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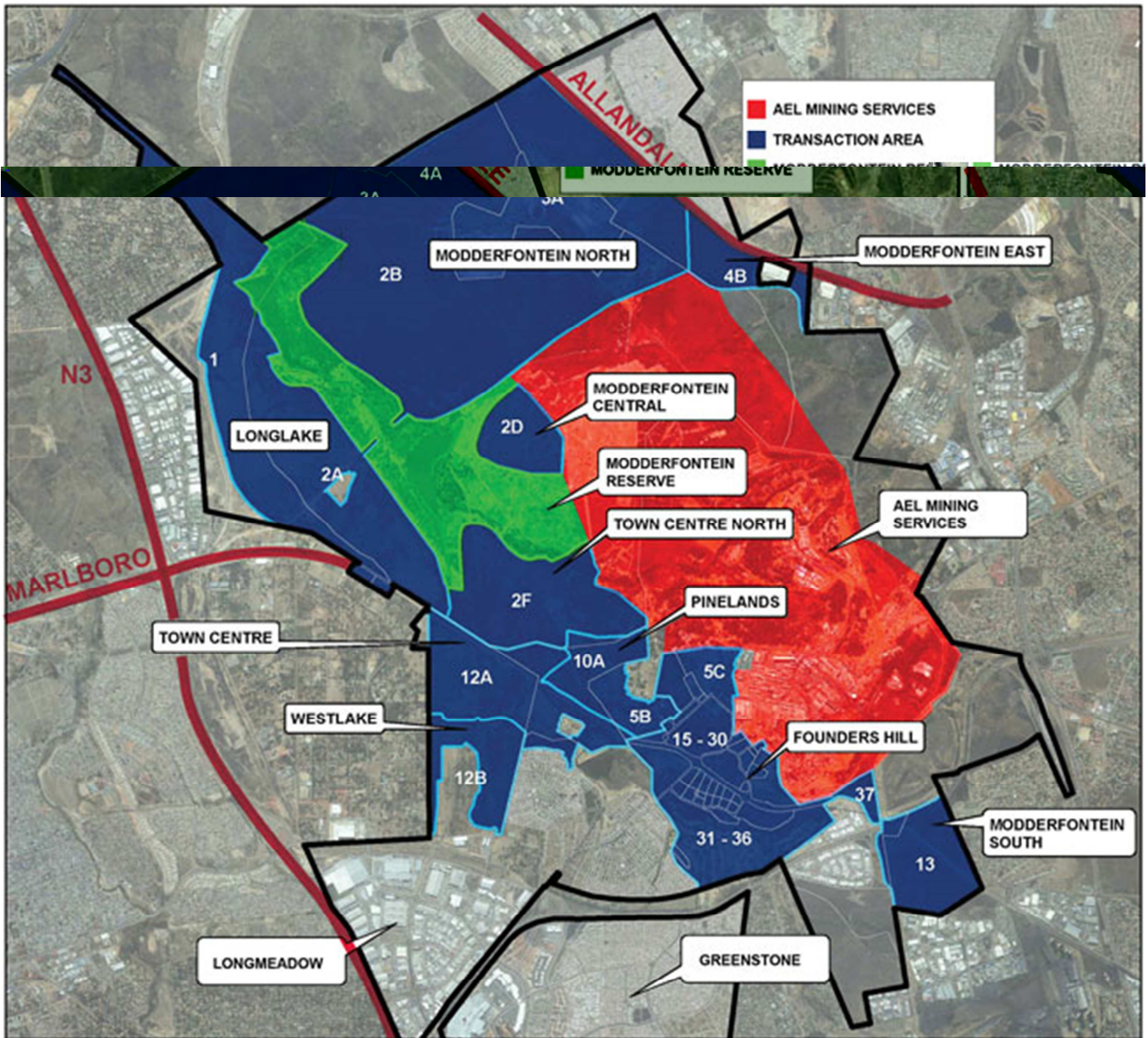
## A city on Joburg's doorstep?

