approved by an Ordinary Resolution, at the General Meeting, at which at least three Shareholders are present and sufficient Shareholders are present to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised at the General Meeting, in accordance with paragraphs 1.15(a) and 1.16 of section 1 of the Listings Requirements. In order to be approved the Ordinary Resolution must be supported by more than 50% of voting rights exercised thereon.

In accordance with paragraph 1.16 of section 1 of the Listings Requirements, the Tsogo Sun Hotels Group and the HCI Foundation will not be entitled to exercise its voting rights in respect of the Delisting Resolution.

III. GENERAL

A. Compulsory acquisition

In the event that the General Offer is implemented and is accepted by Eligible Shareholders holding at least 90% (ninety percent) of the General Offer Shares, Tsogo Sun Hotels may, at its election, invoke the provisions of section 124 of the Companies Act, to compulsorily acquire all the General Offer Shares held by the Remaining Shareholders, as further detailed in paragraph 7.9 of this Circular and Annexure 9 to this Circular. Should Tsogo Sun Hotels not elect to invoke the provisions of section 124 of the Companies Act, and the General Offer becomes wholly unconditional and implemented, Eligible Shareholders who have not accepted the General Offer will remain shareholders in Hospitality. If an Eligible Shareholder does not wish to accept the General Offer in respect of any of the General Offer Shares held by him he does not need to take any further action and should the provisions of section 124 of the Companies Act not be invoked by Tsogo Sun Hotels, such Eligible Shareholders will become Remaining Shareholders upon the General Offer becoming wholly unconditional and implemented.

B. Dematerialisation or rematerialisation of and trading in Hospitality Shares

If you wish to Dematerialise your Hospitality Shares, please contact the Transfer Secretaries or your Broker or CSDP. You are NOT required to Dematerialise your General Offer Shares in order to participate in the General Offer or to receive the General Offer Consideration.

You should note that once you have surrendered your Documents of Title in respect of your General Offer Shares, pursuant to your acceptance of the General Offer, you may not Dematerialise or trade any of the General Offer Shares to which those Documents of Title relate. Note further that since the Financial Markets Act prohibits the issuance of new shares in certificated form, you will be required to provide the Transfer Secretaries with the details of your CDS or Broker for the purpose of receiving the General Offer Consideration.

Furthermore, you should note that, after acceptance of the General Offer you may not Dematerialise or trade any of the General Offer Shares in respect of which the General Offer has been accepted.

For the avoidance of doubt, you may not, after acceptance of the General Offer, instruct any Broker or CSDP to hold your General Offer Shares in respect of which the General Offer has been accepted as nominee on your behalf or, where such General Offer Shares are already held by the Broker or CSDP as nominee, request the Broker or CSDP to release the General Offer Shares in respect of which the General Offer has been accepted.

No Dematerialisation or rematerialisation of Hospitality Shares may take place:
- from the Business Day following the last day to trade prior to the General Meeting up to and including the Voting Record Date; and
- if the General Offer is declared wholly unconditional, on or after the Business Day following the General Offer LDT.

IV. FOREIGN SHAREHOLDERS

If you are a Foreign Shareholder, you are urged to read the important information relating to the General Offer described in this Circular. If you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction.

V. POSTING FORMS OF ACCEPTANCE AND TRANSFER AND DOCUMENTS OF TITLE

Forms of Acceptance and Transfer (pink) and Documents of Title that are sent through the post are sent at the risk of the Eligible Shareholder concerned. Accordingly, Eligible Shareholders should take note of postal delivery times so as to ensure that the forms and relevant Documents of Title are received timeously. It is therefore recommended that such forms and Documents of Title rather be sent by registered post or delivered by hand to the Transfer Secretaries.
VI. LOST OR DESTROYED DOCUMENTS OF TITLE IN RESPECT OF CERTIFICATED HOSPITALITY SHAREHOLDERS

If Documents of Title have been lost or destroyed, Certificated Hospitality Shareholders should nevertheless return the Form of Acceptance and Transfer (pink) duly signed and completed. The Transfer Secretaries shall issue a suitable indemnity form to such Certificated Hospitality Shareholder; such indemnity form to be in a form and substance acceptable to Hospitality (in its sole and absolute discretion) and Hospitality and the Transfer Secretaries must be satisfied that the Documents of Title have been lost or destroyed.

Only upon receipt of such indemnity form duly completed and signed by such Certificated Hospitality Shareholder to be received by 12:00 on the General Offer Closing Date, will the Offeror consider the action taken by such Certificated Hospitality Shareholder in terms of the General Offer.

VII. OTHER

The contents of this Circular do not purport to constitute personal legal advice or to comprehensively deal with the legal, regulatory and tax implications of the General Offer or any other matter for each Shareholder. Shareholders are accordingly advised to consult their professional advisers about their personal legal, regulatory and tax positions regarding the General Offer or any other matter and in particular the receipt of the General Offer Consideration, as applicable.

Hospitality does not accept responsibility and will not be held liable for any act of, or omission by, any CSDP or Broker, including, without limitation, any failure on the part of the CSDP or Broker or any registered holder of General Offer Shares to notify the holder of any beneficial interest in those General Offer Shares in respect of the General Offer or any other matter set out in this Circular.

VIII. TRP APPROVAL

Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of “affected transactions”, as defined in section 117(1)(c) of the Companies Act, when it approves such transactions.
SALIENT DATES AND TIMES

Record date to determine which Hospitality Shareholders are eligible to receive this Circular (Record Date)  
Circular posted to Hospitality Shareholders and notice convening the General Meeting published on SENS on  
Notice of posting of this Circular and notice of General Meeting published in the South African press  
Scheme and General Offer Opening Date at 09:00 on  
Last day to trade Hospitality Shares in order to be recorded in the Register to attend, participate and vote at the General Meeting (Voting Last Day to Trade) on (refer to note 3 below)  
Record date for Hospitality Shareholders to be recorded in the Register in order to be eligible to attend, participate and vote at the General Meeting, being the Voting Record Date, by close of trade on  
Last day and time to lodge Forms of Proxy (yellow) with the Transfer Secretaries by 09:30 on (refer to note 4 below)  
Last date for Hospitality Shareholders to give notice to Hospitality of their objections to the Scheme Special Resolution in terms of section 164(3) of the Companies Act by no later than 11:00 on  
Forms of Proxy (yellow) not lodged with the Transfer Secretaries to be handed to the chairperson of the General Meeting at any time before the proxy exercises any rights of the Hospitality Shareholder at the General Meeting on  

General Meeting to be held at 11:00 on  
Results of the General Meeting released on SENS on or about  

If the Scheme is approved by Hospitality Shareholders at the General Meeting:  
Last day for Shareholders who voted against the Scheme to require Hospitality to seek Court approval for the Scheme in terms of section 115(3)(a) of the Companies Act, if at least 15% of the total votes of Shareholders at the General Meeting were exercised against the Scheme on  
Last date on which Hospitality Shareholders who voted against the Scheme to be granted leave by a Court for a review of the Scheme in terms of section 115(3)(b) of the Companies Act if the Scheme Special Resolution is approved by Shareholders at the General Meeting (where applicable) on  
Last date for Hospitality to give notice of adoption of the Scheme Special Resolution approving the Scheme to Dissenting Shareholders in accordance with section 164(4) of the Companies Act on  

The following dates assume that no Court approval or review of the Scheme is required and will be confirmed in the finalisation announcement if the Scheme becomes unconditional  
Expected finalisation announcement with regard to the Scheme published on SENS (assuming no Shareholder exercises their right in terms of section 115(3)(a) or section 115(3)(b) of the Companies Act) by 11:00  
Expected last day to trade, being the last day to trade Hospitality Shares on the JSE in order to participate in the Scheme (“Scheme Last Day to Trade”)
Expected suspension of listing of Hospitality Shares on the JSE at the commencement of trade.

Tuesday, 15 December

Announcement released on SENS in respect of the cash payment applicable to fractional entitlements to the Scheme Consideration, based on the VWAP of a Tsogo Sun Hotels Share traded on the JSE on Wednesday, 9 December 2020, discounted by 10%, on Thursday, 17 December

Expected **Scheme Consideration Record Date**, being the date on which Scheme Participants must be recorded in the Register to receive the Scheme Consideration, by close of trade.

Friday, 18 December

Expected **Scheme Implementation Date** on or about

Monday, 21 December

Expected date of payment of the Scheme Consideration and fractional entitlements on or about

Monday, 21 December

Scheme Participants expected to have their accounts (held at their CSDP or Broker) credited with the Scheme Consideration on or about

Monday, 21 December

Expected Date for termination of the listing of Hospitality Shares in terms of the Scheme at the commencement of trade on the JSE

Tuesday, 22 December

**If the Scheme does not become unconditional and the General Offer is implemented:**

General Offer declared wholly unconditional

Thursday, 19 November

Expected finalisation announcement published on SENS by 11:00

Friday, 27 November

Expected last day to trade to take up the General Offer

Tuesday, 8 December

Expected General Offer Record Date

Friday, 11 December

Expected General Offer Closing Date. Forms to be submitted by 12:00

Friday, 11 December

Last date on which General Offer Participants are expected to have their accounts with their Broker or CSDP credited with the General Offer Consideration on or about

Monday, 14 December

Expected last General Offer payment date

Monday, 14 December

Expected termination of the listing of the Hospitality Shares at commencement of trade on the JSE

Tuesday, 15 December

Notes:

1. All of the above dates and times are subject to change, with the approval of the JSE and/or TRP, if required. The dates have been determined based on certain assumptions regarding the dates by which certain regulatory approvals including, but not limited to, that of the JSE and TRP, will be obtained and that no Court approval or review of the Scheme will be required. Any change will be released on SENS and published in the South African press, to the extent required.

2. Shareholders are referred to paragraph 6.7 of the Circular (which contains a summary of Dissenting Shareholders’ Appraisal Rights in respect of the Scheme) regarding timing considerations relating to the Appraisal Rights afforded to Shareholders.

3. Shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, persons who acquire Shares after close of trade on Tuesday, 10 November 2020 will not be eligible to attend, participate and vote at the General Meeting, but will, provided the Scheme is approved and they acquire the Hospitality Shares on or prior to the Scheme Last Day to Trade (expected to be Monday, 14 December 2020), participate in the Scheme.

4. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.

5. All times given in this Circular are South African Standard Time.

6. If the Scheme becomes operative, share certificates may not be Dematerialised or rematerialised after the Scheme Last Day to Trade.

7. The date of payment of the General Offer Consideration will take place within six Business Days of the later of the General Offer being declared wholly unconditional and acceptance of the General Offer by the General Offer Participant.

8. Should sufficient Hospitality Shareholders vote against the Scheme Special Resolution at the General Meeting so that a Shareholder may require Hospitality to obtain Court approval regarding the Scheme Special Resolution as contemplated in section 115(3)(a) of the Companies Act, and if a Shareholder in fact delivers such a request, the dates and times set out above will need to be amended. Shareholders will be notified separately of the applicable dates and times under this process.

9. If any Shareholder who votes against the Scheme Special Resolution exercises its rights in terms of section 115(3)(b) of the Companies Act and is granted leave to apply to Court for a review of the Scheme, the dates and times set out above may require amendment. Hospitality Shareholders will be notified separately of the applicable dates and times under this process.

10. In terms of the Implementation Agreement, Tsogo Sun Hotels has until the date that is 12 (twelve) Business Days after the General Meeting to confirm that it is satisfied that no material adverse event (as defined in the Implementation Agreement) has occurred on or prior to the date of such notice.
DEFINITIONS AND INTERPRETATIONS

In this Circular and its annexures, unless otherwise stated or the context indicates otherwise, the words and expressions in the first column shall have the meanings stated opposite them in the second column, and word and expressions in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons and unincorporated associations of persons and vice versa, and any reference to one gender shall include the other gender.

“Appraisal Rights” the rights afforded to Hospitality Shareholders in terms of section 164 of the Companies Act, as set out in Annexure 8 to this Circular;

“Broker” any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;

“Business Day” any day other than a Saturday, Sunday or a public holiday in South Africa;

“Certificated Hospitality Shareholders” all registered holders of Certificated Hospitality Shares;

“Certificated Hospitality Shares” Shares that have not been Dematerialised and are represented by share certificates or other physical Documents of Title;

“Circular” this bound document, dated Wednesday, 21 October 2020, including the notice of General Meeting as well as all of the annexures and attachments hereto;

“Companies Act” the Companies Act, No. 71 of 2008, as amended;

“Companies Regulations” the regulations published in terms of section 223 of the Companies Act, as amended from time to time;

“Court” any South African court with competent jurisdiction to approve the implementation of the Scheme Special Resolution set out in the notice convening the General Meeting pursuant to section 115 of the Companies Act and/or to review the Scheme Special Resolution and/or to determine the fair value of Hospitality Shares and/or to make an order pursuant to section 164(14) of the Companies Act;

“CSDP” Central Securities Depository participant, being a “participant” as defined in section 1 of the Financial Markets Act;

“Common Monetary Area” South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Eswatini;

“Covid-19” the “Severe Acute Respiratory Syndrome Coronavirus 2” (SARS-CoV-2), which was declared a global pandemic by the World Health Organization during 2020;

“Custody Agreement” the custody mandate agreement between a Dematerialised Hospitality Shareholder and a CSDP or Broker, governing their relationship in respect of Dematerialised Hospitality Shares held by a Dematerialised Hospitality Shareholder on the Company’s Uncertificated Securities Register and administered by a CSDP or Broker on behalf of that Dematerialised Hospitality Shareholder;

“Delisting” the termination of the listing of the Shares on the JSE pursuant to the Scheme becoming operative or the Delisting Resolution being adopted, and the General Offer being implemented, as applicable;

“Delisting Resolution” the ordinary resolution to be proposed at the General Meeting to approve the Delisting in terms of paragraph 1.15(a) of section 1 of the Listings Requirements, should the Scheme not become operative and pursuant to the General Offer;

“Demand” means a demand made in terms of section 164(5) of the Companies Act, by a Hospitality Shareholder in terms of which such Hospitality Shareholder demands that Hospitality pay such Hospitality Shareholder the fair value for all of the Hospitality Shares which such Hospitality Shareholder holds;
“Dematerialise” or “Dematerialisation”

the process by which securities held by Certificated Hospitality 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;

“Dematerialised Hospitality Shareholders”

Shareholders who hold Hospitality Shares which have been Dematerialised in terms of the requirements of Strate;

“Dematerialised Hospitality Shares”

Hospitality Shares that have been Dematerialised or have been issued in Dematerialised form;

“Dissenting Shareholders”

Hospitality Shareholders who exercise Appraisal Rights and in respect of whom none of the events set out in section 164(9)(a) or (b) of the Companies Act has occurred;

“Documents of Title”

a Share certificate, certified transfer deed, balance receipt and/or any other form of acceptable document of title acceptable to the Offeror in respect of Hospitality Shares;

“Electronic Participation Application Form”

the application form to participate electronically in the General Meeting and attached to this Circular;

“Eligible Shareholders”

the holders of the Shares who are entitled to attend and vote at the General Meeting and/or accept the General Offer, as the context indicates;

“Encumber”

includes any pledge, charge, hypothecation, lien, subordination, mortgage, option over, right of retention or any other encumbrance whatsoever, or any form of hedging of or over Hospitality Shares, or lending of Hospitality Shares, and “encumbrance” shall be construed accordingly;

“Exchange Control Regulations”

Exchange Control Regulations, 1961, as amended, issued under section 9 of the Currency and Exchanges Act No. 9 of 1933, as amended;

“Excluded Dissenting Shareholders”

Dissenting Shareholders who accept an offer made to them by Hospitality in terms of section 164(11) of the Companies Act or, pursuant to an order of Court, tender their Hospitality Shares to Hospitality in terms of section 164(15)(c)(v) of the Companies Act;

“Financial Markets Act”

the Financial Markets Act No. 19 of 2012, as amended;

“Firm Intention Announcement”

the joint announcement by Hospitality and Tsogo Sun Hotels setting out the terms of a firm intention by Tsogo Sun Hotels to acquire the Hospitality Shares by way of the Tsogo Sun Hotels Offer, as released on SENS on 7 October 2020;

“Foreign Shareholder”

a Hospitality Shareholder who is a non-resident of South Africa as contemplated in the Exchange Control Regulations;

“Form of Acceptance and Transfer”

for purposes of accepting the General Offer; the form of acceptance, surrender and transfer (pink) attached to and forming part of this Circular for use only by General Offer Participants holding Certificated Hospitality Shares;

“Form of Proxy”

the form of proxy (yellow) attached to this Circular;

“Form of Election, Surrender and Transfer”

the form of election, surrender and transfer (blue) of Documents of Title attached to this Circular;

“General Meeting”

the general meeting of Hospitality Shareholders scheduled to be held in electronic format only via Microsoft Teams at 11:00 on Thursday, 19 November 2020 to consider and, if deemed fit, approve the Resolutions, as same may be postponed or adjourned from time to time;
the general offer to the Hospitality Shareholders, 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 Listings Requirements, to acquire all of the General Offer Shares for the General Offer Consideration, subject to the fulfilment or waiver of 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);

the last date on which Eligible Shareholders will be entitled to accept the General Offer, which date shall be a Friday and no less than (i) ten Business Days after the date on which the General Offer is declared wholly unconditional and (ii) thirty Business Days after the General Offer Opening Date;

the conditions to the implementation of the General Offer set out in paragraph 7.6 of this Circular;

1.77 Tsogo Sun Hotels Shares for every one General Offer Share held by General Offer Participants;

the last day to trade in Shares in order to be recorded in the Register on the General Offer Closing Date;

the 15th (fifteenth) day from and including the date of written notice given by either Tsogo Sun Hotels or Hospitality to the other of them, requiring that those General Offer Conditions Precedent referred to in paragraph 7.6 which, at the date of the written notice have not been fulfilled or waived, be fulfilled or, where legally possible, waived, provided that no such notice may be given on or before 14 November 2020;

the opening date of the General Offer, which is expected to be Thursday, 22 October 2020;

Eligible Shareholders to whom the General Offer is made and who lawfully and validly accept the General Offer by 12:00pm on the General Offer Closing Date and who are entitled, subject to the General Offer being implemented, to receive the General Offer Consideration, and ‘General Offer Participant’ shall mean any one of them;

in relation to a General Offer Participant, a date within a period of six Business Days after the later of the General Offer being declared unconditional in all respects as contemplated by regulation 102(12)(a) of the Takeover Regulations and acceptance of the General Offer by such General Offer Participant;

the period beginning at 09:00 on the General Offer Opening Date and ending 12:00 on the General Offer Closing Date, during which the Eligible Shareholders are entitled to accept the General Offer;

all of the Hospitality Shares, other than the Hospitality Shares already owned by the Tsogo Sun Hotels Group, being a maximum of 142 303 946 Hospitality Shares, excluding Treasury Shares;

the tender by Eligible Shareholders of all of the General Offer Shares held by them, for disposal in terms of the General Offer;

the trustees for the time being of the HCI Foundation (Master Reference No. IT 1408/93);

Hospitality Property Fund Limited (registration number 2005/014211/06), a public company duly incorporated in accordance with the laws of South Africa;

the board of directors of Hospitality as at the Last Practicable Date, whose details are set out on page 20 of this Circular;

Hospitality and its Subsidiaries;
“Hospitality Independent Board” collectively or individually, as the context may require, each of Messrs J Awbrey, T Mosololi and D Smith, being those members of the Hospitality Board who are independent non-executive directors and whom Hospitality has determined are independent directors and have accordingly been appointed as required by the TRP as the independent board of Hospitality in accordance with Regulation 108(8) of the Takeover Regulations;

“Hospitality Shareholders” or “Shareholders” registered holders of Hospitality Shares, and “Hospitality Shareholder” or “Shareholder” shall mean any one of them;

“Hospitality Shares” or “Shares” ordinary shares with no par value in the issued share capital of Hospitality;

“Implementation Agreement” the implementation agreement entered into between Hospitality and Tsogo Sun Hotels on 7 October 2020 in relation to the Scheme and General Offer;

“Independent Expert” BDO Corporate Finance, further particulars of which appear in the “Corporate Information” section of this Circular;

“IFRS” International Financial Reporting Standards;

“JSE” the Johannesburg Stock Exchange, operated by JSE Limited;

“JSE Limited” JSE Limited (registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa, licensed as an exchange under the Financial Markets Act;

“Last Practicable Date” Monday, 12 October 2020, being the last practicable date prior to the finalisation of this Circular;

“Listings Requirements” the listings requirements of the JSE;

“MOI” or “Company’s MOI” the Company’s memorandum of incorporation;

“NAV” the net asset value of Hospitality and/or the Hospitality Group, less all intangible assets and goodwill;

“Notice of the General Meeting” or “Notice” the notice convening the General Meeting, which is attached to and forms part of this Circular;

“Offer” or “Tsogo Sun Hotels Offer” the single all-share offer made by Tsogo Sun Hotels comprising the Scheme and, failing the successful implementation of the Scheme, the General Offer;

“Offeror” Tsogo Sun Hotels;

“Offer Consideration” the Scheme Consideration or the General Offer Consideration, as the context may require;

“Offer Participants” the Scheme Participants or the General Offer Participants, as the context may require;

“Offer Period” shall bear the meaning ascribed to such term in section 117(1)(g) of the Companies Act;

“Ordinary Resolution” a resolution adopted by Hospitality Shareholders with the support of more than 50% (fifty percent) of the voting rights exercised on the resolution;

“Own-Name Registration” or “Own-Name Dematerialised Shareholders” the status of Dematerialised Hospitality Shareholders who have instructed their CSDP to hold their Dematerialised Hospitality Shares in their own name on the sub-register (being the list of Shareholders maintained by the CSDP and forming part of the Register);

“Parties” the parties to the Implementation Agreement, being Hospitality and Tsogo Sun Hotels;

“R” or “Rand” South African Rand, the official currency of South Africa;

“Register” Hospitality’s Share register, including the Uncertificated Securities Register;
“Remaining Shareholders” in the event that the Scheme does not become operative but the General Offer is implemented, those Eligible Shareholders who do not accept the General Offer in respect of all of the General Offer Shares held by them;

“Resolutions” the ordinary resolutions and the special resolutions to be proposed at the General Meeting as set out in the Notice, which resolutions will, inter alia, authorise and approve the Scheme and the Delisting;

“Scheme” 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 or waiver, as the case may be, of the Scheme Conditions Precedent, acquire the Scheme Shares;

“Scheme Conditions Precedent” the conditions to the implementation of the Scheme set out in paragraph 6.2 of this Circular;

“Scheme Consideration” 1.77 Tsogo Sun Hotels Shares for every one Scheme Share held by Scheme Participants on the Scheme Consideration Record Date;

“Scheme Consideration Record Date” the third Business Day after the Scheme Last Day to Trade, being the latest date for holders of Hospitality Shares to be registered as such in the Register in order to receive the Scheme Consideration, which date is expected to be Friday, 18 December 2020;

“Scheme Last Day to Trade” being the last day to trade Hospitality Shares on the JSE in order to be registered in the Register on the Scheme Consideration Record Date, which date is expected to be Monday, 14 December 2020;

“Scheme Longstop Date” the 15th (fifteenth) day from and including the date of written notice given by either Tsogo Sun Hotels or Hospitality to the other of them, requiring that those Scheme Conditions Precedent referred to in paragraph 6.2 which, at the date of the written notice have not been fulfilled or waived, be fulfilled or, where legally possible, waived, provided that no such notice may be given on or before 14 November 2020;

“Scheme Implementation Date” the Business Day on which Tsogo Sun Hotels will commence settling the Scheme Consideration to Scheme Participants, being the first Business Day following the Scheme Consideration Record Date, which is expected to be Monday, 21 December 2020;

“Scheme Participant(s)” the Hospitality Shareholders, other than Tsogo Sun Hotels Group, who are registered as such in the Register on the Scheme Record Date and are therefore entitled to receive the Scheme Consideration; provided that Dissenting Shareholders will only become Scheme Participants once they cease to be Dissenting Shareholders other than by becoming Excluded Dissenting Shareholders;

“Scheme Shares” all of the Hospitality Shares held by Scheme Participants on the Scheme Consideration Record Date, net of Treasury Shares;

“Scheme Special Resolution” Special Resolution number 1 required to be approved by Hospitality Shareholders in order to implement and give effect to the Scheme;

“SENS” Securities Exchange News Service, the news service operated by the JSE;

“South Africa” the Republic of South Africa;

“South African Standard Time” 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;

“Special Resolution” a resolution adopted by Hospitality Shareholders with the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution;
“Strate” Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa, which provides electronic settlement of equities and bonds transactions concluded on the JSE;

“Subsidiary” a “subsidiary” as defined in the Companies Act;

“Takeover Regulations” the Takeover Regulations issued in terms of section 120 of the Companies Act;

“Tsogo Sun Hotels” 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;

“Tsogo Sun Hotels Group” Tsogo Sun Hotels and its Subsidiaries;

“Tsogo Sun Hotels Shares” no par value ordinary shares in the issued share capital of Tsogo Sun Hotels;

“Transfer Secretaries” Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa;

“Treasury Shares” 562,774 Hospitality Shares held by Hospitality as at the Last Practicable Date;

“TRP” the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;

“Uncertificated Securities Register” the record of Dematerialised Hospitality Shares administered and maintained by a CSDP and which forms part of the Register;

“Valid Demand” means demand/s made in terms of section 164(5) of the Companies Act, within the time period contemplated in section 164(7) of the Companies Act, by one or more Hospitality Shareholders, who comply with the requirements of section 164(5)(a) and (c) of the Companies Act, in terms of which such Hospitality Shareholder/s demand that Hospitality pay such Hospitality Shareholder/s the fair value for all of the Hospitality Shares which such Hospitality Shareholder/s holds; and

“Voting Record Date” the last date to be recorded in the Register in order for Hospitality Shareholders to be eligible to attend, speak and vote at the General Meeting (or any adjournment thereof), being Friday, 13 November 2020.
COMBINED CIRCULAR TO HOSPITALITY SHAREHOLDERS

I. INTRODUCTION

I.1 In the Firm Intention Announcement released by Hospitality on 7 October 2020, Hospitality Shareholders were informed of the firm intention by Tsogo Sun Hotels to acquire all of Hospitality Shares, other than the Hospitality Shares already owned by the Tsogo Sun Hotels Group and Treasury Shares, by way of a single offer comprising:
  • the Scheme; or
  • if the Scheme does not become operative, the General Offer.

I.2 Pursuant to the implementation of the Scheme, or, if the Scheme fails, pursuant to the Delisting Resolution being approved and the General Offer being implemented, application will be made for the Delisting of all Hospitality Shares from the main board of the JSE.

I.3 The Tsogo Sun Hotels Offer will be made at a share consideration of 1.77 Tsogo Sun Hotels Shares per Hospitality Share.

I.4 Implementation of the Scheme is subject to the fulfilment or waiver of the Scheme Conditions Precedent including, inter alia, approval of the Scheme by the Hospitality Shareholders. The General Offer is subject to the fulfilment or waiver of the General Offer Conditions Precedent set out in paragraph 7.6 below.

I.5 The Delisting will occur if the Scheme becomes operative or the General Offer becomes wholly unconditional and is implemented, provided the Delisting Resolution is approved.
1.6 For the reasons set out in paragraph 4, the Hospitality Independent Board and the Hospitality Board unanimously support the Scheme and General Offer and recommend that Hospitality Shareholders vote in favour of the Scheme Special Resolution and Delisting Resolution.

