THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 of this Circular apply throughout this Circular including this cover page.

Action required

This Circular is important and should be read with particular attention to the “Action Required by Shareholders” section of this Circular, which sets out the action required by Shareholders with regard to this Circular. If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all your City Lodge Shares, then this Circular should be forwarded to the purchaser to whom, or Broker, CSDP or other agent through whom you disposed of your City Lodge Shares.

City Lodge does not accept any responsibility and will not be held liable for any failure on the part of the Broker or CSDP of any holder of Dematerialised Shares to notify such Shareholder of this Circular and/or the General Meeting.

CITY LODGE HOTEL GROUP

City Lodge Hotels Limited
(Registration number 1986/002864/06)
(Incorporated in the Republic of South Africa)
Share Code: CLH ISIN Code: ZAE000117792
(“City Lodge” or the “Company” or the “Group”)

CIRCULAR TO CITY LODGE ORDINARY SHAREHOLDERS

regarding:

• the approval of the proposed conversion of all of the City Lodge Shares from par value City Lodge Shares of 10 cents each to no par value City Lodge Shares;
• the approval of the proposed increase in the Company’s authorised but unissued share capital by a further 9 950 000 000 City Lodge Shares for the purposes of the Rights Offer as well as consequential changes to the Company’s Memorandum of Incorporation to reflect the proposed changes in the share capital of the Company;
• the approval of the ability to issue new City Lodge Shares as are required for and pursuant to the implementation of the proposed Rights Offer to Shareholders which new Ordinary Shares may have voting power equal to or in excess of 30% of the existing voting power of the entire issued Ordinary Share capital of the Company immediately prior to such issue;
• placing the authorised but unissued share capital of the Company under the control of the Directors solely for the purposes of implementing the Rights Offer;
• the waiver of any obligation to make a Mandatory Offer to City Lodge Shareholders arising from, or in any way connected to, the Rights Offer; and
• authorising the Company to provide financial assistance in terms of section 44 of the Companies Act in relation to the Collateral Deposit required to secure settlement of the BEE Funding of City Lodge’s B-BBEE Transaction, which BEE Funding is guaranteed by City Lodge;

and incorporating

• a notice of general meeting; and
• a form of proxy to be used by Certificated Shareholders and “Own-name” Dematerialised Shareholders only; and
• notice of electronic participation.
Date of issue: Monday, 22 June 2020

This Circular is available in English only. Copies may be obtained from the Company Secretary at mvanheerden@clhg.co.za and, given lock-down regulations, will be sent electronically upon request during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of this Circular up to and including Tuesday, 21 July 2020.

The Circular will also be available in electronic form on the Company’s website www.clhg.com from Monday, 22 June 2020.

Financial Advisor, Bookrunner and Transaction Sponsor to City Lodge

Standard Bank

Financial Advisor, Bookrunner and Transaction Sponsor to City Lodge

Legal Advisor to Standard Bank

ENSafrica.com

International Legal Advisor to City Lodge

Shearman

Transfer Secretaries

Computershare

South African Legal Advisor to City Lodge

Independent Corporate Advisor to the Independent Board of City Lodge

questco

Independent Corporate Advisor to the Independent Board of City Lodge

ALLEN & OVERY

Legal Advisor to Standard Bank

questco
CERTAIN FORWARD-LOOKING STATEMENTS

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

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

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

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

City Lodge Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors may emerge from time to time that could cause the business of City Lodge or other matters to which such forward-looking statements relate, not to develop as expected and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. City Lodge has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.
CORPORATE INFORMATION AND ADVISORS

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

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

Financial Advisor, Bookrunner and Transaction Sponsor
The Standard Bank of South Africa Limited
(Registration Number 1962/000738/06)
30 Baker Street
Rosebank
Johannesburg, 2196
(PO Box 61344, Marshalltown, 2107)

Legal Advisor to Standard Bank
Allen & Overy (South Africa) LLP
6th Floor, 90 Grayston
90 Grayston Drive
Sandton
Johannesburg, 2196
(Postnet Suite 1018, Private Bag X9, Benmore, 2010)

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

International Legal Advisor to City Lodge
Shearman & Sterling (London) LLP
9 Appold Street
London EC2A 2AP
United Kingdom

Independent Corporate Advisor to the Independent Board of City Lodge
Questco Proprietary Limited
(Registration number 2002/005616/07)
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston, 2191

Company Sponsor
Nedbank Corporate and Investment Banking
A division of Nedbank Limited
(Registration number 1951/000009/06)
3rd Floor, Corporate Place
135 Rivonia Road
Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

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

Date of incorporation of City Lodge
16 July 1986

Place of incorporation of City Lodge
South Africa
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ACTION REQUIRED BY SHAREHOLDERS

This Circular is important and requires your immediate attention.
Please take careful note of the following provisions regarding the action required by City Lodge Shareholders.
If you are in any doubt as to what actions to take, please consult your Broker, CSDP, banker, attorney, accountant or other professional advisor immediately.

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

The General Meeting, (notice of which is attached to and forms part of this Circular), will be held at 10:00 on Tuesday, 21 July 2020 for the purposes of considering and, if deemed fit, passing, the resolutions.

In the backdrop of the COVID-19 pandemic and subsequent impact in South Africa, as well as the general uncertainty occasioned by this and the related restrictions imposed by the South African Government on public gatherings and the implementation of distancing measures, thereby limiting the ability of Shareholders to participate in the General Meeting, the General Meeting will be convened with these measures in key focus.

Shareholders or their duly appointed proxy(ies) who wish to participate in the General Meeting via electronic communication (‘Participants’) must either:

1. register online using the online registration portal at www.smartagm.co.za by no later than 10:00 on Friday, 17 July 2020; or
2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Friday, 17 July 2020. The electronic participation form can be found as an insert in this Notice of General Meeting. Computershare will first validate such requests and confirm the identity of the Shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

The Company will inform Participants who notified Computershare of their intended participation in accordance with the Notice of General Meeting, by no later than 10:00 on Monday, 20 July 2020 by email of the relevant details through which Participants can participate electronically.

TAKEOVER REGULATION PANEL APPROVALS

City Lodge Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of affected transactions when it approves such transactions.
# SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 6 of this Circular apply, *mutatis mutandis*, to the following salient dates and times:

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<th>Date</th>
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<tr>
<td>Record Date to be eligible to receive the Circular</td>
<td>Friday, 12 June</td>
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<tr>
<td>Date of issue of Circular</td>
<td>Monday, 22 June</td>
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<tr>
<td>Last Day to Trade to participate in and vote at the General Meeting</td>
<td>Tuesday, 7 July</td>
</tr>
<tr>
<td>Voting Record Date to participate in and vote at the General Meeting</td>
<td>Friday, 10 July</td>
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<tr>
<td>Written notice to participate electronically in the General Meeting</td>
<td>Friday, 17 July</td>
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<td>Proxy Forms to be lodged with the Transfer Secretaries</td>
<td>Friday, 17 July</td>
</tr>
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<td>Tuesday, 21 July</td>
</tr>
<tr>
<td>Results of General Meeting released on SENS</td>
<td>Tuesday, 21 July</td>
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<td>Results of General Meeting published in the South African press</td>
<td>Wednesday, 22 July</td>
</tr>
<tr>
<td>Exemption application to the TRP to obtain the Rights Offer Waiver</td>
<td>Wednesday, 22 July</td>
</tr>
<tr>
<td>Last day to request the Takeover Special Committee to review the TRP Waiver Exemptions as provided in Annexure 2 of this Circular</td>
<td>Wednesday, 29 July</td>
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**Notes:**

1. The above dates and times are subject to amendment. Any such material amendment will be released on SENS and published in the South African press.
2. All times quoted in the Circular are local times in South Africa on a 24-hour basis, unless specified otherwise.
3. No orders to dematerialise or rematerialise Shares will be processed from the Business Day following the Last Day to Trade up to and including the Voting Record Date, but such orders will again be processed from the first Business Day after the Voting Record Date.
4. The certificated register will be closed between the Last Day to Trade and the Voting Record Date.
5. If the General Meeting is adjourned or postponed, forms of proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting unless the contrary is stated on such form of proxy.
6. City Lodge will release a SENS announcement of the TRP Waiver Exemptions and inform Shareholders that they may request the Takeover Special Committee to review the TRP Waiver Exemptions within five Business Days of the date of the TRP Waiver Announcement.
DEFINITIONS AND INTERPRETATIONS

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

“A preference shares” the 7-year cumulative redeemable amortising A preference shares issued at a price of R100,000, being the subscription price payable, consisting of a par value of R0.01 and a premium of R99,999.99, which have a coupon rate of 74% of prime, compounded monthly in arrears, issued to the Funder as part of the B-BBEE Transaction;

“B preference shares” the 5-year cumulative redeemable zero/roll-up B preference shares issued at a price of R100,000, being the subscription price payable, consisting of a par value of R0.01 and a premium of R99,999.99, which have a coupon rate of 75% of prime, compounded monthly in arrears, issued to the Funder as part of the B-BBEE Transaction;

“BEE Funding” the A preference shares, the B preference shares, and the loans advanced by Standard Bank to the BEE SPVs for the acquisition of the BEE Shares, further details of which are set out in Section 4 of this Circular which funding is guaranteed by City Lodge;

“BEE SPVs” collectively, the Education SPV, Staff SPV and Vuwa SPV, which acquired the BEE Shares in terms of the B-BBEE Transaction;

“BEE Shares” the 6,390,365 City Lodge Shares (representing 14.7% of the current issued share capital of the Company) held by the BEE SPVs, and the City Lodge Shares to be subscribed for by the BEE SPVs as part of the Rights Offer as set out in paragraph 4 of this Circular;