JOHANNESBURG – A small city could be developed on Johannesburg's doorstep following the sale of AECI's Modderfontein surplus property assets in Gauteng to Chinese developer Shanghai Zendai.

The deal, valued at over R1bn, could potentially attract further investments of R80bn as part of the development of seven key sections in the area, including a finance and trade centre, an industrial node, a conference and exhibition centre, a African culture theme park, an education and training centre, a sport and recreation centre and a residential area over the next 15 years.

AECI announced late on Monday that it sold 1 600 ha of land and buildings as well as its Heartland property development business to Shanghai Zendai, which is listed on the Hong Kong Stock Exchange.

The Shanghai Zendai transaction area can be seen in blue in the graphical representation below:



At a media briefing on Tuesday, Dai Zhikang, chairman and founder of Shanghai Zendai, said the company has plans for a multi-billion rand mixed-used development at Modderfontein over the next 15 years.

The bulk of its development will include houses and apartments for roughly 33 000 families. The company envisages that approximately 100 000 people could eventually live in the area while 100 000 could also work there. About 70% of the development will be targeted at the black middle class.

Plans for the development of 5 million square metres of commercial buildings, 5 million square metres of residential buildings, 1 million square metres of industrial buildings and 1 million square metres of education centres are in the pipeline. (See the gallery for artist's impressions.)

The company also has plans to develop ten hotels and ten shopping centres in the area.

According to Dai, discussions are already underway to open a new Gautrain station in the vicinity.

While the South African government has provided no incentives thus far, Shanghai Zendai is in discussions with government about potential partnerships going forward and would welcome some kind of assistance.

Although the company is still in the early stages of planning, it envisages that it will develop the land independently as Shanghai Zendai, through joint ventures and/or partnerships and by selling it to other developers.

Shanghai Zendai has been diversifying its business internationally since 2011, when it launched its first overseas project in Auckland, New Zealand. The company was founded by Dai in 1994 and has developed various properties in China.

According to Zhikang, its decision to invest in South Africa, involved three years of extensive research. It is the company's first transaction in Africa.

### **Impact**

A recent economic impact study by the Bureau of Economic Research at Stellenbosch University indicated that the implementation of Modderfontein's previously approved spatial development framework will cost about R77bn.

According to the study, there is capacity to create 22 000 jobs, 65% being semi-skilled and unskilled. It estimates that while R1bn will be generated in local government rates and taxes, direct and indirect benefits for the national economy could be R14bn.

### **Terms of the sale**

The consideration of R1 061m includes approximately 1 600ha of land and buildings, as well as AECl's Heartland property development business.

Mark Kathan, chief financial officer of AECl, explains that the transaction is essentially a "cash upfront deal". Once all the conditions precedent are fulfilled, including the transfer of land to the value of R513m by July 31 next year, AECl will receive the full payment in cash.

The remaining land has to be transferred over a maximum 42-month period.

While many options around the land were considered – such as listing its Heartland business separately, or unbundling it, AECl eventually settled on selling it.

The company believes the transaction with Shanghai Zendai will allow it to focus on its core explosive and chemicals business and unlock shareholder value.

According to Mark Dytor, chief executive of AECl, the company is still considering how to use the cash consideration, but could potentially invest the cash in chemicals and explosives businesses, pay special dividends or for share buybacks.

AECl will retain 1 300ha at Modderfontein for future disposals and operations and 275ha of the Modderfontein Reserve. Its property in Somerset West and Umbogintwini isn't affected.

The transaction is subject to competition commission approvals and shareholder approval by Shanghai Zendai (Zhikang owns 38,67%) and transfer of the land.

AECI  
Birds-eye-view:



AECI  
View from Maxwell Drive:



AECI

Interior scene:



AECI

Birds eye-view from the K113:



AECI

Inner courtyard:



AECI

Outer courtyard:

