

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 5 apply throughout this Circular including this front cover.

If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, CSDP, banker, attorney, accountant or other professional adviser immediately.

Actions required

1. If you have disposed of all of your HCI Shares, this Circular should be handed to the purchaser of such HCI Shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.
2. HCI Shareholders are referred to page 1 of this Circular, which sets out the actions required by them.



HOSKEN CONSOLIDATED INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1973/007111/06

Share code: HCI ISIN: ZAE000003257

CIRCULAR TO HCI SHAREHOLDERS

regarding:

- the Geomer Repurchases, being the repurchase of 6 500 000 HCI Shares at R105.00 per HCI Share from Geomer in two separate and divisible transactions;
- the Rivetprops Repurchases, being the repurchase of 5 240 000 HCI Shares at R105.00 per HCI Share from Rivetprops, its Subsidiary, Circumference, and from Cheersley in two separate but indivisible transactions;
- the Majorshelf Repurchase, being the repurchase of 400 000 HCI Shares at R105.00 per HCI Share from Majorshelf;
- the SACTWU Repurchase, being the purchase by HCI's wholly-owned Subsidiary, Squirewood, of 4 000 000 HCI Shares at R105.00 per HCI Share from SACTWU; and
- the General Meeting;

and incorporating:

- a notice convening the General Meeting of HCI Shareholders;
 - a statement of HCI Shareholders' Appraisal Rights in terms of section 164(2) of the Companies Act;
 - extracts of section 115 of the Companies Act and section 164 of the Companies Act regarding dissenting HCI Shareholders' Appraisal Rights; and
 - a form of proxy for use only by Certificated HCI Shareholders and Own-name Dematerialised HCI Shareholders.
-

Corporate adviser

Out of the Ordinary®



Sponsor

Out of the Ordinary®



Legal advisers



Date of issue: 22 June 2016

This Circular is available in English only and copies hereof may be obtained from the registered offices of HCI at the registered address as set out in the "Corporate information and advisers" section of this Circular, during normal business hours on Business Days during the period from 22 June 2016 to 21 July 2016, both days inclusive.

CORPORATE INFORMATION AND ADVISERS

Directors of HCI

JA Copelyn (*Chief Executive Officer*)

TG Govender (*Financial Director*)

Y Shaik

MF Magugu*

LM Molefi*

VE Mphande* (*Chairman*)

JG Ngcobo*

RD Watson*

* Independent non-executive

MJA Golding resigned as a director and executive chairman of HCI effective 30 October 2014

LW Maasdorp resigned as an independent non-executive director on 31 March 2016.

Corporate adviser and sponsor

Investec Bank Limited

(registration number 1969/004763/06)

100 Grayston Drive

Sandown

Sandton

2196

(PO Box 785700, Sandton, 2146)

Transfer secretaries

Computershare Investor Services Proprietary Limited

(registration number 2004/003647/07)

70 Marshall Street

Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

Company secretary and registered office of HCI

HCI Managerial Services Proprietary Limited

(registration number 1996/017874/07)

4 Stirling Street

Zonnebloem

7925

(PO Box 5251, Cape Town, 8000)

Date and Place of Incorporation

1973, South Africa

Legal advisers

Edward Nathan Sonnenbergs Inc.

(registration number 2006/018200/21)

1 North Wharf Square

Loop Street

Foreshore

Cape Town

8001

(PO Box 2293, Cape Town, 8000)

Independent Expert

BDO Corporate Finance Proprietary Limited

(registration number: 1983/002903/07)

22 Wellington Road

Parktown

2193

(PO Box 1574, Houghton, 2041)

ACTIONS REQUIRED BY HCI SHAREHOLDERS

This Circular is important and requires your immediate attention.

Please take careful note of the following provisions regarding the action required by HCI Shareholders. If you are in any doubt as to what actions to take, please consult your broker, CSDP, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all of your HCI Shares, this Circular should be handed to the purchaser of such HCI shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.

The General Meeting will be held at 10:00 on Thursday, 21 July 2016 in the boardroom at HCI's offices, 4 Stirling Street, Zonnebloem, 7925, Cape Town for purposes of considering and, if deemed fit, passing the ordinary and special resolutions required to authorise the implementation of the Repurchase Transactions. The notice convening the General Meeting is attached to and forms part of this Circular.

1. **DEMATERIALIZED HCI SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALIZED HCI SHAREHOLDERS**

1.1 **Voting at the General Meeting**

- 1.1.1 Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.
- 1.1.2 If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish it with your voting instructions.
- 1.1.3 If your broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.
- 1.1.4 You must **not** complete the attached form of proxy.

1.2 **Attendance and representation at the General Meeting**

In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the General Meeting and if so, your broker or CSDP will issue the necessary letter of representation to you to attend and vote at the General Meeting.

2. **CERTIFICATED HCI SHAREHOLDERS AND DEMATERIALIZED HCI SHAREHOLDERS WHO ARE OWN-NAME DEMATERIALIZED HCI SHAREHOLDERS**

2.1 **Voting and attendance at the General Meeting**

- 2.1.1 You may attend the General Meeting in person and may vote at the General Meeting.
- 2.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions contained therein and returning it to the Transfer Secretaries, to be received by them, for administrative purposes, by no later than 10:00 on Tuesday, 19 July 2016 (or delivered to the Chairman of the General Meeting by hand by no later than 10:00 on Thursday, 21 July 2016).

3. **GENERAL**

3.1 **Approvals necessary for the implementation of the Repurchase Transactions at the General Meeting**

The implementation of the Repurchase Transactions is subject, *inter alia*, to the approval by HCI Shareholders of the requisite special and ordinary resolutions at the General Meeting in accordance with the Listings Requirements, the Companies Act and HCI's Memorandum of Incorporation. In order to be approved, each special resolution and each ordinary resolution must be adopted with the support of at least 75% and more than 50% respectively of the voting rights exercised on such resolutions at the General Meeting.

3.2 **Dissenting HCI Shareholders' Appraisal Rights**

HCI Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act are referred to Annexure II of this Circular. HCI Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act are required, before the resolutions are voted on at the General Meeting, to give notice to HCI in writing objecting to the applicable special resolution and notifying HCI of their intention to vote against the special resolution at the General Meeting.