“B-BBEE Participants” collectively, the Injtabulo Trust, UJ Educational Trust and Vuwa, which hold the BEE Shares through each of their respective BEE SPVs;

“B-BBEE Transaction” or “2008 B-BBEE Transaction” the acquisition by the BEE SPVs of the BEE Shares pursuant to the scheme of arrangement approved and implemented in 2008;

“Board” or “City Lodge Board” the board of directors of City Lodge as at the Last Practicable Date and whose names are listed on page 10 of this Circular;

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

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

“Certificated Shareholders” City Lodge Shareholders who hold Certificated Shares;

“Certificated Shares” City Lodge Shares which are not dematerialised in terms of the requirements of Strate, title to which is represented by a share certificate or other Documents of Title;

“CIPC” the Companies and Intellectual Property Commission, established in terms of the Companies Act;

“Circular” this document, dated Monday, 22 June 2020, including the annexures, Notice of General Meeting and form of proxy contained herein;

“City Lodge Director” or “Director” a director of City Lodge appointed to the Board;

“City Lodge Group” or “Group” City Lodge and its subsidiaries;
“City Lodge Shares” or “Ordinary Share” or “Shares” ordinary shares of 10 cents each in the share capital of City Lodge as at the Last Practicable Date; a holder of a City Lodge Ordinary Share; the Collateral Deposit and Security Cession arrangement entered into between City Lodge and Standard Bank, in terms of which the Deposit Amount will be placed by City Lodge on deposit with Standard Bank and all rights thereto ceded in securitatem debiti in favour of Standard Bank as provider of the BEE Funding, which BEE Funding is guaranteed by City Lodge; the Companies Act No. 7 of 2008, as amended or superseded from time to time; Central Securities Depository Participant, a participant as defined in section 1 of the Financial Markets Act; any South African court with competent jurisdiction; City Lodge Shareholders who hold Dematerialised Shares; Shares which have been dematerialised and ownership of which is recorded electronically in a sub-register of City Lodge Shareholders administered by a CSDP, which sub-register forms part of the Company’s Register; the aggregate amount of the BEE Funding calculated to and as at 31 January 2021, which amount is estimated, applying current coupon and interest rates, to be approximately ZAR774 million; share certificates or any other documents of title to Certificated Shares acceptable to the Company; Newshelf 935 (Proprietary) Limited (Registration number 2007/030584/07), a company incorporated in South Africa and wholly-owned by the UJ Educational Trust; the Financial Markets Act, No. 19 of 2012, as amended or superseded from time to time; the meeting of City Lodge Shareholders to be held at 10:00 on Tuesday, 21 July 2020, or any adjournment or postponement thereof, to consider and, if deemed appropriate, approve the resolutions set out in the Notice of General Meeting; The Injabulo Staff Share Scheme (IT 1704/2008), a trust established to incentivise employees to promote the continued growth of the Group by giving them an opportunity to acquire shares therein, thereby aligning their interests with those of shareholders and simultaneously encouraging employee retention and motivation. Eligible employees are those who do not qualify to participate in the Company’s existing executive share incentive schemes and who have been in the Company’s employ for more than 1 year at the time of any distribution; the JSE Limited (Registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act; the last Business Day to trade City Lodge Shares in order to settle same and reflect in the Company’s Register so as to be eligible to vote on the resolutions set out in the Notice of General Meeting;
“Last Practicable Date” Monday, 15 June 2020, being the last practicable date prior to the finalisation of this Circular;

“Letter of Representation” a letter of representation issued by a CSDP or Broker to a City Lodge Shareholder for the purposes of authorising attendance by the City Lodge Shareholder at the General Meeting;

“Listings Requirements” the Listings Requirements of the JSE for the time being;

“Mandatory Offer” “mandatory offer” as contemplated in section 123 of the Companies Act;

“Memorandum of Incorporation” or “MOI” the memorandum of incorporation of City Lodge in force as at the Last Practicable Date;

“Notice of General Meeting” the notice of general meeting forming part of the Circular;

“Own-name Dematerialised Shareholders” Dematerialised Shareholders who have instructed their CSDP to hold their Dematerialised Shares in their own name on the sub-registers maintained by the CSDP;

“Posting Record Date” the date determined by the Board in accordance with section 59 of the Companies Act for City Lodge Shareholders to be eligible to receive the Circular;

“Record Date for the Rights Offer” the last day for Shareholders to be recorded in the Register in order to be entitled to participate in the Rights Offer;

“Register” the register of Certificated Shareholders of the Company maintained by the Company and each of the sub-registers of Dematerialised Shareholders maintained by the relevant CSDPs in terms of the Financial Markets Act;

“Regulations” the Companies Regulations, 2011, published pursuant to section 223 of the Companies Act as amended or superseded from time to time;

“Rights Offer” the proposed underwritten, renounceable rights offer of ZAR1.2 billion in terms of which the Company will grant an entitlement to its Shareholders to subscribe for the Rights Offer Shares on the Record Date for the Rights;

“Rights Offer Waiver” a waiver of mandatory offer related to the Rights Offer;

“SARB” the South African Reserve Bank which includes both the Financial Surveillance Department and the Banking Supervisory Department;

“SENS” the Stock Exchange News Service of the JSE;

“South African Press” the print publication “Business Day”;

“Staff SPV” Newshelf 892 Proprietary Limited (Registration number 2007/016279/07), a company incorporated in South Africa and wholly-owned by the Injabulo Staff Trust;

“Standard Bank” or “the Funder” The Standard Bank of South Africa Limited (Registration number 1962/000738/06) acting through its Corporate and Investment Banking division;

“Strate” Strate Proprietary Limited (Registration number 1998/022242/07), a company incorporated in accordance with the laws of the Republic of South Africa, and a registered central securities depository responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;

“Strate system” an electronic custody, clearing and settlement environment, managed by Strate, for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
“Transfer Secretaries” Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated in accordance with the laws of the Republic of South Africa and who are the transfer secretaries of City Lodge;

“TRP” the Takeover Regulation Panel established in accordance with section 196 of the Companies Act;

“TRP Waiver Announcement” the SENS announcement by City Lodge of the TRP Waiver Exemptions giving City Lodge Shareholders the right to seek the review of the TRP Waiver Exemptions within five business days of release of such announcement;

“TRP Waiver Exemption” the TRP waiver rulings envisaged in the TRP Guideline 2/2011 which is obtained pursuant to the Waiver of Mandatory Offer, with reference to the Rights Offer;

“UJ Educational Trust” The University of Johannesburg Educational Trust (IT4477/2008), a trust established for the benefit of the Hotel School forming part of the University of Johannesburg, which objectives include training and development of suitable black persons with a view to placing them within the industry; providing adequate training to City Lodge employees undertaking post-graduate degrees at the University of Johannesburg; and developing and fast tracking black persons as managers and leaders within the industry by training and developing suitably qualified black persons at middle and senior management level;

“VAT” value-added tax levied in terms of the South African Value-Added Tax Act, No. 89 of 1991, as amended from time to time;

“Voting Record Date” the date on which City Lodge Shareholders must be entered in the Register in order to be eligible to vote at the General Meeting, expected to be Friday, 10 July 2020;


“Vuwa SPV” Vuwa Hotels Proprietary Limited (Registration number: 2007/030597/07) a company incorporated in South Africa and wholly-owned by Vuwa; and

“ZAR”, “Rand” or “R” South African Rand, the lawful currency of South Africa.
1. INTRODUCTION, RATIONALE AND PURPOSE OF THIS CIRCULAR

Further to the Company's announcements dated 24 March 2020 and 12 June 2020 and following the implementation, effective midnight, 26 March 2020, of a nationwide lockdown, the Group ceased operations at all of its 55 South African hotels. Subsequently, in line with announcements in the remaining territories in which the Group operates, all 62 Group hotels were closed, resulting initially in no revenue being earned. Limited operating activities have however since taken place for varying periods and in compliance with lockdown regulations and directions. Initially 7 of the Group's South African hotels remained operational, with 3 serving as quarantine hotels, 2 providing accommodation to stranded international tourists and 2 providing accommodation to essential services workers.

Representations were made and continue to be made by the Tourism Business Council of South Africa and the Federated Hospitality Association of South Africa on behalf of all key players in the hospitality industry in response to the COVID-19 Risk Adjusted Strategy ("RAS"), to permit hotels to operate prior to the envisaged Level 1 RAS. Following the President's announcement on 24 May 2020 that "certain high risk-economic activities will remain prohibited", including "Accommodation and domestic air travel, except for business travel, which will be phased in on dates to be announced", the Minister of Tourism has clarified that hotels may operate for purposes of accommodating stranded tourists, business travellers and persons in quarantine or isolation. As at 12 June 2020, 2 hotels are serving as quarantine hotels and a further 21 (including 2 non-South African) hotels are open for stranded guests, essential services and business travel accommodation requirements, albeit at limited/low occupancies. This position will be revisited on an ongoing basis and amended where necessary, based on demand.
Internal planning to secure operational resilience, based on the view that the impact of COVID-19 will be a feature for some time to come, has advanced. The Group is comfortable that enhanced hygiene and safety protocols (available on www.clhg.com), in line with government and the World Health Organisation recommendations, which includes sanitizing, social distancing and acquisition of personal protective equipment (including face masks, aprons, gloves), are in place. In addition, the Group has implemented microbiology-based COVID-19 readiness audits.