1.7 In the event that the Scheme becomes operative, the JSE has granted approval for the suspension of the listing of Hospitality's Shares on the JSE with effect from the commencement of trade on the JSE on the first Business Day following the Scheme Last Day to Trade, which is expected to be Tuesday, 15 December 2020, and the termination of the listing of the Hospitality Shares on the JSE from the commencement of trade on the first Business Day following the Scheme Implementation Date, which is expected to be Monday, 21 December 2020.

1.8 Should the Scheme not become operative, but the General Offer becomes wholly unconditional and implemented and the Delisting Resolution is approved, the listing of all Hospitality Shares on the JSE will be terminated. Subject to the General Offer becoming unconditional in accordance with its terms, the JSE has granted approval for the suspension of the listing of the Hospitality Shares on the JSE with effect from the commencement of trade on the JSE on the first Business Day following the General Offer LDT, and the termination of the listing of the Hospitality Shares on the JSE from the commencement of trade on the first Business Day following the last General Offer Payment Date, which is expected to be Tuesday, 15 December 2020.

2. PURPOSE OF THIS CIRCULAR

2.1 The purpose of this Circular is to provide Hospitality Shareholders with relevant information regarding the Scheme and the General Offer, including, inter alia, the report of the Independent Expert prepared in terms of both section 114(3) of the Companies Act and the Listings Requirements, the recommendation of the Hospitality Independent Board in respect of the Scheme and the General Offer, and to give notice convening the General Meeting in order to consider and, if deemed fit, to pass with or without modification the resolutions necessary to approve and implement the Tsogo Sun Hotels Offer and the Delisting in accordance with the Companies Act, the Takeover Regulations and the Listing Requirements. A notice convening the General Meeting is attached to, and forms part of, this Circular.

2.2 To obtain a full understanding of the terms and conditions of the Tsogo Sun Hotels Offer and the Delisting, this Circular should be read in its entirety.

3. NATURE OF 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.

4. RATIONALE FOR THE TSOGO SUN HOTELS 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 more than 75% of the issued share capital of Hospitality.

The Tsogo Sun Hotels Group currently includes two listed companies (comprised of Tsogo Sun Hotels and Hospitality), both exposed to the hospitality sector and with many interrelated services and offerings. If the Tsogo Sun Hotels 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:

4.1 allow for Hospitality Shareholders to benefit from a significant company within the tourism industry, being 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;
4.2 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

4.3 simplify Tsogo Sun Hotels’ corporate and operating structure, as Hospitality could become a wholly-owned subsidiary of Tsogo Sun Hotels if the Scheme were to be implemented, thereby reducing structural complexity and costs associated with maintaining two separate listings on the JSE.

5. OFFER CONSIDERATION

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

6. TERMS AND CONDITIONS OF THE SCHEME

In terms of section 114(1) of the Companies Act, the Hospitality Board proposes the Scheme, between Hospitality, Tsogo Sun Hotels and the Scheme Participants.

6.1 The Scheme

6.1.1 Should the Scheme be implemented, Tsogo Sun Hotels will acquire the Scheme Shares from the Scheme Participants in exchange for the Scheme Consideration.

6.1.2 Subject to the Scheme Special Resolution being adopted and the Scheme becoming unconditional, with effect from the Scheme Implementation Date:

– the Scheme Participants (whether they voted in favour of the Scheme or not or abstained or refrained from voting) shall be deemed to have disposed of (and shall be deemed to have undertaken to transfer) their Scheme Shares, free of Encumbrances, to Tsogo Sun Hotels with effect from the Scheme Implementation Date in exchange for the Scheme Consideration, and Tsogo Sun Hotels shall be deemed to have acquired registered and beneficial ownership of all the Scheme Shares with effect from the Scheme Implementation Date;

– the disposal and transfer by each Scheme Participant of the Scheme Shares held by each such Scheme Participant to Tsogo Sun Hotels, and the acquisition and ownership of those Scheme Shares by Tsogo Sun Hotels, pursuant to the provisions of the Scheme, will be effected;

– each Scheme Participant shall transfer to Tsogo Sun Hotels, with effect from the Scheme Implementation Date, all of the Scheme Shares held by such Scheme Participant without any further act or instrument being required; and

– the Scheme Participants shall be entitled to receive the Scheme Consideration, subject to the remaining provisions of this paragraph 6.

6.1.3 Each Scheme Participant irrevocably and in rem suam (for their benefit) authorises Tsogo Sun Hotels, as principal, with power of substitution, to cause the Scheme Shares disposed of by any Scheme Participant in terms of the Scheme to be transferred to, and registered in the name of, Tsogo Sun Hotels on or at any time after the Scheme Implementation Date, and to do all such things and take all such steps (including the signing of any transfer form) as Tsogo Sun Hotels in its discretion considers necessary in order to effect that transfer and registration.

6.1.4 The Scheme Consideration shall be settled, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Tsogo Sun Hotels may otherwise be, or claim to be, entitled against a Scheme Participant.

6.1.5 The rights of the Scheme Participants to receive the Scheme Consideration will be rights enforceable by Scheme Participants against Tsogo Sun Hotels only.

6.1.6 The effect of the Scheme will, inter alia, be that Tsogo Sun Hotels will, with effect from the Scheme Implementation Date, become the registered and beneficial owner of all Scheme Shares.

6.1.7 As a consequence of the Scheme becoming operative, application will be made to the JSE for the Delisting.
6.1.8 The Scheme is proposed by the Hospitality Board to the Hospitality Shareholders, in accordance with section 114 of the Companies Act and the Companies Regulations.

6.2 Scheme Conditions Precedent

6.2.1 The implementation of the Scheme shall be subject to the following conditions precedent, namely:

6.2.1.1 the shareholders of Tsogo Sun Hotels authorising, by way of a resolution adopted by the holders of Tsogo Sun Hotels Shares with the support of more than 50% (fifty percent) of the voting rights exercised on the resolution, the implementation of the Tsogo Sun Hotels Offer as a Category 1 transaction as required in terms of the Listings Requirements;

6.2.1.2 the JSE approving the Delisting pursuant to the implementation of the Scheme, in accordance with paragraph 1.14 of section 1 of the Listings Requirements;

6.2.1.3 the Scheme Special Resolution being approved by the requisite majority of votes as contemplated in the Companies Act and the Listings Requirements;

6.2.1.4 no Valid Demands are received by Hospitality or, if any Valid Demands are received by Hospitality, such Valid Demands are received from Hospitality Shareholders who, in aggregate, hold less than the aggregate number of Hospitality Shares as Tsogo Sun Hotels and Hospitality may determine by agreement;

6.2.1.5 if any person who voted against the Scheme Special Resolution applies to Court for a review of the Scheme in terms of section 115(3)(b) and section 115(6) of the Companies Act, either leave to apply to the Court for any such review is refused, or if leave is so granted the Court refuses to set aside the Scheme Special Resolution;

6.2.1.6 the TRP having issued a compliance certificate in respect of the Scheme in terms of section 119(4)(b) of the Companies Act; and

6.2.1.7 Tsogo Sun Hotels has provided written notice to Hospitality, prior to the date that is 12 (twelve) Business Days after General Meeting, confirming that it is satisfied that no material adverse event (as defined in the Implementation Agreement) has occurred on or prior to the date of such notice.

6.2.2 The Scheme Conditions Precedent in paragraphs 6.2.1.4 and 6.2.1.7 are expressed for the benefit of Tsogo Sun Hotels, who shall be entitled, upon written notice to Hospitality, to waive the requirement for fulfilment of the Scheme Condition Precedent. The remainder of the Scheme Conditions Precedent are expressed for the benefit of the Parties, who shall be entitled, upon written agreement between them, to waive the requirement for fulfilment of such Scheme Conditions Precedent to the extent that such conditions are legally capable of waiver.

6.2.3 The Scheme shall not be implemented and shall be of no force or effect if the Scheme Conditions Precedent are not fulfilled (or, to the extent that such conditions are legally capable of waiver, waived in terms of paragraph 6.2.2) on or before the Scheme Longstop Date or such other date as may be agreed in writing between the Parties.

6.2.4 Should the Scheme not be implemented by reason of paragraph 6.2.3 above (or for any other reason), then the General Offer shall be implemented in accordance with paragraph 7.6 below.

6.3 Settlement of the Scheme Consideration

6.3.1 Subject to paragraphs 6.3.2 and 6.3.4 below and subject to the Scheme becoming operative, Scheme Participants will be entitled to receive the Scheme Consideration.

6.3.2 Settlement of the Scheme Consideration is subject to the Exchange Control Regulations, the salient provisions of which are set out in Annexure 6 to this Circular.

6.3.3 The Transfer Secretaries will administer and effect the transfer of the Scheme Consideration to Scheme Participants.

6.3.4 If the Scheme becomes operative:

6.3.4.1 Hospitality Shareholders who become Scheme Participants will have their account at their CSDP or Broker credited with the Scheme Consideration and debited with the Scheme Shares on the Scheme Implementation Date, or in the case of Dissenting Shareholders who subsequently become Scheme Participants as envisaged in paragraph 6.7.9, on the date contemplated in paragraph 6.7.10; and
6.3.4.2 Certificated Hospitality Shareholders who become Scheme Participants:

- who have submitted their Documents of Title and completed Form of Election, Surrender and Transfer (blue) to the Transfer Secretaries on or before 09:00 on the Scheme Consideration Record Date, will have their CSDP or Broker credited with the Scheme Consideration, within three Business Days of the Scheme Implementation Date. If Part C on the Form of Election, Surrender and Transfer (blue) is left blank or partially completed, the Scheme Consideration will be withheld until the correct details are provided by the Certificated Hospitality Shareholder; or

- who fail to submit their Documents of Title and completed Form of Election, Surrender and Transfer (blue) to the Transfer Secretaries within three years or, in respect of a Dissenting Shareholder who subsequently becomes a Scheme Participant as envisaged in paragraph 6.79, within three years after the date on which such Dissenting Shareholder subsequently becomes a Scheme Participant as aforesaid, the Scheme Consideration due to such Scheme Participant will be disposed of at the ruling market price and the disposal consideration, less the costs incurred in disposing of the relevant Tsogo Sun Hotels Shares, will be paid over to the Guardians Fund of the Master of the High Court from which it may be claimed by the Scheme Participant, subject to the requirements imposed by the Master of the High Court. For the avoidance of doubt, no interest will accrue on any such funds held by Hospitality.

6.3.5 The Scheme Consideration will be settled in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Tsogo Sun Hotels may otherwise be or claim to be, entitled against a Scheme Participant.

6.4 No Encumbrance

6.4.1 Each Scheme Participant is deemed, on and with effect from the Scheme Implementation Date, to have warranted and undertaken in favour of the Offeror that (i) the relevant Scheme Shares are not subject to a pledge or otherwise Encumbered, or (ii) if subject to any such pledge or Encumbrance, such Scheme Shares shall be released from such pledge or other Encumbrance immediately on payment and discharge of the Scheme Consideration. In this regard such Scheme Participants irrevocably authorise and appoint Hospitality and the Offeror, in rem suam (that is, irrevocably for Hospitality' and the Offeror's advantage), with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants in doing all things and signing all documents in ensuring that the relevant Scheme Shares are released from any pledge or Encumbrance, including the removal of any endorsements to that effect present in the Register.

6.5 Required approval for the Scheme

6.5.1 Pursuant to section 115(2) of the Companies Act, a scheme of arrangement in terms of section 114 of the Companies Act must be approved by a Special Resolution adopted by shareholders entitled to exercise voting rights on such a matter; at a meeting called for that purpose. In terms of the MOI, read with section 115(2) of the Companies Act, at least three Shareholders entitled to vote on the special resolution and Shareholders holding at least 25% of the voting rights that are entitled to be exercised, must be present at the meeting.

6.5.2 In the event that at least 15% of the voting rights are exercised against the aforesaid resolution, the Company may not proceed to implement the resolution unless a Court approves the Scheme, provided that a Shareholder who voted against the resolution requires, within five Business Days after the vote, that the Company seek Court approval for the Scheme. If the Scheme requires Court approval, the Company must either apply to Court for approval within ten Business Days after the vote and bear the costs of the application or treat the Scheme as a nullity.

6.5.3 Alternatively, if any person who voted against the resolution, applies to Court within ten Business Days of the vote for leave to review the transaction, and if the Court grants that person leave, then the resolution may only be implemented with the approval of the Court. A Court may grant leave only if the applicant is acting in good faith, appears to be able to sustain proceedings and alleges facts that supports the order being sought. A Court may only set aside a resolution that is manifestly unfair to shareholders or if the vote was materially tainted by a conflict of interest, for inadequate disclosure, failure to comply with the Companies Act or MOI or if there is a significant and material irregularity.
6.6 Amendments, variations and modifications to the Scheme

6.6.1 Subject to compliance with the Companies Act, the Takeover Regulations and the Listings Requirements and consent from the TRP, Hospitality will be entitled to make any amendment, variation or modification to the Scheme.

6.6.2 Shareholders will be notified of any changes on SENS and published in the South African press.

6.6.3 All dates and times referred to in this Circular, including the Scheme Longstop Date and the General Offer Longstop Date, are subject to change. Any such change shall be published on SENS and in the South African press.

6.7 Dissenting Shareholders

6.7.1 Hospitality Shareholders are hereby advised of their Appraisal Rights in terms of section 164 of the Companies Act. This paragraph 6.7 only provides a summary of the provisions relating to Shareholders’ Appraisal Rights in terms of section 164 of the Companies Act, the full provisions of which are contained in Annexure 8 to this Circular.

6.7.2 Hospitality Shareholders who wish to exercise their Appraisal Rights in terms of the aforementioned section of the Companies Act are required, before the Scheme Special Resolution to approve the Scheme is voted on at the General Meeting, to give notice to Hospitality in writing objecting to the Scheme Special Resolution in terms of section 164(3) of the Companies Act.

6.7.3 Within ten Business Days after Hospitality has adopted the Scheme Special Resolution, Hospitality must send a notice to each Hospitality Shareholder who gave Hospitality the notice referred to in paragraph 6.7.2 of this Circular and has voted against the Scheme Special Resolution and not withdrawn that notice, informing them that the Scheme Special Resolution has been adopted.

6.7.4 A Hospitality Shareholder who gave written notice to Hospitality in terms paragraph 6.7.2 (and has not withdrawn that notice) and who has complied with all the procedural requirements set out in section 164 may, in terms of sections 164(5) to 164(8) of the Companies Act, if the Scheme Special Resolution is adopted, deliver a written notice to Hospitality demanding that Hospitality pay to that Hospitality Shareholder the fair value for all the Hospitality Shares held by that Hospitality Shareholder. The Demand must be delivered:

– within 20 (twenty) Business Days after receipt of the notice from Hospitality referred to in paragraph 6.7.3 of this Circular; or

– if the Hospitality Shareholder does not receive the notice from Hospitality referred to in paragraph 6.7.3 of this Circular, within 20 (twenty) Business Days after learning that the Scheme Special Resolution has been adopted.

6.7.5 The Demand above must also be delivered to the TRP and must set out:

– the Dissenting Shareholder's name and address;

– the number of Hospitality Shares in respect of which the Dissenting Shareholder seeks payment; and

– a demand for payment of the fair value of those Hospitality Shares. The fair value of the Hospitality Shares is determined as at the date on which, and the time immediately before, the Scheme Special Resolution was adopted.

6.7.6 A Dissenting Shareholder may withdraw its Demand before Hospitality makes an offer in accordance with section 164(11) of the Companies Act or if Hospitality fails to make such an offer. If a Dissenting Shareholder voluntarily withdraws its Demand, it will cease to be a Dissenting Shareholder and will become a Scheme Participant whose Hospitality Shares will be acquired by Tsogo Sun Hotels, in accordance with paragraph 6.1 above, with retrospective effect from the Scheme Implementation Date.

6.7.7 If Hospitality receives a Demand and such Demand is not withdrawn by the Dissenting Shareholder before the Scheme Implementation Date, Hospitality shall, in accordance with section 164(11) of the Companies Act, within five Business Days of the Scheme Implementation Date, make an offer to the Dissenting Shareholder to purchase such Dissenting Shareholder's Hospitality Shares.

6.7.8 Hospitality's offer made in accordance with section 164(11) of the Companies Act will, in accordance with the requirements of section 164(12)(b) of the Companies Act, lapse if it is not accepted by the Dissenting Shareholder within thirty Business Days after it was made.
6.7.9 A Dissenting Shareholder that, pursuant to the exercise of its Appraisal Rights, has sent a Demand to Hospitality has no further rights in respect of the Hospitality Shares in respect of which it has made such Demand, other than to be paid the fair value of such Hospitality Shares, and will be excluded from the Scheme and will not receive the Scheme Consideration, unless:

- that Dissenting Shareholder withdraws that Demand before Hospitality makes an offer in accordance with section 164(11) of the Companies Act or allows any offer made by Hospitality to lapse;
- Hospitality fails to make an offer in accordance with section 164(11) of the Companies Act and that Dissenting Shareholder withdraws its Demand; or
- Hospitality revokes the Scheme Special Resolution by a subsequent special resolution,

in which case that Dissenting Shareholder’s rights in respect of the relevant Hospitality Shares shall, in terms of section 164(10) of the Companies Act, be reinstated without interruption.

6.7.10 If the Scheme becomes operative, any Dissenting Shareholder whose shareholder rights are reinstated as envisaged in paragraph 6.7.9 of this Circular:

- before 09:00 on the Scheme Consideration Record Date, shall be deemed to be a Scheme Participant and be eligible to participate in the Scheme and be subject to the ordinary terms and conditions of the Scheme; or
- after 09:00 on the Scheme Consideration Record Date, shall be deemed to have been a Scheme Participant with retrospective effect from the Scheme Consideration Record Date, provided that settlement of the Scheme Consideration shall take place in accordance with paragraph 6.3.4.1 or paragraph 6.3.4.2 of this Circular, as the case may be,

and such Dissenting Shareholder hereby authorises Hospitality and/or the Transfer Secretaries on its behalf to transfer its Scheme Shares to Tsogo Sun Hotels against payment of the Scheme Consideration and to take all other action and steps necessary to give effect to the aforegoing.

6.7.11 A Dissenting Shareholder who accepts an offer made in terms of section 164(11) of the Companies Act (including a where a Dissenting Shareholder is ordered to do so by a Court in accordance with section 164(15)(c)(v)) will become an Excluded Dissenting Shareholder and will not participate in the Scheme. The Excluded Dissenting Shareholder must thereafter, if it (i) holds Certificated Hospitality Shares tender the Documents of Title in respect of such Certificated Hospitality Shares to Hospitality or the Transfer Secretaries, or (ii) holds Dematerialised Hospitality Shares, instruct its CSDP or Broker to transfer those Hospitality Shares to Hospitality or the Transfer Secretaries. Hospitality must pay that Excluded Dissenting Shareholder the offered amount within ten Business Days after the Excluded Dissenting Shareholder has accepted the offer and tendered the Documents of Title or directed the transfer to Hospitality of the Dematerialised Hospitality Shares, as the case may be.

6.7.12 A Dissenting Shareholder who considers the offer made by Hospitality in accordance with section 164(11) of the Companies Act to be inadequate, may, in accordance with section 164(14) of the Companies Act, apply to a Court to determine a fair value in respect of the Hospitality Shares that are the subject of the Demand, and an order requiring Hospitality to pay the Dissenting Shareholder the fair value so determined.

6.7.13 If, pursuant to the order of the Court, a Dissenting Shareholder tenders its Hospitality Shares to Hospitality, such Dissenting Shareholder will become an Excluded Dissenting Shareholder and will not participate in the Scheme.

6.7.14 A copy of section 164 of the Companies Act, which sets out the Appraisal Rights, is included in Annexure 8 to this Circular.

6.8 Tax consequences for Scheme Participants

The tax implications of the Scheme will depend on the individual tax circumstances of each Scheme Participant and the tax jurisdictions applicable to such Scheme Participant. It is recommended that Scheme Participants seek advice from appropriate professional advisers if they are in any doubt whatsoever about their tax position.
7. TERMS AND CONDITIONS OF THE GENERAL OFFER

7.1 The General Offer is being made simultaneously with the Scheme (as one single offer), but only if the Scheme fails will Tsogo Sun Hotels implement the General Offer. Subject to the aforementioned, in terms of sections 117(1)(c)(v) of the Companies Act and paragraph 1.15(c) of the Listings Requirements, the General Offer is made to the Eligible Shareholders, whereby each Eligible Shareholder will be entitled to elect whether or not to dispose of all of their General Offer Shares to Tsogo Sun Hotels for the General Offer Consideration.

7.2 For the avoidance of doubt, implementation of the General Offer will be conditional on, inter alia, the Scheme not becoming operative. In the event that the Scheme does become operative, the General Offer will lapse and be of no force and effect.

7.3 Terms of the General Offer

7.3.1 If the Scheme does not become operative, and the General Offer becomes wholly unconditional and is implemented and the General Offer is fair in terms of paragraph 1.15 of the Listings Requirements, then, provided the Delisting Resolution is approved, the Delisting will be implemented in terms of paragraph 1.14 of the Listings Requirements, and each General Offer Participant will receive the General Offer Consideration in exchange for the General Offer Shares Tendered and disposed of.

7.3.2 The effect of the General Offer will be that, with effect from the General Offer Payment Date, Tsogo Sun Hotels will acquire and own all the General Offer Shares Tendered and previously held by the General Offer Participants.

7.3.3 In the event that the General Offer is implemented and accepted by Eligible Shareholders holding at least 90% of the General Offer Shares, Tsogo Sun Hotels may, at its election, invoke the provisions of section 124(1) of the Companies Act, to compulsorily acquire all of the General Offer Shares not already tendered by the Eligible Shareholders.

7.3.4 If the Scheme does not become operative and the General Offer becomes wholly unconditional and is implemented, and Tsogo Sun Hotels elects not to invoke the provisions of section 124(1) of the Companies Act, Eligible Shareholders who have not accepted the General Offer will remain shareholders in Hospitality.

7.4 The General Offer Consideration

7.4.1 If the Scheme does not become operative and the General Offer becomes wholly unconditional, Tsogo Sun Hotels will acquire all of the General Offer Shares Tendered by the General Offer Participants for the General Offer Consideration.

7.4.2 The General Offer Consideration shall be settled in full, in accordance with the terms of the General Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Tsogo Sun Hotels may otherwise be, or claim to be, entitled against a General Offer Participant.

7.4.3 The tax implications of the General Offer are dependent upon the individual circumstances of the General Offer Participants concerned and the tax jurisdiction applicable to such General Offer Participants. It is recommended that the General Offer Participants seek appropriate professional advice in this regard.

7.4.4 For details regarding the settlement of the General Offer Consideration, Eligible Shareholders are referred to paragraph 7.8 of this Circular for more information.

7.5 The General Offer Period

7.5.1 The General Offer is irrevocable and will be open for acceptance from 09:00 on the General Offer Opening Date and will close at 12:00 on the General Offer Closing Date, in accordance with Takeover Regulations 102(4) and 105(5)(b).

7.5.2 Accordingly, the General Offer will remain open for acceptance by those Eligible Shareholders that are recorded in the Register at any time during the General Offer Period.

7.5.3 In accordance with Takeover Regulation 103(1)(b)(i), Tsogo Sun Hotels may, in its absolute and sole discretion, extend the General Offer Period. Shareholders will be notified of any such extension on SENS and in the South African press.
7.6 The General Offer Conditions Precedent

7.6.1 The implementation of the General Offer shall be subject to the following conditions precedent, namely:

7.6.1.1 the shareholders of Tsogo Sun Hotels authorising, by way of a resolution adopted by the holders of Tsogo Sun Hotels Shares with the support of more than 50% (fifty percent) of the voting rights exercised on the resolution, the implementation of the Tsogo Sun Hotels Offer as a Category 1 transaction as required in terms of the Listings Requirements;

7.6.1.2 the Scheme not becoming operative and accordingly not being implemented;

7.6.1.3 the JSE approving the Delisting pursuant to the implementation of the General Offer, in accordance with paragraph 1.14 of section 1 of the Listings Requirements;

7.6.1.4 the Delisting Resolution is approved by the requisite majority of votes as contemplated in the Listings Requirements;

7.6.1.5 the TRP having issued a compliance certificate in respect of the General Offer in terms of section 119(4)(b) of the Companies Act; and

7.6.1.6 Tsogo Sun Hotels has provided written notice to Hospitality, prior to the date that is 12 (twelve) Business Days after the General Meeting, confirming that it is satisfied that no material adverse event (as defined in the Implementation Agreement) has occurred.

7.6.2 The General Offer Conditions Precedent in clauses 7.6.1.3, 7.6.1.4 and 7.6.1.6 are expressed for the benefit of Tsogo Sun Hotels, who shall be entitled, upon written notice to Hospitality, to waive the requirement for fulfilment of the General Offer Condition Precedent. The remainder of the General Offer Conditions Precedent are expressed for the benefit of both Tsogo Sun Hotels and Hospitality, who shall be entitled to, upon written agreement between them, waive the requirement for fulfilment of the General Offer Conditions Precedent to the extent that such conditions are legally capable of waiver.

7.6.3 The General Offer shall not be implemented and shall be of no force or effect if the General Offer Conditions Precedent are not fulfilled (or waived in terms of paragraph 7.6.2) on or before the General Offer Longstop Date, or such other date as may be agreed in writing between the Parties.

7.6.4 Should the General Offer not be implemented by reason of paragraph 7.6.3 above then the Tsogo Sun Hotels Offer shall be deemed to have failed and shall not be implemented.

7.6.5 The General Offer will be a continuation of the affected transaction commenced with the Scheme, as defined in section 117 of the Companies Act. The General Offer will be implemented in accordance with the Companies Act and the Companies Regulations and will be regulated by the TRP.

7.7 Procedure for acceptance of the General Offer

7.7.1 If an Eligible Shareholder does not wish to accept the General Offer in respect of any of the General Offer Shares held by him he does not need to take any further action and will continue to hold his General Offer Shares and will be deemed to be a Remaining Shareholder. Remaining Shareholders are advised that in the event that the General Offer is implemented, Tsogo Sun Hotels may become entitled to invoke the provisions of section 124(1) of the Companies Act.

7.7.2 Dematerialised Hospitality Shareholders

Eligible Shareholders who hold Dematerialised Hospitality Shares and who wish to accept the General Offer in respect of all of their General Offer Shares are required to accept the General Offer in accordance with the instructions set out above on page 8 of this Circular.

Once an Eligible Shareholder’s acceptance of the General Offer in respect of any of its General Offer Shares has been communicated to the Transfer Secretaries, such acceptance of the General Offer will be final, and the Eligible Shareholder may not withdraw its acceptance of the General Offer unless expressly permitted by the Companies Regulations.

If an Eligible Shareholder’s acceptance is not communicated to the Transfer Secretaries, through a Broker or CSDP, by 12:00 on the General Offer Closing Date, such Eligible Shareholder who holds Dematerialised Hospitality Shares will be deemed to have declined the General Offer and will continue to hold its General Offer Shares and remain a Hospitality Shareholder, subject to section 124(1) of
the Companies Act. Late acceptances of the General Offer may be accepted or rejected at Tsogo Sun Hotels’ discretion.

Dematerialised Hospitality Shareholders must **NOT** complete the Form of Acceptance and Transfer (pink).

The attention of Dematerialised Hospitality Shareholders is drawn to the fact that, if they accept the General Offer, they will not be entitled to rematerialise and/or trade or otherwise deal in their General Offer Shares that have been tendered between the date of acceptance and the General Offer Payment Date, or if the General Offer is not implemented, between the date of acceptance and the date on which the General Offer lapses.

