



CRESTA

MARAKANELO LIMITED

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(Incorporated in the Republic of Botswana on 23 August 1974 and converted to a public company on 7 December 2009)
(Registration number CO: 1974/556) (Share Code: CML ISIN: BW 000 000 0892) ("Cresta" or "the Company")

PRESS ANNOUNCEMENT TO CRESTA SHAREHOLDERS

with regards to the acquisition by the Company of hotel properties from related parties, Botswana Hotel Development Company (Proprietary) Limited ("BHDC") and Letlole la Rona ("LLR"), subsidiaries of Botswana Development Corporation ("BDC"). BDC has a 27% shareholding in Cresta.

1. Introduction

1.1. The purpose of this press announcement is to provide Cresta shareholders with initial information regarding the agreements ("Acquisition Agreements") entered into by the Company with related parties for the purpose of purchasing various immovable properties and the EGM at which Cresta shareholders will be asked to approve the resolutions necessary to implement the transactions.

1.2. A circular containing information on the transaction, together with a notice convening the EGM, will be dispatched to the shareholders in due course, (the "Circular").

2. Nature of Cresta Business

2.1. The Company operates in the travel and tourism sector, with a significant part of the hotel portfolio focussed on the provision of hotel services to business travellers. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, safari tours, conference facilities, outside catering, as well as other ancillary business activities carried out from the Hotels.

2.2. Cresta operates 12 hotels, 11 in Botswana and one hotel in Lusaka, Zambia.

2.3. In Gaborone, the Company operates Cresta Lodge and Cresta President Hotel, in Francistown it operates Cresta Thapama and Cresta Marang & Residency Hotels, while in Maun it operates Cresta Riley's and Cresta Maun Hotels. In Jwaneng, Cresta operates Cresta Jwaneng Hotel, in Mahalapye it operates Cresta Mahalapye Hotel; in Kasane it operates Cresta Mowana Resort and Spa, while in Palapye and Selebi Phikwe it operates Cresta Botsalo Hotel and Cresta Bosele Hotel respectively. In Zambia, Cresta has a presence through its operation in Lusaka, Cresta Golfview Hotel.

3. Nature of the Related Party Transactions

3.1. Cresta intends on acquiring from BHDC Tribal Lot 141, Maun, (which operates as Cresta Riley's Hotel) which it is currently leasing from BHDC.

3.2. Cresta also intends on acquiring the following properties, which it currently leases from LLR:

3.2.1. Plot 50719 Gaborone which operates as Cresta Lodge;

3.2.2. Plot 6384 Francistown, which operates as Cresta Thapama;

3.2.3. Plot 1169 Gaborone which operates as Cresta President; and

3.2.4. A portion of Plot 276 which operates as Cresta Bosele;

3.3. As a result of BDC's significant shareholding in Cresta, BHDC and LLR, the transactions are therefore related party transactions as defined in the BSE Listing Requirements ("Related Party Transactions").

3.4. The BSE Listing Requirements require that shareholders of the Company, excluding BDC, approve the transactions.

4. Details of the Acquisition

4.1. Acquisition Cost;

4.1.1. The sale consideration for the proposed acquisition of the BHDC property is BWP25 million.

4.1.2. The percentage ratio of the sale consideration to the market capitalisation of Cresta is approximately 11%.

4.1.3. The sale consideration of the proposed acquisition of the four LLR properties is BWP235 million.

4.1.4. The percentage ratio of the sale consideration to the market capitalisation of Cresta is approximately 106%.

4.2. Consideration;

The consideration for the acquisitions will be satisfied wholly by debt.

4.3. Conditions;

The acquisitions are subject to various conditions, which include regulatory approvals and shareholder approval.

5. Financial Implications

5.1. This transaction will be wholly funded through debt, therefore:

5.1.1. The effect of the subject transaction on the net asset value (per share) of the company is not material due the funding structure of the transaction.

5.1.2. The interest expense in the first year will be less than the current rental expense, therefore the transaction will have a significant positive effect on the net profit (per share) of the company.

5.1.3. The benefits which are expected to accrue to Cresta include, inter alia, decreased overhead costs by virtue of Cresta not having to pay annual rentals on the properties.

6. The EGM

6.1. The implementation of the Related Party Transactions is subject to, inter alia, shareholders passing the ordinary resolutions at the EGM.

6.2. A notice convening the EGM will be attached to and will form part of the Circular.

Signed by Mokwena Morulane and Moatlhodi Lekaukau on behalf of each of the directors of Cresta.

Dated at Gaborone this 17th day of December 2018.

(Managing Director)

(Chairman)

Legal Advisor



Sponsoring Broker

motswedisecurities
Member of Botswana Stock Exchange

