



## **REX TRUEFORM GROUP LIMITED**

(Formerly Rex Trueform Clothing Company Limited)

(Incorporated in the Republic of South Africa)

(Registration number 1937/009839/06)

JSE share code: RTO ISIN: ZAE000250387

JSE share code: RTN ISIN: ZAE000250395

JSE share code: RTOP ISIN: ZAE000250403

(“**Rex Trueform**” or “**the company**”)

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### **SUBSCRIPTION FOR 33.78% OF THE ISSUED SHARE CAPITAL OF SA WATER WORKS HOLDING COMPANY PROPRIETARY LIMITED AND NOTIFICATION IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT 71 OF 2008**

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#### **1. INTRODUCTION**

Shareholders are advised that Rex Trueform has, through its wholly-owned subsidiary Ombrecorp Trading Proprietary Limited (“**Ombrecorp**”), concluded a subscription agreement (the “**agreement**”) with Prescient Life Limited (duly represented by Mergence Investment Managers Proprietary Limited (“**MIM**”) and SA Water Works Holding Company Proprietary Limited (“**SAWW**”) to subscribe for 33.78% of the issued share capital of SAWW. SAWW shall, subject to receiving adequate funding, acquire shareholdings in a number of water concession companies, as detailed in paragraph 3 below.

#### **2. RATIONALE FOR THE TRANSACTION**

The board of directors of Rex Trueform (the “**board**”) has been looking for opportunities to diversify the nature of business of the company. The acquisition of the stake in SAWW will allow Rex Trueform to commence the process of diversification.

#### **3. SALIENT TERMS OF THE AGREEMENT**

In terms of the Agreement, MIM and Ombrecorp shall provide initial funding to SAWW in the amount of R80 653 469 and R41 326 975 respectively (the “**initial funding**”). SAWW will utilise the initial funding to acquire, via a wholly owned subsidiary, SA Water Works Proprietary Limited (“**SAWW subsidiary**”), 73.425% of the ordinary issued shares in the share capital of Sembcorp Siza Water (RF) Proprietary Limited (“**Sembcorp Siza**”) from Sembcorp Utilities (Netherlands) BV (“**Sembcorp Utilities Netherlands**”). Sembcorp Siza conducts a water concession business operating predominantly in the municipal boundaries of the Ilembe District Municipality and surrounding areas in Kwazulu-Natal, South Africa. Founded in 1998, it provides water and water services to residential, industrial and commercial consumers pursuant to a concession agreement executed between the Ilembe District Municipality and Sembcorp Siza’s predecessors-in-title.

Subsequent to the acquisition of the Sembcorp Siza shares and in order to raise additional funding, it is envisaged that OmbreCorp will issue new shares to certain unrelated third parties, such that Rex Trueform will retain a majority stake in OmbreCorp. OmbreCorp will then have the option, subject to raising the necessary funding, to subscribe for additional shares in SAWW and to advance additional funding, in the amount of approximately R65 000 000 to SAWW (the “**further funding**”). The further funding will be utilised by SAWW, via the SAWW subsidiary, to purchase (i) 100% of the ordinary issued shares in the share capital of Sembcorp Utilities Proprietary Limited (“**Sembcorp Utilities South Africa**”) – which holds 52% of the ordinary issued shares in Sembcorp Silulumanzi (RF) Proprietary Limited (“**Sembcorp Silulumanzi**”) - and (ii) 48% of the ordinary issued shares in the share capital of Sembcorp Silulumanzi, from Sembcorp Utilities Netherlands. Sembcorp Utilities South Africa has been in existence since 1998 and provides operation and maintenance services to Sembcorp Silulumanzi. Sembcorp Silulumanzi, which company also conducts a water concession business, operates in the municipal boundaries of the City of Mbombela Local Municipality and the greater parts of Nelspruit and, since 1999, has provided water and water services to residential, commercial and industrial consumers pursuant to the concession agreement executed between the City of Mbombela Local Municipality and Sembcorp Silulumanzi’s predecessors-in-title.

#### **4. CONDITIONS PRECEDENT**

The agreement is subject to the following conditions precedent:

- the approval and adoption of the memorandum of incorporation of SAWW and the lodgement thereof with the Companies and Intellectual Property Commission;
- the execution of a shareholders’ agreement between SAWW, OmbreCorp and MIM and such shareholders’ agreement becoming final and binding in accordance with its terms (save for the requirement that the agreement becomes final, binding and unconditional);
- the execution of the purchase agreement between the SAWW subsidiary and Sembcorp Utilities Netherlands and such purchase agreement becoming final and binding in accordance with its terms (save for the requirement that the agreement becomes final, binding and unconditional); and
- all board and/or shareholder and/or trustee resolutions (if required) are passed authorising the conclusion of the agreement.

#### **5. FINANCIAL INFORMATION**

The assets to be acquired by SAWW (via the SAWW subsidiary) utilising the initial funding have been valued at R95 000 000 as at November 2017, with profit attributable to these assets of R22 788 625. To the extent that OmbreCorp exercises its option and provides the further funding, the assets to be acquired by SAWW (via the SAWW subsidiary) utilising, *inter alia*, such further funding, have been valued at R650 000 000, with profit attributable to these assets of R65 197 104.

#### **6. CATEGORISATION**

The Transaction is a category 2 transaction for Rex Trueform in terms of the JSE Listings Requirements and accordingly does not require approval by Rex Trueform shareholders.

#### **7. NOTIFICATION IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT 71 OF 2008**

Notice is hereby given that, in terms of the provisions of section 45(5) of the Companies Act 71 of 2008 (the “**Companies Act**”), and pursuant to the special resolution passed at the annual general meeting of Rex Trueform held on 17 November 2017 authorising the board to provide direct or indirect financial assistance to, *inter alia*, subsidiaries of the company, the board has adopted a resolution on 26 September 2018 in terms of section 45(2) of the Companies Act authorising the

company to provide financial assistance to Ombrecorp by way of the company agreeing to make a loan facility available to Ombrecorp.

The board resolutions in this regard were adopted in compliance with the provisions of section 45 of the Companies Act.

27 September 2018

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