

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION



## A F R I C A N S U N

L I M I T E D

(Incorporated in Zimbabwe on 2 July 1971 under Company Registration Number 643/71)

## CIRCULAR TO SHAREHOLDERS

**Relating to and seeking approvals for:**

**The Acquisition of the entire issued ordinary shares of Dawn Properties Limited (“Dawn”) in exchange for an issuance of African Sun Limited (“African Sun or the Company”) ordinary shares listed on the Zimbabwe Stock Exchange (“ZSE”) through an exchange of 1 African Sun ordinary share for every 3.988075946 Dawn ordinary shares held.**

**And incorporating**

### **NOTICE OF AN EXTRAORDINARY GENERAL MEETING**

Notice of an Extraordinary General Meeting of the members of African Sun Limited, to be held virtually by electronic means, on Tuesday the 13<sup>th</sup> of October 2020, at 1000 hours, which notice was published on Tuesday the 22<sup>nd</sup> of September 2020 in accordance with the Listings Requirements of the Zimbabwe Stock Exchange (“ZSE”) and the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, as set out at the end of this Document. Shareholders are asked to complete and return the attached form of proxy in accordance with the instructions printed thereon, as soon as possible, but not later than 1600 hours, on Thursday the 8<sup>th</sup> of October 2020.

#### **Sponsoring Brokers**



#### **Financial Advisor**



#### **Independent Financial Advisor**



#### **Independent Reporting Accountants**



#### **Legal Advisors**



#### **Transfer Secretaries**



This Circular is neither a prospectus nor an invitation to the public to subscribe for shares in the Company but is issued in compliance with the Listings Requirements of the ZSE, for the purpose of giving information to the public with regard to the Transaction as more fully set out in this Circular. The Circular is only available in English. Additional copies of this Circular may be obtained from the Company Secretary at the Registered Office of African Sun Limited or IH Securities.

If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant, or other professional advisors. If you no longer hold any shares in African Sun, you should send this Circular, as soon as possible, to the stockbroker, bank or other agents through whom the sale of your shareholding in African Sun was executed, for onward delivery to the purchaser or transferee of your shares.

All the Directors of African Sun Limited, whose names are given in paragraph 4.2 of the Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement in the Circular false or misleading, and that they have made all reasonable enquiries to ascertain such material facts and that this Circular contains all information required by law.

The Directors confirm that the Circular particulars include all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) that investors and their professional advisors would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer and of the rights attaching to the securities to which the Listing particulars relate.

The Company's lead financial advisors, sponsoring broker, legal advisors, transfer secretaries and reporting accountants have consented in writing to act in the capacity stated and to their names being stated in the Circular and have not withdrawn their consents prior to the publication of this Circular.

**Date of issue of this document: Tuesday 22 September 2020**

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## CORPORATE INFORMATION AND ADVISORS

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

Venon T Musimbe  
No. 54 Parklane  
Monomotapa Hotel  
Harare  
Zimbabwe

### **Financial Advisors**

Inter-Horizon Advisory (Private) Limited  
Block 3  
Tungate Business Park  
30 Tungate Road  
Mount Pleasant  
Harare  
Zimbabwe

### **Sponsoring Brokers**

Inter-Horizon Securities (Private) Limited  
Block 3  
Tungate Business Park  
30 Tungate Road  
Mount Pleasant  
Harare  
Zimbabwe

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

PricewaterhouseCoopers Chartered Accountants  
Building 4  
Arundel Office Park  
Norfolk Road  
Mount Pleasant  
Harare  
Zimbabwe

### **Independent Financial Advisors**

Corporate Excellence (Private) Limited  
3 Drummond Chaplin Street,  
Milton Park,  
Harare  
Zimbabwe

### **Legal Advisors**

Dube, Manikai & Hwacha Legal Practitioners  
6th Floor, Gold Bridge,  
Eastgate Complex  
Corner Sam Nujoma Street & Robert Mugabe Way  
Harare  
Zimbabwe

### **Transfer Secretaries**

Corpserve Registrars (Private) Limited  
2nd Floor ZB Centre  
Corner 1st & Kwame Nkrumah Avenue  
Harare  
Zimbabwe

### **Principal Bankers**

FBC Bank Limited  
5th Floor, FBC Centre  
Nelson Mandela Avenue  
Harare  
Zimbabwe

## FORWARD LOOKING STATEMENTS

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This Circular includes forward looking statements regarding African Sun Limited. Forward looking statements are those other than statements of historical facts, included in this Circular, and include without limitation, those regarding African Sun Limited's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to African Sun Limited's products and services). Any statements preceded by, followed by or including the words "believes", "expects", "aims", "estimates", "anticipates", "may", "will", "should", "could", "intends", "plans", "seeks", or similar expressions, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause African Sun Limited's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such forward looking statements are inherently based on numerous assumptions regarding African Sun Limited's present and future business strategies and the environment in which African Sun Limited will operate in the future. These forward-looking statements speak only as at the date of this Circular. The Directors of African Sun Limited expressly disclaim any obligation or undertaking to disseminate, after the distribution of this Document, any updates or revisions to any forward looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward looking statement is based, unless legally required to do so.

## INTERPRETATIONS AND DEFINITIONS

In this document, unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and vice versa and words importing natural persons shall include juristic persons, whether corporate or incorporate and vice versa.

"Acquisition"	The Offer by African Sun to acquire all the shares in Dawn that it does not already own;
"Acquisition Payment Date"	The date on which the Acquisition Consideration will be posted to Dawn shareholders;
"African Sun" or "the Company" or "the Group"	African Sun Limited, a Public Company incorporated in Zimbabwe under company registration number 643/71 and listed on the ZSE;
"Articles"	The Articles of Association of African Sun Limited;
"Auditors" or "Independent Reporting Accountants"	PricewaterhouseCoopers Chartered Accountants (Zimbabwe), Independent Auditors of the Company and Independent Reporting Accountants to the Transaction;
"Board" or "Directors"	The Board of Directors of African Sun;
"Broker"	Any person or company registered as a member with the ZSE and authorised to buy and sell shares and other securities on behalf of customers;
"Business Day"	Monday to Friday, but excluding public holidays in Zimbabwe;
"Circular" or "the Document"	This document dated Tuesday 22 September 2020 including the appendices hereto, addressed to African Sun Limited Shareholders, which sets out the terms and conditions of the Transaction;
"Companies Act"	The Companies and Other Business Entities Act (Chapter 24:31);
"Conditions Precedent" or "Delisting Conditions Precedent"	The Conditions Precedent to which the Acquisition is subject, and the Delisting is subject as set out in section 8;
"Corporate Excellence" or "Independent Financial Advisors"	Corporate Excellence (Private) Limited, independent financial advisors to the Transaction;
"CSD"	Central Securities Depository;
"Dawn "	Dawn Properties Limited, a public company incorporated in Zimbabwe under company registration number 9363/2003 and listed on the ZSE;
"Dawn Shareholders"	The holders of ordinary shares in Dawn.
"Documents of Title"	Share certificates, dematerialised shares in CSD accounts, certified transfer deeds, balance receipts or any other physical documents of title to shares acceptable to the issuer of such shares;
"EBITDA"	Earnings Before Interest, Taxation, Depreciation, and Amortisation
"EGM"	Extraordinary General Meeting of African Sun shareholders convened in terms of the Companies Act and the same, to be held at 1000 hours on Tuesday 13 October 2020, at the Registered Office of the Company at which African Sun Shareholders will vote on the Offer;
"EPS"	Earnings per share;
"Exchange Control Regulations"	The Exchange Control Regulations promulgated under the Exchange Control Act [Chapter 22:05] including in particular and without limitation, the Exchange Control Regulations, Statutory Instrument 109 of 1996, as amended;
"Form of Proxy"	The Form of Proxy accompanying this Circular;
"IAS"	International Accounting Standards;
"IFRS"	International Financial Reporting Standards;

## INTERPRETATIONS AND DEFINITIONS (CONTINUED)

"IH Advisory"	Inter-Horizon Advisory (Private) Limited, a licenced securities investment advisor with the Securities and Exchange Commission of Zimbabwe, and the financial advisors to the Transaction;
"IH Securities"	Inter-Horizon Securities (Private) Limited, the sponsoring broker for the Transaction and a member of the Zimbabwe Stock Exchange;
"LDT"	Last date to trade;
"Legal Advisors"	Dube, Manikai & Hwacha Legal Practitioners, the legal advisors to the Transaction;
"NAV"	Net asset value;
"Non-Resident Shareholder(s)"	A holder(s) of African Sun shares who are/is designated as "non-resident" in terms of the Exchange Control Regulations;
"Notice"	The notice of the Extraordinary General Meeting which was published in terms of the Companies Act on Tuesday 22 September 2020, advising African Sun Shareholders of the Acquisition and which forms part of this Circular;
"Offer"	The Offer by African Sun to acquire 100% of the ordinary shares of Dawn Properties;
"Offer Shares"	Shares held by all Shareholders recorded in the Register, other than African Sun, on the Offer Consideration Record Date;
"Offeror"	African Sun;
"RBZ"	Reserve Bank of Zimbabwe;
"Register"	The Register of Shareholders of the Company maintained by the Transfer Secretaries and the sub-register of nominee Shareholders maintained by each Broker;
"Registrar"	The Registrar of Companies appointed in terms of the Companies Act;
"Offer Consideration" or "Acquisition Consideration"	The consideration payable to Dawn Shareholders for their Shares in terms of the Acquisition, being the consideration of 1 African Sun ordinary share for every 3.988075946 Dawn ordinary shares. For the purposes of this Transaction, shares to be issued will be rounded to the nearest whole number;
"Operative Date"	The date on which a Change in Control shall have occurred;
"Target Shares"	All Dawn Shares held by Dawn Shareholders on the Operative Date, being 2,457,172,108 Dawn Shares at the Last Practicable Date;
"Shareholder(s)"	The holders of ordinary Shares of African Sun;
"Shares"	The issued and/or authorised share capital of African Sun;
"Transaction"	The Offer by African Sun to acquire 100% ordinary shares in Dawn;
"Transfer Secretaries"	Corpserve Registrars (Private) Limited who provide share transfer secretarial services to Dawn;
"Voting Record Date"	The date for Shareholders to be recorded in the Register eligible to vote at the EGM, being at 1600 hours on Thursday the 8 <sup>th</sup> of October 2020;
"VWAP"	Volume weighted average price;
"ZSE"	The Zimbabwe Stock Exchange, a stock exchange that is established in terms of the Securities and Exchange Act of 2004 (Chapter 24:25) and regulates the conduct of companies whose shares are listed on the Official List and traded on the Zimbabwe Stock Exchange;
"ZWL"	The Zimbabwean Dollar;

## SALIENT FEATURES OF THE PROPOSED TRANSACTION

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### Proposed Acquisition of Dawn Properties Limited

At the meeting held on 18 May 2020, the Board of Directors of African Sun considered and identified a potential opportunity for the acquisition of Dawn. It was undertaken to conclude the transaction in lieu of its shares. The proposed acquisition will be effected by way of African Sun making an offer to acquire the entire issued share capital of Dawn. The purchase consideration of the acquisition at the Effective Date of the Dawn Acquisition is to be settled via issuance of 616,129,718 new African Sun ordinary shares, that will be listed on the ZSE, for 2,457,172,108 shares in Dawn representing 100% of the issued shares. The issuance of these New Shares will involve:

- An issue of 616,129,718 African Sun ordinary shares, on the Effective Date of the Dawn Acquisition.

On completion of the acquisition, Dawn will become a wholly owned subsidiary of African Sun and Dawn will delist from the ZSE and African Sun will remain listed on the Zimbabwe Stock Exchange.

African Sun Shareholders will be asked to approve several Resolutions to effect the acquisition. These are summarized below:

- A special resolution approving that the number of authorised but unissued ordinary shares be increased by 200,000,000 shares, for the purposes of undertaking the transaction.
- An ordinary resolution to approve the acquisition by way of an offer to Dawn shareholders of one (1) new African Sun Share for every 3.988075946 existing Dawn shares with no cash alternative.
- An ordinary resolution authorizing the directors to take such actions as are necessary to give effect to the resolutions; and
- An ordinary resolution asking the Shareholders to waive rights of pre-emption.
- An ordinary resolution requesting that the balance of the authorised unissued shares of 73,895,075 ordinary shares representing 5% of the issued ordinary shares of the Company, be placed under the control of the Directors for a period of twelve months or until the next AGM subject to certain provisos.

### Overview of the Acquisition

African Sun is proposing to put forward an offer to acquire 100% of Dawn's issued ordinary shares. Should the Offer become binding, African Sun will acquire 100% ownership of Dawn. Consequently, Dawn will be required to delist from the ZSE. Upon the Acquisition, Dawn Shareholders will receive 1 African Sun ordinary share for every 3.988075946 Dawn ordinary shares held.