7.7.3 Certificated Hospitality Shareholders

Eligible Shareholders who hold Certificated Hospitality Shares and who wish to accept the General Offer in respect of all of their General Offer Shares are required to accept the General Offer by completing the Form of Acceptance and Transfer (pink) and delivering it, together with the Documents of Title in respect of the General Offer Shares tendered by them, in accordance with the instructions set out in the section entitled “Action Required by Hospitality Shareholders in respect of the General Offer” of this Circular, to the Transfer Secretaries by no later than 12:00 on the General Offer Closing Date.

Once a duly completed and signed Form of Acceptance and Transfer (pink) together with the Documents of Title in respect of the General Offer Shares tendered is received by the Transfer Secretaries in respect of any of an Eligible Shareholder’s General Offer Shares, such acceptance of the General Offer will be final and such Eligible Shareholder may not withdraw its acceptance of the General Offer unless expressly permitted by the Companies Regulations.

If the General Offer is not validly accepted by an Eligible Shareholder who holds Certificated Hospitality Shares by 12:00 on the General Offer Closing Date, the General Offer will be deemed to have been declined by that Eligible Shareholder. Late acceptances may be accepted or rejected at Tsogo Sun Hotels’ discretion.

Eligible Shareholders holding Certificated Hospitality Shares who complete the Form of Surrender and Transfer (blue) and return it, together with the relevant Documents of Title, to the Transfer Secretaries in anticipation of the Scheme becoming operative, and who wish to accept the General Offer, will still be required to complete the Form of Acceptance and Transfer (pink) but will not be required to surrender their Documents of Title again.

Forms of Acceptance and Transfer (pink) and Documents of Title that are sent through the post are sent at the risk of the Certificated Hospitality Shareholders concerned. Accordingly, Certificated Hospitality Shareholders should take note of the postal delivery times so as to ensure that acceptances of the General Offer are received timeously. It is therefore recommended that duly completed Forms of Acceptance and Transfer (pink), and Documents of Title be sent by registered post, or delivered by hand to the Transfer Secretaries.

No receipt will be issued for Documents of Title surrendered unless specifically requested.

Documents of Title surrendered in acceptance of the General Offer will be held in trust by the Transfer Secretaries, at the risk of the relevant Certificated Hospitality Shareholders, pending the General Offer being implemented.

If Documents of Title relating to any General Offer Shares are lost or destroyed, Hospitality may dispense with the surrender of such Documents of Title upon production of evidence satisfactory to the Offeror that the Documents of Title in respect of the General Offer Shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Hospitality and the Offeror. Accordingly, if the Documents of Title in respect of any of General Offer Shares by a Certificated Hospitality Shareholder have been lost or destroyed, such Certificated Hospitality Shareholder should nevertheless return the Form of Acceptance and Transfer (pink), duly signed and completed, to the Transfer Secretaries, together with a duly signed and completed indemnity form which is obtainable from the Transfer Secretaries.
The attention of Eligible Shareholders who are Certificated Hospitality Shareholders is drawn to the fact that, if they surrender their Documents of Title pursuant to their acceptance of the General Offer, they:

– will continue to be entitled to attend, speak and vote at the General Meeting as if the surrender of Documents of Title had not occurred; and

– will not be entitled to Dematerialise, trade or otherwise deal in their General Offer Shares that have been tendered between the date of surrender and the General Offer Payment Date, or if the General Offer is not implemented, between the date of surrender and the date on which their General Offer Shares are returned to them as set out in this Circular.

If the General Offer lapses because any of the General Offer Conditions Precedent are not fulfilled or waived, or for any other reason, then any Documents of Title surrendered and held by the Transfer Secretaries will be returned to the relevant Eligible Shareholders by the Transfer Secretaries, at such Eligible Shareholders’ own risk, by registered post within approximately five Business Days from the date on which the General Offer lapses or the Scheme does not become operative, whichever is the later.

Hospitality reserves the right, in its absolute and sole discretion:

– to treat as valid, Forms of Acceptance and Transfer (pink) not accompanied by the relevant Documents of Title (or, if applicable, evidence reasonably satisfactory to Hospitality that the Documents of Title in respect of the relevant General Offer Shares have been lost or destroyed and an indemnity reasonably acceptable to Hospitality, as detailed above);

– to treat as valid, Forms of Acceptance and Transfer (pink) that have not been completed in accordance with the instructions set out in this Circular and the Form of Acceptance and Transfer (pink); and

– to require proof of the authority of the person signing a Form of Acceptance and Transfer (pink), where such proof has not been lodged with, or recorded by, the Transfer Secretaries.

### 7.8 Settlement of the General Offer Consideration

#### 7.8.1 In the event that the General Offer is implemented and becomes wholly unconditional, General Offer Participants will be entitled to receive the General Offer Consideration in respect of the General Offer Shares Tendered by them in terms of the General Offer.

#### 7.8.2 Settlement of the General Offer Consideration shall be subject to the Exchange Control Regulations, the salient provisions of which are set out in Annexeure 6 to this Circular.

#### 7.8.3 Settlement of the General Offer Consideration will be administered and effected by Tsogo Sun Hotels or the Transfer Secretaries, on behalf of Tsogo Sun Hotels.

#### 7.8.4 Tsogo Sun Hotels’ obligation to make payment of the General Offer Consideration to the General Offer Participants will be fully and finally discharged upon Tsogo Sun Hotels making payment of the General Offer Consideration to the Transfer Secretaries.

#### 7.8.5 Dematerialised Hospitality Shareholders

If the General Offer is implemented and becomes wholly unconditional, General Offer Participants who hold Dematerialised Hospitality Shares will have their accounts held at their Broker or CSDP debited with the relevant number of General Offer Shares and credited with the General Offer Consideration in respect of such General Offer Shares, on the General Offer Payment Date.

#### 7.8.6 Certificated Hospitality Shareholders

##### 7.8.6.1 If the General Offer is implemented and becomes wholly unconditional, General Offer Participants who hold Certificated Hospitality Shares and who deliver a duly completed Form of Acceptance and Transfer (pink) and surrender their Documents of Title to the Transfer Secretaries in accordance with the instructions set out in the section “Action Required by Hospitality Shareholders in respect of the General Offer” of this Circular on or before 12:00 on the General Offer Closing Date, will have their CSDP or Broker accounts credited with the General Offer Consideration, within three Business Days of the relevant General Offer Payment Date; or

##### 7.8.6.2 If any Certificated Hospitality Shareholder fails to provide CSDP or Broker details for any reason whatsoever, Hospitality will be entitled to hold the General Offer Consideration in trust until it is claimed by any person legally entitled to it, for a maximum period of five years, after which period Hospitality shall be entitled to dispose of the General Offer
Consideration at the ruling market price, less the costs incurred in disposing of the relevant Tsogo Sun Hotels Shares and pay such funds over to the Guardians Fund of the Master of the High Court. No interest will accrue or be paid on any General Offer Consideration so held in trust.

7.9 Compulsory acquisition in terms of section 124 of the Companies Act

7.9.1 In the event that the General Offer is implemented and accepted by at least 90% of Eligible Shareholders, Tsogo Sun Hotels may, at its election, invoke the provisions of section 124(1) of the Companies Act, to compulsorily acquire all of the General Offer Shares not already tendered by the Eligible Shareholders.

7.9.2 Should the requisite number of acceptances be obtained to allow the provisions of section 124(1) of the Companies Act to be invoked and if Tsogo Sun Hotels does so invoke, a circular will be sent to the Remaining Shareholders and which circular will incorporate a notice, as envisaged in section 124(1)(a) of the Companies Act, and a further form of acceptance.

7.9.3 The provisions of section 124 of the Companies Act are set out in Annexure 9 to this Circular.

7.10 General

Within one Business Day of the fulfilment or waiver, to the extent permitted, of all of the General Offer Conditions Precedent, Tsogo Sun Hotels shall execute a written certificate to such effect. Upon execution of the aforementioned certificate, all of the General Offer Conditions Precedent shall be deemed to have been fulfilled or waived, to the extent permitted, notwithstanding that Tsogo Sun Hotels may subsequently discover that any General Offer Condition Precedent may not have been fulfilled or waived (as applicable).

8. FRACTIONS

8.1 Where an Offer Participant’s entitlement to the Offer Consideration, results in a fractional Tsogo Sun Hotels Share entitlement, such fraction of a Tsogo Sun Hotels Share will be rounded down to the nearest whole number, resulting in allocations of whole Tsogo Sun Hotels Shares and a cash payment will be made to the Offer Participant for the fraction.

8.2 The applicable cash payment will be determined with reference to the volume weighted average traded price of a Tsogo Sun Hotels Share traded on the JSE on Tuesday, 15 December 2020, discounted by 10%. The basis for the applicable cash payment will be announced on SENS on Thursday, 17 December 2020.

9. AUTHORITY TO IMPLEMENT THE SCHEME, GENERAL OFFER AND DELISTING

At the General Meeting, the following Resolutions, amongst others, regarding approvals required to implement the Scheme and the Delisting will be proposed to Eligible Shareholders:

9.1 as a Special Resolution, the approval of the Scheme in terms of section 115(2) of the Companies Act; and

9.2 as an Ordinary Resolution, the Delisting of all the Shares on the Main Board of the JSE in accordance with paragraphs 1.15(a) and 1.16 of section 1 of the Listings Requirements.

10. NOTICE OF THE GENERAL MEETING

The General Meeting will be held at the via Microsoft Teams at 11:00 on Thursday, 19 November 2020 (or any other adjourned or postponed date and time in accordance with the provisions of section 64 of the Companies Act and the MOI, as read with the Listings Requirements) to consider and, if deemed fit, approve, with or without modification, the Resolutions.

The Notice convening the General Meeting is attached to and forms part of this Circular.

11. SUSPENSION AND TERMINATION OF THE HOSPITALITY LISTING

Subject to the Scheme becoming unconditional and the Scheme being implemented, or in the event of the General Offer being implemented and the Delisting being approved by Shareholders, the JSE has granted approvals for the termination of the listing of Hospitality Shares on the main board of the JSE. The dates of the commencement of the termination of the listing will be confirmed in due course, but the expected dates of such termination have been set out in the table of salient dates and times contained on pages 12 and 13.
12. **TSOGO SUN HOTELS’ INTENTIONS REGARDING THE CONTINUATION OF HOSPITALITY POST THE TSOGO SUN HOTELS OFFER**

12.1 The effect of the Scheme will be that Tsogo Sun Hotels will, with effect from the Scheme Implementation Date, become the registered and beneficial owner of all the Scheme Shares, whilst the effect of the General Offer will be that Tsogo Sun Hotels will likely increase its interest in Hospitality.

12.2 The nature of Hospitality’s business is not likely to change significantly pursuant to the Delisting, but Hospitality will no longer qualify as a Real Estate Investment Trust (“REIT”) pursuant to its Delisting. The composition of the Hospitality Board will be considered and will likely be reconstituted in light of the reduced governance requirements for an unlisted company in accordance with the Companies Act requirements following the Delisting.

13. **SHARE CAPITAL OF HOSPITALITY**

The authorised and issued ordinary Shares of Hospitality at the Last Practicable Date is set out in the table below:

<table>
<thead>
<tr>
<th>Shares</th>
<th>R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Shares</td>
<td></td>
</tr>
<tr>
<td>Authorised</td>
<td></td>
</tr>
<tr>
<td>2,000,000,000 ordinary shares of no par value</td>
<td></td>
</tr>
<tr>
<td>Issued Ordinary Shares</td>
<td></td>
</tr>
<tr>
<td>578 154 207 ordinary shares of no par value</td>
<td>9 051 194</td>
</tr>
<tr>
<td>Treasury Shares</td>
<td></td>
</tr>
<tr>
<td>562 774 ordinary shares of no par value</td>
<td>(9 995)</td>
</tr>
</tbody>
</table>

14. **DIRECT BENEFICIAL INTERESTS IN HOSPITALITY SHARES**

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

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of Shares</th>
<th>Percentage of total issued Shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsogo Sun Hotels Group</td>
<td>453 850 261</td>
<td>75.4</td>
</tr>
<tr>
<td>Coronation Fund Managers</td>
<td>99 330 874</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>553 181 135</strong></td>
<td><strong>92.6</strong></td>
</tr>
</tbody>
</table>

14.2 Dealings in Hospitality Shares by Tsogo Sun Hotels and its directors for the period beginning six months before the publication date of this Circular and ending on the Last Practicable Date are as follows:

<table>
<thead>
<tr>
<th>Party</th>
<th>Date</th>
<th>Transaction type (buy/sell)</th>
<th>Volume of Hospitality Shares</th>
<th>Volume of Hospitality Shares issued in exchange for Share exchange ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsogo Sun Hotels Limited</td>
<td>27 July 2020</td>
<td>Buy</td>
<td>46 137 907</td>
<td>81 664 082</td>
</tr>
<tr>
<td>Elstime Proprietary Limited (“Elsitime”)</td>
<td>18 August 2020</td>
<td>Sell</td>
<td>559 746</td>
<td>990 750</td>
</tr>
<tr>
<td>Tsogo Sun Hotels Limited</td>
<td>18 August 2020</td>
<td>Buy</td>
<td>559 746</td>
<td>990 750</td>
</tr>
<tr>
<td>Tsogo Sun Hotels Limited</td>
<td>25 August 2020</td>
<td>Buy</td>
<td>44 772 590</td>
<td>79 247 479</td>
</tr>
<tr>
<td>Tsogo Sun Hotels Limited</td>
<td>1 September 2020</td>
<td>Buy</td>
<td>2 387 453</td>
<td>4 225 791</td>
</tr>
</tbody>
</table>
Notes:
(1) MN von Aulock, who is a director of both Tsogo Sun Hotels and Hospitality is a 75% shareholder in Elsitime and L McDonald, who is a director of both Tsogo Sun Hotels and Hospitality is a 25% shareholder in Elsitime.
(2) Each of the above transactions were concluded by way of a share for share transaction whereby Tsogo Sun Hotels acquired the Hospitality Shares in exchange for Tsogo Sun Hotels Shares, at a ratio of 1.77 Tsogo Sun Hotels Shares for every Hospitality Share acquired. No cash consideration has been paid.

14.3 Interests of Directors of Hospitality in Hospitality Shares
At the Last Practicable Date, one of the Directors of Hospitality held, directly and indirectly, a beneficial interest in 1 Hospitality Share, representing approximately 0.0% of the total Hospitality Shares in issue at that date. The direct and indirect beneficial interests of the directors of Hospitality are as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Direct and indirect beneficial</th>
<th>Percentage of issued Shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riaan Erasmus</td>
<td>Direct</td>
<td>0.00</td>
</tr>
</tbody>
</table>

14.4 Interests of directors of Tsogo Sun Hotels in Hospitality Shares
At the Last Practicable Date, the directors of Tsogo Sun Hotels did not hold any beneficial interest, directly or indirectly, in Hospitality Shares.

15. DIRECT AND INDIRECT BENEFICIAL INTERESTS IN TSOGO SUN HOTELS
As at the Last Practicable Date, the Directors of Hospitality and the directors of Tsogo Sun Hotels held, directly and indirectly, beneficial interests in 6 604 105 Tsogo Sun Hotels Shares, representing approximately 0.54% of the total Tsogo Sun Hotels Shares in issue at that date. The direct and indirect beneficial interests of Directors of Hospitality and the directors of Tsogo Sun Hotels in Hospitality Shares are as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Direct beneficial</th>
<th>Indirect beneficial</th>
<th>Percentage of issued Shares held pre-Offer</th>
<th>Percentage of issued Shares held post Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN von Aulock</td>
<td>–</td>
<td>3 659 451</td>
<td>0.30</td>
<td>0.25</td>
</tr>
<tr>
<td>L McDonald</td>
<td>46 377</td>
<td>247 687</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>JA Copelyn</td>
<td>–</td>
<td>2 591 111</td>
<td>0.21</td>
<td>0.18</td>
</tr>
<tr>
<td>JR Nicolella</td>
<td>–</td>
<td>59 479</td>
<td>0.01</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| Total      | 46 377            | 6 557 728           | 0.54                                       | 0.45                                       |

16. FINANCIAL INFORMATION RELATING TO HOSPITALITY
16.1 Extracts from the audited annual financial statements relating to Hospitality for the three years ended 31 March 2020, 2019 and 2018 are contained in Annexure 2 to this Circular.
16.2 Save for the recognition of deferred tax as a result of Hospitality no longer meeting REIT requirements, the financial position of Hospitality is not expected to change as a result of the Tsogo Sun Hotels Offer and as such no pro forma financial information has been included in this Circular.

17. FINANCIAL INFORMATION RELATING TO TSOGO SUN HOTELS
17.1 Extracts from the audited annual financial statements relating to Tsogo Sun Hotels for the three years ended 31 March 2020, 2019 and 2018 are contained in Annexure 3 to this Circular.
17.2 The pro forma financial information relating to Tsogo Sun Hotels for the year ended 31 March 2020 is contained in Annexure 4 to this Circular and the independent reporting accountants report thereon is contained in Annexure 5.
18. **LITIGATION STATEMENT**

The Hospitality Independent Board is not aware of any legal or arbitration proceedings including any proceedings that are pending or threatened that may have or may have had in the 12 months preceding the Last Practicable Date a material effect on Hospitality’s financial position.

19. **HOSPITALITY DIRECTORS’ SERVICE CONTRACTS AND REMUNERATION**

19.1 The composition of the Hospitality Board will be considered and may be reconstituted in light of the governance requirements for an unlisted company in accordance with the Companies Act requirements following the Delisting.


20. **OTHER ARRANGEMENTS**

Save for the Implementation Agreement, no arrangements, agreements or understandings which have any connection with or dependence on the Scheme or General Offer exist between Hospitality, Hospitality Shareholders, Tsogo Sun Hotels or any person acting in concert with any of them, or between any director of Hospitality or any person who was a director of Hospitality within the period commencing 12 months prior to the date on which the details of the Scheme and General Offer were published, or between the aforementioned and any person who is or was a Hospitality Shareholder within the abovementioned period.

21. **OPINIONS AND RECOMMENDATIONS**

21.1 **Appointment of the Independent Expert**

The Hospitality Independent Board has appointed the Independent Expert, an independent adviser acceptable to the TRP, to provide a fair and reasonable opinion regarding the Scheme and the General Offer, and to make appropriate recommendations to the Hospitality Independent Board in the form of a report contemplated in section 114(3) of the Companies Act and as contemplated in Regulation 90 of the Takeover Regulations. Similarly, in accordance with paragraph 1.15(d) of section 1 and Schedule 5 of the Listings Requirements, the Hospitality Independent Board appointed the Independent Expert for the purposes of providing external advice in regard to the fairness of the General Offer Consideration in so far as same relates to the Delisting, in the event that the Scheme does not become operative but the General Offer is implemented. The Independent Expert’s report on the Scheme and the General Offer is set out in Annexure 1 to this Circular.


21.2.1 The Independent Expert has, as contemplated in Regulation 110(3) of the Takeover Regulations, performed a valuation on the Hospitality Shares.

21.2.2 The report of the Independent Expert also includes the items required by section 114(3) of the Companies Act.

21.2.3 Taking into consideration the terms and conditions of the Scheme and General Offer, the Independent Expert is of the opinion that such terms and conditions are fair and reasonable to Scheme Participants and General Offer Participants, respectively. Hospitality Shareholders are referred to Annexure 1 to this Circular which sets out the full text of the report of the Independent Expert regarding the Scheme and the General Offer.

21.3 **Views of the Hospitality Independent Board**

21.3.1 The Hospitality Independent Board, after due consideration of the report of the Independent Expert regarding the Scheme, and in accordance with its responsibilities in terms of Regulation 110 of the Takeover Regulations, has formed a view of the range of the fair value of the Hospitality Shares, which accords with the valuation range contained in the Independent Expert’s opinion. As explained in the opinion of the Independent Expert, Covid-19 has had a significant impact on the hospitality industry and the fair value of hotels and their underlying businesses. The medium and long term impact of
Covid-19 on the valuation of the relevant immovable properties and the operating businesses in the hospitality industry remains very uncertain, and will be dependent on numerous variable factors. Accordingly, certain assumptions have had to be made by the Independent Expert on the anticipated historic and future impact of Covid-19 on Tsogo Sun Hotels and Hospitality and their underlying assets and businesses, with which assumptions the Hospitality Independent Board agree as being reasonable under the circumstances. It should be noted that the nature of the business of Tsogo Sun Hotels and Hospitality are substantially similar and these two entities have in-principle the same economic drivers, particularly since hotels owned by Hospitality and operated by Tsogo Sun Hotels make up the vast majority of both groups’ economic value. Furthermore, the Offer Consideration comprises of shares in Tsogo Sun Hotels (which in turn owns more than 75% of the total Hospitality Shares). Covid-19 will therefore likely impact both Hospitality and Tsogo Sun Hotels in very similar ways.

21.3.2 The Hospitality Independent Board has not received any other offers (as such term is defined in the Companies Regulations) during the Offer Period or within six months before the Offer Period. As explained in paragraph 14.2, Tsogo Sun Hotels has acquired Shares from holders of Hospitality Shares during the past six months, all of which transactions were effected on a share for share basis at an exchange ratio of 1.77 Tsogo Sun Hotels Shares for every Share sold (i.e. an exchange ratio equal to the Offer Consideration). The Offer Consideration is above the Independent Expert’s valuation range for the fair value per Hospitality Share.

21.3.3 The Hospitality Independent Board, taking into account the report of the Independent Expert regarding the Scheme and the General Offer, has considered the terms and conditions thereof, and are unanimously of the opinion that the terms and conditions of the Scheme and the General Offer are fair and reasonable to Eligible Shareholders and, accordingly, recommend that Hospitality Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

21.4 Views of the Hospitality Board

21.4.1 Hospitality Shareholders should take note that the Hospitality Board, taking into account the report of the Independent Expert regarding the Scheme and the General Offer, has considered the terms and conditions thereof, and are unanimously of the opinion that the terms and conditions of the Scheme and the General Offer are fair and reasonable to Eligible Shareholders and recommends that Hospitality Shareholders vote in favour of the Resolutions.

21.4.2 In terms of paragraph 1.15(d) of section 1 of the Listings Requirements the Hospitality Board taking into account the report of the Independent Expert regarding the General Offer, insofar as it relates to the Delisting, has considered the terms and conditions thereof, and are unanimously of the opinion that the terms and conditions of the General Offer are fair to the Eligible Shareholders and recommends that Hospitality Shareholders vote in favour of the Delisting Resolution and accept the General Offer.

21.5 Voting of the Hospitality Board

Hospitality Directors who are Hospitality Shareholders intend to vote in favour of the Scheme at the General Meeting or accept the General Offer, whichever is applicable.

21.6 Views of the Tsogo Sun Hotels Board

Tsogo Sun Hotels believes that the Offer is in the best interests of both Tsogo Sun Hotels and Hospitality Shareholders, as well as other stakeholders of the businesses. Accordingly, Tsogo Sun Hotels recommends that the Hospitality Shareholders vote in favour of the resolutions required to approve the Scheme and accept the General Offer.

22. RESPONSIBILITY STATEMENTS

The Hospitality Board and the Hospitality Independent Board, collectively and individually, accepts responsibility for the information contained in this Circular. In addition, the Hospitality Independent Board certifies that, to the best of their knowledge and belief, the information contained in this Circular is true and, where appropriate, the Circular does not omit anything that is likely to affect the importance of the information contained in this Circular.

In compliance with Regulation 106(4)(i), Tsogo Sun Hotels accepts responsibility for the information contained in the Circular to the extent that it relates to Tsogo Sun Hotels and to the best of its knowledge and belief, the information contained in this Circular is true and nothing has been omitted which is likely to affect the importance of the information herein.
23. **CONSENTS**

All the parties listed in the section entitled “Corporate information and advisers” have consented in writing to act in the capacities stated and to their names being stated in this Circular and, where applicable, to the inclusion of their reports in the form and context in which they have been reproduced in this Circular, and have not withdrawn their consents prior to publication of this Circular.

24. **COSTS OF THE SCHEME AND EXPENSES**

The following expenses and provisions are expected or have been provided for in connection with the Scheme and the Delisting. All the fees payable to the parties below are exclusive of value added tax:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Payable to</th>
<th>Rand ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial adviser</td>
<td>Investec Bank</td>
<td>2 000</td>
</tr>
<tr>
<td>Legal adviser fees</td>
<td>ENSafrica</td>
<td>340</td>
</tr>
<tr>
<td>Independent Expert fees</td>
<td>BDO</td>
<td>150</td>
</tr>
<tr>
<td>Independent Reporting Accountant fees</td>
<td>PwC</td>
<td>445</td>
</tr>
<tr>
<td>Printing and other costs</td>
<td>Various</td>
<td>95</td>
</tr>
<tr>
<td>JSE documentation fees</td>
<td>JSE</td>
<td>92</td>
</tr>
<tr>
<td>JSE share listing fees</td>
<td>JSE</td>
<td>170</td>
</tr>
<tr>
<td>TRP documentation fees</td>
<td>TRP</td>
<td>125</td>
</tr>
<tr>
<td>Miscellaneous costs</td>
<td>Various</td>
<td>33</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>3 450</strong></td>
</tr>
</tbody>
</table>

25. **FOREIGN SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS**

Annexure 6 to this Circular contains a summary of the Exchange Control Regulations as they apply to Offer Participants. Offer Participants who are Foreign Shareholders must satisfy themselves as to the full observance of the laws of any relevant jurisdiction concerning the receipt of the Offer Consideration, including (without limitation) obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdiction. If in doubt, Offer Participants should consult their professional advisers immediately.

26. **RESTRICTED JURISDICTIONS**

To the extent that the release, publication or distribution of this Circular in certain jurisdictions outside of South Africa may be restricted or prohibited by the laws of such jurisdiction, then this Circular is deemed to have been provided for information purposes only and the Hospitality Board accepts no responsibility for any failure by Foreign Shareholders to inform themselves about, and to observe, any applicable legal requirements in any such relevant foreign jurisdiction.

Hospitality Shareholders who are in doubt as to their position should consult their professional advisers immediately.

27. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of Hospitality, and online at www.hpf.co.za from Thursday, 22 October 2020 up to and including the Scheme Implementation Date or, if the General Offer is implemented, the General Offer Payment Date:

- the MOI of Hospitality;
- the memorandum of incorporation of Tsogo Sun Hotels;
- the signed opinion of the Independent Expert;
- the Independent Reporting Accountant’s report on the pro forma financial information of Tsogo Sun Hotels, as reproduced in Annexure 5 and the consent letter;
- the consolidated audited annual financial statements of Hospitality for the three years ended 31 March 2018, 2019 and 2020;
- the consolidated audited annual financial statements of Tsogo Sun Hotels for the three years ended 31 March 2018, 2019 and 2020;
• the consents referred to in paragraph 23;
• the letter of approval of this Circular from the TRP;
• a signed copy of the Implementation Agreement; and
• a signed copy of this Circular and all annexures hereto.

