



MARA DELTA PROPERTY HOLDINGS LIMITED

(previously Delta Africa Property Holdings Limited)

(Registered by continuation in the Republic of Mauritius)

(Registration number 128881 C1/GBL)

JSE share code: MDP

SEM share code: DEL.N0000

ISIN: MU0473N00028

(“Mara Delta” or “the Company”)

ACQUISITION OF A NEW A-GRADE RETAIL SHOPPING CENTRE ANCHORED BY MULTI-NATIONAL TENANTS WITH US DOLLAR UNDERPINNED LEASES

1. INTRODUCTION

- 1.1. Shareholders are advised that on 6 December 2016, Mara Delta, through its wholly-owned subsidiary Delta International Mauritius Limited, entered into a share sale and purchase agreement (“**Acquisition Agreement**”) with, *inter alia*, Sericea Holdings Limited (“**Sericea**”) and Transformers Investment Limited (“**Transformers**”) (collectively referred to as “**the Sellers**”), in terms of which Mara Delta will purchase 100% of the issued share capital of Gerania Limited (“**Gerania**”) (“**Sale Shares**”) held by the Sellers (“**Acquisition**”).
- 1.2. Gerania holds 99.9% of the issued ordinary share capital of Mall de Tete Limitada (“**Propco**”), which, in turn, has the right of use and development of a property in Tete, Mozambique (“**Land**”) on which the retail shopping centre, known as Mall de Tete (“**Mall de Tete**”), is located (collectively referred to as “**the Property**”).
- 1.3. Mall de Tete, which has been developed by McCormick Property Development (“**McCormick Property**”) officially opened on 1 December 2016. McCormick Property has pioneered the development of retail centres within the “emerging market” of South Africa since its inception in 1983 and more recently in Southern Africa. Mall de Tete is its 59th successfully completed development.
- 1.4. The remaining 0.1% of the issued ordinary share capital of Propco is owned by local minority shareholders who will dispose of their shareholding to Commotor Limitada, an indirectly wholly-owned subsidiary of Mara Delta (“**Commotor**”), at a nominal price, upon conclusion of the Acquisition.

- 1.5. Commotor has advanced a loan in the amount of USD 575,300 to Propco on 4 August 2016, which loan plus accrued interest thereon is refundable or convertible upon conclusion of the Acquisition (“**Commotor Loan**”).

2. RATIONALE

- 2.1. The Property is in line with Mara Delta’s investment strategy to acquire rural retail centres in under-serviced markets which meet the rigid investment criteria of strong counterparties, underpinned by long-term dollar-based leases.
- 2.2. The following salient points should be highlighted:
 - 2.2.1. a three year net rental income guarantee is in place from the Sellers for 100% of the gross lettable area (“GLA”);
 - 2.2.2. the Property will be the dominant retail offering in Tete and the surrounding region;
 - 2.2.3. 95% (by rental) of secured leases are indexed to the USD;
 - 2.2.4. the tax incentives associated with the investment enhance the dividend yield accretion in Mauritius; and
 - 2.2.5. the Property has strong multi-national anchor tenants including Shoprite (29% of rental) and Choppies (9% of rental) on 12 and 5 year leases respectively, both leases indexed to the USD. Other major tenants include Pep, Jet, Woolworths, Studio 88 and KFC (collectively 23% of rental) and national tenants make up 65% of the total GLA.
- 2.3. Mall de Tete will be managed by McCormick Property’s management division for an initial three year contract period. McCormick Property, who have significant insourcing experience, currently manage 27 shopping malls and centres within SADC totalling over 500,000 square meters of GLA and are well placed to provide a quality service to the Property and valuable support to the Mara Delta management team.
- 2.4. Tete is considered as a major hub for economic growth in Mozambique. The region is currently experiencing a significant economic boost after major international mining companies (including global giants Vale and Rio Tinto) have injected billions of USD into developing one of the world’s largest unexploited coking coal basins. The Japanese group Mitsui & Co. recently announced that it will contribute up to USD 450 million for 15% of Vale’s 95% stake in its Tete coal mine.
- 2.5. It has also been announced that Mitsui & Co. will also contribute USD 348 million for 50% of Vale's 70% stake in the Nacala Logistics Corridor and provide the Nacala Logistics Corridor project with a USD 165 million long-term loan. The project involves the construction and rehabilitation of 912km of railway from the Moatize coal mines in Tete province to the new coal terminal and deep-water port in Nacala.
- 2.6. In addition to the above, the Beira Rail Corridor freight route, which links Tete province to Beira Port is also currently being upgraded to accommodate increased coal production capacity.

