

## **City Lodge Hotels Limited**

(Incorporated in the Republic of South Africa)

(Registration Number: 1986/002864/06)

(JSE share code: CLH ISIN: ZAE000117792)

(“**City Lodge**” or the “**Company**”)

### **ANNOUNCEMENT RELATING TO THE PROPOSED DISPOSAL OF EAST AFRICAN HOTEL OPERATIONS AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

#### **1. INTRODUCTION**

Shareholders of City Lodge (“**Shareholders**”) are referred to the cautionary announcement and renewal of cautionary announcements released on SENS, the most recent announcement having been released on 19 July 2021 relating to the proposed disposal by City Lodge of its East African operations, comprising of its hotels situated in Kenya and Tanzania.

To this end, Shareholders are advised that the Company has entered into two sale of shares transactions as follows:

1.1 The first sale of shares transaction regulated in terms of a sale of shares agreement (the “**Kenya Sale Agreement**”) relates to the disposal of shares beneficially owned by the Company in Kenya (the “**Kenya Disposal**”) to Ukarimu Limited (“**Ukarimu**”), which is beneficially owned by Actis Africa Real Estate 3 LP (“**Actis**”), a leading global investor in sustainable real estate and infrastructure.

In terms of the Kenya Disposal, the Company and Property Lodging Investments Proprietary Limited (a wholly owned subsidiary of the Company) will dispose of their entire shareholding in Fairview Hotel Limited (“**Fairview**”), constituting 100% (one hundred percent) of the entire issued share capital of Fairview to Ukarimu, in accordance with the terms and conditions contained in the Kenya Sale Agreement.

1.2 The second sale of shares transaction regulated in terms of a sale of shares agreement (the “**Tanzania Sale Agreement**”) relates to the disposal of shares beneficially owned by the Company in Tanzania (the “**Tanzania Disposal**”) to Faraja Limited (“**Faraja**”), which is also beneficially owned by Actis.

In terms of the Tanzania Disposal, City Lodge Hotels (Africa) Proprietary Limited (“**CLHA**”) (a wholly owned subsidiary of the Company) and the Company will dispose

of their entire shareholding in CLHG Tanzania Limited (“CLT”), constituting 100% (one hundred percent) of the entire issued share capital of CLT to Faraja, in accordance with the terms and conditions contained in the Tanzania Sale Agreement.

## 2. DESCRIPTION OF THE KENYA ASSETS

Fairview owns hotel properties and land on leasehold bases in Nairobi, Kenya, known as the:

- 2.1 Fairview Hotel (comprising 127 (one hundred and twenty-seven) rooms);
- 2.2 City Lodge Hotel at Two Rivers (comprising 171 (one hundred and seventy-one) rooms);  
and
- 2.3 Town Lodge Upper Hill (comprising 84 (eighty-four) rooms);

(collectively, the “Kenya Assets”).

## 3. DESCRIPTION OF THE TANZANIA ASSETS

CLT owns a hotel property and land on a leasehold basis in Dar es Salaam, Tanzania comprising 148 (one hundred and forty-eight) rooms, known as City Lodge Hotel Dar es Salaam (the “Tanzania Assets”).

## 4. RATIONALE FOR THE KENYA DISPOSAL AND THE TANZANIA DISPOSAL

The Board of Directors of City Lodge has previously communicated its desire to dispose of the Company’s entire East African hotel portfolio together in order to reduce debt levels within the City Lodge group, increase group liquidity and eliminate ongoing operating losses and further funding requirements.

## 5. KENYA DISPOSAL CONSIDERATION

The shares in respect of the Kenya Disposal will be disposed of for an aggregate consideration of ZAR140 968 036 (one hundred and forty million nine hundred sixty eight thousand thirty six Rand), which will be settled in cash by Ukarimu.

## 6. TANZANIA DISPOSAL CONSIDERATION

The shares in respect of the Tanzania Disposal will be disposed of for an aggregate consideration of ZAR1 000 000 (one million Rand), which will be settled in cash by Faraja.

7. **REPAYMENT OF SHAREHOLDER LOAN CLAIMS**

Immediately after the shares in CLT are acquired, CLT will repay its shareholder loan claims and pay CLHA R318 223 964 (three hundred and eighteen million two hundred twenty three thousand nine hundred sixty four Rand) in respect of these shareholder loan claims in CLT.

