

CASTLEVIEW PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2017/290413/06)

JSE share code: CVW

ISIN: ZAE000251633

(Approved as a REIT by the JSE)

(“Castlevue” or the “company”)



ANNOUNCEMENT REGARDING:

- **A RELATED PARTY, CATEGORY 1 ACQUISITION OF DIRECT AND INDIRECT PROPERTY ASSETS WHICH CONSTITUTES A REVERSE TAKEOVER OF CASTLEVIEW;**
 - **A SPECIFIC ISSUE OF SHARES FOR CASH; AND**
 - **WITHDRAWAL OF CAUTIONARY**
-

1. Introduction

Shareholders are referred to the cautionary announcement released on 22 June 2022 advising that Castlevue was in advanced negotiations regarding the acquisition of a portfolio of direct and indirect property assets from a related party.

Shareholders are now advised that Castlevue has entered into the following acquisition agreements (the “**acquisition agreements**”), in terms of which it will acquire:

- the Willowbridge retail properties from the Willowbridge vendors;
- the K346 development properties, all held in K346 and situated in the City of Cape Town and its surrounding suburbs, from U Big;
- the iRes residential properties, all held in iRes and situated in the City of Cape Town and its surrounding suburbs, from IGFH;
- the entire issued share capital of, and claims against, Tensai Property Services Limited (“**TPS**”), including its 46.07% interest in EPP Community Properties JV B.V. (“**EPP Community Properties**”) (the “**EPPCP investment**”) and, indirectly, its 25.7% interest in Collins Property Projects Proprietary Limited (“**CPP**”) (the “**CPP investment**”) held through its wholly-owned subsidiary, U Reit Collins Proprietary Limited (“**U Reit Collins**”) from U Big; and
- more than 50% of the issued shares in Emira Property Fund Limited (“**Emira**”) through the acquisition of (i) IG EMI Holdings Proprietary Limited (“**IG EMI**”); and (ii) the 14 275 529 Emira shares held by K2019451018 (South Africa) Proprietary Limited (“**K018 Emira shares**”) (collectively, the “**Emira investment**”).

The acquisition of the assets detailed above is collectively referred to hereinunder as the “**acquisitions.**” Shareholders are referred to paragraph 12 of this announcement for full details of the direct property assets and their vendors.

The Willowbridge retail properties, the K346 development properties, the iRes residential properties, the EPPCP investment, CPP investment and the Emira investment are all being acquired from subsidiaries of I Group Investments Proprietary Limited (“**I Group**”).

I Group is an innovative property and development company based in Cape Town, whose strategy is to establish a diversified property portfolio by investing in South African and selected international real estate focused, firstly, on net asset value growth, and, secondly, on the maintenance of a sustainable yield. I Group’s investments comprise of commercial properties, held either directly or indirectly through listed and non-listed property companies, and residential properties, including residential developments.

In addition to the acquisitions, Castleview has entered into share subscription agreements (the “**share subscription agreements**”) with Womens Soccer League Proprietary Limited (“**Womens Soccer League**”) and Streeperdjie Proprietary Limited (“**Streeperdjie**”), respectively, in terms of which Womens Soccer League will subscribe for approximately 34 908 876 Castleview shares and Streeperdjie will subscribe for approximately 17 000 000 Castleview shares in terms of a specific authority to issue shares for cash (the “**share subscription**”).

The acquisitions and the share subscription are collectively referred to hereinunder as the “**transaction.**”

2. **Rationale for the transaction**

Castleview is a property holding and investment company that listed as a retail REIT on the Alt^X of the JSE on 20 December 2017. The company’s strategy has been to accumulate a diversified portfolio of retail properties in South Africa, providing exposure to consumers from a cross-section of income categories and it is currently invested in two well-located South African shopping centres, the first, a small regional shopping centre in Gqeberha (previously known as Port Elizabeth), the second, a convenience centre in Goodwood, Cape Town.

Castleview’s investment mandate is to deliver healthy total returns to its shareholders via a robust income stream and capital growth of its assets.

