

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular apply throughout this Circular, including this front cover.

Action required by Huge Group Shareholders

Shareholders are referred to page 2 of this Circular, which sets out the action required of them with regard to the Transaction, full details of which are set out in this Circular.

If you are in any doubt as to the action you should take, you should consult your Broker, banker, CSDP, attorney, accountant or other professional advisor immediately.

If you have disposed of your entire shareholding in Huge Group, then this Circular, together with the enclosed Form of Proxy (*blue*) should be handed to the purchaser of such Shares or to the Broker or agent through whom the disposal was affected.

Huge Group does not accept responsibility and will not be held liable for any action of or omission by any CSDP or Broker, including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Shares to notify such beneficial owner of the details set out in this Circular.



CIRCULAR TO SHAREHOLDERS

regarding the:

proposed effective disposal of a 16.29% interest in Huge Connect to a B-BBEE investor through its subscription for Huge Connect ordinary shares; and

incorporating

a notice convening a General Meeting of Shareholders; and

a Form of Proxy (*blue*) in respect of the General Meeting (to be completed by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration only).

Transaction Sponsor



Legal Advisors



Financial Advisor



Independent Expert



Independent Reporting Accountant



Date of issue: 25 October 2019

This document is available in English only and copies may be obtained from the registered office of Huge Group or Questco Corporate Advisory during normal office hours from the date of issue hereof until the date of the General Meeting. An electronic copy of this Circular will be available on the Company's website, www.hugegroup.com, from the date of distribution of this Circular.

CORPORATE INFORMATION AND ADVISORS

Directors

Executive

JC Herbst (*Chief Executive Officer*)

S Sequeira (*Group Financial Director*)

AP Openshaw (*Chief Operating Officer*)

Non-executive

Dr DF da Silva (*Non-executive Chairman*)

SP Tredoux (*Lead Independent Non-executive Director*)

CWJ Lyons (*Independent Non-executive Director*)

BC Armstrong (*Independent Non-executive Director*)

DR Gammie (*Independent Non-executive Director*)

VM Mokholo (*Non-executive Director*)

Transaction Sponsor

Questco Proprietary Limited

(Registration number 2002/005616/07)

First Floor, Yellowwood House, Ballywoods Office Park

33 Ballyclare Drive

Bryanston, 2191

(PO Box 98956, Sloane Park, 2152)

Financial Advisor

Broadreach Advisory Proprietary Limited

(Registration number 2014/095291/07)

Suite 002, Albion Spring Building

183 Main Road

Rondebosch, 7700

Independent Expert

Moore Corporate Services Cape Town Proprietary Limited

(Registration number 2011/009732/07)

2nd Floor, Block 2, Northgate Park

Corner Section Street and Koeberg Road

Paarden Eiland

Cape Town, 7405

(PO Box 1955, Cape Town, 8000)

Transfer Secretaries

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

2nd Floor Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

(PO Box 61051, Marshalltown, 2107)

Date of incorporation of Huge

31 July 2006

Place of incorporation of Huge

Pretoria, South Africa

Company Secretary and registered office

KE Robinson

Unit 6, 1 Melrose Boulevard

Melrose Arch

Johannesburg, 2076

(PO Box 1585, Kelvin, 2054)

Independent Reporting Accountants

Mazars

(Practice number 900222)

Mazars House, Rialto Road

Grand Moorings Precinct

Century City, 7441

(PO Box 784903, Sandton, 2146)

Attorneys

Herbert Smith Freehills South Africa LLP

(Registration number OC402561)

15 Biermann Avenue

Rosebank, 2196

Meeting Scrutineers

The Meeting Specialist Proprietary Limited

(Registration number 2017/287419/07)

JSE Building, One Exchange Square

Gwen Lane, Sandown, 2196

(PO Box 62043, Marshalltown, 2107)

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ACTION REQUIRED BY SHAREHOLDERS

If you are in any doubt as to the action you should take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

This Circular contains information in respect of the Proposed Transaction, which Circular you should read carefully and decide on how you wish to vote on the Resolutions to be proposed at the General Meeting.

1. CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION

You may attend the General Meeting in person and speak, vote or abstain from voting thereat. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the enclosed Form of Proxy, in accordance with the instructions contained therein.

Shareholders are requested to lodge their Forms of Proxy with the meeting scrutineers, The Meeting Specialist, to be received by them by no later than 10:00 on Thursday, 21 November 2019 for administrative purposes. Forms of Proxy may alternatively be handed to the chairperson of the General Meeting prior to the proxy exercising such shareholder's rights as a shareholder at the General Meeting, in accordance with the instructions therein.

2. DEMATERIALISED SHAREHOLDERS OTHER THAN THOSE WITH OWN-NAME REGISTRATION

If your CSDP or Broker has not contacted you, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions.

If your CSDP or Broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or Broker.

In accordance with the mandate between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to attend or be represented by proxy at the General Meeting.

Your CSDP or Broker will issue the necessary letter of representation for you to do so.

You must not complete the enclosed Form of Proxy.

3. IDENTIFICATION OF MEETING PARTICIPANTS

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

IMPORTANT DATES AND TIMES

2019

Announcement released on SENS and A2X setting out the full terms of the Proposed Transaction	Thursday, 29 August
Announcement published in the press setting out the full terms of the Proposed Transaction	Friday, 30 August
Notice record date, being the date on which Huge Group Shareholders must be registered in the Securities Register in order to be entitled to receive the Circular and the Notice of General Meeting	Friday, 18 October
Posting of Circular and Notice of General Meeting, and announcement published on SENS	Friday, 25 October
Last day to trade in Huge Group Shares in order to be eligible to participate in and vote at the General Meeting	Tuesday, 12 November
Meeting record date to participate in and vote at the General Meeting	Friday, 15 November
Forms of Proxy for the General Meeting to be received by 10:00 for administrative purposes. Forms of Proxy may alternatively be handed to the chairperson of the General Meeting prior to the proxy exercising such shareholder's rights as a shareholder at the General Meeting, in accordance with the instructions therein.	Thursday, 21 November
General Meeting of Huge Group Shareholders held at 10:00	Monday, 25 November
Results of General Meeting released on SENS and A2X	Tuesday, 26 November

Notes:

1. All times indicated above are local times in South Africa.
2. Dates and times are subject to change. Any such changes will be published on SENS. If the General Meeting is adjourned or postponed, the Forms of Proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement thereof.
3. The definitions and interpretations commencing on page 4 of this Circular apply, *mutatis mutandis*, to this section of the Circular.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated in the second column, an expression which denotes a gender includes the other gender, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa*.

“A2X”	A2X Proprietary Limited (Registration number 2014/147138/07), a private company duly incorporated in accordance with the company laws of South Africa and a licensed stock exchange authorised to provide a secondary listing venue for companies, regulated by the Financial Sector Conduct Authority (previously the Financial Services Board) in terms of the FMA;
“Agreements”	collectively, the Implementation Agreement, the Huge Connect Shareholders Agreement, the Huge Group Preference Share Subscription Agreement and the Windfall Ordinary Share Subscription Agreement which together set out the implementation and the terms and conditions of the Proposed Transaction as well as the relationship between the Parties after the implementation of the Proposed Transaction;
“Arrear Preference Dividend”	any Preference Share Dividend (or part thereof) which is not paid when declared and due;
“B-BBEE”	Broad-Based Black Economic Empowerment as contemplated in the B-BBEE Act and the B-BBEE Codes;
“B-BBEE Act”	the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended from time to time;
“B-BBEE Codes”	the Codes of Good Practice on Broad-Based Black Economic Empowerment published under section 9(1) of the B-BBEE Act, as amended or revised, as read with the ICT Sector Code;
“Board” or “Directors”	collectively, the board of directors of Huge Group;
“Broker”	any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the FMA;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Cell C SPC”	Cell C Service Provider Company Proprietary Limited (Registration number 2001/008017/07), a private company duly incorporated in accordance with the laws of South Africa;
“Certificated Shareholders”	registered holders of Certificated Shares;
“Certificated Shares”	Shares represented by share certificates or other documents of title which have not been surrendered for Dematerialisation in terms of the requirements of Strate;
“Circular”	this bound document, dated Friday, 25 October 2019, together with the Notice of General Meeting and the Form of Proxy;
“Claim”	the declaratory order sought by Huge Cellular declaring that, in terms of the ESA, Huge Cellular has an accrued right to continue to access accrued credits under the ESA in an aggregate amount of approximately R50 000 000 after the expiry of the ESA;
“Companies Act”	the Companies Act, No. 71 of 2008, as amended from time to time;
“Counter-Claim”	Cell C SPC’s conditional counter-claim against Huge Cellular in respect of the Claim;

“CSDP”	Central Securities Depository Participant as defined in the FMA appointed by an individual shareholder for the purposes of, and in respect of, the Dematerialisation of documents of title for the purposes of incorporation into Strate;
“Dematerialisation”	the process by which Certificated Shares are converted to an electronic form as Dematerialised Shares and recorded in the sub-register of Shareholders maintained by a CSDP;
“Dematerialised Shareholders”	registered holders of Dematerialised Shares;
“Dematerialised Shares”	Shares which have been incorporated into Strate and which are no longer evidenced by physical documents of title, but the evidence of ownership of which is determined electronically and recorded in the sub-register maintained by a CSDP;
“EPS”	earnings per Share;
“ESA”	the enterprise supply agreement concluded between Huge Cellular and Cell C SPC;
“Financial Advisor”	Broadreach Advisory Proprietary Limited (Registration number 2014/095291/07) a private company duly incorporated in accordance with the laws of South Africa;
“FMA”	the Financial Markets Act, No. 19 of 2012, as amended from time to time;
“Form of Proxy”	the Form of Proxy to be completed by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration only in accordance with the instructions contained therein, which is attached to and forms part of this circular;
“Futuregrowth”	Futuregrowth Asset Management Proprietary Limited (Registration number 1996/018222/07), a private company duly incorporated in accordance with the laws of South Africa;
“General Meeting”	the general meeting of Huge Group Shareholders to be held at 10:00 on Monday, 25 November 2019, at Mfundo Room, 1st Floor, JSE Building, One Exchange Square, Gwen Lane, Sandown, Gauteng, South Africa, to consider and, if deemed fit, pass with or without modification the Resolution contained in the Notice of General Meeting, which is attached to and forms part of this Circular;
“the Group”	the Company and its subsidiaries;
“GSM”	global system for mobile;
“HEPS”	headline earnings per Share;
“Huge Cellular”	Huge Cellular Proprietary Limited (Registration number 2008/004068/07), a private company duly incorporated in accordance with the laws of South Africa;
“Huge Connect”	Huge Connect Proprietary Limited (Registration number 2004/005721/07), a private company duly incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of Huge Group;
“Huge Connect MOI”	the memorandum of incorporation of Huge Connect;
“Huge Connect Ordinary Dividend”	the cash dividend (in respect of the Huge Connect Ordinary Shares) to be paid by Huge Connect to Huge Group, in an amount equal to the Preference Share Subscription Price;
“Huge Connect Ordinary Shares” or “Ordinary Shares”	ordinary no par value shares in the authorised or issued ordinary share capital of Huge Connect;