Within 10 Business Days of HCI shareholders having adopted the special resolution, HCI must send a notice confirming that the special resolution has been adopted to each HCI Shareholder who gave HCI written notice of objection to the special resolution, and has neither withdrawn that notice nor voted in favour of the special resolution.

An HCI Shareholder who has given HCI written notice objecting to the applicable special resolution and who is present at the General Meeting, and votes against the special resolution and has complied with all of the procedural requirements set out in section 164 of the Companies Act may, if the special resolution has been adopted, then demand in writing within:

- 3.2.1 20 Business Days after receipt of the notice referred to above; or
- 3.2.2 if the HCI Shareholder does not receive the notice from HCI referred to above, 20 Business Days after learning that the special resolution has been adopted, that HCI pay the HCI Shareholder the fair value for all the HCI Shares held by that HCI Shareholder, which demand must also be sent to the TRP in the prescribed manner.

Any HCI Shareholder that is in doubt as to what action to take should consult their legal or professional adviser in this regard.

Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the following factors relating to the Repurchase Transactions:

- 3.2.3 the report of the Independent Expert set out in Annexure I to this Circular concludes that the terms of the Repurchase Transactions are fair and reasonable to HCI Shareholders; and
- 3.2.4 the Court is empowered to grant a costs order in favour of, or against, a dissenting HCI Shareholder attempting to exercise their Appraisal Rights.

3.3 **Electronic participation in the General Meeting**

HCI Shareholders wishing to participate electronically in the General Meeting are required to deliver, by no later than 10:00 on Tuesday, 19 July 2016, a written notice to HCI at HCI's offices, 4 Stirling Street, Zonnebloem, 7925, Cape Town (marked for the attention of HCI Managerial Services Proprietary Limited, Group company secretary) indicating that they wish to participate via electronic communication at the General Meeting.

In order for the above mentioned notice to be valid it must contain: (a) if the HCI Shareholder is an individual, a certified copy of his/her identity document and/or passport; (b) if the HCI Shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the General Meeting via electronic communication; (c) a valid email address and/or facsimile number; and (d) confirmation of whether the HCI Shareholder wishes to vote via electronic communication. HCI shall use its reasonable endeavours to notify an HCI Shareholder wishing to participate in the General Meeting by way of electronic communication of the relevant details through which the shareholder can participate via electronic communication by no later than 24 hours before the General Meeting.

Should an HCI Shareholder wish to participate in the General Meeting by way of electronic communication as mentioned above, such shareholder or his proxy will be required to dial-in to the dial-in facility on the date of the General Meeting. The dial-in facility will be linked to the venue at which the General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the General Meeting. The dial-in facility will enable all persons to participate electronically in the General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

3.4 **Dematerialisation**

If any Certificated HCI Shareholder wishes to Dematerialise its HCI Shares, such Certificated HCI Shareholder should contact its broker.

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IMPORTANT DATES AND TIMES

2016

Notice Record Date, being the date on which an HCI Shareholder must be registered in the Register in order to be eligible to receive the Notice of General Meeting, on	Friday, 17 June
Circular posted to HCI Shareholders and notice convening the General Meeting released on SENS, on	Wednesday, 22 June
Last day to trade HCI Shares in order to be recorded in the Register to vote at the General Meeting (see note 2 below) on	Tuesday, 12 July
General Meeting Record Date, being the date on which an HCI Shareholder must be registered in the Register in order to be eligible to attend and participate in the General Meeting and to vote thereat, by close of trade on	Friday, 15 July
Forms of proxy in respect of the General Meeting to be lodged, for administrative purposes, by 10:00, on (or may thereafter be lodged by hand prior to 10:00 on Thursday, 21 July 2016)	Tuesday, 19 July
General Meeting held at 10:00 on	Thursday, 21 July
Results of the General Meeting published on SENS on	Thursday, 21 July
Repurchase, cancellation and delisting of the HCI Shares in terms of the Rivetprops Repurchases and Majorshelf Repurchase	Tuesday, 26 July
Repurchase, cancellation and delisting of the HCI Shares in terms of the Geomer Repurchases and SACTWU Repurchase	Thursday, 4 August

Notes:

1. The above dates and times are subject to amendment at the discretion of HCI. Any such amendment will be released on SENS and published in the South African press.
2. HCI Shareholders should note that as transactions in HCI Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade (subsequent to 11 July 2016). Therefore, HCI Shareholders who acquire HCI Shares after close of trade on Tuesday, 12 July 2016 will not be eligible to attend at, participate in and to vote at the General Meeting.
3. All dates and times indicated above are South African Standard Times.
4. The date of the repurchase, cancellation and delisting of the HCI Shares referred to above assumes that all of the conditions precedent have been fulfilled (or waived, as the case may be) by no later than the date of the General Meeting.

DEFINITIONS

In this Circular and the annexures attached hereto, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other genders and references to a person include references to a body corporate and *vice versa*:

“ASX”	the Australian Stock Exchange;
“Appraisal Rights”	the dissenting HCI Shareholders appraisal rights’ afforded to shareholders of a company in terms of section 164 of the Companies Act, an extract of which is set out in Annexure II of this Circular;
“Board”	the board of directors of HCI whose names appear in the “Corporate information and advisers” section of this Circular;
“Business Day”	a day other than a Saturday, Sunday or official public holiday in South Africa;
“Capitalisation and Distribution Agreement”	the agreement concluded or to be concluded between HCI, HCI’s wholly-owned subsidiaries, Deepkloof and HCI Invest14, and HCI Australia, in terms of which <i>inter alia</i> : <ul style="list-style-type: none">– Deepkloof’s loan claims against HCI Australia (excluding a claim of AUS\$6 million) are capitalised;– Deepkloof distributes its shares in HCI Australia to HCI Invest14; and– HCI Invest14 distributes the shares in HCI Australia to HCI;
“Certificated HCI Shares”	HCI Shares represented by a share certificate or other physical document of title, which have not been surrendered for Dematerialisation in terms of the requirements of Strate;
“Certificated HCI Shareholders”	HCI Shareholders who hold Certificated HCI Shares;
“Chearsley”	Chearsley Investments Proprietary Limited (registration number 1997/021953/07), a private company incorporated in accordance with the laws of South Africa which is an associated entity of family members of Mr JA Copelyn. Chearsley is 50.25% owned by the Corjo Trust, and 49.75% owned by Mr JA Copelyn’s children;
“Circular”	this circular to HCI Shareholders, dated 22 June 2016 including the annexures hereto, the notice of General Meeting and the form of proxy;
“Circumference”	Circumference Investments Proprietary Limited (registration number 2003/006544/07), a private company incorporated in accordance with the laws of South Africa which is a wholly-owned Subsidiary of Rivetprops;
“Companies Act”	the Companies Act, 2008 (Act No. 71 of 2008), as amended;
“Corjo Trust”	the trustees for the time being of The Corjo Trust, (Master’s reference number IT11114/96), a trust created in accordance with the Trust Property Control Act, 1988 (Act No. 57 of 1988) and a family trust of Mr JA Copelyn, the Chief Executive Officer of HCI. The Corjo Trust is a discretionary trust and the current beneficiaries include members of Mr Copelyn’s family (none of whom are associates of Mr Copelyn as defined in the Listings Requirements);
“CSDP”	a Central Securities Depository Participant appointed by a shareholder for purposes of, and in regard to, dematerialisation and/or to hold and administer dematerialised shares or an interest in dematerialised shares on behalf of a shareholder;
“Deepkloof”	Deepkloof Limited (registration number 101945), a company incorporated in accordance with the laws of Jersey, Channel Islands, and a wholly-owned Subsidiary of HCI;

“Dematerialisation”	the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded as such in a sub-register of securities holders maintained by a CSDP and “Dematerialised” shall bear the corresponding meaning;
“Dematerialised HCI Shareholder(s)”	those HCI Shareholders who hold Dematerialised HCI Shares;
“Dematerialised HCI Share(s)”	HCI Shares which have been Dematerialised;
“Directors”	the directors for the time being of HCI;
“Financial Markets Act”	the Financial Markets Act, 2012 (Act No. 19 of 2012) as amended;
“General Meeting”	the general meeting of HCI Shareholders to be held in the boardroom at HCI’s offices, 4 Stirling Street, Zonnebloem, 7925, Cape Town on Thursday, 21 July 2016 at 10:00 for the purpose of considering and if thought fit, passing the special and ordinary resolutions set out in the notice of General Meeting forming part of this Circular;
“Geomer”	Geomer Investments Proprietary Limited (registration number 1995/005532/07), a private company incorporated in accordance with the laws of South Africa and an associated entity of Mr MJA Golding. Mr Golding is the sole director of Geomer and he has a direct interest in Geomer of 71.16% and the remaining 28.84% is held by the Geomer Trust;
“Geomer Repurchases”	the repurchase transactions in terms of which HCI has agreed to repurchase 6 500 000 HCI Shares at R105.00 per HCI Share from Geomer on the terms described in paragraph 2.1 of this Circular;
“Geomer Trust”	the Geomer Trust (Master’s reference number IT4895/96), a trust created in accordance with the Trust Property Control Act, 1988 (Act No. 57 of 1988);
“HCI Australia”	HCI Investments Australia Proprietary Limited (registration number ACN 147513139), a company incorporated in accordance with the laws of the Commonwealth of Australia which is a wholly-owned Subsidiary of HCI and holds HCI’s 67,7% indirect stake in OCP, as well as certain other ASX-listed shares;
“HCI” or “the Company”	Hosken Consolidated Investments Limited (registration number 1973/007111/06), a public company incorporated in accordance with the laws of South Africa, the issued ordinary share capital of which is listed on the JSE;
“HCI Group”	HCI and its Subsidiaries;
“HCI Invest14”	HCI Invest14 Holdco Proprietary Limited (registration number 2014/023937/07), a private company incorporated in accordance with the laws of South Africa and a wholly-owned Subsidiary of HCI;
“HCI Shareholders”	the registered holders of HCI Shares appearing on the main and sub-registers of HCI at the Last Practicable Date;
“HCI Shares”	ordinary shares having a par value of 25 cents each in the issued share capital of HCI, all of which shares are listed on the JSE, being 105 198 669 HCI shares at the Last Practicable Date;
“HCIA Sale Consideration”	the sale price of R325 066 875 for which HCI will sell all of the shares in HCI Australia in settlement of the Rivetprops/HCIA Buy-back Consideration;
“Income Tax Act”	the Income Tax Act, 1962 (Act No. 58 of 1962), as amended;
“Independent Board”	the independent board of HCI consisting of HCI’s independent directors;
“Independent Expert”	BDO Corporate Finance Proprietary Limited (registration number 1983/002903/07), a private company incorporated in accordance with the laws of South Africa;