The transaction will result in the company acquiring a diversified, well-located and quality portfolio of direct and indirect assets across all property sectors and will reposition the company as a mid-tier REIT with a net asset value of c.R5.5 billion.

3. **Terms of the acquisitions**

Castleview will acquire the Willowbridge retail properties, the K346 development properties, the iRes residential properties, the EPPCP investment, the CPP investment and the Emira investment, valued at an aggregate amount of c.R5 billion, with effect from the date on which the last of the conditions precedent is fulfilled or waived, as the case may be, or such later date as agreed between the parties (the “**effective date**”) through six separate acquisitions in exchange for the issue by the company of new Castleview shares (the “**consideration shares**”).

The aggregate number of consideration shares to be issued pursuant to the implementation of the acquisitions shall be calculated on a NAV for NAV basis with reference to the NAV of the acquisition assets concerned and the NAV of Castleview, each determined on the basis of the *pro forma* consolidated balance sheet of the acquisition asset concerned (save that in respect of iRes, it shall be determined with reference to the *pro forma* balance sheet of iRes) and the *pro forma* consolidated balance sheet of Castleview on 31 August 2022, in terms of the following formula:

$$\text{NCS} = [(\text{NAV}_{\text{co}} \times \text{PCoS}) / \text{NAV}_{\text{P}}] \times \text{TnPS}$$

where:

NCS stands for the number of consideration shares, which shall be rounded up or down (as the case may be) to the nearest integer;

NAV_{co} stands for the NAV of the acquisition asset;

PCoS stands for the percentage that the sale shares comprise of the total issued shares of the relevant acquisition asset as at 31 August 2022;

NAV_P stands for the NAV of Castleview. For the avoidance of doubt, it is recorded that the calculation of the NAV of Castleview shall be determined before the implementation of the acquisition agreements, and shall therefore not have regard to the changes to NAV pursuant to the implementation of those agreements; and

TnPS stands for 41 042 547, being the total number of Castleview shares in issue as at 31 August 2022 (before having regard to the acquisitions), excluding treasury shares (if applicable).

The estimated number of consideration shares to be issued for each acquisition is set out below:

- Castlevue will acquire the entire issued share capital of Interurban Willowbridge Proprietary Limited ("**Interurban Willowbridge**"), and consequently the Willowbridge retail properties, valued at an aggregate amount of approximately R535.7 million, from the Willowbridge vendors in exchange for the issue of consideration shares as determined according to the formula set out above, expected to be 89 726 018 Castlevue shares at an indicative issue price of R5.97 per share;
- Castlevue will acquire the entire issued share capital of K346 and indirectly the K346 development properties from U Big, collectively valued at an aggregate amount of approximately R221.6 million, in exchange for the issue of consideration shares as determined according to the formula set out above, expected to be 37 125 672 Castlevue shares at an indicative issue price of R5.97 per share;
- Castlevue will acquire an 85% interest in the share capital and related shareholder loans of iRes and indirectly the iRes residential properties, including the 50% held in its subsidiary, Resi Developments Proprietary Limited ("**Resi Developments**"), from IGFH valued at an aggregate amount of approximately R197.7 million in exchange for the issue of consideration shares as determined according to the formula set out above, expected to be 33 107 790 Castlevue shares at an indicative issue price of R5.97 per share;
- Castlevue will acquire the entire issued share capital of and claims against TPS and, accordingly the EPPCP investment and the CPP investment from U Big, valued collectively at an aggregate amount of approximately R2 008.3 million in exchange for the issue of consideration shares as determined according to the formula set out above, expected to be 336 393 812 Castlevue shares at an indicative issue price of R5.97 per share;
- Castlevue will acquire the K018 Emira shares at an indicative issue price of R5.97 per share; and
- Castlevue will acquire the entire issued share capital of IG EMI and, accordingly, its wholly-owned subsidiaries, U Reit Holdings Proprietary Limited ("**U Reit**") and Maitlantic Investments Proprietary Limited ("**Maitlantic Investments**"), which together own c.47.3% of the Emira shares in issue, from IGFH, Maitlantic 10 Proprietary Limited and K2017034069 (South Africa) Proprietary Limited. The Emira investment is valued at an aggregate amount of approximately R2 011.4 million and will be acquired in exchange for the issue of consideration shares as determined according to the formula set out above, expected to be 336 918 080 Castlevue shares at an indicative issue price of R5.97 per share.

