

Sun International Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1967/007528/06)
Share code: SUI ISIN: ZAE000097580
("Sun International" or the "Company")

RESTRUCTURE OF THE BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION ("RESTRUCTURE") ENTERED INTO IN 2005, IN TERMS OF WHICH DINOKANA INVESTMENTS PROPRIETARY LIMITED ("DINOKANA") WAS INTRODUCED AS A BEE SHAREHOLDER OF SUN INTERNATIONAL ("ORIGINAL BEE TRANSACTION")

1. INTRODUCTION

In line with its commitment to transformation and to satisfy the requirements of the North West Gambling Board at that time, Sun International implemented the Original BEE Transaction in terms of which Dinokana was introduced as a direct Shareholder in Sun International. The shareholders of Dinokana comprise Lereko Investments Proprietary Limited ("**Lereko**"), the North West Community Development Trust ("**NWCDT**"), Balapeng Investment Proprietary Limited ("**Balapeng**"), Phodiso Gaming Proprietary Limited ("**Phodiso**"), Tsutsuma Investments Proprietary Limited ("**Tsutsuma**"), Sun International Employee Share Trust ("**SIEST**"), Sun International Black Executive Management Trust ("**SIBEMT**") and Sun International.

Dinokana currently holds approximately 6.5% of the issued shares of Sun International (excluding treasury shares). Since inception of the Original BEE Transaction, Dinokana has supported the management of Sun International in realising Sun International's growth objectives.

The Original BEE Transaction had a lock in period that has recently expired. Dinokana shareholders were conferred certain rights upon the expiry of the lock in period stipulated in the original shareholders agreement ("**Existing Shareholders Agreement**") that would allow for value to be realised in Dinokana.

2. THE RESTRUCTURE

Due to the expiry of the lock in period under the Original BEE Transaction, Sun International, with the support of the Dinokana shareholders, has proposed the Restructure and entered into agreements to give effect to the Restructure, which will ensure that the objectives of both the Dinokana shareholders and Sun International are met. The Restructure remains subject to the conditions precedent ("**Conditions Precedent**") as set out in paragraph 6.

In terms of the Restructure, Sun International will sell a sufficient number of Sun International treasury shares in the open market in order to fund the subscription by Sun International for Dinokana ordinary shares ("**New Dinokana Shares**") and for newly created preference shares in Dinokana ("**New Preference Shares**"). Post subscription for the New Dinokana Shares, Sun International will have an approximate 66% shareholding in Dinokana. Dinokana will utilise the proceeds from the subscription for New Dinokana Shares (which may be advanced to Dinokana as loans prior to the subscription) to redeem the existing preference shares in Dinokana ("**Existing Preference Shares**"), including settling any accrued preference share dividends. The proceeds from the New Preference Shares will be used to buyback Dinokana shares as set out in 5.2.3 below.

Upon Dinokana becoming a subsidiary of Sun International, the Sun International shares held by Dinokana will become treasury shares of Sun International.

On implementation of the Restructure, the Existing Shareholders Agreement will be cancelled. As a result of Dinokana redeeming the Existing Preference Shares as part of the Restructure,

Sun International will no longer be required to provide the guarantee of R60 million to the holder of the Existing Preference Shares ("**Funding Guarantee**").

Sun International does not benefit financially from the Restructure nor is there any cost to Sun International.

3. RATIONALE FOR RESTRUCTURE

The Restructure is beneficial to both Sun International and Dinokana shareholders for the following reasons:

- the Dinokana BEE structure will be extended for a further period of time through the Restructure and allows for some of the benefits to the BEE credentials of Sun International to be maintained for at least a further three to five years;
- it provides Sun International's black executive management (via SIBEMT) and its staff (via SIEST), with the opportunity to retain exposure to Sun International shares thereby aligning their economic interests with the performance of Sun International;
- it provides the opportunity for the current Dinokana shareholders to participate in the growth strategy and performance of Sun International through a direct shareholding in Sun International;
- it facilitates an orderly exit of certain Dinokana shareholders and provides liquidity to them, in line with their expectations; and
- it provides Dinokana with the immediate cash resources to redeem the Existing Preference Shares with the result that the Funding Guarantee will no longer be required. As such, the consolidated financial position of both Dinokana and Sun International will be degeared as a result of the Restructure.

