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**CONDUIT CAPITAL LIMITED**  
Incorporated in the Republic of South Africa  
(Registration number 1998/017351/06)  
Share code: CND ISIN: ZAE000073128  
("Conduit Capital" or "the Company")

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**DISPOSAL OF ASSETS AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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## 1. INTRODUCTION

Further to the cautionary announcement dated 27 November 2019 and the announcement released by Trustco Group Holdings Limited ("**Trustco**") dated 9 December 2019, the Board of directors of Conduit Capital ("**the Board**") is pleased to advise shareholders that Conduit Capital has entered into a binding term sheet ("**Agreement**") with Trustco and its subsidiary, Legal Shield Holdings Limited ("**LSH**" or "**the Purchaser**"). In terms of the Agreement and subject to certain suspensive conditions, Conduit Capital has agreed to dispose of 100% of the issued ordinary shares of Constantia Risk and Insurance Holdings Proprietary Limited ("**Constantia**") and Conduit Ventures Proprietary Limited ("**Conduit Ventures**") (Constantia and Conduit Ventures collectively, "**the Disposal Assets**") in exchange for shares in LSH ("**the Disposal**").

The Disposal constitutes a proposal to dispose of all or the greater part of Conduit Capital's assets in terms of section 112 of the Companies Act, 2008 (Act 71 of 2008), as amended ("**Companies Act**") and a Category 1 related party transaction in terms of section 9.5(b) of the Listings Requirements of JSE Limited ("**JSE Listings Requirements**") which will require approval by special resolution of the shareholders of Conduit Capital in a general meeting ("**Conduit Shareholders Approval**"). Conduit Capital will issue a circular convening a shareholders meeting and containing full details of the Disposal ("**Conduit Constantia Disposal Circular**") in due course.

The parties expect that the Disposal will be implemented on 31 March 2020 or such other date as may be agreed before such date ("**Closing Date**"). Subject to the parties obtaining relevant regulatory approvals, the effective date of the Disposal will be the earliest practical date after satisfaction of the last regulatory approval in time to be obtained or such later date as may be agreed.

## 2. THE DISPOSAL

### 2.1 Nature of the business of the Disposal Assets and LSH

#### 2.1.1 Constantia

Constantia is Conduit Capital's wholly owned insurance business which operates across three insurance licences. It offers insurance and risk management solutions, covering areas such as medical malpractice, primary health insurance and medical gap cover products, funeral and life insurance, guarantee and indemnity solutions, medical evacuation insurance, property and casualty, heavy commercial vehicle, small business and other niche lines.

Constantia's products are distributed through underwriting management agencies, administrator managed (binder based) broker distribution, and certain direct broker relationships. Over the past three years, Conduit Capital has invested significantly in capacity, skills and infrastructure at Constantia to improve the underwriting, distribution and innovation capability, thereby building its competitive advantage.

### 2.1.2 Conduit Ventures

Conduit Ventures owns a number of subsidiaries which provide certain insurance related services and other support and back office services to insurers, including without limitation to Constantia. These services include software solutions, risk management solutions and claims related services.

### 2.1.3 LSH

LSH is a diversified financial services provider incorporated in Namibia with a client base of more than 280 000 members comprising of individuals and small businesses. It currently holds both a short and long-term insurance licence. LSH also owns over 4 000 hectares of real estate assets in Namibia, including without limitation property developments and vacant land.

LSH is currently a wholly owned subsidiary of Trustco and, pursuant to the completion of the restructuring of the operations of LSH as set out in the Trustco announcement dated 28 October 2019 ("**Trustco Restructuring**"), LSH will also hold a commercial banking licence in Namibia. On completion of the Trustco Restructuring, LSH will be able provide a full spectrum of services across the financial services value chain in Namibia.

LSH, subject to the completion of the Trustco Restructuring and otherwise as set out in LSH's accounts for the accounting period ending March 2019, will hold assets in a net asset value of NAD5.8 billion, capital and reserves of NAD2.1 billion, revenues of NAD1.5 billion and generated a net profit after tax of NAD900 million.

## 2.2 Rationale for the Disposal

The rationale for the Disposal is to enable the shareholders of Conduit Capital to benefit from an investment in a larger and more diversified financial services group with operations in South Africa, Namibia and other international markets. The combination of Constantia with LSH will allow Constantia to benefit from a larger balance sheet which will unlock growth and value creation opportunities in the South Africa, Namibian and other international insurance markets.

## 2.3 Purchase Consideration

The consideration payable by LSH to Conduit Capital in respect of the Disposal Assets is an amount of R2 000 004 232 (two billion four thousand two hundred and thirty-two Rand). The aforesaid purchase consideration will be settled by LSH issuing 231 857 (two hundred and thirty-one thousand eight hundred and fifty-seven) ordinary shares to Conduit Capital each of which is valued at NAD8626.02 (with the exchange rate of NAD to ZAR being 1:1). The aforesaid consideration shares will constitute approximately 16.1% of the issued ordinary shares of LSH on issuance on a fully diluted basis.

