

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 3 of this Appendix have, where appropriate, been used on this cover page.

If you have disposed of all of your Shares, this Appendix, forming part of the Notice of AGM (also containing a form of proxy), should be handed to the purchaser of such Shares or to the broker, CSDP, banker or other agent through whom the disposal was affected.

Shareholders who hold Dematerialised Shares through a CSDP or broker but who have not elected own-name registration who wish to participate in and/or vote at the AGM must request their CSDP or broker to provide them with the necessary letter of representation to participate in and/or vote at the AGM or must instruct their CSDP or broker to vote on their behalf in terms of their agreement with their CSDP or broker.

Shareholders are referred to page 161 of the Integrated Report containing the Notice of AGM, which sets out the detailed action required of them in respect of the Repurchase Resolution and is available on the company's website at: <https://clhg.com/financials>. Shareholders are further referred to page 14 of this Appendix, which sets out information on Dissenting Shareholders' Appraisal Rights. If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

**City Lodge does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any holder of Dematerialised Shares to notify such Shareholder of the action required of them in respect of the BEE Unwind and ancillary matters set out in this Appendix and the Notice of AGM.**



### CITY LODGE HOTELS LIMITED

Registration number: 1986/002864/06

Share code: CLH ISIN: ZAE000117792

("City Lodge" or "the Company")

## APPENDIX OF NOTICE TO ANNUAL GENERAL MEETING OF CITY LODGE SHAREHOLDERS

relating to:

- the proposed unwind of the Company's B-BBEE Transaction established in 2008, by way of the Subscription by the Company of 99.99% of the issued share capital in the BEE SPVs, resulting in an Indirect Specific Repurchase of 35,393,908 City Lodge Shares, constituting 5.80% of the total issued Share capital of City Lodge, in terms of sections 48(8)(b) and 114, read together with sections 115 and 164 of the Act, and Section 5 of the Listings Requirements,

and enclosing:

- a report by the Independent Expert in terms of section 114 of the Act.
- Shareholders are also referred to:
  - the Notice of Annual General Meeting of Shareholders to which this document is affixed; and
  - the Form of Proxy (yellow) for purposes of the Annual General Meeting, for use by Certificated Shareholders and Own name Dematerialised Shareholders only, which is enclosed in the Notice of Annual General Meeting.

Corporate Advisor and  
Transaction Sponsor



Legal Adviser



Independent Reporting  
Accountants



Independent Expert



This Appendix is available in English only and copies thereof may be obtained at the Company's Registered Office between 09:00 and 17:00 or from the Company Secretary by emailing [MvanHeerden@clhg.com](mailto:MvanHeerden@clhg.com) or from the Corporate Advisor and Transaction Sponsor, by emailing [sponsor@questco.co.za](mailto:sponsor@questco.co.za) from the date of posting of this Appendix to the date of the AGM, both days inclusive. This Appendix, forming part of the Notice of AGM, will also be available on City Lodge's website (<https://clhg.com/investor-relations>) from the date of issue hereof.

Date of issue: 13 November 2020

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## CORPORATE INFORMATION

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### **Date and place of incorporation of City Lodge**

16 July 1986, South Africa

### **Company Secretary and Registered Office**

Mrs MC van Heerden  
The Lodge, Bryanston Gate Office Park  
Corner Homestead Avenue and Main Road  
Bryanston, Johannesburg, 2191  
(PO Box 97, Cramerview, 2060)

### **Legal Adviser**

Edward Nathan Sonnenbergs Inc.  
(Registration number: 2006/018200/21)  
The MARC, Tower 1  
129 Rivonia Road  
Sandton, 2196  
(PO Box 783347, Sandton, 2146)

### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
(Registration Number 2004/003647/07)  
1st Floor Rosebank Towers, 15 Biermann Avenue  
Rosebank, Johannesburg, 2196  
(Private Bag, X9000, Saxonwold, 2132)

### **Corporate Adviser and Transaction Sponsor**

Questco Proprietary Limited  
(Registration number 2002/005616/07)  
1st Floor, Yellowwood House  
Ballywoods Office Park  
33 Ballyclare Drive, Bryanston, 2191

### **Independent Reporting Accountants and Auditors**

KPMG Inc.  
(Registration number 1999/021543/21)  
KPMG Crescent  
85 Empire Road  
Parktown, Johannesburg, 2196  
(Private Bag 9, Parkview, 2122)

### **Independent Expert**

BDO Corporate Finance Proprietary Limited  
(Registration number 1983/002903/07)  
Wanderers Office Park, Corlette Drive  
Illovo, 2196  
(Private Bag X60500, Houghton 2041)

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 3 of this Appendix have, where appropriate, been used in this section.

**2020**

Record date to determine which Shareholders are entitled to receive Notice of AGM with this accompanying Appendix	Friday, 6 November
Notice of AGM with this accompanying Appendix distributed to City Lodge Shareholders and announced on SENS	Friday, 13 November
Last date to trade to participate in and vote at the AGM	Tuesday, 1 December
Record date to be eligible to participate in and vote at the AGM	Friday, 4 December
Where applicable, forms of proxy and/or participation application forms to be lodged at Transfer Secretaries by 10:00 on (refer Notes 2 and 5 below)	Wednesday, 9 December
Last date and time for City Lodge Shareholders to give notice to the Company objecting to the special resolution approving the Indirect Specific Repurchase, by 10:00 on	Friday, 11 December
AGM to be held at 10:00 on	Friday, 11 December
Results of AGM announced on SENS	Friday, 11 December

**The following dates assume that the Indirect Specific Repurchase becomes unconditional, and that the Indirect Repurchase Resolution does not require Court approval or a review**

Expected unconditional date of the Indirect Specific Repurchase (refer note 7 below)	Friday, 11 December
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**If the Indirect Repurchase Resolution is approved by Shareholders at the AGM and is not revoked**

Last date for City Lodge Shareholders who voted against the Indirect Repurchase Resolution to require the Company to seek Court approval for the Indirect Repurchase Resolution in terms of section 115(3)(a) of the Act, if at least 15% of the total votes of City Lodge Shares at the AGM were exercised against the Indirect Repurchase Resolution	Monday, 21 December
Last day for the Company to send notice of adoption of the Indirect Repurchase Resolution to Dissenting Shareholders, in accordance with section 164(4) of the Act	Tuesday, 29 December
Last day for City Lodge Shareholders who voted against the Indirect Repurchase Resolution to apply to Court for leave to apply to the Court for a review of the Indirect Repurchase Resolution in terms of section 115(3)(b) of the Act	Tuesday, 29 December

**Notes:**

1. The above dates and times are subject to amendment. Any such amendment will be published on SENS and in the press.
2. The time and date suggested for lodgement of proxy forms is an administrative matter. A Shareholder may however submit a form of proxy at any time up to commencement of the AGM to the Transfer Secretaries or to the Chairperson of the meeting.
3. If the AGM is adjourned or postponed, forms of proxy submitted for the initial AGM will remain valid in respect of any adjournment or postponement of the AGM.
4. All times given are local times in South Africa.
5. Shareholders who wish to electronically participate in and/or vote at the AGM are required to complete the electronic participation application form affixed to the Notice of AGM and email same to proxy@computershare.co.za as soon as possible, but in any event no later than 10:00 Wednesday, 9 December 2020 for administration purposes.
6. Shareholders who acquire City Lodge Shares after the AGM LDT, namely, Tuesday, 1 December 2020, will not be entitled to attend, speak and vote at the AGM.
7. The Company may after this date issue the BEE SPVs with a Subscription notice to implement the BEE Unwind, which will be issued by the Company between the date on which the conditions precedent (as contained in paragraph 4 of this Appendix) have been met and the Maturity Date.

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## DEFINITIONS AND INTERPRETATIONS

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In this Appendix, unless the context indicates otherwise, references to the singular shall include the plural and vice versa; words denoting one gender include the other; words and expressions denoting natural persons include legal persons and associations of persons; and the following words and expressions have the meanings assigned to them below:

“ <b>Act</b> ” or “ <b>Companies Act</b> ”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“ <b>AGM</b> ”	the annual AGM of City Lodge Shareholders to be held at 10:00 on Friday, 11 December 2020, or any adjournment or postponement thereof, to consider and, if deemed appropriate, approve the resolutions set out in the Notice of AGM;
“ <b>Appendix</b> ”	this Appendix to the Notice of Annual General Meeting (which contain a form of proxy), including all Annexures thereto;
“ <b>Appraisal Rights</b> ”	the rights afforded to City Lodge Shareholders in terms of section 164 of the Act as set out in <b>Annexure 6</b> to this Appendix;
“ <b>A preference shares</b> ”	the 7-year cumulative redeemable amortising A preference shares issued at a price of R100,000, which have a coupon rate of 74% of prime, compounded monthly in arrears, issued to the Funder as part of the 2008 B-BBEE Transaction;
“ <b>B preference shares</b> ”	the 5-year cumulative redeemable zero/roll-up B preference shares issued at a price of R100,000, which have a coupon rate of 75% of prime, compounded monthly in arrears, issued to the Funder as part of the 2008 B-BBEE Transaction;
“ <b>B-BBEE</b> ”	Broad-Based Black Economic Empowerment;
“ <b>BEE Funding</b> ” or “ <b>BEE Debt</b> ”	the A preference shares, the B preference shares (including any and accrued, but unpaid and undeclared preference share dividends thereon) and the loans advanced by Standard Bank to the BEE SPVs for the acquisition of the BEE City Lodge Shares, further details of which are set out in Section 1 of this Appendix, which funding is guaranteed by City Lodge;
“ <b>BEE SPVs</b> ”	collectively, the Education SPV, Staff SPV and Vuwa SPV, which acquired the BEE City Lodge Shares in terms of the 2008 B-BBEE Transaction;
“ <b>BEE Shares</b> ” or “ <b>BEE City Lodge Shares</b> ”	the 35,393,908 City Lodge Shares (representing 5.80% of the current issued share capital of the Company) held by the BEE SPVs, acquired pursuant to the 2008 B-BBEE Transaction and the subsequent Rights Offer;
“ <b>2008 B-BBEE Transaction</b> ” or “ <b>B-BBEE Transaction</b> ”	the acquisition by the BEE SPVs of the BEE Shares pursuant to the scheme of arrangement approved by Shareholders and implemented in 2008;
“ <b>BEE Unwind</b> ”	the proposed unwind of the 2008 B-BBEE Transaction through the Subscription by the Company of 99,99% of the ordinary shares in the BEE SPVs, resulting in the Indirect Specific Repurchase, and the immediate use by the BEE SPVs of the Subscription proceeds to settle the BEE Debt owing to Standard Bank in full.
“ <b>Board</b> ” or “ <b>City Lodge Board</b> ”	the board of directors of City Lodge as at the Last Practicable Date and whose names are listed on page 7 of this Appendix;
“ <b>Certificated Shareholders</b> ”	City Lodge Shareholders who hold Certificated Shares;
“ <b>Certificated Shares</b> ”	City Lodge Shares which have not been dematerialised into the Strate system, title to which is represented by physical Documents of Title;
“ <b>City Lodge</b> ” or “ <b>the Company</b> ”	City Lodge Hotels Limited (Registration number 1986/002864/06), a public company duly incorporated in accordance with the laws of South Africa and listed on the JSE;
“ <b>City Lodge Group</b> ” or “ <b>Group</b> ”	City Lodge and its Subsidiaries;
“ <b>City Lodge Shares</b> ” or “ <b>Shares</b> ”	ordinary shares of <i>no par</i> value in the share capital of City Lodge as at the Last Practicable Date;