Signed on 12 October 2020 by the Hospitality Independent Board

J Awbrey
T Mosololi
D Smith

Signed on 12 October 2020 by M de Lima on behalf of the Hospitality Board as authorised by the authorising Directors resolution, as signed by such authorised Director

M de Lima
Chief Executive Officer

Signed on 12 October 2020 by M von Aulock on behalf of the Tsogo Sun Hotels board of directors as authorised by the board of directors’ authorising resolution, as signed by such authorised Director

M von Aulock
Chief Executive Officer
OPINION OF THE INDEPENDENT EXPERT

The Independent Board
Hospitality Property Fund Limited
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055

12 October 2020

Dear Sirs/Mesdames

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO HOSPITALITY PROPERTY FUND LIMITED REGARDING THE TSOGO SUN HOTELS OFFER

Introduction

Further to the announcement released on the Stock Exchange News Service of the JSE Limited ("JSE") ("SENS") on 30 September 2020 ("Cautionary Announcement"), and in terms of the joint firm intention announcement published on SENS on 7 October 2020 ("Firm Intention Announcement" or "FIA"), shareholders of Hospitality ("Shareholders" or "Hospitality Shareholders") and Tsogo Sun Hotels were advised that Hospitality and Tsogo Sun Hotels have entered into an implementation agreement on 6 October 2020 ("Implementation Agreement") pursuant to which Tsogo Sun Hotels has delivered notice to Hospitality of its firm intention to make an offer ("Offer" or "Tsogo Sun Hotels Offer") to acquire all of the Hospitality ordinary shares ("Hospitality Shares"), other than the Hospitality Shares already owned by Tsogo Sun Hotels and its subsidiaries ("Tsogo Sun Hotels Group"), excluding shares held as treasury shares ("Treasury Shares") being a maximum of 142,303,946 Hospitality Shares, by the issue of ordinary shares in the issued share capital of Tsogo Sun Hotels ("Tsogo Sun Hotels Shares") at a ratio of 1.77 Tsogo Sun Hotels Shares per Hospitality Share acquired by Tsogo Sun Hotels. The Tsogo Sun Hotels Offer will be implemented by way of a single offer comprising:

• a scheme of arrangement in terms of section 114(1) of the Companies Act 71 of 2008 ("Companies Act"), proposed by the board of directors of Hospitality ("Hospitality Board" or "Directors of Hospitality") to Hospitality Shareholders in terms of which Tsogo Sun Hotels shall acquire all of the Hospitality Shares held by Hospitality Shareholders other than Tsogo Sun Hotels Group ("Scheme Participants"), net of Treasury Shares ("Scheme Shares") for a consideration of 1.77 Tsogo Sun Hotels Shares for every one Scheme Share held by Scheme Participants ("Scheme Consideration") ("Scheme");

• if the Scheme fails to be implemented in accordance with its terms, a general offer by Tsogo Sun Hotels to Hospitality Shareholders who are eligible to receive the Tsogo Sun Hotels Offer ("General Offer Participants") in terms of sections 117(1)(c)(v) of the Companies Act and paragraphs 1.15(c) of section 1 of the listings requirements of the JSE ("Listings Requirements") ("General Offer") for a consideration of 1.77 Tsogo Sun Hotels Shares for every one share ("General Offer Share") held by General Offer Participants ("General Offer Consideration"); and

• the termination of the listing of all Hospitality Shares from the main board of the exchange operated by the JSE pursuant to the implementation of the Scheme or, if the Scheme fails, the General Offer being implemented, provided that the necessary shareholder approval is obtained ("Delisting").

To the extent that the General Offer proceeds, Hospitality Shareholders will be requested to vote on the Delisting in terms of paragraph 1.14 of the Listings Requirements.

As at the date of this letter, the authorised and issued share capital of the Company comprises the following:

• authorised ordinary share capital comprising:
  - 2,000,000,000 Hospitality Shares

• issued ordinary share capital comprising:
  - 578,154,207 Hospitality Shares of which 562,774 Hospitality Shares are held as Treasury Shares.

Full details of the Tsogo Sun Hotels Offer are contained in the circular to Shareholders, dated Wednesday, 21 October 2020 ("Circular"), which will include a copy of this letter.
The material interests of the directors are set out in paragraphs 15 and 16 of the Circular and the effects of the Scheme on those interests and persons are set out in this section of the Circular.

Extracts of sections 115 and 164 of the Companies Act are set out in Annexures 5 and 6 respectively of the Circular and are incorporated herein by reference for purposes of section 114(3)(g) of the Companies Act.

Reports required in respect of the Tsogo Sun Hotels Offer
The Tsogo Sun Hotels Offer (which includes the Scheme and the General Offer) constitutes an “affected transaction” as defined in section 117(1)(c) of the Companies Act. It will be implemented in accordance with the Companies Act and the Companies Regulations, 2011 (“Takeover Regulations”) and will be regulated by the Takeover Regulation Panel (“TRP”).

In terms of the Tsogo Sun Hotels Offer and if the Scheme is implemented, Tsogo Sun Hotels will acquire the Scheme Shares from the Scheme Participants for the Scheme Consideration, whereupon Hospitality will become a wholly owned subsidiary of Tsogo Sun Hotels.

The independent board of Hospitality appointed in accordance with Regulation 108(8) of the Takeover Regulations (“Hospitality Independent Board”) is required to retain an independent expert to express an opinion dealing with the matters set out in sections 48(8), 114(2) and 114(3) of the Companies Act and regulations 90, 110(1) and 113(1)(a) of the Takeover Regulations, on whether the Scheme Consideration and General Offer Consideration in relation to the Tsogo Sun Hotels Offer is fair and reasonable to Scheme Participants and General Offer Participants, as the case may be (the “Fair and Reasonable Opinion”).

The Hospitality Independent Board has appointed BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance” or “the Independent Expert”) as the independent expert, as required in terms of section 114(2) of the Companies Act and the Takeover Regulations, to issue the Fair and Reasonable Opinion.

In terms of paragraph 1.15(d) of the Listings Requirements, the Hospitality Board is required to obtain a fairness opinion from an independent professional expert confirming whether the General Offer is fair insofar as Hospitality Shareholders are concerned.

BDO Corporate Finance has been appointed as the independent professional expert by the Hospitality Independent Board to provide the Fairness Opinion in respect of the General Offer.

Responsibility
Compliance with the Listings Requirements is the responsibility of the Hospitality Board. Compliance with the Companies Act and the Takeover Regulations is the responsibility of the Hospitality Independent Board. Our responsibility is to report to the Hospitality Independent Board and Hospitality Shareholders on whether the terms and conditions of the Tsogo Sun Hotels Offer are fair and reasonable to Hospitality Shareholders.

Explanation as to how the terms “fair” and “reasonable” apply in the context of the Tsogo Sun Hotels Offer
The “fairness” of a transaction is based on quantitative issues. A transaction will generally be considered to be fair to a company’s shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The Tsogo Sun Hotels Offer will be considered fair if the Scheme Consideration and General Offer Consideration is considered to be equal to or more than the market value per Hospitality Share and unfair if the Scheme Consideration and General Offer Consideration is less than the market value per Hospitality Share.

The assessment of reasonableness of the Tsogo Sun Hotels Offer (in respect of the Scheme) is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration to be paid in respect of an offer may be lower than the market value, the offer may be considered reasonable after considering other significant qualitative factors. The offer may be said to be reasonable if the offer consideration is greater than the trading price of an offer share as at the time of announcement of the offer consideration, or at some other more appropriate identifiable time.

Detail and sources of information
In arriving at our opinion, we have relied upon the following principal sources of information:

- The Implementation Agreement;
- The terms and conditions of the Tsogo Sun Hotels Offer, as set out in the Circular and FIA;
- Audited consolidated financial statements of Hospitality and Tsogo Sun Hotels for the year ended 31 March 2020;
- Unaudited year-to-date management accounts of Tsogo Sun Hotels and Hospitality for the period ended 31 August 2020;
- Forecast financial information of Tsogo Sun Hotels for the financial years ending March 2026 and of Hospitality for the financial years ending March 2022;
• Working capital packs of Tsogo Sun Hotels and Hospitality on a per month basis for the financial years ending 31 March 2021 and 31 March 2022;
• Independent valuation reports as at 31 March 2020 for the domestic property portfolio of Tsogo Sun Hotels (“Tsogo Sun Hotels Independent Property Valuations”), comprising nine properties, prepared by Norman Griffiths & Associates;
• Internal valuation reports as at 31 March 2020 for the international property portfolio, comprising seven properties, prepared by management of Tsogo Sun Hotels (“Tsogo Sun Directors Property Valuations”);
• Independent valuation reports as at 31 March 2018 for the vacant land property portfolio (“Vacant Land Property Valuations”) of Tsogo Sun Hotels (“Tsogo Sun Hotels Vacant Land Property Valuations”), comprising three properties, prepared by Norman Griffiths & Associates, being the most recent valuation reports performed in respect of vacant land held by Tsogo Sun Hotels;
• Independent valuation reports as at 31 March 2020 for the property portfolio of Hospitality (“Hospitality Independent Property Valuations”), comprising 54 properties, prepared by the De Leeuw Group;
• Discussions with Directors and/or management of Hospitality, management and/or advisors of Tsogo Sun Hotels Group regarding the rationale for the Tsogo Sun Hotels Offer;
• Discussions with Directors and/or management of Hospitality, management and/or advisors of Tsogo Sun Hotels Group regarding historical and forecast financial information of Tsogo Sun Hotels and Hospitality;
• Trading history in respect of Tsogo Sun Hotels and Hospitality and exchange rates as per Thomson Reuters and Iress Limited;
• Discussions with Directors and/or management of Hospitality, management and/or advisors of Tsogo Sun Hotels Group on prevailing market, economic, legal and other conditions which may affect underlying value; and
• Publicly available information relating to Tsogo Sun Hotels as well as peer companies of Tsogo Sun Hotels and Hospitality and the hospitality property sector in general.

The information above was secured from:
• Directors and/or management of Hospitality and management and/or advisors of Tsogo Sun Hotels Group; and
• Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Hospitality.

**Procedures**

In arriving at our opinion, we have undertaken the following procedures in evaluating the fairness and reasonableness of the Tsogo Sun Hotels Offer:

• Reviewed the terms and conditions of the Tsogo Sun Hotels Offer;
• Reviewed the audited and other financial information related to Tsogo Sun Hotels and Hospitality, as detailed above;
• Reviewed and obtained an understanding from Directors and/or management of Hospitality, management and/or advisors of Tsogo Sun Hotels Group as to the historical and forecast financial information of each company and in respect of the underlying investment property assets owned by Tsogo Sun Hotels and Hospitality;
• Reviewed the historical and forecast financial information of Tsogo Sun Hotels and Hospitality as detailed above;
• Considered the professional competency and qualifications of the Independent Property Valuers;
• Reviewed the Tsogo Sun Hotels Independent Property Valuations, Tsogo Sun Directors Property Valuations, Vacant Land Property Valuations and Hospitality Independent Property Valuations and considered the valuation methodologies and assumptions applied. Based on our review, we are satisfied that the valuation approaches adopted are consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the Tsogo Sun Hotels Independent Property Valuations, Tsogo Sun Directors Property Valuations, Vacant Land Property Valuations and Hospitality Independent Property Valuations and are placing reliance thereon;
• Analysed publicly available financial information for companies selected as peer companies of Tsogo Sun Hotels and Hospitality;
• Prepared a valuation of a Tsogo Sun Hotels Share and a Hospitality Share as detailed hereafter;
• Performed a sensitivity analysis on key assumptions included in the valuations;
• Held discussions with certain Directors and/or management of Hospitality and management and/or advisors of Tsogo Sun Hotels Group to further corroborate the underlying assumptions used in the forecast financial information;
• Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the hospitality property sector generally;
• Assessed the long-term potential of Tsogo Sun Hotels’ and Hospitality’s businesses and prospects;
• Considered the volume weighted average price ("VWAP") per share of a Tsogo Sun Hotels Share and a Hospitality Share on a 30-, 60- and 90-day period;
• Evaluated the relative risks associated with Tsogo Sun Hotels and Hospitality and the hospitality property sector in the markets where they operate;
• Reviewed certain publicly available information relating to Tsogo Sun Hotels and Hospitality including company announcements, media articles and available analyst coverage;
• Where relevant, representations made by Directors and/or management of Hospitality, management and/or advisors of Tsogo Sun Hotels Group were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Tsogo Sun Hotels and Hospitality operate, and to analyse external factors that could influence the companies; and
• Held discussions with Directors and/or management of Hospitality, management and/or advisors of Tsogo Sun Hotels Group as to their strategy and the rationale for the Tsogo Sun Hotels Offer and assessed prevailing economic and market conditions and trends in the hospitality property sector in the markets where Tsogo Sun Hotels and Hospitality operate.

Key qualitative considerations
In arriving at our opinion, we have considered, in addition to the procedures referred to above, other key factors, including inter alia the rationale for the Tsogo Sun Hotels Offer as set out in the Circular.

Assumptions
We arrived at our opinion based on the following assumptions:
• That all agreements that have been entered into in terms of the Tsogo Sun Hotels Offer will be legally enforceable;
• That the Tsogo Sun Hotels Offer will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Hospitality; and
• That reliance can be placed on the financial information of Hospitality.

Appropriateness and reasonableness of underlying information and assumptions
We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:
• Placing reliance on audit reports in the financial statements of Hospitality and Tsogo Sun Hotels;
• Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
• Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Tsogo Sun Hotels and Hospitality and the economic environment in which the companies operates.

Limiting conditions
This opinion has been given to the Hospitality Independent Board for the sole purpose of assisting the Hospitality Independent Board in forming and expressing an opinion for the benefit of the Hospitality Shareholders. The opinion does not purport to cater for each individual Hospitality Shareholders' perspective, but rather that of the general body of Hospitality Shareholders. Should a Hospitality Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual shareholder's decision as to whether to vote in favour of the Tsogo Sun Hotels Offer may be influenced by his particular circumstances. The assessment as to whether or not the Hospitality Independent Board decides to recommend the Tsogo Sun Hotels Offer is a decision that can only be taken by the Hospitality Independent Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Hospitality and Tsogo Sun Hotels relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Tsogo Sun Hotels and Hospitality will correspond to those projected. We have, however, compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.
We have also assumed that the Tsogo Sun Hotels Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and legal advisors of Hospitality and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

Independence, competence and fees

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Hospitality Shares or the Tsogo Sun Hotels Offer, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3)(a) of the Takeover Regulations, that we are independent in relation to the Tsogo Sun Hotels Offer and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

We confirm that neither we, nor any person related to us (as contemplated in the JSE Listings Requirements), have any relationship with Hospitality or with any party involved in the Delisting as contemplated in paragraph 5.12 of schedule 5 of the Listings Requirements and have not had such relationship within the immediately preceding two years.

Furthermore, we confirm that our professional fees of R150,000 (excluding VAT) are not contingent upon the success of the Tsogo Sun Hotels Offer.

Valuation approach

In considering the terms and conditions of the Tsogo Sun Hotels Offer, we performed an independent valuation of a Tsogo Sun Hotels Share and Hospitality Share on a “sum of the parts” (“SOTP”) basis, as at 31 August 2020 using property valuations as at 31 March 2020. Whilst we note that both Hospitality and Tsogo Sun Hotels have performed forecast cash flows, in the case of Tsogo Sun Hotels to 31 March 2026 and in the case of Hospitality to 31 March 2022, due to the inherent forecast risk arising from Covid-19 we are of the opinion that a SOTP valuation is the most appropriate under these circumstances. The valuations were based on the following principal valuation methodologies:

- Property valuations for Tsogo Sun Hotels are based on the Tsogo Sun Hotels Independent Property Valuations, Tsogo Sun Directors Property Valuations and Vacant Land Property Valuations whereas property valuations for Hospitality are based on the Hospitality Independent Property Valuations. With the exception of the Vacant Land Property Valuations, the valuations reflect existing market conditions and were included in the per share valuations without adjustment. The fair values of the Vacant Land Property Valuations were reduced by 15% to allow for current market conditions based on our professional judgment, however we note that these properties comprise a small percentage of the fair value of Tsogo Sun Hotels’ total property portfolio, including the attributable Hospitality property portfolio of c.0.8%;
- The valuations of the management division through which the Tsogo Sun Group operates its hotel portfolio (“Tsogo Sun Manco”) and Hospitality head office were performed by applying the discounted cash flow (“DCF”) methodology as our primary approach. In addition, we considered the market approach (based on financial data for comparable publicly traded companies and for recent transactions) as a secondary methodology to support the results of the DCF valuation; and
- Debt and cash balances include the expected funding requirements related to the Covid-19 pandemic.

We determined appropriate valuation discount of 25% to the SOTP which we used in our valuation to derive a fair value per Tsogo Sun Hotels Share and Hospitality Share, i.e. price to SOTP of 0.75x. Tsogo Sun Hotels’ attributable 75.46% interest in Hospitality was determined based on the fair value per Hospitality Share using the above approach.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Tsogo Sun Hotels and Hospitality. The nature of the business of Tsogo Sun Hotels and Hospitality are substantially similar and have in-principle the same economic drivers.

We found that the key value drivers in the property valuations comprises a fair market rental which would be paid by any other non-related hotel tenant to occupy and trade from the premises. The net operating income has then been discounted over the forecast period and capitalised in the terminal at appropriate market rates for the South African hotels and for the offshore hotels in other African countries, the Middle East and the Seychelles depending on location, property quality, star rating and long-term viability for the South African hotel operations.

Rental income is a function of number of rooms available, guest occupancy and rental rate per room in respect of each property.
The impact of Covid-19 and the associated impact on the hospitality industry has had a significant impact on the fair value of hotels at 31 March 2020. Due to the uncertainty of future trading conditions, the earnings before interest, tax, depreciation and amortisation ("EBITDA") forecasts utilised in the property valuation reduced in year one with 75% and in year two with 25% when compared to actuals as at 31 March 2020. Whilst there is no industry standard approach to accounting for Covid-19, based on our review, we are satisfied that these assumptions adequately and consistently address the impact of Covid-19 on the Tsogo Sun Hotels and Hospitality property portfolios.

As at 31 March 2020 the significant inputs to the DCF valuations of the combined property portfolios were as follows, being the key external value drivers:

- A weighted average rental growth rate of 5.19%;
- A terminal capitalisation rate of 9.00% – 13.50% (only five properties exceed 11.00%); and
- A risk-adjusted discount rate of 12.00% – 14.50% (only one property is lower than 13.00%).

The key internal value driver of the Manco and Hospitality head office is the earnings attributable to the Manco and the cost of the Hospitality head office. Both the Manco and Hospitality head office have been valued based on a DCF approach using a discount rate of 14.5% which implies a base case multiple of eight times EBITDA.

BDO Corporate Finance determined the value range by decreasing and increasing the discounts to SOTP to between 20% and 30%, i.e. a price to SOTP of between 0.70x and 0.80x and increasing and decreasing the implied EBITDA multiple by 0.5x. We note that the both companies are exposed to the same sector and that the valuations are relative. Also, the fair value of Tsogo Sun Hotels’ attributable interest in Hospitality comprises 55.6% of the SOTP value of Tsogo Sun Hotels. The sensitivity analysis did not indicate a sufficient effect to alter our opinion in respect of the Tsogo Sun Hotels Offer with the change in the fair swap ratio of a maximum of 2.1%.

Valuation results

In undertaking the valuation exercise above, we determined the following valuation ranges and implied swap ratios:

<table>
<thead>
<tr>
<th>Rand</th>
<th>Hospitality Share</th>
<th>Tsogo Sun</th>
<th>Implied ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low end of range</td>
<td>8.51</td>
<td>5.32</td>
<td>1.60</td>
</tr>
<tr>
<td>Core value</td>
<td>9.12</td>
<td>5.76</td>
<td>1.58</td>
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<tr>
<td>High end of range</td>
<td>9.73</td>
<td>6.21</td>
<td>1.57</td>
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</table>

Based on the above value ranges the minimum number of Tsogo Sun Shares to be issued as consideration for each Hospitality Share would be 1.57 Tsogo Sun Shares for each Hospitality Share. The Scheme Consideration and General Offer Consideration of 1.77 Tsogo Sun Shares for each Hospitality Share falls above the suggested range calculated from our valuation, i.e. a premium of 12.74%.

The valuation range above is provided solely in respect of this opinion and should not be used for any other purposes.

The offer consideration compared to the trading price

The Scheme Consideration represents a:

- 0% premium to the implied swap ratio by the closing price per Share on the JSE as at 29 September 2020, being the last business day immediately prior to the date of publication of the Tsogo Sun Hotels Offer; and
- 15.77% premium to the swap ratio of 1.53 implied by the 30-day volume weighted average prices (“VWAP”) up to and including 29 September 2020 being the last trading day prior to the issue of the Cautionary Announcement.

In arriving at our opinion, we have considered, in addition to the procedures referred to above, other key qualitative factors, which are set out below:

Rationale for the Tsogo Sun Hotels Offer as set out in the Circular

We have considered the rationale for the Tsogo Sun Hotels Offer which entails significantly reduced head office costs and the elimination of costs associated with maintaining a listing on the exchange operated by the JSE for Hospitality.

Real Estate Investment Trust (“REIT”) status and Covid-19 implications

Covid-19 has resulted in the Mount Grace and Hazyview hotel tenants applying for liquidation, resulting in these two hotels being vacant without any tenants. The lease agreement for The Edward in Durban came to an end at 30 June 2020 and has subsequently not been renewed. Tsogo Sun Hotels has taken over the management of the Mount Grace, Hazyview and The Edward hotels subsequent to 31 March 2020. We note that the hotel trading results will be accounted for in Hospitality’s financial results as opposed to rentals only. Due to these changes along with further potential similar instances, there is a risk that Hospitality rental revenue may be less than 75% of its income which would risk Hospitality’s
REIT status. We note that, together with the hotels mentioned previously, the Radisson Blu Gautrain Hotel is also accounted for as owner occupied from 1 October 2020.

*Breach of lending covenants*

As disclosed in the 2020 Annual Financial Statements, Hospitality’s properties were required to be closed, and Hospitality was unable to generate revenue during the lockdown period. This, together with the slow recovery since the hotels have begun to open and operate, result in Hospitality not being able to meet its net debt to EBITDA covenant requirement in terms of its funding agreements for the measurement period 30 September 2020 and is also not expected to meet its net debt to EBITDA covenant requirement (and possibly interest cover ratio) at 31 March 2021. We understand that the lenders have waived the net debt to EBITDA covenant requirements for the measurement period 30 September 2020 and 31 March 2021. Until the hotels reach certain minimum occupancy levels, the risk remains that the covenants will be breached beyond 31 March 2021.

*Expected dividends*

Due to the high uncertainty of, *inter alia*, future cashflows we do not expect any distributions to be paid by Hospitality in the 2021 and 2022 financial years.

*Opinion*

The Scheme Consideration represents a premium of 15.77% to the 30-day VWAP per share on the JSE on up to 29 September 2020 and is above the suggested range calculated from our valuation. The rationale for the Tsogo Sun Hotels Offer is set out in paragraph 4 of the Circular: We are not aware of any material adverse effects of the Tsogo Sun Hotels Offer.

BDO Corporate Finance has considered the proposed terms and conditions of the Tsogo Sun Hotels Offer in respect of the Scheme Consideration and General Offer Consideration.

Based upon and subject to the conditions set out herein, BDO Corporate Finance is of the opinion that the terms and conditions of the Scheme and the Scheme Consideration, in respect of the Scheme, are fair and reasonable to Scheme Participants.

For purposes of paragraph 1.15(d) of the Listings Requirements, BDO Corporate Finance confirms that it is of the opinion that the General Offer is fair insofar as the General Offer is concerned.

Our opinion is necessarily based upon the information available to us up to Last Practicable Date (as defined in the Circular), including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Tsogo Sun Hotels Offer have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

*Consent*

We hereby consent to the inclusion of this letter and references thereto in the Circular in the form and context in which they appear.

**BDO Corporate Finance Proprietary Limited**

Nick Lazanakis  
*Director*

52 Corlett Drive  
Wanderers Office Park  
Ilovo, 2196
ANNEXURE 2

HISTORICAL FINANCIAL INFORMATION OF HOSPITALITY FOR THE FINANCIAL YEARS ENDED 31 MARCH 2018, 31 MARCH 2019 AND 31 MARCH 2020

Presented below is an extract of Hospitality’s financial statements. The audited annual financial statements and commentary are attached on the Company’s website.

