



Industrial, Commercial and Retail Leasing, Sales, Development & Valuation
Registered Property Valuers

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17 May 2017

The Directors
Rockcastle Global Real Estate Company Limited
Level 3, Alexander House
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Mauritius

Dear Sirs

RE: INDEPENDENT PROPERTY VALUERS SUMMARY VALUATION REPORT IN RESPECT OF COSMOPOLITAN SHOPPING CENTRE (LUSAKA ZAMBIA) BELONGING TO COSMOPOLITAN SHOPPING CENTRE LIMITED AS DETAILED IN THE SUMMARY SCHEDULE ATTACHED AND FOR WHICH THERE IS A DETAILED VALUATION REPORTS HELD BY ROCKCASTLE GLOBAL REAL ESTATE COMPANY LIMITED (ROCKCASTLE).

In accordance with your instruction of 11 January 2017, I confirm that I have visited and inspected the property listed in the attached schedule ("the properties") during January 2017 (Section 13.23 (a) (iii)) and have received all necessary details required to perform a valuation, in order to provide you with my opinion of the properties' market values as at 31 December 2016 (Section 13.23 (c)).

[13.23 (a) (iii)]

[13.23 (c)]

1. INTRODUCTION

The valuation of the property has been carried out by the valuer who has carefully considered all aspects of all the property. This property has a detailed valuation report which has been given to the management of Rockcastle. The detailed report include commentary on the current economy, nature of the property, locality, tenancy, risk profile, forward rent and earning capability and exposure to future expenses and property risk.

All these aspects have been considered in the individual valuation report of the property. The detailed report has further addressed the tenancy income capability and expenditure for the property and tenant. Historic expenditure profiles as well as future expenditure increases have also been considered. The value indicates the fair market value for the property which is detailed in the attached report and for which there is a summarised schedule attached. All essential aspects of information of the property have been summarised in the attached schedule.

2. BASIS OF VALUATION

The valuation is based on market value.

Market value is "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." (IVS 7th edition).

Furthermore the principals of fair value measurement have been applied in the determination of value which is defined as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." (IFRS 13)

Note that the values and calculation methodology have been sensitivity tested by way of quantitative analysis by analysing the capitalisation rates, discount rates, rental growth potential, expenditure increase, risk consideration and other inputs in various discounted cash flow models.

3. VALUE CALCULATION

The calculation of the market value of this property has been based on discounted cash flows. This is an accurate value calculation basis which considers future streams of annuity income for larger commercial properties that are traded in the South African and international market. This is due to there being strong supporting evidence of market rental rates, escalations, appropriate expenses and therefore accurate net revenue potential determination. This method also relies on capitalisation rates which are frequently reported in the market. This rate may also be determined by simple analysis of sales in the market (Section 13.23 (d)).

[13.23 (d)]

Properties traded in the current market reflect a yield rate relationship between revenue and capital value. This rate is an accurate determinant of the capitalisation rate.

The discounted cash flow value has then been calculated for each property with reference to fair value reporting in order to ensure that the reported value is consistent with the current market.

The considerations for the valuations are as follows:

- 3.1. calculating the forward cash flow of all contractual and other income derived from the property;
- 3.2. calculating the forward contractual and other expenditure as well as provisions for various expenses in order to provide for void or future capital expenditure to which the property may be exposed;
- 3.3. the current area vacancy as a percentage of the property is 0%. In order to apply a conservative approach, I have applied approximately 0.2% void of the gross income as a provision for rental that may not be collected as a consequence of vacancy, tenant failure or tenant refitting during the course of the coming year. This has penalised the property in perpetuity. The current vacancy is less than the market average (weighted at approximately 6.3% but unknown statistics methodology) for this nature of property. The void provision used in the valuation is considered adequate. (Section 13.23 (f) (i))
- 3.4. I have deducted some provisional expenses in the cash flows for future repair contingencies. A further small deduction has been made to the building capital value to provide for unforeseen expenses and round the value down. There are minimal deductions as this is a newly constructed building and is still under various construction contract guarantees.
- 3.5. there is no loss of rental due to renovations or refurbishments currently. There is some small external maintenance work on sections of the buildings and some minor internal

tenant installation fitting that is currently in progress. There is no loss of rental as a result of these activities. (Section 13.23 (f) (ii));

- 3.6. Generally the rentals are market related. There are no leases with rentals that are higher or lower than market. Market trend for the area has still to be established from trading densities. This has been determined by comparing similar buildings in Zambia to the property valued, in terms of rental per square metre. The rental rate has also been checked against various published indices including the South African Property Owners Association (SAPOA) index. There is minimal information in this regard in Zambia. The property is not over-rented, or that cannot be re-rented at the same or higher rental rate should such property become vacant. There are various retailers wanting space in the buildings due to its desirability. They cannot currently be accommodated. There is therefore minimal potential for rental flow reversion. There is however, a positive upside potential for real growth in rental, given the low base off which some of the rentals flow. This is provided that the economy remains in a slow recovery pattern as currently being experienced and that there are no major economic fluctuations which may upset the economy. Current growth rate of approximately 1.5% for 2016 for South Africa and approximately 5.5% for Zambia. Note that most of the leases are USD currency denominated. (Section 13.23 (f) (iii));
- 3.7. Calculating the discounted cash flow for 5 years in advance at a market related discount rate
- 3.8. the valuation has considered published market statistics regarding rental rates and expenditure for the different types of properties. It has also considered other similar properties in order to benchmark and determine if the property is over rented or have excessive expenditure.