With respect to the loan claims against iRes being acquired in exchange for consideration shares, the number of consideration shares to be issued shall be calculated with reference to the face value of the loan claims concerned and the NAV of Castlevue, determined on the basis of the *pro forma* consolidated balance sheet of Castlevue as at 31 August 2022, in terms of the following formula:

$$\text{NCS} = (\text{FVSC}_{\text{co}} / \text{NAV}_{\text{P}}) \times \text{TnPS}$$

where:

FVSC_{co} stands for the face value of the loan claims as at 31 August 2022,

and the remaining inputs are as defined above.

All acquisition assets detailed above will become subsidiaries of Castlevue post the acquisitions.

4. **Conditions precedent to the acquisitions**

The acquisitions are subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:

- 4.1. the shareholders of Castlevue approving all resolutions required to authorise the conclusion and implementation of the acquisition agreements in terms of the JSE Listings Requirements;

- 4.2. the boards of directors and shareholders of each of the counterparties to the acquisition agreements approving the conclusion and implementation of the acquisition agreements in terms of the relevant parties' memoranda of incorporation and the Companies Act, 71 of 2008 (the "**Companies Act**"), as amended;
- 4.3. to the extent required, any financial institution(s) whose consent is required for the implementation of the acquisition agreements consent(s) in writing to the implementation of those agreements;
- 4.4. the vendors having delivered to Castlevue written confirmation that the Takeover Regulation Panel has either:
 - 4.4.1. granted an exemption in terms of section 119(6) of the Companies Act exempting the vendors from submitting a mandatory offer to the remaining shareholders of Castlevue in terms of section 123 of the Companies Act and the Takeover Regulations pursuant to the implementation of the acquisition agreements; or
 - 4.4.2. issued a compliance certificate indicating compliance with the requirements in parts B and C of chapter 5 of the Companies Act and the Companies Regulations promulgated under the Companies Act;
- 4.5. the acquisition agreements have all been concluded and become unconditional in accordance with their terms; and
- 4.6. the unconditional approval of the acquisitions contemplated in the acquisition agreements by the Competition Authorities in terms of the Competition Act No. 89 of 1998, or the conditional approval on terms and conditions acceptable the affected parties.

Should any of the conditions precedent not be fulfilled or waived, as the case may be, by 17:00 on 31 October 2022, or such other date as agreed by the parties, then the acquisition agreements shall not automatically lapse and be of no further force and effect. Rather, any party may on or after the aforementioned date and time, on written notice (the "**notice**") to the other parties, require that the condition precedent in question be fulfilled within one month after the date of the notice and, failing fulfilment of the condition precedent in question within the one-month period, then the acquisition agreements shall terminate.

The acquisition agreements contain warranties normal for transactions of this nature and are limited to the respective parties' capacity and authority to enter into, and perform their obligations in terms of, the acquisition agreements and entitlement to issue and/or transfer (as the case may be) unencumbered shares to the relevant party/ies.

5. **Terms of the share subscription**

In terms of the share subscription, Womens Soccer League will subscribe for approximately 34 908 876 Castlevue shares and Streeperdjie will subscribe for approximately 17 000 000 Castlevue shares (altogether, the "**subscription shares**").