Discussions with government and the private sector/essential and critical business continuity services for the provision of quarantine facilities and/or essential service staff accommodation continue. The Group is ready to commence operations, in line with the lockdown regulations, directions and RAS, on short notice, as opportunities present themselves.

All booking channels, including the Group's website, www.clhg.com, however remain open for all our hotels for reservations for any period where our hotels are permitted to trade under the RAS.

The Group owns the majority of its properties and as such, has a solid asset base. The current Net Asset Value (NAV) on an estimated replacement cost basis and excluding the BEE Funding, is around three times the Normalised NAV (which also excludes the BEE Funding) of R45.30 per share, contained in the interim results for the six months ended 31 December 2019.

Given the extreme uncertainty facing the Company and the losses currently being incurred due to COVID-19, the associated lockdown and travel ban and furthermore given that it is not yet known when our hotels can re-open and return to above breakeven occupancy levels, together with the high level of debt on the City Lodge balance sheet, which includes the Company's guarantee of the BEE Funding, the Board believes it prudent to put in place the necessary measures to be able to proceed with a renounceable Rights Offer of ZAR1.2 billion, which is intended to be underwritten and, which Rights Offer price is expected to be at a discount to market, as per normal market practice.

The ZAR1.2 billion will allow the Company to:

- repay corporate debt;
- provide for its obligation under the BEE Funding arrangements;
- allow the Company sufficient working capital to fund its cash flow shortfall as a result of the impact of the COVID-19 pandemic and national lockdown; and
- create debt capacity and a flexible capital structure to position the company for future growth.

In order to be in a position to give effect to the Rights Offer, the Company requires its Shareholders to approve (i) the conversion of City Lodge Ordinary Shares from par value City Lodge Shares of 10 cents each to City Lodge Shares of no par value; (ii) the increase of the authorised share capital of the Company; (iii) the consequential amendments to the Memorandum of Incorporation required by the passing of (i) and (ii); and (iv) the allotment and issue of Ordinary Shares for the purpose of the Rights Offer. The increase in the authorised Ordinary Share capital requires shareholder approval by way of a special resolution in terms of section 36(2)(a) and section 16(1)(c) of the Companies Act.

The Company proposes to increase its authorised Ordinary Share capital to 10 000 000 000 authorised Shares. The increase in authorised Ordinary Share capital will allow the Company flexibility for both the issue of shares pursuant to the proposed Rights Offer and for the future placements of shares as and when the Company considers it necessary to raise equity capital to fund organic or acquisitive growth, in accordance with the approval requirements of the Companies Act and the JSE Listings Requirements.

The number of City Lodge Shares to be issued in terms of the Rights Offer will constitute more than 30% of the issued Ordinary Shares in the Company and, accordingly, the approval of City Lodge Shareholders of the issue of such City Lodge Shares is required in terms of the provisions of section 41(3) of the Companies Act.
The purpose of the Circular is to:

- provide City Lodge Shareholders with relevant information to enable them to make an informed decision as to whether or not they should vote in favour of the resolutions set out in the Notice of General Meeting which is attached to and forms part of this Circular, in relation to the following inter-conditional resolutions:
  1. the approval of the proposed conversion of the City Lodge Shares from par value City Lodge Shares of 10 cent each to no par value City Lodge Shares;
  2. the approval of the proposed increase in the number of authorised City Lodge Shares by a further 9 950 000 000 City Lodge Shares, as well as consequential changes to the Company’s Memorandum of Incorporation to reflect the proposed changes in the share capital of the Company;
  3. the approval of the issue of new City Lodge Shares to Shareholders pursuant to the implementation of the proposed Rights Offer, which new Ordinary Shares may have voting power equal to or in excess of 30% of the existing voting power of the entire issued City Lodge Ordinary Share capital of the Company immediately prior to such issue;
  4. placing the authorised but unissued City Lodge Shares under the control of the Directors for the purposes of implementing the Rights Offer;
  5. the waiver of any obligation to make a Mandatory Offer to City Lodge Shareholders arising from, or in any way connected to, the Rights Offer;
  6. authorising the Company to provide financial assistance in terms of section 44 of the Companies Act in relation to the Collateral Deposit;
  7. authorising any director or company secretary of the Company to take all actions necessary to give effect to the above mentioned resolutions; and
- convene the General Meeting in order for City Lodge Shareholders to consider and determine whether or not to vote in favour of the aforementioned resolutions.

2. **BACKGROUND TO CITY LODGE**

Through the vision of founder, Swiss-born Hans Enderle, and the financial backing of the Mine Pension Funds, the opening of City Lodge Randburg (now called City Lodge Hotel Bryanston) on 1 August 1985, became the catalyst for what today is South Africa’s leading selected services hotel chain.

From the start, emphasis was placed on quality accommodation, homely ambience and friendly service – and these are still hallmarks of the group today. After pioneering the quality, selected services hotel concept in South Africa, the group was incorporated in July 1986 and has since substantially grown and diversified its product offering to meet different travellers’ needs.

In 1990, the second-tier Town Lodge concept was started and has proved highly popular. On 18 November 1992, the group successfully listed on the Johannesburg Stock Exchange.

Then in 1995, the group acquired a 50% interest in the companies associated with the upmarket Courtyard Suite Hotel chain and also opened its first Road Lodge, a concept aimed mainly at budget conscious travellers. In 2015, the outstanding 50% in the Courtyard Joint Venture was acquired from HPF Properties Pty Ltd.

On the occasion of the group’s 10th anniversary on 1 August 1995, the City Lodge 10th Anniversary Employees Share Trust was launched which enabled all employees to become shareholders.

In 2013, the group acquired a 50% interest in two hotels in Nairobi, Kenya, and it has since taken full ownership of the Fairview Hotel and Town Lodge, Upper Hill, Nairobi. Town Lodge Gaborone in Botswana became the first new hotel developed by the group outside of South Africa. This development was followed by the Town Lodge Windhoek, Namibia, in 2017, the City Lodge Hotel at Two Rivers Mall, in Nairobi Kenya, in early 2018 and the City Lodge Hotel Dar es Salaam, in Tanzania, in late 2018 and the City Lodge Hotel Maputo, in Mozambique, in the first quarter of 2020.

With 5 Courtyard Hotels (381 suites), 20 City Lodge Hotels (3 531 rooms), 14 Town Lodges (1 804 rooms) 22 Road Lodges (2 059 rooms), and the Fairview Hotel (120 rooms), the City Lodge Hotel Group has over 7800 rooms and suites and ranks amongst the 250 largest hotel chains in the world.

The Company proceeded with a secondary listing on A2X on Wednesday, 11 March 2020.
Commitment to service excellence from a highly motivated and dedicated staff is a common thread throughout the group's hotels which have developed a loyal clientèle of both business and leisure travellers over more than three decades.

3. **THE RIGHTS OFFER**

Having considered its near-term capital requirements, its high level of debt, which includes the Company's guarantee of the BEE funding and taking into account prevailing market conditions, the Company has determined that now represents an opportune time to raise equity capital in order to replenish the cash and debt facilities utilised by the Company.

Implementation of a successful Rights Offer will address the Company's immediate capital requirements in this regard.

Subject to the Rights Offer Conditions being fulfilled or waived, as the case may be, the Rights Offer will be launched in due course and after the conclusion of the General Meeting.

In order to implement the Rights Offer, and to allow flexibility for any future capital raise initiatives, the Company will need to create 9 950 000 000 additional City Lodge Shares in its authorised share capital. In order to do so, however, the Company must first convert its ordinary shares from a nominal or par value of 10 cents each, to no par value, as required by the Companies Act. Both of these changes will require amendments to the Memorandum of Incorporation. The required resolutions are set out in special resolutions numbers 1 and 2 of the resolutions recorded in the Notice of General Meeting. The JSE has approved the corresponding amendment to the details of the Company's share capital, subject to such increase and amendments being filed with the CIPC to the extent required.

Subject to the conversion of the City Lodge Shares from par value shares to shares of no par value, the Company intends to increase its authorised number of City Lodge Shares by 9 950 000 000 City Lodge Shares to 10 000 000 000 City Lodge Shares, and to place the authorised but unissued City Lodge Shares under the control of the Directors solely for the purposes of the Rights Offer.

It is furthermore necessary to increase the share capital by 9 950 000 000 City Lodge Shares in order for the Company to have sufficient authorised Shares to implement the Rights Offer.

The Regulations require that, when the Company converts its City Lodge Shares into no par value City Lodge Shares, the Board shall prepare a report in respect of the proposed conversion which, inter alia, evaluates whether there are any material adverse effects of the conversion on City Lodge Ordinary Shareholders. The report of the Board for this purpose is included as Annexure 1 to this Circular.

Further, if the voting power of the City Lodge Shares that are issuable as a result of the Rights Offer will be equal to or exceed 30% of the voting power of all the City Lodge Shares in issue immediately before the implementation thereof, section 41(3) of the Companies Act requires the approval of City Lodge Shareholders by special resolution. This is covered in special resolution number 4 of the resolutions recorded in the Notice of General Meeting.

Such authority will include the authority to allot and issue any City Lodge Shares in the authorised but unissued share capital of the Company to any underwriter(s) of the Rights Offer (whether or not any such underwriter is a related party to the Company (as defined for the purposes of the Listings Requirements)) and/or a person falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company (or a nominee of any of the foregoing persons).

A circular to Shareholders setting out the full terms of the Rights Offer will be issued in due course, following the General Meeting.

It is intended that the Rights Offer will be underwritten at the time of launch. In the absence of the Rights Offer Waiver Resolution being passed by the requisite majority of independent City Lodge Shareholders and the TRP granting the TRP Waiver Exemption, the implementation of the Rights Offer could impose on the underwriter and its concert parties (if any), the obligation to make a Mandatory Offer to the extent that such persons are able to exercise at least 35% of all the voting rights attached to the City Lodge Shares upon the completion of the Rights Offer.