**Consolidated statement of financial position as at 31 March**

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<th></th>
<th>2020</th>
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<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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<tr>
<td>Non-current assets</td>
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<tr>
<td>Investment properties</td>
<td>9 978 983</td>
<td>12 023 914</td>
<td>12 533 970</td>
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<tr>
<td>Furniture, fittings and equipment</td>
<td>8</td>
<td>337</td>
<td>163</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>979</td>
<td>771</td>
<td>751</td>
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<tr>
<td>Derivative asset</td>
<td>–</td>
<td>1 783</td>
<td>–</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>9 979 970</td>
<td>12 026 805</td>
<td>12 534 884</td>
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<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>72 479</td>
<td>144 510</td>
<td>133 915</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>363 054</td>
<td>239 792</td>
<td>590 106</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves attributable to equity holders of the Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stated capital</td>
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<td>9 027 065</td>
<td>9 027 065</td>
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<tr>
<td>Non-distributable reserve</td>
<td>(553 392)</td>
<td>1 957 968</td>
<td>2 739 443</td>
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<tr>
<td>Common control reserve</td>
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<td>(1 106 013)</td>
<td>(1 106 013)</td>
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<tr>
<td>Retained earnings</td>
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<td>343 035</td>
<td>444 108</td>
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<td><strong>Total equity</strong></td>
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</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>2 546 606</td>
<td>1 647 358</td>
<td>1 936 071</td>
</tr>
<tr>
<td>Derivative liability</td>
<td>50 229</td>
<td>1 971</td>
<td>4 042</td>
</tr>
<tr>
<td>Long-term incentive liabilities non-current portion</td>
<td>1 337</td>
<td>446</td>
<td>1 483</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2 598 172</td>
<td>1 649 775</td>
<td>1 941 596</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>69 697</td>
<td>79 219</td>
<td>51 919</td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>–</td>
<td>290 000</td>
<td>–</td>
</tr>
<tr>
<td>Long-term incentive liabilities current portion</td>
<td>1 387</td>
<td>1 419</td>
<td>502</td>
</tr>
<tr>
<td>Provision for shareholder redemption</td>
<td>–</td>
<td>24 129</td>
<td>24 129</td>
</tr>
<tr>
<td>Derivative liability</td>
<td>–</td>
<td>–</td>
<td>2 241</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>71 084</td>
<td>394 767</td>
<td>78 791</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>10 343 024</td>
<td>12 266 597</td>
<td>13 124 990</td>
</tr>
</tbody>
</table>

45
# Consolidated statement of comprehensive income for the year ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Revenue</td>
<td>767 644</td>
<td>827 786</td>
<td>866 917</td>
</tr>
<tr>
<td>Rental income – contractual</td>
<td>767 695</td>
<td>827 631</td>
<td>866 501</td>
</tr>
<tr>
<td>Rental income – straight-line accrual</td>
<td>(51)</td>
<td>155</td>
<td>416</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(51 112)</td>
<td>(76 096)</td>
<td>(46 555)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>716 532</td>
<td>751 690</td>
<td>820 362</td>
</tr>
<tr>
<td>Other income</td>
<td>1 665</td>
<td>1 767</td>
<td>–</td>
</tr>
<tr>
<td>Insurance proceeds</td>
<td>1 088</td>
<td>655</td>
<td>–</td>
</tr>
<tr>
<td>Sundry income</td>
<td>577</td>
<td>1 112</td>
<td>–</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(195 440)</td>
<td>(166 988)</td>
<td>(164 063)</td>
</tr>
<tr>
<td>Finance income</td>
<td>11 069</td>
<td>17 206</td>
<td>27 706</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(206 509)</td>
<td>(184 194)</td>
<td>(191 769)</td>
</tr>
<tr>
<td>Profit before sale of fixed assets, fair value adjustments, equity-accounted profits and taxation</td>
<td>522 757</td>
<td>586 469</td>
<td>656 299</td>
</tr>
<tr>
<td>Profit on sale of furniture, fittings and equipment</td>
<td>173</td>
<td>–</td>
<td>109</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>(2 511 309)</td>
<td>(781 475)</td>
<td>(542 931)</td>
</tr>
<tr>
<td>Investment properties, before straight-lining adjustment</td>
<td>(2 461 320)</td>
<td>(787 414)</td>
<td>(537 144)</td>
</tr>
<tr>
<td>Change in fair value as a result of the straight-lining adjustment</td>
<td>51</td>
<td>(155)</td>
<td>(416)</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>(50 040)</td>
<td>6 094</td>
<td>(5 371)</td>
</tr>
<tr>
<td>(Loss)/profit before taxation</td>
<td>(1 988 379)</td>
<td>(195 006)</td>
<td>113 477</td>
</tr>
<tr>
<td>Equity-accounted profit from associate net of tax</td>
<td>208</td>
<td>720</td>
<td>274</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
<td>191</td>
<td>–</td>
</tr>
<tr>
<td>(Loss)/profit for the year</td>
<td>(1 988 171)</td>
<td>(194 095)</td>
<td>113 751</td>
</tr>
</tbody>
</table>

## Other comprehensive income

Items that may not be reclassified subsequently to profit or loss:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value adjustment of the properties acquired under common control</td>
<td>–</td>
<td>–</td>
<td>2 388 848</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income</td>
<td>(1 988 171)</td>
<td>(194 095)</td>
<td>2 502 599</td>
</tr>
<tr>
<td>Loss/(profit) attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders</td>
<td>(1 988 171)</td>
<td>(194 095)</td>
<td>113 751</td>
</tr>
<tr>
<td>Other comprehensive income attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders</td>
<td>–</td>
<td>–</td>
<td>2 388 848</td>
</tr>
<tr>
<td>Earnings and diluted earnings per share (cents)</td>
<td>(344.22)</td>
<td>(33.74)</td>
<td>22.97</td>
</tr>
<tr>
<td>Headline earnings and diluted headline earnings per share (cents)</td>
<td>81.88</td>
<td>103.15</td>
<td>131.42</td>
</tr>
<tr>
<td></td>
<td>Share capital R’000</td>
<td>Treasury share reserve R’000</td>
<td>Retained income R’000</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------------</td>
<td>-----------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>Consolidated statement of changes in equity for the year ended 31 March</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Attributable to equity holders of the Company</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 1 April 2018</strong></td>
<td>9 037 060</td>
<td>(9 995)</td>
<td>444 108</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend declared on 23 May 2018</td>
<td>–</td>
<td>–</td>
<td>(194 095)</td>
</tr>
<tr>
<td>Dividend declared on 21 November 2018</td>
<td>–</td>
<td>–</td>
<td>(451 330)</td>
</tr>
<tr>
<td>Transfer to non-distributable reserves – investment properties</td>
<td>–</td>
<td>–</td>
<td>(237 123)</td>
</tr>
<tr>
<td>Transfer to non-distributable reserves – interest rate swaps</td>
<td>–</td>
<td>–</td>
<td>787 569</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2019</strong></td>
<td>9 037 060</td>
<td>(9 995)</td>
<td>343 035</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend declared on 23 May 2019</td>
<td>–</td>
<td>–</td>
<td>(1 988 171)</td>
</tr>
<tr>
<td>Dividend paid 7 August 2019 relating to appraisal rights matter</td>
<td>–</td>
<td>–</td>
<td>(369 124)</td>
</tr>
<tr>
<td>Dividend declared on 20 November 2019</td>
<td>–</td>
<td>–</td>
<td>(10 663)</td>
</tr>
<tr>
<td>Reinstatement of shareholding (appraisal rights matter)</td>
<td>–</td>
<td>–</td>
<td>(204 458)</td>
</tr>
<tr>
<td>Transfer to non-distributable reserves – investment properties</td>
<td>–</td>
<td>–</td>
<td>2 461 320</td>
</tr>
<tr>
<td>Transfer to non-distributable reserves – interest rate swaps</td>
<td>–</td>
<td>–</td>
<td>50 040</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2020</strong></td>
<td>9 061 189</td>
<td>(9 995)</td>
<td>281 979</td>
</tr>
</tbody>
</table>
## Consolidated cash flow statement for the year ended 31 March

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>781 245</td>
<td>771 480</td>
<td>725 127</td>
</tr>
<tr>
<td>Interest received</td>
<td>11 069</td>
<td>17 206</td>
<td>27 706</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(206 509)</td>
<td>(184 194)</td>
<td>(191 769)</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>(584 245)</td>
<td>(688 453)</td>
<td>(351 293)</td>
</tr>
<tr>
<td><strong>Net cash generated/(utilised) from operating activities</strong></td>
<td>1 560</td>
<td>(83 961)</td>
<td>209 771</td>
</tr>
</tbody>
</table>

| **Cash flows from investment activities** |       |       |       |
| Proceeds from disposal of furniture, fittings and equipment | 173 | – | – |
| Acquisition and development of investment properties | (420 008) | (211 992) | (416 873) |
| Proceeds from disposal of investment property | 3 568 | 234 | – |
| Proceeds on disposal of non-current assets held for sale | – | – | 911 |
| Proceeds on disposal of furniture, fittings and equipment | – | – | 109 |
| Acquisition of furniture, fittings and equipment | – | (290) | – |
| Cash acquired through acquisition of subsidiary | – | 202 640 | 202 640 |
| Acquisition of subsidiary | – | (1 030 000) | – |
| Dividends received from associate | – | 700 | – |
| **Net cash utilised for investment activities** | (416 267) | (211 348) | (1 243 213) |

| **Cash flows from financing activities** |       |       |       |
| Interest-bearing liabilities raised | 2 080 000 | 100 000 | 1 928 935 |
| Interest-bearing liabilities repaid | (1 470 000) | (100 000) | (1 709 700) |
| Cash proceeds from rights issue | – | 1 000 000 | – |
| Transaction costs | – | (5 256) | – |
| **Net cash inflow from financing activities** | 610 000 | – | 1 213 979 |

| **Net increase/(decrease) in cash and cash equivalents** | 195 293 | (295 309) | 180 537 |

| **Cash and cash equivalents at the beginning of the year** | 95 282 | 390 591 | 210 054 |

| **Cash and cash equivalents at the end of the year** | 290 575 | 95 282 | 390 591 |
Notes to the consolidated financial statements

I. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated annual financial statements and Company annual financial statements are set out on the following pages. These policies have been consistently applied to all the periods presented unless otherwise stated.

1. Basis of preparation

The consolidated annual financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of IFRS as issued by the International Accounting Standards Board (“IASB”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (“FRSC”), the Listings Requirements of the JSE and the Companies Act of South Africa, and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment properties as described in the accounting policies below. The term IFRS includes International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”). The standards referred to are set by the IASB.

The financial statements are presented in Rand and are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

1.2 Changes in accounting policies

The Group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (“IASB”) which were effective for the Group from 1 April 2019. In particular, the following standards had an impact on the Group’s financial statements:

(i) Amendment to IFRS 9 Prepayment Features with Negative Compensation

The narrow-scope amendment covers two issues:

- the amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities;
- how to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

The effective date of the amendment is for years beginning on or after 1 January 2019 and the Company has adopted the amendment for the first time in the 2020 annual financial statements.

The amendment has no impact on the Group.

(ii) Annual Improvements to IFRS 2015 – 2017 cycle: Amendments to IAS 23 Borrowing Costs

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The Company has adopted the amendment for the first time in the 2020 annual financial statements; however, it has not had any impact on the 2020 annual financial statements.
(iii) IFRIC 23 Uncertainty over Income Tax Treatments

The effective date of the interpretation is for years beginning on or after 1 January 2019.

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

IFRIC 23, uncertainty over income tax treatments, is expected to have no impact on the Group.

(iv) IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Company are as follows:

Where the Company is a lessee:

• Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight-line or other systematic basis.

• The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.

• The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

• The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.

• The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

• Re-measurements of lease liabilities are effected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.

• The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

• The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.

• Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

• Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 Leases.

Where the Company is a lessor:

• Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.

• A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
• If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 16 is applied to all other modifications not required to be treated as a separate lease.

Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor’s financial statements.

Sale and leaseback transactions:
• In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
• If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessee accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
• If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessee recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 1 January 2019 and the Company has adopted the standard for the first time in the 2020 annual financial statements.

As the Group is a lessor, the new standard has not had a material impact on the annual financial statements.

1.3 Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s executive committee, who are the Group’s chief operating decision-makers. The Group’s executive committee reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Group’s executive committee which are used to make strategic decisions and are disclosed in note 16.

1.4 Basis of consolidation and business combinations
The consolidated financial statements include the financial statements of subsidiaries and associates owned by the Company.

(i) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the Group’s interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in non-controlling interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the Group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called “surplus arising on change in control”.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Intragroup balances, and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.
(ii) Associates

An investment is considered to be an associate when significant influence is exercised by the Company. The existence of significant influence is evidenced by:

– Representation on the Board of directors or equivalent governing body of the investee.
– Participation in the policy-making process.
– Material transactions between the Company and the investee.
– Interchange of managerial personnel.
– Provision of essential technical information.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition reserve movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the investee, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value and recognises the amount immediately in profit or loss.

Some of the Group’s associates have different local statutory accounting reference dates. These are equity accounted using management prepared information on a basis coterminous with the Group’s accounting reference date. Where management prepared information is at a different date from that of the Group’s, the Group equity accounts that information, but takes into account any changes in the subsequent period to 31 March that would materially affect the results.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.5 Furniture, fittings and equipment

Furniture, fittings and equipment are stated at cost net of accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset’s carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(i) Profit or loss on disposal

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount of the asset and is accounted for during the period in which the asset is disposed of.

1.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the Group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed for future use. The nature of these properties is mostly hotels and includes furniture, fixtures and equipment and the underlying letting enterprise.

Investment property, including property that is being constructed or developed for future use, is stated at fair value. Gains or losses arising on changes in the fair value are recognised immediately in profit or loss.

Properties are initially recognised at cost on acquisition, which comprises the purchase price and includes expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the property’s carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost can be measured reliably.
1.7 Financial instruments

Initial recognition and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the respective arrangement. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Finance costs are charged against income in the year in which they accrue using the effective interest rate method. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to finance costs over the life of the instrument.

The Group classifies its financial assets in the following categories: at fair value through profit or loss and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. In accordance with IFRS 9, the Group applies two criteria when classifying and measuring the financial assets, namely the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition.

Financial instruments designated as at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial assets held for trading and/or designated by the entity upon initial recognition as at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Financial assets at amortised cost

Financial assets at amortised cost consist of assets which are held to collect the contractual cash flows, which consist solely of payments of principal and interest.

They are included in current assets (trade and other receivables), except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets.

Purchases and sales of investments are recognised on the date on which the Group commits to purchase or sell the asset.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are presented as current on the face of the balance sheet, unless there is an unconditional right to defer payment beyond 12 months.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments. Cash and cash equivalents are measured at amortised cost which is equivalent to fair value.

1.8 Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.
I.9 **Impairment of financial assets**

The Group applies IFRS 9 *Financial Instruments*, and uses the simplified approach to measure expected credit losses for all financial assets. However, this had an insignificant impact on the Group's numbers. In addition, there have been no significant historic issues or losses relating to the collectability of these assets.

The loss considerations for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

All of the disclosures required for the expected credit loss measurement have not been included as the impairment is not considered to be material in respect of the Company's financial assets carried at amortised cost.

I.10 **Derivative financial assets and financial liabilities**

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that are not designated to have a hedging relationship, all fair value movements thereon are recognised immediately in profit or loss.

I.11 **Non-current assets held for sale**

Non-current assets held for sale are those non-current assets of which the carrying amount will be recovered principally through sale rather than use. These non-current assets are available for immediate sale in their present condition, subject only to terms that are usual for the sale of such assets, and the sale is probable within a year as management is committed to a plan to dispose of the non-current assets, actively market them, and expect that these assets will be sold within a year.

I.12 **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are shown in equity as a deduction from the proceeds.

I.13 **Provisions**

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

I.14 **Acquisition of assets under common control**

Transactions in which assets or businesses are ultimately controlled by the same party before and after the transaction and where that control is not transitory, are referred to as common control transactions. Where a transaction meets the definition of a common control transaction, predecessor accounting is applied. Any costs directly attributable to the acquisition are written off to reserves.

Predecessor accounting values assets and liabilities using the existing carrying value on the effective date with no goodwill or bargain purchase price being recognised. Any excess/deficit of the purchase price, over the pre-combination recorded ultimate holding company's carrying values, is adjusted directly to equity.

I.15 **Revenue recognition**

(a) **Rental income**

Revenue from the letting of investment property comprises rentals (excluding VAT) recognised on a straight-line basis over the term of the lease. Contingent (variable) rentals, including rentals from parking income and rentals from advertising, are included in revenue when the amounts can be reliably measured and the inflow of economic benefits are considered probable.
1.16 **Finance income**

Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

1.17 **Expenses**

(b) Recoveries of costs from lessees

Where the Group merely acts as an agent and makes payment of these costs on behalf of lessees, these are offset against the relevant costs.

(c) Finance costs

Finance costs are costs incurred on funds borrowed. These are expensed in the period in which they are incurred using the effective interest method.

1.18 **Income tax**

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to business combinations, or items recognised directly in equity or other comprehensive income.

**Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination, where the initial recognition affects neither accounting nor taxable profit or loss and on differences relating to investments in subsidiaries and joint ventures to the extent that the parent company is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable group, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In respect of REIT assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains or losses from property sold by a REIT are disregarded and the rate relevant to recoupments is 28%. Investment properties are held as long-term income-generating assets. Therefore, should any property no longer meet the Company’s investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

Deferred tax is provided based on the expected manner of realisation, taking into account the entities' expectation that it will pay a dividend and will receive a tax deduction, making it in substance exempt.

1.19 **Dividend distributions**

Dividend distributions to the Company’s shareholders are recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s Board of directors.

1.20 **Employee benefits**

Short-term employee benefits are recognised in the period in which they are incurred.
Long-term benefits, which have been recently implemented, are recognised at the fair value of the liability incurred and are expensed when consumed. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss. Allocations vest in full three years after date of allocation.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the parent entity’s share price. This is adjusted for management’s best estimate of the appreciation, bonus and units expected to vest.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Principles of critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below and on the following page.

2.1 Classification of investment properties (judgement)

Investment properties include land and buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

In determining the classification of the properties as investment properties, management considered its exposure to the risks of running the hotel business and their associated exposure to the variability of the cash flows of the underlying operations. Management took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor.
- The duration of the lease agreements.
- Control over the decision-making powers of the relevant hotel operations.
- The present value of the minimum lease payments in relation to the fair value of the investment properties.
- Various financial ratios to determine its exposure to the variability of the hotel operations.

Based on the above, management concluded that the properties meet the definition of investment property.

2.2 Valuations of investment properties (estimate)

Refer to note 4 for the valuation methodology applied.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations not yet effective

The following standards and amendments to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 April 2020 or later periods, which the Group has not early adopted:

<table>
<thead>
<tr>
<th>New and amended standard</th>
<th>Summary</th>
<th>Impact to the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendment to IFRS 3 Business Combinations</td>
<td>This amendment revises the definition of a business. According to feedback received by the IASB, the application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.</td>
<td>The changes to the definition of a business will likely result in future acquisitions being accounted for as asset acquisitions instead of business combinations.</td>
</tr>
<tr>
<td>New and amended standard</td>
<td>Summary</td>
<td>Impact to the Group</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Effective for annual periods beginning on or after January 2020.</td>
<td>To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. An entity can apply a “concentration test” that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business.</td>
<td></td>
</tr>
<tr>
<td>Amendment to IAS 1 and IAS 8</td>
<td>The standard requires the use of a consistent definition of materiality, the explanation for the definition of materiality to be clarified and the guidance in IAS 1 about immaterial information to be incorporated.</td>
<td>The Group is still in the process of assessing the potential impact of the amendments to IAS 1 and IAS 8.</td>
</tr>
</tbody>
</table>

The Group will apply the amendments to IAS 1 and IAS 8 from 1 April 2020.
Effective for annual periods beginning on or after January 2020.
HISTORICAL FINANCIAL INFORMATION OF TSOGO SUN HOTELS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2018, 31 MARCH 2019 AND 31 MARCH 2020

Presented below is an extract of Tsogo Sun Hotels’ financial statements. The audited annual financial statements are attached on Tsogo Sun Hotels’ website.

CONSOLIDATED INCOME STATEMENT OF TSOGO SUN HOTELS LIMITED

For the three years ended 31 March

<table>
<thead>
<tr>
<th>(ZAR’n)</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms revenue</td>
<td>2 791</td>
<td>2 732</td>
<td>2 687</td>
</tr>
<tr>
<td>Food and beverage revenue</td>
<td>1 063</td>
<td>990</td>
<td>969</td>
</tr>
<tr>
<td>Property rental income</td>
<td>331</td>
<td>357</td>
<td>416</td>
</tr>
<tr>
<td>Other revenue</td>
<td>290</td>
<td>310</td>
<td>292</td>
</tr>
<tr>
<td>Income</td>
<td>4 475</td>
<td>4 389</td>
<td>4 364</td>
</tr>
<tr>
<td>Property and equipment rentals</td>
<td>(97)</td>
<td>(222)</td>
<td>(203)</td>
</tr>
<tr>
<td>Amortisation and depreciation</td>
<td>(348)</td>
<td>(306)</td>
<td>(270)</td>
</tr>
<tr>
<td>Employee costs</td>
<td>(1 321)</td>
<td>(1 145)</td>
<td>(1 088)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(1 871)</td>
<td>(1 785)</td>
<td>(1 718)</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>(716)</td>
<td>(94)</td>
<td>–</td>
</tr>
<tr>
<td>Fair value adjustment of investment properties</td>
<td>(888)</td>
<td>(445)</td>
<td>(187)</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>(766)</td>
<td>392</td>
<td>898</td>
</tr>
<tr>
<td>Finance income</td>
<td>40</td>
<td>38</td>
<td>55</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(400)</td>
<td>(455)</td>
<td>(535)</td>
</tr>
<tr>
<td>Share of (loss)/profit of associates and joint ventures</td>
<td>(3)</td>
<td>15</td>
<td>55</td>
</tr>
<tr>
<td>(Loss)/profit before income tax</td>
<td>(1 129)</td>
<td>(10)</td>
<td>472</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(96)</td>
<td>(70)</td>
<td>188</td>
</tr>
<tr>
<td>(Loss)/profit for the year</td>
<td>(1 225)</td>
<td>(80)</td>
<td>661</td>
</tr>
<tr>
<td>(Loss)/profit attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Company</td>
<td>(896)</td>
<td>(98)</td>
<td>495</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(329)</td>
<td>18</td>
<td>166</td>
</tr>
<tr>
<td>(Loss)/profit attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Company</td>
<td>(896)</td>
<td>(98)</td>
<td>495</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(329)</td>
<td>18</td>
<td>166</td>
</tr>
<tr>
<td>(Loss)/profit attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Company</td>
<td>(896)</td>
<td>(98)</td>
<td>495</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(329)</td>
<td>18</td>
<td>166</td>
</tr>
<tr>
<td>Basic and diluted (loss)/earnings per share (cents)</td>
<td>(84.5)</td>
<td>(450.43)</td>
<td>34 963.70</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TSOGO SUN HOTELS LIMITED

For the years ended 31 March

(ZAR'm)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit for the year</td>
<td>(1 225)</td>
<td>(80)</td>
<td>661</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year, net of tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td>221</td>
<td>174</td>
<td>(89)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(50)</td>
<td>4</td>
<td>(4)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>256</td>
<td>171</td>
<td>(86)</td>
</tr>
<tr>
<td>Income tax relating to items that may subsequently be reclassified to profit or loss</td>
<td>15</td>
<td>(1)</td>
<td>1</td>
</tr>
<tr>
<td>Items that may not be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of post-employment defined benefit liability</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Income tax relating to items that may not subsequently be reclassified to profit or loss</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total other comprehensive income/(loss)</td>
<td>223</td>
<td>175</td>
<td>(86)</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income for the year</td>
<td>(1 002)</td>
<td>96</td>
<td>574</td>
</tr>
</tbody>
</table>

Total comprehensive (loss)/income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of the Company</td>
<td>(660)</td>
<td>75</td>
<td>410</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(342)</td>
<td>21</td>
<td>164</td>
</tr>
<tr>
<td></td>
<td>(1 002)</td>
<td>96</td>
<td>574</td>
</tr>
</tbody>
</table>
# CONSOLIDATED BALANCE SHEET OF TSOGO SUN HOTELS LIMITED

## at 31 March

<table>
<thead>
<tr>
<th>(ZAR'm)</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7 554</td>
<td>7 684</td>
<td>7 462</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>799</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investment properties</td>
<td>4 149</td>
<td>4 881</td>
<td>5 101</td>
</tr>
<tr>
<td>Goodwill</td>
<td>354</td>
<td>354</td>
<td>354</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>56</td>
<td>50</td>
<td>42</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>446</td>
<td>488</td>
<td>477</td>
</tr>
<tr>
<td>Investments in joint ventures</td>
<td>124</td>
<td>120</td>
<td>128</td>
</tr>
<tr>
<td>Post-employment benefit asset</td>
<td>4</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Non-current receivables</td>
<td>14</td>
<td>6</td>
<td>38</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>84</td>
<td>52</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>13 586</td>
<td>13 636</td>
<td>13 649</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>58</td>
<td>46</td>
<td>43</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>454</td>
<td>458</td>
<td>367</td>
</tr>
<tr>
<td>Other current assets</td>
<td>3</td>
<td>39</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1 281</td>
<td>407</td>
<td>357</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1 796</td>
<td>950</td>
<td>767</td>
</tr>
<tr>
<td><strong>Non-current assets held for sale</strong></td>
<td>–</td>
<td>–</td>
<td>66</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1 796</td>
<td>950</td>
<td>833</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>15 382</td>
<td>14 586</td>
<td>14 482</td>
</tr>
</tbody>
</table>

## EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital and reserves attributable to equity holders of the Company</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary share capital and premium</td>
<td>4 642</td>
<td>4 642</td>
<td>1 923</td>
</tr>
<tr>
<td>Other reserves</td>
<td>599</td>
<td>289</td>
<td>118</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1 102</td>
<td>2 059</td>
<td>2 161</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>6 343</td>
<td>6 990</td>
<td>4 202</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>2 352</td>
<td>2 939</td>
<td>3 209</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>8 695</td>
<td>9 929</td>
<td>7 411</td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>3 974</td>
<td>2 885</td>
<td>2 909</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1 024</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>50</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>175</td>
<td>212</td>
<td>264</td>
</tr>
<tr>
<td>Post-employment benefit liability</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Long-term incentive liabilities</td>
<td>–</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>37</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>Provisions</td>
<td>58</td>
<td>51</td>
<td>47</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>–</td>
<td>186</td>
<td>149</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>5 318</td>
<td>3 373</td>
<td>3 416</td>
</tr>
<tr>
<td>(ZAR’m)</td>
<td>2020</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>559</td>
<td>485</td>
<td>132</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>13</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>622</td>
<td>631</td>
<td>556</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>75</td>
<td>70</td>
<td>64</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>100</td>
<td>98</td>
<td>68</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>–</td>
<td>–</td>
<td>2835</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1 369</td>
<td>1 284</td>
<td>3 655</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6 687</td>
<td>4 657</td>
<td>7 071</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>15 382</td>
<td>14 586</td>
<td>14 482</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF TSOGO SUN HOTELS LIMITED

For the three years ended 31 March 2020

### Attributable to equity holders of the Company

<table>
<thead>
<tr>
<th>(ZAR’m)</th>
<th>Ordinary share capital and premium</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April 2017</td>
<td>1 923</td>
<td>(179)</td>
<td>1 663</td>
<td>3 407</td>
<td>2 559</td>
<td>5 966</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>(87)</td>
<td>498</td>
<td>411</td>
<td>164</td>
<td>575</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>495</td>
<td>495</td>
<td>166</td>
<td>661</td>
</tr>
<tr>
<td>Cash flow hedges net of tax</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>–</td>
<td>(86)</td>
<td>–</td>
<td>(86)</td>
<td>–</td>
<td>(86)</td>
</tr>
<tr>
<td>Remeasurements of post-employment defined benefit liability net of tax</td>
<td>–</td>
<td>–</td>
<td>3</td>
<td>3</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Consideration to HPF non-controlling interests in hotels assets</td>
<td>–</td>
<td>(37)</td>
<td>–</td>
<td>(37)</td>
<td>1 067</td>
<td>1 030</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests from HPF</td>
<td>–</td>
<td>436</td>
<td>–</td>
<td>436</td>
<td>(436)</td>
<td>–</td>
</tr>
<tr>
<td>Consideration to HPF non-controlling interests</td>
<td>–</td>
<td>(15)</td>
<td>–</td>
<td>(15)</td>
<td>15</td>
<td>–</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(160)</td>
<td>–</td>
<td>(160)</td>
</tr>
<tr>
<td>Balance at 31 March 2018</td>
<td>1 923</td>
<td>118</td>
<td>2 161</td>
<td>4 202</td>
<td>3 209</td>
<td>7 411</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>171</td>
<td>(96)</td>
<td>75</td>
<td>21</td>
<td>96</td>
</tr>
<tr>
<td>(Loss)/profit for the year</td>
<td>–</td>
<td>–</td>
<td>(98)</td>
<td>(98)</td>
<td>18</td>
<td>(80)</td>
</tr>
<tr>
<td>Cash flow hedges, net of tax</td>
<td>–</td>
<td>2</td>
<td>–</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td>–</td>
<td>169</td>
<td>–</td>
<td>169</td>
<td>2</td>
<td>171</td>
</tr>
<tr>
<td>Remeasurements of post-employment defined benefit liability net of tax</td>
<td>–</td>
<td>–</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>2 719</td>
<td>–</td>
<td>–</td>
<td>2 719</td>
<td>–</td>
<td>2 719</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>–</td>
<td>–</td>
<td>(5)</td>
<td>(5)</td>
<td>(291)</td>
<td>(296)</td>
</tr>
<tr>
<td>Balance at 31 March 2019 (audited)</td>
<td>4 642</td>
<td>289</td>
<td>2 059</td>
<td>6 990</td>
<td>2 939</td>
<td>9 929</td>
</tr>
<tr>
<td>Change in accounting policy – adoption of IFRS 16 Leases</td>
<td>–</td>
<td>–</td>
<td>(63)</td>
<td>(63)</td>
<td>–</td>
<td>(63)</td>
</tr>
<tr>
<td>Balance at 1 April 2019</td>
<td>4 642</td>
<td>289</td>
<td>1 996</td>
<td>6 927</td>
<td>2 939</td>
<td>9 866</td>
</tr>
<tr>
<td>Total comprehensive</td>
<td>–</td>
<td>234</td>
<td>(894)</td>
<td>(660)</td>
<td>(342)</td>
<td>(1 002)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>–</td>
<td>–</td>
<td>(896)</td>
<td>(896)</td>
<td>(239)</td>
<td>(1 225)</td>
</tr>
<tr>
<td>Cash flow hedges, net of tax</td>
<td>–</td>
<td>(21)</td>
<td>–</td>
<td>(21)</td>
<td>(14)</td>
<td>(35)</td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td>–</td>
<td>255</td>
<td>–</td>
<td>255</td>
<td>1</td>
<td>2560</td>
</tr>
<tr>
<td>Remeasurements of post-employment defined benefit liability net of tax</td>
<td>–</td>
<td>–</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Shareholders’ redemption provision</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>24</td>
</tr>
<tr>
<td>Share-based payments conversion</td>
<td>–</td>
<td>35</td>
<td>–</td>
<td>35</td>
<td>–</td>
<td>35</td>
</tr>
<tr>
<td>Share-based payments charge</td>
<td>–</td>
<td>17</td>
<td>–</td>
<td>17</td>
<td>–</td>
<td>17</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(245)</td>
<td>–</td>
<td>(245)</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2020</strong></td>
<td>4 642</td>
<td>599</td>
<td>1 102</td>
<td>6 343</td>
<td>2 352</td>
<td>8 695</td>
</tr>
</tbody>
</table>
# CONSOLIDATED CASH FLOW STATEMENT OF TSOGO SUN HOTELS LIMITED