“Huge Connect Preference Shares” or “Preference Shares”	1 000 redeemable, cumulative, non-participating preference shares in the authorised share capital of Huge Connect;
“Huge Connect Preference Share Documents”	the Huge Connect MOI, the Huge Connect Shareholders Agreement, the Huge Group Preference Share Subscription Agreement, the terms of the Huge Connect Preference Shares and any other document designated as such by the Preference Shareholders and Huge Connect;
“Huge Connect Shareholders Agreement”	the Huge Connect shareholders agreement concluded between Windfall, Huge and Huge Connect;
“Huge Group” or “the Company”	Huge Group Limited (Registration number 2006/023587/06), a public company duly incorporated in accordance with the laws of South Africa and listed on the JSE;
“Huge Group Preference Share Subscription Agreement”	the preference share subscription agreement concluded between Huge Group and Huge Connect, in terms of which Huge Group will subscribe for, and Huge Connect will allot and issue, the Huge Connect Preference Shares;
“Huge Telecom”	Huge Telecom (Registration number 1993/003902/07), a private company duly incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of Huge Group;
“ICT Sector Code”	The Amended Information and Communication Technology Sector Code, published under section 9(1) of the B-BBEE Act in Government Gazette No. 40407 of 7 November 2016;
“IFRS”	International Financial Reporting Standards;
“Implementation Agreement”	the implementation agreement and the schedules thereto, entered into between Huge Connect, Windfall and Huge Group, which set out the terms and conditions in relation to the implementation of the Proposed Transaction;
“Implementation Date”	a date specified by Huge Group in writing, subject to the fulfilment or waiver of the Suspensive Conditions, upon which the Proposed Transaction will be effected;
“Independent Expert” or “Moore Corporate Services Cape Town (Pty) Ltd”	Moore Corporate Services Cape Town (Pty) Ltd (Registration number 2011/009732/07), being an independent professional expert acceptable to the JSE, appointed by the Board of Huge Group to advise it as to the fairness of the Proposed Transactions, the text of opinion is attached as Annexure 3 to this Circular;
“Independent Reporting Accountant” or “Mazars”	Mazars (Registration number 900222), the appointed independent reporting accountant in respect of the Proposed Transaction;
“Issue Price”	an amount equal to the Preference Share Subscription Price adjusted by any Arrear Preference Dividends declared and not paid;
“Issue Price Repayments”	any amount of the Issue Price repaid by Huge Connect, in its sole discretion, to the Preference Shareholder in anticipation of the redemption of the Huge Connect Preference Share and as repayment of capital;
“JSE”	the Johannesburg Stock Exchange, as operated by JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and a licensed stock exchange regulated by the Financial Sector Conduct Authority (previously the Financial Services Board) in terms of the FMA;
“Last Practicable Date”	11 October 2019, being the last practicable date prior to the finalisation of this circular;

“Legal Advisors”	Herbert Smith Freehills South Africa LLP (Registration number OC402561) a limited liability partnership registered in accordance with the laws of England and Wales;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Longstop Date”	28 February 2020 or such alternative date as is agreed by the Parties in writing;
“NAVPS”	net asset value per Share;
“NTAVPS”	net tangible asset value per Share;
“Parties”	the parties to the Agreements, being Windfall, Huge Connect and Huge Group;
“Preference Dividend Rate”	a rate equal to the Prime Rate plus 1% which shall accrue daily and shall be compounded annually in arrears;
“Preference Share Dividend”	the cumulative preferential cash dividend which is to be determined and paid in respect of the Huge Connect Preference Shares, including the Arrear Preference Dividend;
“Preference Shareholders” or “Preference Shareholder”	the holders of the Huge Connect Preference Shares;
“Preference Share Subscription Price”	R457 075 000 (four hundred and fifty-seven million and seventy-five thousand Rand), being the aggregate consideration payable in cash in respect of the subscription by Huge Group for the Huge Connect Preference Shares;
“Prime Rate”	the publicly quoted basic rate of interest (percent, per annum and calculated on a 365-day year (irrespective of whether or not the year is a leap year)) from time to time published by First National Bank Limited (or its successor-in-title) as being its prime overdraft rate, as certified by any manager of such bank, whose appointment and designation need not be proved;
“the Proposed Transaction”	the proposed transaction in terms of which Windfall will subscribe for Ordinary Shares equivalent to 16.29% of the total issued Ordinary Share capital of Huge Connect through a series of separate but interlinked and inter-conditional transactions as contemplated in the Agreements;
“Redemption Amount”	the amount equal to the sum of (i) the Issue Price less an aggregate amount equal to the Issue Price Repayments made by Huge Connect; (ii) the aggregate amount of the Arrear Preference Dividends; and (iii) the Preference Share Dividend payable on the Redemption Date;
“Redemption Date”	the date on which Huge Connect elects to redeem the Huge Connect Preference Shares or any earlier date on which the Huge Connect Preference Shares are required to be redeemed pursuant to the occurrence of a Redemption Event;

“Redemption Event”	an event or circumstance relating to (i) the non-payment by Huge Connect of any amount payable by it in respect of a Huge Connect Preference Share; (ii) a breach by Huge Connect of the provisions of the Huge Connect Preference Share Documents; (iii) Huge Connect being subject to an insolvency event; (iv) the obligations of Huge Connect relating to the Huge Connect Preference Shares being declared unlawful, a Preference Shareholder repudiating a Huge Connect Preference Share Document, or the holding of the Huge Connect Preference Shares by a Preference Shareholder being declared unlawful; (v) any step to unilaterally modify the rights of the Huge Connect Preference Shares; (vi) any shareholder (other than a Preference Shareholder) becoming entitled to exercise its appraisal rights in terms of section 164 of the Companies Act; or (vii) the failure by Huge Connect to meet any financial obligations due and payable as a result of a trigger event entitling the relevant creditor to call for the immediate or accelerated performance of that obligation;
“Resolution”	the resolution relating to the Proposed Transaction as included within the Notice of General Meeting;
“Shares” or “Huge Group Shares”	ordinary par value shares of R0.0001 each in the issued share capital of Huge Group;
“Shareholders”	the shareholders of the Company from time to time, being the holders of Huge Group Shares;
“SIM”	subscriber identity module;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa, being a registered central securities depository in terms of the FMA and which manages the electronic clearing and settlement system for transactions that take place on the JSE as well as off-market dealings in securities listed on the JSE;
“Suspensive Condition Fulfilment Date”	the date of fulfilment or waiver of the last of the Suspensive Conditions;
“Suspensive Conditions”	the suspensive conditions to the Proposed Transaction, as set out in paragraph 2.3 of this Circular;
“Term Facility Agreement”	the ZAR200 million term facility agreement concluded between Huge Group and Futuregrowth, which constitutes a restrictive funding arrangement in terms of the Listing Requirements;
“The CI Trust”	The ConnectNet Incentive Trust, (Master’s Reference No.: IT000255/2017(D)), the beneficiaries of which are certain employees, directors and/or consultants of Huge Connect;
“The Meeting Specialist”	The Meeting Specialist Proprietary Limited (Registration number 2017/287419/07), JSE Building, One Exchange Square, Gwen Lane, Sandown, Johannesburg, a private company duly incorporated in accordance with the laws of South Africa and who have been appointed to act as the meeting scrutineers of the General Meeting;
“Transaction Sponsor”	Questco Proprietary Limited (Registration number 2002/005616/07), a private company duly incorporated in accordance with the laws of South Africa, and the sponsor to Huge Group in terms of the JSE Listings Requirements;
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly registered and incorporated in accordance with the laws of South Africa;

“Windfall”	Windfall 111 Properties Proprietary Limited (Registration number 2013/169340/07), a private company duly incorporated in accordance with the laws of South Africa, the issued share capital of which is held by Mr Vincent Mokholo as to 40% of the total issued share capital of Windfall and Mrs Sylvia Mokholo as to 60% of the total issued share capital of Windfall;
“Windfall Ordinary Share Subscription Agreement”	The agreement concluded between Windfall and Huge Connect in terms of which Windfall shall subscribe for the Windfall Subscription Shares;
“Windfall Subscription Price”	R180 000 (one hundred and eighty thousand Rand), being the aggregate consideration payable in cash in respect of the subscription by Windfall for the Windfall Subscription Shares;
“Windfall Subscription Shares”	36 Ordinary Shares in the authorised share capital of Huge Connect; and
“ZAR” or “R” or “Rand”	South African Rand.



(Registration number 2006/023587/06)

JSE share code: HUG

A2X share code: HUG

ISIN: ZAE000102042

("Huge Group" or "the Company")

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Shareholders are referred to the announcement published on SENS on 29 August 2019 in terms of which Shareholders were advised that the Company and Huge Connect had entered into an Implementation Agreement with Windfall, an associate of Mr Vincent Mokholo, who is a non-executive director of, and a related party to, the Company. Windfall's issued shares are held as to 40% by Mr Mokholo and as to 60% by his wife, Mrs Sylvia Mokholo. Windfall is therefore itself a related party to the Company in terms of the Listings Requirements.

The Implementation Agreement contemplates the conclusion of various transaction agreements, including the Huge Group Preference Share Subscription Agreement between the Company and Huge Connect, the Windfall Ordinary Share Subscription Agreement between Huge Connect and Windfall and the Huge Connect Shareholders Agreement between the Company, Windfall and Huge Connect.

In terms of the Huge Group Preference Share Subscription Agreement, the Company will subscribe for the Preference Shares for the Preference Share Subscription Price, and simultaneously Huge Connect will declare the Huge Connect Ordinary Dividend. The obligation of Huge Connect to effect payment of the ordinary dividend will be discharged *in toto* by set-off against the obligation of the Company to effect payment of the Preference Share Subscription Price. As a result of the set-off contemplated above, the obligations of the Company to make payment of the Preference Share Subscription Price, and of Huge Connect to make payment of the Huge Connect Ordinary Dividend, will be fully and finally discharged. The Huge Connect Preference Shares will remain in issue until redeemed by Huge Connect.