Accordingly, City Lodge will seek the required approval from independent City Lodge Shareholders for a waiver of any obligation to extend a Mandatory Offer to City Lodge Shareholders arising from the Rights Offer. Further details in relation thereto are set out in Annexure 2 to this Circular.
4. **ARRANGEMENTS IN RELATION TO THE BEE SPVS, BEE FUNDING AND FUTURE B-BBEE TRANSACTION**

4.1 **Background to the B-BBEE Transaction**

In 2008, City Lodge entered into the B-BBEE Transaction in terms of which the Injabulo Trust, the UJ Education Trust and Vuwa, through each of their respective wholly-owned SPVs, acquired 6,390,365 shares in City Lodge (representing 14.7% of the current issued share capital of City Lodge).

As part of the B-BBEE Transaction, the BEE SPVs issued the A preference shares and the B preference shares to Standard Bank (“the Funder”), and subsequently, supported by the guarantee from City Lodge, raised loan funding from the Funder as part of the BEE Funding. The total amount outstanding in respect of each BEE SPV’s BEE Funding, as at 9 June 2020, is set out below.

<table>
<thead>
<tr>
<th></th>
<th>Education SPV</th>
<th>Staff SPV</th>
<th>Vuwa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A preference shares (ZAR)</td>
<td>14,261,947</td>
<td>49,360,481</td>
<td>41,167,465</td>
<td>104,789,894</td>
</tr>
<tr>
<td>B preference shares (ZAR)</td>
<td>154,654,861</td>
<td>284,144,713</td>
<td>161,495,834</td>
<td>600,295,409</td>
</tr>
<tr>
<td>Loans (ZAR)</td>
<td>11,597,881</td>
<td>21,348,311</td>
<td>12,111,061</td>
<td>45,057,253</td>
</tr>
<tr>
<td><strong>Total (ZAR)</strong></td>
<td><strong>180,514,689</strong></td>
<td><strong>354,853,506</strong></td>
<td><strong>214,774,361</strong></td>
<td><strong>750,142,556</strong></td>
</tr>
</tbody>
</table>

The BEE Funding is guaranteed by City Lodge, and the liability has been reflected in the financial statements of City Lodge and are consolidated in City Lodge’s financial statements in terms of IFRS. In November 2017, the BEE Funding was extended to 31 January 2021.

The B-BBEE Transaction is unfortunately materially out of the money. The value of the BEE SPVs shareholding as at the Last Practicable Date is ZAR161 million against the amount outstanding of the BEE Funding of ZAR750 million. In the context of the current market backdrop and operating conditions, it is extremely unlikely that there will be equity value in the B-BBEE Transaction by the debt maturity date of 31 January 2021.

4.2 **Collateral Deposit**

The Funder has required that, should City Lodge successfully complete its proposed Rights Offer, an amount equal to the aggregate amount of the BEE Funding calculated to and as at 31 January 2021, which amount is estimated, applying current coupon and interest rates, to be approximately ZAR774 million (Deposit Amount), be placed in a deposit account with the Funder which would be released to enable City Lodge either to discharge its liability under the guarantee or to enable City Lodge to fund the BEE SPVs which would in turn enable them to redeem the preference shares, pay outstanding dividends and settle their loans on or before 31 January 2021.

The Collateral Deposit could be regarded as being “in connection with” the provision of financial assistance given by City Lodge by way of the guarantee, relating to the funding of the purchase by the BEE SPVs of shares in City Lodge, and accordingly Shareholders are requested to approve Special Resolution Number 5 as set out in the notice of the General Meeting.

This Deposit Amount is to be ceded to the Funder as security for City Lodge’s obligations under the Guarantee.

4.3 **Arrangements in relation to the BEE SPVs**

As the BEE SPVs do not have funds to follow their rights as part of the Rights Offer, it has been agreed separately between City Lodge and each BEE SPV that they will undertake what is known as a “tail-swallow” whereby they will sell rights allocated to them and use the proceeds to follow their remaining rights. This arrangement is cash neutral to the BEE SPVs and will have no financial effect on City Lodge or its Shareholders.

This will enable the BEE SPVs to reduce the degree of dilution of their percentage holding in the share capital of City Lodge.
4.4 **Arrangements in relation to the B-BBEE Funding**

City Lodge has furthermore entered into agreements with each of the BEE Participants and their respective SPVs (the BEE Agreements), with a view to providing an orderly and convenient procedure for the wind-down of the B-BBEE Transaction on or before 31 January 2021. The BEE SPVs have granted the Company an option, at its sole election, to acquire by subscription, 99.99% of the ordinary shares in the BEE SPVs at a total subscription price equal to the amount required for purposes of the settlement of the BEE Funding, on or prior to 31 January 2021. To the extent that the Company decides to exercise its option, which will result in the settlement of the BEE Funding (which is guaranteed by City Lodge), any necessary and applicable Shareholder and regulatory approvals will be sought at such a time.

4.5 **Intention to use the BEE Shares to establish a new B-BBEE transaction**

BEE ownership is an imperative for City Lodge, and the Group remains committed to continually improving its broad-based black economic empowerment (BBBEE) credentials within its South African operations, and maintaining an overall rating of at least a Level 4 B-BBEE contributor under the amended tourism sector codes which would provide the Company with a 100% procurement recognition. Using the BEE Shares to establish a new B-BBEE transaction will assist City Lodge in securing some of the required B-BBEE credentials.

It is important to note however that, following the Rights Offer, the BEE Shares will constitute a substantially diluted shareholding in City Lodge (compared to the 2008 B-BBEE Transaction) and will not be sufficient to achieve the targeted ownership under the Tourism Sector Codes.

It is the intention of City Lodge to use the BEE Shares to establish a new B-BBEE transaction on the following basis:

- the B-BBEE Participants will be invited to participate in the new B-BBEE Transaction, provided that they are able to establish satisfactory BEE credentials;
- that adequate funding is available to the B-BBEE Participants;
- the details of this new BEE transaction will be determined in due course, implementation of which will be subject to the necessary Shareholder approvals.

5. **MAJOR SHAREHOLDERS**

As at the Last Practicable Date, Shareholders interested in 5% or more of City Lodge Shares are as follows:

<table>
<thead>
<tr>
<th>Number of City Lodge shares</th>
<th>% of issued share capital of City Lodge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allan Gray</td>
<td>5 788 284</td>
</tr>
<tr>
<td>Enderle SA (Pty) Ltd*</td>
<td>3 816 479</td>
</tr>
<tr>
<td>Ninety One</td>
<td>3 488 414</td>
</tr>
<tr>
<td>Vuwa Hotels (Pty) Limited</td>
<td>2 556 185</td>
</tr>
<tr>
<td>Staff SPV</td>
<td>2 556 120</td>
</tr>
<tr>
<td>Public Investment Corporation</td>
<td>2 236 131</td>
</tr>
</tbody>
</table>

*Company established by the founder*
6. **DIRECTORS’ INTEREST IN CITY LODGE SHARES**

The direct and indirect beneficial interests of the Directors and their associates’ holdings in the share capital of City Lodge as at the 31 March 2020 (including a director who has resigned during the last 18 months) and any changes thereto, are set out below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Direct holding</th>
<th>Indirect holding</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FWJ Kilbourn</td>
<td>17 000</td>
<td>–</td>
<td>17 000</td>
</tr>
<tr>
<td>The Claudia Kilbourn 2010 Trust</td>
<td>–</td>
<td>3 400</td>
<td>3 400</td>
</tr>
<tr>
<td>The James Kilbourn 2010 Trust</td>
<td>–</td>
<td>3 400</td>
<td>3 400</td>
</tr>
<tr>
<td>The Patrick Kilbourn 2010 Trust</td>
<td>–</td>
<td>3 400</td>
<td>3 400</td>
</tr>
<tr>
<td>SPP Endow for Doornbult Trust 2699742</td>
<td>–</td>
<td>5 383</td>
<td>5 383</td>
</tr>
<tr>
<td>AC Widegger</td>
<td>201 902</td>
<td>–</td>
<td>201 902</td>
</tr>
<tr>
<td>AC Widegger – 2017 Restricted shares</td>
<td>4 882</td>
<td>–</td>
<td>4 882</td>
</tr>
<tr>
<td>AC Widegger – 2018 Restricted shares</td>
<td>2 509</td>
<td>–</td>
<td>2 509</td>
</tr>
<tr>
<td>AC Widegger – 2019 Restricted shares</td>
<td>7 204</td>
<td>–</td>
<td>7 204</td>
</tr>
<tr>
<td>L Siddo</td>
<td>337</td>
<td>–</td>
<td>337</td>
</tr>
<tr>
<td>L Siddo – 2017 Restricted shares</td>
<td>957</td>
<td>–</td>
<td>957</td>
</tr>
<tr>
<td>L Siddo – 2018 Restricted shares</td>
<td>693</td>
<td>–</td>
<td>693</td>
</tr>
<tr>
<td>L Siddo – 2019 Restricted shares</td>
<td>2 693</td>
<td>–</td>
<td>2 693</td>
</tr>
<tr>
<td>D Nathoo</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>N Medupe</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>BT Ngcuka</td>
<td>444 521</td>
<td>–</td>
<td>444 521</td>
</tr>
<tr>
<td>GG Huysamer</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>VM Rague</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>MSP Marutlulle</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Directors who have resigned in the last 18 months:

<table>
<thead>
<tr>
<th>Director</th>
<th>Direct holding</th>
<th>Indirect holding</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AW Dooley (resigned 9 March 2020)</td>
<td>11 663</td>
<td>–</td>
<td>11 663</td>
</tr>
<tr>
<td>AW Dooley – 2017 Restricted shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AW Dooley – 2018 Restricted shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AW Dooley – 2019 Restricted shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>KIM Shongwe (resigned 7 November 2019)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Further to the above shareholdings, the percentage holdings are less than 1%, other than BT Ngcuka whose shareholding is 1.02%.