### Benefits of the Proposed Transaction

The benefits of the acquisition include, but are not limited to, the following:

- The proposals described in this document, if implemented, will consolidate African Sun's position as the largest provider of hospitality services in Zimbabwe. Following full integration of the businesses, expected to be achieved within two years following implementation of the Acquisition, African Sun anticipates significant enhancement of its earnings per share.
- African Sun gains full control of the freehold title of the seven (7) hotels it currently leases from Dawn;
- With no rental payments, the liquidity improves at African Sun allowing better management of working capital;
- African Sun will have a structure that allows them to attract investment (debt or equity) on a property by property basis;
- The proposed acquisition will be financed by equity hence limiting African Sun's cash outlay. Additionally, the proposed acquisition will be value accretive with an envisaged growth in NAV from 9.9ZWLc to 127.87 ZWLc.
- Cost savings will be unlocked after the Acquisition – the current structure of two listed companies creates material cost duplication to achieve the same objective. Cost savings will be achieved mainly from the rationalisation of:
  - Structural efficiencies removing duplication;
  - Increased procurement efficiencies;
  - The sales and distribution function and of its brand marketing functions;
  - Administrative and head office functions.

## SALIENT FEATURES OF THE PROPOSED TRANSACTION (CONTINUED)

- African Sun will have an opportunity to generate material free cash if it decides to exit non-core assets acquired in the Transaction; and
- Comparable companies operating in Africa favour the franchise and owned assets model to achieve rapid growth.

In the event that the Acquisition does not take place, then African Sun and Dawn will both remain separate companies with substantially the same shareholding and the benefits previously outlined above will not be available to either African Sun or Dawn shareholders.

### Dividend Policy

Following the Acquisition, the directors of African Sun expect to adopt a policy of paying as dividends at least 30% of long-term sustainable earnings.

### Timetable for the Proposed Transaction

Important Dates	
African Sun EGM Notice and announcement published	Tuesday 22 September 2020
Record Date, African Sun share register closed (at 1600 hours)	Tuesday 29 September 2020
Last day of lodging Proxy Forms (at 0815 hours)	Thursday 8 October 2020
African Sun EGM (at 1000 hours)	Tuesday 13 October 2020
Publication of African Sun EGM resolution results	Thursday 15 October 2020

### Actions to be taken by African Sun Shareholders

- Read this Document in its entirety. If you are in doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant, or other professional advisors;
- Attend and vote at the EGM to be held on Tuesday the 13<sup>th</sup> of October 2020; and
- Shareholders who are unable to attend the EGM, but who wish to be represented thereat, should complete and sign the Proxy Form included with this Document and ensure it is lodged at the registered offices of African Sun being, Bally House, Cnr Norfolk Road and Endeavour Crescent, Mount Pleasant Business Park, Mount Pleasant, Harare, Zimbabwe so that it is received by the Transfer Secretaries by no later than 1600hours, on Thursday the 8<sup>th</sup> of October 2020. Proxy forms will be accepted at the discretion of the Chairman up to 1 hour before the commencement of the EGM. Shareholders may attend the meeting virtually, notwithstanding the completion and return of a Proxy Form.



## SALIENT FEATURES OF THE PROPOSED TRANSACTION (CONTINUED)

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### Conditions Precedent

Several cautionary announcements have been issued to the shareholders of both Dawn and African Sun since the announcement of African Sun's intention to acquire Dawn. The ZSE has granted authority to list the Offer shares subject to the offer being declared unconditional:

The implementation of the Proposed Transaction is conditional upon the following:

- The passing by Shareholders of African Sun of the Resolutions, by the requisite majority, at an EGM to be held on Tuesday the 13<sup>th</sup> of October 2020 in terms of the Notice of the EGM published in the national press dated Tuesday the 22<sup>nd</sup> of September 2020;
- The Offer being accepted by Dawn shareholders representing not less than thirty-five per cent (35%) of the total ordinary shares ("Control Block");
- African Sun notifying any remaining shareholders of its intention to acquire their shares as well as make a thirty-day offer to the holders of any remaining unacquired Target Shares ("Remaining Shares Offer");
- The RBZ approval of payment of the Acquisition Consideration in the form of African Sun ordinary shares to Non-Resident Shareholders;
- Approval of the proposed Dawn Acquisition by the Competition and Tariff Commission;
- Obtaining all such other necessary regulatory approvals as may be required.

### Documents Available for Inspection

The public may inspect this Circular and the documents available as listed in section 8 between 0800hours and 1600hours from the 22<sup>nd</sup> of September 2020 to the 8<sup>th</sup> of October 2020 at the Financial Advisors', Sponsoring Brokers', and African Sun's Registered Offices at the addresses set out in the "Corporate Information" section of this Document.

# DETAILS OF THE PROPOSED TRANSACTION

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*(Incorporated in Zimbabwe on 2 July 1971 under Company Registration Number 643/71)*

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## CHAIRMAN'S STATEMENT

Dear Shareholder,

### BACKGROUND

I am writing to you in my capacity as the Chairman of African Sun, duly authorised by the Board, to support 100% share acquisition of Dawn. The proposed transaction will be effected by way of African Sun making an offer to acquire the entire issued ordinary shares of Dawn to be consummated by way of a swap of shares of Dawn for shares in African Sun with no cash alternative ("the Offer"). On successful completion of the Transaction, Dawn will become a wholly owned subsidiary of African Sun and Dawn will delist from the ZSE. African Sun will remain listed on the ZSE.

- 1.1. In 2003, through a linked unit structure, the businesses of African Sun and Dawn were demerged, with Dawn owning the hotels and freehold and African Sun owning the operations. At the time of the demerger, the shareholders in African Sun were of the view that the hotel assets were not sufficiently factored into its share value, and that a demerger would result in a favourable sum of the value of the parts from a valuation point of view. It had been anticipated that a demerger would be efficient and result in making both African Sun and Dawn attractive for investors who wanted to invest in specific assets and operations and that the resultant structures would attract debt funding.
- 1.2. Seventeen years later, the reality is that none of the anticipated benefits have been fully realised. With the advent of the Covid-19 pandemic, the impact on the businesses of both African Sun and Dawn has been devastating, due to the non-pharmaceutical initiatives that have been adopted by virtually all countries globally, including a raft of measures prohibiting international, national, regional and intercity travel, and generally, the free movement of people. This has resulted in the total collapse of the aviation and tourism sectors, with estimations that tourism in Africa will reduce by over 50% in 2020; nevertheless it is expected that Zimbabwean tourism will rebound in the second quarter of 2021 and is resultantly likely to positively affect African Sun's operations.

### 2. The Rationale for the Offer

- 2.1. It is anticipated that consolidation of African Sun and Dawn operations will create a robust balance sheet that will attract both development capital as well as working capital for the combined business to survive the Covid-19 downturn, protect jobs and livelihoods, enhance the product offering, as well as guarantee a future for the business and its stakeholders. In addition, IFRS 16 'Leases' requires African Sun to capitalize the leases without the underlying right to title. IFRS 16 is forecast to reduce profit in 2020 by 3-5% thus the acquisition will negate this effect.
- 2.2. The Transaction will also result in shared costs, and improved efficiencies, including compliance costs of a double-listing of essentially the same business as the majority of Dawn's revenues, arise from the current African Sun operations.

[Signed on original]

**A Makamure**  
**Chairman**

22 September 2020

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 1. OVERVIEW OF THE PROPOSED TRANSACTION

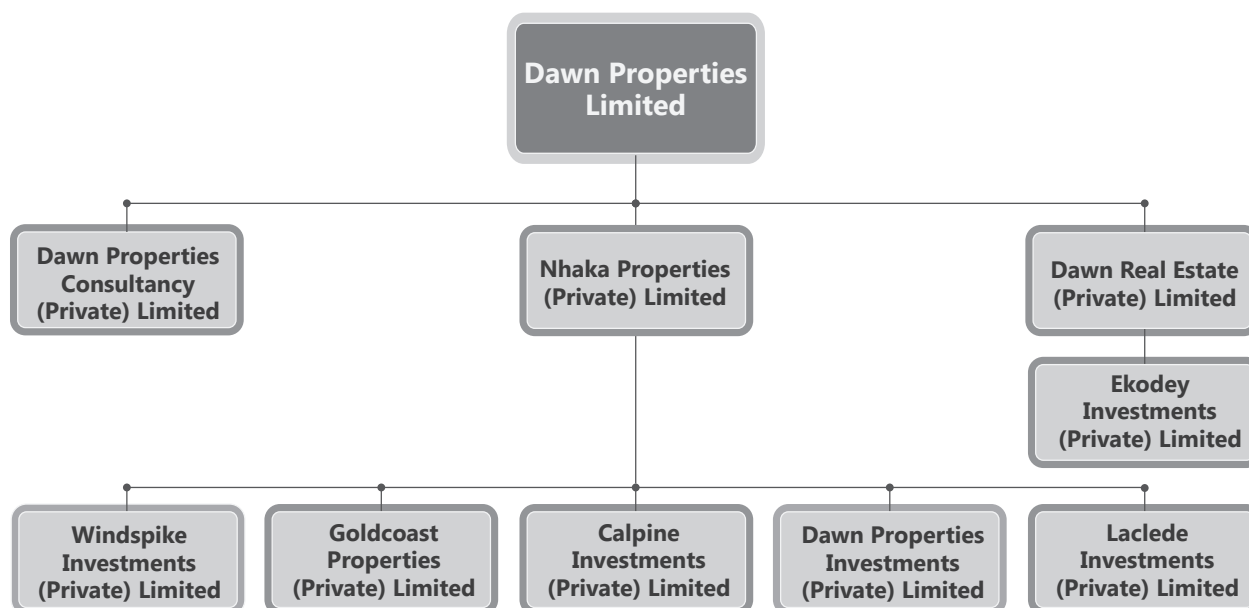
#### 1.1. The Proposed Acquisition of Dawn by African Sun

Dawn is a company in the real estate investment, development, and consulting business sectors in Zimbabwe. Established in 2003, the company has significant investments in hotel properties in all the major tourist destinations in Zimbabwe, as well as a large undeveloped residential land bank. The company is listed on the ZSE. Dawn has three integrated real estate businesses, namely property investments, property development and property consultancy. The company's corporate structure and business model supports synergies across its markets and contributes to the overall success of the businesses.

At the meeting held on 18 May 2020, the Board of Directors of African Sun considered and identified a potential opportunity for the acquisition of Dawn in lieu of its shares. The value of the Dawn Acquisition is to be settled via the issuance of 616,129,718 African Sun ordinary shares that are to be listed on the ZSE for 2,457,172,108 shares in Dawn representing 100% of the issued shares.

##### 1.1.1. Dawn Group Structure

The Dawn Group structure is as following:



**N.B:** All the subsidiaries presented above are wholly owned by Dawn Properties Limited. With the exception of Dawn Property Consultancy (Private) limited, the other subsidiaries are essentially vehicles under which the legal title to the hotels and land assets are held.

##### 1.1.2. Property Investments

Dawn's hotel properties valued at ZWL 1 476 666 450 as of 31 December 2019, are operated by African Sun under 50 year operating leases, except for the former Beitbridge Express Hotel which is currently non-operational. Rental income from the African Sun leased portfolio is the main contributor to Dawn's revenue. In addition to Dawn's hotel portfolio are the timeshare properties which are currently owner-managed/operated. Acquired in March 2016 from African Sun Limited for US\$1.1million, these timeshares offer customers a flexible, dependable and affordable vacation option, partial ownership and regular access to luxury lodges located in two major vacation destinations – Blue Swallow Lodges located in Nyanga and the Kingfisher Cabanas in Kariba.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

The hotel and timeshare property portfolio comprises the following:

PROPERTIES	NUMBER OF ROOMS	LOCATION
<b>Hotels</b>		
Caribbea Bay Resort (including Campsites)	118	Kariba
Monomotapa Hotel	245	Harare
Elephant Hills Resort and Conference Centre	276	Victoria Falls
Great Zimbabwe Hotel (including Campsites)	87	Masvingo
Holiday Inn Mutare	96	Mutare
Hwange Safari Lodge	106	Hwange
Troutbeck Resort	70	Nyanga
Beitbridge Express (currently not operational)	104	Beitbridge
<b>Total available rooms</b>	<b>1 111</b>	

PROPERTIES	NUMBER OF LODGES	LOCATION
<b>Timeshares</b>		
Kingfisher Cabanas	11	Kariba
Blue Swallow Lodges	24	Nyanga
<b>Total available timeshare units</b>	<b>35</b>	

*Kingfisher Cabanas and Blue Swallow Lodges are timeshare properties that offer one to three-bedroom self-catering stand-alone units.*

### 1.1.3. Property Consultancy

The Group's property consulting services are offered through a standalone entity, Dawn Property Consultancy (Private) Limited ("DPC") (formerly CB Richard Ellis Zimbabwe). With a permanent staff complement of 38, DPC is one of the largest independent property consultancy firms in Zimbabwe offering mainly two services – property management and valuation advisory.

The property management division manages over 482 000sm<sup>2</sup> of lettable space mainly on behalf of large corporates across 130 locations in Zimbabwe. The valuation advisory division offers fair, timely and supportive conclusions of value for all types of property, plant, machinery, and equipment.

### 1.1.4. Property Development

The Group owns land measuring approximately 2 900 hectares (ha), in potential safari, residential and commercial areas, whose fair value amounted to ZWL180 901 000 on 31 December 2019. The land, which is primarily earmarked for residential development, is located in some of the most sought-after neighbourhoods in the country. The development of the residential land bank is being rolled out in phases with an objective of providing luxury, low to middle-income residential housing solutions at competitive prices.

