

Capital Appreciation Limited
Incorporated in the Republic of South Africa
(Registration number 2014/253277/06)
Share code: CTA
ISIN: ZAE000208245
('CAPPREC', "CTA" or "the Company")

ACQUISITION OF A VIABLE ASSET

1. INTRODUCTION

CAPPREC is a Special Purpose Acquisition Company ("SPAC") that was listed on the Main Board of the Securities Exchange operated by the JSE Limited ("JSE") on 16 October 2015. CAPPREC was established with the purpose of raising capital in order to pursue an acquisition of a Viable Asset, in accordance with and as defined in the Listings Requirements (the "Listings Requirements") of the JSE.

The CAPPREC pre-listing statement contained an intention to acquire a Viable Asset that would provide a platform for future growth and expansion in South Africa, Africa and beyond, the preferent commercial nature of such acquisition being a company in the services sector. Since the listing, CAPPREC has evaluated and considered numerous acquisition opportunities, the following information on the proposed acquisitions being a direct result of such processes.

The Board is pleased to announce that agreements have been concluded, subject to certain conditions precedent, to acquire three separate financial technology companies (i) African Resonance Business Solutions (Proprietary) Limited ("African Resonance"), (ii) Rinwell (Proprietary) Limited ("Rinwell"), the sole shareholder of Dashpay (Proprietary) Limited ("Dashpay"), and (iii) Synthesis Software Technologies Proprietary Limited ("Synthesis"). These enterprises provide a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services sector.

Companies that cater to the technology needs of established institutions and new entrants in the financial services sector or support the technology infrastructures used by these institutions to deliver services to their clients, are commonly known as "FinTech" companies. CAPPREC has concluded that FinTech is an exciting industry sector that satisfies its investment interests and objectives. CAPPREC believes that the sector offers good growth potential as well as further investment and acquisition opportunities to broaden its portfolio of services offered to clients and create shareholder value.

CAPPREC further recognises the transformational power of financial technology and its potential to effect economic and social change among the economically disadvantaged of the world, particularly on the African continent. In this regard, Black Economic Empowerment (BBBEE), and transformation in general, was a deliberate cornerstone imperative in the constitution of CAPPREC and will continue to feature prominently in the future growth and development plans for CAPPREC. Apart from the present "inclusive" BEE share ownership in CAPPREC (at approximately 48%), models for further BEE ownership and participation will continue to be prioritised.

2. THE PROPOSED AFRICAN RESONANCE AND RINWELL TRANSACTIONS

CAPPREC has entered into an agreement to acquire 100% of the issued shares of African Resonance for an aggregate purchase consideration of R525 million (the "African Resonance Acquisition") to be settled by (i) an aggregate cash payment of R295 million; and (ii) the issue of an aggregate of 230 million CAPPREC shares at R1.00 per share (the "AR Consideration Shares"). CAPPREC will acquire the African Resonance shares from Professor Hanoch Neishlos, Mr Wayne Brett Fagan, Mr Edmund Pieterse and Safika Holdings (Proprietary) Limited.

CAPPREC has simultaneously entered into an agreement to acquire 100% of the issued shares of Rinwell for an aggregate purchase consideration of R225 million, payable in cash (the "Rinwell Acquisition", and together with the African Resonance Acquisition, are referred to herein as the "AR-DP Acquisitions"). CAPPREC will acquire the Rinwell shares from Castledash Investment Holdings Limited.

Concurrent with the AR-DP Acquisitions, CAPPREC has agreed to invest in Resonance Australia Pty Ltd ("Resonance Australia") and will subscribe for 17.45% of the issued shares of Resonance Australia. Resonance Australia is a new entrant in the Australian payment technology market, the enterprise intending to provide services and solutions to institutions and clients similar to those solutions and support services provided by African Resonance and Dashpay in South Africa. The investment for the subscription of shares (and the proportional loan capital to be advanced) will amount to approximately R 36 million.