“JSE”	JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa, and licensed to operate an exchange under the Financial Markets Act;
“Last Practicable Date”	the last practicable date prior to the finalisation of the Circular; being Wednesday, 8 June 2016;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Majorshelf”	Majorshelf 183 Proprietary Limited (registration number 2000/023065/07), a private company incorporated in accordance with the laws of South Africa and an associated entity of Mr TG Govender, the Financial Director of HCI. Majorshelf is 100% owned by the TG Govender Family Trust, a discretionary trust, the beneficiaries of which are members of Mr Govender’s family;
“Majorshelf Repurchase”	the repurchase transaction in terms of which HCI has agreed to repurchase 400 000 HCI Shares at R105.00 per HCI Share from Majorshelf on the terms described in paragraph 2.3 of this Circular;
“OCP”	Oceania Capital Partners Limited (registration number ACN 111 554 360), a public company incorporated in accordance with the laws of the Commonwealth of Australia, and an indirect Subsidiary of HCI which is 67.7% owned by HCI Australia;
“Own-name Dematerialised HCI Shareholders”	HCI Shareholders that have Dematerialised their HCI Shares and have instructed their CSDP to hold their HCI Shares in their own name on the sub-register maintained by the CSDP and forming part of the Register;
“Parties”	Geomer, Rivetprops, Circumference, Chearsley and Majorshelf, which are entities related and/or associated to certain directors of HCI and its Subsidiary companies, and SACTWU, a major shareholder of HCI, with whom the Repurchase Agreements have been concluded;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“Register”	the securities register of HCI Shareholders maintained by HCI in terms of the Companies Act including the register of Certificated HCI Shareholders and the sub-registers of Dematerialised HCI Shareholders maintained by the relevant CSDPs in accordance with the Companies Act;
“Repurchase Agreements”	the agreements concluded by HCI with the Parties in terms of which HCI (and, in relation to the shares held by SACTWU, Squirewood) will acquire, in aggregate, up to 16 140 000 HCI Shares, subject to the terms and conditions set out in this Circular, at a price of R105.00 per HCI Share;
“Repurchase Transactions”	collectively the Geomer Repurchases, the Majorshelf Repurchase, the Rivetprops Repurchases and the SACTWU Repurchase whereby HCI (and, in relation to the shares held by SACTWU, Squirewood) will acquire from the Parties in aggregate up to 16 140 000 HCI Shares, subject to the terms and conditions set out in this Circular, at a price of R105.00 per HCI Share;
“Rivetprops”	Rivetprops 47 Proprietary Limited (registration number 1995/009741/07), a private company incorporated in accordance with the laws of South Africa. Rivetprops is wholly-owned by The Corjo Trust;
“Rivetprops Entities”	collectively Rivetprops, Chearsley and Circumference;
“Rivetprops Repurchases”	the repurchase transactions consisting of the Rivetprops/HCIA Sale Transaction and the Rivetprops/TIH Subscription Transaction, in terms of which HCI has agreed to repurchase 5 240 000 HCI Shares at R105.00 per HCI Share from the Rivetprops Entities on the terms described in paragraph 2.2 of this Circular;
“Rivetprops/HCIA Buy-back Consideration”	the aggregate consideration of R325 066 875, to be paid by HCI for the repurchase of 3 095 875 HCI Shares in terms of the Rivetprops/HCIA Sale Transaction;

“Rivetprops/HCIA Sale Consideration”	the aggregate consideration of R325 066 875 to be paid by the Rivetprops Entities for the acquisition of all of the shares in HCIA in terms of the Rivetprops/HCIA Sale Transaction;
“Rivetprops/HCIA Sale Transaction”	an indivisible component of the Rivetprops Repurchases, whereby HCI will repurchase 3 095 875 HCI Shares at R105.00 per HCI Share for an aggregate consideration of R325 066 875 which will be settled in exchange for the sale by HCI of all of the shares in HCIA as described in paragraph 2.2 of this Circular;
“Rivetprops/TIH Buy-back Consideration”	the aggregate consideration of R225 133 125 to be paid by HCI in terms of the Rivetprops/TIH Subscription Transaction;
“Rivetprops/TIH Subscription Price”	the aggregate issue price of R225 133 125 at which HCI's Subsidiary, TIH, has agreed to issue in aggregate 2.17% of the issued ordinary shares of TIH to the Rivetprops Entities in settlement of the Rivetprops/HCIA Buy-back Consideration;
“Rivetprops/TIH Subscription Transaction”	an indivisible component of the Rivetprops Repurchases, whereby HCI will repurchase in aggregate 2 144 125 HCI Shares at R105.00 per share for an aggregate consideration of R225 133 125 which will be settled in exchange for the issue by TIH of 2.17% of the issued ordinary shares of TIH for the Rivetprops/TIH Subscription Price as described in paragraph 2.2 of this Circular;
“SACTWU”	the Southern African Clothing and Textile Workers Union;
“SACTWU Repurchase”	the repurchase transaction in terms of which HCI has agreed to repurchase 4 000 000 HCI Shares at R105.00 per HCI Share from SACTWU on the terms described in paragraph 2.4 of this Circular;
“SENS”	the Stock Exchange News Service of the JSE;
“Small Related Party Transactions”	the Rivetprops/TIH Subscription Transaction, the Rivetprops/HCIA Sale Transaction and the issue of TIH ordinary shares to SACTWU as part of the SACTWU Repurchase, each of which is considered a small related-party transaction in terms of the Listings Requirements, requiring the preparation of a fairness opinion by an independent expert;
“Solvency and Liquidity Test”	the solvency and liquidity test set out in section 4(1) of the Companies Act;
“South Africa”	the Republic of South Africa;
“Squirewood”	Squirewood Investments 64 Proprietary Limited (registration number 2006/027305/07), a private company incorporated in accordance with the laws of South Africa, and a wholly-owned Subsidiary of HCI;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa, and a registered central securities depository responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
“Subsidiary”	a subsidiary as defined in the Listings Requirements;
“TIH”	Tsogo Investment Holding Company Proprietary Limited (registration number 1994/008525/07) a company incorporated in accordance with the laws of South Africa and which is a Subsidiary of HCI (99.56% indirectly owned by HCI, with the balance owned by a minority shareholder) and the entity that owns HCI's 48% stake in Tsogo Sun Holdings Limited;
“TRP”	Takeover Regulation Panel;
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa; and
“WATP”	weighted average trading price as defined in the Listings Requirements.



HOSKEN CONSOLIDATED INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1973/007111/06

Share code: HCI ISIN: ZAE000003257

Directors

JA Copelyn (*Chief Executive Officer*)

TG Govender (*Financial Director*)

Y Shaik

MF Magugu*

LM Molefi*

VE Mphande* (*Chairman*)

JG Ngcobo*

RD Watson*

*Independent Non-Executive

CIRCULAR TO HCI SHAREHOLDERS

1. INTRODUCTION

As set out in the announcement released on SENS on Thursday, 28 April 2016, HCI has concluded the Repurchase Agreements with entities related and/or associated to certain directors of HCI and its Subsidiary companies, and SACTWU, a major shareholder of HCI, in terms of which HCI (and, in relation to the shares held by SACTWU, HCI's wholly-owned Subsidiary, Squirewood) will acquire in aggregate up to 16 140 000 HCI Shares (approximately 15.4% of the issued share capital of HCI), subject to the terms and conditions set out below, at a price of R105.00 per HCI Share. Each of the Repurchase Transactions are separate and divisible, as more fully described below.

The purpose of this Circular is to provide HCI Shareholders with the relevant information relating to the Repurchase Transactions, and to give notice convening the General Meeting in order to consider and, if deemed fit, pass the resolutions necessary to approve and implement the Repurchase Transactions.

