

Niveus Investments Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1996/005744/06)
Share code: NIV
ISIN: ZAE000169553
("Niveus" or the "Company")

UPDATE REGARDING THE UNBUNDLING OF GAMECO

1. INTRODUCTION

Shareholders are referred to the Stock Exchange News Service announcements released by Niveus on 14 March 2017, 11 May 2017 and 29 May 2017 ("**Initial Announcements**"), relating to *inter alia* the unbundling by Niveus of its interests in its gaming businesses, currently held via its wholly-owned subsidiary, Niveus Invest 19 Limited ("**Gameco**") ("**Unbundling**") and certain transactions conditional upon the implementation of the Unbundling ("**Proposed Transactions**").

Shareholders are hereby advised that Tsogo has completed a due diligence investigation in respect of Gameco. While Niveus has not received positive confirmation about the outcome of the due diligence investigation, the transaction is no longer subject thereto. In addition, shareholders are hereby advised that Niveus, Hosken Consolidated Investments Limited ("**HCI**") and Tsogo Sun Holdings Limited ("**Tsogo**") have entered into an agreement, which records the terms of the Proposed Transactions and which is subject to various conditions precedent ("**Agreement**").

Given that certain of the terms of the Proposed Transactions as announced in the Initial Announcements have changed (although in principle the transaction remains the same), the Company is of the view that it is prudent to publish the full terms of the Unbundling and the Proposed Transactions in one announcement, as set out below.

2. OVERVIEW OF GAMECO

All of the South African gaming interests of Niveus (other than its sports betting and lottery interests) are housed in Gameco Group and its subsidiaries and includes the following major businesses:

- 2.1. Vukani Gaming - Vukani Gaming and its subsidiaries are mainly engaged in offering limited payout machine ("**LPM**") gaming services and manages more than 5 500 LPMs at third-party sites throughout Southern Africa; and
- 2.2. Galaxy Gaming - Galaxy Gaming operates licensed bingo centres. Bingo is offered through electronic bingo terminals ("**EBT**") and paper bingo games at Galaxy Gaming's licensed bingo centres. Galaxy Gaming and its subsidiaries operate 2 351 EBTs and 174 slot machines.

3. UNBUNDLING

- 3.1. As explained in the previous announcements, subject to the Unbundling Conditions Precedent stipulated below, Niveus intends to distribute up to a maximum of 431,250,094 Gameco shares (comprising up to 93.75% of the total issued Gameco shares in the issued share capital of Gameco) to Niveus shareholders, by way of a distribution *in specie* pro rata to their respective

shareholding in Niveus on the Unbundling record date, in the ratio of 3.619 Gameco shares for every 1 Niveus share held by any such shareholder on the Unbundling record date.

- 3.2. The Unbundling is subject to the fulfilment or waiver by the Company (to the extent legally permissible) of the following conditions precedent (“**Unbundling Conditions Precedent**”) by no later than 30 September 2017 (or such later date as the Company, HCI and Niveus agree to) (“**Long Stop Date**”):
 - 3.2.1. the board of directors of the Company approves the Unbundling in accordance with section 46 of the Companies Act, No. 71 of the 2008 (“**Companies Act**”) and the Listings Requirements of the JSE (“**Listings Requirements**”);
 - 3.2.2. the Takeover Regulation Panel (“**TRP**”) issues a compliance certificate, in accordance with section 121(b) of the Companies Act, to the Company in respect of the Unbundling;
 - 3.2.3. the shareholders of the Company approve the Unbundling in terms of section 5.85 of the Listings Requirements and sections 112 and 115 of the Companies Act, by the requisite majority of Shareholders at a general meeting voting in favour of the resolutions approving the Unbundling, provided that this condition shall not be fulfilled if shareholders holding, in aggregate, 2.5% or more of the issued shares in the Company (or such other number as the Board may determine), vote against the special resolution approving the Unbundling and exercise their appraisal rights by giving notice objecting to such special resolution in accordance with section 164(3) of the Companies Act; and
 - 3.2.4. the conditions precedent to the Tsogo Transaction are fulfilled or waived (to the extent legally permissible) and the Agreement becomes unconditional in accordance with its terms, save for any Transaction Conditions Precedent requiring that the Unbundling Conditions Precedent are fulfilled.