3. THE PROPOSED SYNTHESIS TRANSACTION

CAPPREC has entered into an agreement to acquire 100% of the issued shares of Synthesis for an aggregate purchase consideration of R142.3 million (the "Synthesis Acquisition") to be settled by (i) an aggregate cash payment of R82.3 million; and (ii) the issue of an aggregate of 60 million CAPPREC shares at R1.00 per share (the "Synthesis Consideration Shares"). CAPPREC will acquire the Synthesis shares ("Synthesis Shares") from Michael Shapiro, Jake Shepherd, Thomas Wells and Steyn Basson (collectively the "Synthesis Vendors"). Synthesis has also provided

CAPPREC with a profit warranty that, if achieved prior to the end of fiscal 2020, may result in CAPPREC paying the Synthesis Vendors an additional R10 million in cash and issuing the Synthesis Vendors an additional 30 million CAPPREC shares (at R1.00 per share) (subject to adjustment for dilutionary events as defined in the agreement).

4. INFORMATION ON AFRICAN RESONANCE AND RINWELL'S SUBSIDIARY, DASHPAY

Within the FinTech sector there are several sub-sectors, which include inter alia, "Payments and Payment Infrastructure". Payments and Payment Infrastructure is a large and growing part of global economies. This is equally relevant in South Africa and increasingly so across the African continent. Factors driving this growth are being stimulated by mobile communications, growing consumer interest in and exposure to the benefits of digital currency, and a growing choice of applications, including:

- **Increasing Adoption of and Comfort with Card Based and Digital Currency** - There is an increasing consumer comfort with digital currency and the seamless experience in new forms of payment delivery (including card based payments). In Emerging Markets there is increasing focus on financial inclusion and the promise of more cost effective services brought about through technology. With increasing consumer acceptance, Governments recognize that electronic payments reduce corruption, increase accountability, boost financial inclusion, reduce fraud and enhance security. The secular shift away from the use of cash has grown and continues to accelerate.
- **Changes in Consumer Behaviour** - Increasing "mobile-first" habits, the willingness of consumers to share personal experiences and data, and the desire for highly curated information characterize an increasingly larger portion of consumers. This is driving consumers to demand more from the institutions with whom they interact and on whom they rely for financial transactions. Consumers have increased expectations of immediate and more bespoke experiences.
- **Changes in Retailer Requirements** - Retailers and other market participants are seeking more direct and individualized relationships with their customers / patrons. Big data and multi-channel retailing are driving retailers to seek more tailored, cost effective solutions to enhance their customer experiences.
- **Regulation and Security Concerns** - Regulation and threats to security continue to drive payment infrastructure participants to refresh their systems with more security and more protective technology platforms.

African Resonance and Dashpay, on behalf of and in association with their institutional clients, are well positioned to (i) respond to changing market and institutional clients' end-market customer needs, (ii) help clients to expand the applicability and versatility of electronic and card payments, (iii) innovate,

and (iv) deliver cost effective solutions to institutional clients and others in South Africa and across the rest of Africa.

African Resonance is a leading provider of payment infrastructure and related services to established financial institutions, emerging payment service providers, the hospitality industry and retail operators. African Resonance designs, develops and implements end-to-end solutions, including full service device fleet management, to its institutional clients and corporate customers. African Resonance supplies electronic point-of-sale and like devices, and provides merchants with a single device capable of providing both banking and non-banking products and services. Over a period of 14 years African Resonance has evolved into a well-established, reputable and growing company with a range of customer and supplier relationships, a skilled and motivated team of employees and established operating processes. This is supported by access to a sophisticated and strategically valuable technology platform utilised to offer their institutional clients secure, cost effective, market-leading customer service levels and innovative products and solutions in the South African payments market.