2. TERMS OF THE REPURCHASE TRANSACTIONS

HCI and Squirewood have agreed to acquire the following HCI Shares at a price of R105.00 per HCI Share subject to the conditions precedent related to each of the respective Repurchase Transactions, as further described below:

Party	Number of shares	Percentage of shares in issue	Discount of repurchase consideration to 30-day WATP at date of respective Repurchase Agreement
Geomer	6 500 000	6.2	7.4%
Rivetprops Entities	5 240 000	5.0	7.4%
Majorshelf	400 000	0.4	7.4%
SACTWU	4 000 000	3.8	7.4%
TOTAL	16 140 000	15.4	

The repurchase price of R105.00 per HCI Share represents a discount of:

- 13.8% to the closing price on Friday, 27 April 2016, being the day before the Repurchase Transactions were announced on SENS; and
- 7.4% to the 30-day WATP up to and including Friday, 27 April 2016, being the day before the Repurchase Transactions were announced on SENS.

2.1 THE GEOMER REPURCHASES

2.1.1 **Terms of the Geomer Repurchases**

Pursuant to Mr MJA Golding's resignation as a director of HCI, HCI has agreed to repurchase 6 500 000 HCI Shares at R105.00 per HCI Share from Geomer, in two separate and divisible transactions. Geomer held 8 142 031 (7.7%) of the total HCI Shares in issue as at the Last Practicable Date and will hold 1 642 031 (1.6%) of the total HCI Shares after the Geomer Repurchase assuming none of the other Repurchase Transactions are implemented

In respect of the first transaction, HCI shall repurchase 3 500 000 HCI Shares at R105.00 per share. The aggregate consideration, being R367 500 000, will be settled in cash.

In respect of the second transaction, HCI will repurchase 3 000 000 HCI Shares at R105.00 per share and an aggregate consideration of R315 000 000. In terms of this transaction, TIH has agreed to issue 3.03% of the issued ordinary shares of TIH to Geomer, at an aggregate issue price of R315 000 000 (being an amount equal to the repurchase price payable by HCI). HCI indirectly holds 99.56% of the total issued shares in TIH and will hold 96.53% subsequent to the TIH ordinary shares being issued to Geomer assuming none of the other Repurchase Transactions are implemented. Geomer shall cede its entitlement to receive the repurchase price payable by HCI to TIH in settlement of the subscription consideration payable by it to TIH, whereafter HCI shall make payment in settlement of its obligation to pay the repurchase price directly to TIH.

TIH is currently 99.56% indirectly owned by HCI and is the entity that owns HCI's stake in Tsogo Sun Holdings Limited, being approximately 48% of the issued ordinary shares in Tsogo Sun Holdings Limited.

The cash portion of the Geomer Repurchases will be funded from HCI's existing cash and/or debt facilities.

2.1.2 **Impact on financial information**

The impact of the first part of the Geomer Repurchases on HCI's financial information will be to decrease cash and cash equivalents by R367 500 000 and reduce equity by the same amount. The number of HCI Shares in issue will decrease by 3 500 000.

The second part of the Geomer Repurchases will have a net zero impact on cash and equivalents, but will result in a decrease in equity equal to the R315 000 000 repurchase price payable by HCI and will reduce the number of HCI Shares in issue by 3 000 000. The issuing of the approximately 13 950 000 new TIH shares, will result in an effective disposal of 3.03% of HCI's interest in TIH. TIH will remain a Subsidiary of HCI, but the non-controlling interest recorded in HCI's consolidated statement of financial position and its statement of comprehensive income will increase as a result of the issue of new TIH shares. The quantum of the movement in the non-controlling interest will depend on the net asset value at the date of implementation.

2.1.3 **Conditions Precedent**

The Geomer Repurchases are subject, *inter alia*, to the fulfilment or waiver of the following conditions precedent:

- HCI Shareholders (excluding Geomer and its associates) approving the necessary resolutions, by way of a specific authority, required to implement the applicable Geomer Repurchases;
- the board of directors and shareholders of TIH adopting the requisite resolutions authorising the issue of shares to Geomer in terms of the Geomer Repurchases;
- the board of directors and shareholders of TIH adopting the requisite resolutions required to effect the subdivision of the existing TIH issued and authorised ordinary share capital at a ratio of 1:1,000, and such special resolutions and the requisite amendments to the TIH memorandum of incorporation being filed with the Companies and Intellectual Property Commission;
- the Company's funders unconditionally approving the Geomer Repurchases, the issue of TIH shares to Geomer and the subdivision of the TIH shares, in accordance with the relevant funding documents, or approving thereof subject to such conditions as are acceptable to HCI;
- the TRP, to the extent required, either issuing a compliance certificate or exempting the Company from the requirement to obtain a compliance certificate in accordance with the provisions of the Companies Act; and
- to the extent that the Geomer Repurchases result in SACTWU being required to make a mandatory offer to the remaining HCI shareholders in terms of section 123 of the Companies Act, either:
 - the TRP exempts SACTWU from the requirement to make such a mandatory offer; or
 - the SACTWU Repurchase Agreement referred to in 2.4 becomes unconditional in accordance with its terms.

2.1.4 **Effective date of the Geomer Repurchases**

The Geomer Repurchases will take place on the 10th Business Day after the fulfilment or waiver of the last of the conditions precedent. If such effective date falls within a prohibited period as defined in paragraph 3.67 of the Listings Requirements, the repurchases will take place on the 10th Business Day after the end of the prohibited period.

2.2 **THE RIVETPROPS REPURCHASES**

2.2.1 **Terms of the Rivetprops Repurchases**

HCI has agreed to repurchase 5 240 000 HCI Shares at R105.00 per HCI Share from Rivetprops, and its Subsidiary, Circumference, and from Cheersley, all of which are associated entities of members of Mr JA Copelyn's family, in two separate but indivisible transactions. The Rivetprops Entities held 5 323 051 (5.1%) of the total HCI Shares in issue as at the Last Practicable Date and will hold 83 051 HCI Shares (0.1%) after the Rivetprops Repurchases.