4. THE PROPOSED TRANSACTIONS

In terms of the Agreement, the Proposed Transactions will be implemented as follows:

- 4.1. Subject to the fulfilment (or waiver, to the extent legally permissible) of the Tsogo Transaction Conditions Precedent (as defined below) and following the Unbundling, the following transactions, which aim to consolidate all of HCI’s gaming interests (other than its sports betting and lottery interests) in Tsogo, will be implemented in terms of the following inter-conditional transaction steps:
 - 4.1.1. the HCI disposal, in terms of which HCI will dispose of all Gameco shares (acquired by HCI pursuant to the Unbundling and the Assignment (as defined below)) to Tsogo, being 233,659,638 Gameco shares comprising approximately 50.8% of the issued share capital of Gameco, in exchange for the issue by Tsogo to HCI of 81,272,918 Tsogo shares, in the ratio of 1 Tsogo share for every 2.875 Gameco shares purchased from HCI (“**HCI Disposal**”);
 - 4.1.2. the Tsogo minority offer, in terms of which Tsogo will make a voluntary offer to the Gameco minority shareholders in compliance with the Companies Act and the Companies Regulations, 2011 (“**Companies Regulations**”), to acquire all of the Gameco shares held by the Gameco minority shareholders (“**Tsogo Minority Offer**”), pursuant to the Unbundling, being 234,554,748 Gameco shares, in exchange for a consideration comprising:

- 4.1.2.1. 20% in Tsogo shares (in the ratio of 1 Tsogo share for every 2.875 Gameco shares); and
- 4.1.2.2. 80% in cash (at R 9.739 per Gameco share); and

The effective value received by Minority Shareholders, before deducting withholding tax of those shareholders who are not exempt from dividend withholding tax, is R35,57 per Niveus share if shareholders elect to sell their Gameco shares pursuant to the Tsogo Minority Offer. R28,20 will be received in cash per Niveus share and R5,75 will effectively be received in Tsogo shares on the basis that Tsogo shares are valued at R22,85 (being the closing price of Tsogo shares on the JSE at close of trade on 26 June 2017). The balance of the R35,57 will be received by Niveus itself and will be applied as described in paragraph 4.1.3.1 below.

4.1.3. the Niveus transaction, comprising of (“**Niveus Transaction**”):

- 4.1.3.1. the Niveus Disposal, in terms of which Niveus will dispose to Tsogo of all the Gameco shares held by it after the implementation of the Unbundling and the Assignment (as defined below), by accepting the Tsogo Minority Offer in respect of such Gameco shares which will be at least 20,535,720 Gameco shares (“**Niveus Disposal**”). The consideration which Niveus will receive from Tsogo in terms of the Niveus Disposal, will be at least R160,000,000 in cash and 1 428 571 Tsogo shares. The cash amount may increase to the extent that certain shareholders exercise their appraisal rights or to the extent that Niveus retains Gameco shares in order to settle withholding tax obligations of those shareholders who are not exempt from dividend withholding tax. The Niveus Disposal consideration will be used to strengthen the Niveus balance sheet and pay down debt. Tsogo shares received by Niveus in terms of the Niveus Disposal will be retained for the foreseeable future;
- 4.1.3.2. the clawback, in terms of which Niveus will grant Tsogo the right to claw back an amount equal to the value of 10 000 000 Tsogo Shares (“**Clawback Shares**”) in the event that no EBTs are legally operating in the KwaZulu Natal Province prior to or on 31 March 2020. The clawback value shall be calculated using the 30 day volume weighted average trading price of Tsogo Shares on the JSE as at 31 March 2020, subject to certain adjustments as will be detailed in the circular to shareholders (“**Clawback Amount**”). Should the Clawback Amount become due and payable, the claim will be settled by Niveus (or HCI pursuant to implementation of the Assignment (defined below)) delivering that number of Tsogo shares as will equal the value of the Clawback Amount (“**Clawback**”).
- 4.1.3.3. the Assignment, in terms of which Niveus will assign to HCI all of its rights and obligations in terms of the Clawback, including the potential payment obligation to make payment of the Clawback Amount to Tsogo, against transfer by Niveus of 8,214,286 Gameco shares with an aggregate value of R80,000,000 to HCI (“**Assignment**”).

