



Dear Shareholder

22 April 2020

COVID-19 REPORT TO SHAREHOLDERS

We hope that you are well and managing with the COVID-19 lockdown in the best manner possible.

As you can imagine, the lockdown has affected our business in many different ways. The most serious is that a number of our tenants have requested rental waiver and deferment of payment. Our response has been to work with our tenants and support them as far as we are able to.

We have offered all tenants whose businesses have been severely impacted by the lockdown, those in the tourism and retail sales industries, 50% rental deferment for the months of April, May and June 2020, repayable by February 2021. We cannot provide rental waiver as this will permanently reduce our rental income for the year and affect our ability to pay expenses and our mortgage bond liability.

A number of tenants have accepted the rental deferment while others have refused to pay rental and we will be forced to take legal action against them after the lockdown ends. We have consulted our attorneys and are assured that our tenants have, by agreement, waived their common law right to withhold rent due to supervening impossibility and are accordingly legally obliged to pay rental in full during the lockdown period.

An equally serious problem is that we now have a number of vacancies that cannot be filled during the lockdown and may not be filled for a while after the lockdown ends.

CASH RESOURCES

At a challenging time like this, it is crucial that cash resources are preserved wherever possible. At this time, the group has sufficient cash on hand to pay all expenses and liabilities as they present themselves for payment for the next twelve months. This is assuming that our group companies continue to receive rental income from their tenants. The recently announced interest rate reductions have assisted in this regard.

17 ON CLUVER

This development was successfully completed in December 2019, on time and slightly over budget. Of the 26 student apartments for sale, 16 have been sold and 13 transfers of ownership were registered in February 2020. The remaining 3 transfers will be registered in June 2020.

Marketing efforts continue to sell the remaining 10 apartments and we are hopeful that they will all be disposed of by December 2020. The unsold apartments have all been rented out at very good rental rates and these are providing a steady stream of income to the development company.

OAKHILLS ESTATE

On 26 March 2020, we finally received municipal approval for the development to proceed after the municipal objections committee dismissed an objection to the development from a lobby group.

The development is now ready to proceed. In light of the additional risks that are affecting the group at this time, the board of City Capital has decided to only proceed with the installation of municipal services when our sales agents are successful in signing up sales agreements for five of the seven blocks of apartments that are for sale. Until then, the professional team will finalise building plans and technical aspects of the development.

NET ASSET VALUE OF THE GROUP

The unaudited management accounts of the group at 29 February 2020 reflect that the net asset value per share has increased significantly to 146 cents per share, a 14,8% increase over the previous year. Business prospects have of course deteriorated significantly since then and these will have a negative impact on net asset value going forward.

SHARE REPURCHASES

The share repurchase at 100 cents per share has been finalised and almost all shareholders that offered to dispose of their shares to the company have been paid. Ten million Rand was allocated by the board for the share repurchase. Shareholders holding 51 million shares offered their shares for sale, resulting in shareholders holding more than 60 000 shares being permitted to dispose of 16,455% of their shares to the company.

Under the current circumstances, it is unlikely that a further repurchase at 75% of net asset value will be possible for the foreseeable future. It will also be impossible to resume payment of dividends.

The company will continue to allocate R 200 000 per month to repurchase shares at 60 cents per share from those shareholders that are desperately in need of emergency funds.

FINANCIAL VIABILITY OF THE GROUP

At this time and for the next twelve months, we can assure all shareholders that the group is financially viable and able to pay all expenses and liabilities as they present themselves for payment. The group passes the liquidity and solvency test as prescribed by the Companies Act.

The majority of our tenants continue to pay their rentals on time and we expect this to continue. We are confident that business will slowly return to normal after the lockdown ends.

We are in total control of the risk for the OakHills development and will only proceed with significant costs when we have sufficient signed and binding block sales agreements to cover all costs of the development.

Further sales of student apartments at 17 on Cluver will remove all risk of any possible default for the group.

PHYSICAL PRESENCE

Our offices remain closed for the duration of the lockdown and our staff are all working at home using email and the internet. All business processes of the group are continuing as normal, except for the physical presence of personnel at our office and our ability to visit our rental premises. Our property manager is in constant communication with our tenants and emergency repairs are performed where necessary by essential service providers. We have increased security at our premises and have to-date had no reports of criminal activity at any of our premises.

We trust that this crisis will pass in time and that we will emerge stronger than before. Please assist the government during the lockdown by continuing to stay at home and practice physical distancing, washing of hands and no touching of the face.

We are hopeful that the above steps will slow down the spread of the virus and end this nightmare for all of us in the shortest possible time. Working together we, the people of South Africa, will overcome this virus and its impact on our lives and businesses.

Best wishes to you at this trying time, stay safe and stay home.

Yours faithfully



Marc Anton Conradie
Chief Financial Officer



Johan Steyn Boshoff
Chief Executive Officer