Thereafter, and in terms of the Windfall Ordinary Share Subscription Agreement, Windfall will subscribe for 36 Ordinary Shares for the Windfall Subscription Price such that, after the issue of the Windfall Subscription Shares, Windfall will own 16.29% of the issued Ordinary Share capital of Huge Connect. The value of the Windfall Subscription Shares will represent 16.29% of the difference between Huge Connect's market value, and the Redemption Amount of the Preference Shares from time to time. Accordingly, as Huge Connect's market value increases after implementation of the Proposed Transaction, and/or the Huge Connect Preference Shares are redeemed or Preference Share Dividends are paid, there will be a concomitant increase in the value of the Windfall Subscription Shares.

The purpose of this Circular is to advise Shareholders of the terms and conditions of the Proposed Transaction in order to enable them to make an informed decision as to whether or not they should vote in favour of the Resolution set out in the Notice of General Meeting in relation to the approval of the implementation of the Agreements. Accordingly, this Circular is disseminated to Shareholders and contains a Notice of General Meeting to be convened in order for Huge Group Shareholders to consider and, if deemed fit, pass, with or without modification, the Resolutions to be proposed at the General Meeting.

2. OVERVIEW OF THE PROPOSED TRANSACTION

2.1 Proposed implementation steps and resulting Huge Connect shareholding structure

Immediately prior to the implementation of the Proposed Transaction, and subject to the Suspensive Conditions being met, Huge Group will subscribe for the Huge Connect Preference Shares at the Preference Share Subscription Price, which equates to the fair value of 99.798% of the Huge Connect Ordinary Shares in issue at the Last Practicable Date, as determined by the Board.

The Preference Shares will carry a coupon equal to the Preference Dividend Rate which will be declared and paid at the discretion of the board of directors of Huge Connect, but shall rank ahead of any dividend in respect of the Huge Connect Ordinary Shares. If any dividend paid on the Huge Connect Preference Shares falls short of the full amount of the coupon declared or if the coupon is declared but not paid at all, for any reason, such shortfall or non-payment shall constitute an Arrear Preference Dividend and shall be accumulated and taken into account for the purposes of calculating Preference Share Dividends thereafter, with effect from the first day following the stipulated due date for payment.

The Preference Shares will be redeemed on the Redemption Date for the Redemption Amount. Any amounts not paid by Huge Connect on the Redemption Date will attract an interest charge at 2% above the Preference Dividend Rate for the period from the Redemption Date until the date on which the payment of the outstanding amount is paid.

The Preference Shareholders must be given notice of any shareholders meetings of Huge Connect and are entitled to be present at any such shareholders meetings. The Preference Shareholders will only be entitled to vote at the meeting in the event that (i) there are Arrear Preference Dividends outstanding, (ii) a Redemption Event has occurred, (iii) there are arrear Issue Price Repayments outstanding, (iv) a Redemption Amount is overdue or (v) a person other than a Preference Shareholder proposes a resolution which affects the rights or privileges attached to the Huge Connect Preference Shares. At any meeting of the shareholders where the Preference Shareholders are authorised to vote, the Huge Connect Preference Shares will, collectively, have so many votes as is necessary to pass a special resolution of the shareholders of Huge Connect. The Preference Shareholders shall be entitled to require Huge Connect to call a shareholders meeting in any instance in which the Preference Shareholder shall be entitled to exercise its voting rights.

The Preference Shareholders are entitled to transfer the Huge Connect Preference Shares and or cede/delegate rights and obligations under the Huge Connect Preference Share Documents to any other person, provided that the consent of Huge Connect is required for any transfer of Huge Connect Preference Shares unless the new Preference Shareholder is an affiliate of the transferring Preference Shareholder or a Redemption Event has occurred and is ongoing.

Huge Connect will declare the Huge Connect Ordinary Dividend to Huge Group (as the sole shareholder of the Huge Connect Ordinary Shares), in an amount equal to the Preference Share Subscription Price. The obligation of Huge Connect to effect payment of the Huge Connect Ordinary Dividend will be discharged *in toto* by set-off against the obligation of the Company to effect payment of the Preference Share Subscription Price.

The net position after declaration of the Huge Connect Ordinary Dividend, and its set-off against the Preference Share Subscription Price, will be that the obligations of the Company to make payment of the Preference Share Subscription Price, and of Huge Connect to make payment of the Huge Connect Ordinary Dividend, will be fully and finally discharged. The Huge Connect Preference Shares will remain in issue until redeemed by Huge Connect.

After the issue of the Huge Connect Preference Shares and the set-off of the Huge Connect Ordinary Dividend against the Preference Share Subscription Price, Windfall will subscribe for the Windfall Subscription Shares at the Windfall Subscription Price, such that, after the issue of the Windfall Subscription Shares, Huge Group's percentage shareholding in Huge Connect will decrease from 100% to 83.71%, with Windfall holding 16.29% of the Huge Connect Ordinary Shares in issue.

2.2 Rationale for the proposed implementation steps

The rationale for including the Preference Shares as part of the Proposed Transaction, is to reduce the value of the Huge Connect Ordinary Shares, and thus to enable Windfall to acquire the Windfall Subscription Shares at an affordable price. The Preference Shares rank ahead of the Ordinary Shares in respect of a return of capital up to the amount of the Preference Share Subscription Price, and in respect of dividends up to a dividend coupon equal to the Preference Dividend Rate. Accordingly, once the Proposed Transaction has been implemented, the Ordinary Shares will only participate in Huge Connect's capital and dividends after the aforesaid amounts have been paid to Huge Group (as holder of the Preference Shares). The value of the Ordinary Shares will accordingly be reduced. The Preference Shares therefore facilitate Windfall's subscription for the Windfall Subscription Shares, enable it to participate in the future growth in value of Huge Connect, and result in both Windfall and Huge Connect being empowered.

The overall rationale for the Proposed Transaction is to further the Company's commitment to driving transformation in ways that are sustainable, credible and of benefit to all its stakeholders. The Proposed Transaction is in keeping with this objective and the spirit of transformation and constitutes a positive step in aligning Huge Connect's ownership structure to the ownership elements of the B-BBEE Codes. It is envisaged that the implementation of the Proposed Transaction will significantly improve Huge Connect's B-BBEE credentials over the long-term, thus ensuring that it will continue to maintain its competitive advantage in both the private and public sectors.

Huge Group is committed to transforming the businesses in which it invests by empowering these businesses in terms of the B-BBEE Codes, as read with the ICT Sector Code, published by the Minister of Trade and Industry under section 9 of the B-BBEE Act. In addition, the payment services providers and commercial banks, who are customers of Huge Connect, all have preferential procurement requirements, which require their suppliers to be empowered in terms of the B-BBEE Codes and the B-BBEE Act. The Proposed Transaction will empower historically disadvantaged individuals and it will also ensure that Huge Connect remains competitive in its chosen market segment.

2.3 Conditions precedent

The Proposed Transaction is subject to the fulfilment or waiver (to the extent that the waiver is competent in law) of, *inter alia*, the following Suspensive Conditions on or before the Longstop Date:

- the written approval of the Proposed Transaction by Futuregrowth, being the lender to Huge Group in terms of the Term Facility Agreement, on and subject to any terms and conditions imposed by Futuregrowth;
- the delivery by Huge Group, Huge Connect and Windfall of all authorising resolutions required by the parties to the Agreements;
- the filing and acceptance of the Huge Connect MOI by the Companies and Intellectual Property Commission; and
- the receipt of all shareholder and regulatory approvals legally required for the implementation of the Proposed Transaction, either unconditionally or subject to such conditions as are reasonably acceptable to Huge Group, Huge Connect and Windfall.

As at the Last Practicable Date, no changes to the Term Facility Agreement, or any of the security documents relating thereto, have been made or requested by Futuregrowth, and the only Suspensive Condition outstanding remains receipt of the requisite approval of Huge Group's Shareholders.

2.4 Use of proceeds

The Windfall Subscription Price is not material to Huge Group's cash position and will be incorporated into its cash resources as working capital.

2.5 Net assets and profit attributable to Huge Connect

The net assets of Huge Connect were R144 713 517 at 28 February 2019 and the profits attributable to it for the financial year then ended were R41 145 253. This does not take into account the impact of the issue to Huge Group of the Huge Connect Preference Shares.

3. **RATIONALE FOR THE PROPOSED TRANSACTION**

Huge Group remains committed to driving transformation in ways that are sustainable, credible and of benefit to all its stakeholders. The Proposed Transaction is in keeping with the spirit of transformation and constitutes a movement towards the alignment of Huge Connect to the ownership elements of the B-BBEE Codes. It is envisaged that the implementation of the Proposed Transaction will significantly improve Huge Connect's B-BBEE credentials over the long-term, thus ensuring that it will continue to maintain its competitive advantage in both the private and public sectors.

As explained above, the specific rationale for including the Preference Shares as part of the Proposed Transaction, is to reduce the value of the Huge Connect Ordinary Shares, and thus to enable Windfall to acquire the Windfall Subscription Shares at an affordable price. The Preference Shares therefore facilitate Windfall's subscription for the Windfall Subscription Shares, enable it to participate in the future growth in value of Huge Connect's business, and result in both Windfall and Huge Connect being empowered.

4. **NATURE OF BUSINESS AND PROSPECTS**

Huge Group is an investment holding company which holds investments in subsidiaries operating in the telecommunications, technology and media industries.

Huge Telecom and Huge Connect, the principal trading operations of Huge Group, are two of South Africa's leading providers of voice, messaging, data and video connectivity services utilising a wireless GSM-based, fixed cellular, last-mile solution.

Huge Connect is a telecommunications services company with a focus on growing its payment connectivity services. It was established in 2004 and provides connectivity to the card payment terminals of merchants, payment services providers and the commercial banks in South Africa by making use of secure, managed, dual SIM connectivity over GSM data networks. It has over 32 000 merchants as customers. The Company has also expanded into other markets for payment connectivity, including connectivity for ATMs, integrated points of sale, medical/script verifications, telemetry applications, micro-lending applications and cash vaults.

5. **RELATED PARTY CONSIDERATIONS**

Mr VM Mokholo, a non-executive director of and related party to Huge Group, holds 40% of the issued shares of Windfall and Mrs Sylvia Mokholo, who holds the remaining 60% of the issued shares of Windfall, is the wife of Mr Mokholo. Accordingly, Windfall is an associate of a related party to Huge Group, and is thus itself a related party to Huge Group in terms of the Listings Requirements. The Proposed Transaction is therefore a Related Party Transaction in terms of the Listings Requirements.

The Board has appointed Moore Corporate Services Cape Town Proprietary Limited as Independent Expert to advise as to the fairness of the terms of the Proposed Transaction, and the Board confirms that it is of the unanimous opinion that the terms of the Proposed Transaction are fair. This decision was reached having had due regard to the fairness opinion issued by the Independent Expert that is set out in a letter addressed to the Board, a copy of which is contained in **Annexure 3** to this Circular.