The land bank is as follows:

	TYPE	SIZE (HA)	LOCATION
Borrowdale	Residential	1.78	Harare
Marlborough Residential Land	Residential	332.57	Harare
Lake View	Commercial	9.15	Kariba
Mandara	Residential	1.45	Harare
Victoria Falls	Commercial	3.76	Victoria Falls
Brondesbury Park	Commercial	212.25	Juliasdale
Farm 41	Commercial	2330.36	Hwange
Mandara	Residential	1.45	Harare
<b>Total</b>		<b>2 892.77</b>	

### 1.1.5. Directors Interests

As at the 31 August 2020, the Directors directly and/or indirectly, did not hold beneficial interests in Dawn Properties.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### 1.2. Benefits of the Proposed Acquisition

The Acquisition of Dawn is expected to be accretive to existing shareholders based on the following merits:

#### 1.2.1. Control over Hotel Assets

African Sun would gain full control of the properties it uses for its operations, and therefore objectives would be aligned.

#### 1.2.2. Improved Bottom Line

African Sun will no longer have a rental expense with regard to the properties it leases from Dawn.

#### 1.2.3. Increased Leverage for Lending

African Sun will enlarge its capital base and have the ability to leverage properties for capital expenditure needed for hotel improvements and expansion.

#### 1.2.4. Cost savings

Cost savings will be unlocked for both African Sun and Dawn as Dawn will be delisted, saving duplication of costs, and a number of administration tasks will be merged.

#### 1.2.5. Potential additional cash flow streams

Dawn's property development and consulting business are likely to enable African Sun to capture additional cash flow streams.

### 1.3. Conditions to the Acquisition

The implementation of the Proposed Transaction is conditional upon the following:

- The passing by Shareholders of African Sun of the Resolutions, by the requisite majority, at an EGM to be held on Tuesday the 13<sup>th</sup> of October 2020 in terms of the Notice of the EGM published in the national press dated Tuesday the 22<sup>nd</sup> of September 2020;
- The Offer being accepted by Dawn shareholders representing not less than thirty-five per cent (35%) of the total ordinary shares and any preference shares with the right to vote with ordinary shares ("Control Block");
- African Sun notifying remaining shareholders of its intention to acquire their shares as well as make a thirty-day offer to the holders of any remaining unacquired Target Shares ("Remaining Shares Offer");
- The RBZ approval of payment of the Acquisition Consideration in the form of African Sun ordinary shares to Non-Resident Shareholders;
- Approval of the proposed Dawn Acquisition by the Competition and Tariff Commission;
- Obtaining all such other necessary regulatory approvals as may be required.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

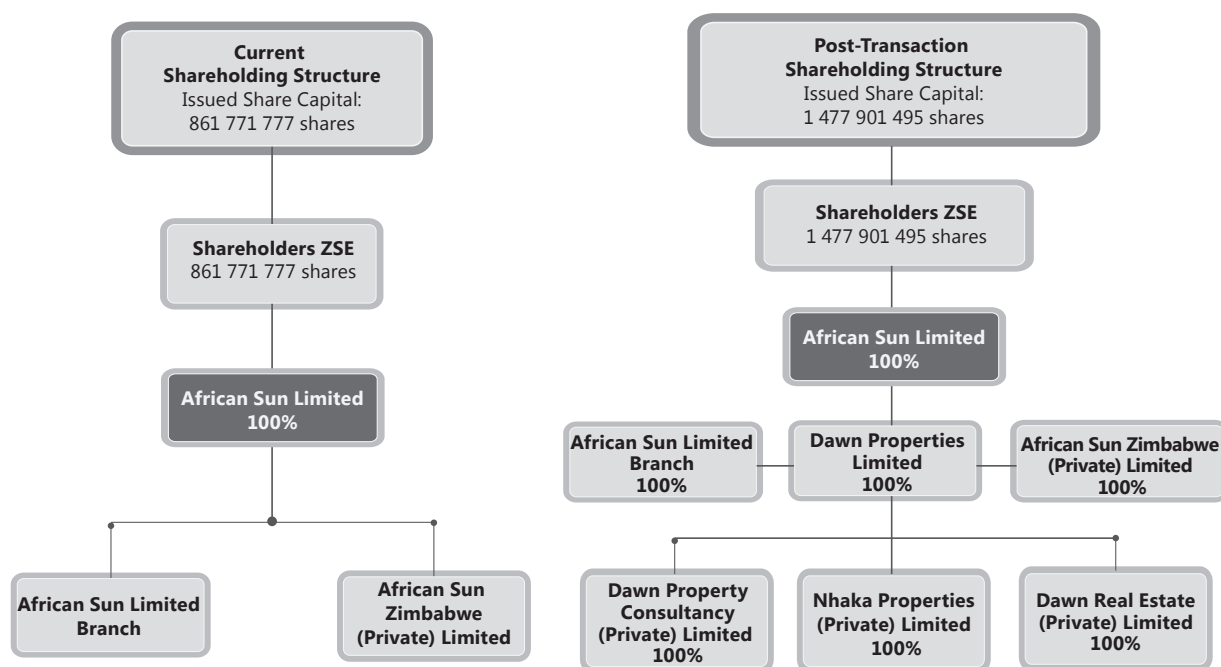
### 1.4. Impact on Share Capital

The table below shows the impact of New Shares issued to the Dawn Shareholders on the Effective Date of the Dawn Acquisition on African Sun's current share capital structure:

<b>Indicative African Sun share capital structure before and after the shares issued on the Effective Date of the Dawn Acquisition:</b>			
	<b>Before the New Shares are issued (reflecting NAV as at 31 December 2019)</b>	<b>New Shares issued on the Effective Date of the Dawn Acquisition</b>	<b>After New Shares are issued (reflecting NAV as at 31 December 2019)</b>
<b>Authorised Shares</b>	1,500,000,000	1,700,000,000	1,700,000,000
Issued Shares	861,771,777	616,129,718	1,477,901,495
Net Asset Value per share	9.9 ZWLc	N/A	127.87 ZWLc

\*Note that the impact reflected for the purposes of this Circular represents only the increase in Net Asset Value as a result of the shares issued at the Effective Date of the Dawn Acquisition, the conversion of shareholder loans and the related acquisition journals as reflected in the Proforma Statement of Financial Position detailed on page 32.

The diagram below shows the structure of African Sun pre and post the Proposed Transaction, based on the current shares in issue and assuming the full issuance of the New Shares.



## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 1.5. Expenses of the Transaction

The expenses of the Transaction, amounting to approximately ZWL13 million which relate to legal, transfer secretaries, advisory fees, various printing, distribution, regulatory fees and such other charges, will be paid by African Sun.

<b>Expense Item</b>	<b>Amount ZWL</b>
Reporting Accountant Fees	2,970,737
Legal Fees	1,907,123
Transfer Secretaries	207,296
Advisory Fees	6,986,476
Sponsoring Broker Fees	0
Independent Financial Advisors	829,184
Printing and Distribution Fees	124,378
Designing	58,043
<b>Total Fees</b>	<b>13,083,237</b>

## 2. OVERVIEW OF AFRICAN SUN

### 2.1. History of African Sun

African Sun and its subsidiaries (together “the Group”) is a Zimbabwe-based hospitality operating Management Company established in 1968. It changed from Zimbabwe Sun Limited in 2008 to include the pan-African operational developments. In 2016, it exited the franchise and management agreements of its hotel operations in Ghana and in Nigeria respectively. African Sun operates in the hospitality and leisure industry through a number of hotels, resorts, and casinos throughout Zimbabwe with a reservations office in South Africa (African Sun Limited Branch). It is listed on the ZSE.

The Group currently has four divisions: City and Country Hotels, Resort Hotels, The Victoria Falls Hotel Partnership and Sun Leisure. Sun Leisure comprises the two casinos in Harare and Victoria Falls, and Sun Leisure Tours.

### 2.2. The Industry

According to the Zimbabwe Tourism Authority, 2.5 million tourists generated an estimated \$1 billion in revenue in 2018. While tourism dropped by 11% in 2019, the country remained one of the top tourist destinations in Africa, attracting visitors from all over the world. Despite the challenges faced by the unstable economic environment in the country, exacerbated by the Covid 19 pandemic, African Sun has managed to retain its status as a leading Hotel Asset Management Company in Zimbabwe operating internationally recognised brands, with a clear vision to become the leading hospitality and leisure company in the markets in which we operate.

### 2.3. Operations

#### 2.3.1. City and Country Hotels

Five hotels fall under this division including the three hotels that operate under the InterContinental Hotels Group (“IHG”) brand (Holiday Inn Harare, Holiday Inn Bulawayo and Holiday Inn Mutare). The other two hotels are Monomotapa Harare, which is located in the capital city Harare, with its iconic structure overlooking the lush, colourful and perennially evergreen Harare Gardens and the fifth, Troutbeck Resort which is nestled in the rolling Eastern Highlands Mountains of Nyanga.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 2.3.2. Resort Hotels

The Resort hotels are located in all the country's major tourist destinations, namely, Victoria Falls, Hwange, Masvingo and Kariba. Respectively, the hotels are Elephant Hills Resort and Conference Centre and The Kingdom at Victoria Falls, which as its name suggests, mimics a truly majestic African Kingdom and is located within a 5-minute walk to the Victoria Falls, one of the Seven Natural Wonders of the World. Hwange Safari Lodge is situated in the Hwange National Park where over 100 species of mammals and nearly 400 bird species have been recorded. Great Zimbabwe Hotel is located in Masvingo, within walking distance from the Great Zimbabwe National Monument, a UNESCO World Heritage Site and the largest ancient structure south of the Sahara and second only to the Pyramids of Giza in size and grandeur. Caribbea Bay Resort is located in Kariba on the shores of Lake Kariba, which is one of the four largest man-made lakes in the world and second-largest reservoir by volume in Africa.

### 2.3.3. The Victoria Falls Hotel Partnership

Also in Victoria Falls, is The Victoria Falls Hotel which the Group jointly operates with Meikles Hospitality (Private) Limited. The Hotel is affiliated to The Leading Hotels of the World ("LHW") and adheres to the requirements that are the hallmark of this affiliation.

### 2.3.4. Sun Leisure

This division comprises the gaming unit of the group (Casinos and the group's ground handling unit) and Sun Leisure Tours. Sun Casinos operates one stand-alone charity casino (Harare Sun Casino) and one hotel-based casino (Makasa Sun Casino at The Kingdom at Victoria Falls). Sun Leisure Tours was launched in 2019. Sun Leisure Tours provides shuttle services, destination tours and other hospitality-related leisure activities.

### 2.3.5. Summary

A summary of African Sun's Hotel Portfolio as at 31 December 2019 is found in the table below:

HOTEL PORTFOLIO	LOCATION	ROOMS	CONFERENCE CAPACITY	RESTAURANTS
<b>Premier Brand</b>				
The Victoria Falls Hotel	Victoria Falls	161	40	3
<b>Stand-Alone Brands</b>				
Monomotapa Harare	Harare	243	752	2
Elephant Hills Resort and Conference Centre	Victoria Falls	276	1080	3
Hwange Safari Lodge	Hwange	100	260	2
The Kingdom at Victoria Falls	Victoria Falls	294	1000	2
Troutbeck Resort	Nyanga	70	440	2
Caribbea Bay Resort	Kariba	118	1020	1
Great Zimbabwe Hotel (inclusive of 40 Campsites)	Masvingo	87	530	1
<b>Under Franchise</b>				
Holiday Inn Harare	Harare	201	750	2
Holiday Inn Bulawayo	Bulawayo	157	880	2
Holiday Inn Mutare	Mutare	96	770	1
<b>Total</b>		<b>1 803</b>	<b>7 482</b>	<b>21</b>
<b>SUN LEISURE</b>		<b>ACTIVITIES/GAMES AVAILABLE</b>		
Harare Sun Casino		Slot Machines, American Roulette and Black Jack		
Makasa Sun Casino		Slot Machines, American Roulette and Black Jack		
Sun Leisure Tours		Ground Handling, Safaris, Tours, Boat Rides, Transfers, Airport Shuttles		



## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### 3. SHARE CAPITAL

The share capital of African Sun is shown below:

**Authorised:**

1,500,000,000 ordinary shares of nominal value ZWL0.01 each.

**Issued: (As at 1 January 2020)**

861,771,777 ordinary shares of nominal value ZWL0.01 each.

#### 3.1. Authorised but unissued share capital

The authorised but unissued share capital of the Company is under the control of the directors, subject to the limitations imposed by the Articles and Memorandum of Association of the Company, the Companies and Other Business Entities Act (Chapter 24:31); and the ZSE Listing Requirements.

#### 3.2. Variation of Rights

According to the Company's Articles, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), may be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than three-fourths of the members of that class present at a separate general meeting of the holders of the shares of the class.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Ordinary shares issued as a result of the Proposed Transaction will have the same rights attached according to the class of shares and will also rank *pari passu* with ordinary shares already in issue.

#### 3.3. Voting Rights

The authorised but unissued and issued African Sun ordinary shares are the same class and rank *pari passu* in every respect.