The first component of the Rivetprops Repurchases is the Rivetprops/HCIA Sale Transaction, whereby HCI will repurchase 3 095 875 HCI Shares at R105.00 per HCI Share for an aggregate consideration of R325 066 875, being the Rivetprops/HCIA Buy-back Consideration. Simultaneously therewith, HCI shall sell all of the shares in HCI Australia to Rivetprops at a sale price equal to R325 066 875, being the Rivetprops/HCIA Sale Consideration. The parties' respective obligations to make payment of the Rivetprops/HCIA Sale Consideration and the Rivetprops/HCIA Buy-back Consideration shall be discharged by set-off, which shall occur automatically without the need for further actions by the parties. HCI Australia is the holding company which owns HCI's 67.7% stake in OCP, as well as certain other ASX-listed shares.

The second component of the Rivetprops Repurchases is the Rivetprops/TIH Subscription Transaction, whereby HCI will repurchase in aggregate 2 144 125 HCI Shares at R105.00 per share for an aggregate consideration of R225 133 125, being the Rivetprops/TIH Buy-back Consideration. HCI's Subsidiary, TIH, has furthermore agreed to issue in aggregate 2.17% of the issued ordinary shares of TIH to the Rivetprops Entities at an aggregate issue price of R225 133 125, being the Rivetprops/TIH Subscription Price (which is equal to the Rivetprops/HCIA Buy-back Consideration payable by HCI). HCI indirectly holds 99.56% of the total issued shares in TIH and will hold 97.39% subsequent to the TIH ordinary shares being issued to the Rivetprops Entities assuming none of the other Repurchase Transactions are implemented. The Rivetprops Entities have agreed to cede their entitlements to receive the Rivetprops/HCIA Buy-back Consideration to TIH in settlement of the subscription consideration payable by them to TIH, whereafter HCI will settle the Rivetprops/HCIA Buy-back Consideration in settlement of its obligation to make payment thereof directly to TIH.

The Rivetprops Repurchases comprising the Rivetprops/HCIA Sale Transaction and the Rivetprops/ TIH Subscription Transaction are indivisible transactions.

2.2.2 **Impact on financial information**

The Rivetprops/TIH Subscription Transaction will have a net zero impact on cash and equivalents, but will result in a decrease in equity equal to the R225 133 125 Rivetprops/TIH Buy-back Consideration and will reduce the number of HCI Shares in issue by 2 144 125. The issuing of approximately 9 970 181 new TIH shares, will result in an effective disposal of 2.17% of HCI's interest in TIH. TIH will remain a Subsidiary of HCI, but the non-controlling interest recorded in HCI's consolidated statement of financial position and its statement of comprehensive income will increase as a result of the issue of new TIH shares. The quantum of the movement in the non-controlling interest will depend on the net asset value at the date of implementation.

The Rivetprops/HCIA Sale Transaction will have a net zero impact on cash and equivalents, but will result in a decrease in equity equal to the R325 066 875 and will reduce the number of HCI Shares in issue by 3 095 875. HCI Australia will be de-recognised from HCI's consolidated statement of financial position. The difference between the net asset value of HCI Australia which is attributable to HCI and which will be disposed of and the total consideration received for the disposal of R325 066 875 will result in a loss to be recognised in HCI's consolidated statement of comprehensive income. This loss will cause a reduction in HCI's retained earnings balance and will be an adjusting item in calculating headline earnings per share. The quantum of the loss will depend on the net asset value at the date of implementation.

2.2.3 **Conditions Precedent**

The Rivetprops Repurchases are subject, *inter alia*, to the fulfilment or waiver of the following conditions precedent:

- the Capitalisation and Distribution Agreement is concluded and becomes unconditional in accordance with its terms. It is noted that the details of the Capitalisation and Distribution Agreement are not relevant to the Rivetprops Repurchases, other than the fact that its conclusion is a condition precedent. The impact of the Capitalisation and Distribution Agreement is to ensure that HCI intercompany loans are capitalised prior to the sale of HCI Australia to Rivetprops, as described in the terms detailed above;
- HCI Shareholders (excluding the Rivetprops Entities and their associates) approving the necessary resolutions required to:
 - implement the Rivetprops Repurchases; and
 - sell the shares in HCI Australia to Rivetprops;
- the unconditional approval (or if such approval is conditional, such conditions being acceptable to the Parties) of the HCIA Sale Transaction, the implementation of the Capitalisation and Distribution Agreement and any documentation required for the implementation of such transactions, to the extent required by applicable laws, by each of:
 - the Financial Surveillance Department of the South African Reserve Bank;
 - the Foreign Investment Review Board of Australia;
 - the Australian Communication and Media Authority;
 - the Australian Securities and Investment Commission; and
 - the ASX;
- the adoption of the requisite board and/or shareholder resolutions by each of HCI Australia, Deepkloof and HCI Invest14 as may be required in terms of the applicable laws to approve the Capitalisation and Distribution Agreement, and obtaining such approvals as may be required in order to effect the transactions contemplated in the Capitalisation and Distribution Agreement;
- the board of directors of OCP adopting a resolution to seek the approval of OCP's shareholders for the HCIA Sale Transaction, to the extent required by Australian law;
- the shareholders of OCP adopting such resolutions as may be required to approve the HCIA Sale Transaction and, to the extent legally required, the implementation of the Capitalisation and Distribution Agreement, in accordance with the provisions of item 7 of section 611 of the Corporations Act, 2001 (of Australia) and the listing rules of the ASX, to the extent required by Australian law;
- the board of directors and shareholders of TIH adopting the requisite resolutions authorising the issue of shares to the Rivetprops Entities in terms of the Rivetprops Repurchases;
- the board of directors and shareholders of TIH adopting the requisite resolutions required to effect the subdivision of the existing TIH issued and authorised ordinary share capital at a ratio of 1:1,000, and such special resolutions and the requisite amendments to the TIH memorandum of incorporation being filed with the Companies and Intellectual Property Commission;
- the Company's funders unconditionally approving the Rivetprops Repurchases in accordance with the relevant funding documents, or approving thereof subject to such conditions as are acceptable to HCI; and
- to the extent that the Rivetprops Repurchases result in SACTWU being required to make a mandatory offer to the remaining HCI shareholders in terms of section 123 of the Companies Act, either:
 - the TRP exempts SACTWU from the requirement to make such a mandatory offer; or
 - the SACTWU Repurchase Agreement referred to in 2.4 becomes unconditional in accordance with its terms.

