

CHOPPIES

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CHOPPIES ENTERPRISES LIMITED

Co. Reg: BW00001142508

Incorporated in the Republic of Botswana under Company Number 2004/1681

("the Company" or "the Group")

BSE Share Code: CHOPPIES

JSE Share Code: CHP

ISIN Number: BW0000001072

UPDATE ANNOUNCEMENT

The Board advises shareholders that the reviews by Advocates Hoffman SC, Redding SC and Meyerowitz ("Counsel"), commissioned by the current Board, the subject of announcements by the Board on 27 September and 16 October 2019, have been completed.

The opinions of Counsel will be published on the Company's website and can be accessed via the following link www.choppies.co.bw

Counsel are of the view that there were several failures of corporate governance, lack of effective governance and lack of proper oversight, only one of which warrants further investigation and subject to the result of that investigation, action against the directors involved. Counsel point out that it is difficult to attribute blame for the delay in publication of the 2018 financial statements to any one party.

The current Board has taken action and is taking action to improve the Group's controls and governance procedures, including establishing an Approvals Framework and a code of ethics, a thoroughgoing review of all Board Committee Charters, all related party transactions and the contract of employment of Ramachandran Ottapathu (Ottapathu), the establishment of an Investment Committee and consideration of the structure of the Remuneration Committee.

Counsel do not believe that Charge 2 (the alleged use of company funds for the acquisition by Ottapathu of shares in Payless Supermarkets (Pty) Ltd) could be established. Counsel conclude that on the evidence there is no actionable malfeasance by Ottapathu in respect of the Fours Buying Group, contrary to Charge 3 formulated against him. In this regard, the evidence is that he did not acquire beneficial ownership in the shares of the Fours Buying Group nor did he misappropriate a corporate opportunity and it is unlikely that the charge in this regard could be established. Counsel do not believe that Charge 4 (Ottapathu's alleged misleading of shareholders as to the reasons for his suspension) could be established.

As regards Charge 1 of the charges proffered against Ottapathu, Counsel are of the view that the EY Report, whilst listing a plethora of accounting irregularities, reaches no firm and positive conclusion. The EY Report does however provide circumstantial evidence that stock losses in South Africa and

Zimbabwe were disguised and linked to other transactions including the purchase of four stores in South Africa, and Counsel recommend the issue be fully investigated.

Counsel recommend an investigation, which follows fair procedure according to established principles, in which any employee involved in the issue being investigated is given an opportunity to explain and defend him/herself, which investigation could lead to the sanctioning of an employee including dismissal. It is for the Company to prove the conduct which is so serious as to warrant sanction or dismissal.

Counsel are of the view that the circumstantial evidence of suspicious conduct currently available does not amount to a conclusive case of serious misconduct sufficient to substantiate the first charge against Ottapathu, and it is unlikely, based on current evidence, that a finding of fraud or breach of fiduciary duty can be made, and it would be unwise to proceed with that charge based on current evidence.

Counsel recommend an investigation into the facts involved in the alleged disguising of stock losses to assess the sufficiency and cogency of the evidence, before proceeding any further.

The Board has resolved to follow the recommendation of Counsel and cause a focused investigation by independent counsel to establish the sufficiency and cogency of evidence prior to taking a final decision whether to proceed with a disciplinary enquiry.

The Company's primary listing is on the BSEL and its secondary listing is on the JSE. The listings on both exchanges are suspended.

By order of the Board

19 December 2019

BSEL Sponsoring Broker
African Alliance Botswana Limited



JSE Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)