4. SALIENT FEATURES OF THE RESTRUCTURE

As part of the Restructure and as detailed in the restructure agreement entered into between Sun International, Dinokana, Balapeng, Lereko, Phodiso, NWCDT, Tsutsuma, SIEST and SIBEMT to effect the Restructure ("Restructure Agreement"), Sun International and Dinokana provided three options (detailed below) to Dinokana shareholders (other than SIBEMT and Sun International) ("Affected Dinokana Shareholders") that accord with the objectives of Sun International and the Affected Dinokana Shareholders. The Affected Dinokana Shareholders have made their elections in terms of the Restructure Agreement and the majority have elected to remain invested in Sun International through either option 2 or 3 below.

Option 1

Sell Dinokana shares to Dinokana (or, in the case of a SIBEMT beneficiary to whom shares in Dinokana are distributed ("**SIBEMT Shareholder**"), to Sun International) and retain the cash proceeds; or

Option 2

Sell Dinokana shares to Dinokana (or, in the case of a SIBEMT Shareholder, to Sun International) at an enhanced value to Option 1 on the basis that the proceeds of such repurchase being distributed to the ultimate individual shareholders, or their family trusts, of the Affected Dinokana Shareholder ("**Option 2 Shareholders**") and used to acquire Sun International treasury shares (at current market value). In the case of a SIBEMT shareholder, the SIBEMT shareholder will exchange his or her Dinokana shares for Sun International shares. Sun International shares acquired under this option will be subject to a three year lock

in period, save for the Sun International shares to be acquired by Mr MV Moosa and Dr NN Gwagwa, who are reinvesting the proceeds from Option 2 received by Lereko and distributed to its shareholders and should continue to remain directors of Sun International for the foreseeable future; or

Option 3

Remain as a shareholder in Dinokana, at an enhanced value to Option 2, and be subject to a five year lock in period, with geared equity returns provided by the New Preference Shares. On expiry of the five year lock in period, the Dinokana shareholder will have a right to require Dinokana to repurchase the said Dinokana shares (or, in the case of a SIBEMT shareholder, to sell its Dinokana shares to Sun International).

The SIBEMT beneficiaries who do not hold Dinokana shares will be provided with the options described in paragraph above as and when they become SIBEMT shareholders in terms of the SIBEMT trust deed.

5. RESTRUCTURE STEPS

- 5.1 All amounts included in the steps below are based on indicative values calculated based on an assumed Sun International share price of R139.
- 5.2 The steps to implement the Restructure based on the options set out in paragraph 4 are as follows:
 - 5.2.1 Sale of Sun International treasury shares and subscription for New Dinokana Shares
 - 5.2.1.1 Sun International will sell the requisite number of Sun International treasury shares on the market to enable Sun International to fund Dinokana to redeem the Existing Preference Shares. It is calculated that Sun International would have to sell approximately 3.8 million Sun International treasury shares. Using the proceeds (approximately R533 million) from the sale of the Sun International treasury shares, Sun International will subscribe for New Dinokana Shares to enable Dinokana to redeem the Existing Preference Shares;
 - 5.2.1.2 After the subscription for the New Dinokana Shares, Sun International will have a controlling shareholding in Dinokana, holding approximately 66% of the Dinokana shares. As a result, the 6.7 million Sun International shares held by Dinokana will be controlled as treasury shares by Sun International.
 - 5.2.2 Settlement of Existing Preference Shares

Dinokana will redeem the Existing Preference Shares using the proceeds received from Sun International as a result of the subscription for New Dinokana Shares.
 - 5.2.3 New Preference Shares

Sun International will sell an additional approximately 0.9 million treasury shares, and use the proceeds to subscribe for the New Preference Shares in Dinokana to fund the amount required to repurchase the Dinokana shares held by Affected Dinokana Shareholders (other than SIBEMT shareholders)

who have elected Option 1 or Option 2 per paragraph 4 (“**Buyback**”).