For the three years ended 31 March

<table>
<thead>
<tr>
<th>(ZAR'm)</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>1 321</td>
<td>1 311</td>
<td>1 277</td>
</tr>
<tr>
<td>Interest received</td>
<td>40</td>
<td>37</td>
<td>55</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(394)</td>
<td>(459)</td>
<td>(533)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>967</td>
<td>889</td>
<td>799</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(121)</td>
<td>(79)</td>
<td>(103)</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>–</td>
<td>(5)</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(245)</td>
<td>(291)</td>
<td>(160)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>22</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td>623</td>
<td>525</td>
<td>558</td>
</tr>
<tr>
<td><strong>Cash flows from investment activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(329)</td>
<td>(304)</td>
<td>(313)</td>
</tr>
<tr>
<td>Proceeds from disposals of property, plant and equipment</td>
<td>–</td>
<td>36</td>
<td>1</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(6)</td>
<td>(16)</td>
<td>(9)</td>
</tr>
<tr>
<td>Additions to investment properties</td>
<td>(160)</td>
<td>(160)</td>
<td>(415)</td>
</tr>
<tr>
<td>Proceeds from disposal of investment property</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds from disposal of non-current assets held for sale</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Acquisition and development of non-current assets held for sale</td>
<td>–</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td>Acquisition of business – intellectual property</td>
<td>(8)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Additional investment in associate</td>
<td>(8)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other loans granted</td>
<td>(29)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash utilised for investment activities</strong></td>
<td>(537)</td>
<td>(444)</td>
<td>(737)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings raised</td>
<td>2 179</td>
<td>174</td>
<td>1 196</td>
</tr>
<tr>
<td>Borrowings repaid</td>
<td>(1 651)</td>
<td>(145)</td>
<td>(2 069)</td>
</tr>
<tr>
<td><strong>Cash proceeds from rights issue to HPF non-controlling interests, net of share issue costs</strong></td>
<td>–</td>
<td>–</td>
<td>995</td>
</tr>
<tr>
<td>Proceeds from share issue</td>
<td>–</td>
<td>2 225</td>
<td>–</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>(128)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other current liabilities (repaid)/raised</td>
<td>(7)</td>
<td>(2 366)</td>
<td>42</td>
</tr>
<tr>
<td><strong>Net cash (utilised for)/generated from financing activities</strong></td>
<td>393</td>
<td>(112)</td>
<td>164</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>479</td>
<td>(31)</td>
<td>(15)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year, net of bank overdrafts</td>
<td>212</td>
<td>225</td>
<td>248</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>31</td>
<td>18</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of the year, net of bank overdrafts</strong></td>
<td>75</td>
<td>212</td>
<td>225</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(a) Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations as issued by the IFRS Interpretations Committee, and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the Listings Requirements of the JSE and the requirements of the South African Companies Act, No 71 of 2008 and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment property as described in the accounting policies below.

(b) New and amended standards adopted by the group

The group adopted the following new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2019:

- IFRS 9 Financial Instruments amendment;
- IFRS 16 Leases;
- IAS 19 Employee Benefits amendment;
- IAS 28 Investments in Associates and Joint Ventures amendment;
- Annual improvements to IFRS Standards 2015 – 2017 Cycle; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

The group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2019, the most significant accounting pronouncement for the group being IFRS 16 Leases.

The adoption of IFRS 16 was applied retrospectively without restating comparative figures. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019 as an adjustment to the opening balance of retained earnings at the date of initial application. The net impact on retained earnings at 1 April 2019 was a decrease of R63 million and is discussed below. No other pronouncements had any material impact on the group.

Where the group is a lessee

(i) Adjustments recognised on adoption of IFRS 16

The standard affected the way the group previously accounted for its operating leases being mostly various hotel property leases. Lease rental contracts include some hotel property leases typically for fixed periods of 15 years to 99 years, but may have extension options as described below. Up to, and including the 2019 financial year, as a lessee under IAS 17, the group classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019.

In the 30 September 2019 interim results, the group reported right-of-use assets and lease liabilities at transition date of 1 April 2019 as R673 million and R950 million respectively. Due to the refinement of the discount rate, the right-of-use assets and lease liabilities at 1 April 2019 have been adjusted to R690 million and R957 million respectively. The resulting impact on earnings for the six-month period to 30 September 2019 was not material.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) New and amended standards adopted by the group continued

Where the group is a lessee continued

(i) Adjustments recognised on adoption of IFRS 16 continued

Per IFRS 16, right-of-use assets were measured on transition as if the new rules had always been applied, discounted using respective incremental borrowing rates as of 1 April 2019 and providing for depreciation from commencement date of the lease until transition date. The recognised right-of-use assets are made up as follows:

<table>
<thead>
<tr>
<th>31 March</th>
<th>1 April 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Property</td>
<td>799</td>
</tr>
<tr>
<td>Right-of-use assets recognised under IFRS 16</td>
<td>799</td>
</tr>
</tbody>
</table>

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the respective incremental borrowing rate as of 1 April 2019. The group’s respective weighted average incremental borrowing rates applied to the lease liabilities on 1 April 2019 ranged between 9.75% and 10.25%.

Reconciliation of outstanding commitments under non-cancellable operating lease agreements as at 31 March 2019 to lease liability recognised as at 1 April 2019:

<table>
<thead>
<tr>
<th>Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding commitments at 31 March 2019 under IAS 17, undiscounted</td>
</tr>
<tr>
<td>Discounting adjustment using the respective incremental borrowing rates mentioned above</td>
</tr>
<tr>
<td>Outstanding commitments at 31 March 2019 under IAS 17, discounted</td>
</tr>
<tr>
<td>Less: Leases not capitalised</td>
</tr>
<tr>
<td>Short-term leases</td>
</tr>
<tr>
<td>Low-value leases</td>
</tr>
<tr>
<td>Lease liability recognised under IFRS 16 as at 1 April 2019</td>
</tr>
<tr>
<td>Analysed as:</td>
</tr>
<tr>
<td>Non-current portion</td>
</tr>
<tr>
<td>Current portion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Other balance sheet impacts are:

- Retained earnings decrease | 63 |
- Deferred tax assets increase | 268 |
- Deferred tax liabilities increase | (245) |
- Straight-lining provision decreased | 186 |
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

b) New and amended standards adopted by the group continued

The following amounts have been included in the income statement relating to leases:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation charge of right-of-use assets – property</td>
<td>(59)</td>
</tr>
<tr>
<td>Interest expense (included in finance cost)</td>
<td>(101)</td>
</tr>
<tr>
<td>Also, property rentals reduced by</td>
<td>126</td>
</tr>
</tbody>
</table>

Effective 1 October 2019, the group entered into an agreement with Ozmik Property Investments Proprietary Limited, to acquire the Southern Sun Pretoria hotel building for R200 million. The Southern Sun Pretoria hotel was operated by the group and the property leased, as such this property was included in the scope of IFRS 16 and the lease liability that was raised on transition has now been settled. The building acquired has been recognised in property, plant and equipment.

The adoption of IFRS 16 had no significant impact on the group's segments.

Practical expedients applied by the group on transition

The group applied the practical expedient per IFRS 16 C3 in that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 April 2019) are, or contain, leases, and electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made by applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Hence, all contracts previously assessed not to contain leases were not reassessed. The group also applied the following expedients on transition:

- recognition exemptions for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less);
- recognition exemptions for leases of low-value items (mainly small items of office equipment and furniture);
- relied on its existing onerous lease contract assessments as an alternative to performing impairment reviews on right-of-use assets as at 1 April 2019.

The group's accounting for leases under IFRS 16

Under IFRS 16, from 1 April 2019 the group recognises right-of-use assets and corresponding lease liabilities on the balance sheet for leases at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The group excludes the initial direct costs related to the lease initiation upon recognition of the right-of-use asset.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

b) New and amended standards adopted by the group continued

The lease liability is subsequently measured at amortised cost. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment. The right- of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Variable lease payments

Variable lease payments included in other operating expenses: Some property leases contain variable payment terms that are linked to gross revenue or Ebitdar. These payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs and are not included in the measurement of the lease liabilities.

Modification of a lease

When the group modifies the terms of a lease or reassesses the estimates without increasing the scope of the lease, that results in changes to future payments, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. An equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term.

When the group modifies the terms of a lease resulting in an increase in scope, the group accounts for these modifications as a separate new lease. The accounting treatment is when the lease term for an existing lease is subsequently modified.

Where the group is a lessor

(i) Adjustments recognised on adoption of IFRS 16

Assets leased to third parties under operating leases are included in property, plant and equipment and investment property in the balance sheet. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM has been identified as the group’s CEO and the senior management. The CODM reviews the group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the CODM which are used to make strategic decisions.

d) Basis of consolidation and business combinations

The consolidated financial statements include the financial information of subsidiary, associate and joint venture entities owned by the group.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called “Surplus arising on change in control”.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

   d) Basis of consolidation and business combinations continued

   The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. A deferred tax asset or liability is recognised on the temporary differences arising from the recognition of the assets and liabilities on acquisition date, to the extent that the deferred tax asset is recoverable. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

   Control exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

   Goodwill arising on consolidation represents the excess of the consideration transferred over the group’s interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition and the non-controlling interest. Where the fair value of the group’s share of separable net assets acquired exceeds the fair value of the consideration and non-controlling interest, the difference is recognised immediately in profit or loss.

   Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

   (i) Transactions with non-controlling interests

   The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests and direct costs incurred in respect of transactions with non-controlling interests are also recorded in equity.

   When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

   (ii) Associates and joint ventures

   Associates are entities over which the group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity. A joint venture is an entity over which the group contractually shares control with one or more partners.

   Investments in associates and joint ventures are accounted for using the equity method of accounting.

   When the group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

   The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

   d) Basis of consolidation and business combinations continued

   (iii) Goodwill

   Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis and when there is an indication that the asset may be impaired. Any impairment identified is recognised immediately in profit or loss and is not subsequently reversed.

   Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

   (iv) Common control acquisitions

   A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

   A transaction deemed to be a transaction under common control consequently falls outside the scope of IFRS 3 Business Combinations. The group’s accounting policy is to apply predecessor accounting to common control transactions. Common control accounting is applied and, under the predecessor accounting method, assets and liabilities acquired, including goodwill acquired, are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a “common control” reserve. The common control reserve is determined on the date of legal transfer. The group’s policy is to restate the comparatives of the acquirer as though the acquiree had always formed part of the acquiring entity from the date of original control being obtained by the group.

   e) Foreign currency translation

   (i) Functional and presentation currency

   Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in SA Rand which is the group’s presentation currency.

   (ii) Transactions and balances

   The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being credited or charged against income in the income statement. Translation differences on non-monetary items such as equity investments classified as fair value through other comprehensive income are included in other comprehensive income.

   (iii) Foreign subsidiaries, associates and joint ventures – translation

   Significant once-off items in the income and cash flow statements of foreign subsidiaries, associates and joint ventures expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. Specific transactions in equity are translated at rates of exchange ruling at the transaction dates. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in other comprehensive income are reclassified in profit or loss as part of the gain or loss on disposal.
f) **Property, plant and equipment**

Property that is held for use in the supply of services or held for long-term rental yields, and where companies in the group occupy a significant portion, is classified as property, plant and equipment. Hotel properties that are internally managed or rented by companies within the group are classified as property, plant and equipment.

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset’s carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Assets’ residual values and useful lives are reviewed by management and adjusted, if appropriate, at each balance sheet date and triennially independent valuations of land and buildings are completed by external valuators. Land and buildings comprise mainly hotels.

(i) **Assets in the course of construction**

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(ii) **Depreciation**

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life as follows:

- **Freehold properties**: 20 – 50 years
- **Leasehold building improvements**: Shorter of the lease term or 50 years
- **Computer equipment and software**: 2 – 10 years*
- **Furniture, fittings and other equipment**: 3 – 15 years*
- **Vehicles**: 5 years*
- **Operating equipment**: 2 – 3 years

* These categories have been grouped together under “Plant and equipment” in note 16: Property, plant and equipment.

Operating equipment that meets the definition of property, plant and equipment (which includes kitchen utensils, crockery, cutlery, linen and uniforms) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two and three years.

(iii) **Profit or loss on disposal**

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount of the asset.

(iv) **Capitalisation of borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The group considers a period of greater than 12 months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

   g) Leases

   As explained in note 1(b): New and amended standards adopted by the group, with effect from 1 April 2019 the group changed its accounting policy for leases where the group is the lessee. The accounting policy is described below and the impact of the change in note 1(b).

   (i) The group is a lessee

   The group recognises right-of-use assets and corresponding lease liabilities on the balance sheet for leases at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

   Assets and liabilities arising from a lease are initially measured on a present value basis.

   Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentive received.

   The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). In-substance fixed payments are variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date.

   The group is exposed to potential future increases in variable lease payments which are based on revenue and Ebitda. Variable lease payments are not included in the measurement of the lease liability and right-of-use asset. Variable payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

   Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

   Contracts may contain both lease and non-lease components. For leases of property for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

   The group has no residual value guarantees.

   Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly small items of office equipment and furniture.

   (ii) The group is a lessor

   Assets leased to third parties under operating leases are included in property, plant and equipment and investment property in the balance sheet. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

   (iii) Accounting policy applied until 31 March 2019

   (i) The group is the lessee

   Leases where the lessor retains substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged or credited to the income statement on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

   g) Leases continued

      (ii) The group is the lessor

      Assets leased to third parties under operating leases were included in property, plant and equipment
      and investment property in the balance sheet. Property lease rentals received where the group is
      the lessor were recognised on a straight-line basis over the term of the lease.

   h) Investment property

   Property that is held for long-term rental yields or for capital appreciation or both, and where companies
   in the group occupy no or an insignificant portion, is classified as investment property. Investment property
   also includes property that is being constructed or developed to earn long-term rental yields and for capital
   appreciation. The nature of these properties is mostly hotels and includes furniture, fixtures and equipment
   and the underlying letting enterprise.

   Investment property is stated at fair value. Gains or losses arising on changes in the fair value are recognised
   immediately in profit or loss.

   Fair value measurement

   Properties are initially recognised at cost on acquisition, which comprises the purchase price and includes
   expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the
   property’s carrying value or recognised as a separate asset as appropriate, only when it is probable that future
   economic benefits associated with the specific asset will flow to the group and the cost can be measured
   reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they
   are incurred.

   Investment properties are derecognised either when they have been disposed of or when the investment
   property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

   If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.
   The carrying value which will be the fair value at the date of reclassification becomes its cost for subsequent
   accounting purposes.

   If an owner-occupied property is reclassified as investment property its fair value at the date of reclassification
   becomes its cost for subsequent accounting purposes. The property is revalued through other comprehensive
   income to fair value before being transferred.

   i) Intangible assets (other than goodwill)

   Intangible assets are stated at cost less accumulated amortisation which is determined on a straight-line basis
   (if applicable) and impairment losses. Cost is usually determined as the amount paid by the group, unless the
   asset has been acquired as part of a business combination. Intangible assets acquired as part of a business
   combination are recognised at fair value at the acquisition date. Amortisation is included together with
   depreciation in the income statement.

   Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for
   impairment where there is a triggering event. The directors’ assessment of the useful life of intangible assets is
   based on the nature of the asset acquired, the durability of the products to which the asset attaches and the
   expected future impact of competition on the business.

   Intangible assets acquired as part of a business combination are recognised separately when they are identifiable,
   and it is probable that economic benefits will flow to the group.

      (i) Computer software

      Where computer software is not an integral part of a related item of property, plant and equipment,
      the software is capitalised as an intangible asset.

      Capitalised computer software, licence and development costs are amortised over their estimated useful
      economic lives of two to ten years which are reassessed on an annual basis.

      (ii) Other

      Other comprises management contracts recognised on business combinations at fair value at acquisition
      date and trademarks.
i) **Intangible assets (other than goodwill) continued**

Management contracts that do not have an expiry date, are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill. Management contracts with a fixed expiry date are amortised over the duration of the contract. Trademarks are amortised over their estimated useful economic lives of 10 years which are reassessed on an annual basis.

j) **Investments and other financial assets**

   (i) **Classification**

   The group classifies its financial assets in the following measurement categories:
   - Those to be measured at fair value through profit or loss; and
   - Those to be measured at amortised cost (debt instruments).

   The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

   (ii) **Recognition and derecognition**

   Financial assets are recognised when the group becomes a party to the contractual provisions of the respective instrument. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the group has transferred substantially all risks and rewards of ownership.

   (iii) **Measurement**

   At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

   **Equity investments**

   The group subsequently measures all equity investments at fair value. Where the group has elected to present fair value gains and losses on equity investments in profit or loss. Dividends on these equity investments are recognised in profit or loss as part of other income when the group's right to receive payments is established.

   **Debt instruments**

   These are assets held to collect contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss included in other operating expenses. Interest income is recognised using the effective interest method.

   (iv) **Impairment**

   The group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost.

   The group applies the simplified approach to measuring expected credit losses (“ECL”) which uses lifetime expected losses to be recognised from initial recognition of its trade receivables. The balance of the group’s financial assets measured at amortised cost comprise loan receivables and cash and cash equivalents to which the general model is applied.

   Impairment losses are presented in other operating expenses.

k) **Derivative instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. The group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and (cash flow hedges).
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

k) Derivative instruments and hedge accounting continued

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The group does not hold or issue derivative financial instruments for speculative purposes.

Cash flow hedges that qualify for hedge accounting

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk to which the cash flows of certain liabilities are exposed.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within other operating expenses.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or when a hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss within other operating expenses.

l) Fair value measurement

Financial instruments carried at fair value, by valuation method, are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

m) Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the respective company or counterparty.
n) **Inventories**

Inventories are valued at the lower of cost or net realisable value. Operating equipment utilised within 12 months is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

- Consumable stores are valued at invoice cost on a first in, first out ("FIFO") basis; and
- Food and beverage inventories and operating equipment are valued at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

o) **Cash and cash equivalents**

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

p) **Impairment of non-financial assets**

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

q) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds and are included in the share premium account.

Where any group company purchases the company’s equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the company’s equity holders.

r) **Borrowings and finance costs**

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost and include accrued interest and prepaid facility transaction costs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (refer note f(iv)), are recognised in the income statement in the period in which they are incurred.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

s) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

t) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision is made for wide area progressives and is based on the meter readings. The group also recognises a provision for bonus plans and long-service awards.

u) Income

Income comprises revenue from contracts with customers and other income:

(i) Revenue from contracts with customers

The group is in the business of providing hotel rooms, food and beverage, management fees, banqueting and venue hire, parking revenue and hotel sundry revenues. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. Rooms revenue is recognised over time due to the nature of accommodation being consumed by customers over a period of time. The customer simultaneously receives and consumes the benefits provided as provision of a room is made to the customer. Food and beverage revenue is recognised at a point in time. Management fees, banqueting and venue hire, and parking revenues are recognised over time as the customer receives and consumes the economic benefits. No element of financing is deemed present as the sales are made generally by cash or negotiated credit terms of 30 days. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The group does not have significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers as the revenues mentioned above are all based on stand-alone selling prices and pre-determined settlement dates. The group considers whether there are other promises in the contract that are separable performance obligations to which a portion of the transaction price needs to be allocated (customer loyalty programmes).

Customers purchasing the group’s facilities may enter the group’s customer reward programmes and earn rewards that are redeemable against future purchases of the group’s hotel rooms. The group allocates a portion of the consideration received to these rewards programmes based on stand-alone selling prices. The amount allocated to the reward programme is deferred and is recognised as revenue when rewards are redeemed. When estimating stand-alone selling price of the rewards, the group considers the likelihood that the customer will redeem the points based on historical usage and forfeiture rates and any adjustments to the contract liability are allocated to revenue.

Management fees, banqueting and venue hire, parking fees and hotel sundry revenues have been included as “Other revenue” as these do not represent material revenue streams for the group.

(ii) Other income

Property rental income

Property lease rentals received are recognised on a straight-line basis over the term of the lease. Contingent (variable) rentals are included in revenue when the amounts can be reliably measured. Recoveries of costs from lessees, where the group merely acts as agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

v) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension or provident plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Other post-employment obligations

The group operates a defined benefit plan for a portion of the medical aid members. The fund is now closed to new entrants. The assets of the scheme are held separately from those of the group and are administered by trustees.

The liability recognised in the balance sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using reference to current market yields on South African government bonds.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

(iv) Bonus plans – short-term incentives

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company’s shareholders after certain adjustments and the performance of the respective employees. The criteria are only finalised after the group’s year-end. The group recognises the liability where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation and the directors are of the opinion that it is probable that such bonuses will be paid. This liability is included in “Provisions” in the balance sheet.

(v) Share-based payments – equity-settled schemes

The group operates equity-settled, share-based compensation plans.

The fair value of the employee services received by the company and/or its subsidiaries in exchange for the grant of the options is recognised as an expense. Any change in the reserve is recognised in profit and loss.

(vi) Goods or services settled in cash

Goods or services, including employee services received in exchange for cash-settled, share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the company’s share price. This is adjusted for management’s best estimates of the appreciation units expected to vest.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

v) Employee benefits continued

(vii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the balance sheet date. This liability is included in “Trade and other payables” in the balance sheet.

(viii) Long-service awards

The group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in their careers with the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability is included in “Provisions” in the balance sheet.

w) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

The current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group’s liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

In respect of REIT assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains or losses from property sold by a REIT are non-taxable and the rate relevant to recoupments is 28%. Investment properties are held as long-term income-generating assets. Therefore, should any property no longer meet the group’s investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

x) Dividend distributions

Dividend distributions to the company’s shareholders are recognised as a liability in the group’s financial statements in the period in which the dividends are approved by the company’s board of directors.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the group’s accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Leases

Determining the respective discount rates

In determining the respective discount rates, management has considered the group borrowing rate as a base rate and made adjustments to the rate based on the type of asset, the term of the lease and factors specific to the lessee company and the economic environment in which the asset is leased. The rate that the respective entity may have recently obtained on funding for a similar asset and over a similar term will also be considered in the adjustments made to the rate.

The discount rates applied to the lease commitments range from 9.75% to 10.25%, due to the multiple jurisdictions within which the group operates.

Determining the lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The extension options (or periods after termination options) have been considered and where certain, have been included in the lease term. All future cash outflows have been included in the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Determining the low-value leases

In determining the low-value leases, management assessed the value of the underlying individual assets at the original date of acquisition and whether they would individually have a material impact on the balance sheet. Low-value assets comprise IT equipment and small items of office furniture.

Sandton Hotels lease agreement

During the year under review the group entered into a new arrangement effective 1 November 2019 with the owners of the Sandton Sun, Garden Court Sandton City and the InterContinental Sandton Towers (the “Sandton Hotels”). The group classified this arrangement as a lease contract and accounted for it in terms of the requirements of IFRS 16. Significant judgement was applied regarding the assessment of economic benefits between the different parties, and control over the relevant activities, being the day-to-day operations of the hotels.

In exercising our judgement the following facts were considered:

• On the face of it the agreements entered into provide for 98% of Ebitdar after management fees to flow to the lessors. However, where the lessee directs all cash flow generated from the asset and pays the lessor a percentage of such flows, paragraph B23 of IFRS 16 provides for such cash flows to be included in the benefit received by the lessee.

• The group has sole use of the hotels and brands.

• The group retains the majority of turnover and the return made by the group on these hotels is consistent with owner-managed hotels.

• The group has downside risk in the event of an economic downturn as a minimum basic rental is still payable.

• The key differences between the previous management agreements and the current agreements is that the group now has the ability to direct the relevant activities of the hotels because the group makes decisions on the pricing of the hotel services, engages with suppliers and distribution channels as well as managing the costs of the hotel.
2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

(a) Leases continued
Based on the above, the hotel lease agreements in our assessment do contain a lease. The group used a 20% minimum rental as stipulated in the agreements to calculate the lease liability and right-of-use asset. The remaining lease payments based on a percentage Ebitdar are considered to be variable lease payments. The discount rate applied has been determined in a manner that is consistent with that of the other leases within the group where IFRS 16 has been applied.

(b) Investment property

Classification of investment properties
Investment property represented a large proportion of the group’s asset base. Therefore, the judgements made in determining their classification and fair values affect the group’s financial position and performance.

In determining the classification of the properties as investment properties, the group considered its exposure to the risks of running a hotel business and its associated exposure to the variability of the cash flows of the underlying operations. The group took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor;
- The duration of the lease agreements;
- Control over the decision-making powers of the relevant hotel operations;
- The present value of the minimum lease payments in relation to the fair value of the investment properties; and
- Various financial ratios to determine its exposure to the variability in cash flows of the hotel operations.

Based on the above, the group concluded that the properties meet the definition of investment property.

Valuations of investment properties
Use is made of independent professionally qualified valuers. Valuations are currently performed on an annual basis on the entire portfolio of investment properties but will move to a three-year rotation from the next financial year, and will be fair valued by internal management for the intervening years. Refer note 18 for the valuation methodology applied.

(c) Estimated impairment of goodwill and property, plant and equipment
The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1(d). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in note 19 of the consolidated annual financial statements.

The group tests property, plant and equipment when there is an indicator for impairment in accordance with the accounting policy stated in note 1(p). The recoverable amounts of the assets have been determined based on the higher of fair value less costs to sell and the value-in-use calculations. These calculations require the use of estimates as noted in note 16 of the consolidated annual financial statements.

(d) Fair value of financial instruments that are not traded in an active market
The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.
3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

(a) Standards and amendments to existing standards

The following standards and amendments to existing standards have been published that are mandatory for the group’s accounting periods beginning on or after 1 April 2020 or later periods, which the group has not early adopted. The group has concluded on the impact of these new standards, interpretations and amendments that will be applied from the annual period beginning 1 April 2020, none of which is expected to have a material effect on the consolidated results of operations or financial position of the group. The group is concluding on the impact of the new standards, interpretations and amendments that will be applied from the annual period beginning on or after 1 April 2020.

• IFRS 3 Business Combinations (Amendment)

The amendments give clarity on the definition of a business:

(i) Confirmed that a business must include inputs and a process, and clarified that:
    • the process must be substantive; and
    • the inputs and process must together significantly contribute to creating outputs;

(ii) Narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

(iii) Added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

IFRS 3 amended must be applied for financial years commencing on or after 1 January 2021. The group will apply the new standard from 1 April 2021.