[13.23 (f) (iii)]

4. SPARE LAND

Cosmopolitan Shopping Centre does not have some spare development capacity or spare land. No value has only been attributed to land. Some spare land is leased for additional parking space alongside the mall.

[13.26]

No planning permission has been applied for in respect of applying for additional bulk. (Section 13.26)

5. BRIEF DESCRIPTION

COSMOPOLITAN SHOPPING CENTRE (LUSAKA - Zambia)– This is newly constructed shopping centre and trading for approximately 2 months. An A grade small regional shopping centre (IVS - African grading). High grade of new retail shopping centre. Appropriate design and construction for the demographic in the area. Industrial style steel and concrete frame but with large amount of internal fitting and shop finishing of a high grade. Footprint is a basic long rectangle L-shape with diagonal configurations positioned on three street frontages and a main road frontage. The main centre is a rectangle being the main retailers alongside smaller shops opposite a rectangular strip of shops with a central mall walkway. The general height is approximately 7 metres at roof apex and 4.5 metres surround height. General shop height is 3.2 meters.

(Section 13.23 (a) (iv))

6. VALUATION QUALIFICATIONS

Qualifications are usually detailed as a consequence of:

[13.23 (e)]

Leases under negotiation that have not yet been formalised; leases of a large nature where the premises are difficult to re-let; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other exposure to maintain the lettable of the building; contingent expropriations or servitudes that may be enforced; poor lease records whereby the lease may be disputed or rendered invalid.

I have, to the best of my knowledge, considered all of these aspects in the valuation of the property. The property is not prejudiced in value by the influence of the above factors.

I am however not responsible for the competent daily management of this property that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile, or legal dispute which may result in any cash flow hiatus. (Section 13.23 (e)).

7. OPTIONS OR BENEFIT / DETRIMENT OF CONTRACTUAL ARRANGEMENTS

To my knowledge there are no contractual arrangements on the property other than the leases as detailed in the report that have a major benefit or are detrimental to the fundamental value base of the property. (Section 13.23 (g)).

[13.23 (g)]

To the best of my knowledge, there are no options in favour of any parties for any purchase arrangement on any of the property. (Section 13.23 (h)).

[13.23 (h)]

8. INTRA-GROUP OR RELATED PARTY LEASES (Section 13.23 (a) (xi))

[13.23 (a) (xi)]

Having inspected all the tenant schedules and leases it is noted that there are no intra-group or related party leases.

9. CURRENT STATE OF DEVELOPMENT

[13.24]
[13.25]
[13.26]

The property is new as it was recently constructed and completed within the last year. (Section 13.24, 13.25 and 13.26).

10. EXTERNAL PROPERTY

The property is situated outside the Republic of South Africa. (Section 13.28).

11. RENTALS USED IN VALUATIONS

[13.29]

Note that this property is generally rented out. The current annual rental and future annual rentals have been calculated in a separate discounted cash flow schedule. It is noted that there is no material rental reversions apparent and that the rentals for the property increase on average by approximately 1.64% compounding per annum. No valuation has been done to consider the effect of currency fluctuation on the value of the property.

11. OTHER GENERAL MATTERS AND VALUATION SUMMARY (Sections 13.30 and 13.31)

[13.30 and
13.31]

A full valuation report is available on a property by property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details. This has been given to the directors of Rockcastel.

12. ALTERNATIVE USE FOR A PROPERTY (13.27)

[13.27]

The property has been valued in accordance with their existing use which represents their best use and market value. No alternative uses for the property has been considered in determination of their value.

13. OTHER COMMENTS

Our valuation excludes any amounts of Value-added Tax, transfer duty, or securities transfer duty.

14. CAVEATS

14.1 Source of information and verification (Section 13.23 (a) (xiii))

[13.23 (a) (xiii)]

Information on the property regarding rental income, recoveries, turnovers and other income detail has been provided to me by the current owners and their managing agents.

I have received copies of all of the leases of the existing property where such leases are the major tenant or tenants comprising anything higher than 5% occupancy of the property. The leases have been read to check against management detail records, in order to ensure that management has correctly captured tenant information as per the contractual agreements. This has been done to test management information accuracy against the underlying lease agreements.