<b>“City Lodge Shareholder”, or “Shareholder”</b>	a holder of a City Lodge Share;
<b>“CSDP”</b>	a Central Securities Depository Participant in South Africa, appointed to hold and administer Dematerialised Shares;
<b>“Dematerialised”</b>	the process whereby paper share certificates or other documents of title are replaced with electronic records of ownership of shares or uncertificated securities as contemplated in section 49 of the Act under the Strate system with a CSDP or stockbroker;
<b>“Dematerialised Shares”</b>	City Lodge Shares which have been incorporated into the Strate system, title to which is not represented by physical Documents of Title;
<b>“Dematerialised Shareholder”</b>	City Lodge Shareholders who hold Dematerialised Shares;
<b>“Dissenting Shareholders”</b>	City Lodge Shareholders who validly exercise their Appraisal Rights by demanding, in terms of section 164 of the Act, that the Company pay them the fair value of all of such number of City Lodge Shares as may form the subject matter of their demand under section 164 of the Act;
<b>“Documents of Title”</b>	share certificates, certified transfer deeds, balance receipts and any other documents of title to City Lodge Shares acceptable to the Board;
<b>“Education SPV”</b>	Newsshelf 935 (RF) (Proprietary) Limited (Registration number 2007/030584/07), a company incorporated in South Africa and wholly-owned by the UJ Educational Trust;
<b>“EGM Circular”</b>	the extraordinary general meeting circular to City Lodge Shareholders dated 22 June 2020, containing, <i>inter alia</i> , enabling resolutions to facilitate the Rights Offer;
<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, 1961, as amended, issued in terms of section 9 of the Currency and Exchanges Act, No 9 of 1933, as amended from time to time and all directives and rulings issued thereunder;
<b>“Guarantee”</b>	the guarantee provided by City Lodge for the obligations of the BEE SPVs in relation to the settlement of the BEE Debt;
<b>“Indirect Specific Repurchase”</b>	the indirect repurchase of the BEE City Lodge Shares by the Company, which amounts to 5.80% of the total issued share capital of City Lodge, as a result of the Company subscribing for 99.99% of the issued share capital in the BEE SPVs;
<b>“Indirect Specific Repurchase Resolution”</b>	the special resolution number 4 proposed to Shareholders, in terms of sections 84(8) and 115 of the Act, and Section 5 of the JSE Listings Requirements, to approve the Indirect Specific Repurchase;
<b>“Injabulo Trust”</b>	the Injabulo Staff Share Scheme (IT 1704/2008), a trust established to incentivise employees to promote the continued growth of the Group by giving them an opportunity to acquire shares therein, thereby aligning their interests with those of Shareholders and simultaneously encouraging employee retention and motivation. Eligible employees (non-executive staff) are those who do not qualify to participate in the Company’s existing executive share incentive schemes and who have been in the Company’s employ for more than 1 year at the time of any distribution;
<b>“JSE”</b>	as the context indicates, the JSE Limited (registration number 2005/022939/06), a public company incorporated and registered in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act, No. 19 of 2012, as amended from time to time, or the securities exchange operated by that company;
<b>“JSE Listings Requirements”</b>	the Listings Requirements of the JSE, as amended from time to time;
<b>“Last Practicable Date”</b>	Thursday, 22 October 2020, being the last practicable date prior to the finalisation of this Appendix;
<b>“Loan D”</b>	the Group’s revolving facility with Standard Bank, as lender, of R450.0 million, dated 20 December 2019, of which R250 million has been repaid utilising the proceeds of the Rights Offer. R200 million remains outstanding as at the Last Practicable Date;

<b>“Loan E”</b>	the Group’s revolving facility with Standard Bank, as lender of R200.0 million, secured on 12 June 2020, being an additional facility granted by Standard Bank to the Group given the Group’s need to fund its fixed and semi-fixed costs while operations remained restricted due to lockdown measures following from the COVID-19 pandemic. R30.0 million of which was drawn in August 2020, and thereafter fully settled utilising the proceeds of the Rights Offer;
<b>“Maturity Date”</b>	31 January 2021;
<b>“MOI”</b>	the memorandum of incorporation of the Company;
<b>“Notice of AGM”</b>	the notice convening the AGM of City Lodge Shareholders to which this Appendix is attached containing, <i>inter alia</i> , the special and ordinary resolutions required to authorise the Indirect Specific Repurchase, and a form of proxy;
<b>“Repurchase Resolution”</b>	special resolution number 4 in the Notice of AGM proposing the Specific Repurchase;
<b>“Rights Offer”</b>	the renounceable rights offer undertaken by the Company during August 2020, in term of which the Company issued an additional 566,460,609 shares at a price of R2.12 per share, resulting in an amount of R1.2bn being raised;
<b>“Rights Offer Circular”</b>	the circular to City Lodge Shareholders containing details of the Rights Offer, dated 3 August 2020;
<b>“SENS”</b>	the Stock Exchange News Service operated by the JSE;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Staff SPV”</b>	Newsshelf 892 (RF) Proprietary Limited (Registration number 2007/016279/07), a company incorporated in South Africa and wholly-owned by the Injabulo Staff Trust;
<b>“Standard Bank” or “the Funder”</b>	the Standard Bank of South Africa Limited (Registration number 1962/000738/06) acting through its Corporate and Investment Banking division;
<b>“Strate”</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated and registered in accordance with the laws of South Africa, a registered central securities depository responsible for the electronic settlement system used by the JSE;
<b>“SOFPI”</b>	statement of financial position;
<b>“SOI”</b>	statement of comprehensive income;
<b>“Subscription”</b>	the subscription by City Lodge of: <ul style="list-style-type: none"> <li>– 999,900 ordinary shares in the Education SPV;</li> <li>– 999,900 ordinary shares in the Staff SPV; and</li> <li>– 999,900 ordinary shares in the VUWA SPV,</li> </ul> such that City Lodge will hold, after the Subscription, 99.99% of the issued share capital of each of the BEE SPVs, for a subscription amount equal to the BEE Debt settlement amount on the date of the Subscription;
<b>“Subscription Options”</b>	the options granted to the Company by the BEE SPVs on 8 June 2020, entitling the Company to subscribe for 99.99% of the share capital of the BEE SPVs, at the Company’s sole election, at a total subscription amount equal to the amount required for purposes of the full settlement of debt due under the BEE Funding on or prior to 31 January 2021 and thereby enabling an orderly unwind of the 2008 BEE Transaction;
<b>“Subscription Option Agreements”</b>	the agreements dated 8 June 2020, entered into between City Lodge and each of the BEE SPVs, whereby the Subscription Options were granted to the Company;

<b>“Subsequent Events”</b>	events which occurred subsequent to the Group’s year end, being the: (a) the draw-down of additional debt facilities of R30 million; (b) the conclusion of the Rights Offer after the Group’s last financial year end, being 30 June 2020; and (c) the use of proceeds raised from the Rights Offer including, <i>inter alia</i> , the raising of the deposit held for the future settlement of the BEE preference shares amounting to R776.3 million, and the repayment of specified liabilities and the Rights Offer expenses, as fully detailed in the Rights Offer Circular, which is incorporated by reference herein;
<b>“Subsidiary”</b>	a subsidiary as defined by International Financial Reporting Standards, and/or the Companies Act;
<b>“TRP”</b>	the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;
<b>“Takeover Regulations”</b>	the regulations published by the Minister of the Department of Trade and Industry in Chapter 5 of the Companies Regulations 2011;
<b>“Transfer Secretaries” or “Computershare”</b>	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated in accordance with the laws of the Republic of South Africa and who are the transfer secretaries of City Lodge;
<b>“UJ Educational Trust”</b>	the University of Johannesburg Educational Trust (IT4477/2008), a trust established for the benefit of the Hotel School forming part of the University of Johannesburg, which objectives include training and development of suitable black persons, 85% of whom must be black persons as defined and of which two thirds must be female, with a view to placing them within the industry; providing adequate training to City Lodge employees undertaking postgraduate degrees at the University of Johannesburg; and developing and fast tracking black persons as managers and leaders within the industry by training and developing suitably qualified black persons at middle and senior management level;
<b>“VAT”</b>	value-added tax levied in terms of the South African Value-Added Tax Act, No. 89 of 1991, as amended from time to time;
<b>“Vuwa”</b>	Vuwa Investments (RF) (Proprietary) Limited (Registration number 2005/009252/07), a company incorporated in South Africa with shareholders being Bulelani Thandabantu Ngcuka (17.4%), Albert Nemukula (12.2%), Dumisani Dumekhaya Tabata (12.2%), Dr Gilimamba Sylvester Mahlali (12.2%), Brain Lungisa Dyosi (6.1%), Siphon Richard Ngwema (6.1%), African Footprint Investment Holdings Proprietary Limited, being a Black Female controlled Company (10%); Old Mutual Life Assurance Company (SA) Limited (12.2%) and Kennedy Memani (12.2%);
<b>“Vuwa SPV”</b>	Vuwa Hotels (RF) Proprietary Limited (Registration number: 2007/030597/07) a company incorporated in South Africa and wholly-owned by Vuwa; and
<b>“ZAR”, “Rand” or “R”</b>	South African Rand, the lawful currency of South Africa.



## CITY LODGE HOTELS LIMITED

Registration number: 1986/002864/06

Share code: CLH ISIN: ZAE000117792

("City Lodge" or "the Company")

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### DIRECTORS

BT Ngcuka (Chairman)

AC Widegger (Chief Executive Officer)\*

GG Huysamer<sup>^</sup>

FWJ Kilbourn<sup>^</sup> (Lead independent director)

MSP Marutlulle

N Medupe<sup>^</sup>

SG Morris<sup>^</sup>

D Nathoo (Chief Financial Officer)\*

VM Rague<sup>†</sup>

LG Siddo (Chief Operating Officer)\*

<sup>†</sup> Kenyan

\* Executive

<sup>^</sup> Independent

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## APPENDIX OF NOTICE TO ANNUAL GENERAL MEETING OF CITY LODGE SHAREHOLDERS

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### 1. INTRODUCTION AND BACKGROUND

- 1.1. In 2008, City Lodge entered into the B-BBEE Transaction in terms of which the BEE SPVs acquired 6,390,365 Shares in City Lodge (representing 14.7% of the current issued share capital of City Lodge at the time), which acquisition was funded through the BEE Debt owing to Standard Bank, and which BEE Debt is guaranteed by City Lodge.
- 1.2. The BEE SPVs, as the Company's selected BEE partners, were established for the sole purpose of acquiring the City Lodge BEE Shares and to date own no other material assets.
- 1.3. The 2008 B-BBEE Transaction was approved by Shareholders on 26 June 2008, as fully detailed in a circular to Shareholders distributed on 4 June 2008.
- 1.4. Subsequent to the Rights Offer undertaken by the Company in August 2020, the number of Shares held by the BEE SPVs increased to 35,393,908 shares, comprising 5,80% of the issued Share capital of the Company post the Rights Offer. The BEE SPVs funded the take up of their rights under the Rights Offer through the sale of a portion of their letters of allocation.
- 1.5. The BEE Debt is repayable to the Funder on or before the **Maturity Date**. The B-BBEE Transaction is currently materially out of the money, with the value of the BEE SPVs Shareholding in City Lodge (as at the Last Practicable Date) being ZAR95.6 million, against the amount outstanding of the BEE Funding of ZAR752.2 million (as at 30 June 2020). In the context of the current market backdrop and operating conditions, it is extremely unlikely that there will be equity value in the B-BBEE Transaction by the Maturity Date. Unless the BEE Debt is therefore settled prior to 31 January 2021, Standard Bank will call on the Guarantee and the Company will be obliged to settle the BEE Debt on behalf of the BEE SPVs. The Company is proposing the current BEE Unwind as a mechanism, which will also allow the Company to unwind the 2008 B-BBEE Transaction in a more orderly manner.

### **Overview of the BEE Debt and City Lodge obligations**

- 1.6. The BEE Debt comprises of A preference shares and the B preference shares issued by the respective BEE SPVs to Standard Bank in 2008, as well as a subsequent loan raised from Standard Bank. The BEE Debt is fully guaranteed by City Lodge, as approved by Shareholders in 2008.
- 1.7. The total amount outstanding in respect of each BEE SPV's BEE Funding, as at 30 June 2020, is set out below.

<b>ZAR'000</b>	<b>Education SPV</b>	<b>Staff SPV</b>	<b>Vuwa SPV</b>	<b>Total</b>
A preference shares	14,100	48,800	40,700	103,600
B preference shares	63,300	116,300	66,100	245,700
A preference share dividends payable	204	705	589	1,498
B preference share dividends payable	91,824	168,707	95,885	356,416
Interest-bearing loans	11,357	20,904	11,859	44,120
Interest accrued	233	429	243	905
	181,018	355,845	215,376	752,239

- 1.8. The BEE Debt is repayable, through a redemption of the preference shares, declaring and paying the outstanding preference dividends and settlement of the term loan, on or before 31 January 2021. It is expected that the BEE Debt balances, by applying the current coupon and interest rates, will increase to R776.3 million by 31 January 2021.
- 1.9. As noted to Shareholders in the EGM Circular and the Rights Offer Circular, it is expected that Standard Bank will call on the Guarantee on Maturity Date, unless the BEE Debt is settled prior to Maturity Date.
- 1.10. In anticipation of this obligation, and due to other COVID-related working capital constraints, the Company embarked on the Rights Offer, for a total amount of R1.2bn. Shareholders were advised that an amount equal to the BEE Debt, calculated to and as at the Maturity Date, which amount will be R776.3 million from the Rights Offer proceeds would be ringfenced for the settlement of the BEE Debt on or prior to the Maturity Date. Accordingly, following the Rights Offer an amount of R776.3 million was placed on deposit with the funder, which will be released to enable City Lodge either to discharge its liability as guarantor of the BEE Debt, or to enable the Subscription contemplated in this Appendix, on the Maturity Date.

### **Proposed BEE Unwind**

- 1.11. In order to unwind the B-BBEE Transaction in a simpler and appropriate manner, the Company is proposing the settlement of the BEE Debt by the BEE SPVs (prior to the Guarantee being called), concurrently with taking indirect ownership of the BEE City Lodge Shares through the subscription for 99.99% of the ordinary shares of each of the BEE SPVs. The Subscription price will equal to the BEE Debt outstanding by the BEE SPVs on the date of the Subscription and will be used by the BEE SPVs to settle their BEE Debt.
- 1.12. Accordingly, the Company proposes the BEE Unwind, as an alternative to an immediate settlement of the Guarantee, which would not have given the Company an outright right to take ownership of the BEE City Lodge Shares.
- 1.13. As disclosed in both the EGM Circular and Rights Offer Circular, prior to embarking on the Rights Offer, the Company secured its ability to achieve the BEE Unwind in this manner (i.e. through the Subscription), through the conclusion of the Subscription Option Agreements with the BEE SPVs, in terms of which the Company has been granted the Subscription Options to, at its sole election, subscribe for 99.99% of the ordinary shares in the respective BEE SPVs on or prior to the Maturity Date, and with the Subscription proceeds to be used to by the BEE SPVs to settle their BEE Debt.

The Company currently has a Level 4 BEE rating, which will remain valid until September 2021 irrespective of the current BEE Unwind. Any BEE certificate issued after September 2021 will be based on the circumstances and scorecard of the Company at the time.

## **2. PURPOSE OF THIS APPENDIX**

- 2.1. In terms of the JSE Listings Requirements, the Subscription will be regarded as an Indirect Specific Repurchase, in terms of Section 5 of the Listings Requirements, which requires the approval by way of a special resolution of the City Lodge Shareholders, being the approval of at least 75% of the votes cast by all Shareholders present in person, or represented by proxy, excluding the votes of any Shareholder and its associates that are participating in the repurchase,

being the BEE SPVs and their associates. None of the BEE SPVs are related parties as defined by the JSE Listings Requirements. As the BEE SPVs own, as their only material assets, Shares in City Lodge, the transaction is, in substance a specific repurchase under Section 5 and not as a transaction within the ambit of Section 9 of the JSE Listings Requirements.

- 2.2. City Lodge is authorised to undertake the Specific Repurchase in terms of article 40 and 42 its MOI.
- 2.3. In addition, as the Indirect Specific Repurchase will result in the Company acquiring, indirectly, in excess of 5% of the entire issued Share capital of the Company, the Indirect Specific Repurchase is, in terms of section 48(8)(b) of the Act, subject to the provisions of section 114, read with sections 115 and 164 of the Act. Therefore:
  - 2.3.1. in terms of section 48(8)(b) of the Act, the Indirect Specific Repurchase may only be implemented if approved in terms of section 115 of the Act by the adoption of a special resolution by persons entitled to exercise voting rights on such matter at the AGM and at which AGM sufficient persons are present to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised on that matter;
  - 2.3.2. the City Lodge Shares held by BEE SPV's (and their associates) will not be included in calculating the percentage of voting rights required to be present, or actually present, in determining whether the applicable quorum requirements for the AGM are satisfied; or required to be voted in support of the special resolution, or actually voted in support of the special resolution.
  - 2.3.3. the special resolution in respect of the Indirect Specific Repurchase is contained in the Notice of AGM, to which this Appendix is attached. The Board has passed a resolution acknowledging that it has applied the solvency and liquidity test, as set out in section 4 of the Act, and has reasonably concluded that City Lodge and its Subsidiaries will satisfy the solvency and liquidity test immediately after completing the proposed Indirect Specific Repurchase; and
  - 2.3.4. the Act requires, *inter alia*, the preparation of a report by an independent expert on the Indirect Specific Repurchase, in terms of section 114 of the Act. Accordingly, City Lodge has appointed the Independent Expert to provide external advice to the Board in relation to the Indirect Specific Repurchase in terms of the Act and Regulation 90 and 110 of the Takeover Regulations. The Independent Expert's report is attached as **Annexure 1** to this Appendix.
- 2.4. The purpose of this Appendix is therefore to provide Shareholders with all the requisite information required by the JSE Listings Requirements and the Companies Act and Takeover Regulations to allow them to consider and, if deemed fit, vote in favour of the special resolution required to approve the Indirect Specific Repurchase.

### 3. TERMS OF THE SUBSCRIPTION OPTION AGREEMENTS

- 3.1. In terms of the Subscription Option Agreements, City Lodge may, at its sole election, subscribe for:
  - 3.1.1. 999,900 ordinary shares in the Education SPV, comprising 99.99% of the Education SPV shares after the Subscription, for a subscription amount equal to the BEE Debt owing by the Education SPV on the date of the Subscription;
  - 3.1.2. 999,900 ordinary shares in the Staff SPV, comprising 99.99% of the Staff SPV shares after the Subscription, for a subscription amount equal to the BEE Debt owing by the Staff SPV on the date of the Subscription; and
  - 3.1.3. 999,900 ordinary shares in the Vuwa SPV, comprising 99.99% of the VUWA SPV shares after the Subscription, for a subscription amount equal to the BEE Debt owing by the VUWA SPV on the date of the Subscription;by providing the BEE SPVs with a Subscription notice. The Subscription notice will be issued by the Company to the respective BEE SPVs after the necessary conditions precedent, as set out in paragraph 4 below, have been met but prior to the final Maturity Date.
- 3.2. The BEE SPVs must use the Subscription Proceeds for the sole purpose of settling the BEE Funding owing to the Funder, within 3 days of having received the Subscription Proceeds from City Lodge.

#### 4. CONDITIONS PRECEDENT

- 4.1. The BEE Unwind is subject to:
- 4.1.1. approval by the Shareholders as contemplated in paragraph 2 above; and
- 4.1.2. the Indirect Repurchase Resolution not being revoked by the Directors as a result of Shareholders exercising their Appraisal Rights.

#### 5. SHARE CAPITAL OF CITY LODGE

- 5.1. Share capital before and after the Indirect Specific Repurchase:

**Authorised Shares:**

10,000,000,000 ordinary shares of no par value

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**Stated capital**

**R'000**

**Issued and fully paid Shares:**

610,034,502 ordinary shares of no par value

1,324,641

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- 5.2. The Indirect Specific Repurchase will have no impact on the Company's issued or authorised Share capital.
- 5.3. 35,393,908 City Lodge Shares are held in treasury by City Lodge Group as at the Last Practicable Date, comprising the BEE City Lodge Shares. This will not change as a result of the Subscription, as the BEE SPVs are already consolidated into the Group accounts prior to the Subscription. Refer to notes 4 and 13 – 15 of the Group Financial Statements for the year ended 30 June 2020 for an overview of the Group's control over, and accounting policies in relation to, the BEE SPVs.

#### 6. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION

- 6.1. The *pro forma* consolidated statement of comprehensive income for the year ended 30 June 2020 and the *pro forma* consolidated statement of financial position as at 30 June 2020 of the Group have been extracted from the audited financial statements of the Group at these dates ("**Audited Financial Statements**") and have been adjusted to reflect the *pro forma* financial effects relating to the Subsequent Events in order to establish an appropriate post balance sheet events starting position for the *pro forma* financial effects (the "**After the Subsequent Events**" columns detailed below"). The After the Subsequent Events starting position has been adjusted for *pro forma* financial effects of the BEE Unwind as reflected in the **After the BEE Unwind** columns detailed below. The *pro forma* financial information relating to the Subsequent Events and the BEE Unwind, including the notes thereto, ("**Pro Forma Financial Information**") is set out in Annexure 2 to this Appendix.
- 6.2. The *Pro Forma* Financial Information is provided for illustrative purposes only and, because of its nature, may not fairly present the financial position or results of operations of the Group. The *Pro Forma* Financial Information has been prepared to illustrate the impact of the BEE Unwind on the published financial information of the Group for the year ended 30 June 2020, adjusted for the Subsequent Events as detailed above, based on the assumption that the Subsequent Events and BEE Unwind took place on 1 July 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 30 June 2020 for purposes of the *pro forma* consolidated statement of financial position.
- 6.3. The *Pro Forma* Financial Information has been prepared using the accounting policies of the City Lodge Group, which comply with IFRS and are consistent with those applied in City Lodge's consolidated financial statements for the year ended 30 June 2020.
- 6.4. The *Pro Forma* Financial Information is the responsibility of the Directors.
- 6.5. The Independent Reporting Accountants' report on the *Pro Forma* Financial Information is set out in Annexure 3 to this Circular.
- 6.6. A summary of the impact of the BEE Unwind on the basic and diluted EPS, HEPS, NAV and TNAV is set out below. The BEE Unwind will have no impact on the Company's share capital, or on its treasury shares.

Cents	Before <sup>(1)</sup>	After the Subsequent Events <sup>(2)</sup>	After the Subsequent Events and the BEE unwind <sup>(3)</sup>	% Change <sup>(4)</sup>
Basic and diluted earnings per share	(1,329.4)	(82.1)	(74.5)	9%
Basic and diluted headline earnings per share	(388.1)	(21.9)	(14.2)	35%
Basic and diluted normalised headline earnings per share	(181.1)	(10.1)	(11.6)	(15%)
Net asset value per share (cents)	1,549.5	299.6	299.5	(0%)
Tangible net asset value per share (cents)	1,393.0	289.6	289.5	(0%)
Normalised net asset value per share (cents)	3,332.0	425.7	425.6	(0%)

**Notes:**

1. The “Before” column sets out the audited basic and diluted earnings per share, basic and diluted headline earnings per share, basic and diluted normalised headline earnings per share, net asset value per share, tangible net asset value per share and normalised net asset value per share and for the year ended 30 June 2020, extracted without adjustment from the Audited Financial Statements.
2. Illustrates the *pro forma* financial position of the Group subsequent to the implementation of the Subsequent Events in order to establish an appropriate post balance sheet events starting position for the *pro forma* financial effects relating to the BEE Unwind. Detailed notes are contained in Annexure 2 of this Appendix.
3. Illustrates the *pro forma* financial effects of the Group, as adjusted for the Subsequent Events, after the BEE Unwind. Detailed notes are contained in Annexure 2 of this Appendix.
4. Illustrates the effect of percentage change between column 2 and column 3, being the difference between the opening column after the Subsequent Events, and the BEE Unwind.

## 7. ANNUAL FINANCIAL STATEMENTS

- 7.1. The integrated reports of the City Lodge Group for the years ended 30 June 2020, 2019 and 2018 which are incorporated in this Appendix by reference in terms of a dispensation granted by the TRP can be obtained from the Company and will be available for inspection as set out in paragraph 21 below and are also available on the Company's website: <https://clhg.com/financials>.
- 7.2. Extracts of the consolidated audited historical financial statements of City Lodge Group in respect of the financial years ended 30 June 2020, 2019 and 2018 are contained in Annexure 4 to this Circular.

## 8. INTERESTS IN CITY LODGE SHARES

- 8.1. As at the Last Practicable Date:
  - 8.1.1. 7,080,400 City Lodge Shares are held by the Education SPV's (1.16% of the issued City Lodge Shares);
  - 8.1.2. 14,156,571 City Lodge Shares are held by the Staff SVP (2.32% of the issued City Lodge Shares); and
  - 8.1.3. 14,156,937 City Lodge Shares are held by the VUWA SPV's (2.32% of the issued City Lodge Shares).
- 8.2. There will be no change to the number of City Lodge shares held by the BEE SPV's following the BEE Unwind, however, as a result of the Subscription the current shareholding in the BEE SPVs will be hugely diluted to 0.01% of the equity in the BEE SPVs and accordingly control and 99.99% of the shareholding in the BEE SPVs will be vested in City Lodge following the implementation of the BEE unwind.

**Director's interests in securities**

- 8.3. At the Last Practicable Date, the Directors held, directly and indirectly, interests in the Company's issued ordinary share capital as reflected below:

<b>Director</b>	<b>Direct holding</b>	<b>Indirect holding</b>	<b>Total</b>
FWJ Kilbourn	238,000		238,000
The Claudia Kilbourn 2010 Trust	–	47,600	47,600
The James Kilbourn 2010 Trust	–	47,600	47,600
The Patrick Kilbourn 2010 Trust	–	47,600	47,600
SPP Endow for Doornbult Trust	–	75,362	75,362
AC Widegger	3,016,363	–	3,016,363
AC Widegger – 2017 Restricted shares	4,882	–	4,882
AC Widegger – 2018 Restricted shares	2,509	–	2,509
AC Widegger – 2019 Restricted	7,204	–	7,204
LG Siddo	61,117	–	61,117
LG Siddo – 2017 Restricted shares	957	–	957
LG Siddo – 2018 Restricted shares	693	–	693
LG Siddo – 2019 Restricted shares	2,693	–	2,693
D Nathoo	–	–	–
N Medupe	–	–	–
BT Ngcuka <sup>∞</sup>	–	2,461,891	2,461,891
GG Huysamer	–	–	–
VM Rague	–	–	–
MSP Marutlulle	–	–	–
SG Morris	–	–	–

<sup>∞</sup> BT Ngcuka indirectly holds Shares in the Company by virtue of him owning 17.39% of the shares in Vuwa. Vuwa in turn holds 100% of the VUWA SPV, which holds 2.32% of the shares in the Company.

- 8.4. Directors who have resigned in the last 18 months:

<b>Director</b>	<b>Direct holding</b>	<b>Indirect holding</b>	<b>Total</b>
AW Dooley (resigned 9 March 2020)	11,663	–	11,663
AW Dooley – 2017, 2018 and 2019 Restricted shares	–	–	–
KIM Shongwe (resigned 7 November 2019)	–	–	–

- 8.5. All the Shareholdings set out in the tables in paragraphs 8.3 and 8.4 above are less than 1%.
- 8.6. Other than to follow their rights under the Rights Offer, and the sell letters of allocations (where applicable), none of the parties listed under this paragraph 8 dealt in any City Lodge Shares during the 6 months preceding the Last Practicable Date.

## 9. MAJOR SHAREHOLDERS

- 9.1. According to the information available to the Company at the Last Practicable Date, the following City Lodge Shareholders, other than Directors of the Company, either directly or indirectly, are beneficially interested in 5% or more of the issued share capital of the Company:

	<b>Number of City Lodge shares</b>	<b>% of issued share capital of City Lodge</b>
Allan Gray	96,834,282	15.87
Enderle SA (Pty) Ltd*	54,358,553	8.91
Ninety One	31,964,648	5.24
Abax Investments	31,578,758	5.18
Public Investment Corporation	31,276,963	5.13
Oasis Crescent Management Company	25,360,777	4.16

\* Company established by the founder of City Lodge Group.

## 10. MATERIAL CHANGES

The Directors report that there have been no material changes in the financial or trading position of the Group between 30 June 2020, being the date of the last published audited financial results of the Company and the date of publication of this Appendix, with specific reference to the post balance sheet notes contained in note 33: Subsequent Events on page 155 of the Integrated Report, a copy of which can be found at the following link and which is incorporated by reference in terms of paragraph 21 below: <https://clhg.com/financials>.

## 11. MATERIAL RISKS

Details of the material risks relevant to the Group and its business are available on pages 26-28 of the Company's Integrated Report for the period ended 30 June 2020, which can be accessed on the website at the following link: <https://clhg.com/financials>

## 12. SOLVENCY AND LIQUIDITY AND WORKING CAPITAL STATEMENT

- 12.1. The Directors are of the opinion that the working capital available to City Lodge subsequent to the Indirect Specific Repurchase is adequate for the requirements of the Company and the Group for a period of 12 months from the date of issue of this Circular. Having considered the effect of the Indirect Specific Repurchase, the Directors are of the opinion that:
- 12.1.1. the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of issue of this Circular;
  - 12.1.2. the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of issue of this Circular. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited consolidated financial statements of the Group;
  - 12.1.3. the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of issue of this Circular; and
  - 12.1.4. the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of issue of this Circular.
- 12.2. The Board has authorised the Indirect Specific Repurchase by resolution and the Board has, by resolution, acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Act, and reasonably concluded that the Company and its Subsidiaries will satisfy the solvency and liquidity test immediately after completing the Indirect Specific Repurchase.
- 12.3. Since the solvency and liquidity test was performed, there have been no material changes to the financial position of the Group.

### 13. DISSENTING SHAREHOLDERS AND APPRAISAL RIGHTS

- 13.1. At any time before the Indirect Specific Repurchase Resolution, as contained in the accompanying Notice of AGM, approving the Specific Indirect Repurchase in terms of section 115 of the Act is to be voted on at the AGM, a Shareholder may give the Company written notice objecting to the Indirect Specific Repurchase Resolution.
- 13.2. Within 10 business days of the Company having adopted the Indirect Specific Repurchase Resolution, the Company must send a notice that the Indirect Specific Repurchase Resolution has been adopted to each Shareholder who gave the Company written notice of objection and has not withdrawn that notice and has voted against the Indirect Specific Repurchase Resolution number 3.
- 13.3. A Shareholder who has given the Company written notice objecting to the Indirect Specific Repurchase Resolution, who participates at the AGM and has voted against the Indirect Specific Repurchase Resolution and has complied with all the procedural regulations set out in section 164 of the Act may, if the Indirect Specific Repurchase Resolution has been adopted, then demand in writing within:
  - 20 business days after receipt of the aforementioned notice; or
  - if the Shareholder does not receive the aforementioned notice from the Company, 20 business days after learning that the Indirect Specific Repurchase Resolution was adopted, that the Company pay the Shareholder fair value for all the Shares in the Company held by that Shareholder.
- 13.4. Extracts of sections 115 and 164 of the Act, containing details of the remedies available for aggrieved Shareholders, are set out in Annexures 5 and 6 of this Appendix to the Notice of AGM.
- 13.5. The Indirect Repurchase Resolution will only be proposed to City Lodge Shareholders at the AGM if no Shareholders objected thereto in terms of section 164(3) of the Act, or in the case where any Shareholders objected as aforesaid, the Directors have not resolved at the time of the AGM to retract the proposal of Indirect Repurchase Resolutions.
- 13.6. Shareholders will be requested to specifically approve an authority for the Directors (but not an obligation) to revoke the Indirect Repurchase Resolution in the event that any Shareholders exercise their Appraisal Rights in respect of the Indirect Specific Repurchase and the Directors are of the opinion that it would be in the best interest of City Lodge to do so.
- 13.7. The Directors will only utilise this authority if they are of the view that it is in the best interest of the Company to do so.

### 14. TRP APPROVALS

Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of affected transactions when it approves transactions.

### 15. DIRECTORS

- 15.1. The composition of the Board will not change following or as a result of the BEE Unwind, and the BEE Unwind has no impact on the service contracts entered into with Directors.

#### 15.2. Independence of the Board

The independence of each of the Directors has been assessed in terms of the provisions of Regulation 108(7) of the Takeover Regulations and it has been determined that BT Ngcuka is not independent, by virtue of his interest in the Vuwa SPV, and he has accordingly recused himself from voting on the implementation of the BEE Unwind.

Other than for BT Ngcuka, none of the remaining Directors ("Independent Board") have any conflicts of interest, or in the outcome of the BEE Unwind that render them non-independent in relation to the BEE Unwind. The names of all the remaining Directors, constituting the Independent Board, are set out on page 7 of this Appendix.

#### 15.3. Directors' responsibility statement

The Independent Board and the Board has considered all statements of fact and opinion in this Appendix; collectively and individually, accepts full responsibility for the accuracy of the information given; certifies that, to the best of its knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading; has made all reasonable enquiries in this regard; and certifies that, to the best of its knowledge and belief, the Appendix contains all information required in terms of the Act and the Listings Requirements.

## 16. OPINIONS AND RECOMMENDATIONS

### 16.1. The Board and the Independent Board

The Board and the Independent Board has considered the terms and conditions of the BEE Unwind and, taking into account the opinion of the Independent Expert in respect of the BEE Unwind, is of the opinion that the terms and conditions thereof are fair and reasonable to City Lodge Shareholders and recommends that Shareholders vote in favour of the Indirect Repurchase Resolution at the AGM.

It should be noted that, should the BEE Unwind not be approved in its current form, the Company will nonetheless be required to make good on the Guarantee by settling the BEE Debt on or prior to 31 January 2021. This proposed BEE Unwind transaction structure therefore allows the Company to take ownership of the BEE City Lodge Shares in compensation for the settlement of the BEE Debt on behalf of the BEE SPVs.

### 16.2. Opinion of the Independent Expert

BDO, acting as Independent Expert to the Board, has advised the Board that it has considered the terms and conditions of the Indirect Specific Repurchase in terms of the Act and the Takeover Regulations and is of the opinion that the Indirect Specific Repurchase is fair and reasonable, given that there will be no adverse impact on the business of City Lodge nor any impact on the fair value of a City Lodge Share, as the BEE SPVs (and BEE Debt) was previously consolidated in the Group's financial statements. The text of the Independent Expert report included as **Annexure 1** to this Circular and such letter has not been withdrawn prior to the publication of this Circular.

## 17. EXPENSES

The estimated total amount of preliminary and issue expenses (including VAT) incurred by City Lodge in respect of the BEE Unwind within the three years preceding the Last Practicable Date, are set out below:

Nature of expense	Paid/payable to	Amount Incl VAT R
JSE documentation fee	JSE	26,870
TRP fee	TRP	175,950
Corporate Advisor and Transaction Sponsor	Questco	287,500
Legal Advisors	ENS Africa	86,250
Independent Reporting Accountants	KPMG	138,000
Independent Expert	BDO	172,500
Printing and publication fees	Bastion	62,549
Exchange Control Approval	Standard Bank	2,300
Contingency	Various	11,500
Total		963,419

## 18. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which apply to Shareholders. Shareholders who have any queries regarding the Exchange Control Regulations should contact their own professional advisors without delay.

### 18.1. Emigrants from the Common Monetary Area

18.1.1. The Indirect Specific Repurchase consideration payable to the BEE SPVs is not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations.

18.1.2. The Indirect Specific Repurchase consideration due to a Shareholder (i.e. the applicable BEE SPV) who is an emigrant from South Africa, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited in a blocked account with the Shareholder's authorised dealer in foreign exchange in South Africa (controlling the Shareholder's blocked assets in accordance with his instructions), against delivery of the relevant Documents of Title.

## 18.2. All other non-residents of the Common Monetary Area

- 18.2.1. The Indirect Specific Repurchase consideration due to an “own-name” Shareholder (i.e. to the applicable BEE SPV) who is a non-resident of South Africa and who has never resided in the Common Monetary Area, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited with the authorised dealer in foreign exchange in South Africa nominated by such Shareholder (i.e. the applicable BEE SPV). It will be incumbent on the Shareholder (i.e. the applicable BEE SPV) concerned to instruct the nominated authorised dealer as to the disposal of the Indirect Specific Repurchase consideration against delivery of the relevant Documents of Title.
- 18.2.2. All CSDPs and Brokers with whom Shares have been Dematerialised should note that they are required to comply with the Exchange Control Regulations set out above.

## 19. CONSENTS

- 19.1. Each of the Independent Expert, Independent Reporting Accountants, Legal Adviser, Corporate Advisor and Transaction Sponsor and Transfer Secretary have consented in writing to act in the capacity stated and to their names being stated in this Circular and have not withdrawn their consent prior to the issue of this Circular.
- 19.2. The Independent Expert and Independent Reporting Accountants have consented in writing to the inclusion of their reports in this Circular in the form and context in which it appears and have not withdrawn such consent prior to the publication of this Circular.

## 20. AGM AND ACTION REQUIRED

- 20.1. The AGM of City Lodge Shareholders will be held at 10:00 on Friday, 11 December 2020, for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions set out in the Notice of AGM, to which this document is affixed.
- 20.2. Shareholders are referred to page 18 of the Notice of Annual General Meeting for voting and participation instructions.

## 21. DOCUMENTS AVAILABLE FOR INSPECTION AND INCORPORATED BY REFERENCE

- 21.1. The following documents, or copies thereof, can be obtained at the Company’s Registered Office, at no charge, between 09:00 and 17:00 or from the Company Secretary by emailing [MvanHeerden@clhg.com](mailto:MvanHeerden@clhg.com) or the Corporate Advisor and Transaction Sponsor by emailing [sponsor@questco.co.za](mailto:sponsor@questco.co.za) from the date of issue of this document up to the date of the Annual General Meeting, both days inclusive:
- 21.1.1. this signed Appendix;
- 21.1.2. the MOI of the Company, and the memorandum of incorporation of each of the Company’s major subsidiaries (as defined in the JSE Listings Requirements);
- 21.1.3. the Subscription Option Agreements;
- 21.1.4. the audited consolidated financial statements of the Group for the three years ended 30 June 2020, 2019 and 2018;
- 21.1.5. the signed report of the Independent Expert;
- 21.1.6. the signed report of the Independent Reporting Accountants on the *Pro Forma* Financial Information;
- 21.1.7. the letter of approval of this Appendix from the TRP; and
- 21.1.8. the consent letters of the advisors to the Company as detailed in paragraph 19 above.
- 21.1.9. the following documents are incorporated by reference:

Document name	Link
Integrated Annual Report as at 30 June 2020	<a href="https://clhg.com.financials">https://clhg.com.financials</a> .

Signed on behalf of the Board of Directors

**Andrew Widegger**

Chief Executive Officer

13 November 2020

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## INDEPENDENT EXPERT'S REPORT

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The Board of Directors  
City Lodge Hotels Limited  
The Lodge  
Bryanston Gate Office Park  
Corner Homestead Avenue and Main Road  
Bryanston  
Johannesburg, 2191

28 October 2020

Dear Sirs

### **REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO CITY LODGE HOTELS LIMITED REGARDING THE INDIRECT ACQUISITION BY CITY LODGE HOTELS LIMITED OF 35,393,908 SHARES IN ITS ORDINARY SHARE CAPITAL VIA THE SUBSCRIPTION FOR SHARES IN THE BLACK ECONOMIC EMPOWERMENT SPECIAL PURPOSE VEHICLES**

#### **Introduction**

In terms of the reviewed group preliminary results for the year ended 30 June 2020 published by City Lodge Hotels Limited ("City Lodge" or "the Company") on the Stock Exchange News Service ("SENS") of the exchange operated by the JSE Limited ("JSE") on Thursday, 3 September 2020, holders of City Lodge ordinary shares of no par value ("Shares" or "City Lodge Shares") ("City Lodge Shareholders" or "Shareholders") were advised that the impact of the COVID-19 pandemic on the global and local economies and, the travel and hospitality industry resulted in the Company continuing to experience a significant downturn in occupancies.

In 2008, City Lodge entered into a Broad-Based Black Economic Empowerment transaction ("2008 B-BBEE Transaction" or "B-BBEE Transaction") in terms of which Newshelf 935 (RF) Proprietary Limited, Newshelf 892 (RF) Proprietary Limited and Vuwa Hotels (RF) Proprietary Limited (collectively the "BEE SPVs") acquired 6,390,365 Shares in City Lodge (representing 14.7% of the current issued share capital of City Lodge at the time), which acquisition was funded through 7-year cumulative redeemable amortising A preference shares issued at a price of R100,000, which have a coupon rate of 74% of prime, compounded monthly in arrears, issued to Standard Bank of South Africa Limited ("Standard Bank" or "the Funder") as part of the 2008 B-BBEE Transaction ("A preference shares"), 5-year cumulative redeemable zero/roll-up B preference shares issued at a price of R100,000, which have a coupon rate of 75% of prime, compounded monthly in arrears, issued to the Funder as part of the 2008 B-BBEE Transaction ("B preference shares"), and the loans advanced by the Funder to the BEE SPVs which funding is guaranteed by City Lodge ("BEE Funding").

Subsequent to the renounceable rights offer undertaken by the Company during August 2020, in term of which the Company issued an additional 566,460,609 shares at a price of R2.12, resulting in an amount of R1.2bn being raised ("Rights Offer"), the City Lodge Shares held by the BEE SPVs increased to 35,393,908 shares, comprising 5.80% of the issued share capital of the Company post the Rights Offer ("BEE City Lodge Shares"). The BEE SPVs funded the take up of their rights under the Rights Offer through the sale of a portion of their letters of allocation.

The BEE Funding is repayable to the Funder on or before 31 January 2021 ("Maturity Date"). The 2008 B-BBEE Transaction is currently materially out of the money, with the value of the BEE SPVs shareholding in City Lodge (as at Thursday, 22 October 2020, being the last practicable date prior to finalisation of this letter (the "Last Practicable Date")) being ZAR95.6 million, against the amount outstanding of the BEE Funding of ZAR752 million (as at 30 June 2020). In the context of the current market backdrop and operating conditions, it is extremely unlikely that there will be equity value in the B-BBEE Transaction by the Maturity Date. Unless the BEE Funding is settled prior to 31 January 2021, Standard Bank will call on the Guarantee and the Company will be obliged to settle the BEE Funding on behalf of the BEE SPVs. The Company is proposing the unwind of the 2008 B-BBEE Transaction through the subscription by the Company of 99.99% of the ordinary shares in the BEE SPVs ("Subscription") for a consideration expected to be R776.3 million, resulting in the indirect repurchase of the BEE City Lodge Shares by the Company, which amounts to 5.80% of the total issued share capital of City Lodge ("Indirect Specific Repurchase"), and the immediate use by the BEE SPVs of the Subscription proceeds to settle the BEE Funding owing to Standard Bank in full ("BEE Unwind") as an alternative, which will also allow the Company to unwind the 2008 B-BBEE Transaction in a more orderly manner.

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance") has been appointed by the Board to provide independent expert advice to City Lodge with regards to the Indirect Specific Repurchase.

As at the Last Practicable Date, the authorised and issued ordinary share capital of the Company is as follows:

	<b>Stated Capital (R)</b>
<b>Authorised share capital</b>	
10,000,000,000 City Lodge Shares	
<b>Issued share capital</b>	
610,034,502 City Lodge Shares	1,324,641

As at the Last Practicable Date, the Directors (including a director who has resigned during the last 18 months) directly and indirectly held the following beneficial interests in City Lodge Shares:

<b>Director</b>	<b>Direct holding</b>	<b>Indirect holding</b>	<b>Total</b>
FWJ Kilbourn	238,000		238,000
The Claudia Kilbourn 2010 Trust	–	47,600	47,600
The James Kilbourn 2010 Trust	–	47,600	47,600
The Patrick Kilbourn 2010 Trust	–	47,600	47,600
SPP Endow for Doornbult Trust	–	75,362	75,362
AC Widegger	3,016,363	–	3,016,363
AC Widegger – 2017 Restricted shares	4,882	–	4,882
AC Widegger – 2018 Restricted shares	2,509	–	2,509
AC Widegger – 2019 Restricted	7,204	–	7,204
LG Siddo	61,117	–	61,117
LG Siddo – 2017 Restricted shares	957	–	957
LG Siddo – 2018 Restricted shares	693	–	693
LG Siddo – 2019 Restricted shares	2,693	–	2,693
D Nathoo	–	–	–
N Medupe	–	–	–
BT Ngcuka	–	2,461,891	2,461,891
GG Huysamer	–	–	–
VM Rague	–	–	–
MSP Marutlulle	–	–	–
SG Morris	–	–	–

### **Opinion required in terms of the Companies Act, No.71 of 2008**

As the Indirect Specific Repurchase involves the acquisition by the Company of more than 5% of the Company's ordinary shares in issue, section 48(8)(b) of the Companies Act, No.71 of 2008 ("Companies Act") specifies that the Indirect Specific Repurchase is subject to the requirements of section 114 and 115 of the Companies Act. In terms of section 114(2) of the Companies Act as read together with Regulation 90 of the Companies Regulations, 2011 (to the extent applicable) (the "Takeover Regulations"), the Board must retain an independent expert to compile a report on the Indirect Specific Repurchase in compliance with section 114(3) of the Companies Act and Regulation 90 of the Takeover Regulations, to the extent applicable (the "Independent Expert Report").

### **Responsibility**

Compliance with the Companies Act is the responsibility of the Directors. Our responsibility is to report on the Indirect Specific Repurchase as required in terms of section 114(3) of the Companies Act and Regulation 90 of the Takeover Regulations, to the extent applicable.

### **Details and sources of information**

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

- SENS announcement published on 24 March 2020 regarding the impact of Covid-19 on group operations;
- The terms and conditions of the BEE Unwind and Indirect Specific Repurchase, as set out in the Circular;
- Results presentations of City Lodge for the financial year ended 30 June 2019 and for the six months ended 31 December 2019;
- Historical and forecast financial information of City Lodge, comprising:
  - Audited annual financial statements of City Lodge for the years ended 30 June 2018 and 2019; and
  - Unaudited interim results for the six months ended 31 December 2019; and
  - Reviewed group preliminary results for the year ended 30 June 2020;
- Precedent transactions of a similar nature;
- Discussions with Directors and City Lodge management regarding the rationale for the BEE Unwind and Indirect Specific Repurchase;
- Discussions with Directors and City Lodge management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Share price information of City Lodge over the last 12 months to assess the liquidity and volatility of City Lodge Shares; and

- Publicly available information relating to City Lodge, comparable publicly traded companies and the markets in which City Lodge and its peers operate.

The information above was secured from:

- Directors and management of City Lodge and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing, City Lodge.

### **Procedures and consideration**

In arriving at our opinion, we have undertaken the following procedures and taken into account the following factors:

- Reviewed the terms and conditions of the BEE Unwind and Indirect Specific Repurchase;
- Reviewed the audited and unaudited historical financial information related to City Lodge as detailed above;
- Reviewed and obtained an understanding from executive management of City Lodge as to the historical financial information of City Lodge and outlook for the business;
- Assessed the long-term potential of City Lodge;
- Evaluated the relative risks associated with City Lodge and the industry in which it operates;
- 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 industry in which City Lodge operates generally;
- Reviewed certain publicly available information relating to City Lodge and comparable publicly traded companies that we deemed to be relevant; including Company announcements and media articles, including available analyst coverage;
- Where relevant, representations made by City lodge management and/or Directors and/or their advisers were corroborated to source documents or independent analytical procedures were performed by us to examine and understand the industry in which City Lodge operates and to analyse external factors that could influence the business; and
- Held discussions with the Directors and management of City Lodge and their advisors as to their strategy and the rationale for the BEE Unwind and Indirect Specific Repurchase and assessed prevailing economic and market conditions and trends.

### **Assumptions**

We arrived at our opinions based on the following assumptions:

- That all agreements that are to be entered into in terms of the BEE Unwind and Indirect Specific Repurchase will be legally enforceable;
- That the BEE Unwind and Indirect Specific Repurchase will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of City Lodge; and
- That reliance can be placed on the financial information of City Lodge.

### **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 City Lodge;
- Conducting analytical reviews on the historical financial results, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of City Lodge and the economic environment in which the Company operates.

### **Limiting conditions**

This opinion is provided to Directors and Shareholders in connection with and for the purposes of the Indirect Specific Repurchase. The opinion does not purport to cater for each individual Shareholder's perspective but rather that of the general body of Shareholders.

Individual Shareholders' decisions regarding the Indirect Specific Repurchase may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Indirect Specific Repurchase.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of City Lodge 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 City Lodge 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 of the Company.

We have also assumed that the Indirect Specific Repurchase will have the legal consequences described in discussions with, and materials furnished to us by, representatives and advisors of City Lodge 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**

We confirm that we have no direct or indirect interest in City Lodge Shares or the Indirect Specific Repurchase. We also confirm that we have the necessary qualifications, experience and competence to provide the fairness opinion on the Indirect Specific Repurchase, which includes understanding the Indirect Specific Repurchase, evaluating the consequences of the Indirect Specific Repurchase and assessing the effect of the Indirect Specific Repurchase on the value of the securities of City Lodge and on the rights and interests of a holder of any securities of City Lodge, or a creditor of City Lodge. We confirm that we are able to express opinions, exercise judgment and make decisions impartially.

We confirm that we (i) do not have any relationship with City Lodge, or any other proponent of the Indirect Specific Repurchase, such as would lead a reasonable and informed third party to conclude that the integrity, impartiality or objectivity of us is compromised by that relationship, (ii) have not had such a relationship with City Lodge for the two years prior to the date of this report or (iii) are not related (as that term is defined in the Companies Act) to any person contemplated in items (i) and (ii) of this paragraph.

Furthermore, we confirm, in terms of Regulation 90(6)(h) of the Companies Regulations, that our professional fees of R172,500 (including VAT), payable in cash, are not contingent upon the success of the Indirect Specific Repurchase.

## **Section 114(3) requirements**

As required in terms of section 114(3) of the Companies Act (read together with section 48 of the Companies Act), this report deals with the following:

### **(a) state all prescribed information relevant to the value of the securities affected by the proposed arrangement;**

The Indirect Specific Repurchase will result in the Company acquiring 5.8% of City Lodge issued shares, for Subscription Amount translates to an effective consideration of R21.93 per City Lodge Share. Whilst this is significantly above the closing price per City Lodge Share on 22 October 2020 of R2.70 and the volume weighted average price ("VWAP") per City Lodge for the 30-days up to 22 October 2020 of R3.00, the entire proceeds of the Subscription will be used to settle debt of the Company. The subscription price is unrelated to the market value of the City Lodge shares held by the SPVs but is determined by the amount of the BEE Debt which City Lodge has guaranteed.

### **(b) identify every type and class of holders of the Company's securities affected by the proposed arrangement;**

The authorised share capital of City Lodge immediately prior to the Indirect Specific Repurchase comprises of 10,000,000,000 authorised ordinary shares of no par value.

Issued share capital comprises 610,034,502 listed City Lodge Shares.

### **(c) describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);**

Subsequent to the Indirect Specific Repurchase, the BEE shareholders shareholding in the BEE SPVs will be significantly diluted and they will have a negligible economic interest in City Lodge. The shares held by the BEE SPVs were not entitled to vote on matters affecting City Lodge.

The Indirect Specific Repurchase will have no material negative effect on the rights and interests of the remaining Shareholders.

### **(d) evaluate any material adverse effects of the proposed arrangement against-**

#### **(i) the compensation that any of those persons will receive in terms of that arrangement; and**

Management stated that none of the parties to the Indirect Specific Repurchase are likely to be compensated for the Indirect Specific Repurchase. We are not aware of any other persons to be entitled to compensation as a result of the Indirect Specific Repurchase, apart from the Indirect Specific Repurchase costs that are normally incurred in Indirect Specific Repurchases of this nature, namely advisors' fees, legal fees, secretarial fees, securities transfer tax, brokers' fees, JSE Limited inspection fees, STRATE settlement fees and independent experts' fees. We are not aware of any material adverse effects on City Lodge.

#### **(ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;**

The Indirect Specific Repurchase has no impact on value attributable to City Lodge Shareholders or the value per City Lodge Share.

In addition, the Directors have taken cognisance of their duties and responsibilities in terms of section 5.69(c) of the JSE Listings Requirements and section 46 read with section 4 of the Companies Act pertaining to the solvency and liquidity of City Lodge. In this regard, the Directors reasonably confirm that, following solvency and liquidity tests on City Lodge, City Lodge will satisfy the solvency and liquidity test following the BEE Unwind and immediately post payment of the Indirect Specific Repurchase, and reasonably concluded that the Company will satisfy the solvency and liquidity test upon passing their resolution and for a period of 12 months after the anticipated effective date of the Indirect Specific Repurchase.

**(e) state any material interest of any Director of the Company or Trustee for security holders;**

All Directors of City Lodge registered with the Companies and Intellectual Property Commission have been included in the table below:

<b>Director Name</b>	<b>Executive Director</b>	<b>Shareholder</b>	<b>Material Interest</b>	<b>Effect of the Indirect Specific Repurchase on these Interests</b>
AC Widegger	Executive	Yes	Yes	No effect noted.
BT Ngcuka	Non-Executive	Yes	Yes	Indirect shareholding will be diluted by 99.99% subsequent to the Indirect Specific Repurchase.
LG Siddo	Executive	Yes	Yes	No effect noted.
D Nathoo	Executive	No	No	No effect noted.
FWJ Kilbourn	Non-Executive	Yes	Yes	No effect noted.
SG Morris	Non-Executive	No	No	No effect noted.
GG Huysamer	Non-Executive	No	No	No effect noted.
VM Rague	Non-Executive	No	No	No effect noted.
MSP Marutlulle	Non-Executive	No	No	No effect noted.
N Medupe	Non-Executive	No	No	No effect noted.

**(f) state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e);**

There will be no effect on the Directors contemplated in paragraph (e).

**(g) and include a copy of sections 115 and 164**

Copies of sections 115 and 164 of the Companies Act are included as Annexures 5 and 6 respectively to the Circular.

**Opinion**

BDO Corporate Finance has considered the terms and conditions of the Indirect Specific Repurchase and note that:

- BEE Funding guaranteed by City Lodge: the funding related to the A preference shares, the B preference shares, and the loans advanced by the Funder to the BEE SPVs for the acquisition of the BEE Shares is guaranteed by City Lodge. No shareholders will benefit from the Specific Repurchase and will receive any compensation as a result of the Indirect Specific Repurchase. The purpose of the Specific Repurchase is to repay the BEE Funding; and
- Shareholding in BEE SPVs: pursuant to the Specific Repurchase, City Lodge will own 99.99% of the issued ordinary share capital in the BEE SPVs and the BEE shareholders shareholding in the BEE SPVs will be significantly diluted and they will have a negligible economic interest in City Lodge.

As previously noted, we are not aware of any material adverse effects of the Indirect Specific Repurchase on City Lodge. We further note that there is no negative impact on City Lodge's solvency and liquidity as the Indirect Specific Repurchase is subject to the implementation of the BEE Unwind.

Our opinion is necessarily based upon the information available to us up to the Last Practicable Date, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Indirect Specific Repurchase, 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 Independent Expert Report, in whole or in part, and references thereto in the Circular, in the form and context in which it appears.

Yours faithfully

N Lazanakis CA (SA)  
*Director*

**BDO Corporate Finance Proprietary Limited**

Wanderers Office Park  
52 Corlett Drive  
Illovo  
2196

## PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The definitions commencing on page 3 of the Appendix have been used throughout this Annexure.

The *pro forma* consolidated financial information of the City Lodge Group is based on the audited consolidated financial results for City Lodge Group for the year ended 30 June 2020 adjusted to reflect the *pro forma* financial effects relating to the Subsequent Events in order to establish an appropriate post balance sheet events starting position for the *pro forma* financial effects (the “**After the Subsequent Events**” columns detailed below). The After the Subsequent Events starting position has been adjusted for *pro forma* financial effects of the BEE Unwind as reflected in the After the BEE Unwind columns detailed below. The *pro forma* financial information relating to the Subsequent Events and the BEE Unwind, including the notes thereto is collectively referred to as the “**Pro Forma Financial Information**”.

The *pro forma* consolidated financial information of the City Lodge Group has been prepared for illustrative purposes only and, because of its nature, may not fairly present the City Lodge Group’s financial position, changes in equity, and results of operations or cash flows. The *Pro Forma* Financial Information has been prepared to illustrate the impact of the BEE Unwind on the published financial information of the Group for the year ended 30 June 2020, adjusted for the Subsequent Events as detailed above, based on the assumption that the Subsequent Events and BEE Unwind took place on 1 July 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 30 June 2020 for purposes of the *pro forma* consolidated statement of financial position.

The *pro forma* consolidated financial information of the City Lodge Group has been prepared using the accounting policies of the City Lodge Group as at 30 June 2020, which comply with IFRS, and in accordance with the applicable criteria of the JSE Listings Requirements and in terms of the SAICA Guide on *Pro Forma* Consolidated Financial Information. The *pro forma* consolidated financial information of the City Lodge Group is the responsibility of the Directors.

### Pro forma Statement of Financial Position

ZAR'000	Unadjusted SOFP at 30 June 2020	Subsequent events – Rights Offer and additional debt raised	Subsequent events – Use of Rights Offer proceeds	Total after Subsequent events	BEE Unwind – Indirect Specific Repurchase	Pro-Forma SOFP
Notes	1	2	3	4=(1+2+3)	5	6=(4+5)
<b>Non-current assets</b>						
Property, plant and equipment	2,509,752	–	–	2,509,752	–	2,509,752
Right of use asset	985,014	–	–	985,014	–	985,014
Intangible assets and goodwill	57,422	–	–	57,422	–	57,422
Investments	800	–	–	800	–	800
Other investments	7,900	–	–	7,900	–	7,900
Deferred taxation	56,428	–	–	56,428	–	56,428
	3,617,316	–	–	3,617,316	–	3,617,316
<b>Current assets</b>						
Inventory	5,540	–	–	5,540	–	5,540
Trade receivables	18,877	–	–	18,877	–	18,877
Other receivables	137,602	–	–	137,602	–	137,602
Taxation	42,756	–	–	42,756	–	42,756
Asset held to settle BEE liabilities	–	–	776,317	776,317	(752,239)	24,078
Other Investments	7,900	–	–	7,900	–	7,900
Cash and cash equivalents	28,413	1,230,000	(1,111,179)	147,234	(963)	146,271
	241,088	1,230,000	(334,862)	1,136,226	(753,202)	383,024
<b>Total assets</b>	3,858,404	1,230,000	(334,862)	4,753,542	(753,202)	4,000,340
<b>Capital and reserves</b>						
Share capital and premium	179,503	1,200,000	(54,862)	1,324,641	–	1,324,641
BEE investment and incentive scheme shares	(514,381)	–	–	(514,381)	–	(514,381)
Retained earnings	712,683	–	–	712,683	(963)	711,720
Other reserves	190,511	–	–	190,511	–	190,511
	568,316	1,200,000	(54,862)	1,713,454	(963)	1,712,491

ZAR'000	Unadjusted SOFP at 30 June 2020	Subsequent	Subsequent	Total after Subsequent events	BEE	Pro-Forma SOFP
		events – Rights Offer and additional debt raised	events – Use of Rights Offer proceeds		Unwind – Indirect Specific Repurchase	
Notes	1	2	3	4=(1+2+3)	5	6=(4+5)
<b>Non-current liabilities</b>						
Interest-bearing borrowings	750,000	30,000	(280,000)	500,000	–	500,000
BEE interest-bearing borrowings	–	–	–	–	–	–
BEE preference shares	–	–	–	–	–	–
BEE shareholder's loan	–	–	–	–	–	–
BEE B preference share dividend accrual	–	–	–	–	–	–
Lease liabilities	1,376,063	–	–	1,376,063	–	1,376,063
Other non-current liabilities	–	–	–	–	–	–
Deferred taxation	134,038	–	–	134,038	–	134,038
	2,260,101	30,000	(280,000)	2,010,101	–	2,010,101
<b>Current liabilities</b>						
Trade and other payables	170,336	–	–	170,336	(2,403)	167,933
Lease liabilities	12,377	–	–	12,377	–	12,377
BEE interest-bearing borrowings	44,120	–	–	44,120	(44,120)	–
BEE preference shares	349,300	–	–	349,300	(349,300)	–
BEE shareholder's loan	50,000	–	–	50,000	–	50,000
BEE B preference share dividend accrual	356,416	–	–	356,416	(356,416)	–
Bank overdraft	47,438	–	–	47,438	–	47,438
	1,029,987	–	–	1,029,987	(752,239)	277,748
<b>Total liabilities</b>						
<b>Total equities and liabilities</b>	3,858,404	1,230,000	(334,862)	4,753,542	(753,202)	4,000,340
<b>Number of Shares (000's)</b>						
Shares in issue	36,677	535,142	–	571,819	–	571,819
BEE shares treated as treasury shares	6,390	29,004	–	35,394	–	35,394
10th Anniversary employee share trust treated as treasury shares	507	2,315	–	2,822	–	2,822
<b>Normalised number of shares in issue</b>	43,574	566,461	–	610,035	–	610,035
<b>Normalised equity reconciliation</b>						
Capital and reserves	568,316	1,200,000	(54,862)	1,713,454	(963)	1,712,491
BEE and 10th anniversary employee share trust treasury shares	504,729	–	–	504,729	–	504,729
Fair value of BEE – retained earnings	342,982	–	–	342,982	–	342,982
Fair value of 10th Anniversary employee share trust – retained earnings	14,577	–	–	14,577	–	14,577
Kenya CGT reversal – retained earnings	15,561	–	–	15,561	–	15,561
Chase Bank impairment – retained earnings	7,383	–	–	7,383	–	7,383
Pre-opening expenses (net of tax) retained earnings	25,253	–	–	25,253	–	25,253
Other equity – BEE – other reserves	(26,941)	–	–	(26,941)	–	(26,941)
<b>Normalised equity</b>	1,451,860	1,200,000	(54,862)	2,596,998	(963)	2,596,035
NAV and diluted NAV per share (cents)	1,549.5	–	–	299.6	–	299.5
TNAV and diluted TNAV per share (cents)	1,393.0	–	–	289.6	–	289.5
Normalised NAV per share (cents)	3,332.0	–	–	425.7	–	425.6

## Notes

1. The “Unadjusted SOFP at 30 June 2020” column sets out the audited statement of financial position for the year ended 30 June 2020. The Group’s auditors, KPMG Inc., has expressed an unmodified audit opinion thereon.
2. The “Subsequent events – Rights Offer and additional debt raised” column illustrates the effect of:
  - the issue of 566,460,609 new Shares in terms of the Rights Offer, at a Rights Offer price of R2.12 per Rights Offer Shares, for a total amount of R1.2 billion cash proceeds, which was concluded subsequent to year-end (21 August 2020), as if the Rights Offer occurred on 30 June 2020. This includes 29,003,543 shares issued to the BEE SPVs which are treated as treasury shares, resulting in the recognition of only 535 141 715 new issued shares in the Group accounts, and
  - an additional draw down of R30 million in Loan E during August, which was later settled from the Rights Offer proceeds.
3. The “Subsequent events – Use of Rights Offer proceeds” column illustrates the effect on the consolidated statement of financial position as at 30 June 2020 of the application of the proceeds of the Rights Offer, as a relevant event subsequent to the year-end, as if it is applied at 30 June 2020, as follows:
  - (i) Asset held to settle BEE liabilities has been adjusted for the deposit held for the future settlement based on maturity date, of the BEE preference shares, BEE preference share dividend accrual and BEE interest-bearing borrowings and accrued interest on interest-bearing borrowings, with an amount of R776.3 million placed on deposit for this purpose.
  - (ii) the repayment of R250 million in part settlement of Loan D and R30 million in full settlement of Loan E (the amount drawn down subsequent to year end) in interest-bearing borrowings; and
  - (iii) transaction costs associated with the Rights Offer of R54.9 million were capitalised against Share capital and premium. No VAT or tax can be claimed on the Rights Offer expenses.
4. Illustrates the *pro forma* statement of financial position of the Group after the Subsequent Events.
5. The “BEE unwind – Indirect Specific Repurchase” column illustrates:
  - (i) the effect of the BEE Unwind, resulting in an Indirect Specific Repurchase, with the asset held to settle the BEE liabilities applied by the BEE SPVs (consolidated entities) towards the settlement of the total BEE Debt equal to R752.2 million at 30 June 2020. Debt settled includes settlement of the BEE preference shares of R349.3 million, BEE preference share dividend accrual of R357.9 million and BEE interest-bearing borrowings and interest accrued of R45.0 million. It is noted that the BEE SPVs are already consolidated into the Group accounts prior to the BEE Unwind, and therefore the Group accounts illustrate the impact of the settlement of the BEE Debt by the BEE SPVs. The cash and cash equivalents have been adjusted for the BEE unwind transaction costs referred to in paragraph 17 (inclusive of VAT). The residual amount of R24.1 million remaining on deposit after the BEE Unwind will be available to settle further interest and dividends on the BEE Debt until the Subscription is implemented, and with the balance being available to revert to the Company’s cash and cash equivalent balances;
  - (ii) circular transaction costs of R963 thousand (detailed in paragraph 17 of this Appendix). No VAT or tax can be claimed on the Rights Offer expenses.
6. Illustrates the *pro forma* statement of financial position of the Group after the Rights Offer and the allocation of proceeds (being a subsequent event), and the BEE Unwind.