In terms of the Listings Requirements, a majority of Shareholders (other than the related party and its associates) present in general meeting and entitled to vote must approve the resolutions necessary to give effect to the Proposed Transaction. Neither Windfall nor any of its associates hold Huge Group Shares.

6. **PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION**

A summary of the *pro forma* financial effects of the Proposed Transaction on Huge Group's statement of financial position and its statement of profit or loss and other comprehensive income are set out in the table below, with further detail contained in **Annexure 1** to this Circular. The independent reporting accountant's report on the *pro forma* financial information of Huge Group is set out in **Annexure 2** to this Circular.

The *pro forma* financial information is based on the most recently published audited consolidated annual financial results of Huge Group for the financial year ended 28 February 2019 are set out in the table below. The *pro forma* financial information has been prepared based on the assumptions set out in **Annexure 1**.

The *pro forma* financial information has been prepared using IFRS-compliant accounting policies that are consistent with those applied in the published audited consolidated annual financial statements of Huge Group for the year ended 28 February 2019. The *pro forma* financial information has been compiled in terms of the Listings Requirements and The Guide on Pro forma Financial Information, issued by the South African Institute of Chartered Accountants.

The *pro forma* financial information is the responsibility of the Directors and was prepared for illustrative purposes only. Accordingly, it may not, because of its nature, fairly present Huge Group's financial position and results of its operations after the Proposed Transaction. It does not purport to be indicative of what the financial results of Huge Group would have been had the Transaction been implemented on a different date.

It has been assumed for purposes of the *pro forma* financial effects that the Proposed Transaction took place with effect from 1 March 2018 for the statement of profit or loss and other comprehensive income, and 28 February 2019 for the statement of financial position.

	Before the Proposed Transaction	After the Proposed Transaction	Change %
Basic EPS (cents)	56.8	57.9	1.8
Diluted EPS (cents)	56.5	57.6	1.8
Basic HEPS (cents)	55.8	56.8	1.8
Diluted HEPS (cents)	55.5	56.5	1.8
NAVPS (cents)	508.5	507.4	(0.2)
NTAVPS (cents)	130.0	128.9	(0.9)
Number of Shares (million)	164.8	164.8	0
Weighted average number of Shares at period-end (million)	164.7	164.7	0
Weighted average number of diluted Shares (million)	165.5	165.5	0

Notes and assumptions:

The assumptions made in the calculation of these *pro forma* financial effects are contained in **Annexure 1**.

7. ADDITIONAL INFORMATION ON HUGE GROUP

7.1 Authorised and issued share capital

The authorised and issued share capital of Huge Group as at the Last Practicable Date is set out in the table below.

	R
Authorised	
1 000 000 000 ordinary shares of R0.0001 each	100 000
Issued	
175 627 077 ordinary shares	16 477
Share premium	605 876 904
TOTAL SHARE CAPITAL	605 893 381

As at the Last Practicable Date, Huge Telecom held 9 646 926 Shares and The CI Trust held 1 206 027 Shares as treasury shares.

7.2 Directors' interests in securities

The table below reflects the direct and indirect beneficial interests of directors and their associates in the issued Share capital of Huge Group as at the Last Practicable Date, including details of any Directors who have resigned during the past 18 months:

Director	Direct Beneficial	Non- beneficial	Indirect Non- Beneficial	Indirect Non- beneficial	Total	%
JC Herbst	268 370	–	–	24 445 549	24 713 919	14.071
CWJ Lyons	–	–	–	200 000	200 000	0.113
Total	268 370	–	–	24 645 549	24 913 919	14.184

The indirect shareholding of JC Herbst is non-beneficial and is held by Eagle Creek Investments 223 Proprietary Limited, Pacific Breeze Trading 417 Proprietary Limited and Silver Meadow Trading 3 Proprietary Limited.

The indirect shareholding of CWJ Lyons is a non-beneficial shareholding held through his associates, being Ms ER Lyons, Ms TA Lyons and Ms CJD Lyons.

7.3 Directors' interests in transactions

Other than as disclosed in paragraph 5 above, no director of the Company has any interest in the Proposed Transaction.

7.4 Directors' service contracts and remuneration

All executive directors of Huge Group have employment contracts with Huge Group, the terms of which are set out in the remuneration report contained in the Company's Integrated Report for the year ended 28 February 2019.

The Huge Group Directors' remuneration will not be varied as a consequence of the Proposed Transaction.

7.5 Major shareholders of Huge Group

As at the Last Practicable Date, the following Huge Group Shareholders beneficially held, directly or indirectly, in excess of 5% of the issued Huge Group Shares.

Shareholder	Number of Shares	% shareholding on total Shares in issue*	% shareholding excluding treasury shares
Praesidium Hedge Fund	36 500 000	20.78	22.15
Pacific Breeze Trading 417	14 260 891	8.12	8.65
Eagle Creek Investments 223	9 805 567	5.58	5.95

* Based on 175 627 077 Shares including 10 852 953 Treasury Shares as at the Last Practicable Date.

8. LITIGATION STATEMENT

Huge Cellular, an associate company of Huge Group, initiated arbitration proceedings against Cell C SPC (a subsidiary of Cell C Limited) in terms of the ESA which expired on 28 February 2019. In terms of these arbitration proceedings, Huge Cellular seeks an order declaring that, in terms of the ESA, Huge Cellular has an accrued right to continue to access accrued credits under the ESA in an aggregate amount of approximately R50 000 000 after the expiry of the ESA.

Cell C SPC has launched the Counter-Claim, in which it alleges that, in the event that Huge Cellular is unsuccessful in the arbitration, then Huge Cellular will have been unjustly enriched in an amount equal to the value of services used by Huge Cellular after 28 February 2019 and claims payment of the relevant amount from Huge Cellular. Huge Cellular disputes both:

- that the Counter-Claim properly forms part of the arbitration; and
- the substantive validity of the Counter-Claim.

The arbitration proceedings are ongoing and the hearing is scheduled for March 2020.

The Directors are of the view that the Claim and Counter-Claim are material to the financial position of Huge Group and its subsidiaries.

9. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Huge Group and its subsidiaries since the publication of its results for the year ended 28 February 2019.

10. EXPENSES

The costs and expenses of the Proposed Transaction payable by Huge Group are set out below:

		R'000
Transaction Sponsor	Questco Corporate Advisory	250
Financial Advisor	Broadreach Advisory	1 080
Independent Expert	Moore	100
Independent Reporting Accountants	Mazars	80
Legal Advisors	Herbert Smith Freehills South Africa LLP	295
Documentation Fees and Rulings	JSE Limited	50
Printing, distribution and publishing	Ince	50
Meeting Scrutineers ¹	The Meeting Specialist	5
Total		1 910

¹ The Meeting Scrutineers have been appointed for the limited purposes of facilitating the General Meeting and recording and verifying the results of voting thereat.

11. CONSENTS

The Transaction Sponsor, Financial Advisor, Legal Advisors, Independent Expert, Independent Reporting Accountants and the Meeting Scrutineers have consented in writing to act in the capacity stated, and have not, prior to the Last Practicable Date, withdrawn their written consents for inclusion of their names in this Circular.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on page 2 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries in this regard to ascertain such facts and certify that, to the best of their knowledge and belief, the Circular contains all information required by the Listings Requirements and by law.

13. DIRECTORS' OPINION AND RECOMMENDATIONS

The Board has considered the terms of the Proposed Transaction, together with the fairness opinion provided by the Independent Expert and is of the opinion that the terms and conditions thereof are fair to Shareholders.

The Board accordingly recommends that Shareholders vote in favour of the Resolution set out in the Notice of General Meeting, which forms part of this Circular, and advises that, in respect of their own shareholdings in Huge Group, they intend to vote in favour of the Resolutions contained in such notice.

14. GENERAL MEETING

A General Meeting of Shareholders will be held on Monday, 25 November 2019 at 10:00 to consider and, if deemed fit, pass, with or without modification, the Resolutions contained in the Notice of General Meeting.

A notice convening the General Meeting is attached to, and a Form of Proxy for use by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration is enclosed with, and forms part of this Circular. Duly completed Forms of Proxy must be received by The Meeting Specialist by no later than Thursday, 21 November 2019 at 10:00 for administrative purposes. Shareholders will nevertheless be entitled to lodge the Form of Proxy in respect of the General Meeting with the chairman of the General Meeting immediately prior to the proxy exercising such Shareholder's rights as a Shareholder at the General Meeting, in accordance with the instructions therein.

Shareholders are referred to the "Action required by Shareholders" section on page 2 of this Circular, which contains information as to the action they need to take with regard to the General Meeting.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's offices from the date of distribution of this Circular until the date of the General Meeting:

- the Memoranda of Incorporation of Huge Group and its major subsidiaries;
- the Agreements;
- a signed copy of this Circular;
- the audited annual financial statements of Huge Group for the three years ended 28 February 2019, 28 February 2018 and 28 February 2017;
- the Independent Reporting Accountants' Assurance Report on the *Pro Forma* Financial Information of Huge Group, which is included in this Circular as **Annexure 2**;
- the Independent Expert's Report on the fairness opinion included in this Circular as **Annexure 3**; and
- the written consents from each of the experts referred to in paragraph 11 of this Circular.

Signed in Johannesburg by James Herbst on behalf of all the Directors on 25 October 2019 in terms of a Directors' round robin resolution.

James Herbst
Chief Executive Officer

PRO FORMA FINANCIAL INFORMATION OF HUGE GROUP AFTER THE PROPOSED TRANSACTION

The *pro forma* financial effects of the Proposed Transaction, based on the audited consolidated annual financial statements of Huge Group for its financial year ended 28 February 2019, are set out in the table below. The purpose of the *pro forma* financial information is to illustrate the effects of the Proposed Transaction, had it been effective 28 February 2019 for purposes of the *pro forma* consolidated Statement of Financial Position and 1 March 2018 for purposes of the *pro forma* consolidated Statement of Profit or Loss and Other Comprehensive Income. The *pro forma* financial information presented below does not purport to be indicative of the financial results and effects of the Transaction if it had been implemented on a different date.

The *pro forma* financial information has been prepared using IFRS-compliant accounting policies that are consistent with those applied in the audited consolidated annual financial statements of Huge Group for the year ended 28 February 2019.

The *pro forma* financial information has been prepared based on the assumptions indicated in this Annexure.

The *pro forma* financial information is presented in accordance with the Listings Requirements and the Guide on Pro forma Financial Information issued by the South African Institute of Chartered Accountants.

The directors of Huge Group are responsible for the compilation, contents and preparation of the *pro forma* financial information included in this Circular.

The *pro forma* financial information should be read in conjunction with the Independent Reporting Accountants' assurance report thereon contained in **Annexure 2** to this Circular.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2019

The *pro forma* consolidated statement of financial position as at 28 February 2019 has been prepared to show the impact of the Proposed Transaction as if it was effective on 28 February 2019.