2.2.4 **Effective date of Rivetprops Repurchases**

The Rivetprops Repurchases will take place on the 3rd Business Day after the fulfilment or waiver of the last of the conditions precedent. If such effective date falls within a prohibited period as defined in paragraph 3.67 of the Listings Requirements, the repurchases will take place on the 3rd Business Day after the end of the prohibited period.

2.3 THE MAJORSHelf REPURCHASE

2.3.1 **Terms of the Majorshelf Repurchase**

HCI has agreed to repurchase 400 000 HCI Shares at R105.00 per HCI Share from Majorshelf, an associated entity of TG Govender, to be settled in cash for a total repurchase consideration of R42 000 000. Majorshelf held 1 004 244 (1.0%) of the total HCI Shares in issue as at the Last Practicable Date, and will hold 604 244 HCI Shares (0.6%) after the Majorshelf Repurchase.

The Majorshelf Repurchase will be funded from HCI's existing cash and/or debt facilities.

2.3.2 **Impact on financial information**

The impact of the Majorshelf Repurchase on HCI's financial information will be to decrease cash and cash equivalents by R42 000 000 and reduce equity by the same amount. The number of HCI Shares in issue will decrease by 400 000.

2.3.3 **Conditions Precedent**

The Majorshelf Repurchase is subject, *inter alia*, to the fulfilment or waiver of the following conditions precedent:

- the shareholders of HCI (excluding Majorshelf and its associates) approving the necessary resolutions, by way of a specific authority, required to implement the Majorshelf Repurchase; and
- the Company's funders unconditionally approving the Majorshelf Repurchase in accordance with the relevant funding documents, or approving thereof subject to such conditions as are acceptable to HCI.

2.3.4 **Effective date of Majorshelf Repurchase**

The Majorshelf Repurchase will take place on the 3rd Business Day after the fulfilment or waiver of the last of the conditions precedent. If such effective date falls within a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, the repurchases will take place on the 3rd Business Day after the end of the prohibited period.

2.4 THE SACTWU REPURCHASE

2.4.1 **Terms of the SACTWU Repurchase**

Should the Geomer Repurchases, the Rivetprops Repurchases and the Majorshelf Repurchase be fully and finally implemented, SACTWU's shareholding in HCI may exceed 35%, which may result in SACTWU being required to make a mandatory offer to the remainder of HCI's shareholders or obtain a waiver from the TRP from such requirement.

HCI, through its wholly-owned Subsidiary, Squirewood, has therefore agreed to purchase 4 000 000 HCI Shares at R105.00 per HCI Share from SACTWU for an aggregate purchase consideration of R420 000 000. SACTWU held 34 466 965 (32.8%) of the total HCI Shares in issue as of the Last Practicable Date. HCI's Subsidiary, TIH, has furthermore agreed to issue 4.04% of the issued ordinary shares of TIH to SACTWU, at an aggregate subscription price of R420 000 000 (being an amount equal to the repurchase price payable by HCI). HCI indirectly holds 99.56% of the total issued shares in TIH and will hold 95.52% subsequent to the TIH ordinary shares being issued to SACTWU. SACTWU shall cede its entitlement to receive the purchase price payable by Squirewood to TIH in settlement of the subscription consideration payable by it to TIH, whereafter Squirewood shall make payment of such purchase price directly to TIH in settlement of its obligation to make payment thereof.

2.4.2 **Impact on financial information**

The SACTWU Repurchase will have a net zero impact on cash and equivalents, but will result in a decrease in equity equal to the R420 000 000 repurchase price payable by HCI and will increase the number of HCI Shares held in treasury by Squirewood by 4 000 000. The issuing of approximately 18 600 000 new TIH shares, will result in an effective disposal of 4.04% of HCI's interest in TIH. TIH will remain a Subsidiary of HCI, but the non-controlling interest recorded in HCI's consolidated statement of financial position and its statement of comprehensive income will increase as a result of the issue of new TIH shares. The quantum of the movement in the non-controlling interest will depend on the net asset value at the date of implementation.

2.4.3 **Conditions Precedent**

The SACTWU Repurchase is subject, *inter alia*, to the fulfilment or waiver of the following conditions precedent:

- the shareholders of HCI (excluding SACTWU and its associates) approving the necessary resolutions, by way of a specific authority, required to implement the applicable SACTWU Repurchase;
- the board of directors and shareholders of TIH adopting the requisite resolutions authorising the issue of shares to SACTWU in terms of the SACTWU Repurchase;
- the board of directors and shareholders of TIH adopting the requisite resolutions required to effect the subdivision of the existing TIH issued and authorised ordinary share capital at a ratio of 1:1,000, and such special resolutions and the requisite amendments to the TIH memorandum of incorporation being filed with the Companies and Intellectual Property Commission;
- the National Executive Committee and/or the National Office Bearers of SACTWU adopting such resolutions as may be required in terms of SACTWU's constitution to approve the SACTWU Repurchase; and
- the Company's funders unconditionally approving the SACTWU Repurchase, the issue of TIH shares to SACTWU and the subdivision of the TIH shares, in accordance with the relevant funding documents, or approving thereof subject to such conditions as are acceptable to HCI.

2.4.4 **Effective date of SACTWU Repurchase**

The SACTWU Repurchase will take place on the 10th Business Day after the fulfilment or waiver of the last of the conditions precedent. If such effective date falls within a prohibited period as defined in paragraph 3.67 of the Listings Requirements, the repurchases will take place on the 10th Business Day after the end of the prohibited period.

3. **RATIONALE**

It is the Board's view that the HCI Shares are repurchased at a discount to their intrinsic net asset value and thus the Repurchase Transactions are expected to be value enhancing for HCI Shareholders as the value of the remaining shares should increase as the consideration paid for the HCI Shares is less than their intrinsic value. The executive directors from whom HCI Shares are repurchased will continue to hold a significant proportion of their wealth in HCI Shares post implementation of the Repurchase Transactions.