I have further compared certain expenditures given to me, to the market norms of similar properties. This has also been compared to historic expenditure levels of the property its selves. Historical contractual expenditures and municipal utility services were compared to the past performance of the property in order to assess potential expenditure going forward. The municipal value on the property is generally market related and reasonable with little potential to increase dramatically.

14.2 Full disclosure

This valuation has been prepared on the basis that full disclosure of all revenue and expenditure information and factors that may affect the valuation have been made to myself.

I have to the best of my ability researched the market as well as taken the steps detailed in paragraph 14.3 below.

14.3 Leases (Section 13.23 (a) (ix))

[13.23 (a) (ix)]

Our valuation has been based on a review of actual tenants' leases (which includes material terms such as repair obligations, escalations, break options etc.) and other pertinent details which have been supplied to us by the managing agents and by

Rockcastel. These have been detailed in the tenant schedules attached to each individual valuation report.

All recovery details in respect of the existing leases e.g. utility cost and other recoveries as provided for in the leases have been disclosed by way of the monthly tenant invoices and summary schedule supplied to us. Option terms and other lease information have been supplied to us by the owners and managing agents and we are familiar with such documents.

14.4 Lessee's credibility

In arriving at our valuation, cognizance has been taken of the lessee's security and rating. In some cases this has influenced the capitalisation rate by way of a risk consideration.

14.5 Mortgage bonds, loans, etc.

The property has been valued as if wholly-owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans and other charges. No deductions have been made in our valuation for costs of acquisition.

The valuation is detailed in a completed state and no deductions have been made for retention or any other set-off or deduction for any purposes which may be made at the discretion of the purchaser when purchasing the property.

14.6 Calculation of areas

All areas quoted within the detailed valuation reports are those stated in the information furnished and verified where plans were available. To the extent that plans were not available, reliance was placed on the information submitted by the managing agents and lease information.

Updated plans were not available for the property in respect of internal configuration. The property generally appears to have the stated square meterage as per lease, which could only be more accurately determined if remeasured by a professional.

14.7 Structural condition

The property has been valued in their existing state. I have not carried out any structural surveys, nor inspected those areas that are unexposed or inaccessible, neither have I arranged for the testing of any electrical or other services.

14.8 Contamination

The valuation assumes that a formal environmental assessment is not required and further that the property is environmentally impaired or contaminated, unless otherwise stated in our report.

14.9 Town planning (Section 13.23 (a) (vi) and (vii))

Full town planning details and title deeds have been noted in the detailed valuation report including conditions and restrictions and the property has been checked against such conditions. This is to ensure that they comply with town planning regulations and

[13.23 (a) (vi)
and (vii)]

title deeds. There do not appear to be any infringements of local authority regulations or deeds by the property. There is minimal information regarding town planning. Note however that the plans have been approved by Lusaka council which would indicate an approval for the development and the scheme.

The valuation has further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations for this property.

There is no contravention of any statutory regulation, or town planning local authority regulation or contravention of title deed relating to the property which infringement could decrease the value of the property as stated as at current date of local authority legislation.

Note that the property has a leasehold claim over part of the parking area which has 59 years of lease duration still to run. (Section 13.23(a)(vii))

15. MARKET VALUE

I am of the opinion that the aggregate market value of the property as at 31 December 2016 is \$ 74 000 000.00 (excluding VAT). A summary of the individual valuation and details of the property is attached.

To the best of our knowledge and belief there have been no material changes in circumstances between the date of the valuation and the date of the valuation report which would affect the valuation.

I have more than 30 years' experience in the valuation of all nature of property and I am qualified to express an opinion on the fair market value of the property.

I trust that I have carried out all instructions to your satisfaction and thank you for the opportunity of undertaking this valuation on your behalf.

Yours faithfully,

[13.23(b)]



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[13.23(a)(i)]
 [13.23(a)(ii)]
 [13.23(a)(iv)]
 [13.23(a)(v)]
 [13.23(a)(viii)]
 [13.23(a)(x)]

SCHEDULE OF PROPERTIES

No	Property name	Physical address	Registered legal description (Erf number)	Property description and use	Valuer's inspection date	Freehold / Leasehold	Tenure of leasehold	Rentable area (GLA) (m ²)	Approximate age of building	Building grade	Zoning, town planning and statutory contravention (if any)	Assumed perpetual void / vacancy	Income projection (US\$) for the period [Jan] 2017 to [Dec] 2017	Valuation (US\$) as at [Dec] 2016
1	Cosmopolitan Shopping Centre (Lusaka - Zambia)	Cnr Kafue and Chawama road, Makeni, Central South Lusaka	Remaining extent of subdivision No. 9 of Farm No. 397a, Makeni, Lusaka with lease on adjoining land for 200 parking bays.	Small regional shopping centre	November 2016	Leasehold	59 Years Expiry 2075	25 718	9 Months	A	Special for retail in part of town zoned for retail purposes.	0.20%	US\$ 5 848 368	US\$ 74 000 000