#### 3.4. Adequacy of Capital, Working Capital and Cash Flow

The Directors are of the opinion that for a business of this nature operating in the hospitality industry, the Company's share capital and working capital are adequate for the foreseeable future for the current operations. The Directors are of the opinion that the available working capital is sufficient to cover the cash flow requirements of the Company for the current operations.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 4. CORPORATE GOVERNANCE

#### 4.1. Introduction

African Sun is committed to a Code of Corporate Practices and Conduct based on the principles laid out in the King Reports and the Principles of Corporate Governance in Zimbabwe as laid out in the Manual of Best Practice. The Directors recognize the need to conduct the affairs of the Group with principles of transparency, integrity, accountability and in accordance with generally accepted corporate practices, in the interests of its shareholders, employees and other stakeholders. This process enables the Company's shareholders and stakeholders to derive the assurance that, in protecting and adding value to African Sun's financial and human capital investment, the Company is being managed ethically, according to prudently determined risk parameters and in compliance with the best international practices.

#### 4.2. Board of Directors

The primary responsibility of the Board is to discharge its fiduciary duty to the shareholders and the Company. The Board is accordingly the highest policy organ of the Company and acts to direct strategy. The Board meets regularly to monitor the performance of management and to ensure proper control over the strategic direction of the Company. The Board comprises 2 Executive and 7 Non-Executive Directors. The Directors comprise individuals with proven track records and a wide range of different and complementary skills and experience, which they employ for the Company's benefit. The Non-Executive Directors also provide crucial independence and guidance to the Company's strategic decisions making process and corporate governance practices.

The full names, addresses and positions of the Directors of African Sun are set out below:

Full Name	Residential Address	Position
Alex Makamure	538 Manombe Close, Helensvale, Borrowdale, Harare	Independent Non-Executive Chairman
Edwin Timothy Shangwa	3 Hartshorn Hill, Greystone Park, Borrowdale, Harare	Managing Director
Brett Ivor Childs	Eden Rock Lane, Pereyhere, Merville, Mauritius	Non-Executive Director
Believemore Hatinzwani Dirorimwe	5 Belsize Close, Manzil, Northwood, Mount Pleasant, Harare	Finance Director
Emmanuel Anesu Fundira	5 Esher Close, Borrowdale Brooke, Harare	Non-Executive Director
Nyaradzo G Maphosa	28 Traill Road, Mount Pleasant, Harare	Non-Executive Director
Peter Saungweme	112 Marula Lane, Manresa Park, Harare	Non-Executive Director
Thandi Denga (Nee-Ngwenya)	28 Chaplin Road Greendale, Harare	Non-Executive Director
Georgina Chikomo	1443 Wattle Road, Westgate, Harare	Non-Executive Director

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### **Alex Makamure – Non-Executive Chairman**

Mr. Makamure was appointed African Sun Board Chairman with effect from June 2018. Mr. Makamure has been a member of the African Sun Board since 2012. Prior to his appointment as Board Chairman, Mr. Makamure served as the Finance and Audit Committee Chairman. A Chartered Accountant (Zimbabwe) qualified in 1993 trained with Coopers & Lybrand – now Ernst & Young, he holds a Bachelor of Accountancy (Honours) – University of Zimbabwe 1989 and a Bachelor of Laws, University of London, (2019).

Mr. Makamure is the Company Secretary and Group Treasurer and is in charge of public affairs at Delta Corporation Limited and has experience in Accounting, Treasury Management, Taxation, Procurement and Logistics Management, among other professional spheres. He sits on the Boards of Medical Investments (Avenues Clinic), Schweppes Zimbabwe Limited and other Delta affiliates.

### **Edwin Timothy Shangwa – Managing Director**

Mr. Shangwa was appointed to the position of Managing Director on 17 September 2015. An Accountant by training having worked as an Accountant, Management Accountant, Finance Director, and Company Secretary and has experience in the tourism and hospitality industry spanning over 35 years in operations and accounting. He holds a Diploma in Finance and Accounting and is a Fellow member of the Institute of Accounting and Commerce of South Africa (FIACSA) and the Institute of Administration and Commerce of Zimbabwe (FIACZ). He is also a holder of a Postgraduate Certificate in Management, Diploma in Management Studies, and Master in Business Administration Degree from the Nottingham Business School, United Kingdom (2003). He is an Associate member of Hotel and Catering International Management Association (AHCIMA), and also holds a Postgraduate Certificate in Business Research Methods from Edinburgh Business School, Scotland (2019).

Mr. Shangwa also sits on the boards of CBZ Bank Limited as an independent non-executive director as well as the Tourism Business Council of Zimbabwe.

### **Brett Ivor Childs – Non-Executive Director**

Mr. Childs was appointed to the African Sun Limited Board on 16 March 2017. A Chartered Accountant (Zimbabwe), Brett is a business veteran with 30 years' experience in capital raising, IPOs, managing investments and corporate exits. Mr Childs spent 15 years in London, where he helped to build a successful venture capital business, listing assets on the London Stock Exchange ("LSE") and Helsinki Stock Exchange ("HEX"). Mr. Childs is the former Chief Executive Officer of the major shareholder, Arden Capital Management (Private) Limited having joined in June 2016 as a Non-Executive Director.

### **Believemore Hatinzwani Dirorimwe – Finance Director**

Mr. Dirorimwe was appointed to the position of Finance Director on 17 September 2015. He is a member of the Institute of Chartered Accountants of Zimbabwe ("ICAZ"), South Africa Institute of Chartered Accountants ("SAICA"), and Association of Chartered Certified Accountants ("ACCA"). He holds a Master in Business Administration with Warwick University, United Kingdom, (2019).

He has a wealth of experience in Financial Management, Corporate Finance and Financial Reporting. Mr. Dirorimwe has been instrumental in the Group's capital raising initiatives, new projects appraisals and openings, and SBU performance management. Prior to taking up the position of Finance Director he was the Corporate Finance Manager and before that the Group Accountant. Mr Dirorimwe is also the Board Chairman of Justice for Children Trust ("JCT"), a non-government organisation ("NGO") that specializes in children in conflict with the Law.

### **Emmanuel Anesu Fundira – Non-Executive Director**

Dr. Fundira was appointed to the Board of African Sun on the 17th of October 2012. He is Chief Executive Officer of Astoc Leisure Group Plc, a nature-based tourism business operating on the lower and upper Zambezi. He served as Chairman

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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of Zimbabwe Tourism Authority from 2001 to 2007 and is the former Chairman of Allied Timbers Holdings Limited from 2008 to 2011. Dr. Fundira is the former President of the Tourism Business Council, current President of the Safari Operators Association of Zimbabwe, Co-Chairman of Operators Professional Hunters Association of Africa, Associate Member of Safari Club International (USA) and Africa Wildlife Consultative Forum (AWCF). He is an Economist by training with sound academic and business management skills at senior corporate level spanning over a period of more than 25 years. Dr. Fundira holds a BSc (Hons) Economics Birm-UK, MBA - Finance (Dunelm) UK, FIMM-UK (1998) and PhD (Dunelm) UK- (2019). Dr. Fundira is a past recipient of the Private Sector Tourism Personality of the Year Award (2009), the Zimbabwe Tourism Association ("ZTA") Tourism Image Builder of the Year Award (2010) and the ZTA Tourism Personality of the Year Award (2010). He sits on the Safari Club International ("SCI") Board and the African Wildlife Consultative Board ("AWCF") as well as serving as a Trustee of several charitable organisations.

### **Nyaradzo Gilbertina Maphosa – Non-Executive Director**

Ms. Maphosa was appointed to the African Sun Board on the 17th of October 2012. A registered Legal Practitioner and Partner with Sawyer and Mkushi Legal Practitioners, Ms. Maphosa has been in practice for over 20 years and is an Advocate of the High Court, Supreme Court and Constitutional Court of Zimbabwe. She is an attorney of record for several reputable Financial, Corporate and Regulatory institutions in Zimbabwe. She is affiliated with the Institute of Bankers Zimbabwe and specializes in Corporate Law and International Finance. Ms. Maphosa sits on several Boards and Trusts and has previously served as the Vice Chairperson and Acting Chairperson of Chengetedzai Central Securities Depository. She is also a Board member of the Medicines Control Authority of Zimbabwe, Hillbrass P/L (Kintyre Estates), Tumaini Trust, Southern Africa Initiatives for Development Trust (Int) and the MULTIHHELP Trust (Orphanage).

### **Peter Saungweme – Non-Executive Director**

Mr. Saungweme was appointed to the African Sun Board on 8 March 2018. He is a Chartered Accountant (Zimbabwe) and holds Bachelor of Accounting Science Honours and Bachelor of Accounting Science degrees from the University of South Africa (UNISA). He possesses a strong financial management background having been the Financial Controller of Ecobank Zimbabwe Limited and Chief Finance Officer at Cell Holdings (Private) Limited.

Before assuming the role of Chief Finance Officer of Arden Capital Limited ("Arden"), he was the Finance Director at Dawn Properties Limited, a subsidiary of Arden. Mr Saungweme has significant audit background in banking, insurance, tourism and power generation sectors having worked as an Audit Manager for both KPMG Zimbabwe Inc. and KPMG Namibia Inc. for a combined period of 5 years. He sits on the boards of Arden Capital Limited, African Sun Limited, Dawn Properties Limited, Dawn Property Consultancy (Private) Limited and FML Logistics (Private) Limited.

### **Thandi Denga – Non-Executive Director**

Mrs. Denga was appointed to the African Sun Board on 30 August 2018. Mrs. Denga has over 22 years of corporate experience spearheading Marketing and Business Development initiatives across Africa in information technology, financial services, hospitality and media. She is a previous board member of TBWA Zimbabwe and a former Board Member for Federation of Young Farmers in Zimbabwe. A Chevening scholar, Mrs. Denga holds an MBA from the Graduate School of Business at the University of Strathclyde in Glasgow, Scotland, and a Bachelor of Commerce Honours Degree in Marketing from the National University of Science & Technology (NUST). She is also a Certified Trainer for IBDL (International Business Drivers License) and member of the Marketers Association of Zimbabwe (MAZ) as a Marketing Fellow.

### **Georgina Chikomo – Non-Executive Director**

Mrs. Chikomo was appointed to the African Sun Board on the 30th of August 2018. She is currently the Acting Managing Director of ZB Bank Limited. Prior to this position, she was the Finance Director of ZB Bank Limited. A fellow member of the Association of Chartered Certified Accountants (ACCA). She has a Master's degree in Business Leadership, from University of South Africa and a Bachelor's degree with Honours in Business Studies from University of Zimbabwe. Mrs. Chikomo has over 25 years' experience in the financial services sector, spanning over asset finance, accounting, procurement, financial management and investment management. She is currently the Chairman of ZB Sports Club and sits on the ZB Bank Limited board.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### 4.3. Directors Interests

As of 7 August 2020, the Directors directly and/or indirectly held no beneficial interests in African Sun shares.

### 4.4. Other interests

As at 7 August 2020, the Directors directly and/ or indirectly held no other beneficial interests in/with African Sun.

### 4.5. Governance Committee

African Sun is an organisation built on the pillars of transparency, accountability, efficiency, integrity and sustainability. The African Sun Board of Directors is committed to ensuring that these values, standards and principles are held and practiced at the highest level. In support of this pledge, the organization's executive leadership utilizes firm corporate governance principles to guide all aspects of the organization's business, and its never-ending development and application of best practices.

### 4.6. Finance and Audit Committee

The Finance and Audit Committee incorporates the audit, risk and finance oversight functions. The Committee deals, inter alia, with compliance, internal control, risk management and the review and preliminary approval of major investment decisions of the Group. It is regulated by specific terms of reference and is chaired by a non-executive director. The number of members of the Committee is not less than three (3) at any given time and all members are non-executive directors. Executives of the Group including the Managing Director and Finance Director attend the meetings by invitation.

The Committee meets with the Company's independent auditors to discuss accounting, auditing, internal control and financial reporting matters. The independent and internal auditors have unrestricted access to the Finance and Audit Committee.

The Committee's terms of reference include but are not limited to the assessment, and review of the following.

- Financial controls, accounting systems and reporting;
- Independent auditors;
- Internal auditors;
- Legal, regulatory and statutory compliance of the Group;
- Compliance with the Group's code of conduct; and
- Financial planning and investment decisions.

### 4.7. Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee comprises a non-executive Chairman, and at least two other non-executive directors. Executive directors and management attend its meetings by invitation. The committee acts in accordance with the Board's written terms of reference to review remuneration of all African Sun Limited executive directors, senior management and other members of staff.

The Committee's terms of reference include but are not limited to the assessment, determination and review of the following:

- Remuneration and emoluments of the Company's executives, and to review the levels thereof from time to time;
- Grant options to acquire shares in the Company's share capital, on terms and conditions as prescribed in such share option schemes as approved by the Company's shareholders in General Meetings from time to time;
- Prescribed parameters of remuneration and other employment emoluments of non-executive personnel of the Group, for the guidance of management in its reviews and determinations of such remuneration and emoluments;

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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- Procurement and/or monitoring the Group's compliance with all relevant labour legislation, with especial reference to employee remuneration, terms and conditions of service and allied issues; and
- Monitoring the operations of the Group's pension and group life assurance, and medical aid schemes.

### 4.8. Sales, Marketing and Innovation Marketing Committee

The Committee comprises a non-executive Chairman and at least two other non-executive directors. Executive directors and management attend its meetings by invitation. The committee is responsible for the review of all sales and marketing programs of the Group.

The Committee's terms of reference include but are not limited to the assessment and review of the following;

- Participation in the development of the Group's marketing policy and strategy;
- The performance of the Group in terms of its marketing strategy;
- Marketing policy to include all elements of the marketing mix undertaken by the Group;
- Corporate profile policy and issues related to branding and the image of the Group;
- Providing overall guidance and direction for the Group's marketing communications, including publications and promotional programmes, and contributing towards their implementation; and
- Advising the Board on the appropriate form of marketing infrastructure best suited to serve African Sun Limited.

### 4.9. Nominations Committee

The Nominations Committee is now a standing, as opposed to an ad hoc, committee, pursuant to the recommendations made in King Report III. It comprises a non-executive Chairman and at least two other non-executive directors. It assists with the identification and recommendations of potential directors to the Board.

The Committee's terms of reference include but are not limited to the assessment and regular review of the following:

- The structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- Consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- The leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Making recommendations to the Board concerning the formulation of plans for succession for both executive and non-executive directors and for the key roles of Chairman and Managing Director; and
- Determining suitable candidates for the role of senior independent director membership of the audit and remuneration committees, and any other Board committees as appropriate, in consultation with the chairmen of those committees.

### 4.10. Executive Committee

The Executive Committee ("EXCO") supports the Managing Director in carrying out his responsibilities for the day to day management of the Group's operations and consists of four members as follows.

- Managing Director;
- Finance Director;
- Human Resources Executive; and
- Company Secretary.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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The EXCO is delegated by the Managing Director and has regular input from executives from operations, finance, ICT, human resources, compliance and investor relations. Meetings are convened weekly.

The EXCO is delegated with the powers conferred upon the Directors by the Articles of Association and is responsible for the following from a Company perspective:

- the implementation of strategies and policies;
- managing the day to day business affairs;
- prioritizing the allocation of capital and technical and human resources;
- establishing the best management practices and functional standards;
- enterprise wide risk management;
- ensuring that regular detailed reports are submitted to the Board on each of the Company's investments; and
- performing such other duties and responsibilities as may be directed from time to time.

### 4.11. Corporate Governance Committee

The Corporate Governance Committee is an ad hoc committee, which sits as and when it is necessary. It is made up of a non-executive Chairman and at least two other non-executive directors.

### 4.12. National Workers Council and Workers' Committees

The Group holds National Works Council meetings at least twice a year. Each hotel within the Group has a Works Council representative who attends these meetings, which is a forum where employees participate in the decision-making process and discuss employees' concerns with top management. The Group believes in and practices worker participation throughout the different grading levels. All hotels have Workers' Committees, which serve as a communication channel between management and shop floor employees.

### 4.13. Dealing in Shares

The Company has a policy, in line with the ZSE Listing Requirements, prohibiting dealings in shares by Directors, Officers and Executive Management for a designated period (closed period), being one month prior to the end of the reporting period until the preliminary announcement of the Company's interim and year end results, or when they are in possession of price sensitive information not within the public domain.

### 4.14. Ethics and Business Integrity

Professional and ethical standards and the highest standards of integrity are an integral part of how the Company conducts its business affairs. The Company recognizes that investor and stakeholder perceptions are based on the manner in which the Company, its Directors, management and staff conduct business and the Company therefore strives to achieve the highest standards of integrity and business ethics at all times.

## 5. CAPITAL COMMITMENTS, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

### 5.1. Capital Commitments

African Sun had the following capital commitments as at 31 December 2019 on a historical account basis.

	<b>2019 ZWL</b>
Authorised by Directors and contracted for	1 127 621 907
<b>Total</b>	<b>1 127 621 907</b>

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### 5.2. Short-Term Low Value Lease Commitments

African Sun has commitments arising from property leases for its business operations. These leases have varying terms with renewable options included in some contracts. There are no restrictions placed on the Group by entering these leases.

The future expected rentals due are payable on a historical account basis as follows:

	<b>ZWL</b>
Payable within the next 12 months	3 566 908
Payable within 2 to 5 years	13 548 964
Payable thereafter	86 830 238
<b>Total</b>	<b>103 946 110</b>

### 5.3. Contingent Liabilities

As of 31 December 2019, African Sun had potential contingent liabilities amounting to USD\$16 million related to CODET (refer to Note 6).

## 6. MATERIAL CONTRACTS

As of 31 December 2019, African Sun had not entered into any material contracts, other than in the ordinary course of business.

## 7. LITIGATION STATEMENT

Other than those disclosed, the Company is not involved in any other material litigation or arbitration proceedings which may have, or which have had, during the twelve months preceding the date of this Circular, a significant effect on the financial position of African Sun nor is the Company aware that any such proceedings are pending or threatened. The Company, however, wishes to provide an update on the following matters:

### 7.1 Termination of the Legacy management agreement

The Applicant (hereinafter referred to Legacy Hospitality Management Services Limited) and the 1st Respondent (hereinafter referred to as African Sun) entered into a management agreement in terms of which Legacy would manage certain of the African Sun hotels for a fee. The continued management agreement between African Sun and Legacy was made subject to the obtaining of exchange control approval from the RBZ. The RBZ advised that they would not renew the management agreement unless African Sun and Legacy renegotiated the management fee structure. With Legacy unwilling to renegotiate, African Sun declared that the relationship between the parties had been extinguished by supervening impossibility. Dissatisfied with this position Legacy took the matter to arbitration, where the arbitrator ultimately ruled in favour of African Sun and confirmed the demise of the management agreement. Legacy again dissatisfied with the arbitral award granted against it, applied to have the arbitral award set aside in the High Court. The High Court ruled in the Company's favour and ruled that there were no grounds to set aside the arbitral award. Consequently, it dismissed the application to set aside the arbitral award and granted African Sun's application for registration of the arbitral award as well as costs on an ordinary scale. Legacy has since appealed to the Supreme Court.



## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### **7.2 Corisco Design Team ("CODET") and African Sun Zimbabwe (Private) Limited ("ASL") (then known as Zimsun Leisure (Private) Limited**

In 2007, ASL, a wholly owned subsidiary of the Company, was engaged in discussions with the Government of Equatorial Guinea relating to several projects in the tourism sector that the Government of Equatorial Guinea was keen to embark on. The projects broad requirement was the resuscitation of tourism through conceptualization at three levels - a hotel in Corisco, a training school at Mongomo and a hotel in Moca.

In anticipation of the conclusion of these discussions, ASL invited several experts in areas such as architecture, engineering, construction, and related fields ("CODET") to form a team that would work on the projects proposed by the Government of Equatorial Guinea. The discussions between the ASL and the rest of the team were preliminary, and the exchange of drafts was for discussion purposes only pending the approval of the Government of Equatorial Guinea. African Sun made it clear, and it was accepted by CODET that any work performed in relation to the Equatorial Guinea projects was work for and on behalf of the Government of Equatorial Guinea. African Sun and the CODET team discussed the legal framework that would govern their arrangements over an extended period of time. Draft memoranda were prepared including one dated 10 April 2007 which was only signed by the members of CODET and not by African Sun. The Negotiations were dependent on the approval by the Government of Equatorial Guinea. All work undertaken by the ASL and CODET was done at the risk of the parties. CODET are seeking payment of US\$16 million from ASL for their work on the project even though the projects were not approved. ASL only acted as agent, coordinating the CODET team to consult on behalf of the Government of Equatorial Guinea. Any claim if any should be directed to the Government of Equatorial Guinea as the principal. The matter was determined in ASL's favour in the High Court, but the other party has since appealed to the Supreme Court. ASL's prospects for a successful outcome are good.

### **7.3 The Victoria Falls Hotel versus S. Mwela and 68 others – a labour case**

In June 2009, ASL's General Manager at The Victoria Falls Hotel received threats from some employees. Following investigations, Workers Committee Members were reported to the police and questioned. The employees alleged that the Human Resources Manager, by reporting to the police, had caused the assault of two workers and this degenerated into a strike.

Disciplinary action was taken, in terms of which ninety-three employees were given warning letters and reinstated while 69 were dismissed. The matter was decided against ASL in the Labour Court. The Company appealed this decision to the Supreme Court. Their contestation of the dismissals was recently held by the Supreme Court as having been done irregularly. They were directed, if they wish, to file their appeal with the Labour Court. We await the filing of the appeal.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 8. SHARE INFORMATION

#### 8.1. African Sun Shareholding Structure

The table below details the top twenty shareholders of African Sun as at 9 September 2020:

Rank	Name	Number of shares	Percentage
1	Old Mutual Life Assurance Company Zimbabwe Limited	273,271,220	31.71
2	Arden Hotels (Private) Limited	242,945,661	28.19
3	Arden Capital Management (Private) Limited	150,074,217	17.41
4	Riustrix Investments (Private) Limited	50,150,342	5.82
5	Ecobank Zimbabwe Limited	49,949,119	5.80
6	Mega Market (Private) Limited	8,220,324	0.95
7	Guramatunhu Family Trust	6,822,652	0.79
8	Zimbabwe Sun Employee Share Participation Trust	6,698,969	0.78
9	Local Authorities Pension Fund	4,043,310	0.47
10	Stanbic Nominees (Private) Limited	3,961,018	0.46
11	Lengrah Investments (Private) Limited	3,891,126	0.45
12	Pickover Investments (Private) Limited	3,108,442	0.36
13	Delta Beverages Pension Fund	2,619,267	0.30
14	Msasa Nominees (Private) Limited	1,820,639	0.21
15	La France Holdings Limited (Nnr)	1,765,961	0.20
16	Faanya Rose	1,354,340	0.16
17	Tapfumanei Holdings (Private) Limited	1,017,842	0.12
18	Goran Blagojevic	1,007,897	0.12
19	Tafadzwa Dowa	944,421	0.11
20	African Sun Limited Employee Share Participation Trust No. 2	815,484	0.09
	<b>Selected Shares</b>	<b>814,482,251</b>	<b>94.51</b>
	Non - Selected Shares	47,289,526	5.49
	<b>Issued Shares</b>	<b>861,771,777</b>	<b>100.00</b>

Arden Capital Management (Private) Limited through various investment vehicles owns 57.67% of African Sun's issued share capital.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 8.2. Post Transaction Shareholding Structure:

The table below details the top twenty shareholders of African Sun post the Acquisition of Dawn by African Sun:

Rank	Name	Number of shares	Percentage
1	Arden Capital Management (Pvt) Limited	470,016,390	31.80%
2	Old Mutual Life Assurance Company Zimbabwe Limited	405,322,264	27.43%
3	Arden Hotels (Private) Limited	242,945,661	16.44%
4	Lengrah Investments (Private) Limited	95,593,630	6.47%
5	Riustrix Investments (Private) Limited	50,150,342	3.39%
6	Ecobank Zimbabwe Limited	49,949,119	3.38%
7	Mega Market (Private) Limited	30,073,433	2.03%
8	Zimbabwe Sun Employee Share Participations Trust	12,716,909	0.86%
9	Guramatunhu Family Trust	7,236,922	0.49%
10	Stanbic Nominees (Private) Limited	4,238,320	0.29%
11	Local Authorities Pension Fund	4,043,310	0.27%
12	Stanbic Nominees (Private) Limited	3,961,018	0.27%
13	Pickover Investments (Private) Limited	3,735,311	0.25%
14	Delta Beverages Pension Fund	2,619,267	0.18%
15	Msasa Nominees (Private) Limited	1,820,639	0.12%
16	La France Holdings Limited (Nnr)	1,765,961	0.12%
17	Archer Clothing Manufacturing (Private) Limited	1,493,543	0.10%
18	Stanbic Nominees 033667800003	1,375,739	0.09%
19	Faanya Rose	1,354,340	0.09%
20	Hippo Valley Estate Pension Fund-Datvest	1,267,361	0.09%
	<b>Selected Shares</b>	<b>1,391,679,478</b>	<b>94.17%</b>
	Non-Selected Shares	86,222,017	5.83%
	<b>Issued Shares</b>	<b>1,477,901,495</b>	<b>100.00%</b>

Arden Capital Management (Private) Limited through various investment vehicles would own 61.48% of the enlarged African Sun's issued share capital if the transaction were to be completed in its entirety.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 8.3. Share Price History

The tables below provide statistical information on the market price and volumes traded of African Sun shares:

#### Daily Share Price

Date	Closing Price	Volume	Date	Closing Price	Volume
23.06.2020	1.50	65,000	19.08.2020	1.02	13,400
24.06.2020	1.71	15,100	20.08.2020	1.00	5,574,900
25.06.2020	1.80	2,700	21.08.2020	1.19	356,700
26.06.2020	1.80	5,200	24.08.2020	1.01	10,700
03.08.2020	1.50	7,800	25.08.2020	1.06	22,200
04.08.2020	1.50	1,400	26.08.2020	1.11	23,300
05.08.2020	1.50	3,600	27.08.2020	1.32	2,000
06.08.2020	1.50	8,600	28.08.2020	1.40	6,900
07.08.2020	1.50	500	31.08.2020	1.44	5,900
12.08.2020	1.50	-	01.09.2020	1.49	102,200
13.08.2020	1.30	328,800	02.09.2020	1.40	62,100
14.08.2020	1.32	57,800	03.09.2020	1.50	600
17.08.2020	1.12	526,800	04.09.2020	1.60	23,200
18.08.2020	1.07	4,800	07.09.2020	1.60	-
17.08.2020	1.80	526,800	08.09.2020	1.65	135,800
18.08.2020	1.12	4,800	09.09.2020	1.63	1,200

#### Monthly Share Price

Date	Price (ZWL\$)
Jun-19	0.43
Jul-19	0.40
Aug-19	0.35
Sep-19	0.49
Oct-19	0.52
Nov-19	0.43
Dec-19	0.25
Jan-20	0.26
Feb-20	0.77
Mar-20	0.53
Apr-20	0.52
May-20	0.99
Jun-20	1.80
Aug-20	1.44

#### Quarterly Share Price

Date	Price (ZWL\$)
Q3 2018	0.08
Q4 2018	0.10
Q1 2019	0.15
Q2 2019	0.43
Q3 2019	0.49
Q4 2019	0.25
Q1 2020	0.53
Q2 2020	1.80

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

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### 9. EXPERTS' CONSENTS

The Lead Financial Advisors, Sponsoring Brokers, Legal Advisors, Transfer Secretaries, Independent Financial Advisors, Independent Auditors, and Reporting Accountants have submitted their written consents to act in the capacities stated and to their names being stated in this Circular, which consents have not been withdrawn as at the date of this Circular. The above-mentioned consents are available for inspection by interested parties in terms of Paragraph 13 below.

### 10. RECOMMENDATIONS

In accordance with the ZSE Listings Requirements, the Board, through its Non-Executive Directors, appointed Corporate Excellence as Independent Financial Advisors, to advise as to whether the terms of the Proposed Transaction are fair and reasonable to African Sun Shareholders. Taking into consideration the terms and conditions of the Proposed Transaction, the Independent Financial Advisor is of the opinion that such terms and conditions are fair and reasonable to African Sun Shareholders. The Independent Financial Advisor's opinion is included in Annexure 5 of this Circular and has not been withdrawn prior to the publication of this Circular.

The Directors, having considered the prospects of the Company and the opinion of the Independent Financial Advisors, have concluded the Proposed Transaction as fair and reasonable.

### 11. REGULATORY ISSUES

**11.1** The ZSE - The ZSE approved the distribution of this Circular on the 9<sup>th</sup> of September 2020.

**11.2** The RBZ - In line with Exchange Control Regulations, the authority of the RBZ for the Company to issue shares to Non-Resident Shareholders has been sought.

**11.3** Competition and Tariff Commission- the Company shall notify the Competition and Tariff Commission of the Acquisition as soon as the Shareholders have approved the Transaction.

### 12. DOCUMENTS AND CONSENTS AVAILABLE FOR INSPECTION

Between the 22<sup>nd</sup> of September 2020 and the 8<sup>th</sup> of October 2020, copies of the following documents will be available for inspection, during normal working hours, at the Sponsoring Brokers, Financial Advisors and African Sun Registered Offices at the addresses set out in the "Corporate Information" section at the beginning of this document:

- The Memorandum of Association of the Company;
- The substituted Articles of Association of the Company;
- The written consents detailed in Paragraph 13 of the Document;
- The Share Purchase Agreement for the Acquisition of Dawn Properties Limited;
- The Acquisition Agreement for the Acquisition of Dawn becoming unconditional in accordance with their respective terms and conditions therein;
- The Independent Reporting Accountant's Report on the historical financial information for the three financial years ended 31 December 2019;
- The Independent Reporting Accountant's Report on the Proforma financial information;
- The Independent Financial Advisor's Report dated 13 August 2020;
- The audited financial statements for the three financial years ended 31 December 2019 for African Sun;
- The audited financial statements for the three financial years ended 31 December 2019 for Dawn and its subsidiaries; and
- The ZSE approval letter for the distribution of the circular.

## DETAILS OF THE PROPOSED TRANSACTION (CONTINUED)

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear below, collectively and individually accept full responsibility for the accuracy of the information provided in this Circular and certify that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading. They have made all reasonable enquiries to ascertain such facts, and that this Circular contains all information required by law.

The Directors confirm that this Circular includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquires) that investors and their professional advisors would reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer, and of the rights attaching to the securities to which the listing particulars relate.

Full Name	Position	Signature
Alex Makamure	Independent Non-Executive Chairman	[Signed on original]
Edwin Timothy Shangwa	Managing Director	[Signed on original]
Brett Ivor Childs	Non-Executive Director	[Signed on original]
Believemore Hatinzwani Dirorimwe	Finance Director	[Signed on original]
Emmanuel Anesu Fundira	Non-Executive Director	[Signed on original]
Nyaradzo G Maphosa	Non-Executive Director	[Signed on original]
Peter Saungweme	Non-Executive Director	[Signed on original]
Thandi Denga (Nee-Ngwenya)	Non-Executive Director	[Signed on original]
Georgina Chikomo	Non-Executive Director	[Signed on original]

# ANNEXURE 1 – PROFORMA FINANCIAL INFORMATION OF AFRICAN SUN LIMITED

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## **Basis of preparation for Pro-forma Financial Information**

The pro forma financial information of African Sun has been prepared to illustrate the impact of the acquisition of 100% of the issued share capital of Dawn Properties Limited through a share swap of 1 African Sun share for 3.988075946 Dawn Properties Limited shares.

The acquisition transaction is assumed to have occurred on 31 December 2019 for the purpose of the pro forma statement of financial position and on 1 January 2019 for the purpose of the pro forma statement of comprehensive income.

The pro forma financial information has been prepared for illustrative purposes only and because of its pro forma nature may not fairly present African Sun's financial position, changes in equity, results of operations or cash flow nor, the effect and impact of the acquisition of Dawn Properties Limited going forward.

The pro forma financial information is based on the audited consolidated financial statements of the Group for the year-ended 31 December 2019. An adverse opinion was issued with respect to these consolidated financial statements. Furthermore, the pro forma adjustments applied to these financial statements to arrive at the pro forma financial information are derived from the financial statements of Dawn Properties Limited, on which adverse opinions have also been issued.

The directors of the Company are responsible for the compilation, contents and preparation of the pro forma financial information. Their responsibility includes determining that the pro forma financial information has been properly compiled on the basis stated, and that the pro forma adjustments are appropriate for purposes of the pro forma financial information disclosed pursuant to the Zimbabwe Stock Exchange ("ZSE") Listings Requirements.

The pro forma financial information has been prepared using accounting policies that comply with International Financial Reporting Standards ("IFRS") except for non-compliance with International Accounting Standard ("IAS") 21- The Effects of changes in foreign exchange rates and its consequent effects on the hyperinflationary adjustments made in terms of IAS 29 - Financial Reporting in Hyperinflationary Economies and the valuation of property and equipment, that are consistent with those applied in the audited historical financial statements of the African Sun for the year ended 31 December 2019.

The pro forma financial information is presented in accordance with the ZSE Listings Requirements.

The Independent Reporting Accountant's report on the pro forma financial information is set out in Annexure 2 to this Circular.

# ANNEXURE 1 – PROFORMA FINANCIAL INFORMATION OF AFRICAN SUN LIMITED (CONTINUED)

## AFRICAN SUN LIMITED PROFORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

All figures in ZWL	Audited ASL 31 December 2019	Adjustments								Proforma after the Proposed Transaction
Notes	1	2	3	4	5	6	7	8	9=(1+2+3+4 +5+6+7+8)	
<b>Revenue</b>	<b>914 138 128</b>	<b>66 544 330</b>	<b>(48 985 367)</b>	-	-	-	-	-	<b>931 697 091</b>	
Cost of sales	(189 828 453)	-	-	-	-	-	-	-	(189 828 453)	
<b>Gross profit</b>	<b>724 309 675</b>	<b>66 544 330</b>	<b>(48 985 367)</b>	-	-	-	-	-	<b>741 868 638</b>	
Fair value adjustment on investment property	-	888 644 964	-	(666 289 368)	-	-	-	-	222,355,596	
Other income	93 532 477	3 190 080	-	-	-	-	-	-	96 722 557	
Operating expenses	(486 659 148)	(36 133 142)	48 982 424	-	11 570 318	-	57,907	(6 458 357)	(468 639 999)	
Net impairment (losses) / gain on financial assets	(13 183 365)	(562 108)	-	-	-	-	-	-	(13 745 473)	
Other expenses	(1 132 810)	-	-	-	-	-	-	-	(1 132 810)	
<b>Operating profit</b>	<b>316 866 829</b>	<b>921 684 124</b>	<b>(2 943)</b>	<b>(666 289 368)</b>	<b>11 570 318</b>	-	<b>57 907</b>	<b>(6 458 357)</b>	<b>577 428 509</b>	
Finance income	812 734	-	-	-	-	-	-	-	812 734	
Finance costs	(1 152 150)	(1 229 816)	-	-	-	-	-	-	(2 381 966)	
Finance costs - lease liabilities	(8 540 121)	-	-	-	-	-	-	-	(8 540 121)	
Monetary gain	30 025 521	(7 785 335)	2 943	-	-	-	-	-	22 243 129	
<b>Profit before income tax</b>	<b>338 012 813</b>	<b>912 668 973</b>	-	<b>(666 289 368)</b>	<b>11 570 318</b>	-	<b>57 907</b>	<b>(6 458 357)</b>	<b>589 562 285</b>	
Income tax expense	(150 974 270)	(50 814 323)	-	47,034,042	(2 892 579)	(69,295,523)	(14,315)	1 596 506	(225 360 462)	
<b>Profit for the year</b>	<b>187 038 543</b>	<b>861 854 650</b>	-	<b>(619 255 326)</b>	<b>8 677 738</b>	<b>(69 295 523)</b>	<b>43 592</b>	<b>(4 861 851)</b>	<b>364 201 823</b>	
<b>Other comprehensive income</b>										
<b>Items that may be subsequently reclassified to profit or loss</b>										
Exchange differences on translation of foreign operations	148 056 613	-	-	-	-	-	-	-	148 056 613	
<b>Items that may not be subsequently reclassified to profit or loss</b>										
Revaluation surplus	177 609 680	4,540,413	-	-	-	542,941,796	-	-	725 091 889	
<b>Total comprehensive income for the year</b>	<b>512 704 836</b>	<b>866 395 063</b>	-	<b>(619 255 326)</b>	<b>8 677 738</b>	<b>473 646 273</b>	<b>43 592</b>	<b>(4 861 851)</b>	<b>1 237 350 326</b>	
Basic and diluted earnings per share (ZWL cents)	21.70								24.67	
Headline earning per share (ZWL cents)	21.57								23.03	



## ANNEXURE 1 – PROFORMA FINANCIAL INFORMATION OF AFRICAN SUN LIMITED (CONTINUED)

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### Notes to adjustments

1. Represents the unadjusted audited consolidated statement of comprehensive income for African Sun Limited (“ASL”) for the period ended 31 December 2019. The results were extracted from the published audited financial statement for the year ended 31 December 2019.
2. Represents consolidation of Dawn Properties Limited (“DPL”)’s statement of comprehensive income by ASL as at 31 December 2019, after acquisition through share swap (“the Proposed Transaction”).
3. Represents the elimination of DPL revenues from ASL and the corresponding expense in the books of ASL
4. Represents the reversal of the fair value adjustment of investment property held by DPL reclassified to property and equipment as a result of change in use after acquisition by ASL.
5. Represents expected savings due to the merger of the two entities
6. Revaluation of hotel properties previously recognised as investment property now classified as property and equipment as noted in note 4 above.
7. Represents the reversal of impairment allowance on ASL debtors provided by DPL.
8. Represents the depreciation of hotel properties over 50 years as per ASL depreciation policy.
9. Represents the pro forma adjusted statement of comprehensive income after the Proposed Transaction.

# ANNEXURE 1 – PROFORMA FINANCIAL INFORMATION OF AFRICAN SUN LIMITED (CONTINUED)

## AFRICAN SUN LIMITED PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

All figures in ZWL	Audited ASL 31 December 2019	Adjustments										Proforma after the Proposed Transaction  13=(1+2+3 +4+5+6+7+8 +9+10+11+12)					
		1	2	3	4	5	6	7	8	9	10		11	12			
<b>Assets</b>																	
<b>Non-current assets</b>																	
Property and equipment	452 027 074	9 338 159	-	-	-	-	381 043 064	(6 458 357)	721 229 804	-	-	-	-	-	-	-	1 557 179 744
Investment Properties	-	1 476 666 450	-	-	-	(666 289 368)	(429,525,141)	-	-	-	-	-	-	-	-	-	380 851 941
Biological assets	3 669 608	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 669 608
Investment in Dawn	-	-	1,435,582,243	(1,435,582,243)	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	1 628 583	19,917,539	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21 546 122
Right of use assets	217,412,986	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217 412 986
	<b>674,738,251</b>	<b>1 505 922 148</b>	<b>1 435 582 243</b>	<b>(1 435 582 243)</b>	<b>-</b>	<b>(666 289 368)</b>	<b>(48 482 077)</b>	<b>(6 458 357)</b>	<b>721 229 804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 180 660 401</b>
<b>Current assets</b>																	
Inventories	65 812 940	1 734 568	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67 547 508
Trade and other receivables	42 312 669	14 484 941	-	-	(5 790 707)	-	-	-	-	-	57,907	-	-	-	-	-	51 064 810
Other financial assets at amortised cost	60 223 139	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60 223 139
Current income tax assets	198 452 854	162 061	-	-	-	-	-	-	-	-	-	-	-	-	-	-	162 061
Cash and cash equivalents	366 801 602	874 178	-	-	(5 790,707)	-	-	-	-	-	-	-	-	-	57 907	-	199 327 032
	<b>1 041 539 853</b>	<b>1 523 177 896</b>	<b>1 435 582 243</b>	<b>(1 435 582 243)</b>	<b>(5 790 707)</b>	<b>(666 289 368)</b>	<b>(48 482 077)</b>	<b>(6 458 357)</b>	<b>721 229 804</b>	<b>-</b>	<b>57 907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 558 984 951</b>
<b>Equity and liabilities</b>																	
<b>Equity attributable to owners of the parent</b>																	
Share capital	74 208 888	16 927 366	6 161 297	(16 927 366)	-	-	-	-	-	-	-	-	-	-	-	-	80 370 185
Share premium	216 345 112	150 961 534	1 429 420 946	(150 961 534)	-	-	-	-	-	-	-	-	(13,083,237)	-	-	-	1 632 682 821
Foreign currency translation reserve	117 496 189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117 496 189
Revaluation reserves	177,609,680	67 865 595	-	(67 865 595)	-	-	-	-	473,646,273	-	-	-	-	-	-	-	651 255 953
Accumulated profits	75 011 641	1 199 827 748	(1 199 827 748)	-	-	(619 255 326)	(48,482,077)	(4 861 851)	8 710 135	43 592	-	-	-	-	-	-	(588 833 886)
	<b>660 671 510</b>	<b>1 435 582 243</b>	<b>1 435 582 243</b>	<b>(1 435 582 243)</b>	<b>-</b>	<b>(619 255 326)</b>	<b>(48 482 077)</b>	<b>(4 861 851)</b>	<b>473 646 273</b>	<b>8 710 135</b>	<b>43 592</b>	<b>(13 083 237)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 892 971 263</b>
<b>Liabilities</b>																	
<b>Non-current liabilities</b>																	
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred lease income	-	271 059	-	-	-	-	-	-	-	-	-	-	-	-	-	-	271,059.00
Borrowings	-	2 341 609	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,341,609.00
Deferred tax liabilities	148 406 392	77 085 121	-	-	-	(47 034 042)	-	(1 596 506)	247,583,531	-	14,315	-	-	-	-	-	424,458,810.33
Lease liabilities	35 089 965	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,089,965.00
	<b>183 496 357</b>	<b>79 697 789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(47 034 042)</b>	<b>-</b>	<b>(1 596 506)</b>	<b>247 583 531</b>	<b>-</b>	<b>14 315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>462 161 443</b>
<b>Current liabilities</b>																	
Trade and other payables	178 676 299	4 125 640	-	-	(5 790 707)	-	-	-	-	(11 570 318)	-	13 083 237	-	-	-	-	178 524 151
Income tax liabilities	8616825	-	-	-	-	-	-	-	-	2,860,183	-	-	-	-	-	-	11,477,008
Deferred lease income	-	32 688	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32 688
Provisions for other liabilities	9 633 538	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 633 538
Borrowings	-	3 739 536	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 739 536
Lease liabilities	445 324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445 324
	<b>197 371 986</b>	<b>7 897 864</b>	<b>-</b>	<b>(5 790 707)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 596 506)</b>	<b>247 583 531</b>	<b>(8 710 135)</b>	<b>14 315</b>	<b>13 083 237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203 852 244</b>
	<b>380 868 343</b>	<b>87 595 653</b>	<b>-</b>	<b>(5 790 707)</b>	<b>(47 034 042)</b>	<b>(48 482 077)</b>	<b>(666 289 368)</b>	<b>(6 458 357)</b>	<b>721 229 804</b>	<b>(8 710 135)</b>	<b>14 315</b>	<b>13 083 237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666 013 688</b>
<b>Total equity and liabilities</b>	<b>1 041 539 853</b>	<b>1 523 177 896</b>	<b>1 435 582 243</b>	<b>(1 435 582 243)</b>	<b>(5 790 707)</b>	<b>(666 289 368)</b>	<b>(48 482 077)</b>	<b>(6 458 357)</b>	<b>721 229 804</b>	<b>-</b>	<b>57 907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 558 984 951</b>

## ANNEXURE 1 – PROFORMA FINANCIAL INFORMATION OF AFRICAN SUN LIMITED (CONTINUED)

### Notes to adjustments

1. Represents the unaadjusted audited consolidated statement of financial position for African Sun Limited ("ASL") as at 31 December 2019. The results were extracted from the published audited financial statement for the year ended 31 December 2019.
2. Represents consolidation of Dawn Properties Limited ("DPL")'s statement of financial position by ASL as at 31 December 2019, after acquisition through share swap ("the Proposed Transaction").
3. Issue of shares and share premium in ASL to compensate DPL shareholders at a swap ratio of 1 share in ASL for every 3.988075946 shares currently held in DPL.
4. Represents the elimination of DPL investment and its net assets at acquisition.
5. Represents the elimination of intercompany balances between ASL and DPL.
6. Represents the reversal of 2019 fair value adjustment of investment property under DPL now reclassified to property and equipment under ASL.
7. Reclassification of Investment property under DPL at cost to owner occupied property under ASL.
8. Represents depreciation of buildings now classed as owner occupied property.
9. Represents revaluation of hotel properties accounted for as investment property, and measured at fair value in the financial statements of DPL and reclassified to owner occupied property in the financial statements of ASL, measured for at valuation less accumulated depreciation.
10. Impact of expected savings on equity, tax and working capital due to the merger of the two entities.
11. Reversal of impairment allowance on ASL debtors provided by DPL, with tax effects.
12. Represents estimated transaction costs for the Proposed Transaction.
13. Represents the pro forma adjusted statement of financial position after the Proposed Transaction.

### Other considerations

Most business combinations are governed by IFRS 3. However, those involving entities under common control are outside the scope of IFRS 3. There is no other specific guidance on this topic elsewhere in IFRS. Since ASL and DPL are under common control of Arden Capital ("Formerly Brainworks Capital Management") the business combination is not accounted for under IFRS 3. Management therefore needs to use judgement to develop an accounting policy that provides relevant and reliable information in accordance with proforma accounting for the acquired assets and liabilities at their existing carrying values.

# ANNEXURE 2 – REPORT OF THE INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS ON PROFORMA FINANCIAL INFORMATION POSITION

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## **The Directors**

African Sun Limited  
Bally House, Mt Pleasant Business Park,  
870 Endeavour Crescent off Norfolk Road  
P.O.Box CY1211, Causeway  
Harare

## **Independent reporting accountant's assurance report on the compilation of pro forma financial information included in a Circular**

To the Directors of African Sun Limited

## **Introduction**

We have completed our assurance engagement to report on the compilation of the pro forma financial information of African Sun Limited (the "Company") and its subsidiaries (together the "Group") by the directors. The pro forma financial information, as set out in Annexure 1 of the Circular to African Sun Limited shareholders ("the Circular"), consists of the pro forma consolidated statement of financial position as at 31 December 2019, the pro forma statement of comprehensive income for the year ended 31 December 2019 and related notes. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the Zimbabwe Stock Exchange ("ZSE") Listings Requirements and the basis of preparation described in Annexure 1 of the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Company's acquisition of 100% of the ordinary shares of Dawn Properties Limited through a share swap of 1 African Sun Limited share for every 3.988075946 Dawn Properties Limited shares (the "Proposed Transaction"). As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's consolidated historical financial information for the year ended 31 December 2019, on which an adverse audit report has been published.

## **Directors' responsibility**

The directors of the Company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the ZSE Listings Requirements and the basis of preparation described in Annexure 1 of the Circular.

## **Our independence and quality control**

We have complied with the independence and other ethical requirements of the International *Code of Ethics for Professional Accountants (including International Independence Standards)*, issued by the International Ethics Standards Board for Accountants (the "IESBA Code") and other independence requirements applicable to performing audits in Zimbabwe. The IESBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* 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.

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*PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant, P O Box 453, Harare, Zimbabwe*

*T: +263 (242) 338362-8, F: +263 (242) 338395, [www.pwc.com](http://www.pwc.com)*

T I Rwodzi – Senior Partner

The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

# ANNEXURE 2 – REPORT OF THE INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS ON PROFORMA FINANCIAL INFORMATION POSITION (CONTINUED)



## Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the ZSE Listings Requirements and the basis of preparation described in Annexure 1 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the ZSE Listings Requirements and the basis of preparation described in Annexure 1 of the Circular.

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

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

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

## Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the ZSE Listings Requirements and the basis of preparation described in Annexure 1 of the Circular.

## Emphasis of matter

As disclosed in the basis of preparation to the pro forma financial information, the pro forma financial information is based on the audited consolidated historical financial information of the Group for the year ended 31 December 2019. An adverse opinion was issued with respect to these consolidated historical financial information. Furthermore, the pro forma adjustments applied to the consolidated historical financial information to arrive at the pro forma financial information are derived from the consolidated historical financial information of Dawn Properties Limited, on which an adverse opinion has also been issued. Our opinion on the compilation of the pro forma financial information is not modified in this respect.

[Signed on original]

**Clive K Mukondiwa**

**Registered Public Auditor**

**Public Accountants and Auditors Board, Public Auditor Registration Number 0439**

**Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253168**

**Partner for and on behalf of**

**PricewaterhouseCoopers Chartered Accountants (Zimbabwe)**

# ANNEXURE 3 – REPORT OF THE INDEPENDENT FINANCIAL ADVISOR

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13 August 2020

## **The Board of Directors**

### **African Sun Limited**

Bally House  
Mount Pleasant Business Park  
Off Norfolk Road  
870 Endeavor Crescent  
HARARE

Dear Members of the Board,

## **“FAIR AND REASONABLE” OPINION ON THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF DAWN PROPERTIES LIMITED (“DAWN”) IN EXCHANGE FOR AN ISSUANCE OF AFRICAN SUN LIMITED (“AFRICAN SUN”) ORDINARY SHARES LISTED ON THE ZIMBABWE STOCK EXCHANGE (“ZSE”) FOR AN EXCHANGE OF 1 AFRICAN SUN ORDINARY SHARE FOR EVERY 3.988075946 DAWN ORDINARY SHARES HELD.**

### **1. Introduction**

African Sun Limited (“African Sun”) is seeking to acquire all the ordinary shares in Dawn Properties Limited (“Dawn”) from the current shareholders (“the proposed Transaction”). The proposed Transaction will be effected by way of African Sun making an offer to acquire the entire issued share capital of Dawn to be settled through the issue of African Sun ordinary shares using a swap ratio of 1 African Sun share for every **3.988075946** Dawn shares held with no cash alternative. It is the intention of African Sun to seek a termination of the listing of Dawn from the Zimbabwe Stock Exchange (“ZSE”) if it is successful in acquiring the requisite number of Dawn shares. African Sun will remain listed on the ZSE.

The terms and conditions of the Proposed Transaction are detailed in the Circular to Shareholders (“the Circular”), dated 14th September 2020, of which this opinion is a part. Words and phrases used in this letter shall have the same meaning as ascribed to them in the Circular.

### **2. Scope**

African Sun is listed on the Zimbabwe Stock Exchange (“ZSE”) and the proposed Transaction is required to be reviewed for fairness and reasonableness by an independent professional expert, in terms of Schedule 5 of the ZSE Listings Requirements, for the sole purpose of assisting the independent directors of African Sun in forming and expressing a view for the benefit of the Company’s minority Shareholders.

Corporate Excellence Financial Advisory Services (Private) Limited (“Corporate Excellence”) was appointed by the Board of African Sun as the independent professional expert to provide the Board with its opinion as to whether the terms of the proposed Transaction are fair and reasonable to the minority Shareholders of African Sun.

Our work and findings shall not in any way constitute recommendations regarding the completion of the proposed Transaction.

### **3. Responsibility**

The compliance with the ZSE Listings Requirements is the responsibility of the African Sun Board. Our responsibility is to report on the terms and conditions of the proposed Transaction.

### **4. Definition of the terms “fair” and “reasonable” for the purpose of our opinion**

A transaction will generally be considered fair to a company’s Shareholders if the benefits received by the Shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the Shareholders. The assessment of fairness is primarily based on quantitative issues. The proposed acquisition of all the issued ordinary shares in Dawn to be settled through the issue of new ordinary shares in African Sun would be considered fair if the price for the African Sun shares is equal to or greater than their fair value.