**Pro forma Statement of Comprehensive Income**

ZAR'000	Unadjusted SOCl for the year ended 30 June 2020	Subsequent events – Rights Offer and additional debt raised	Subsequent events – Use of Rights Offer proceeds	Total after Subsequent events	BEE Unwind – Indirect Specific Repurchase	Pro-Forma SOCl
Notes	1	2	3	4=(1+2+3)	5	6=(4+5)
<b>Revenue</b>	1,159,283	–	–	1,159,283	–	1,159,283
Other income	4,829	–	–	4,829	–	4,829
Administration and marketing costs	(97,314)	–	–	(97,314)	–	(97,314)
BEE transaction charges	(288)	–	–	(288)	288	–
Expected credit loss on trade and other receivables	(268)	–	–	(268)	–	(268)
Operating costs excluding depreciation and amortisation	(735,848)	–	–	(735,848)	(963)	(736,811)
<b>Results from operating activities before depreciation and amortisation</b>	330,394	–	–	330,394	(675)	329,317
Depreciation and amortisation	(131,156)	–	–	(131,156)	–	(131,156)
Depreciation – right-of-use assets	(92,302)	–	–	(92,302)	–	(92,302)
<b>Results from operating activities</b>	106,936	–	–	106,936	(675)	106,261
Impairment loss on property, plant and equipment	(245,464)	–	–	(245,464)	–	(245,464)
Impairment loss on right-of-use assets	(242,889)	–	–	(242,889)	–	(242,889)
Interest income	2,914	–	11,321	14,235	(11,321)	2,914
Total interest expense	(204,212)	–	12,462	(191,750)	52,429	(139,321)
Interest expense	(34,569)	–	12,462	(22,107)	–	(22,107)
Interest expense – leases	(117,214)	–	–	(117,214)	–	(117,214)
BEE interest expense	(4,060)	–	–	(4,060)	4,060	–
BEE preference dividend	(48,369)	–	–	(48,369)	48,369	–
<b>(Loss)/profit before taxation</b>	(582,715)	–	23,783	(558,932)	40,433	(518,499)
Taxation	96,083	–	(6,659)	89,424	3,170	92,594
<b>(Loss)/profit for the year</b>	(486,632)	–	17,124	(469,508)	43,603	(425,905)
<b>Other comprehensive income items that are or may be reclassified to profit and loss</b>						
Foreign currency translation differences	52,128	–	–	52,128	–	52,128
<b>Total comprehensive income for the year</b>	(434,504)	–	17,124	(417,380)	43,603	(373,777)
Weighted average number of shares in issue	36,606	535,142	–	571,748	–	571,748
Basic and diluted EPS per share (cents)	(1,329.4)	–	–	(82.1)	–	(74.5)
Basic and diluted HEPS per share (cents)	(388.1)	–	–	(21.9)	–	(14.2)
<b>Headline earnings reconciliation</b>						
(Loss)/profit for the year	(486,632)	–	17,124	(469,508)	43,603	(425,905)
Profit on sale of property, plant and equipment	(6)	–	–	(6)	–	(6)
Impairment of property, plant and equipment and right-of use assets	488,353	–	–	488,353	–	488,353
Taxation effect of impairment of property, plant and equipment and right-of-use assets	(143,797)	–	–	(143,797)	–	(143,797)
<b>Headline earnings</b>	(142,082)	–	17,124	(124,958)	43,603	(81,355)

ZAR'000	Unadjusted SOCl for the year ended 30 June 2020	Subsequent events – Rights Offer and additional debt raised	Subsequent events – Use of Rights Offer proceeds	Total after Subsequent events	BEE Unwind – Indirect Specific Repurchase	Pro-Forma SOCl
Notes	1	2	3	4=(1+2+3)	5	6=(4+5)
<b>Normalised headline earnings reconciliation</b>						
Headline earnings	(142,082)	–	17,124	(124,958)	43,603	(81,355)
BEE transaction charges	288	–	–	288	(288)	–
BEE interest on interest-bearing borrowings	4,060	–	–	4,060	(4,060)	–
Preference dividends paid/payable by the BEE entities	48,369	–	–	48,369	(48,369)	–
10th Anniversary employee share trust transaction charges and DWT	(37)	–	–	(37)	–	(37)
IFRS 2 share-based payment charge for the 10th anniversary employee share trust	2,925	–	–	2,925	–	2,925
Pre-opening expenses write-off (net of tax)	7,688	–	–	7,688	–	7,688
<b>Normalised headline earnings</b>	<b>(78,789)</b>	<b>–</b>	<b>17,124</b>	<b>(61,665)</b>	<b>(9,114)</b>	<b>(70,779)</b>
<b>Number of Shares (000's)</b>						
Weighted average number of shares in issue for EPS calculation	36,606	535,142	–	571,748	–	571,748
BEE shares treated as treasury shares	6,390	29,004	–	35,394	–	35,394
10th Anniversary employee share trust treated as treasury shares	507	2,315	–	2,822	–	2,822
<b>Weighted average number of shares in issue for normalised EPS calculation</b>	<b>43,503</b>	<b>566,461</b>	<b>–</b>	<b>609,964</b>	<b>–</b>	<b>609,964</b>
<b>Normalised headline earnings per share</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Basic and diluted normalised HEPS per share (cents)	(181.1)	–	–	(10.1)	–	(11.6)

## Notes

- The "Unadjusted SOCl for the year ended at 30 June 2020" column sets out the audited statement of comprehensive income for the year ended 30 June 2020. The Group's auditors, KPMG Inc., has expressed an unmodified audit opinion thereon.
- The "Subsequent events – Rights Offer and additional debt raised" column illustrates the effect of the issue of 566,460,609 new shares in terms of the Rights Offer, at a rights offer price of R2.12 per Rights Offer Shares, on the EPS and HEPS of the Group, and on the issued and weighted average number of shares in issue, as if the Rights Offer occurred on 1 July 2019. This includes 29,003,543 shares issued to the BEE SPVs and 2,315,351 shares issued to the 10th Anniversary Employee Share Trust, which are treated as treasury shares, resulting in the recognition of only 535,141,715 new issued shares in the Group accounts.  
This adjustment will have a continuing effect on the *pro forma* EPS and diluted EPS calculations.
- The "Subsequent events – Use of Rights Offer proceeds" illustrates the effect of the settlement of debt and Rights Offer transaction costs from the Rights Offer proceeds not ringfenced for the BEE Unwind, as fully detailed in the Rights Offer circular, as if the proceeds were applied on 1 July 2019, including:
  - interest earned on funds reserved for BEE liability settlement and held on deposit with Standard Bank of South Africa at 3.5% per annum for 5 months from 1 September 2020 to maturity date.
  - reversal of the actual interest expense of R12.5 million for the twelve months ended 30 June on the part settlement of Loan D from the proceeds of the Rights Offer. The total interest on the Group's long term borrowings of R60.8 million for the year ended 30 June 2020, has been partially expensed (R34.6 million), and the remainder has been capitalised during the construction of hotels (R26.2 million). The pro-forma application of the part settlement of the Loan D from the Rights Offer proceeds of R250 million, has been recognised on the same basis. The capitalised portion of the interest expense of R26.2 million does not impact the statement of comprehensive income; and
  - reversal of the related tax effects calculated at 28%.

These adjustments will have a continuing effect on the *pro forma* statement of comprehensive income.

4. Illustrates the *pro forma* statement of comprehensive income of the Group after the Subsequent Events.
5. The "BEE unwind" column illustrates the effect of the BEE Unwind, as if it occurred on 1 July 2019, including:
  - (i) effect of the exclusion of the interest earned on the deposit for Funds reserved for BEE Liability settlement as referred to in Note 3 of R11.3 million.
  - (ii) exclusion of the expense on the BEE interest-bearing borrowings (R4.1 million);
  - (iii) exclusion of the BEE preference share dividends (R48.4 million); and
  - (iv) and the related tax impact on interest earned on deposit at 28%, and the tax related impact on the BEE interest and dividends at nil%
  - (v) BEE transaction charges of R288 thousand, and circular transaction costs of R963 thousand detailed in paragraph 17 of this Appendix, both of which are not considered deductible for tax purposes.

for the 12 months ended to 30 June 2020. This adjustment will have a continuing effect on the *pro forma*.

It is noted that the BEE SPVs are already consolidated in to the Group accounts prior to the BEE Unwind, with the BEE SPV shares already accounted for as treasury shares prior to the BEE Unwind, and therefore no change in the issued share capital is observed.

6. Illustrates the *pro forma* statement of comprehensive income of the Group after the Subsequent Events and the BEE Unwind.

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF THE CITY LODGE GROUP

The Directors

City Lodge Hotels Limited  
Bryanston Gate Office Park  
Cnr Homestead Avenue and Main Road  
Bryanston  
2191

28 October 2020

To the directors of City Lodge Hotels Limited

### Introduction

The definitions commencing on page 3 of the Circular to which this report is attached apply, mutatis mutandis, to this independent reporting accountant's report on the compilation of the *pro forma* financial information of the City Lodge Group (the "**Report**").

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of the Group by the directors of the City Lodge Group (the "**Directors**"). The *pro forma* financial information consists of:

- the *pro forma* net and diluted net asset value per share, net tangible asset value, diluted net tangible asset value per share and normalised net asset value per share of the Group, the *pro forma* statement of financial position of the Group, including a reconciliation showing all of the *pro forma* adjustments to the share capital and premium, other reserves and retained earnings items relating to the Group, and the related notes, set out in Annexure 2 to this Circular (collectively, the "**Pro forma SOFP**"), as if the Subsequent Events on a stand-alone basis and the Subsequent Events and the BEE Unwind on a cumulative basis (collectively "**Transactions**"), had taken place on 30 June 2020; and
- the *pro forma* basic and diluted basic earnings per share, basic headline and diluted headline earnings per share and normalised basic headline and diluted headline earnings per share of the Group, the *pro forma* statement of comprehensive income of the Group and the related notes (collectively, "**Pro forma SOCI**"), as if the Transactions had taken place on 1 July 2019.

The *Pro forma* SOFP and the *Pro forma* SOCI are collectively referred to as the *Pro forma* Financial Information of the Group for purposes of this Report. The applicable criteria on the basis of which the Directors have compiled the *Pro forma* Financial Information of the Group is specified in the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**") and described in Annexure 2 to this Circular.

The purpose of the *Pro forma* Financial Information of the Group included in the Circular is solely to illustrate the impact of the Transactions on the audited financial information of the City Lodge Group for the year ended 30 June 2020 ("**Audited Financial Information**") as if the Transactions had been undertaken on 1 July 2019 for purposes of the *Pro forma* SOCI and on 30 June 2020 for purposes of the *Pro forma* SOFP. Accordingly, we do not provide any assurance that the actual outcome of the Transactions, subsequent to its implementation, will be as presented in the *Pro forma* Financial Information of the Group.

As part of this process, the basic earnings per share, diluted basic earnings per share, headline earnings per share, normalised headline earnings per share, diluted headline earnings per share and diluted normalised headline earnings per share, net asset value per share, normalised net asset value per share and net tangible asset value per share, statement of comprehensive income and statement of financial position of the Group prior to the Subsequent Events have been extracted by the Directors from the Audited Financial Information.

### Directors' Responsibility for the *Pro forma* Financial Information of the Group

The Directors are responsible for compiling the *Pro forma* Financial Information of the Group on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the basis of preparation in Annexure 2 to the Circular ("Applicable Criteria").

### 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)*.

KPMG Inc. applies the 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.

### **Independent Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, based on our procedures performed, about whether the *Pro forma* Financial Information of the Group has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* which is applicable to an engagement of this nature, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the *Pro forma* Financial Information of the Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on the Audited Financial Information used in compiling the *Pro forma* Financial Information of the Group, 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 of Group.

The purpose of the *Pro forma* Financial Information of the Group included in the Circular is solely to illustrate the impact of the BEE Unwind on the Audited Financial Information, adjusted for the Subsequent Events as if the Subsequent Events on a stand-alone basis and the Subsequent Events and the BEE Unwind on a cumulative basis had been undertaken on 1 July 2019 for purposes of the *Pro forma* SOCI and on 30 June 2020 for purposes of the *Pro forma* SOFP. Accordingly, we do not provide any assurance that the actual outcome of the Transactions, subsequent to their implementation, will be as presented in the *Pro forma* Financial Information of the Group.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information of the Group has been properly 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 of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Transactions and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The *Pro forma* Financial Information of the Group reflects the proper application of those *pro forma* adjustments to the unadjusted Audited Financial Information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the Transactions in respect of which the *Pro forma* Financial Information of the Group has been compiled and other relevant engagement circumstances.

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

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 of the Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

### **Restriction on use**

This Report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purpose.