∞ BT Ngcuka indirectly holds shares in the company by virtue of him owning 17.39% of the shares in Vuwa. Vuwa in turn holds 100% of the 2,556,185 shares that Vuwa Hotels (Pty) Ltd holds in the company.

7. **TRP EXEMPTION**

In terms of section 119(6)(c) of the Companies Act, the TRP has unconditionally exempted all parties from compliance with the provisions of Part B and C of the Companies Act.

8. **OPINION AND RECOMMENDATION**

The Board has evaluated the rationale for the proposed resolutions set out in the Notice of General Meeting attached to this Circular which, if passed by the requisite majority of City Lodge Shareholders, will allow the Company to proceed with the Rights Offer and the provision of financial assistance in relation to the Collateral Deposit.

An independent sub-committee of the Board consisting of Messrs Frank Kilbourn, Stuart Morris and Deon Huysamer has been constituted to consider the arrangements in relation to the BEE SPVs, BEE Funding and future B-BBEE Transaction and to ensure that proper corporate governance is maintained in relation to any of the discussions or negotiations with the BEE SPVs and to furthermore ensure that no unusual, vested or other interest(s) or rights are being created for any of these parties.
BT Ngcuka who is a director of Vuwa as well as a shareholder, will be precluded from voting on the resolution relating to the provision of financial assistance in relation to the Collateral Deposit. Accordingly, after due consideration, the Board unanimously recommends that City Lodge Shareholders vote in favour of all the resolutions as set out in the Notice of General Meeting.

All Directors with an interest in City Lodge intend to vote in favour of the resolutions necessary to approve and implement the Rights Offer and the provision of financial assistance in relation to the Collateral Deposit (other than BT Ngcuka in relation to the Collateral Deposit).

9. **DIRECTORS’ RESPONSIBILITY STATEMENT**

The Directors, whose names and details are provided on page 10 of this 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 facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

10. **NOTICE OF GENERAL MEETING**

The General Meeting of City Lodge Shareholders will be held at 10:00 on Tuesday, 21 July 2020 to consider, and if deemed fit, to pass, with or without modification, the resolutions required to enable the Rights Offer.

A notice convening such General Meeting is attached to, and forms part of this Circular. City Lodge Shareholders are referred to the Notice of General Meeting for details on the resolutions to be proposed at the General Meeting and to page 4 of this Circular stipulating the action required by City Lodge Shareholders and for information on the procedure to be followed by City Lodge Shareholders in order to exercise their votes at the General Meeting.

All of the resolutions proposed in the Notice of General Meeting are inter-conditional.

11. **EXPERTS’ CONSENTS**

Each of the Company’s advisors, whose names appear on page 2 of this Circular, have consented in writing to act in the capacities stated and to their names appearing in the Circular, and have not withdrawn their consent prior to the publication of the Circular.

12. **DISCLOSURE OF CONFLICT**

Shareholders are advised that Standard Bank acts as Transaction Sponsor in relation to this Circular. Standard Bank will furthermore act as Financial Advisor, Bookrunner and Transaction Sponsor in relation to the Rights Offer.

In its capacity as transaction sponsor, Standard Bank has confirmed to the JSE and City Lodge that there is no matter that would impact on its ability to exercise reasonable care and judgement to achieve and maintain independence and objectivity in professional dealings in relation to City Lodge, and that would impact on its ability to act within the Code of Conduct as set out in the Listings Requirements.

Standard Bank has various stringent internal procedures in place to ensure that its ability to act independently as JSE sponsor, is not compromised. It furthermore identifies and manages any conflicts of interest in relation to its role as sponsor and its and its approved executives which could be expected to impair their independence and objectivity in relation to an applicant issuer for a transaction or corporate action.

Pursuant to these internal procedures, Standard Bank has a Compliance Control Room function that identifies and manages conflicts risks and ensures that strict “Chinese Walls” are maintained to ensure that as JSE sponsor, it is able to act independently from other divisions within the bank. Standard Bank also enforces and implements physical and logical access restrictions to information, which is limited to deal teams for whom the information is relevant, for the purpose of fulfilling the client mandate.
13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection and can be obtained from the Company Secretary at mvanheerden@clhg.co.za and, given lock-down regulations, these will be sent electronically upon request during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of this Circular up to and including Tuesday, 21 July 2020:

- this Circular;
- the Memorandum of Incorporation of City Lodge and each of its major subsidiaries;
- the interim financial results for the six months ended 30 December 2019;
- the annual financial statements of the Company for the three years ended 30 June 2019, 30 June 2018 and 30 June 2017;
- the experts’ consents referred to in paragraph 11 of this Circular;
- the report of the Board of Directors in terms of regulation 31(7) and 31(8) of the Regulations, as set out in Annexure 1 of this Circular;
- the Collateral Deposit arrangement;
- the BEE Agreements;
- the request for the waiver of mandatory offer as set out in Annexure 2 of this Circular; and
- the exemption letter from the TRP, referred to in paragraph 7 above.

Signed at Johannesburg by and/or on behalf of City Lodge in terms of a resolution of the Directors.

By order of the Board

AC Widegger
Chief Executive Officer

Monday, 22 June 2020

Registered office:
The Lodge
Bryanston Gate Office Park
Corner Homestead Avenue and Main Road
Bryanston
Johannesburg, 2191
REPORT OF THE BOARD OF DIRECTORS IN TERMS OF REGULATION 31(7) AND 31(8) OF THE COMPANIES REGULATIONS, 2011 (THE “REGULATIONS”) REGARDING THE CONVERSION OF THE COMPANY’S ORDINARY PAR VALUE SHARES TO NO PAR VALUE SHARES

All terms defined in the Circular shall bear the same meanings in this Annexure 1.

City Lodge Hotels Limited
(Registration number 1986/002864/06)
(Incorporated in the Republic of South Africa)
Share Code: City Lodge ISIN Code: ZAE000117792
(“City Lodge” or the “Company” or the “Group”)

1. BACKGROUND

1.1 The Companies Act, No. 71 of 2008, as amended (“Companies Act”) does not permit the creation of par value shares or shares with a nominal value. However, in terms of the Transitional Arrangements detailed in Schedule 5 of the Companies Act and the Regulations, pre-existing companies that already have par value shares in issue are allowed to retain such shares, but cannot authorise any new par value shares after the date that the Companies Act came into effect, being 1 May 2011.

1.2 City Lodge intends to implement a rights offer (the “Rights Offer”) in order to raise equity for purposes of strengthening the Company’s balance sheet and optimising its long-term capital structure.

1.3 City Lodge, which only has ordinary shares (referred to as “City Lodge Shares”) each with a par value of R0.10, may have insufficient authorised and unissued City Lodge Shares to issue for the purposes of the Rights Offer and/or other future commercial purposes. Accordingly, City Lodge must increase the number of authorised and unissued City Lodge Shares. However, in order to effect such increase, in compliance with the requirements of the Companies Act, the Regulations and the Listings Requirements of the JSE Limited (the “JSE”), City Lodge must first convert the City Lodge Shares from shares with a par value of R0.10 each into City Lodge Shares of no par value.

1.4 In terms of:

1.4.1 Regulation 31(6) – a company may amend its memorandum of incorporation to effect a conversion of its authorised shares of par value to shares of no par value by way of a resolution proposed by the Directors of City Lodge (“Board”) at any time after the date on which the Companies Act came into effect, and such resolution will have been adopted if it is approved by: (i) a special resolution adopted by the holders of shares of each such class of shares; and (ii) a further special resolution adopted by a meeting of the Company’s shareholders called for that purpose; and

1.4.2 Regulation 31(7) – the board of a company is required to prepare a report in respect of a proposed resolution to convert any par value shares into no par value shares (“Report”). This document constitutes the Report in relation to the proposed conversion.

1.5 In accordance with Regulation 31(6), the proposed conversion will need to be approved by a special resolution adopted at a meeting of the City Lodge shareholders called for this purpose. Details in respect of the meeting of City Lodge shareholders called for the approval of these resolutions are set out in the notice of general meeting attached to the Circular to shareholders of which this Report forms part.

2. THE REPORT

2.1 In compliance with Regulation 31(7) the Board has:

2.1.1 Considered information relevant to the value of the securities affected by the proposed conversion
2.1.1 The securities affected by the proposed conversion are the authorised and issued City Lodge Shares, currently comprising 50 000 000 authorised City Lodge Shares of R0.10 each of which 43 573 893 City Lodge Shares of R0.10 each have been issued.

2.1.2 The City Lodge Shares that are issued are listed on the main board of the JSE, trading under the share code CLH. Information in relation to the historic net asset value, earnings, headline earnings and distribution per City Lodge Share is detailed in the Company's financial statements for FY 2019, FY 2018 and FY 2017, which are available in electronic form on the Company's website www.clhg.com.

2.1.3 Given that the number of City Lodge Shares in issue and the rights attaching to those shares will be unaffected by the proposed conversion, the proposed conversion will have no impact on the historic net asset value, earnings, headline earnings and distributions per City Lodge Ordinary Share and should have no impact on the price at which City Lodge Shares trade on the JSE.

2.1.4 City Lodge's shareholders holding share certificates in respect of City Lodge Shares with a par value of R0.10 will not be asked to surrender their share certificates at this point in time and will be able to dematerialise the share certificates of such City Lodge Shares with a par value of R0.10 in order to trade in their City Lodge Shares. If required, City Lodge's shareholders may then request share certificates for their no par value shares and accordingly become Certificated Shareholders again.

2.1.2 Identified the holders of the Company's securities affected by the proposed conversion
The proposed conversion will only affect the holders of City Lodge Shares.

2.1.3 Considered the material effects of the proposed conversion on City Lodge shareholders

2.1.3.1 The proposed conversion will result in the conversion of each City Lodge Ordinary Share of R0.10 each into an equivalent number of City Lodge Ordinary Shares of no par value.

2.1.3.2 Accordingly, after the proposed conversion each holder of City Lodge Shares will own the identical number of City Lodge Shares as they held prior thereto and the no par value City Lodge Shares which they hold post the conversion will represent the same proportion of the total issued share capital of City Lodge Shares as the par value City Lodge Shares which they held in the total issued share capital of City Lodge Shares before the conversion.

2.1.3.3 The proposed conversion has no other impact on any of the rights attaching to the City Lodge Shares and the no par value City Lodge Shares will confer on a City Lodge Shareholder all of the same rights as they enjoyed as the holder of par value City Lodge Shares before the proposed conversion including (without limitation) rights to receive the net assets of City Lodge on its liquidation.

2.1.4 Evaluated the material adverse effects of the proposed conversion against compensation offered

2.1.4.1 As detailed in paragraph 2.1.3 above, the proposed conversion will have no adverse effects on the holders of City Lodge Shares as they will be in the same position and enjoy the same rights before and after the proposed conversion.

2.1.4.2 There is no compensation being offered in the context of the proposed conversion of City Lodge Shares as there are no adverse effects following the proposed conversion on holders of City Lodge Shares.

3. GENERAL

In terms of Regulation 31(8)(b), a copy of this report will be filed at the Companies and Intellectual Property Commission and at the South African Revenue Services at the same time as it is published to City Lodge shareholders.
ANNEXURE 2

WAIVER OF MANDATORY OFFER

All terms defined in the Circular shall bear the same meanings in this Annexure 2.

1. INTRODUCTION

1.1 City Lodge will seek the required approval from independent City Lodge Shareholders for a waiver of any obligation to extend a Mandatory Offer to City Lodge Shareholders arising from the Rights Offer in accordance with Regulation 86(4) of the Regulations, in terms of the Rights Offer Waiver Resolution.

1.2 In the absence of the Rights Offer Waiver Resolution being passed by the requisite majority of independent City Lodge Shareholders and the TRP granting the TRP Waiver Exemption, the implementation of the Rights Offer could impose on the underwriter and its concert parties (if any), the obligation to make a Mandatory Offer to the extent that such persons are able to exercise at least 35% of all the voting rights attached to the City Lodge Shares upon the completion of the Rights Offer.

1.3 If the Rights Offer Waiver Resolution is passed and the TRP grants the TRP Waiver Exemption, there will be no obligation on the underwriter or concert parties (if any), to make a Mandatory Offer as described above.

2. RATIONALE FOR THE RIGHTS OFFER WAIVER RESOLUTION

The Rights Offer Waiver Resolution is required as the underwriter or concert parties (if any) do not wish to make an offer to all City Lodge Shareholders following the Rights Offer.

3. RIGHT OF CITY LODGE SHAREHOLDERS

3.1 The TRP has advised that it is willing to consider the application for the TRP Waiver Exemption if the requisite majority of independent City Lodge Shareholders waive their entitlement to receive the Mandatory Offer which would otherwise be required from the underwriter, its subsidiaries and its concert parties (if any) in accordance with Regulation 86(4) of the Regulations.

3.2 Included in this Circular is the Notice of General Meeting and the Waiver Resolution for independent City Lodge Shareholders to consider, and if deemed fit, to approve with or without modification at the General Meeting.

3.3 After the General Meeting is held and should the Rights Offer Waiver Resolution have been validly passed, an application for the TRP Waiver Exemption will be submitted to the TRP together with supporting documents indicating that the Rights Offer Waiver Resolution has been validly passed in terms of Regulation 86(4) of the Regulations.

3.4 Any City Lodge Shareholders who wishes to make representations relating to the TRP Waiver Exemption will have 10 Business Days from the date of posting of this Circular to make such representations to the TRP before the TRP Waiver Exemption is considered. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:
The Executive Director
Takeover Regulation Panel
1st Floor, Block 2, Freestone Park
135 Patricia Road
Athol
Johannesburg
2198
If emailed: admin@trpanel.co.za
and should reach the TRP by no later than the close of business on Tuesday, 7 July 2020 in order to be considered.

3.5 If any representations are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before providing the TRP Waiver Exemption.

3.6 The TRP will accordingly consider the application for the TRP Waiver Exemption and any representations made in respect thereof and within the permitted timeframe, prior to providing the TRP Waiver Exemption, which incorporates the reasons for its decision.

3.7 City Lodge will then make the TRP Waiver Announcement with respect to the TRP Waiver Exemption and inform City Lodge Shareholders that they may request the Takeover Special Committee to review the TRP Waiver Exemption within 5 Business Days of the TRP Waiver Announcement.

3.8 The TRP waiver proceedings will be regarded as completed in respect of the TRP Waiver Exemption and the relevant TRP Waiver Exemption confirmed (i) after the expiry of the 5 Business Day notice period, if no City Lodge Shareholders request the Takeover Special Committee to review the applicable TRP Waiver Exemption or (ii) on the date that the Takeover Special Committee confirms the applicable TRP Waiver Exemption, if any City Lodge Shareholders request the Takeover Special Committee to review the TRP Waiver Exemption.
NOTICE OF GENERAL MEETING

All terms defined in the Circular to which this Notice of General Meeting is attached (“Circular”) shall bear the same meanings herein.

Notice is hereby given that a general meeting of City Lodge Shareholders will be held on Tuesday, 21 July 2020 at 10:00 for the purpose of considering and, if deemed fit, passing with or without modification, the special and ordinary resolutions set out below in the manner required by the Companies Act and the Listings Requirements.

In the backdrop of the COVID-19 pandemic and subsequent impact in South Africa, as well as the general uncertainty occasioned by this and the related restrictions imposed by the South African Government on public gatherings and the implementation of distancing measures, thereby limiting the ability of Shareholders to attend the General Meeting, the General Meeting will be convened with these measures in key focus.

It is nevertheless important that Shareholders cast their votes in respect of the business of the General Meeting at their earliest convenience. This can be done by completing a proxy form or submitting proxy instructions in accordance with the instructions set out below.

City Lodge Shareholders are reminded that:

• a City Lodge Shareholder entitled vote at the General Meeting is entitled to appoint a proxy to participate in the General Meeting in the place of the City Lodge Shareholder and the City Lodge Shareholders are referred to the attached form of proxy in this regard;
• a proxy need not be a City Lodge Shareholder;
• a City Lodge Shareholder may appoint up to two proxies to exercise voting rights attached to different City Lodge Shares held by the City Lodge Shareholder which entitle the City Lodge Shareholder to vote at the General Meeting; and
• the proxy may delegate the authority granted to it as proxy, subject to any restriction in the proxy itself.

RECORD DATE

The Directors have determined that the record date on which a City Lodge Shareholder must be registered in the Register in order to:

• receive notice of the General Meeting Friday, 12 June 2020; and
• participate in and vote at the General Meeting is Friday, 10 July 2020.

Therefore the Last Day to Trade in order to be able to participate at the General Meeting is Tuesday, 7 July 2020.
ELECTRONIC PARTICIPATION

Electronic participation is permitted by the JSE, the Companies Act and the Company’s MOI.

1. register online using the online registration portal at www.smartagm.co.za by no later than 10:00 on Friday, 17 July 2020; or

2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Friday, 17 July 2020. The electronic participation form can be found as an insert in this Notice of General Meeting. Computershare will first validate such requests and confirm the identity of the Shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

The Company will inform Participants who notified Computershare of their intended participation in accordance with the Notice of General Meeting, by no later than 10:00 on Monday, 20 July 2020 by email of the relevant details through which Participants can participate electronically. For the notice to be valid, it must contain the following details:

- if the Shareholder is an individual, a certified copy of his/her identity document and/or passport; or
- if the Shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The resolution must provide the particulars of the person authorised to represent the relevant entity at the general meeting via electronic communication; and
- valid email address.

IDENTIFICATION

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate in and vote at the General Meeting, either as a City Lodge Shareholder, or as a proxy for a City Lodge Shareholder, has been reasonably verified.

SPECIAL RESOLUTION NUMBER 1 – CONVERSION OF CITY LODGE ORDINARY SHARE CAPITAL FROM PAR VALUE CITY LODGE SHARES TO NO PAR VALUE CITY LODGE SHARES

“Resolved that, subject to the passing of Special resolutions number 2, 3, 4, 5 and Ordinary resolutions number 1, 2 and 3, and their registration with the Companies and Intellectual Property Commission (“CIPC”) to the extent required, the City Lodge Shares (comprising the issued, authorised and unissued City Lodge Shares) be converted, with effect from the date that this resolution is filed with the CIPC, from City Lodge Shares with a nominal value of 10 cents each into City Lodge Shares of no par value on the basis that each existing City Lodge Ordinary Share of 10 cents be converted into one City Lodge Ordinary Share with no par value, such that, save as to the nominal value, the no par value City Lodge Shares shall have the same rights and rank pari passu in all respects with the par value City Lodge Shares of such class.”