## ANNEXURE 3 – REPORT OF THE INDEPENDENT FINANCIAL ADVISOR (CONTINUED)

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The assessment of reasonableness is generally based on qualitative considerations surrounding the transaction. Hence, even though the quantifiable benefits received by African Sun Shareholders may be less than the value that they surrender, the entire proposed Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

### 5. Information utilised, and procedures performed 5.1 Key information utilised

In arriving at our opinion, we considered the following information which was provided by Inter-Horizon Advisory (Private) Limited ("IH"), the Financial Advisors to African Sun on the proposed Transaction:

- a) information on African Sun (and its subsidiaries) and Dawn (and its subsidiaries) including the history, nature of businesses, services, key customers, and competitor activity;
- b) the draft Circular to African Sun Shareholders and the draft Offer Circular to Dawn Shareholders;
- c) audited financial information for African Sun and Dawn for the financial years ended 31 December 2016 to 2019;
- d) projected financial information for African Sun for the financial year ending 31 December 2020, including supporting assumptions and schedules, as prepared by African Sun management;
- e) projected financial information for Dawn for the financial year ending 31 December 2020, including supporting assumptions and schedules, as prepared by Dawn management;
- f) the African Sun pro-forma consolidated statements of comprehensive income and financial position regarding the proposed Transaction;
- g) copies of the lease agreements between African Sun and Dawn for the hotel properties;
- h) the report on the valuation of African Sun and Dawn performed by IH;
- i) the share trading data (volumes and prices) for African Sun and Dawn;
- j) the reports on the desktop valuation of Dawn's immovable property portfolio which include hotel properties, cluster houses and vacant land;
- k) publicly available financial information on listed companies with operations similar to those of African Sun and Dawn; and
- l) other publicly available information relevant to the industry in which African Sun and Dawn operate.

### 5.1 Key quantitative considerations

We performed the following procedures to arrive at our opinion on the fairness of the Proposed Transaction:

- Analysed the financial projections of African Sun and Dawn and the basis of the assumptions therein including the prospects of the businesses. This analysis included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management.

The material assumptions we considered for African Sun related to:

- hotel occupancy;
- export and local occupancy ratios;
- food and beverage sales, gaming, and conferencing; and
- impact of the Covid 19 pandemic on the hospitality industry

The material assumptions we considered for Dawn related to:

- hotel rental revenue considering the performance of African Sun given that it is the sole tenant occupying the hotel properties;
- the onerous lease agreements for the hotel properties entered with African Sun with 50-year tenure and only 19 years having been utilised so far;
- time share revenue;
- property consultancy; and
- property development
- Considered the risks and expected returns associated with the African Sun business which ultimately affect the Dawn business through its ability to pay rentals;
- Considered the current macro-economic environment in which African Sun and Dawn operate which is characterised by macro-economic instability and the Covid 19 pandemic;



## ANNEXURE 3 – REPORT OF THE INDEPENDENT FINANCIAL ADVISOR (CONTINUED)

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- Based on the above we performed;
  - a valuation of the business of African Sun to determine the value of the entire equity interests; and
  - a valuation of the business of Dawn to determine the value of the entire equity interests.
  - In valuing the business of African Sun, the relative valuation methodology using the EV/EBITDA and the Price to Earnings (“PE”) multiples was the primary valuation methodology employed and was supplemented with the Discounted Cash Flow (“DCF”) valuation method to test the results of the primary methodology. Key value drivers are:
    - multiples at which listed comparable companies are trading;
    - the level of historical and forecast earnings;
    - projected cash flows; and
    - discounts and premiums used which are a function of the perceived risk associated with operating in the Zimbabwean market.
  - In valuing the business of Dawn, the net asset valuation and the net operating income capitalisation methodologies were the primary valuation methods employed and were supplemented with the Discounted Cash Flow (“DCF”) valuation method to test the results of the primary methodologies. Key value drivers are:
    - the value of the property portfolio; and
    - the level of historical and forecast rental income
- Studied share price and volume statistics from 1 January 2019 up to the 2nd of June 2020 being the last trading day before publication of the cautionary announcements by African Sun and Dawn relating to the acquisition of 100% of the issued share capital of Dawn in exchange for African Sun shares. We subsequently reviewed the same information after the publication of the cautionary announcements;
- Reviewed the assumptions and calculations used in the valuation report on African Sun and Dawn prepared by IH dated July 2020; and
- Reviewed the draft Circular to African Sun Shareholders and the draft Offer Circular to Dawn Shareholders, and where relevant, held discussions to confirm the factual accuracy of all the information, figures and financial calculations included therein.

### 5.2 Key qualitative considerations

We performed the following procedures to arrive at our opinion on the reasonableness of the proposed Transaction:

- Considered the rationale for the proposed Transaction, which in terms of the draft Circular to African Sun Shareholders, include:
  - the creation of a robust balance sheet that will attract both developmental capital and working capital for the combined business;
  - shared costs and improved efficiencies, including compliance costs of double listing of the same business;
  - opportunity for Dawn shareholders to hold shares in an enlarged and financially robust entity operating both in the property and hospitality sectors in Zimbabwe;
- Considered that in terms of the circular the African Sun Board believes that the proposed Transaction will present a number of benefits to African Sun Shareholders which include:
  - control over hotel assets;
  - improved bottom line;
  - increased leverage for lending;
  - cost savings; and
  - potential additional income streams;
- Considered the lease agreements entered between African Sun and Dawn for the hotel properties with a 50-year tenure and only 19 years having been utilised. The terms and conditions of the lease arrangements are such that it would be onerous for either party to exit; and
- Considered African Sun’s need to gain full control of the freehold of the hotel assets it currently leases from Dawn thereby eliminating rental expenses resulting in improvement in liquidity and better management of working capital.



## ANNEXURE 3 – REPORT OF THE INDEPENDENT FINANCIAL ADVISOR (CONTINUED)

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### 6. **Opinion**

On the basis of the above considerations, along with the information made available to us by the African Sun Directors, for which they are solely responsible, and after due consideration of the details of the Proposed Transaction, we believe that the terms of the proposed Transaction, as described in the Circular, are fair and reasonable to the minority Shareholders of African Sun.

Our opinion is necessarily based upon the information available to us up to 7 August 2020, including in respect of the financial, regulatory, and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that the Proposed Transaction would be undertaken within the parameters proposed by the Directors and that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Proposed Transaction have been or will be timeously fulfilled and/or obtained.

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

We have not undertaken to update this report for events and circumstances occurring after the date of its issuance.

### 7. **Limiting conditions**

This opinion is provided to the African Sun Board in connection with and for the purposes of the Proposed Transaction. This opinion is prepared solely for the African Sun Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of African Sun Shareholders. Should an African Sun Shareholder be in doubt as to what action to take, he or she should consult an independent advisor.

An individual African Sun's Shareholder's decision as to whether to vote in favour of any transaction may be influenced by his circumstances. The assessment as to whether the African Sun Board decides to recommend the transaction is a decision that can only be taken by the African Sun Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with African Sun's Financial Advisors, 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, nor does it include, an audit or due diligence review of African Sun and Dawn.

Where relevant, the forecasts of African Sun and Dawn relate to future events and are 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 African Sun and Dawn will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the Financial Advisors for African Sun. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the Proposed Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of African Sun and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Proposed Transaction will be legally enforceable.

## **ANNEXURE 3 – REPORT OF THE INDEPENDENT FINANCIAL ADVISOR (CONTINUED)**

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### **8. Independence**

In terms of schedule 5.1 (a) of the ZSE Listings Requirements, we confirm that we have no material direct or indirect interest in the shares of both African Sun and Dawn or the Proposed Transaction, save for our professional fees for services rendered in connection with this fair and reasonable statement.

In terms of schedule 5.1 (b) of the ZSE Listings Requirements, we confirm that we have no existing or continuing relationship with African Sun, Dawn and/or any other parties involved in the Proposed Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Proposed Transaction.

### **9. Consent**

We consent to inclusion of this letter in the Circular to the Shareholders of African Sun in the form and manner it appears.

**Yours faithfully**

[Signed on original]

**Corporate Excellence Financial Advisory Services (Private) Limited**

## ANNEXURE 4 – NOTICE OF EXTRAORDINARY GENERAL MEETING

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*(Incorporated in Zimbabwe on 2 July 1971 under Company Registration Number 643/71)*

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### **NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“EGM”) of the Shareholders of African Sun Limited is to be held virtually on Tuesday the 13<sup>th</sup> of October 2020, at 1000 hours, for the purpose of transacting the following business: -

**TO CONSIDER** and, if deemed fit, to pass, with or without modification, the following Resolutions:

#### **SPECIAL RESOLUTION 1- TO INCREASE THE AUTHORISED UNISSUED SHARE CAPITAL**

**THAT**, the number of authorised but unissued ordinary share capital be increased by **200,000,000** shares to 1,700,000,000 authorised shares, and that they be placed under the control of the Directors for a period of twelve months or until the next AGM, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange Listing Requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.

#### **ORDINARY RESOLUTION 1 – ACQUISITION OF DAWN PROPERTIES LTD**

**THAT** the Company, through the Directors, be and is hereby authorised to acquire all the issued shares and the outstanding shares in the capital of Dawn Properties, through an issue and allotment of new shares in the capital of ASL, to the existing shareholders of Dawn of up to 616, 129, 718 ordinary shares in the Company, at a share swap consideration ratio of 1 African Sun ordinary shares for every 3.988075946 Dawn Properties ordinary shares held.

#### **ORDINARY RESOLUTION 2 - WAIVER OF RIGHTS OF PRE-EMPTION**

In order to give effect to resolutions 1 and 2 above, the Shareholders hereby waive their rights of pre-emption.

#### **ORDINARY RESOLUTION 3 – TO PLACE UNISSUED SHARES UNDER THE CONTROL OF DIRECTORS**

“**That**, the balance of the authorised but unissued share capital of 73,895,075 shares representing 5% of the issued ordinary shares of the Company, be placed under the control of the Directors for a period of twelve months or until the next AGM, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange Listing Requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.”

#### **ORDINARY RESOLUTION 4 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS**

“**THAT** the directors be and are hereby authorised to do any and all such things as may be necessary to give effect to the above resolutions.”

#### **BY ORDER OF THE BOARD**

[Signed on original]

**Venon Musimbe**  
**Company Secretary**

22 September 2020

# ANNEXURE 5 – FORM OF PROXY

I / We (please print full names) .....

Of.....

Being member/members of the above Company, hereby appoint:

Mr. / Mrs. / Ms. / Dr .....

Or failing him or her/the Chairman of the EGM .....

Of.....

As my/our proxy to vote for me/us on my/our behalf at the EGM of the Company to be held on Tuesday the 13<sup>th</sup> of October 2020, at 1000 hours and at any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions:

RESOLUTIONS	FOR	AGAINST	ABSTAIN
<p><b>SPECIAL RESOLUTION 1- TO INCREASE THE AUTHORISED UNISSUED SHARE CAPITAL</b>  <b>THAT</b>, the number of authorised but unissued ordinary share capital be increased by <b>200,000,000</b> shares to 1,700,000,000 authorised shares, and that they be placed under the control of the Directors for a period of twelve months or until the next AGM, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange Listing Requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.</p>			
<p><b>ORDINARY RESOLUTION 1 – ACQUISITION OF DAWN PROPERTIES LTD</b>  <b>THAT</b> the Company, through the Directors, be and is hereby authorised to acquire all the issued shares and the outstanding shares in the capital of Dawn Properties, through an issue and allotment of new shares in the capital of ASL, to the existing shareholders of Dawn of up to 616,129,718 ordinary shares in the Company ,at a share swap consideration ratio of 1 African Sun ordinary shares for every 3.988075946 Dawn Properties ordinary shares held.</p>			
<p><b>ORDINARY RESOLUTION 2 - WAIVER OF RIGHTS OF PRE-EMPTION</b>                      In order to give effect to resolutions 1 and 2 above, the Shareholders hereby waive their rights of pre-emption.</p>			
<p><b>ORDINARY RESOLUTION 3 – TO PLACE UNISSUED SHARES UNDER THE CONTROL OF DIRECTORS</b>  <b>That</b>, the balance of the authorised but unissued of 73,895,075 shares representing 5% of the issued ordinary shares of the Company, be placed under the control of the Directors for a period of twelve months or until the next AGM, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange Listing Requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.</p>			
<p><b>ORDINARY RESOLUTION 4 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS</b>  <b>“THAT</b> the directors be and are hereby authorised to do any and all such things as may be necessary to give effect to the above resolutions.”</p>			

*(Indicate instruction to proxy by way of a cross in the relevant space provided above)*

Signed this ..... day of .....2020

Signature(s) of member .....

## ANNEXURE 5 – FORM OF PROXY (CONTINUED)

### NOTE

1. In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members are entitled to appoint one or more proxies to act in the alternative and to attend and vote and speak in their place. A proxy need not also be a member of the Company.
2. Regulation 74 of the Company's Articles of Association provides that the instrument appointing a proxy shall be deposited at the office of the Company not less than 48 hours before the time appointed for holding the meeting.
3. Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Form of Proxy in a representative capacity; this authority must take the form of a resolution of the corporate body.
4. According to the Companies and Other Business Entities Act (Chapter 24:31), a threshold of 75% ordinary shares is required to pass a special resolution.
5. In terms of the section 139 of the Companies and Other Business Entities Act as read with Zimbabwe Stock Exchange Listings Rules, Ordinary Resolution 2 will be subject to an 85% (eighty five per centum) majority of votes cast in favour of the resolution by Shareholders present or represented by proxy.

### FOR OFFICIAL USE

NUMBER OF SHARES HELD:

### INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the EGM", but any such deletion must be initialed by the Shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as a proxy to the exclusion of those whose names follow.
2. A Shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorize the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of all the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy or cast them in the same way.
3. Deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the signatory or signatories
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
  - i. under a power of attorney
  - ii. on behalf of a companyunless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than 48 hours before the meeting.
5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's Transfer Secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the EGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are the same as those on the share register.

