On the 13th November 2017, RDC Properties Limited (“the Company” or RDCP”) issued a Withdrawal of Cautionary announcement, where the Board of Directors of the Company informed Unitholders that the Company has concluded an agreement to purchase a 34.85% controlling stake in the issued share capital of Capitalgro (Proprietary) Limited (“Capitalgro”), a company incorporated in the Republic of South Africa.

Subsequent to the Withdrawal of Cautionary announcement, Capitalgro has entered into a Sale of Rental Enterprise Agreement for the purchase of a large commercial building and the related land, subject to the successful completion of a due diligence process.

Details of Transaction and Capitalgro share issue

Capitalgro has entered into a sale agreement to purchase The Edge, a new state of the art nine storey commercial building located at the entrance to the Tyger Falls precinct on the Tyger Valley Waterfront. The Edge is a high quality AAA grade office development and has been awarded a 5-Star rating by the Green Building Council of South Africa, making it an attractive, energy efficient alternative for tenants in an environment of rapidly escalating energy costs.

The property enjoys excellent access to shops, restaurants and fitness facilities, and is on the doorstep of the precinct’s ever expanding urban village residential living environment.

Its ‘blue-chip’ tenants include Mercantile Bank, Distell, Sanlam, PSG and several other professional business enterprises.

The purchase price of The Edge is R300 million plus acquisition costs. The Company has already received an indicative term sheet from one of the major commercial banks for a non-recourse loan equal to 60% of the value of the property. RDCP will participate to an issue of new shares by Capitalgro which will result in RDCP securing a
shareholding in Capitalgro in excess of 50% of the issued share capital. On the basis of a successful share allotment, the shareholder funding will be employed to complete the acquisition, subject to fulfilment of the conditions precedent embodied in the sale agreement, including conclusion of the due diligence investigation to the satisfaction of the purchaser and securing the funding. The effective date of transfer is expected in Quarter 1 2018.

This acquisition will increase the value of the Capitalgro portfolio by more than 90% and its strong cashflows will bring stability to the portfolio with premium tenants being able to weather difficult trading conditions. The initial yield reflects the exceptional calibre of the building, and the rentals are contractually bound to increase which creates excellent growth prospects. Please visit: www.at-the-edge.co.za for a ‘tour’ of the property.

**Nature of Capitalgro’s business and management**

Capitalgro is a property loan stock company registered in South Africa, and structured to hold commercial property for the benefit of its shareholders. Capitalgro provides investors with a stable income which is distributed six monthly in arrears, and capital growth as determined by the increasing asset value of the portfolio.

Capitalgro has a focus on properties in the Western Cape. If it is successful in acquiring The Edge, Capitalgro will own five properties in the Cape Town area and a number of additional parking bays. In addition to The Edger, the other properties are a shopping centre in Westlake, two commercial properties in Sea Point and sectional title commercial space in Tygervalley. As at 28 February 2017 the Capitalgro property portfolio was valued at R321.5 million – with the acquisition of The Edge, the portfolio will grow to in excess of R630 million.

Capitalgro is managed by an independent company called Capitalgro Asset Management (Pty) Ltd, which serves as the asset manager. The executive directors of the asset manager are experienced property professionals and have a broad knowledge of the local market.

In addition to the Chairman of RDC Properties Limited’s appointment to the Board of Capitalgro, a further RDCP executive board member will also join the Board of Capitalgro.

**Rationale for the participation in the Capitalgro share issue**

The Company has over the past few years embarked on a regional expansion strategy, which includes identifying opportunities in selected geographical arrears and market segments. The expansion is carried out by relying on local partners.

Acquiring a controlling stake in a yield-enhancing portfolio in the Western cape region of South Africa, with a strong management team, fits into this plan. Acquiring a controlling stake in Capitalgro’s business was informed by the decision of supporting the growth of the company through share allocations. With the acquisition of The Edge and RDCP participation to the share issue, this growth plan is being significantly boosted.

The Edge acquisition continues to diversify the Company’s geographical presence and to cement its presence in South Africa.
Cautionary

The Directors of Company wish to advise all Unitholders that the acquisition of The Edge by Capitalgro may have a material impact on the value of the Company’s Linked Units.

The Directors therefore advise Unitholders to exercise caution in the trading of the Company’s Linked Units and should consult their professional advisers before dealing in the Company’s Linked Units until such time as the results of The Edge transaction are known.

By order of the Board
PricewaterhouseCoopers (Pty) Limited
Company Secretary 16 November 2017