- 2.7. Vale and Mitsui & Co. also have a minority investment in a power station project that will produce 300 MW of electricity using thermal coal from Vale's Moatize mine in Tete. ACWA Power of Saudi Arabia is the majority shareholder with a 56.5% investment in the project. Construction is set to commence in the first half of 2017.
- 2.8. A major steel plant is planned for Tete province that will cost approximately USD 50 million and will produce 1.5 million tonnes of steel a year. Due to the enormous potential of this project and the large number of business opportunities that will follow, the government recently approved the creation of the Rovubue Industrial Free Zone in the Moatize and Chiuta districts. In addition to steel production, the project includes construction of a coal fired power station capable of generating 250 MW of electricity.
- 2.9. With the significant investments and expansion that are currently taking place, and future expected projects, economic growth prospects are robust for the province as a whole, but with specific benefits for Tete city as the hub.
- 2.10. Tete, with a population estimated at 250,000, is the capital of Tete Province and is a major transport hub linking Zimbabwe, Zambia and Malawi. Tete is also an important crossing point over the Zambezi River, having two of the four road crossings in Mozambique.

3. EFFECTIVE DATE

Subject to the Conditions Precedent (as defined in paragraph 6 below) being fulfilled, the effective date of the Acquisition will be 1 December 2016 ("**Effective Date**").

4. PURCHASE CONSIDERATION

- 4.1. The total purchase consideration due by Mara Delta to the Sellers in respect of the Acquisition amounts to USD 24,994,000 ("**Purchase Consideration**"), which shall be settled in the manner stated below –
 - 4.1.1. the Commotor Loan (including interest accrued thereon as at the Effective Date) will be converted to share capital in Propco on the Effective Date;
 - 4.1.2. USD 12,497,000 will be settled in cash ("**Cash Payment**"), which will be applied as follows:
 - 4.1.2.1. USD 4,500,000 will be used to settle a loan between Gerania and Nedbank Limited (acting through its Corporate and Investment Banking division) ("**Nedbank**") including any interest and fees outstanding thereon; and
 - 4.1.2.2. USD 7,997,000 will be used to settle loans to Sericea or a related entity of Sericea including any interest and fees outstanding thereon,

the above Cash Payment will be settled from a new Bank of China debt facility entered into between Gerania and Bank of China, Johannesburg Branch with effect from the Effective Date, which has been facilitated by Mara Delta and secured through a Mara Delta guarantee; and
 - 4.1.3. the balance of the Purchase Consideration of USD 11,906,077 will be settled, subject to the necessary approval and compliance with the listing rules of the Stock Exchange of Mauritius

Ltd ("**SEM**") and the Listings Requirements of the JSE Limited ("**JSE**"), by the allotment and issue of 7,350,338 new Mara Delta ordinary shares ("**Mara Delta Shares**") to the Sellers at an issue price of USD 1.6198 per Mara Delta Share (representing the current Mara Delta net asset value per share), in the following proportion:

- 4.1.3.1. 788,683 Mara Delta Shares will be issued to Transformers; and
- 4.1.3.2. 6,561,655 Mara Delta Shares will be issued to Sericea,

with the Mara Delta Shares to be issued within 10 business days from the Effective Date, unless the parties agree otherwise.

5. PURCHASE PRICE ADJUSTMENT

- 5.1. The Sellers have agreed to adjust the Purchase Consideration should the basic rental income payable in terms of the final lease agreement between Propco and Shoprite ("**Shoprite Lease**") reduce to less than USD 19.0/m² ("**Shoprite Price Adjustment**"). The Shoprite Price Adjustment will place Mara Delta in the same position it would have been in had the basic rental income payable in terms of the Shoprite Lease remained at USD 19.0/m².
- 5.2. The Sellers shall be jointly and severally liable for payment of the Shoprite Price Adjustment within 30 days of finalisation thereof, in proportion to their shareholding in Gerania immediately prior to the Effective Date.
- 5.3. The John McCormick Family Trust shall secure payment of the Shoprite Price Adjustment by providing a guarantee in favour of Mara Delta or a nominee of Mara Delta.

6. CONDITIONS PRECEDENT

- 6.1. The Acquisition is subject to the fulfilment of the remaining conditions precedent ("**Conditions Precedent**"), that –
 - 6.1.1. the Sellers providing the municipal tax certificate evidencing registration of the Property with the necessary tax department in Mozambique;
 - 6.1.2. the Sellers providing an updated real estate registrar office certificate concerning the Property and describing the buildings and infrastructure erected thereon;
 - 6.1.3. approval from the Central Bank of Mozambique to mortgage the Property in favour of a foreign lender; and
 - 6.1.4. Nedbank have released the Sellers unconditionally from the pledge and cession that Nedbank has over the Sale Shares.
- 6.2. Unless the Conditions Precedent have been fulfilled or waived by not later than 15 December 2016 (or such later date as may be agreed in writing between the parties before the aforesaid date), then the Acquisition Agreement will cease to be of any further force.