- **Established Blue Chip and Emerging Customer Base** – Since its formation, African Resonance has concluded supply and service arrangements with most of the leading retail banks in South Africa, for the supply of payment related equipment and services. Collectively these institutions account for the vast majority of payments processed in retail environments in South Africa. African Resonance has also concluded relationships with other smaller financial institutions, the hospitality industry and other participants in the payments value chain.
- **Established Relationship with Leading, World Class Suppliers** – African Resonance has an established and long-standing relationship with the leading manufacturer and supplier of payment devices. Ingenico Group, based in France, is the world's leading manufacturer of payment terminals and a provider of seamless payment solutions. African Resonance is regarded and recognised as a centre of excellence for Ingenico, both as distributor and through its skilled customer service and maintenance capacity.
- **Exclusive Access to Proprietary Technology** – African Resonance has invested heavily in its technology platforms and has the exclusive right to use a suite of infrastructure and terminal fleet enterprise management solutions in South Africa. Forming part of the African Resonance Acquisition, these exclusive rights have been expanded to cover the provision of services throughout Africa. These technologies allow African Resonance to manage, within a single workflow management platform, a terminal estate business covering remote merchant management, contract management, workflow management, asset management, call centre logging, problem resolution management, SLA management, terminal despatch and activation of banking and non-banking products.

Dashpay was initially conceived as a traditional merchant acquirer when first established in 2013. Since that time a significant amount has been invested in the development of Dashpay's systems and technology, with further resources being allocated to complete its multi-product transacting platform, essentially for the facilitation of Business-to-Business payment related products in conjunction with its insitutional client base. Dashpay presently operates within the South African national payments infrastructure, continually broadening its market reach, while concurrently establishing and securing the transaction capacity of its technology platforms. Dashpay services are ideally suited to serving the rapidly changing needs for secure payment systems, and financial management across Africa. CAPPREC recognises the high demand and potential growth in those destinations.

Traditional financial institutions and financial services companies, often constrained by legacy systems and platforms, have for various reasons struggled to respond to changing customer needs or provide innovative payment related services to non-traditional merchants, be they retailers, wholesalers, other independent vendors, and more particularly SMMEs. Dashpay's technology platforms are adaptable and compatible with electronic point of sales devices and state of the art switching and processing capabilities. These can be offered directly to SMME retailers and suppliers to SMME retailers to expand this presently underserved market in which electronic payments, secure recovery and other financial service products, disciplines and controls could become helpful and applicable.

5. INFORMATION ON SYNTHESIS

Synthesis, founded in 1997, offers highly specialised software development, consulting and integration services and technology based product solutions to banking and other financial institutions in South Africa and other emerging markets. Synthesis' products and services enable clients to perform business processing functions, meet regulatory requirements, integrate with trading platforms and exchanges and secure sensitive information.

Synthesis' development and consulting initiatives are responsive to the commercial and technology imperatives of the institutional financial services clients that it serves. Executed in close collaboration with their clients, the Synthesis Digital Channel Initiatives deliver an exceptional end-user customer experience while maintaining information security and transaction integrity.

Synthesis is an accredited AWS Consulting Partner and Synthesis' "cloud transformation" initiatives assist their clients in becoming "cloud ready", to execute mass migrations, to harness the benefits of big data analytics and to extract the cost savings and regulatory benefits of compliance. This is an increasing priority for financial services institutions across Africa.

Synthesis' product solutions for banks and financial services institutions include online banking solutions and regulatory reporting solutions for both SARS (tax) and SARB (balance of payments). There is an increasing regulatory and reporting burden being imposed on financial institutions in the banking, insurance and securities industries. Banks and other providers of consumer facing financial services are increasingly investing in systems and service offerings to respond to ever more demanding customer needs. This presents a compelling growth opportunity for Synthesis. These products also have global application and have led to international expansion opportunities for Synthesis.

6. RATIONALE FOR THE ACQUISITIONS

CAPPREC was established for the purpose of pursuing acquisitions of, and investments in, commercial enterprises with good growth potential. African Resonance and Dashpay (in association) are uniquely positioned to capitalise on their technologically innovative products and competencies within the South African payment sector. Both African Resonance and Dashpay are also uniquely placed for expansion into the rest of Africa. Synthesis is equally well positioned to capitalise on the need for financial institutions to invest in innovation, to increase customer reach, to reduce operating costs and to enhance regulatory compliance.