5.2.4 Buyback by Dinokana

5.2.4.1 Using the cash proceeds from the issue of the New Preference Shares, Dinokana will effect the Buyback of Dinokana shares from the Affected Dinokana Shareholders that have elected either Option 1 or Option 2 at the respective value per Dinokana share as calculated per the Restructure Agreement, which is calculated as approximately R131 million in total.

5.2.4.2 The consideration at which the Buyback will be implemented takes into account the Sun International share price, the indebtedness of Dinokana and related costs.

5.2.5 Acquisition of Sun International shares under Option 2

5.2.5.1 Option 2 Shareholders will acquire approximately 0.6 million shares at the 30 business day volume weighted average price for Sun International shares.

5.2.5.2 The Option 2 Shareholders, save for those individuals identified in paragraph 4 above, will be restricted from disposing or encumbering their Sun International shares for a period of three years.

5.2.6 Dinokana Locked in Shareholders

5.2.6.1 The Affected Dinokana Shareholders who elected Option 3 (“**Dinokana Locked in Shareholders**”) will be subject to a lock in period of five years, during which time they may not dispose of or encumber their Dinokana shares.

5.2.6.2 On expiry of the five year lock in period under Option 3, Dinokana Locked in Shareholders shall have the right to call upon Dinokana to repurchase their Dinokana shares. In order to raise the requisite funds to repurchase the Dinokana shares, Dinokana shall sell a proportionate number of the Sun International shares held by Dinokana (being treasury shares) in the open market. Based on the assumption that all Dinokana Locked in Shareholders elect to exercise their rights under Option 3, Dinokana would be required to sell approximately 1.7 million Sun International treasury shares to settle the obligation as per Option 3.

5.2.7 SIBEMT and SIBEMT Beneficiaries

SIBEMT will not be entitled to exercise any options. The SIBEMT beneficiaries, upon becoming SIBEMT shareholders, will be entitled to exercise the options *mutatis mutandis* on the same basis as set out above, save that:

- 5.2.7.1 under Option 1, the SIBEMT shareholder's Dinokana shares will be acquired by Sun International;
- 5.2.7.2 under Option 2, the SIBEMT shareholder's Dinokana shares will be exchanged for Sun International shares;
- 5.2.7.3 under Option 3, at expiry of the five year lock in period, those SIBEMT shareholders who call on Dinokana to repurchase their Dinokana shares will instead have their Dinokana shares purchased by Sun International.

6. CONDITIONS PRECEDENT TO THE RESTRUCTURE

- 6.1 The Restructure is conditional upon fulfilment of, inter alia, the following Conditions Precedent:
 - 6.1.1 the requisite majority of Sun International shareholders approve the Restructure, as per the resolutions put forward at the general meeting ("**General Meeting**");
 - 6.1.2 the holder of the Existing Preference Shares approves, in writing, the transactions contemplated in the Restructure Agreement;
 - 6.1.3 so many Sun International shares are disposed of in terms of the Restructure or repurchased in terms of the Specific Repurchase (as detailed per paragraph 7) as will result in the aggregate number of Sun International treasury shares held by the subsidiaries of Sun International, together with the shares in Sun International held by Dinokana, constituting 10% or less of the Sun International shares;
 - 6.1.4 the Dinokana shareholders pass the necessary shareholder resolutions to implement the Restructure, and, where applicable, such resolutions are filed in terms of the Companies Act;
 - 6.1.5 any required approvals from the JSE are obtained.
- 6.2 Sun International and Dinokana may, by agreement in writing, at any time –
 - 6.2.1 extend the date for fulfilment of any Condition Precedent; and/or
 - 6.2.2 waive the fulfilment of any Condition Precedent, in whole or in part, at any time, unless such Condition Precedent (or part thereof, if applicable) is legally required for the implementation of the transactions contemplated in the Restructure Agreement.
- 6.3 The Restructure will be implemented (other than in respect of SIBEMT beneficiaries) on a date determined by Sun International after the Restructure Agreement becomes unconditional, which date shall not fall after 30 September 2015.