The aggregate subscription consideration shall be calculated with reference to the NAV of Castlevue on the basis of the *pro forma* consolidated balance sheet of Castlevue on 31 August 2022, in terms of the following formula:

$$SC = (NAV_{CVW} / CVWs) \times SS$$

where:

SC stands for the aggregate subscription consideration for the subscription shares;

NAV_{CVW} stands for the NAV of Castlevue. For the avoidance of doubt, it is recorded that the calculation of the NAV of Castlevue shall be determined before the implementation of the acquisition agreements, and shall therefore not have regard to the changes to NAV pursuant to the implementation of those agreements;

CVWs stands for 41 042 547 Castleview shares, being the total number of Castleview shares in issue as at 31 August 2022 (before having regard to the shares to be issued in terms of the acquisition agreements), excluding treasury shares (if applicable); and

SS stands for the total number of subscription shares.

The estimated aggregate subscription consideration to be received by Castleview is set out below:

- Womens Soccer League will subscribe for 34 908 876 subscription shares at an indicative subscription price of R5.97 per Castleview share for a total subscription consideration which is anticipated to be R208 405 989.70; and
- Streepperdjie will subscribe for 17 000 000 subscription shares at an indicative subscription price of at R5.97 per Castleview share for a total subscription consideration which is anticipated to be R101 490 000.

Womens Soccer League and Streepperdjie will also be afforded the opportunity to settle a portion of the subscription price in Emira shares on a NAV for NAV basis. If such election is exercised, the number of Emira shares to be delivered will be calculated with reference to the NAV of Emira, in terms of the following formula:

$$\text{NCS} = \text{SC} / \text{NAV}_{\text{EMI}}$$

where:

NCS stands for the number of Emira shares to be delivered, which shall be rounded up or down (as the case may be) to the nearest integer;

SC stands for the aggregate subscription consideration or the balance thereof not settled in cash as described above, as the case may be; and

NAV_{EMI} stands for the NAV per Emira share.

The cash proceeds received from both Womens Soccer League and Streepperdjie pursuant to the share subscription will be used to reduce Castleview's existing debt facilities and to provide capacity for further growth.

6. **Conditions precedent to the share subscription**

The share subscription is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:

- 6.1. the approval by Castleview shareholders of the subscription agreements;
- 6.2. all other resolutions of the boards of directors and shareholders of the relevant parties required in order to authorise the conclusion of the subscription agreements and the implementation of the acquisitions contemplated thereby have been validly adopted; and
- 6.3. those acquisition agreements identified by Castleview have been concluded, become unconditional in accordance with their terms and are implemented.

The share subscription agreements contain warranties normal for transactions of this nature

7. **Property specific information**

Details of the Willowbridge retail properties, the iRes residential properties and the K346 development properties, are set out in the table below:

Property name	Geographical location	Sector	GLA (m ²)	Weighted average rental per m ² per month or per residential unit per month, as applicable (R)	Valuation (R'million)	
Willowbridge retail properties						
1	Bougainville shopping centre	Gauteng	Retail	11 337	95.65	143.000
2	Mitchells Plain shopping centre ²	Western Cape	Retail	19 110	88.54	229.000
3	Makhaza Centre	Western Cape	Retail	8 795	144.32	139.000
4	Pick n Pay Hyper Klerksdorp ³	Gauteng	Retail	19 602	98.15	256.000
5	Willowbridge south shopping centre ⁴	Western Cape	Retail	26 657	175.45	660.000
iRes residential properties						
6	Aurora Sands	Western Cape	Residential	1 144	8 963	16.400
7	Cherrywood	Western Cape	Residential	3 770	7 863	66.410
8	Glen Valley	Western Cape	Residential	2 140	7 677	23.000
9	Heritage Villas	Western Cape	Residential	1 030	6 193	18.532
10	Nightingale	Western Cape	Residential	1 534	9 725	22.035
11	Sunrise Villas	Western Cape	Residential	2 852	6 843	49.357
12	Tuscan Park Villas	Western Cape	Residential	1 519	7 763	22.500
13	Essenhout	Western Cape	Residential	4 057	13 435	63.505
K346 development properties						
14	10 Trek Road	Western Cape	Development	1 363	-	19.000
15	13 and 17 Nettleton Road	Western Cape	Vacant Land	3 812	-	153.000
16	14 Higgs Road	Western Cape	Vacant Land	931	-	7.500
17	14 Quebec Road	Western Cape	Vacant Land	1 722	-	37.000
18	115 Victoria Road	Western Cape	Development	691	-	35.000
19	Infinity Llandudno	Western Cape	Development	980	-	89.000