Yours faithfully

### **KPMG Inc.**

Registered Auditor

Per Dwight Thompson  
Chartered Accountant (SA)  
Registered Auditor  
*Director*

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg  
2193

## EXTRACTS OF THE CONSOLIDATED AUDITED HISTORICAL FINANCIAL STATEMENTS OF CITY LODGE GROUP FOR THE YEARS ENDED 30 JUNE 2020, 2019 AND 2018

Extracts of the consolidated audited historical financial statements of the Group for the years ended 30 June 2020, 2019 and 2018 are included in this Annexure.

Copies of the full consolidated audited historical financial statements of Group for years ended 30 June 2020, 2019 and 2018 ("**Full Consolidated Financial Statements**") can be obtained from the Company's Registered Office between 09:00 and 17:00 or from the Company Secretary by emailing MvanHeerden@clhg.com or the Corporate Advisor and Transaction Sponsor by emailing sponsor@questco.co.za between the date of issue of this Appendix to the date of the AGM, both days inclusive.

In addition, the Full Consolidated Financial Statements are accessible on Company's website (www.clhg.com) at the following link: <https://clhg.com/financials>.

### Basis of preparation

The Full Consolidated Financial Statements have been prepared in accordance with IFRS, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the South African Institute of Chartered Accountants or its successor and the requirements of the Companies Act.

### Statement of financial position as at 30 June:

ZAR'000	2020	2019	2018
<b>Non-current assets</b>	3,617,316	2,722,355	2,352,684
Property, plant and equipment	2,509,752	2,630,411	2,285,396
Right-of-use assets	985,014	–	–
Intangible assets and goodwill	57,422	55,358	54,678
Investments	800	800	200
Other investments	7,900	13,073	–
Deferred taxation	56,428	22,713	12,410
<b>Current assets</b>	241,088	303,373	333,046
Inventory	5,540	7,978	7,298
Trade receivables	18,877	77,369	79,167
Other receivables	137,602	128,468	159,021
Taxation	42,756	11,935	8,282
Other investments	7,900	6,577	26,185
Cash and cash equivalents	28,413	71,046	53,093
<b>Total assets</b>	3,858,404	3,025,728	2,685,730
<b>Capital and reserves</b>	568,316	1,106,701	1,057,866
Share capital and premium	179,503	179,503	179,503
BEE investment and incentive scheme shares	(514,381)	(518,014)	(524,984)
Retained earnings	712,683	1,307,529	1,265,174
Other reserves	190,511	137,683	138,173
<b>Non-current liabilities</b>	2,260,101	1,701,435	1,446,619
Interest-bearing borrowings	750,000	660,000	450,000
BEE interest-bearing borrowings	–	44,120	44,120
BEE preference shares	–	355,000	367,600
BEE shareholder's loan	–	50,000	50,000
BEE B preference share dividend accrual	–	315,604	273,477
Lease liabilities	1,376,063	–	–
Other non-current liabilities	–	78,899	86,275
Deferred taxation	134,038	197,812	175,147

ZAR'000	2020	2019	2018
<b>Current liabilities</b>	1,029,987	217,592	181,245
Trade and other payables	170,336	217,592	181,245
Lease liabilities	12,377	–	–
BEE interest-bearing borrowings	44,120	–	–
BEE preference shares	349,300	–	–
BEE shareholder's loan	50,000	–	–
BEE B preference share dividend accrual	356,416	–	–
Bank overdraft	47,438	–	–
<b>Total liabilities</b>	3,290,088	1,919,027	1,627,864
<b>Total equities and liabilities</b>	3,858,404	3,025,728	2,685,730

## Statement of comprehensive income for year ended 30 June:

ZAR'000	2020	2019	2018
<b>Revenue from contracts with customers</b>	1,159,283	1,547,984	1,498,426
Other income	4,829	4,475	21,923
Administration and marketing costs	(97,314)	(106,432)	(99,841)
BEE transaction charges	(288)	(352)	(2,267)
Expected credit loss on trade and other receivables	(268)	(2,198)	–
Operating costs excluding depreciation and amortisation	(735,848)	(961,422)	(845,483)
	330,394	482,055	572,758
Depreciation and amortisation	(131,156)	(117,471)	(105,217)
Depreciation – right-of-use assets	(92,302)	–	–
<b>Results from operating activities</b>	106,936	364,584	467,541
Impairment loss on property, plant and equipment	(245,464)	–	–
Impairment loss on right-of-use assets	(242,889)	–	–
Interest income	2,914	2,233	4,031
Total interest expense	(204,212)	(59,842)	(63,867)
Interest expense	(34,569)	(4,650)	(5,857)
Interest expense – leases	(117,214)	–	–
Notional interest on BEE shareholder loan	–	–	(6,472)
BEE interest expense	(4,060)	(4,187)	(4,425)
BEE preference dividend	(48,369)	(51,005)	(47,113)
<b>(Loss) / Profit before taxation</b>	(582,715)	306,975	407,705
Taxation	96,083	(101,519)	(128,267)
<b>(Loss) / Profit for the year</b>	(486,632)	205,456	279,438
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences	52,128	(2,397)	27,825
<b>Total comprehensive income for the year</b>	(434,504)	203,059	307,263
Basic earnings per share (cents)			
– undiluted	(1,329.4)	562.0	764.7
– fully diluted	(1,329.4)	560.7	762.9

## Statement of cash flows for year ended 30 June:

ZAR'000	2020	2019	2018
Operating cash flows before working capital changes	264,004	461,479	563,572
Increase in working capital	9,254	31,288	57,315
Cash generated by operations	273,258	492,767	620,887
Interest received	2,914	2,233	4,031
Interest paid	(77,114)	(64,774)	(44,347)
Interest paid – leases	(117,214)	–	–
Taxation paid	(37,529)	(95,101)	(128,415)
Dividends paid	(108,214)	(160,100)	(178,904)
<b>Cash (outflow) / inflow from operating activities</b>	<b>(63,899)</b>	<b>175,025</b>	<b>273,252</b>
<b>Cash utilised in investing activities</b>	<b>(102,642)</b>	<b>(371,965)</b>	<b>(436,151)</b>
– investment to maintain operations	(53,749)	(71,785)	(81,936)
– investment to expand operations	(49,035)	(335,346)	(343,669)
– expenditure refunded / (refundable) on operating leases	–	35,554	(35,554)
– purchase of investment	–	(600)	–
– proceeds on disposal of property, plant and equipment	142	212	25,008
<b>Cash inflow from financing activities</b>	<b>66,355</b>	<b>195,019</b>	<b>100,288</b>
– proceeds from issue of ordinary shares	–	–	126
– repayment of lease liability	(15,005)	–	–
– purchase of incentive scheme shares	(2,940)	(2,381)	(15,088)
– proceeds from interest-bearing borrowings	90,000	210,000	130,000
– redemption of BEE preference shares	(5,700)	(12,600)	(14,600)
– distribution by BEE structured entity	–	–	(150)
<b>Net decrease in cash and cash equivalents for the year</b>	<b>(100,186)</b>	<b>(1,921)</b>	<b>(62,611)</b>
Cash and cash equivalents at beginning of year	71,046	53,093	115,664
Reclassification of other investments to cash and cash equivalents	6,577	20,398	–
Effect of movements in exchange rates on other investments	(2,727)	(430)	(1,968)
Effect of movements in exchange rates on cash held	6,265	(94)	2,008
<b>Cash and cash equivalents at end of year</b>	<b>(19,025)</b>	<b>71,046</b>	<b>53,093</b>

## Statement of changes in equity for year ended 30 June:

ZAR'000	BEE		Other reserves	Retained earnings	Total
	Share capital and premium	investment and incentive scheme shares			
<b>Balance at 1 July 2017</b>	179,377	(526,729)	114,411	1,167,252	934,311
<b>Total comprehensive income for the year</b>	–	–	27,825	279,438	307,263
Profit for the year	–	–	–	279,438	279,438
Other comprehensive income	–	–	–	–	–
Foreign currency translation differences	–	–	27,825	–	27,825
<b>Transactions with owners, recorded directly in equity</b>	126	1,745	(4,063)	(181,516)	(183,708)
Issue of new ordinary shares	126	–	–	–	126
Incentive scheme shares	–	1,745	(14,371)	(2,462)	(15,088)
Share compensation reserve	–	–	10,308	–	10,308
Dividends paid	–	–	–	(178,904)	(178,904)
Distribution by BEE structured entity	–	–	–	(150)	(150)
<b>Balance at 30 June 2018</b>	179,503	(524,984)	138,173	1,265,174	1,057,866
<b>Total comprehensive income for the year</b>	–	–	(2,397)	205,456	203,059
Profit for the year	–	–	–	205,456	205,456
Other comprehensive income	–	–	–	–	–
Foreign currency translation differences	–	–	(2,397)	–	(2,397)
<b>Transactions with owners, recorded directly in equity</b>	–	6,970	1,907	(163,101)	(154,224)
Incentive scheme shares	–	6,970	(6,350)	(3,001)	(2,381)
Share compensation reserve	–	–	8,257	–	8,257
Dividends paid	–	–	–	(160,100)	(160,100)
<b>Balance at 30 June 2019</b>	179,503	(518,014)	137,683	1,307,529	1,106,701
<b>Total comprehensive income for the year</b>	–	–	52,128	(486,632)	(434,504)
Loss for the year	–	–	–	(486,632)	(486,632)
Other comprehensive income	–	–	–	–	–
Foreign currency translation differences	–	–	52,128	–	52,128
<b>Transactions with owners, recorded directly in equity</b>	–	3,633	700	(108,214)	(103,881)
Incentive scheme shares	–	3,633	(6,573)	–	(2,940)
Share compensation reserve	–	–	7,273	–	7,273
Dividends paid	–	–	–	(108,214)	(108,214)
<b>Balance at 30 June 2020</b>	179,503	(514,381)	190,511	712,683	568,316

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**SECTION 115 OF THE ACT – REQUIRED APPROVAL FOR TRANSACTIONS  
CONTEMPLATED IN THIS APPENDIX**

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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) has 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 5, 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 certificate 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, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); 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 on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
  - (b) the court, on an application within 10 business days after the vote 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) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- 4.A. In subsection (4), "act in concert" has the meaning set out in section 117(1)(b).
5. If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
  - (a) within 10 business days after the vote, 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).47
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.

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**SECTION 164 OF THE ACT – DISSENTING SHAREHOLDERS’ APPRAISAL RIGHTS**

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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 also be delivered to the Panel, and 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, by a subsequent special resolution, 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 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.
- 15.A At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
  - (b) the company must comply with the requirements of subsection 13(b).
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.
20. Except to the extent:
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.



**CITY LODGE HOTELS LIMITED**

Registration number: 1986/002864/06  
Share code: CLH ISIN: ZAE000117792  
("City Lodge" or "the Company")

**PARTICIPATION IN THE ANNUAL GENERAL MEETING VIA ELECTRONIC COMMUNICATION**

**CAPITALISED TERMS USED IN THIS ANNEXURE SHALL BEAR THE MEANINGS ASCRIBED THERETO IN THE NOTICE TO WHICH THIS ANNEXURE IS ATTACHED**

**1. Shareholders or their duly appointed proxy(ies) that wish to participate in the Annual General Meeting via electronic communication ("Participants"), must either:**

- 1.1 register online using the online registration portal at [www.smartagm.co.za](http://www.smartagm.co.za); or**
- 1.2 apply to Computershare, by delivering the duly completed Form to:**

Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag x9000, Saxonwold, 2132 (at the risk of the Participant), or by email to [proxy@computershare.co.za](mailto:proxy@computershare.co.za) so as to be received by Computershare by no later than 10h00 on Wednesday, 9 December 2020. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

**2. Important notice**

- 2.1 The Company shall, by no later than 10h00 on Thursday, 10 December 2020, notify Participants that have delivered valid notices in the form of this Form, by email of the relevant details through which Participants can participate electronically

<b>Application form</b>
Full name of Participant:
ID/passport number of individual or registration number of entity:
Email address:
Cell number:
Telephone number: (code): (number:)
Name of CSDP or broker (if shares are held in dematerialised format):
I want to participate electronically
I want to participate and vote electronically
Signature:
Date:

**Terms and conditions for participation in the Annual General Meeting via electronic communication**

- 1. The cost of electronic participation in the Annual General Meeting, including but not limited to network charges, is for the expense of the Participant and will be billed separately by the Participant's own service provider.
- 2. The Participant acknowledges, by signing this application form, that the electronic platform through which the Annual General Meeting will be facilitated is provided by third parties and indemnifies City Lodge Hotels Ltd against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the Annual General Meeting, including but not limited to network connectivity or network failure due to, inter alia, insufficient airtime, internet connectivity, power outages, which would prevent the participant from participating in and/or voting at the Annual General Meeting.
- 3. The application to participate in the Annual General Meeting electronically will only be deemed successful if this application form has been completed fully and signed by the Participant.

Participant's name

Signature

Date





|| CITY  
|| LODGE  
|| HOTEL  
|| GROUP