• IAS 1 Presentation of Financial Statements (Amendment)

The amendments clarify and align the definition of “material” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

IAS 1 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

The amendments clarify and align the definition of “material” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

IAS 8 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

• Interest Rate Benchmark Reform

Interest Rate Benchmark Reform resulted in amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures Requirements for Hedge Accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (“IBORs”) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Interest Rate Benchmark Reform amendments must be applied for financial years commencing on or after 1 January 2020. The group will apply the amendments from 1 April 2020.

• Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The revised Conceptual Framework for Financial Reporting must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.
The table below sets out the pro forma financial effects of the Offer. Pro forma financial effects are presented in respect of the year ended 31 March 2020 for purposes of the Companies Act, Regulation 106 requirements as well as the JSE Listings Requirements.

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.

The Independent Reporting Accountant’s report on the pro forma financial information is set out in Annexure 5 to this Circular.
## PRO FORMA CONSOLIDATED INCOME STATEMENT for the year ended 31 March 2020

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
<th>Pro forma after the subsequent events</th>
<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms revenue</td>
<td></td>
<td>2 791</td>
<td></td>
<td></td>
<td>2 791</td>
<td></td>
<td></td>
<td>2 791</td>
</tr>
<tr>
<td>Food and beverage revenue</td>
<td></td>
<td>1 063</td>
<td></td>
<td></td>
<td>1 063</td>
<td></td>
<td></td>
<td>1 063</td>
</tr>
<tr>
<td>Property rental income</td>
<td></td>
<td>331</td>
<td></td>
<td></td>
<td>331</td>
<td></td>
<td></td>
<td>331</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td>290</td>
<td>(9)</td>
<td></td>
<td>281</td>
<td></td>
<td></td>
<td>281</td>
</tr>
</tbody>
</table>

### Income

<table>
<thead>
<tr>
<th>Income</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
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<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td></td>
<td>4 475</td>
<td>(9)</td>
<td></td>
<td>4 466</td>
<td></td>
<td></td>
<td>4 466</td>
</tr>
<tr>
<td>Property and equipment rentals</td>
<td></td>
<td>(97)</td>
<td></td>
<td>(97)</td>
<td>(97)</td>
<td></td>
<td></td>
<td>(97)</td>
</tr>
<tr>
<td>Amortisation and depreciation</td>
<td></td>
<td>(348)</td>
<td></td>
<td>(348)</td>
<td>(348)</td>
<td></td>
<td></td>
<td>(348)</td>
</tr>
<tr>
<td>Employee costs</td>
<td></td>
<td>(1 321)</td>
<td></td>
<td>(1 321)</td>
<td>(1 321)</td>
<td></td>
<td></td>
<td>(1 321)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td></td>
<td>(1 871)</td>
<td>(1)</td>
<td>(1 872)</td>
<td>1</td>
<td>(1 871)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td></td>
<td>(716)</td>
<td></td>
<td>(716)</td>
<td>(716)</td>
<td></td>
<td></td>
<td>(716)</td>
</tr>
<tr>
<td>Fair value adjustment of investment properties</td>
<td></td>
<td>(888)</td>
<td></td>
<td>(888)</td>
<td>(888)</td>
<td></td>
<td></td>
<td>(888)</td>
</tr>
<tr>
<td>Other gains and losses</td>
<td></td>
<td></td>
<td>341</td>
<td></td>
<td>341</td>
<td></td>
<td></td>
<td>341</td>
</tr>
</tbody>
</table>

### Operating (loss)/profit

<table>
<thead>
<tr>
<th>Operating (loss)/profit</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
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<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>(766)</td>
<td>332</td>
<td>(1)</td>
<td>(435)</td>
<td></td>
<td></td>
<td>(434)</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
<td>40</td>
<td></td>
<td></td>
<td>40</td>
<td></td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(400)</td>
<td>20</td>
<td></td>
<td>(380)</td>
<td></td>
<td></td>
<td>(380)</td>
</tr>
<tr>
<td>Share of (loss)/profit of associates and joint ventures</td>
<td></td>
<td>(3)</td>
<td>(4)</td>
<td></td>
<td>(7)</td>
<td></td>
<td></td>
<td>(7)</td>
</tr>
</tbody>
</table>

### Loss before income tax

<table>
<thead>
<tr>
<th>Loss before income tax</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
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<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>(1 129)</td>
<td>348</td>
<td>(1)</td>
<td>(782)</td>
<td></td>
<td></td>
<td>(700)</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td></td>
<td>(96)</td>
<td>(2)</td>
<td></td>
<td>(98)</td>
<td>172</td>
<td>(1)</td>
<td>73</td>
</tr>
</tbody>
</table>

### Loss for the year

<table>
<thead>
<tr>
<th>Loss for the year</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
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<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>(1 225)</td>
<td>346</td>
<td>(1)</td>
<td>(880)</td>
<td>172</td>
<td></td>
<td>(708)</td>
</tr>
</tbody>
</table>

### Loss attributed to:

<table>
<thead>
<tr>
<th>Loss attributed to:</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
<th>Pro forma after the subsequent events</th>
<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of the company</td>
<td></td>
<td>(896)</td>
<td>346</td>
<td>(129)</td>
<td>(679)</td>
<td>(21)</td>
<td></td>
<td>(700)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>(329)</td>
<td></td>
<td>128</td>
<td>(201)</td>
<td>193</td>
<td></td>
<td>(8)</td>
</tr>
</tbody>
</table>

| Total                                  |       | (1 225)                            | 346                                                      | (1)                                               | (880)                                | 172                                                       |                  | (708)                       |
## PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
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<th>Pro forma after the subsequent events</th>
<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>(1 225)</td>
<td>346</td>
<td>(1)</td>
<td>(880)</td>
<td>172</td>
<td>–</td>
<td>(708)</td>
</tr>
</tbody>
</table>

### Loss for the year

Other comprehensive income for the year, net of tax that may be reclassified subsequently to profit or loss:

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>Description</th>
<th>As at 31 March 2020</th>
<th>Pro forma after the subsequent events</th>
<th>Total comprehensive (loss)/income for the year</th>
<th>Total comprehensive (loss)/income attributable to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>Cash flow hedges</td>
<td>(50)</td>
<td>–</td>
<td>(50)</td>
<td>Equity holders of the company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Currency translation adjustment</td>
<td>256</td>
<td>–</td>
<td>256</td>
<td>Non-controlling interests</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Income tax relating to items that may subsequently be reclassified to profit or loss</td>
<td>15</td>
<td>–</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Items that may not be reclassified subsequently to profit or loss</td>
<td>2</td>
<td>–</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remeasurements of post-employment defined benefit liability</td>
<td>3</td>
<td>–</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Income tax relating to items that may subsequently be reclassified to profit or loss</td>
<td>(1)</td>
<td>–</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Total comprehensive (loss)/income for the year</td>
<td>(1 002)</td>
<td>346</td>
<td>(1) (657)</td>
<td>(1 002)</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Total comprehensive (loss)/income attributable to:</td>
<td></td>
<td></td>
<td></td>
<td>Equity holders of the company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-controlling interests</td>
<td>(342)</td>
<td>–</td>
<td>134</td>
<td>Non-controlling interests</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>Description</th>
<th>As at 31 March 2020</th>
<th>Pro forma after the subsequent events</th>
<th>Total comprehensive (loss)/income for the year</th>
<th>Total comprehensive (loss)/income attributable to:</th>
</tr>
</thead>
</table>

### Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>Description</th>
<th>As at 31 March 2020</th>
<th>Pro forma after the subsequent events</th>
<th>Total comprehensive (loss)/income for the year</th>
<th>Total comprehensive (loss)/income attributable to:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of shares in issue (million)</th>
<th>1 061</th>
<th>166</th>
<th>1 227</th>
<th>252</th>
<th>1 479</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of shares in issue (million)</td>
<td>1 061</td>
<td>166</td>
<td>1 227</td>
<td>252</td>
<td>1 479</td>
</tr>
<tr>
<td>Basic and diluted (loss)/earning per share (cents)</td>
<td>(84.5)</td>
<td>(55.3)</td>
<td>(47.3)</td>
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<td></td>
</tr>
<tr>
<td>Basic and diluted headline earnings per share (cents)</td>
<td>20.4</td>
<td>23.7</td>
<td>25.2</td>
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</table>
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
<th>Pro forma after the subsequent events</th>
<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit attributable to equity holders of the company</td>
<td></td>
<td>(896)</td>
<td>346</td>
<td>(129)</td>
<td>(679)</td>
<td>(21)</td>
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<td>(700)</td>
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<td>Loss on disposal of property, plant and equipment</td>
<td>2</td>
<td>–</td>
<td>–</td>
<td>2</td>
<td>2</td>
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<td>Impairment of property, plant and equipment</td>
<td>716</td>
<td>–</td>
<td>716</td>
<td>716</td>
<td>716</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Fair value adjustment of investment properties</td>
<td>888</td>
<td>–</td>
<td>888</td>
<td>888</td>
<td>888</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Impairment relating to RBH (associate)</td>
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<td>–</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Gain on disposal of joint venture</td>
<td>–</td>
<td>(341)</td>
<td>–</td>
<td>(341)</td>
<td>(341)</td>
<td>–</td>
<td>–</td>
<td>(341)</td>
</tr>
<tr>
<td>Share of associates’ headline earnings adjustment</td>
<td>41</td>
<td>–</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Total tax effects of adjustments</td>
<td>(52)</td>
<td>–</td>
<td>(52)</td>
<td>(52)</td>
<td>(199)</td>
<td>(251)</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Total non-controlling interest effects of adjustments</td>
<td>(500)</td>
<td>199</td>
<td>(301)</td>
<td>301</td>
<td>–</td>
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**Headline earnings**

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<th>291</th>
<th>81</th>
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<td>Transaction costs</td>
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<td>Fair value adjustment on RDI investment</td>
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<td>1</td>
<td>1</td>
<td>–</td>
<td>–</td>
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<td>Restructuring costs</td>
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<td>40</td>
<td>–</td>
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<tr>
<td>Impairment inventory</td>
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<td>–</td>
<td>2</td>
<td>–</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derecognition of Southern Sun Maputo deferred tax</td>
<td>30</td>
<td>–</td>
<td>30</td>
<td>–</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of associates’ exceptional items</td>
<td>1</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Tax effect of other exceptional items</td>
<td>(11)</td>
<td>–</td>
<td>(11)</td>
<td>–</td>
<td>(11)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total non-controlling interest effects of exceptional items</td>
<td>(4)</td>
<td>–</td>
<td>(4)</td>
<td>–</td>
<td>(4)</td>
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**Adjusted headline earning**

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<th>69</th>
<th>352</th>
<th>81</th>
<th>3</th>
<th>3</th>
<th>436</th>
</tr>
</thead>
</table>
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:

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Disposal Consideration</td>
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<tr>
<td>Less: Carrying value of the Group’s 50% interest</td>
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<tr>
<td><strong>Profit on disposal</strong></td>
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<tr>
<td>Reversal of management fees</td>
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<tr>
<td>Derecognition of the Group’s share of profit</td>
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<tr>
<td>Interest savings</td>
</tr>
<tr>
<td>Tax on the above transactions</td>
</tr>
<tr>
<td><strong>346</strong></td>
</tr>
</tbody>
</table>

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 HPF 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

<table>
<thead>
<tr>
<th>Rm</th>
<th>ASSETS</th>
<th>Notes</th>
<th>Audited results as at 31 March 2020</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
<th>Pro forma after the subsequent events</th>
<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-current assets</td>
<td></td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
<td>6</td>
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</tr>
<tr>
<td></td>
<td>Property, plant and equipment</td>
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<td>7,554</td>
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<tr>
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<td>Investments in associates</td>
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<tr>
<td></td>
<td>Investments in joint ventures</td>
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<td>124 (124)</td>
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<td>Post-employment benefit liability</td>
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<td>Non-current receivables</td>
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<td>Total non-current assets</td>
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<td>Inventories</td>
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<td>Trade and other receivables</td>
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### PRO FORMA CONSOLIDATED BALANCE SHEET CONTINUED

as at 31 March 2020

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<tr>
<th>Rm</th>
<th>ASSETS</th>
<th>Notes</th>
<th>Disposal of interest in United Resorts and Hotels Limited</th>
<th>Subsequent acquisition of additional interest in HPF</th>
<th>Pro forma after the subsequent events</th>
<th>Acquisition of remaining 24.61% interest in hospitality</th>
<th>Transaction costs</th>
<th>Pro forma after the offer</th>
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<td><strong>EQUITY</strong></td>
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<td>Capital and reserves attributable to equity holders of the company</td>
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<td>(1 832)</td>
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<td><strong>Total equity</strong></td>
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<td>9 035</td>
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<td>(3)</td>
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<td>Deferred income tax liabilities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
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<td>–</td>
<td></td>
<td>–</td>
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</tr>
<tr>
<td>Total non-current liabilities</td>
<td>5 318</td>
<td>(465)</td>
<td>–</td>
<td>4 853</td>
<td>142</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>559</td>
<td>–</td>
<td></td>
<td>559</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>13</td>
<td>–</td>
<td></td>
<td>13</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>622</td>
<td>–</td>
<td></td>
<td>622</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>75</td>
<td>–</td>
<td></td>
<td>75</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>100</td>
<td>–</td>
<td></td>
<td>100</td>
<td>(83)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1 369</td>
<td>–</td>
<td></td>
<td>1 369</td>
<td>(83)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>6 687</td>
<td>(465)</td>
<td>–</td>
<td>6 222</td>
<td>59</td>
<td>–</td>
<td>6 281</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>15 382</td>
<td>(124)</td>
<td>(1)</td>
<td>15 257</td>
<td>–</td>
<td>(3)</td>
<td>15 254</td>
<td></td>
</tr>
</tbody>
</table>

**Number of shares in issue (million)**
- 1 061
- 166
- 1 227
- 252
- 1 479

**Net asset value ("NAV") (cents)**
- 597.8
- 573.6
- 595.5

**Tangible Net Asset Value ("TNAV") (cents)**
- 551.3
- 533.3
- 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:

<table>
<thead>
<tr>
<th></th>
<th>Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposal Consideration used to settled US$ debt</td>
<td>465</td>
</tr>
<tr>
<td>Less: Carrying value of the Group’s 50% interest</td>
<td>(124)</td>
</tr>
<tr>
<td><strong>Profit on disposal</strong></td>
<td></td>
</tr>
<tr>
<td>Tax thereon</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net profit on disposal</strong></td>
<td>341</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th></th>
<th>Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in the Group’s ordinary share capital and premium</td>
<td>309</td>
</tr>
<tr>
<td>Non-controlling interest’s share of consolidated NAV relating to Hospitality</td>
<td>(355)</td>
</tr>
<tr>
<td></td>
<td>(46)</td>
</tr>
</tbody>
</table>

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 were 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.

<table>
<thead>
<tr>
<th>Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in the Group’s ordinary share capital and premium</td>
</tr>
<tr>
<td>Non-controlling interest’s share of consolidated NAV relating to Hospitality</td>
</tr>
<tr>
<td>(1 419)</td>
</tr>
<tr>
<td>Deferred tax liability raised on the effective date</td>
</tr>
<tr>
<td>Reduction in tax liability assuming distributions from Hospitality were received on or after the effective date</td>
</tr>
<tr>
<td>59</td>
</tr>
</tbody>
</table>

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 COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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 Annexure 4 of the Circular, consists of 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 4 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 4 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 4 of the Circular.

**PricewaterhouseCoopers Inc.**

Director: Pietro Calicchio

Registered Auditor

Waterfall

12 October 2020
EXCHANGE CONTROL REGULATIONS

The settlement of the Offer Consideration for both Certificated Hospitality Shareholders and Dematerialised Hospitality Shareholders will be subject to the Exchange Control Regulations.

The following is a summary of the relevant Exchange Control Regulations. Hospitality Shareholders who are not resident in South Africa, or who have registered addresses outside South Africa, must satisfy themselves as to the full observance of the laws of the relevant jurisdiction concerning the receipt of the Scheme Consideration, including obtaining any required governmental or other consents, observing any other required formalities and paying any issue, transfer or other taxes due in that jurisdiction. If any Hospitality Shareholder is in any doubt, he should consult his professional advisers without delay.

1. RESIDENTS OF THE COMMON MONETARY AREA
   In the case of:
   Certificated Hospitality Shareholders whose registered address in the register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Scheme Consideration will credited to such Hospitality Shareholders CSDP or Broker account in accordance with paragraph 6.3;
   or
   Dematerialised Hospitality Shareholders whose registered address in the register are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, the Offer Consideration will be credited directly to the accounts nominated for the relevant Hospitality Shareholders by their duly appointed CSDP or Broker in terms of the provisions of the Custody Agreement with their CSDP or Broker.

2. EMIGRANTS FROM THE COMMON MONETARY AREA
   In the case of Hospitality Shareholders who are emigrants from the Common Monetary Area and whose Shares form part of their remaining assets, the Offer Consideration will:
   • in the case of Certificated Hospitality Shareholders whose Documents of Title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the Authorised Dealer in foreign exchange in South Africa controlling such Hospitality Shareholders’ remaining assets in terms of the Exchange Control Regulations. The attached form of Election, Surrender and Transfer (blue) makes provision for details of the authorised dealer concerned to be given; or
   • in the case of Dematerialised Hospitality Shareholders whose registered address in the register are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, be paid to their CSDP or Broker, which shall arrange for same to be credited directly to the capital account of the Hospitality Shareholder concerned with their authorised dealer in foreign exchange in South Africa.

3. ALL OTHER NON-RESIDENTS OF THE COMMON MONETARY AREA
   The Offer Consideration accruing to non-resident Hospitality Shareholders whose registered address is outside the Common Monetary Area and who are not emigrants from the Common Monetary Area will:
   • in the case of Certificated Hospitality Shareholders whose Documents of Title have been restrictively endorsed in terms of the Exchange Control Regulations, the Offer Consideration will be credited to such Hospitality Shareholders CSDP or Broker account. The attached form of Election, Surrender and Transfer (blue) makes provision for CSDP or Broker details; or
   • in the case of Dematerialised Hospitality Shareholders, be paid to their duly appointed CSDP or Broker and credited to such shareholders in terms of the provisions of the custody agreement with their CSDP or Broker.

4. INFORMATION NOT PROVIDED
   If the information regarding Authorised Dealers is not given or the instructions are not given and no bank account or address details for the Hospitality Shareholder in question appears in the Register, the Offer Consideration will be held in trust by Hospitality or the Transfer Secretaries on behalf of Hospitality.
SECTION 115: REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN CHAPTER 5 OF THE COMPANIES ACT

(1) Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:

(a) the disposal, amalgamation or merger, or scheme of arrangement:
   (i) as been approved in terms of this section; or
   (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

(b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
   (i) dispose of all or the greater part of its assets or undertaking;
   (ii) amalgamate or merge with another company; or
   (iii) implement a scheme of arrangement, the Panel has issued a compliance notice in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).

(2) A proposed transaction contemplated in subsection (1) must be approved:

(a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter; and

(b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company’s holding company if any, if:
   (i) the holding company is a company or an external company;
   (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
   (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

(c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:

(a) the resolution was opposed by at least 15% of the voting rights that were exercised and, any person who voted against the resolution requires the company to seek court approval; or

(b) the court, on application by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

(4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:

(a) present in satisfaction of the quorum requirement; or

(b) voted in support of a resolution.
(5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
   (a) apply to the court for approval, and bear the costs of that application; or
   (b) treat the resolution as a nullity.

(6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
   (a) is acting in good faith;
   (b) appears prepared and able to sustain the proceedings; and
   (c) has alleged facts which, if proved, would support an order in terms of subsection (7).

(7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
   (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
   (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity;

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
   (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
   (b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
   (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
   (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
   (c) the transfer of shares from one person to another;
   (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
   (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
   (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.
SECTION 164: DISSenting SHAREHOLDERS APPRAISAL RIGHTS

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
   (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
   (b) enter into a transaction contemplated in section 112, 113, or 114,
      that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

(4) Within 10 Business Days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
   (a) gave the company a written notice of objection in terms of subsection (3); and
   (b) has neither:
      (i) withdrawn that notice; or
      (ii) voted in support of the resolution.

(5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
   (a) the shareholder:
      (i) sent the company a notice of objection, subject to subsection (6); and (ii) in the case of an amendment to the company’s Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
   (b) the company has adopted the resolution contemplated in subsection (2); and
   (c) the shareholder:
      (i) voted against that resolution; and
      (ii) has complied with all of the procedural requirements of this section.

(6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting or failed to include in that notice a statement of the shareholders rights under this section.

(7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
   (a) 20 Business Days after receiving a notice under subsection (4); or
   (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

(8) A demand delivered in terms of subsections (5) to (7) must state:
   (a) the shareholder’s name and address;
   (b) the number and class of shares in respect of which the shareholder seeks payment; and
   (c) a demand for payment of the fair value of those shares.
(9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:

(a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);

(b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or

(c) the company revokes the adopted resolution that gave rise to the shareholder’s rights under this section.

(10) If any of the events contemplated in subsection (9) occur, all of the shareholder’s rights in respect of the shares are reinstated without interruption.

(11) Within five Business days after the later of:

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of subsection (7)(a); or

(c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company’s directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

(12) Every offer made under subsection (11):

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 Business days after it was made.

(13) If a shareholder accepts an offer made under subsection (12):

(a) the shareholder must either in the case of:

(i) shares evidenced by certificates, tender the relevant share certificates to the company or the company’s transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company’s transfer agent; and

(b) the company must pay that shareholder the agreed amount within 10 Business days after the shareholder accepted the offer and:

(i) tendered the share certificates; or

(ii) directed the transfer to the company of uncertificated shares.

(14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:

(a) failed to make an offer under subsection (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

(15) On an application to the court under subsection (14):

(a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;

(b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and

(c) the court:

(i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

(ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

(iii) in its discretion may:

(aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

(bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
(iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

(v) must make an order requiring:

(aa) the dissenting shareholders to either withdraw their respective demands, in which case the shareholder is reinstated to their full rights as a shareholder, or to comply with subsection (13)(a); and

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder’s rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:

(a) the company may apply to a court for an order varying the company’s obligations in terms of the relevant subsection; and

(b) the court may make an order that:

(i) is just and equitable, having regard to the financial circumstances of the company; and

(ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder’s rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

(a) the provisions of that section; or

(b) the application by the company of the solvency and liquidity test set out in section 4.
SECTION 124: COMPULSORY ACQUISITIONS AND SQUEEZE OUTS

(1) If, within four months after the date of an offer for the acquisition of any class of securities of a regulated company, that offer has been accepted by the holders of at least 90% of that class of securities, other than any such securities held before the offer by the offeror, a related or inter-related person, or persons acting in concert, or a nominee or subsidiary of any such person or persons:

(a) within two further months, the offeror may notify the holders of the remaining securities of the class, in the prescribed manner and form:

(i) that the offer has been accepted to that extent; and

(ii) that the offeror desires to acquire all remaining securities of that class; and

(b) subject to subsection (2), after giving notice in terms of paragraph (a), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

(2) Within 30 business days after receiving a notice in terms of subsection (1) (a), a person may apply to a court for an order:

(a) that the offeror is not entitled to acquire the applicant’s securities of that class; or

(b) imposing conditions of acquisition different from those of the original offer.

(3) If an offer to acquire the securities of a particular class has not been accepted to the extent contemplated in subsection (1):

(a) the offeror may apply to a court for an order authorising the offeror to give a notice contemplated in subsection (1) (a); and

(b) the court may make the order applied for, if:

(i) after making reasonable enquiries, the offeror has been unable to trace one or more of the persons holding securities to which the offer relates;

(ii) by virtue of acceptances of the original offer, the securities that are the subject of the application, together with the securities held by the person or persons referred to in subparagraph (i), amount to not less than the minimum specified in subsection (1);

(iii) the consideration offered is fair and reasonable; and

(iv) the court is satisfied that it is just and equitable to make the order, having regard, in particular, to the number of holders of securities who have been traced but who have not accepted the offer.

(4) If an offer for the acquisition of any class of securities of a regulated company has resulted in the acquisition by the offeror or a nominee or subsidiary of the offeror, or a related or inter-related person of any of them, individually or in aggregate, of sufficient securities of that class such that, together with any other securities of that class already held by that person, or those persons in aggregate, they then hold at least 90% of the securities of that class:

(i) the offeror must notify the holders of the remaining securities of the class that the offer has been accepted to that extent;

(ii) within three months after receiving a notice in terms of paragraph (a), a person may demand that the offeror acquire all of the person’s securities of the class concerned; and

(iii) after receiving a demand in terms of paragraph (b), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

(5) If an offeror has given notice in terms of subsection (1), and no order has been made in terms of subsection (3), or if the offeror has received a demand in terms of subsection (4) (b):

(a) six weeks after the date on which the notice was given or, if an application to a court is then pending, after the application has been disposed of, or after the date on which the demand was received, as the case may be, the offeror must:

(i) transmit a copy of the notice to the regulated company whose securities are the subject of the offer, together with an instrument of transfer, executed on behalf of the holder of those securities by any person appointed by the offeror; and
(ii) pay or transfer to that company the consideration representing the price payable by the offeror for the
securities concerned;

(b) subject to the payment of prescribed fees or duties, the company must thereupon register the offeror as the
holder of those securities.

(6) An instrument of transfer contemplated in subsection (5) is not required for any securities for which a share warrant
is for the time being outstanding.

(7) A regulated company must deposit any consideration received under this section into a separate interest bearing bank
account with a banking institution registered under the Banks Act and, subject to subsection (8), those deposits must be:

(a) held in trust by the company for the person entitled to the securities in respect of which the consideration was
received; and

(b) paid on demand to the person contemplated in paragraph (a), with interest to the date of payment.

(8) If a person contemplated in subsection (7) (a) fails for more than three years to demand payment of an amount held
in terms of that paragraph, the amount, together with any accumulated interest, must be paid to the benefit of the
Guardian's Fund of the Master of the High Court, to be held and dealt with in accordance with the rules of that Fund.

(9) In this section any reference to a “holder of securities who has not accepted the offer” includes any holder who has
failed or refused to transfer their securities to the offeror in accordance with the offer.
ANNEXURE 10

TRADING HISTORY OF HOSPITALITY AND TSOGO SUN HOTELS SHARES

Set out below is a table showing the aggregate volumes and values traded, closing price and the highest and lowest prices traded in Hospitality Shares for:

- each month over the 12 months preceding the Last Practicable Date prior to the date of issue of this circular; and
- each day over the 30 days preceding the Last Practicable Date of this Circular.

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<th>Close (cents)</th>
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Source: Bloomberg
Set out below is a table showing the aggregate volumes and values traded, closing price and the highest and lowest prices traded in Tsogo Sun Hotels Shares for:

- each month over the 12 months preceding the Last Practicable Date prior to the date of issue of this Circular; and
- each day over the 30 days preceding the Last Practicable Date of this Circular.

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Source: JSE Limited
NOTICE CONVENING THE GENERAL MEETING

THE ATTENTION OF HOSPITALITY SHAREHOLDERS IS DRAWN TO ANNEXURE 7 AND ANNEXURE 8 OF THE CIRCULAR, WHICH SETS OUT THE PROVISIONS OF SECTIONS 115 AND 164 OF THE COMPANIES ACT.