The African Resonance Acquisition, the Rinwell Acquisition and the Synthesis Acquisition provide CAPPREC with a real prospect of achieving its stated purpose on listing, the delivery of long-term value for CAPPREC shareholders.

7. SIGNIFICANT TERMS OF THE TRANSACTIONS

The African Resonance Acquisition and the Rinwell Acquisition are inter-conditional and will, on successful implementation, constitute the acquisition by CAPPREC of a Viable Asset. The effective date of the African Resonance Acquisition and the Rinwell Acquisition respectively, shall be the 5th business day following the date on which all of the conditions precedent in each of the African Resonance Acquisition sale of shares agreement ("African Resonance Acquisition Agreement") and the Rinwell Acquisition sale of shares agreement ("Rinwell Acquisition Agreement") have been fulfilled or waived, as the case may be, or such other business day as agreed between the relevant parties.

The Synthesis Acquisition, on successful implementation, could similarly constitute the acquisition by CAPPREC of a Viable Asset. The effective date of the Synthesis Acquisition shall be the 5th business day following the date on which all of the conditions precedent in the Synthesis Acquisition sale of shares agreement ("Synthesis Acquisition Agreement") have been fulfilled or waived, as the case may be, or such other business day as agreed between the relevant parties.

The vendors in respect of each of the African Resonance Acquisition, the Rinwell Acquisition, and the Synthesis Acquisition have provided warranties and indemnities to CAPPREC, consistent with those customarily provided in transactions of this nature.

8. CONDITIONS PRECEDENT

The African Resonance Acquisition Agreement is subject to, *inter alia*, the following conditions precedent:

- the Rinwell Acquisition Agreement becoming unconditional in accordance with its terms;
- written approval for the African Resonance Acquisition being obtained from the relevant Competition authorities;
- no material adverse change having arisen or occurred between the signature date of the African Resonance Acquisition Agreement and the date upon which all conditions precedent are fulfilled;
- approvals for the African Resonance Acquisition being obtained in writing (where necessary) from counterparties to all of the material contracts of African Resonance;
- approval by CAPPREC shareholders of the terms of the African Resonance Acquisition, including, *inter alia*, approval for the issue and allotment of the AR Consideration Shares; and
- approval from the JSE for the African Resonance Acquisition, including approval for the listing of the AR Consideration Shares on the main board of the Securities Exchange operated by the JSE.

The Rinwell Acquisition Agreement is subject to, *inter alia*, the following conditions precedent:

- the African Resonance Acquisition Agreement becoming unconditional in accordance with its terms;
- written approval for the Rinwell Acquisition being obtained from the relevant Competition authorities;
- no material adverse change having arisen or occurred between the signature date of the Rinwell Acquisition Agreement and the date upon which all conditions precedent are fulfilled;
- the approval by CAPPREC shareholders of the Rinwell Acquisition; and
- approval from the JSE for the Rinwell Acquisition.

The Synthesis Acquisition Agreement is subject to, *inter alia*, the following conditions precedent:

- no material adverse change having arisen or occurred between the signature date of the Synthesis Acquisition Agreement and the date upon which all conditions precedent are fulfilled;
- approvals for the Synthesis Acquisition being obtained in writing (where necessary) from counterparties to all of the material contracts of Synthesis;
- satisfactory completion of the due diligence exercise currently underway;
- approval by CAPPREC shareholders of the terms of the Synthesis Acquisition, including, *inter alia*, approval for the issue and allotment of the Synthesis Consideration Shares; and
- approval from the JSE for the Synthesis Acquisition, including approval for the listing of the Synthesis Consideration Shares on the main board of the Securities Exchange operated by the JSE.

Conditions precedent to the African Resonance Acquisition Agreement, the Rinwell Acquisition Agreement and the Synthesis Acquisition Agreement respectively, which encompass Regulatory requirements for approval are not capable of waiver.