4.2. For ease of reference, the HCI Disposal, Tsogo Minority Offer and the Niveus Transaction are, collectively, hereinafter referred to as the “**Tsogo Transaction**”.

5. RATIONALE FOR THE UNBUNDLING AND PROPOSED TRANSACTIONS

The rationale for the Proposed Transactions is to offer Shareholders the opportunity to separately retain, dispose of or increase their interest in Gameco without affecting their current interest in the other assets held by Niveus. The Proposed Transactions grant shareholders more flexibility with regard to the management of their interests in Niveus and Gameco and a more direct interest in the

Niveus gaming assets. The Tsogo Minority Offer will furthermore grant Shareholders the ability to dispose of their Gameco Shares for a combination of cash and shares in Tsogo, which will hold the majority of the Gameco shares pursuant to the HCI Disposal.

6. CONDITIONS PRECEDENT

6.1. The Tsogo Transaction is subject to the fulfilment (or waiver by the parties to the Agreement) of the following conditions precedent by the Long Stop Date ("**Tsogo Transaction Conditions Precedent**"):

6.1.1. the parties to the Proposed Transactions shall have obtained such approvals as may be legally required in terms of applicable laws from any applicable authority (other than the Gambling Boards) for the implementation of the Tsogo Transaction, either unconditionally or if such approval is conditional, subject to such conditions as are acceptable in its sole discretion to the parties who are affected by the conditions;

6.1.2. irrevocable undertakings, on terms acceptable to Tsogo, shall have been provided by persons and/or entities who will hold shares in the share capital of Gameco pursuant to the Unbundling (including HCI and Niveus) in terms of which they irrevocably undertake in favour of Tsogo to dispose of not less than 345,000,100 shares in the share capital of Gameco (equal to 75% of the shares in the share capital of Gameco), in the aggregate, to Tsogo in terms of the HCI Disposal, the Niveus Disposal and the Tsogo Minority Offer;

6.1.3. the shareholders of Tsogo, in a general meeting, approve the Tsogo Transaction as a related party transaction in accordance with the Listings Requirements and the Companies Act;

6.1.4. the shareholders of Niveus, in a general meeting, shall have approved the Tsogo Transaction, the Clawback and the Assignment as one or more related party transactions in accordance with the Listings Requirements;

6.1.5. the Tsogo Transaction shall have been approved by a sub-committee of independent directors of Tsogo;

6.1.6. the Tsogo Minority Offer circular shall have been finalised in a form acceptable to the parties and approved by the TRP;

6.1.7. the Northern Cape Gambling Board, established in terms of the Northern Cape Gambling Act of 2008, shall have waived, in writing, the requirement that the Tsogo Transaction shall have been approved by it prior to its implementation;

6.1.8. all the requisite directors' approvals in terms of the memorandum of incorporation of Gameco, for the transfer of the shares in the share capital of Gameco in terms of the HCI Disposal, the Niveus Disposal and the Tsogo Minority Offer, shall have been obtained in writing;

6.1.9. all the requisite waivers of pre-emptive rights and/or other prior rights (if any) in respect of the shares in the share capital of Gameco shall have been obtained in writing in respect of the HCI Disposal, the Niveus Disposal and the Tsogo Minority Offer;

6.1.10. HCI and Niveus shall have concluded an Assignment agreement recording the terms of the Assignment, and such agreement shall have become unconditional in accordance with its

terms, save for any condition therein requiring that the Agreement becomes unconditional; and

- 6.1.11. the Unbundling Conditions shall have been fulfilled or waived (to the extent that they may be legally waived).