	Huge Group as at 28 February 2019 ¹ R'000	Preference share subscription ³ R'000	Ordinary Dividend ⁴⁺⁹ R'000	Settlement ⁵ R'000	Ordinary Share Subscription ⁶ R'000	Settlement and Ordinary Share Subscription R'000	Transaction Costs ⁸ R'000	Proportion of ordinary shares held by the non- controlling interest ⁷	Consolidating Journal Entries R'000	<i>Pro forma</i> after Preference Share Subscription, Ordinary Dividend, Settlement, Ordinary Share Subscription, Non- Controlling Interest, Transaction Costs, Preference Share Dividend and Consolidating Journal Entries
As at 28 February 2019	R'000									
Assets										
Non-current assets										
Property, plant and equipment	226 682	-	-	-	-	226 682	-	-	226 682	
Goodwill	609 821	-	-	-	-	609 821	-	-	609 821	
Intangible assets	13 431	-	-	-	-	13 431	-	-	13 431	
Investment in subsidiary company	-	-	-	-	-	-	-	-	-	
Investment in joint venture	597	-	-	-	-	597	-	-	597	
Investment in associate companies	10	-	-	-	-	10	-	-	10	
Loans to associate companies	62 401	-	-	-	-	62 401	-	-	62 401	
Loans receivable	8 454	-	-	-	-	8 454	-	-	8 454	
Contract assets	14 912	-	-	-	-	14 912	-	-	14 912	
Investments at fair value	45 006	-	-	-	-	45 006	-	-	45 006	
Deferred tax	16 453	-	-	-	-	16 453	-	-	16 453	
Finance lease receivables	1 777	-	-	-	-	1 777	-	-	1 777	
	999 544	-	-	-	-	999 544	-	-	999 544	

As at 28 February 2019	Huge Group as at 28 February 2019 ¹ R'000	Preference share subscription ³	Ordinary Dividend ⁴⁺⁹	Settlement ⁵	Ordinary Share Subscription ⁶ R'000	Settlement and Ordinary Share Subscription R'000	Transaction Costs ⁸ R'000	Proportion of ordinary shares held by the non- controlling interest ⁷	Consolidating Journal Entries R'000	<i>Pro forma</i> after Preference Share Subscription, Ordinary Dividend, Settlement, Ordinary Share Subscription, Non- Controlling Interest, Transaction Costs, Preference Share Dividend and Consolidating Journal Entries
Current assets										
Inventories	2 510	-	-	-	-	2 510	-	-	2 510	
Loans to associate companies	4 208	-	-	-	-	4 208	-	-	4 208	
Loans to shareholders	13	-	-	-	-	13	-	-	13	
Loans receivable	10	-	-	-	-	10	-	-	10	
Trade and other receivables	65 093	-	-	-	-	65 093	-	-	65 093	
Preference dividend receivable	-	-	-	-	-	-	-	-	-	
Finance lease receivable	608	-	-	-	-	608	-	-	608	
Current tax receivable	1 891	-	-	-	-	1 891	-	-	1 891	
Cash and cash equivalents	23 959	-	-	-	180	24 139	(1 910)	-	22 229	
	98 292	-	-	-	180	98 472	(1 910)	-	96 562	
Total assets	1 097 836	-	-	-	180	1 098 016	(1 910)	-	1 096 106	
Equity and liabilities										
Equity										
Share capital	605 893	-	-	-	-	605 893	-	-	605 893	
Share-based payment reserve	7 038	-	-	-	-	7 038	-	-	7 038	
Change in control reserve	(4 761)	-	-	-	-	(4 761)	-	-	(4 761)	
Retained earnings	223 475	-	-	-	-	223 475	-	55 256	278 731	

	Huge Group as at 28 February 2019 ¹ R'000	Preference share subscription ³	Ordinary Dividend ⁴⁺⁹	Settlement ⁵	Ordinary Share Subscription ⁶ R'000	Settlement and Ordinary Share Subscription R'000	Transaction Costs ⁸ R'000	Proportion of ordinary shares held by the non- controlling interest ⁷	Consolidating Journal Entries R'000	<i>Pro forma</i> after Preference Share Subscription, Ordinary Dividend, Settlement, Ordinary Share Subscription, Non- Controlling Interest, Transaction Costs, Preference Share Dividend and Consolidating Journal Entries R'000
As at 28 February 2019										
Equity attributable to equity holders of parent										
Non-controlling interest	831 645 5 667	- -	- (35)	- -	- 180	831 645 5 812	- (1 910)	- (55 256)	886 901 (51 354)	
	837 312	-	(35)	-	180	837 457	(1 910)	-	835 547	
Non-current liabilities										
Interest-bearing liabilities	96 536	-	-	-	-	96 536	-	-	96 536	
Finance lease liabilities	4 455	-	-	-	-	4 455	-	-	4 455	
Deferred tax	37 539	-	-	-	-	37 539	-	-	37 539	
	138 530	-	-	-	-	138 530	-	-	138 530	
Current liabilities										
Deferred income	587	-	-	-	-	587	-	-	587	
Interest-bearing liabilities	73 989	-	-	-	-	73 989	-	-	73 989	
Loans payable	-	-	-	-	-	-	-	-	-	
Current tax payable	2 267	-	35	-	-	2 302	-	-	2 302	
Finance lease liabilities	3 175	-	-	-	-	3 175	-	-	3 175	
Trade and other payables	39 225	-	-	-	-	39 225	-	-	39 225	
Bank overdraft	2 751	-	-	-	-	2 751	-	-	2 751	
	121 994	-	35	-	-	122 029	-	-	122 029	
Total equity and liabilities	1 097 836	-	-	-	180	1 098 016	(1 910)	-	1 096 106	

	Huge Group as at 28 February 2019 ¹	Preference share subscription ³	Ordinary Dividend ⁴⁺⁵	Ordinary Share Subscription ⁶	Settlement ⁶	Transaction Costs ⁸	Proportion of ordinary shares held by the non- controlling interest ⁷	Pro forma after Preference Share Subscription, Ordinary Dividend, Settlement and Ordinary Share Subscription	Pro forma after Preference Share Subscription, Ordinary Dividend, Settlement and Ordinary Share Subscription	Pro forma after Preference Share Subscription, Ordinary Dividend, Settlement, Ordinary Share Subscription, Non- Controlling Interest, Transaction Costs, Preference Share Dividend and Consolidating Journal Entries At 28 February 2019	% change
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Net asset value	837 312	-	(35)	180	-	-	(1 910)	835 547	(1 910)	835 547	(0.2)
Tangible net asset value	214 060	-	(35)	180	-	-	(1 910)	212 295	(1 910)	212 295	(0.8)
Net asset value per share	508.48	-	(0.02)	0.11	-	-	(1.16)	507.40	(1.16)	507.40	(0.2)
Tangible net asset value per share	129.99	-	(0.02)	0.11	-	-	(1.16)	128.92	(1.16)	128.92	(0.8)

Notes and assumptions to the *pro forma* Statement of Financial Statement

1. The Statement of Financial Position has been extracted, without modification, from the published audited annual financial statements for the year ended 28 February 2019, on which the external auditors issued a modified audit report.
2. It is assumed that the Proposed Transaction took effect on 28 February 2019 for purposes of the statement of financial position.
3. Subscription by Huge Group for 1 000 redeemable, cumulative, non-participating Preference Shares of no par value, with a coupon of Prime plus 1%, in Huge Connect for an aggregate subscription consideration of R457 075 000. The preference shares are classified as equity in Huge Connect's statement of financial position based on an independent accounting opinion obtained by the Company. This intragroup transaction is eliminated in reporting the group results of Huge Group.
4. Declaration of Ordinary Dividend of R457 075 000 by Huge Connect to the holders of the ordinary shares in Huge Connect. This intragroup transaction is eliminated in reporting the consolidated results of Huge Group.
5. The obligation of Huge Connect to effect payment of the Huge Connect Ordinary Dividend to Huge Group is discharged by set-off against the obligation of Huge Group to effect payment of the aggregate Preference Shares consideration to Huge Connect. This intragroup transaction is eliminated in reporting the consolidated results of Huge Group.
6. Subscription by Windfall for 36 Ordinary Shares in Huge Connect (constituting 16.29% of the Ordinary Share Capital in Huge Connect) at a subscription price of R5 000 per share, for an aggregate subscription consideration of R180 000, settled in cash.
7. Post implementation of the Proposed Transaction, Huge Group will hold 100% of the issued Preference Share Capital and 83.71% of the issued Ordinary Share Capital of Huge Connect with the remaining 16.29% issued Ordinary Share Capital being held by Windfall.

The change in control adjustment allocating 16.29% of the ordinary equity balance of Huge Connect as at the date of the transaction has been accounted for and amounts to R55 075 956 (16.29% of the Total Ordinary Equity of negative R338 096 723 post the Ordinary share subscription and special dividend declaration of R457 075 000). No preference dividend is accounted for as it is assumed, for the purposes of the statement of financial position, that the transaction takes place with effect on 28 February 2019 and that no preference dividend is declared on that date.
8. Transaction costs estimated at R1 910 000 as detailed in note 10 of the circular are related to the issue of shares to non-controlling interests and have been deducted from equity.
9. Estimated normal taxation charges in respect of the disposal of the Windfall Subscription Shares to Windfall, have been calculated with reference to an independent tax opinion obtained, and based on the assumption that the Draft Income Tax Amendment Bill of 30 July 2019 will be promulgated into law. An effective income tax rate of 28% and capital gains tax rate of 22.4% has been assumed. The taxation charges relate to the issue of shares to non-controlling shareholders and have been deducted from equity.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2019

The *pro forma* consolidated statement of profit or loss and other comprehensive income for the year ended 28 February 2019 has been prepared to show the impact of the Proposed Transaction as it was effective on 1 March 2018.