9. FINANCIAL EFFECTS OF THE ACQUISITIONS

African Resonance and Synthesis each have a fiscal year ending 28 February while the Rinwell fiscal year end is 30 June. Accordingly, the following historical information has been extracted from the companies' unaudited management accounts as of the dates specified, in each case reviewed by the respective company's auditors. The value of net assets of African Resonance and Synthesis as of 31 August 2016 was approximately R58.9 million and R17.0 million respectively and the value of net assets for Rinwell as of 30 June 2016 was R7,8 million. With respect to African Resonance and Synthesis, the profit after tax for the 6 months ending 31 August 2016 was approximately R25,4 million and R9,6 million, respectively, and, with respect to Rinwell's wholly owned and only subsidiary, Dashpay, for the 6 months ending 30 June 2016, the loss before and after tax was approximately R5,3 million. After tax profits for African Resonance has more than doubled in each of the fiscal years 2015 and 2016 and the growth in after tax profits for Synthesis was more than 25% in each of the fiscal years 2015 and 2016.

The audited financial statements at the date of the last three reporting periods for each of African Resonance, Rinwell and Synthesis will be included in the CAPPREC Circular and Notice of General Meeting to Shareholders for purposes of approving resolutions relating to the subject transactions.

The financial year ends for each of African Resonance, Rinwell, Dashpay and Synthesis are to be changed to 31 March and, as such, the audited results for the year ending 31 March 2018 will be the first audited consolidated financial results that reflect the integrated operations of the companies as a group.

After the subject transactions have been concluded, assuming shareholders approve CAPPREC retaining the residual capital, CAPPREC will have approximately R420 million in cash for further investment and potential acquisitions.

10.CATEGORISATION

The AR-DP Acquisitions qualify as a Category 1 acquisition (as well as an acquisition of a Viable Asset) for CAPPREC in terms of the JSE Listings Requirements. The Synthesis Acquisition similarly qualifies as an acquisition of a Viable Asset for CAPPREC in terms of the JSE Listings Requirements. Consequently, a Shareholders' Circular, setting out full details of the AR-DP Acquisitions and the Synthesis Acquisition (including revised listing particulars for CAPPREC post completion of the AR-DP Acquisitions and the Synthesis Acquisition) will be distributed to CAPPREC shareholders in due course.

Following the successful conclusion of the AR-DP Acquisitions and/or the Synthesis Acquisition, the JSE will no longer classify CAPPREC as a SPAC and, subject to the approval of the JSE, CAPPREC will appear on the Main Board of the JSE Lists.

11.APPROVAL BY DISINTERESTED DIRECTORS

The Independent Non-Executive directors of CAPPREC have unanimously approved, separately and collectively, the AR-DP Acquisitions and the Synthesis Acquisition.

12.SUBSIDIARY COMPANIES

Following the implementation of the African Resonance Acquisition, the Rinwell Acquisition and the Synthesis Acquisition, respectively, each of African Resonance, Rinwell (indirectly Dashpay) and Synthesis will become wholly-owned subsidiaries of CAPPREC. Accordingly, the memorandum of incorporation of each will comply with paragraph 10.21 of Schedule 10 of the Listings Requirements to the extent required.

16 February 2017

Johannesburg

DIRECTORS

M. Sacks* (Non-Executive Chairman), M. Pimstein (Joint Chief Executive), B. Sacks (Joint Chief Executive), A. Salomon (Chief Financial Officer), Ms. B. Bulo*, J.M. Kahn*, Dr. D. Matjila*, R. Morar*, V. Sekese*, C. Valkin*

* Non-Executive Directors

Sponsor: Investec Bank Limited

Legal advisors to Capital Appreciation: Webber Wentzel

Legal advisors to African Resonance and Rinwell: Hogan Lovells

Legal advisors to Synthesis: Werksmans Attorneys

Auditors to Capital Appreciation: Ernst and Young

Auditors to African Resonance and Rinwell: Grant Thornton

Auditors to Synthesis: BDO South Africa