## 2.4 Application of the sale proceeds

The net proceeds of the Disposal, being the LSH ordinary shares, will be held by Conduit Capital for investment purposes.

### 3. SUSPENSIVE CONDITIONS TO THE DISPOSAL

The Disposal is subject to the fulfilment of the following Suspensive Conditions being satisfied on or before the Closing Date:

- 3.1 all regulatory and other approvals necessary for the implementation of the Disposal are obtained (either unconditionally or subject to such conditions as may be agreed between the parties at the time) including without limitation, approval by the JSE, Competition Commission, Takeover Regulation Panel, Financial Sector Conduct Authority (FSCA), Prudential Authority (PA);
- 3.2 the Independent Board obtaining a fair and reasonable opinion expressed by an independent expert on the fairness and reasonableness of the consideration for the Disposal taking into account value and price;
- 3.3 the parties obtaining such shareholder approval as may be required to proceed with the Disposal, including the Conduit Shareholders Approval; and
- 3.4 the Purchaser completing their legal, accounting and operational due diligence on or before the Closing Date and the results thereof being satisfactory.

### 4. FINANCIAL INFORMATION

The net asset value of the Disposal Assets as at 30 June 2019 was R700 million. The audited loss after tax attributable to the Disposal Assets for the year ended 30 June 2019 was R594 million.

The financial statements were prepared in accordance with International Financial Reporting Standards and the Companies Act, 2008 (Act 71 of 2008), as amended.

The *pro forma* financial effects of the Disposal will be detailed in the Conduit Constantia Disposal Circular.

### 5. INDEPENDENT BOARD AND INDEPENDENT EXPERT OPINION

The Disposal is classified as an affected transaction in terms of the Companies Act. Accordingly, Conduit Capital has constituted its independent board in terms of the Takeover Regulations, comprising of Mr Ronald Napier, Mr William Thorndike Jnr and Ms Rosetta Xaba (“**Independent Board**”) to consider the terms of the Disposal.

The Independent Board will appoint an Independent Expert to express an opinion on the fairness and reasonableness of the Disposal. The contents of the Independent Expert’s advice and opinion and the final views of the Independent Board will be detailed in the Conduit Constantia Disposal Circular.

### 6. EXCLUSIVITY AND BREAK FEE

Conduit Capital has agreed to negotiate the Disposal exclusively with the Purchaser and will not solicit or respond to enquiries relating to the proposed Disposal (other than as approved by LSH), nor shop the terms of the Agreement to any other person or organisation.

Should the Purchaser decide not to pursue the Disposal for any reason other than a material discovery during the due diligence, a break fee of R10 million shall be payable by Trustco to Conduit Capital.

## **7. CLASSIFICATION OF THE DISPOSAL AND FURTHER DOCUMENTATION**

As set out in section 1 of this announcement, the Disposal constitutes a Category 1 related party transaction in terms of the JSE Listings Requirements and a proposal to dispose of all or the greater part of the assets of Conduit Capital in terms of the Companies Act. The Conduit Constantia Disposal Circular will contain full details of the Disposal, including without limitation a notice to convene a general meeting of shareholders of Conduit Capital in order to consider and, if deemed fit to pass, with or without modification, the resolutions necessary to approve and implement the Disposal, including the Conduit Shareholders Approval, will be issued in due course.

Sean Riskowitz, Chief Executive Officer of Conduit Capital, controls Protea Asset Management (“**Protea**”). Protea is the Investment Advisor to the Riskowitz Value Fund LP and other accounts (“**RVF**”). RVF is a material shareholder of Conduit Capital. RVF, through its material shareholding in both Trustco and LSH controls in excess of 35% of the votes able to be cast at general meetings of LSH and therefore LSH is considered to be an associate of RVF and a related party to Conduit Capital in terms of paragraph 10.1(b) of the Listings Requirements. RVF is a related party of each of Conduit Capital and Trustco as contemplated in section 2(1)(c) of the Companies Act as RVF directly or indirectly controls Conduit Capital. Protea, RVF and their associates will accordingly be precluded from voting on the Disposal.

The Independent Board is currently still reviewing and considering the position of certain of the shareholders and directors of Conduit Capital to establish whether any such shareholders and/or directors are acting in concert with the Purchaser as contemplated in 117(1)(b) of the Companies Act and Regulation 84 of the Takeover Regulations, 2011 (“**Concert Parties**”). Any Concert Parties will not be entitled to exercise their respective voting rights for the purposes of the Conduit Shareholder Approval. Should any Concert Parties be identified, Conduit Capital will release a further announcement confirming the Concert Parties and, if applicable, the details of such Concert Parties and their respective shareholding.

## **8. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

Following the release of this announcement, shareholders are advised that caution is no longer required when dealing in the Company’s securities.

Johannesburg  
9 December 2019

**Corporate Adviser and Sponsor to Conduit Capital**  
Merchantec Capital

**Legal Adviser to Conduit Capital**  
Africa Solved Advisory Proprietary Limited