The reason for Special resolution number 1 is that the Companies Act limits the Company’s ability to restructure its par value share capital. In order to meet the requirements of the Companies Act that the Company’s City Lodge Shares do not have a nominal or par value, the Company’s City Lodge Shares must be converted from City Lodge Shares with a nominal or par value of 10 cents each into City Lodge Shares of no par value in compliance with the requirements of the Companies Act.

The effect of Special resolution number 1 is that the City Lodge Shares (comprising the issued, authorised and unissued City Lodge Shares) will be converted from 50 000 000 authorised City Lodge Shares of 10 cents each and 43 573 893 issued City Lodge Shares of 10 cents each into 50 000 000 authorised City Lodge Shares of no par value and 43 573 893 issued City Lodge Shares of no par value, respectively.

The percentage of voting rights required for the adoption of this Special resolution number 1 is the support of at least 75% of the voting rights exercised on that special resolution.

This resolution, as with all of the resolutions set out in this Notice of General Meeting, will be voted on by the City Lodge Ordinary Shareholders at the General Meeting, will constitute a special resolution adopted by the class of City Lodge Ordinary Shareholders and “a further special resolution adopted by a meeting of the company's shareholders”, as contemplated by regulation 31(6)(b)(i) and (ii) of the Regulations.
SPECIAL RESOLUTION NUMBER 2 – INCREASE IN THE NUMBER OF AUTHORISED CITY LODGE SHARES

“Resolved that, subject to the passing of Special resolutions number 1, 3, 4, 5 and Ordinary resolutions number 1, 2 and 3, and their registration with the CIPC to the extent required, the existing authorised share capital of the Company of 50 000 000 City Lodge Shares with no par value, be and is hereby increased by the creation of a further 9 950 000 000 City Lodge Shares with no par value, such that, pursuant to such increase, the authorised share capital of the Company shall comprise 10 000 000 000 City Lodge Shares with no par value.”

The reason for Special resolution number 2 is that the Company will not have sufficient authorised but unissued City Lodge Shares for purposes of the Rights Offer and hence the Company has proposed the increase in the number of authorised City Lodge Shares. This increase will also allow scope for future share placements.

The effect of Special resolution number 2 is to increase the authorised share capital of the Company from 50 000 000 City Lodge Shares with no par value to 10 000 000 000 City Lodge Shares with no par value.

The percentage of voting rights required for the adoption of this Special resolution number 2 is the support of at least 75% of the voting rights exercised on that special resolution.

SPECIAL RESOLUTION NUMBER 3 – AUTHORISATION FOR THE AMENDMENT OF THE COMPANY’S MEMORANDUM OF INCORPORATION

“Resolved that, subject to the passing of Special resolutions number 1, 2, 4, 5 and Ordinary resolutions number 1, 2 and 3 and their registration with the CIPC to the extent required, the Company’s Memorandum of Incorporation be and is hereby amended by:

The deletion in its entirety of article 6.1 and the substitution thereof with the following new article 6.1:

“The Company is authorised to issue the following numbers and classes of Shares (which includes Shares already issued at any time) – “10 000 000 000 ordinary no par value Shares which shall, save as limited in terms of the Listings Requirements, have Voting Rights in respect of every matter that may be decided by voting, shall rank after all other classes of Shares in the Company which do not rank pari passu with the ordinary Shares as regards Distributions and returns of capital, but save as aforesaid shall be entitled to receive the net assets of the Company upon its liquidation.”

The reason for this Special resolution number 3 is to amend the Company’s Memorandum of Incorporation as required in terms of section 36(2) of the Companies Act and regulation 31(6)(b)(i) and (ii) of the Regulations.

The effect of this Special resolution number 3 is to ensure that the Company’s Memorandum of Incorporation contains the correct detail in relation to the Company’s authorised share capital.

The percentage of voting rights required for the adoption of this Special resolution number 3 is the support of at least 75% of the voting rights exercised on that special resolution.

SPECIAL RESOLUTION NUMBER 4 – AUTHORISATION FOR THE ABILITY TO ISSUE 30% OR MORE OF THE COMPANY’S CITY LODGE SHARES FOR THE PURPOSES OF IMPLEMENTING THE RIGHTS OFFER

“Resolved that, subject to the passing of Special resolutions number 1, 2, 3, 5 and Ordinary resolutions number 1, 2 and 3, and their registration with the CIPC to the extent required, the Directors be and are hereby authorised, to the extent required in terms of the provisions of section 41(3) of the Companies Act, to allot and issue such number of City Lodge Shares in the authorised but unissued share capital of the Company as are required pursuant to and for the purposes of the Rights Offer, even if such number of City Lodge Shares have voting power equal to or in excess of 30% of the voting rights of all City Lodge Shares immediately prior to such issue. Such authority will include the authority to allot and issue, pursuant to the Rights Offer, any City Lodge Shares in the authorised but unissued share capital of the Company to any underwriter of the Rights Offer (whether or not any such underwriter is a related party to the Company (as defined for the purposes of the Listings Requirements)) and/or a person falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company (or a nominee of any of the foregoing persons).”
The reason for this Special resolution number 4 is to authorise the issue of City Lodge Shares with no par value which have voting rights equal to or in excess of 30% of the voting rights of all City Lodge Shares of no par value immediately prior to the issue and/or to a person falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company (or a nominee of any of the foregoing persons), to the extent required for the purposes of implementation of the Rights Offer and by article 8.1 of the Company's Memorandum of Incorporation.

The effect of Special resolution number 4 is to authorise the Directors of the Company, in terms of section 41(3) of the Companies Act, to issue City Lodge Shares with no par value which have voting rights equal to or in excess of 30% of the voting rights of all City Lodge Shares of no par value immediately prior to the issue and/or to a person falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company (or a nominee of any of the foregoing persons), to the extent required for the purposes of implementation of the Rights Offer.

The percentage of voting rights required for the adoption of this Special resolution number 4 is the support of at least 75% of the voting rights exercised on that special resolution.

SPECIAL RESOLUTION NUMBER 5 – FINANCIAL ASSISTANCE IN RELATION TO THE COLLATERAL DEPOSIT

"Resolved that, subject to the passing of Special Resolutions number 1, 2, 3 and 4, and Ordinary resolutions number 1, 2 and 3 the provision of financial assistance by way of the Collateral Deposit described in Paragraph 4 of the Circular to which this Notice of General Meeting is attached, be and is hereby approved.”

The reason for and effect of this resolution is that the cession in securitatem debiti of the Collateral Deposit to support the guarantee given by City Lodge in respect of the BEE Funding will constitute financial assistance as envisaged in section 44 of the Companies Act and as such requires the approval of Shareholders by way of special resolution. Once so approved, the Directors may proceed to authorise such financial assistance subject to the provisions of section 44 of the Companies Act.

The percentage of voting rights required for the adoption of this Special resolution number 5 is the support of at least 75% of the voting rights exercised on that special resolution.

BT Ngcuka is a shareholder in Vuwa and a director of City Lodge and Vuwa. Accordingly, BT Ngcuka, Vuwa and the BEE SPVs (and their associates) will be precluded from voting on this Special resolution number 5.

ORDINARY RESOLUTION NUMBER 1 – PLACING CONTROL OF THE AUTHORISED BUT UNISSUED SHARES IN THE HANDS OF THE DIRECTORS

"Resolved that, subject to the passing of Special resolutions number 1, 2, 3, 4, 5 and Ordinary resolution number 2 and 3 and their registration with the CIPC to the extent required, in terms of article 7.1 of the Company's Memorandum of Incorporation, the City Lodge Shares of no par value in the authorised but unissued share capital of the Company be and are hereby placed under the control of the Directors of the Company with specific authority to allot and issue such City Lodge Shares in the capital of the Company upon such terms and conditions as they may determine for the specific purpose of implementing the Rights Offer, subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and the Listings Requirements."

The reason for and effect of this Ordinary resolution number 1 is to place the City Lodge Shares of no par value in the authorised but unissued share capital of the Company under the control of the Directors of the Company with specific authority to allot and issue such City Lodge Shares for the specific purpose of implementing the Rights Offer.

The percentage of voting rights required for the adoption of this Ordinary resolution number 1 is 50% plus one vote, of the voting rights exercised on this ordinary resolution.

ORDINARY RESOLUTION NUMBER 2 – RIGHTS OFFER WAIVER RESOLUTION

Resolved, subject to the passing of Special resolutions 1, 2, 3, 4, 5 and Ordinary resolutions number 1 and 3, and the registration with CIPC to the extent required, that in the event the underwriter, its subsidiaries or its concert parties (if any) are able to exercise (alone or together) at least 35% of all the voting rights attached to
the Company’s shares pursuant to the Rights Offer or any arrangement in connection therewith, the benefit of a Mandatory Offer from any such person to the extent required in terms of section 123 of the Companies Act, to acquire any remaining City Lodge Shares on terms determined in accordance with the Companies Act and the Regulations, be and is hereby irrevocably waived as contemplated in Regulation 86(4) of the Regulations.

By reference to Regulation 86(4) of the Regulations, the requisite percentage of voting rights for this Ordinary Resolution Number 2 to be adopted is at least 50% of the voting rights exercised in favour of the passing of this resolution by the independent City Lodge Shareholders (i.e. excluding the underwriter, its subsidiaries or its concert parties (if any) ("Exempt Person")) present in person or by proxy at the General Meeting.