If you are in any doubt as to what action you should take in respect of the General Meeting and/or the following resolutions, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.

All terms used in this notice of General Meeting shall, unless the context otherwise requires or they are otherwise defined herein, have the meanings attributed to them in the Circular to which this notice of General Meeting is attached ("Notice").

Hospitality Shareholders are reminded that:

• a Hospitality Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in its stead at the General Meeting in the place of that Hospitality Shareholder, and Hospitality Shareholders are referred to the attached Form of Proxy in this regard;
• a proxy need not also be a Hospitality Shareholder; and
• in terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification to the chairperson, and the chairperson must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

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 Company’s 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 to Hospitality Shareholders that the General Meeting will be held at 11:00 on Thursday, 19 November 2020 for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter:

SPECIAL RESOLUTION 1 – APPROVAL OF THE SCHEME SPECIAL RESOLUTION IN ACCORDANCE WITH SECTION 114(1) AND 115(2)(A) OF THE COMPANIES ACT

"Resolved that the Scheme in terms of section 114(1) of the Companies Act (as more fully set out in the Circular and as same may be amended as contemplated in the Circular), proposed by the Hospitality Board between Hospitality and the Hospitality Shareholders, other than Tsogo Sun Hotels, in terms of which, inter alia, Tsogo Sun Hotels will, subject to the fulfilment or waiver of the Scheme Conditions Precedent (save for any Scheme Condition Precedent relating to the passing of this Special Resolution), and on the Scheme Implementation Date, acquire all of the Scheme Shares from the Scheme Participants and each Scheme Participant will receive the Scheme Consideration, pursuant to which the Hospitality Shares will be delisted from the main board of the JSE, be and is hereby approved as a special resolution in accordance with sections 114(1) and 115(2)(a) of the Companies Act, as amended."
Voting requirement
In order for Special Resolution number 1 to be passed the support of at least 75% of all of the voting rights exercised on the resolution by the Hospitality Shareholders (eligible to vote) present in person or represented by proxy at the General Meeting, excluding an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them (as contemplated in section 115(4) of the Companies Act).

ORDINARY RESOLUTION NUMBER 1 – AUTHORITY GRANTED TO DIRECTORS

"Resolved that any one director or the company secretary of Hospitality be and are hereby authorised to do all things, sign all documents and take all such actions as required and generally do anything necessary or desirable to give effect to and implement Special Resolution number 1 set out above and Ordinary Resolution number 2 set out below, and all such actions taken prior hereto be and is hereby ratified and approved."

Voting requirement
In order for Ordinary Resolution number 1 to be passed the support of more than 50% of all of the voting rights exercised on the resolution by the Hospitality Shareholders (eligible to vote) present in person or represented by proxy at the General Meeting.

Explanatory note
Ordinary Resolution number 1 is required in order to authorise and empower the directors of Hospitality to sign all documents and do all things necessary to give effect to the Scheme and the Delisting.

ORDINARY RESOLUTION NUMBER 2 – APPROVAL FOR THE DELISTING IN TERMS OF PARAGRAPH 1.15 OF SECTION 1 OF THE LISTINGS REQUIREMENTS

"Resolved that, subject to the implementation of the General Offer in accordance with its terms, the listing of all Hospitality Shares on JSE be terminated with effect from on or about the commencement of trade on the JSE on the first Business Day after the last applicable General Offer Payment Date or as soon as reasonably possible thereafter."

Voting requirement
In order for Ordinary Resolution number 2 to be passed the support of more than 50% of all of the voting rights exercised on the resolution by the Hospitality Shareholders (eligible to vote) present in person or represented by proxy at the General Meeting, excluding any controlling shareholder, its associates and any party acting in concert.

Explanatory note
Ordinary Resolution number 2 is required is to authorise Hospitality to make application to the JSE to delist the Hospitality Shares from the main board of the JSE in terms of paragraph 1.15 of section 1 of the Listings Requirements, in the event that the General Offer becomes unconditional.

QUORUM
The General Meeting may not begin until sufficient persons are present (in person or represented by proxy) at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. A matter to be decided at the General Meeting may not begin to be considered unless sufficient persons are present at the meeting (in person or represented by proxy) to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda. In addition, General Meeting may not begin unless at least three shareholders of Hospitality personally present or represented by proxy (and if the shareholder is a body corporate, it must be represented) and entitled to vote at the General Meeting on matters to be decided by the shareholder.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS
In terms of section 164 of the Companies Act, at any time before the Special Resolution as set out in this notice of General Meeting is voted on, a Hospitality Shareholder may give Hospitality a written notice objecting to the Scheme Special Resolution.
A Hospitality Shareholder may demand that Hospitality pay the Hospitality Shareholder the fair value for all of the Hospitality Shares held by that person if:

- the Hospitality Shareholder has sent Hospitality a notice of objection in terms of section 164(3) of the Companies Act;
- Hospitality has adopted Special Resolution 1; and
- such Hospitality Shareholder voted against Special Resolution 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

Hospitality Shareholders are referred to paragraph 6.7 of the Circular to which this notice is attached for more information regarding Appraisal Rights. A copy of section 164 of the Companies Act is set out in Annexure 8 to the Circular to which this notice is attached.

By order of the Hospitality Board

M de Lima  
Chief Executive Officer

Company Secretary  
HPF Properties Proprietary Limited  
(registration number: 2005/020743/07).  
The appointed representative of HPF Properties Proprietary Limited is LR van Onselen.  
Palazzo Towers West  
Montecasino Boulevard  
Fourways  
2055

Transfer Secretaries  
Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue Rosebank Johannesburg, 2196  
(P.O. Box 61763, Marshalltown, 2107)
APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE GENERAL MEETING

General Meeting Instructions

Shareholders or their proxies, have the right, as provided for in Hospitality’s 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 Hospitality’s Transfer Secretaries at proxy@computershare.co.za preferably by no later than 11:00 on Tuesday 17, November 2020.

Upon receiving a completed Electronic Participation Application Form, Hospitality’s 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 Company’s Transfer Secretaries will provide Hospitality with the nominated email address of each verified shareholder or their duly appointed proxy to enable Hospitality 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 Hospitality, 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 Hospitality 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 Hospitality 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 109. 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, Hospitality’s 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 Hospitality’s General Meeting.

Signed 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 109. 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 Hospitality, in the form of share certificates (in the case of certified shares) and (in the case of dematerialised shares) written confirmation from the shareholders Central Securities Depository Participant (“CSDP”) confirming the shareholders 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.
HOSPITALITY PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2005/014211/06)
JSE share code: HPB
ISIN: ZAE000214656
("Hospitality")

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.

This Form of Proxy is for use by Shareholders registered as such who hold Certificated Hospitality Shares or Own-name Dematerialised Shareholders to appoint a proxy or proxies for the General Meeting of Hospitality to be held at 11:00 on Thursday, 19 November 2020.

Shareholders who have Dematerialised their Shares in the Company and do not have "own-name" registration, must inform their CSDP or Broker if they wish to attend the General Meeting electronically and must request their CSDP or Broker to issue them with the necessary letters of representation authorising them to attend electronically, alternatively, they must provide their CSDP or Broker with their voting instructions should they not wish to attend the General Meeting electronically. Such Dematerialised Shareholders must not return this Form of Proxy to the Transfer Secretaries.

It is recommended that Forms of Proxy be completed and delivered to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, to be received by 11:00 on Tuesday, 17 November 2020.

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 Hospitality, 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):

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Number of votes</th>
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<tbody>
<tr>
<td>In favour *</td>
<td>Against *</td>
</tr>
</tbody>
</table>

Special Resolution Number 1
Approval of the Scheme Special Resolution in accordance with sections 114(1) and 115(2)(a) of the Companies Act.

Ordinary resolution number 1
Authorisation of directors

Ordinary resolution number 2
Delisting of Hospitality Shares from the JSE in terms of paragraphs 1.15(a) and 1.16 of section 1 of the Listings Requirements

* 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 this 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 Hospitality) to attend, speak and vote in his/her stead at the General Meeting.
Notes:

1. Only Shareholders who are registered in the register of Hospitality under their own name may complete a Form of Proxy or attend the General Meeting. This includes Shareholders who have not Dematerialised their Shares or who have Dematerialised their Shares with “own name” registration. A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one individual as a proxy to attend, speak and, on a poll, to vote in his/her place at the General Meeting. A proxy need not be a shareholder of Hospitality. Such Shareholder may insert the name of a proxy of the Shareholder’s choice in the space provided, with or without deleting “the chairman of the General Meeting”, provided that any such deletion must be signed in full by the Shareholder. The person whose name stands 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. Should a proxy not be specified, this will be exercised by the chairman of the General Meeting.

2. The date must be filled in on this Form of Proxy and when it is signed.

3. The completion and lodging of this form 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, should such shareholder wish to do so.

4. The appointment of a proxy or proxies:
   4.1 is suspended at any time to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   4.2 is revocable in which case the Shareholder may revoke the proxy appointment by:
      4.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and
      4.2.2 delivering a copy of the revocation instrument to the proxy and to Hospitality.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date:
   5.1 stated in the revocation instrument, if any; or
   5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4) (c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company’s memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to:
   6.1 the shareholder; or
   6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used unless revoked as contemplated in section 58(5) of the Companies Act.

8. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies. The completion of any blank space(s) need not be signed or initialed.

9. A power of attorney or other documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this form unless previously recorded by the Transfer Secretaries of Hospitality or waived by the chairman of the General Meeting.

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

11. A company holding shares in Hospitality that wishes to attend and participate in the General Meeting should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with Hospitality’s Transfer Secretaries prior to the General Meeting.

12. Where there are joint holders of Shares, only one of such persons need sign the Form of Proxy. If more than one of such joint Shareholder votes, whether in person or by proxy only the vote of one of the said persons whose name appears first in the securities register in respect of such Shares or his/her proxy, as the case may be, shall be counted.

13. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

14. You are not obliged either to cast all your votes or to cast all your votes in the same way. A Shareholder’s instruction to the proxy must be indicated either by:
   14.1 the insert of an “X” in the appropriate box next to the resolution (i.e. in favour of and/or against and/or by way of abstention), in which event the proxy will cast all your votes in the manner so specified; or
   14.2 setting out the relevant number of Shares to be voted on behalf of that Shareholder in the appropriate box provided next to the resolution, provided that, if for any resolution the aggregate number of votes to be cast would exceed the total number of Shares held, you will be deemed to have given no specific instruction as to how you wish your proxy to vote in respect of that resolution.

Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the General Meeting or other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit, in respect of the shares concerned. A Shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy; but the total of votes cast in respect of abstention is recorded may not exceed the total of the votes exercisable by the Shareholder or the proxy.

15. Where a proxy is appointed, the enclosed proxy form must be completed, signed and lodged, together with proof of the authority of the person signing the form in a representative capacity, with Computershare Investor Services Proprietary Limited, the transfer secretaries of Hospitality. It is recommended that such Form of Proxy be lodged with the Transfer Secretaries, by 11:00 on Tuesday, 17 November 2020.
FORM OF ELECTION, SURRENDER AND TRANSFER IN RESPECT OF THE SCHEME (FOR USE BY CERTIFICATED HOSPITALITY SHAREHOLDERS ONLY) (“FORM”)

Important notes concerning this form:

• This form is only for use in respect of the scheme of arrangement proposed by the Hospitality Board between Hospitality and the Hospitality Shareholders (“the Scheme”) in accordance with the requirements of section 114 of the Companies Act, 2008.

• Full details of the Scheme are contained in the Circular to Hospitality Shareholders, dated Wednesday, 21 October 2020 (“Circular”), to which this form is attached. Accordingly, all terms used in this form shall, unless the context otherwise requires or they are otherwise defined herein, have the meaning attributed to them in the Circular.

• Scheme Participants will receive the Scheme Consideration.

• A Dissenting Shareholder who subsequently becomes a Scheme Participant after the Scheme Consideration Record Date shall receive the Scheme Consideration.

• This form is attached for the convenience of Certificated Hospitality Shareholders who may wish to surrender their Documents of Title prior to the date of the General Meeting to be held on Thursday, 19 November 2020.

HOLDERS OF DEMATERIALISED HOSPITALITY SHARES MUST NOT COMPLETE THIS FORM.

INSTRUCTIONS:

1. The surrender of Documents of Title is for use only by certificated Scheme Participants.

2. A separate form is required for each certificated Scheme Participant.

3. Part A must be completed by all Scheme Participants who return this form.

4. Part B must be completed by all Scheme Participants who are emigrants from the Common Monetary Area.

5. If this form is returned with the relevant Documents of Title to Hospitality Shares, it will be treated as a conditional surrender which is made subject to the Scheme becoming operative. In the event of the Scheme not becoming operative for any reason whatsoever, and the relevant Scheme Participant has not accepted the General Offer within the stipulated time frame, or the General Offer does not become unconditional, then Computershare Investor Services Proprietary Limited will, return the Documents of Title to the Scheme Participants concerned, by registered post, at the risk of such Scheme Participants, within five Business Days of the later of the date on which (i) the relevant Scheme Participant rejects or are deemed to reject the General Offer or if the General Offer was accepted but does not become unconditional, then on the day on which it becomes known that the General Offer will not be implemented, and (ii) the Documents of Title are received by the Transfer Secretaries.

6. Persons who have acquired Hospitality Shares after the date of the issue of the Circular to which this form is attached, may obtain copies of the form and the Circular from the registered offices of Hospitality, Palazzo Towers West, Montecasino Boulevard, Fourways or Hospitality’s website, www.hpf.co.za

7. The Scheme Consideration will not be credited to Scheme Participants unless and until Documents of Title in respect of the relevant Scheme Shares have been surrendered to Computershare Investor Services Proprietary Limited.

To: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(P.O. Box 61763, Marshalltown, 2107)
Dear Sirs

**PART A: To be completed by ALL Scheme Participants who return this form.**

I/we hereby surrender the Hospitality share certificate(s) and/or other Documents of Title attached hereto, representing Hospitality Shares, registered in the name of the person mentioned below and authorise the Transfer Secretaries, conditional upon the Scheme becoming operative, to register the transfer of these Hospitality Shares into the name of Hospitality or its nominee(s):

<table>
<thead>
<tr>
<th>Name of Hospitality Shareholder</th>
<th>Certificate number(s)</th>
<th>Number of Hospitality Shares covered by each certificate(s) enclosed</th>
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**CCSDP account details:**

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<tr>
<th>Full name of shareholders(s)</th>
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<th>Registered address:</th>
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<tr>
<th>Shareholder/broker contact details:</th>
<th>Tel:</th>
<th>Email</th>
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CSA account held at Strate: [ ] CSA Participant BP ID: [ ]

Client Safe Keeping Account Number: [ ]

Please note if the CSDP details provided are incorrect or unacceptable, by default the Tsogo Sun Hotels shares will be allocated to a nominee account, where beneficial ownership will be recorded on a sub-register with the Transfer Secretary (known as the nominee sub-register).

**Note:**

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<tr>
<th>Signature of Hospitality Shareholders</th>
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<tr>
<td>Name and address of agent lodging this form (if any)</td>
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<td>Assisted by me (if applicable)</td>
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<td>(State full name and capacity)</td>
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<td>Date</td>
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<td>Telephone number (Work)</td>
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<tr>
<td>Cell phone number</td>
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Sign: [Signature]
PART B: To be completed by emigrants of the Common Monetary Area.

Nominated authorised dealer in the case of a Scheme Participant who is an emigrant from the Common Monetary Area (see note 1 below).

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<tr>
<th>Name of dealer</th>
<th>Account number</th>
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PART C: To be completed in BLOCK CAPITALS by Hospitality Shareholders who are emigrants from the Common Monetary Area (“emigrants”) and non-residents of the Common Monetary Area (see notes 1 and 2 below).

The Scheme Consideration will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the emigrant’s remaining assets in terms of the Exchange Control Regulations as nominated below for its control and credited to the emigrant’s capital account. Accordingly, Hospitality Shareholder emigrants must provide the following information:

<table>
<thead>
<tr>
<th>Name of authorised dealer:</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Account number:</td>
<td></td>
</tr>
<tr>
<td>Address:</td>
<td></td>
</tr>
<tr>
<td>Account number:</td>
<td></td>
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</tbody>
</table>

If emigrants make no nomination above, the company secretary will hold the consideration in trust. Non-residents: Must complete Part C if they wish the Scheme Consideration to be paid to an authorised dealer in South Africa.
Notes and instructions:

1. Emigrants from the Common Monetary Area must complete Part B.
2. All other non-residents of the Common Monetary Area must complete Part C if they wish the Scheme Consideration to be paid to an authorised dealer in South Africa.
3. If Part B is not properly completed by emigrants, the Scheme Consideration will be held in trust by the Company Secretary pending receipt of the necessary nomination or instruction. No interest will be paid on the amount so held in trust.
4. No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this form.
5. Persons who are emigrants from the Common Monetary Area should nominate the authorised dealer in foreign exchange in South Africa which has control of their remaining assets in Part B of this form. Failing such nomination, the Scheme Consideration due to such Scheme participants in accordance with the provisions of the Scheme will be held by Hospitality pending instructions from the Scheme Participants concerned.
6. Any alteration to this form must be signed in full and not initialed.
7. If this form is signed under a power of attorney, then such power of attorney, or a notarial certified copy thereof, must be sent with this form for noting (unless it has already been noted by Hospitality or the transfer secretaries). This does not apply in the event of this form bearing a JSE Broker’s stamp.
8. Where the Scheme Participant is a company or a close corporation, unless it has already been registered with Hospitality or the Transfer Secretaries, a certified copy of the directors’ or members’ resolution authorising the signing of this form must be submitted if so requested by Hospitality.
9. If this form is not signed by the Scheme Participant, the Scheme Participant will be deemed to have irrevocably appointed the Transfer Secretaries to implement the Scheme Participant’s obligations under the Scheme on his or her behalf.
10. Where there are any joint holders of any Scheme Shares, only that holder whose name stands first in the Register in respect of such shares need sign this form.
11. A minor must be assisted by his or her parent or guardian, unless the relevant documents establishing his or her legal capacity are produced or have been registered by the Transfer Secretaries.
FORM OF ACCEPTANCE AND TRANSFER FOR THE GENERAL OFFER (FOR USE BY CERTIFICATED HOSPITALITY SHAREHOLDERS ONLY) (“FORM”)

Where appropriate and applicable the terms defined in the circular to Hospitality Shareholders dated Friday, 16 October 2020 (“Circular”) to which this Form is attached, shall bear the same meaning in this Form, unless a word or term is otherwise defined herein.

This form should be read in conjunction with the Circular.

This form is only for use in respect of the General Offer proposed by the Company and Eligible Shareholders holding Certificated Hospitality Shares (“Certificated Eligible Shareholders”).

Full details of the General Offer are contained in the Circular to which this Form is attached and forms part.

This form is attached for the use by Certificated Eligible Shareholders for purposes of accepting the General Offer and tendering General Offer Shares in terms of the General Offer.

HOLDERS OF DEMATERIALISED HOSPITALITY SHARES MUST NOT COMPLETE THIS FORM.

INSTRUCTIONS:

1. A separate form is required for each Certificated Eligible Shareholder.
2. Certificated Eligible Shareholders must complete this form in BLOCK CAPITALS.
3. The surrender of Documents of Title is for use only by General Offer Participants who are Certificated Hospitality Shareholders.
4. If you complete the Form of Surrender and Transfer (blue) and return it, together with the relevant Documents of Title, to the Transfer Secretaries in anticipation of the Scheme becoming operative, you will still be required to complete this Form, but you will not be required to surrender your Documents of Title again.
5. Part A must be completed by all Certificated Eligible Shareholders who return this Form.
6. Part B must be completed by a Certificated Eligible Shareholder who completed Part A and who is an emigrant from, or non-resident of, the Common Monetary Area.
7. The completed Form and the Documents of Title in respect of the General Offer Shares Tendered must be returned to the Transfer Secretaries so as to be received by not later than 12:00 on the General Offer Closing Date.
8. Once this Form of Acceptance and Election is received by the Transfer Secretaries, your acceptance of the General Offer will be final, and you may not withdraw your acceptance unless expressly permitted by the Companies Regulations.
9. If you do not validly accept the General Offer by 12:00 on the General Offer Closing Date, you will be deemed to have declined the General Offer. Late acceptances may be accepted or rejected at Tsogo Sun Hotels’ absolute and sole discretion.
10. If this form is returned with the relevant Documents of Title to the General Offer Shares, it will be treated as a conditional surrender which is made subject to the General Offer becoming wholly unconditional. In the event of the General Offer not becoming wholly unconditional for any reason whatsoever the Transfer Secretaries will return the Documents of Title to the Hospitality Shareholders concerned, by registered post, at the risk of such Hospitality Shareholders, within approximately five Business Days from the date on which the General Offer lapses, or the Scheme does not become operative, whichever is the later.
11. Persons who have acquired Hospitality Shares after the date of the issue of the Circular to which this Form is attached, may obtain copies of the Form and the Circular from the registered offices of Hospitality, Palazzo Towers West, Montecasino Boulevard, Fourways or Hospitality' website, www.tsogosun.com/hospitality-property-fund/.

12. The General Offer Consideration will not be paid to Certificated General Offer Participants unless and until Documents of Title in respect of the relevant General Offer Shares have been surrendered to the Transfer Secretaries.

To: The Transfer Secretaries,

Hand deliver to: Postal deliver to:
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 P.O. Box 61763, Marshalltown, 2107

Dear Sirs

PART A: To be completed by ALL General Offer Participants who return this form.

I/We hereby surrender the Hospitality share certificate/s and/or other Documents of Title attached hereto, representing Hospitality Shares registered in the name of the person mentioned below and authorise the Transfer Secretaries, conditional upon the General Offer becoming operative, to register the transfer of these Hospitality Shares into the name of Tsogo Sun Hotels or its nominee(s):

<table>
<thead>
<tr>
<th>Name of Hospitality Shareholder</th>
<th>Certificate number(s)</th>
<th>Number of Hospitality Shares covered by each certificate(s) enclosed</th>
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Total

CSDP account details:

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Full name of shareholders(s)</th>
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</table>

Registered address:

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<tr>
<th>Shareholder/broker contact details:</th>
<th>Tel:</th>
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<tbody>
<tr>
<td></td>
<td>Email</td>
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</table>

CSA account held at Strate CSA Participant BP ID

Client Safe Keeping Account Number

Please note if the CSDP details provided are incorrect or unacceptable, by default the Tsogo Sun Hotels shares will be allocated to a nominee account, where beneficial ownership will be recorded on a sub-register with the Transfer Secretary (known as the nominee sub-register).
**Note:**

<table>
<thead>
<tr>
<th>Signature of Hospitality Shareholders</th>
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<tbody>
<tr>
<td>Name and address of agent lodging this form (if any)</td>
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<tr>
<td>Assisted by me (if applicable)</td>
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</tr>
<tr>
<td>(State full name and capacity)</td>
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<tr>
<td>Date</td>
<td>2020</td>
</tr>
<tr>
<td>Telephone number (Home) (   )</td>
<td></td>
</tr>
<tr>
<td>Telephone number (Work) (   )</td>
<td></td>
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<tr>
<td>Cell phone number</td>
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### PART B: TO BE COMPLETED BY A CERTIFICATED ELIGIBLE SHAREHOLDER WHO COMPLETED PART A AND WHO IS AN EMIGRANT FROM, OR NON-RESIDENT OF, THE COMMON MONETARY AREA (see notes 3 and 4 below).

In the case of Certificated Eligible Shareholders who are emigrants: The General Offer Consideration will be transferred (at the risk of the Certificated Eligible Shareholders) to the Authorised Dealer nominated by the Certificated Eligible Shareholders below for its control and credited to the emigrant’s capital account. Accordingly, non-residents who are emigrants must provide the following information: **NB**

**PART A must also be completed**

<table>
<thead>
<tr>
<th>Name of Authorised Dealer:</th>
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<tbody>
<tr>
<td>Account number:</td>
<td></td>
</tr>
<tr>
<td>Address:</td>
<td></td>
</tr>
<tr>
<td>Signature of Authorised Dealer:</td>
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</tbody>
</table>

If emigrants make no nomination above, the Transfer Secretaries will hold the consideration in trust for the benefit of the emigrants concerned until lawfully claimed by such General Offer Participant for a maximum period of five years, after which such funds shall be paid over to the Guardian’s Fund.

In the case of all other Certificated Eligible Shareholders: The General Offer Consideration will be posted, to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address is provided below (in each case at the risk of the Certificated Eligible Shareholder):

<table>
<thead>
<tr>
<th>Substitute address:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Signature of Hospitality Shareholder:</td>
<td></td>
</tr>
<tr>
<td>Name of Authorised Dealer:</td>
<td></td>
</tr>
<tr>
<td>Signature of Authorised Dealer:</td>
<td></td>
</tr>
</tbody>
</table>
Notes and instructions:

1. Applications under this Form are irrevocable and may not be withdrawn once submitted.
2. General Offer Participants should consult their professional advisers in case of doubt as to the correct completion of this Form.
3. Emigrants of the Common Monetary Area must, in addition to Part A, also complete Part B. If Part B is not properly completed, the General Offer Consideration will be held in trust by Hospitality or the Transfer Secretaries until claimed for a maximum period of five years, after which period such funds shall be paid over to the Guardians Fund of the Court. No interest will accrue or be paid on any General Offer Consideration so held in trust.
4. All other non-residents of the Common Monetary Area must also complete Part B if they wish the General Offer Consideration to be to be paid to an Authorised Dealer in South Africa.
5. Persons who are emigrants from the Common Monetary Area should nominate the Authorised Dealer in foreign exchange in South Africa which has control of their remaining assets in Part B of this Form. Failing such nomination, the General Offer Consideration due to such General Offer Participants in accordance with the provisions of the General Offer will be held by Hospitality or the Transfer Secretaries, pending instructions from the General Offer Participants concerned.
6. The General Offer Consideration will not be sent to General Offer Participants unless and until Documents of Title in respect of the relevant General Offer Shares have been surrendered to the Transfer Secretaries.
7. If a Certificated Eligible Shareholder produces evidence to the satisfaction of Hospitality that Documents of Title in respect of General Offer Shares have been lost or destroyed, Hospitality may waive the surrender of such Documents of Title against delivery of a duly executed indemnity (including against any damage, expense, loss or payment that Hospitality or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the General Offer Consideration to such person) in a form and on terms and conditions approved by Hospitality, or may in their discretion waive such indemnity.
8. If this Form is not signed by the Certificated Eligible Shareholder, the Certificated Eligible Shareholder will be deemed to have irrevocably appointed the Transfer Secretaries to implement that Certificated Eligible Shareholder’s obligations under the General Offer, as the case may be, on his/her behalf.
9. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this Form.
10. Any alteration to this Form must be signed in full and should not be merely initialled.
11. If this Form is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this Form for noting (unless it has already been noted by Hospitality or the Transfer Secretaries).
12. Where the Certificated Eligible Shareholder is a company or a close corporation, unless it has already been registered with Hospitality or the Transfer Secretaries, a certified copy of the directors’ or members’ resolution authorising the signing of this Form must be submitted if so, requested by Hospitality.
13. A minor must be assisted by his parent or guardian, unless the relevant documents establishing his legal capacity are produced or have been registered by Hospitality or the Transfer Secretaries.
14. Notes 11, 12 and 13 do not apply in the case of a form bearing a JSE broker’s stamp.
15. Where General Offer Shares are held jointly, only the holder whose name stands first in the Register must sign this Form.