7. WARRANTIES AND OTHER TERMS

- 7.1. The Acquisition Agreement contains representations and warranties by the Sellers in favour of Mara Delta that are standard for a transaction of this nature.
- 7.2. Mara Delta has granted the right to the Sellers to develop any future income-generating development on the Property, subject to a separate agreement being entered into by the parties and subject to certain conditions.
- 7.3. In terms of the Acquisition Agreement, the Sellers have guaranteed the projected net operating income for 100% of the GLA of the Property for a period of 3 years from the Effective Date (“**NOI**”) in favour of Mara Delta. The Parties have agreed that in the event that there is a shortfall between the projected NOI and the actual NOI (“**Shortfall**”), the Sellers will be jointly and severally liable for payment thereof and such payment will be secured by the Sellers as follows:
- 7.3.1. Sericea pledging and ceding 25% of its Mara Delta Shares; and
- 7.3.2. Transformers pledging and ceding 100% of its Mara Delta Shares,
- in favour of Mara Delta in terms of a share pledge agreement to be concluded between the parties.

8. THE PROPERTY

- 8.1. Details of the Property are as follows –

Property Name and Address	Geographical Location	Sector	GLA (m ²)	Weighted Average Gross Rental/m ² (USD)
Mall de Tete Plot no. 1.190B located in the second phase plant, located at Bairro Chingodzi	Tete City, Mozambique	Retail	11,571	17.8 ¹

¹ Secured leases at Effective Date only.

- 8.2. Details regarding the Property, as at the anticipated Effective Date, are set out below –

Property Acquisition Yield	Dividend Yield Attributable to Shareholders	Weighted Average Escalation	Weighted Average Lease Duration (years)	Vacancy % by GLA
9.5% ¹	7.8% ¹	3.7% ²	7.7 ²	27.0% ³

¹ Based on the guaranteed projected net operating income.

² Secured leases at Effective Date only.

³ 3 year net rental income guarantee in place on 100% of GLA.

Notes:

- a) The costs associated with the Acquisition are estimated at USD 215,646.
- b) The Property has been valued by Jones Lang LaSalle Proprietary Limited, independent and registered professional valuers in terms of the Property Valuers Profession Act, No. 47 of 2000, who have attributed an aggregate market value of USD 25,000,000 to the Property (as at 1 December 2016), excluding surplus land.

9. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

The forecast financial information for the Acquisition for the financial periods ending 30 June 2017 and 30 June 2018 are set out below. The forecast financial information has not been reviewed or reported on by a reporting accountant in terms of section 8 of the JSE Listings Requirements and Chapter 12 of the SEM Listing Rules and is the responsibility of Mara Delta's directors.

	Forecast for the 7 month period ending 30 June 2017 (USD)	Forecast for the 12 month period ending 30 June 2018 (USD)
Revenue – contracted income	1,016,296	1,780,024
Revenue – near contracted income	115,500	201,465
Revenue – uncontracted income	335,860	589,114
Non-rental revenue	322,456	573,741
Operating expenses	405,029	722,793
Operational net income	1,385,083	2,421,552
Net profit after tax	1,129,384	2,035,971
Earnings available for distribution	615,579	1,092,616
Forecast distribution	615,579	1,092,616

Notes:

- a. Contracted income is based on current signed leases, and assumes any lease that may expire during the period is renewed on the same terms and conditions.
- b. Near contracted income is based on heads of terms agreed between lessor and lessee. Near contracted income is secured by a 3 year net rental income guarantee on 100% of the GLA.
- c. Uncontracted income is based on conservative market rental assumptions. Uncontracted income is secured by a 3 year net rental income guarantee on 100% of the GLA.

- d. Operating expenses contain the following material individual expenditure items: electricity (51% of expenses) and management fees (13% of expenses).
- e. The above net profit after tax includes an assumed fair value adjustment of 3.7%. The net profit after tax excluding fair value adjustment is equal to the above earnings available for distribution.

10. GENERAL

- 10.1. On implementation of the Acquisition, Gerania will become a subsidiary of Mara Delta. In this regard, the Company confirms that the requirements of paragraph 10.21 of Schedule 10 of the JSE Listings Requirements will be complied with.
- 10.2. The Acquisition constitutes an undertaking in the ordinary course of business of Mara Delta and therefore does not fall under the scope of Chapter 13 of the SEM Listing Rules.
- 10.3. The Acquisition qualifies as a category 2 acquisition for Mara Delta in terms of the JSE Listings Requirements.
- 10.4. Mara Delta has primary listings on both the Official Market of the SEM and the Main Board of the JSE.

7 December 2016

JSE sponsor and corporate advisor to Mara Delta



SEM authorised representative and sponsor to Mara Delta



Directors:

Sandile Nomvete (chairman), Bronwyn Anne Corbett*, Peter Todd (lead independent), Chandra Kumar Gujadhur, Ian Macleod, Leon van de Moortele* and Jacqueline Rouxanne van Niekerk
(*executive director)

Company secretary: Intercontinental Fund Services Limited

Registered address: C/o Intercontinental Fund Services Limited, Level 5, Alexander House, 35 Cybercity, Ebene, 72201, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

Corporate advisor and JSE sponsor: PSG Capital Proprietary Limited

SEM sponsor: SBM Securities Ltd

SEM authorised representative and sponsor: Perigeum Capital Ltd

This Notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 11.3 and the Securities Act of Mauritius 2005.

The board of directors of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.