The reason for Ordinary Resolution Number 2 is that section 123(3) of the Act provides that, in the event that pursuant to the acquisition of a beneficial interest in voting rights attached to securities of a company, a person (acting alone or in concert with another person) is able to exercise at least 35% of all of the voting rights attached to the securities of that company, the person is required to offer to acquire any remaining securities of that company on terms determined in accordance with the Companies Act and the Regulations. Regulation 86(4) of the Regulations provide that there is no obligation to make a Mandatory Offer if the independent holders of more than 50% of the general voting rights of all issued securities of the Company have agreed to waive the benefit of such a Mandatory Offer. Insofar as the Rights Offer or any arrangement of an Exempt Person in connection therewith renders such persons (alone or together) able to exercise at least 35% of all of the voting rights attached to the City Lodge Shares, the adoption of this resolution will give effect to a waiver of the right to receive a Mandatory Offer from such persons.

ORDINARY RESOLUTION NUMBER 2 – GENERAL AUTHORISATION

“Resolved that, subject to the passing of Special resolutions number 1, 2, 3, 4, 5 and Ordinary resolution number 1 and 2, any director of the Company or the company secretary be and is hereby authorised to take all actions necessary and sign all documents required to give effect to the abovementioned resolutions.”

The reason for this Ordinary resolution number 3 is to authorise any Director or the company secretary of the Company to take all actions necessary and sign all documents required to give effect to all of the resolutions set out in this Notice of General Meeting.

The effect of Ordinary resolution number 3 is to authorise any Director or the company secretary of the Company to take all actions necessary and sign all documents required to give effect to all of the resolutions set out in this Notice of General Meeting.

The percentage of voting rights required for the adoption of this Ordinary resolution number 3 is 50% plus one vote, of the voting rights exercised on this ordinary resolution.

VOTING REQUIREMENTS AND PROXIES

The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company (the share register) for purposes of being entitled to receive this notice of General Meeting is Friday, 12 June 2020.

The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at the General Meeting is Friday, 10 July 2020, with the last day to trade being Tuesday, 7 July 2020.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the General Meeting before being entitled to participate in the General Meeting and must accordingly submit a copy of their identity document, passport or driver’s licence to the transfer secretaries at proxy@computershare.co.za. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

Certificated Shareholders and own-name dematerialised Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by such Shareholders who wish to be represented at the General Meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder’s proxy) at the General Meeting.

Forms of proxy must be completed and lodged at or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd (Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 or Private Bag X9000, Saxonwold, 2132, South Africa), or emailed to proxy@computershare.co.za so as to be received by the
transfer secretaries by no later than 10:00 on Friday, 17 July 2020, provided that any form of proxy not delivered to the transfer secretaries by this time may be submitted to the transfer secretaries via email at proxy@computershare.co.za at any time before the appointed proxy exercises any shareholder rights at the General Meeting.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the General Meeting will need to request their central securities depository participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein. Such shareholder should contact their CSDP or broker with regard to the cut-off time for their voting instructions.

**ELECTRONIC PARTICIPATION**

Shareholders or their proxies who wish to participate in the General Meeting via electronic communication (‘Participants’) must either:

1. register online using the online registration portal at www.smartagm.co.za by no later than 10:00 on Friday, 17 July 2020; or
2. apply to Computershare, by delivering the duly completed electronic participation form to: Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Friday, 17 July 2020. The electronic participation form can be found as an insert in this Notice of General Meeting.

Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

The Company will inform Participants who notified Computershare in accordance with paragraph 1 above by no later than 10:00 on Monday, 20 July 2020 by email of the relevant details through which Participants can participate electronically.

The cost of electronic participation in the General Meeting is for the expense of the Participant and will be billed separately by the Participant’s own service provider.

The Participant acknowledges that the electronic communication services are provided by third parties and indemnifies City Lodge against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against City Lodge, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the General Meeting.

City Lodge cannot guarantee there will not be a break in electronic communication that is beyond the control of the Company.

By order of the Board

**Melanie van Heerden**  
Company Secretary  
Monday, 22 June 2020
FORM OF PROXY

FOR USE ONLY BY:

– holders of certificated ordinary shares in the Company; and

– holders of dematerialised ordinary shares in the Company held through a Central Securities Depository Participant (CSDP) or Broker

and who have selected “own name” registration,

at the general meeting of City Lodge shareholders to be held at 10:00 on Tuesday, 21 July 2020 and at any adjournment thereof

(“General Meeting”).

Due to the COVID-19 (Coronavirus) pandemic, electronic participation at the meeting, rather than physical attendance is required. Shareholders are required to submit completed proxy forms as provided for in the Notice of General Meeting in order for their votes to be counted. Shareholders are encouraged to vote in advance of the meeting to reduce unnecessary complexity and complications.

If you are a City Lodge Shareholder referred to above, and are entitled to vote at the General Meeting, you can appoint a proxy or proxies to vote and speak in your stead at the General Meeting. A proxy need not be a shareholder of the Company. If you are a City Lodge Ordinary Shareholder and have dematerialised your ordinary shares through a CSDP (and have not selected “own name” registration in the sub-register maintained by a CSDP), do not complete this form of proxy but provide your CSDP with your voting instructions in terms of your custody agreement entered into with it. Generally, a shareholder will not be an own name dematerialised City Lodge shareholder unless the City Lodge shareholder has specifically requested the CSDP to record the City Lodge shareholder as the holder of shares in the City Lodge shareholder’s own name in the Company's sub-register.

I/We (full names in BLOCK LETTERS please)

of (address)

Telephone: (     ) Cellphone number:

Email address:

being the holder(s) of ordinary shares in the Company (delete whichever is inapplicable),

hereby appoint:

of or failing him/her,

of or failing him/her,

the Chairman of the company, or failing him the chairman of the General Meeting, as my/our proxy to speak and on a poll to vote or abstain from voting on my/our behalf, as indicated below, at the General Meeting and/or at any adjournment thereof:

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Insert an “X” in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares which you desire to vote (see note 2).

This proxy shall be valid only for the General Meeting of shareholders of the Company to be held on Tuesday, 21 July 2020 and any adjournment thereof.

Signed at this day of 2020

Signature

Assisted by me (if applicable)

(Authority of the signatory to be attached if applicable – see note 6)

Please read the notes on the reverse side hereof.
NOTES:

1. A City Lodge Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder’s choice in the space(s) provided, with or without deleting ‘the chairperson of the General Meeting’. The person whose name appears first on the form of proxy and who is participating in the General Meeting will be entitled to act as proxy, to the exclusion of those whose names follow.

2. A City Lodge Shareholder’s instructions to the proxy must be indicated by inserting in the appropriate box provided the relevant number of shares to be voted on behalf of that Shareholder. Failure to comply with the above will be deemed to authorise the chairperson of the General Meeting, if they are the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as they deem fit, in respect of all the Shares concerned. A Shareholder or their proxy is not obliged to use all the votes exercisable by the shareholder or their proxy, but the total of the votes cast and in respect of which abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or their proxy.

3. When there are joint registered holders of any Shares, any one of such persons may vote at the meeting in respect of such Shares as if they were solely entitled thereto, but, if more than one of such joint holders are present or represented at any meeting, only that one of the said persons whose name stands first in the register in respect of such shares, or their proxy, as the case may be, will be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares stand will be deemed joint holders thereof.

4. Forms of proxy must be completed and lodged at or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd (Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 or Private Bag X9000, Saxonwold, 2132, South Africa), or emailed to proxy@computershare.co.za so as to be received by the transfer secretaries by no later than 10:00 (South African time) on Friday, 17 July 2020, provided that any form of proxy not delivered to the Transfer Secretaries by this time may be submitted to the Transfer Secretaries via email at proxy@computershare.co.za at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company’s Transfer Secretaries or waived by the chairperson of the General Meeting.

7. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from participating in the General Meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
PARTICIPATION IN THE GENERAL MEETING VIA ELECTRONIC COMMUNICATION

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

1. Shareholders or their duly appointed proxy(ies) that wish to participate in the General Meeting via electronic communication (“Participants”), must apply to Computershare, by delivering the duly completed Form to:
   Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag x9000, Saxonwold, 2132 (at the risk of the Participant), or by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10h00 on Friday, 17 July 2020.

2. Important notice

   2.1 The Company shall, by no later than 10h00 on Monday, 20 July 2020, notify Participants that have delivered valid notices in the form of this Form, by email of the relevant details through which Participants can participate electronically

Application form

<table>
<thead>
<tr>
<th>Full name of Participant:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID number:</td>
</tr>
<tr>
<td>Email address:</td>
</tr>
<tr>
<td>Cell number:</td>
</tr>
<tr>
<td>Telephone number:</td>
</tr>
<tr>
<td>Name of CSDP or broker (if shares are held in dematerialised format):</td>
</tr>
<tr>
<td>I want to participate electronically</td>
</tr>
<tr>
<td>I want to participate and vote electronically</td>
</tr>
<tr>
<td>Signature:</td>
</tr>
<tr>
<td>Date:</td>
</tr>
</tbody>
</table>

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

1. The cost of electronic participation in the General Meeting, including but not limited to network charges, is for the expense of the Participant and will be billed separately by the Participant’s own service provider.

2. The Participant acknowledges, by signing this application form, that the electronic platform through which the General Meeting will be facilitated is provided by third parties and indemnifies City Lodge Hotels Ltd against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the General Meeting, including but not limited to network connectivity or network failure due to, inter alia, insufficient airtime, internet connectivity, power outages, which would prevent the participant from participating in and/or voting at the General Meeting.

3. The application to participate in the General Meeting electronically will only be deemed successful if this application form has been completed fully and signed by the Participant.

Participant’s name

Signature:  
Date:  