8. **CONDITIONS PRECEDENT OF THE KENYA DISPOSAL**

The Kenya Disposal is subject to the fulfilment (or where appropriate, waiver) of customary conditions including the following material conditions precedent by no later than the first business day falling after the expiry of 14 (fourteen) weeks from the date of signature of the Kenya Sale Agreement, or such later date as may be agreed to in writing:

- 8.1 notification to and receipt of such approvals or consents from the relevant competition or anti-trust authorities to the extent legally required;
- 8.2 receipt of approvals or consents from the bankers of Fairview and the release of any corporate guarantees given by Fairview;
- 8.3 the agreed works for reparation of specified latent defects are completed; and
- 8.4 no casualty or condemnation event having occurred. For purposes of this condition precedent, "Casualty or Condemnation Event" means any changes affecting the Kenya Assets, including compulsory acquisitions, closures and damages to the Kenya Assets.

9. **CONDITIONS PRECEDENT OF THE TANZANIA DISPOSAL**

The Tanzania Disposal is subject to the fulfilment (or where appropriate, waiver) of customary conditions including the following material conditions precedent by no later than the first business day falling after the expiry of 22 (twenty two) weeks from the date of signature of the Tanzania Sale Agreement, or such later date as may be agreed to in writing:

- 9.1 notification to and receipt of such approvals or consents from the relevant competition or anti-trust authorities to the extent legally required;
- 9.2 receipt of approvals or consents from the bankers of Fairview and the release of any corporate guarantees given by CLT;
- 9.3 the agreed works for reparation of specified latent defects are completed; and
- 9.4 no casualty or condemnation event having occurred. For purposes of this condition

precedent, “Casualty or Condemnation Event” means any changes affecting the Tanzania Assets, including compulsory acquisitions, closures and damages to the Tanzania Assets.

**10. APPLICATION OF THE PROCEEDS**

All the proceeds received will be applied towards the settlement of City Lodge's interest-bearing borrowings and contribute to the working capital requirements. The proceeds will be subject to customary working capital adjustments.

**11. EFFECTIVE DATE OF THE KENYA DISPOSAL AND THE TANZANIA DISPOSAL**

The effective date of completion of the Kenya Disposal and the Tanzania Disposal (the “**Effective Date**”) will be on satisfaction or waiver of the conditions precedent listed in paragraphs 8 and 9 above. It is anticipated that the Effective Date will take place within 14 (fourteen) weeks of the date of signature of the Kenya Sale Agreement and the Tanzania Sale Agreement.

**12. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE KENYA DISPOSAL AND THE TANZANIA DISPOSAL**

Each of the Kenya Sale Agreement and the Tanzania Sale Agreement provide for warranties, undertakings, indemnities and events of default that are normal for transactions of this nature.

**13. FINANCIAL INFORMATION OF THE KENYA ASSETS AND THE TANZANIA ASSETS**

City Lodge's investments in Fairview (the Kenya Assets) and CLT (the Tanzania Assets) are classified as subsidiaries and consolidated into the group's results. The net asset value of the Kenya Assets and the Tanzania Assets excluding intercompany loans was ZAR473 850 000.00 (four hundred and seventy three million eight hundred fifty thousand Rand) as at 31 December 2020. The losses attributable to the Kenya Assets and the Tanzania Assets (including impairments of ZAR283 400 000.00 (two hundred and eighty three million four hundred thousand Rand)) was ZAR371 100 000.00 (three hundred and seventy one million one hundred thousand Rand) for the six months ended 31 December 2020. The financial information of the Kenya Assets and the Tanzania Assets has been extracted from City Lodge's unaudited interim report for the six months ended 31 December 2020, which was prepared in accordance with International Financial Reporting Standards.

**14. CLASSIFICATION OF THE KENYA DISPOSAL AND THE TANZANIA DISPOSAL**

The Kenya Disposal and the Tanzania Disposal meet the definition of a category 2 transaction as contemplated in the JSE Listings Requirements and no shareholder approval is required. The Kenya Disposal and the Tanzania Disposal have been aggregated as required in terms of the

JSE Listings Requirements.

15. **WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

Following release of this announcement, Shareholders are advised that the cautionary announcement has been withdrawn and caution is no longer required to be exercised by Shareholders when dealing in City Lodge's securities.

Bryanston  
23 July 2021

**Sponsor to City Lodge**

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

**Legal Adviser to City Lodge**

ENSafrica Kenya