7. SHARE REPURCHASE

- 7.1 Sun International Investments No. 2 Proprietary Limited ("**Sun International Investments**"), a wholly owned subsidiary of Sun International, owns 10,149,477 Sun International shares constituting 8.89% of the issued share capital of Sun International.

7.2 The board of directors has resolved that Sun International repurchase up to a maximum of 5,500,000 treasury shares ("**Repurchased Treasury Shares**") ("**Specific Repurchase**") as may be required per paragraph 6.1.3 in order to ensure that the Sun International treasury shares do not exceed 10% of the issued share capital of Sun International. The Repurchased Treasury Shares will be repurchased at the 30 business day volume weighted average price per Sun International share on the day prior to effecting the Specific Repurchase, subject to the applicable requirements of the Company's memorandum of incorporation, the approval by shareholders by way of a special resolution, the provisions of the Companies Act, No 71 of 2008 as amended ("**Companies Act**") (and any other applicable laws of the Republic of South Africa) and the JSE Limited ("**JSE**") Listings Requirements ("**JSE Listings Requirements**").

7.3 **Shareholder approval to be sought at the General Meeting**

7.3.1 In order to effect the Specific Repurchase, it is necessary for shareholders to pass a special resolution in accordance with the provisions of the Companies Act and the JSE Listings Requirements. The votes attaching to the Treasury Shares held by Sun International Investments, its directors and their associates will not be counted for the purposes of determining the results of the voting on this special resolution. The special resolution and further details relating to the Specific Repurchase are set out in the notice of the General Meeting.

7.3.2 At the time that the Restructure is implemented but post the Specific Repurchase being approved by Sun International shareholders, the Repurchased Treasury Shares will be repurchased, cancelled as issued shares and restored to the status of authorised but unissued shares in the share capital of Sun International. The JSE will be requested to terminate the listing of the Treasury Shares. Once the Specific Repurchase has been implemented, Sun International Investments will hold 4,649,477 Sun International shares.

7.4 **The financial effects of the Specific Repurchase**

7.4.1 As the Specific Repurchase will constitute an intra-group transaction, the financial effect on the Sun International group's earnings per share, headline earnings per share, net asset value per share and net tangible asset value per share will be confined to the cost of the JSE documentation fee, the sponsor fee and Securities Transfer Tax, the total of which is considered to be negligible.

8. **DIRECTORS' RECOMMENDATION**

Having regard to the background information, the Sun International board of directors is of the opinion that the Restructure is fair insofar as the Sun International shareholders are concerned and that the Restructure would be of benefit to Sun International shareholders. Accordingly, the Sun International board of directors recommends that Sun International shareholders vote in favour of the resolutions necessary to implement the Restructure.

9. **CIRCULAR**

A circular containing full details of the Restructure and Specific Repurchase and incorporating a notice of the General Meeting required to pass the resolutions to implement the Restructure and Specific Repurchase, which is subject to the approval of the JSE, will be posted to Sun

International shareholders on or about 23 February 2015 ("**Circular**"). The dates and times relating to the General Meeting will be included in the Circular and the Circular posting announcement.

Sandton
16 February 2015

**Investment bank and transaction sponsor to
Sun International**

Investec Bank Limited

Sponsor to Sun International

RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Corporate law advisers to Sun International

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