Notes:

- All of the properties set out in the table above will be acquired with effect from the effective date of the acquisitions.
- Castleview will acquire a 50% interest in the Mitchells Plain shopping centre.
- Castleview will acquire a 50% interest in Pick n Pay Klerksdorp.
- Castleview will acquire a 75% interest in Willowbridge south shopping centre.
- The independent valuations of the Willowbridge retail properties and the K346 development properties, which were undertaken by Juan Hattingh of Spectrum Valuations and Asset Solutions Proprietary Limited, have an effective date of 31 May 2022. Juan Hatting is an independent external valuer registered in terms of the Property Valuers Association Act, (Act 47 of 2000).
- The independent valuations of the iRes residential properties which were undertaken by Michael Gibbons of Mills Fichet Magnus Penny Proprietary Limited, have an effective date of 30 June 2022. Michael Gibbons is an independent external valuer registered in terms of the Property Valuers Association Act, (Act 47 of 2000).

8. Financial information on the acquisition assets

The net asset value and net profit after tax for each of the acquisition assets and their subsidiaries detailed in paragraph 3 is as follows:

Acquisition asset	Note	Net asset value before adjustments (R'000)	Adjustments to net asset value (R'000)	Net asset value after adjustments (R'000)	Profit after tax before adjustments (R'000)	Adjustments to profit after tax (R'000)	Profit after tax after adjustments (R'000)
Interurban Willowbridge	1	36 497	499 347	535 844	(16 264)	55 543	39 279
K346	2	(5 073)	226 788	221 715	(4 049)	-	(4 049)
TPS	3	24 026	1 944 616	1 968 642	(4 994)	(17 684)	(22 678)
U Reit Collins	4	40 304	-	40 304	68 903	-	68 903

Emira and UReit combined	5,6	7 026 335	(5 017 199)	2 009 136	1 292 122	(897 773)	394 349
Maitlantic Investments	7	2 940	-	2 940	(7 287)	-	(7 287)
iRes	8	52 935	145 225	198 160	12 598	8 220	20 818
Resi Developments	9	(440)	-	(440)	(118)	-	(118)
Total				4 976 301			489 217
Consideration shares				833 271 372			

Notes:

1. Extracted from Interurban Willowbridge's unpublished management accounts for the year ended 28 February 2022.
2. Extracted from K346's unpublished management accounts for the year ended 28 February 2022.
3. Extracted from TPS' unpublished management accounts for the year ended 28 February 2022.
4. Extracted from U Reit Collins' unpublished management accounts for the year ended 28 February 2022.
5. Extracted from Emira's interim half year results for 31 December 2021 as published on SENS on 17 February 2022. The profit before tax has been extracted, without adjustment, from Emira's results for the 12-month period ended 31 December 2021, calculated by starting with Emira's audited results for the years ended 30 June 2021, less its interim results for the six months ended 31 December 2020, plus the interim results for the six months ended 31 December 2021. Emira's financial results have been prepared in terms of IFRS and can be accessed on Emira's website at www.emira.co.za/results-presentations.
6. Extracted from U Reit's unpublished management accounts for the year ended 28 February 2022.
7. Extracted from Maitlantic Investments' unpublished management accounts for the year ended 28 February 2022.
8. Extracted from iRes' unpublished management accounts for the year ended 28 February 2022.
9. Extracted from Resi Developments' unpublished management accounts for the year ended 28 February 2022.
10. Where financial information has been extracted from unpublished management accounts, Castleview management is satisfied with the quality of those accounts.