	Huge Group as at 28 February 2019 ¹	Transaction costs ⁴	Consolidating Journal Entries ³	<i>Pro forma</i> after Proposed Transaction, Transaction Costs and Consolidating Journal Entries	% change
For the financial year ended 28 February 2019	R'000	R'000	R'000	R'000	
Total revenue	432 662	–	–	432 662	0
Gross profit	235 827	–	–	235 827	–
Other income	17 447	–	–	17 447	–
Operating expenses	(129 042)	–	–	(129 042)	–
Movement in credit loss allowance	(2 197)	–	–	(2 197)	–
Operating profit	122 035	–	–	122 035	0
Investment income	3 505	–	–	3 505	–
Investment income – Preference dividend claim	–	–	–	–	–
Share of (losses)/earnings from equity accounted investments	(19)	–	–	(19)	–
Gain on sale of investment	1 530	–	–	1 530	–
Reversal of impairment on investment in subsidiary company	509	–	–	509	–
Finance costs	(15 339)	–	–	(15 339)	–
Profit before taxation	112 221	–	–	112 221	0
Income tax credit/(expense)	(21 716)	–	–	(21 716)	–
Net profit for the period	90 505	–	–	90 505	0
Total comprehensive income attributable to	90 505	–	–	90 505	–
Non-controlling interest	(3 087)	–	(1 674)	(4 761)	–
Net profit attributable to owners of the company	93 592	–	1 674	95 266	2

	Huge Group as at 28 February 2019 ¹	Transaction Costs ⁴	Consolidating Journal Entries ³	<i>Pro forma</i> after Transaction Costs and Consolidating Journal Entries At 28 February 2019	% change
	R'000	R'000			
Weighted average number of shares in issue	164 671	164 671	164 671	164 671	–
Earnings per share	56.84	–	1.02	57.85	2
Share price ⁽¹⁾	790.00	790.00	790.00	790.00	–
Price earnings multiple	13.90		13.66	–	

⁽¹⁾ Closing share price on 28 February 2019

Notes and assumptions to the *pro forma* consolidated statement of comprehensive income

1. The Statement of Comprehensive Income has been extracted, without modification, from the published audited annual financial statements for the year ended 28 February 2019, on which the external auditors issued a modified audit report.
2. It is assumed that the Proposed Transaction took effect from 1 March 2018 for the purposes of the Statement of Comprehensive Income.
3. Included in the Consolidation Journal Entries is the non-controlling interest's share of losses as a result of there being insufficient profits to cover the cumulative preference dividend of R51 421 000 (versus available profits of R41 145 253). The preference dividend has been calculated with reference to the prime rate of 10.25% per annum as at the beginning of the year. This leaves a deficit of R10 275 747, equating to a non-controlling interest of R1 673 919 at the 16.29% non-controlling shareholding. Any impairment on the carrying amount of the Huge Connect investment in subsidiary recognised in the Huge Group separate annual financial statements eliminates on consolidation. Given that it is assumed for the purposes of the Statement of Profit and Loss and Comprehensive Income that the Proposed Transaction took effect on 1 March 2018, Windfall's share of Huge Connect's profit for the year will be negative due to the Preference Share Dividend of R51 421 000 amounting to a larger value than the reported profit after tax for the year of R41 145 253. Ordinary Shareholders are only entitled to their share of profit post Preference Share Dividends have been declared.
4. Transaction costs estimated at R1 910 000 as detailed in note 10 of the circular are related to the issue of shares to non-controlling interests and have been deducted from equity as indicated in the statement of financial position.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON *PRO FORMA* FINANCIAL INFORMATION

The Directors
Huge Group Limited
Unit 6, 1 Melrose Boulevard
Melrose Arch
Johannesburg
2076

Independent Reporting Accountant's Assurance Report on the compilation of the *Pro forma* Financial Information

Introduction

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Huge Group Limited ("Huge Group" or "the Company") by the directors of Huge Group ("Directors").

The *pro forma* financial information, as set out in **Annexure 1** of the Circular relating to the Proposed Transaction, consists of the consolidated Statement of Financial Position and consolidated Statement of Comprehensive Income (collectively the "*Pro forma* Financial Information") and related notes. The *Pro forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The *Pro forma* Financial Information has been compiled by the directors to illustrate the impact of the corporate actions or events, described in paragraph 2 of the Circular, on the Company's financial position as at 28 February 2019, and the Company's financial performance for the period then ended, as if the corporate action or event had taken place at 28 February 2019 for the *pro forma* consolidated Statement of Financial Position and 1 March 2018 for the *pro forma* consolidated Statement of Comprehensive Income. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's consolidated annual financial statements of Huge Group for the year ended 28 February 2019, on which a qualified opinion was issued.

Directors' responsibility for the *pro forma* financial information

The directors are responsible for compiling the *Pro forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements, described in **Annexure 1** of the Circular and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 ("Applicable Criteria").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Mazars applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the Applicable Criteria based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Reviewed Financial Information used in compiling the *Pro forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Financial Information.

The purpose of *Pro forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2019 would have been as presented.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used in the compilation of the *Pro forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to the applicable criteria; and
- the *Pro forma* Financial Information reflects the proper application of those adjustments to the unadjusted Reviewed Financial Information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate actions or events in respect of which the *Pro forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.



Mazars

Partner: **Duncan Dollman**

Registered Auditor

Chartered Accountants (SA)

21 October 2019

Mazars House

Rialto Road

Grand Moorings Precinct

Century City, 7441

INDEPENDENT EXPERT REPORT ON FAIRNESS OPINION

The Directors
Huge Group Limited
Unit 6, 1 Melrose Boulevard
Melrose Arch
Johannesburg
2076

**MOORE CORPORATE SERVICES CAPE TOWN
PROPRIETARY LIMITED**
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28 October 2019

INDEPENDENT EXPERT FAIRNESS OPINION TO HUGE GROUP LIMITED (“HUGE” OR THE “COMPANY”) RELATING TO AN ISSUE OF SHARES TO A RELATED PARTY (THE “PROPOSED TRANSACTION”)

1. INTRODUCTION

Shareholders are referred to the SENS announcement published on 29 August 2019 wherein shareholders were advised that Huge Connect (Pty) Ltd (“Huge Connect”), a wholly owned subsidiary of Huge, has entered into a transaction with Windfall 111 Properties (Pty) Ltd, a 100% black-owned company (“Windfall”) wherein Windfall will subscribe for 36 ordinary shares in Huge Connect, constituting 16.29% of the ordinary share capital in the company (the “Windfall Subscription Shares”) for a total subscription consideration of R180 000 (the “Windfall Subscription Price”), which subscription consideration is to be settled in cash (the “Proposed Transaction”).

In order to give effect to the Proposed Transaction, Huge, Huge Connect and Windfall have concluded a series of interlinked and inter-conditional agreements wherein:

- Huge will subscribe for 1 000 redeemable, cumulative, non-participating preference shares in the authorised share capital of Huge Connect (the “Preference Shares”) for a cumulative subscription price of R457 075 000 (the “Preference Share Subscription Price”). The Preference Shares shall be unsecured, redeemable at the option of the issuer and bear a variable coupon rate of prime plus one percent;
- The obligation of Huge Connect to effect payment of the Huge Connect Ordinary Dividend to Huge shall be discharged by set-off against the obligation of Huge to effect payment of the Preference Share Subscription Price to Huge Connect;
- Windfall shall subscribe for the Windfall Subscription Shares for the Windfall Subscription Price; and
- Post implementation of the above transactions, Huge will hold 100% of the issued preference share capital and 83.71% of the issued ordinary share capital of Huge Connect, with the remainder of the 16.29% issued ordinary share capital being held by Windfall.

The ordinary shares of Windfall are held by Mr Vincent Mokholo (a non-executive director of Huge) and his wife, Mrs Sylvia Mokholo, related parties in relation to Huge in terms of sections 10.1(b)(ii) and 10.1(b)(vii) of the JSE Listings Requirements (the “Listings Requirements”). Consequently, Windfall is a related party in relation to Huge, by virtue of it being an associate of Mr and Mrs Mokholo.

2. SCOPE

As Windfall is a related party in relation to Huge, and the Proposed Transaction constitutes a related party transaction in terms of paragraph 10.7 of the Listings Requirements, the board of directors of Huge (“Directors” or “Board”) are required to obtain a fairness opinion from an independent expert confirming whether the Transaction is fair insofar as Shareholders of Huge are concerned, excluding the related parties.

Moore Corporate Services Cape Town (Pty) Ltd (“Moore”) has been appointed as the independent expert (“Independent Expert”) by the Board to provide an independent fairness opinion with regard to the Proposed Transaction (“Fairness Opinion”).

3. **RESPONSIBILITY**

Compliance with the Listing Requirements is the responsibility of the Board. Our responsibility is to report to the Directors and Shareholders of Huge on the fairness of the terms of the Proposed Transaction.

4. **EXPLANATION AS TO HOW THE TERM “FAIR” APPLIES IN THE CONTEXT OF THE TRANSACTION**

Schedule 5.7 of the Listings Requirements states that the “fairness” of a transaction is based on quantitative issues. In the context of the Proposed Transaction, the Windfall Subscription will be considered fair to the Huge Shareholders if the consideration received from the Windfall Subscription is equal to or greater than the value surrendered by the shareholders.

We have applied the aforementioned principle in preparing our opinion on the Windfall Subscription. This Fairness Opinion does not purport to cater for individual shareholders’ positions but rather the general body of shareholders subject to the Windfall Subscription. A shareholder’s decision regarding fairness of the terms of the Windfall Subscription may be influenced by his or her particular circumstances (for example taxation and the original price paid for the shares). Should a shareholder be in doubt, he or she should consult an independent adviser as to the merits of the Windfall Subscription, considering his/her personal circumstances.

5. **DETAILS AND SOURCES OF INFORMATION**

In arriving at our opinion, we have relied upon the following principal sources of information:

- The draft audited financial statements of Huge Connect for the 12-month period ending 28 February 2019;
- The year-to-date management accounts of Huge Connect for the four months ended 30 June 2019;
- Share price information of Huge over the last 12 months to assess the relative liquidity and relative volatility of Huge shares;
- Published market data on Huge and Huge Connect, that we deem to be relevant;
- Forecast information for Huge Connect for the five years ended 28 February 2024 obtained from management;
- Closing the value gap – Pricewaterhouse Coopers Valuation Methodology Survey 2016/2017, 8th edition;
- Audited annual financial statements of Huge Connect for the three years ended 28 February 2018;
- Selected publicly available information relating to industries in which Huge and Huge Connect operate, obtained from management and public sources;
- Selected macro-economic analysis and forecasts from various South African banks and research institutions;
- Sharedata Online for financial data on comparable companies;
- A draft of the circular to Huge Shareholders relating to the Proposed Transaction (the “Circular”);
- The Implementation Agreement;
- The Huge Connect Memorandum of Incorporation;
- The Windfall Ordinary Share Subscription Agreement;
- The Huge Connect Preference Share Subscription Agreement;
- The Huge Connect Shareholders’ Agreement; and
- Representations and assumptions made available by, and discussions held with, the management of both Huge and Huge Connect and their transaction advisors.

We have relied upon and assumed the accuracy of the information provided to and obtained by us in deriving our Fairness Opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purposes of our Fairness Opinion, whether in writing or obtained in discussion with Huge management, by reference to publicly available or independently obtained information.