7. EFFECTIVE DATE

The Unbundling will be implemented after the Unbundling Conditions are fulfilled or waived (as the case may be), which is anticipated as being Monday, 18 September 2017.

The Tsogo Transaction is anticipated to be implemented after the Tsogo Transaction Conditions Precedent are fulfilled or waived (as the case may be), as follows:

- 7.1. the Tsogo Minority Offer will be submitted to Gameco shareholders on the date that is 5 business days after the completion of the Unbundling;
- 7.2. the HCI Transaction and the Niveus Disposal will be implemented on the first Friday after the Tsogo Minority Offer being submitted to Gameco shareholders;
- 7.3. the Assignment is anticipated to be implemented on the last business day immediately before the implementation of the HCI Transaction.

8. SIGNIFICANT OTHER TERMS OF THE PROPOSED TRANSACTIONS

- 8.1. Following the Tsogo Minority Offer, in the event that:
 - 8.1.1. 20% or more of the issued share capital of Gameco is held by Gameco minority shareholders other than Tsogo on the first business day after the Tsogo Minority Offer closing date, Tsogo has irrevocably undertaken to and in favour of HCI and Niveus to make application to the JSE to list the Gameco Shares on the main board of the JSE, within a period of 12 months from such date; and
 - 8.1.2. 90% or more of the Gameco Shares which are the subject of the Tsogo Minority Offer, is acquired by Tsogo in terms of the Tsogo Minority Offer, Tsogo intends to invoke the provisions of section 124 of the Companies Act to acquire the remaining Gameco shares which are the

subject of the Tsogo Minority Offer on mutatis mutandis the same terms and conditions as the Tsogo Minority Offer.

- 8.2. The Agreement contains warranties and representations by Niveus and HCI in favour of Tsogo, which are standard and appropriate for transactions of this nature.

9. FINANCIAL INFORMATION

- 9.1. The value of the net assets of Gameco as at signature date of the Agreement is R3 980 355 651.
- 9.2. The pro forma unaudited profit after tax of Gameco for the year ending 31 March 2017 was R226 879 000.

10. INDEPENDENT BOARD

- 10.1. In accordance with the Companies Regulations, the board of Niveus will appoint an independent board comprising of independent non-executive directors of Niveus ("Independent Board"). The Independent Board will appoint an independent expert to compile a report(s) on the Unbundling and the Niveus Transaction.
- 10.2. The report(s) of the independent expert will be contained in the circular that will be sent to shareholders.

11. CLASSIFICATION

- 11.1. The Unbundling is regarded as a specific payment to Shareholders in terms of section 5.85 of the Listings Requirements and accordingly requires the approval of the Shareholders by way of an ordinary resolution.
- 11.2. The board of directors of the Company has elected to treat the Unbundling as a disposal of the greater part of the assets or undertaking of Niveus in terms of section 112 of the Companies Act and will therefore obtain the approval of the TRP and the approval of the Shareholders by way of a special resolution, in compliance with the provisions of section 115 of the Companies Act.
- 11.3. HCI is a "material shareholder" and the holding company of Niveus, as it holds 50.8% of the total issued shares of Niveus. Furthermore, Tsogo is an "associate" of HCI, due to the fact that HCI holds approximately 47.6% of the total issued Tsogo shares. Since HCI and Tsogo are both related parties of Niveus, the Niveus Transaction will constitute one or more related party transactions, which require the approval of the shareholders, excluding any related parties and their associates, by way of an ordinary resolution in accordance with section 10.4(e) of the Listings Requirements.

12. CIRCULAR

A circular containing the full details of the Proposed Transactions, incorporating a notice convening the required Niveus general meeting, will be posted to shareholders in due course and the salient dates and times of the Proposed Transactions, including the date of the general meeting, will be announced on SENS once the circular has been posted.

Cape Town
27 June 2017

Sponsor: PSG Capital Proprietary Limited

Legal adviser: ENSafrica