9. JSE requirements for the transaction

The acquisitions constitute a category 1 transaction with related parties, as the ultimate beneficial owners of I Group are associates of Mirllem IP Proprietary Limited, a material shareholder in Castleview. In addition, the related parties are the ultimate beneficial shareholders of U Big, which is the controlling shareholder of Castleview's asset manager.

The acquisitions, if implemented, will also result in the issue of new Castleview shares in excess of 100% of the existing Castleview shares in issue and consequently constitutes a reverse take-over of Castleview in terms of the JSE Listings Requirements.

In terms of the JSE Listings Requirements, a category 1 transaction with related parties requires the approval of Castleview shareholders, excluding the related parties, by way of an ordinary resolution. Castleview is also required to obtain a fairness opinion from an independent expert in compliance with the provisions of paragraph 21.12(b) (read with paragraph 10.4(f)) of the JSE Listings Requirements in respect of the acquisitions and include a statement advising whether or not the acquisitions are fair to Castleview shareholders.

Accordingly, Castleview has appointed an independent expert to provide external advice to the board of directors of Castleview in relation to the acquisitions in terms of the JSE Listings Requirements. The independent expert's report, as well as the statements of the board of directors of Castleview as to whether the acquisitions are fair to shareholders, will be included in the circular to Castleview shareholders, as detailed below.

In terms of the JSE Listings Requirements, the share subscription is required to be approved by an ordinary resolution of shareholders achieving a 75% majority of the votes cast on the resolution at a general meeting.

10. Documentation and timing relation to the transaction

Full details of the transaction will be set out in a circular and accompanying revised listings particulars which will be distributed by Castleview to its shareholders in due course. The circular will include, *inter alia*, the opinion of the independent expert in respect of the acquisitions, a notice of general meeting of Castleview shareholders to approve the transaction and the applicable salient dates and times relating to the transaction.

11. **Withdrawal of cautionary announcement**

In light of the release of this announcement, Castleview shareholders are advised that caution is no longer required to be exercised in their dealings in Castleview shares.

12. **Detailed information on the direct property assets to be acquired**

Willowbridge retail properties

The properties listed below are collectively defined in this announcement as the “**Willowbridge retail properties.**”

- Bougainville shopping centre in Pretoria;
- a 50% interest in the Mitchells Plain shopping centre in Cape Town;
- the Makhaza Centre in Khayelitsha;
- a 50% interest in the property housing the Pick n Pay Hyper in Klerksdorp; and
- a 75% interest in the Willowbridge South shopping centre in Bellville.

The vendors of the Willowbridge retail properties (collectively, the “**Willowbridge vendors**”) are as follows:

- U Big Investments Proprietary Limited (“**U Big**”);
- Interurban Holdings Proprietary Limited;
- K2016458796 (South Africa) Proprietary Limited;
- K2018365895 (South Africa) Proprietary Limited;
- K2018365955 (South Africa) Proprietary Limited;
- K2018365994 (South Africa) Proprietary Limited;
- K2018366028 (South Africa) Proprietary Limited; and
- K2018366052 (South Africa) Proprietary Limited.

K346 development properties

The development properties listed below are all held in K2019141346 (South Africa) Proprietary Limited (“**K346**”) and are collectively defined in this announcement as the “**K346 development properties.**”

- 10 Trek Road;
- 13 and 17 Nettleton Road;
- 14 Higgs Road;
- 14 Quebec Road;
- 115 Victoria Road; and
- Infinity Llandudno.

The vendor of the K346 development properties is U Big.

iRes residential properties

The residential properties listed below are all held in iRes Fund Proprietary Limited (“**iRes**”) and are collectively defined in this announcement as the “**iRes residential properties.**”

- Aurora Sands;
- Cherrywood;
- Essenhout;
- Glen Valley;
- Heritage Villas;
- Nightingale;
- Sunrise Villas; and
- Tuscan Villas.

The vendor of the iRes residential properties is I Group Financial Holdings Proprietary Limited (“**IGFH**”).

28 July 2022

Corporate advisor and designated advisor

JAVACAPITAL

Legal and tax advisor