While our work has involved an analysis of, *inter alia*, the annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

6. PROCEDURES PERFORMED

In arriving at our Opinion, we have undertaken the following procedures in evaluating the fairness of the Transaction:

- Considered the rationale for the Proposed Transaction, as represented by Huge management and its advisors;
- Reviewed the terms and conditions of the Proposed Transaction;
- Supplemented our knowledge and understanding of Huge and Huge Connect as well as the industry in which they operate;
- Held discussions with Huge Connect management on the prospects of the underlying business opportunities within Huge Connect;
- Held discussions with Huge's transaction advisors relating to the Proposed Transaction, its structure, rationale and effects;
- Reviewed and analysed the historical financial information of Huge Connect;
- Considered the value of Huge Connect prior to implementation of the Proposed Transaction taking cognisance of the discounted cash flow valuation performed and market multiples of comparable companies;
- Assessed the forecast of Huge Connect as prepared by management and challenged certain assumptions in the context of the year-to-date performance;
- Reviewed the Preference Share terms;
- Considered the likely fair market value of the Preference Shares on date of issue taking cognisance of the expected rate of return, coupon rate and overall cost of equity and debt funding in Huge and Huge Connect;
- Considered the fair market value of Huge Connect post the Preference Share Subscription and Huge Connect Ordinary Dividend, but immediately prior to the Windfall Share Subscription;
- Where relevant, corroborated representations made by Huge management to source documents;
- Obtained letters of representation from Huge management asserting that we have been provided with all relevant information and that no material information was omitted and that all such information provided to us is accurate in all respects;
- Reviewed certain publicly available information relating to Huge and Huge Connect and the industries in which they operate that we deemed to be relevant, including company announcements and media articles; and
- Performed an analysis of other information considered pertinent to our valuation and Fairness Opinion.

We have not interviewed any of the Huge Shareholders to obtain their views on the Proposed Transaction.

Based on the results of the procedures mentioned above, we determined the fairness of the Proposed Transaction to Huge Shareholders. We believe that the above considerations justify the conclusion outlined below.

7. VALUATION

Overview

In considering the Windfall Share Subscription, Moore performed an independent valuation of Huge Connect immediately prior to the Proposed Transaction and post the Preference Share Subscription and Huge Connect Ordinary Dividend to determine whether the Windfall Subscription Price is fair to the Huge Shareholders.

For the purposes of our valuations of Huge Connect and the Preference Shares we used the income approach (discounted cash flow) valuation as our primary valuation methodology. In addition, we used the market approach (based on financial data for comparable publicly traded companies and comparable transactions) as a corroborative valuation methodology to support the results of our income approach valuation of Huge Connect only.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Huge Connect. Additionally, sensitivity analyses were performed considering key assumptions. Prevailing market and industry conditions were also considered in assessing the risk profile of Huge Connect.

Huge Connect valuation

Key internal value drivers to the Huge Connect income approach valuation included the discount rate and forecasted revenue growth.

Key external value drivers to the Huge Connect income approach valuation, including gross domestic product ("GDP") growth rates, interest rates, headline inflation rates and prevailing market and industry conditions in respect of the industry in which Huge Connect operates, were also considered in assessing the forecast cash flows and risk profile of Huge Connect.

The revenue growth for Huge Connect is driven by a combination of the existing client base and new revenue streams and customers. Decreasing the forecast revenue by 1% has a 6.9% impact on the value of Huge Connect. The long-term inflation rate utilised in the income approach valuation approximated 4.5%. Company specific risks have been included in the discount rate which has the impact of increasing the discount rate and decreasing the value of Huge Connect. A 1% change in the discount rate will result in a 9.7% change in the value of Huge Connect.

Sensitivity analyses were performed in respect of the following:

- Increasing and decreasing revenue by a maximum of 1%;
- Increasing and decreasing the EBITDA margins by a maximum of 1%;
- Increasing and decreasing the WACC by a maximum of 1%; and
- Increasing and decreasing the terminal growth rate by a maximum of 1%.

Preference Share valuation

Key internal value drivers to the Preference Shares income approach valuation included the discount rate and the coupon rate.

Key external value drivers to the Preference Shares income approach valuation, including gross domestic product ("GDP") growth rates, interest rates and headline inflation rates, were also considered in assessing the expected rate of return on the instrument.

8. ASSUMPTIONS

Our Opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions will not change materially;
- Huge Connect is not involved in any material legal proceedings other than those conducted in the ordinary course of business and/or as disclosed in the Circular;
- Huge Connect is not, at the date of this Fairness Opinion of the Independent Expert, engaged in any advanced discussions relating to any acquisitions or transactions that will have a significant impact on the value of Huge Connect, other than those disclosed in the Circular;
- Huge Connect does not have any material outstanding disputes with the South African Revenue Service;
- Loans to related entities to Huge Connect will be settled and the remaining cash and cash equivalents will be declared as a dividend prior to implementation of the Proposed Transaction;
- There are no undisclosed contingencies that could affect the value of Huge Connect;
- The agreements that have been entered into in terms of the Proposed Transaction will be legally enforceable;
- The Proposed Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Huge Connect and Huge;
- Reliance can be placed on the financial information of both Huge and Huge Connect;
- For the purposes of this Fairness Opinion of the Independent Expert, we assumed Huge Connect's existing businesses to be ongoing under current business plans and management; and
- Representations made by Huge Connect management and their advisors during the course of forming this Fairness Opinion of the Independent Expert.

9. APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our Fairness Opinion by:

- Reliance on audit reports in the financial statements of Huge Connect;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Huge Connect as well as the economic environment in which it operates.

10. VALUATION RESULTS

In undertaking the valuation exercise of Huge Connect above, we determined a valuation range of between R435 000 000 and R485 000 000 for the ordinary shares of Huge Connect with a most likely value of R458 000 000 immediately prior to the Preference Share Subscription.

Furthermore, we determined a valuation for the ordinary shares of Huge Connect of R925 000 post the Preference Share Subscription and Huge Connect Ordinary Dividend but pre the Windfall Share Subscription, and consequently, a valuation of R1 105 000 post the Proposed Transaction.

The above valuation is provided solely in respect of this Fairness Opinion and should not be used for any other purposes.

11. OPINION

We have considered the terms and conditions of the Windfall Subscription as set out above, and our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by Huge management.

Based on the results of our procedures and analysis performed and after taking into account all financial and non-financial considerations, we are of the view, subject to the limiting conditions as set out below, that the related party share issue, forming part of the Windfall Subscription, is fair to Huge Shareholders.

12. LIMITING CONDITIONS

This opinion is provided to the Board in connection with and for the purpose of the Windfall Subscription for the sole purpose of assisting the Board in forming and expressing an opinion for the benefit of Huge Shareholders. This opinion is prepared solely for the Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights.

This opinion is provided in terms of the Listings Requirements, the Act and the Regulations. It does not constitute a recommendation to any Huge Shareholder as to how to vote at any Shareholders' meeting relating to the Proposed Transaction or on any matter relating to it. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this opinion is used or relied upon for anything other than its intended purpose. Should an individual Huge Shareholder have any doubts as to what action to take, such Shareholder should consult an independent advisor.

The forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those forecasted by the management of Huge.

We relied upon the accuracy of the information used by us in deriving our opinion, albeit that, where practicable, we have corroborated the reasonableness of such information and assumptions through, amongst other things, reference to historic precedent and our knowledge and understanding. Whilst our work has involved an analysis of the annual financial statements, forecasts and other information provided to us, our engagement does not constitute, nor does it include an audit conducted in accordance with applicable auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us in respect of the Proposed Transaction.

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Accordingly, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods.

We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of Huge and Huge Connect. We have compared the projected/forecast financial information to past trends as well as discussed the assumptions inherent therein with management.

The above findings are necessarily based upon the information available to us, the financial, regulatory, market and other conditions and circumstances existing and disclosed as of the date hereof. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals, if any, will be properly fulfilled/obtained. Subsequent developments may affect our findings, however, we are under no obligation to update, revise or re-affirm such.

The valuation of companies and businesses is not a precise science and conclusions arrived at, will, in many cases, be subjective and dependent on the exercise of individual judgement.

13. **INDEPENDENCE, COMPETENCE AND FEES**

We confirm that we have no direct or indirect interest in Huge Shares or the Proposed Transaction. We also confirm that we have the necessary qualifications and competence to provide the independent opinion on the Transaction.

Furthermore, we confirm that our professional fee is not contingent upon the success of the Proposed Transaction.

14. **CONSENT**

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to the Shareholders of Huge in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully



Moore Corporate Services Cape Town Proprietary Limited

Director: **Andrew Pitt**
Chartered Accountant (SA)



(Registration number 2006/023587/06)

JSE share code: HUG

A2X share code: HUG

ISIN: ZAE000102042

("Huge Group" or "the Company")

NOTICE OF GENERAL MEETING

Terms defined in the Circular to which this notice is attached bear a corresponding meaning in this notice.

Notice is hereby given, by means of this notice attached to the Circular distributed on Friday, 25 October 2019, to Shareholders recorded in the Company's securities register on Friday, 18 October 2019 that a meeting of the Shareholders of Huge Group (the "Meeting") will be held on Monday, 25 November 2019 at 10:00 at the Mfundo Room, 1st Floor, JSE Building, One Exchange Square, Gwen Lane, Sandown, to:

- (i) deal with such business as may lawfully be dealt with at the Meeting; and
- (ii) consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out hereunder in the manner required by the Companies Act, as read with the JSE Listings Requirements and other stock exchanges on which the Company's ordinary shares are listed, which Meeting is to be participated in and voted at by Shareholders recorded in the Company's securities register as at the voting record date of Friday, 15 November 2019.

Kindly note that, in accordance with section 63(1) of the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, drivers' licences and passports.

A Shareholder entitled to vote at the General Meeting is entitled to appoint a proxy or proxies to attend, participate in and vote at the General Meeting in the place of the Shareholder. A proxy need not also be a Shareholder.

Record dates, proxies and voting

In terms of sections 59(1)(a) and (b) of the Act, the Directors have set the record dates for the purposes of determining which Shareholders are entitled to receive notice, participate in, and vote at the General Meeting:

Record date to receive the notice of General Meeting Friday, 18 October 2019

Last date to trade to be eligible to participate in and vote at the General Meeting Tuesday, 12 November 2019

Record date to be eligible to participate in and vote at the General Meeting Friday, 15 November 2019

Shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the General Meeting are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a Shareholder and shall be entitled to vote on a show of hands or a poll. It is requested that proxy forms be forwarded so as to reach The Meeting Specialist Proprietary Limited, JSE Building, One Exchange Square, Gwen Lane, Sandown, Johannesburg by no later than 10:00 on Thursday, 21 November 2019. If Shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the General Meeting do not deliver the proxy form to The Meeting Specialist by the relevant time, such Shareholders will nevertheless be entitled to lodge the Form of Proxy in respect of the General Meeting immediately prior to the proxy exercising such Shareholders' rights as a Shareholder at the General Meeting, in accordance with the instructions therein, with the Chairman of the General Meeting.

Shareholders who have dematerialised their Shares, other than those Shareholders who have dematerialised their Shares with “own name” registration, should contact their Central Securities Depository Participant (“CSDP”) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the General Meeting, to obtain the necessary letter of representation to do so.

On a show of hands, every Shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of Shares such Shareholder holds. On a poll, every Shareholder present in person or represented by proxy and entitled to vote shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the Shares held by such Shareholder bears to the aggregate amount of the nominal value of all Shares issued by the Company.

In order for an ordinary resolution to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights exercised in respect of the resolution, unless otherwise specified.

Electronic participation

The Company intends to offer Shareholders reasonable access to attend the General Meeting through electronic conference call facilities, in accordance with provisions of the Companies Act. Shareholders wishing to participate electronically in the General Meeting are required to deliver written notice to the Company at Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg (marked for the attention of Karen Robinson, the Company Secretary) by no later than Friday, 15 November 2019, that they wish to participate via electronic communication at the General Meeting (the “electronic notice”).

In order for the electronic notice to be valid it must contain:

- if the Shareholder is an individual, a certified copy of their identity document;
- if the Shareholder is not an individual, a certified copy of a resolution passed by the relevant entity and a certified copy of the identity document(s) of the person(s) who passed the relevant resolution, which resolution must set out the person from the relevant entity who is authorised to represent it at the General Meeting; and
- a valid email address.

Voting on Shares will not be possible via electronic communication and accordingly Shareholders participating electronically and wishing to vote their Shares at the General Meeting will need to be represented at the General Meeting by proxy or by letter of representation. The Company shall use its reasonable endeavours on or before Thursday, 7 November 2019, to notify Shareholders who have delivered valid electronic notices of the relevant details through which Shareholders can participate via electronic communication.

[RESOLUTIONS TO BE INCLUDED]

Ordinary Resolution Number 1 – Approval of the Proposed Transaction

It is resolved that the Proposed Transaction as described in the Circular to which this Notice is attached, being the proposed effective disposal of a 16.29% interest in Huge Connect to Windfall through Windfall's subscription for 36 ordinary shares in the share capital of Huge Connect on the terms and conditions described and contained in the Windfall Ordinary Share Subscription Agreement, be and is hereby approved.

Reason for and effect of Ordinary Resolution Number 1

The reason for Ordinary Resolution Number 1 is that the Proposed Transaction is a related party transaction in terms of section 10 of the Listings Requirements and requires the approval of Shareholders in terms of paragraph 10.4(d). The effect of this Ordinary Resolution Number 1 is that the subscription by a related party, Windfall, for 16.29% of the Huge Connect Ordinary Shares is approved.

Mr Vincent Mokholo, a director of the Company, is also a director of Windfall and is, accordingly, deemed to be a related person to the Company for the purposes of section 75 of the Companies Act. Mr VM Mokholo has a personal financial interest in the implementation of the Proposed Transaction contemplated herein and will therefore recuse himself from voting on the resolutions contained herein.

Ordinary Resolution Number 2 – Director Authorisation

Any director of the Company be and is hereby authorised to take all such steps and sign all such documents as are necessary for or incidental to give effect to the abovementioned ordinary resolution, and to the extent that such director has, as at the date of this resolution, already performed any of the actions contemplated herein, such actions are hereby ratified and approved.

Voting in respect of Ordinary Resolution Number 1 and Ordinary Resolution Number 2

The percentage of voting rights required for Ordinary Resolution Number 1 and Ordinary Resolution Number 2 to be adopted is a simple majority of votes, being more than 50% of the votes of all Shareholders (other than the related party and its associates) present or represented by proxy at the General Meeting.

huge
group

Huge Group Limited

(Registration number 2006/023587/06)

JSE share code: HUG

A2X share code: HUG

ISIN: ZAE000102042

("Huge Group" or "the Company")

FORM OF PROXY

FOR USE BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS AT THE GENERAL MEETING OF THE COMPANY TO BE HELD AT THE MFUNDO ROOM, 1ST FLOOR, JSE BUILDING, ONE EXCHANGE SQUARE, GWEN LANE, SANDOWN, JOHANNESBURG ON MONDAY, 25 NOVEMBER 2019 AT 10:00.

Certificated Shareholders or Dematerialised Shareholders with "own name" registration who are entitled to attend and vote at the General Meeting, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a Shareholder and shall be entitled to vote on a show of hands or poll.

Dematerialised Shareholders, other than Dematerialised Shareholders with "own-name" registrations, must not return this Form of Proxy to the Company's meeting scrutineers or deliver it to the Chairman of the General Meeting.

Dematerialised Shareholders, other than Dematerialised Shareholders with "own-name" registration, should instruct their Central Securities Depository Participant ("CSDP") or broker as to what action they wish to take. This must be done in the manner and time stipulated in the agreement entered into between them and their CSDP or broker.

I/We _____ (name in block letters)

of _____ (address)

Telephone (work) _____ (home) _____

Mobile _____ (email) _____

Being the holder(s) of Shares

Hereby appoint (see note 1)

1. _____ or failing him/her,

2. _____ or failing him/her,

the Chairman of the General Meeting, as my/our proxy to attend, speak and act on my/our behalf at the General Meeting (and at any postponement thereof) and, on a poll, to vote in my stead and to vote for or against the Resolution or abstain from voting thereon in respect of the Shares registered in my/our name(s), in accordance with the following instructions (see note 3):

	For	Against	Abstain
Ordinary Resolution Number 1 – Approval of the Transaction			

Please indicate with an "x" or the relevant proposed number of Huge Group Shares, in the applicable space, how you wish your vote to be cast.

Signed at _____ on _____ 2019

Signatures _____ Capacity _____

Assisted by (where applicable) _____ Signature _____

Every person entitled to vote and who is present at the General Meeting shall be entitled to either:

- (a) One vote on a show of hands, irrespective of the number of Shares such person holds or represents, provided that a proxy shall, irrespective of the number of Shareholders they represent, have only one vote; or
- (b) That proportion of the total votes in the Company which the aggregate amount of the nominal value of the Shares held by the Shareholder bears to the aggregate amount of the nominal value of all Shares issued by the Company in respect of every matter that may be decided by polling.

A proxy may delegate his/her authority to act on his/her behalf to another person (see note 4).

This proxy form will lapse and cease to be of force and effect immediately after the General Meeting of the Company and any adjournment(s) thereof unless it is revoked earlier (as to which see notes 9 and 10).

Notes to the Form of Proxy

1. This Form of Proxy is for use by certificated Shareholders and Dematerialised Shareholders with "own name" registration whose Shares are registered in their own names on the record date and who wish to appoint another person to represent them at the General Meeting. If duly authorised, companies and other corporate bodies who are Shareholders having Shares registered in their own names may appoint a proxy using this Form of Proxy or may appoint a representative in accordance with the last paragraph below. Other Shareholders should not use this form. All beneficial holders who have dematerialised their Shares through a Central Securities Depository Participant ("CSDP") or broker, and do not have their Shares registered in their own name, must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the General Meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.
2. Forms of proxy must be lodged at or posted to The Meeting Specialist Proprietary Limited, JSE Building, One Exchange Square, Gwen Lane, Sandown, Johannesburg, PO Box 62043, Marshalltown, 2107, or proxy@tmsmeetings.co.za, by no later than 10:00 on Thursday, 21 November 2019. If Shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the General Meeting do not deliver the proxy form to the meeting scrutineers by the relevant time, such Shareholders will nevertheless be entitled to lodge the Form of Proxy in respect of the General Meeting immediately prior to the proxy exercising such Shareholder's rights as a Shareholder at the General Meeting, in accordance with the instructions therein, with the Chairman of the General Meeting.
3. This proxy shall apply to all the ordinary Shares registered in the name of Shareholders at the record date unless a lesser number of Shares are inserted.
4. A Shareholder may appoint one person as the proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a Shareholder of the Company. If the name of the proxy is not inserted, the Chairman of the General Meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on this Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this Form of Proxy may delegate the authority given to him/her in this Form of Proxy by delivering to the Company, in the manner required by these instructions, a further Form of Proxy which has been completed in a manner consistent with the authority given to the proxy of this Form of Proxy.
5. Unless revoked, the appointment of proxy in terms of this Form of Proxy remains valid until the end of the General Meeting even if such meeting or a part thereof is postponed or adjourned.
6. If:
 - 6.1 a Shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
 - 6.2 the Shareholder gives contrary instructions in relation to any matter; or
 - 6.3 any additional resolution/s which are properly put before the General Meeting; or
 - 6.4 any resolution listed in the Form of Proxy is modified or amended, the proxy shall be entitled to vote or abstain from voting, as he/she thinks fit, in relation to that resolution or matter. If, however, the Shareholder has provided further written instructions which accompany this Form of Proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the Shareholder, whether in terms of a power of attorney or otherwise, then this Form of Proxy will not be effective unless:
 - 7.1 it is accompanied by a certified copy of the authority given by the Shareholder to the signatory; or
 - 7.2 the Company has already received a certified copy of that authority.
8. Any alterations made in this Form of Proxy must be initialled by the authorised signatory/ies.
9. This Form of Proxy is revoked if the Shareholder who granted the proxy:
 - 9.1 delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company prior to the proxy exercising such Shareholder's rights as a Shareholder at the General Meeting, in accordance with the instructions therein, with the Chairman of the General Meeting; or
 - 9.2 appoints a later, inconsistent appointment of proxy for the General Meeting; or
 - 9.3 attends the General Meeting in person.
10. If duly authorised, companies and other corporate bodies who are Shareholders of the Company having Shares registered in their own name may, instead of completing this Form of Proxy, appoint a representative to represent them and exercise all of their rights at the General Meeting by giving written notice of the appointment of that representative. This notice should be received by the Company's meeting scrutineers by no later than 10:00 on Thursday, 21 November 2019 and must be accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed.

Summary of rights established by section 58

Summary of rights established by section 58 of the Companies Act, 71 of 2008 (Companies Act), as required in terms of sub-section 58(8)(b)(i):

1. A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his/her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).
2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 below or expires earlier in terms of paragraph 10.4 below (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).
4. A proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument") (section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the Memorandum of Incorporation (MOI) of the Company at least 48 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy:
 - 6.1 the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58(4)(a));
 - 6.2 the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and
 - 6.3 if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).
10. If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a Form of Proxy instrument:
 - 10.1 the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a));
 - 10.2 the invitation or Form of Proxy instrument supplied by the Company must:
 - 10.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));
 - 10.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and
 - 10.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));
 - 10.3 the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and
 - 10.4 the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above (section 58(8)(d)).