4. **ADEQUACY OF CAPITAL**

4.1 **The directors have considered the impact of the Repurchase Transactions and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with and that:**

- 4.1.1 HCI and the HCI Group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months from the date of approval of this Circular;
- 4.1.2 the assets of HCI and the HCI Group will exceed the liabilities of HCI and the HCI Group for a period of 12 months from the date of approval of this Circular; where for this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of HCI;
- 4.1.3 the share capital and reserves of HCI and the HCI Group will be adequate for ordinary business purposes for a period of 12 months from the date of approval of this Circular; and
- 4.1.4 the working capital of HCI and the HCI Group will be adequate for ordinary business purposes for a period of 12 months from the date of approval of this Circular.

4.2 **Furthermore, the Directors state as follows:**

- 4.2.1 in terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the Repurchase Transactions by resolution;
- 4.2.2 in terms of section 46(1)(b) of the Companies Act, it reasonably appears that HCI will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase Transactions; and

4.2.3 in terms of section 46(1)(c) of the Companies Act, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that HCI will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase Transactions.

5. MAJOR BENEFICIAL HCI SHAREHOLDERS

The following major beneficial HCI Shareholders, other than Directors, were, as at the Last Practicable Date, directly or indirectly, the beneficial owners of 5% or more of the issued share capital of HCI:

Shareholder	Number of shares held	Percentage of issued share capital
Southern African Clothing and Textile Workers Union and associated entities	34 466 965	32.8
M.J.A Golding	8 142 031	7.7
Total	42 608 996	40.5

6. MATERIAL CHANGES

There have been no known material changes in the financial or trading position of HCI or the HCI Group since the end of the last financial period, being 31 March 2016, up to and including the Last Practicable Date.

7. DIRECTORS' INTERESTS

Direct and indirect beneficial interests of the Directors' (and their associates), including directors that have resigned during the last 18 months, holdings in the share capital of HCI, as at 31 March 2016, are as follows:

Number of HCI Shares held as at 31 March 2016				
	Direct beneficial	Indirect beneficial	Associates	Percent of total issued share capital
Executive directors				
JA Copelyn	5 736 886	–		5.5
TG Govender	218 114	–	1 004 244	1.2
Non-executive directors				
Y Shaik	–	–		–
MF Magugu	–	–		–
LM Molefi	–	–		–
VE Mphande	–	–		–
JG Ngcobo	–	–		–
RD Watson	–	–		–
Total	5 955 000	–	1 004 244	6.7

There have been no changes in the directors' interests in HCI Shares during the period from 31 March 2016 up to and including the Last Practicable Date.

At the Last Practicable Date, none of the directors of the HCI Group, including directors who have resigned in the 18 months prior to the Last Practicable Date, directly or indirectly had a material beneficial interest in transactions effected by the Company during the current or immediately preceding financial year, or during an earlier year in relation to any transactions concluded during that earlier year that remain in any respect outstanding or unperformed, other than as a result of their shareholdings in HCI as disclosed above.

8. SHARE CAPITAL

The table below sets out the authorised and issued share capital of HCI before and after the Repurchase Transactions:

	R000's
Share capital as at 31 March 2016	
Authorised share capital	
450 000 000 ordinary shares with a par value of R0.25 each	112 500
Issued share capital	
105 198 669 ordinary shares with a par value of R0.25 each	26 300
Share premium	0
Treasury shares (including share trust)	
1 088 469 ordinary shares with a par value of R0.25 each	272
Share capital as at 31 March 2016 – After the Repurchase Transactions	
Authorised share capital	
450 000 000 ordinary shares with a par value of R0.25 each	112 500
Issued share capital	
93 058 669 ordinary shares ¹ with a par value of R0.25 each	23 265
Share premium	0
Treasury shares (including share trust)	
5 088 469 ordinary shares ² with a par value of R0.25 each	1 272

Notes:

1. Consists of the issued share capital before the Repurchase Transactions less the number of shares repurchased by HCI pursuant to the Repurchase Transactions (12 140 000)
2. Consists of the treasury shares before the Repurchase Transactions plus the HCI Shares repurchased by Squirewood from SACTWU pursuant to the SACTWU Repurchase

9. COSTS

The expenses (exclusive of VAT) that are estimated to be incurred by HCI for the Repurchase Transactions are set out in the table below:

Description	Estimated amount (Rand)
Investment bank and sponsor – Investec Bank	400 000
Legal and other advisory fees – ENS	380 000
Independent expert's fees – BDO	350 000
TRP documentation inspection fee	200 000
JSE documentation fees – Specific Repurchase; Small Related Party, Expert approval	80 702
Printing and related costs – Ince Proprietary Limited	49 362
Total	1 460 064

10. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 9 of this document, and the Independent Board collectively and individually accept full responsibility for the accuracy of the information given in this Circular in relation to HCI and certify that, to the best of their knowledge and belief there are no facts that have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

11. STATEMENT OF WORKING CAPITAL

The Directors, after considering the effect of the Repurchase Transactions, are of the opinion that the working capital available to the Company will be sufficient for the Company's present requirements for at least the next 12 months from the date of issue of this Circular.

12. OPINIONS AND RECOMMENDATIONS

- 12.1 In terms of the Listings Requirements, Majorshelf and SACTWU are related parties to HCI as:
- Majorshelf is an associated entity of Mr TG Govender, the Financial Director of HCI; and
 - SACTWU is a material shareholder of HCI.
- 12.2 Geomer is not considered a related party in terms of the Listings Requirements as Mr MJA Golding, an associated party of Geomer and the former Executive Chairman of HCI, resigned as a director of HCI more than 12 months ago.
- 12.3 In terms of the Listings Requirements, the votes of the relevant parties will be taken into account in determining whether a quorum of HCI Shareholders is present at the General Meeting, but such votes will not be taken into account in determining the results of the voting at the General Meeting in respect of the transaction in which the relevant party is a related party.
- 12.4 In terms of the Listings Requirements, in order to implement the Repurchase Transactions, special resolutions of HCI Shareholders must be passed by securities holders excluding the relevant related party and their associates. As the purchase price of R105.00 per HCI Share is at a discount to the 30-day WATP, a fairness opinion is not required in terms of section 5.69 of the Listings Requirements.
- 12.5 In terms of Listings Requirements, each of the Rivetprops/TIH Subscription Transaction, the Rivetprops/HCIA Sale Transaction and the issue of TIH ordinary shares to SACTWU as part of the SACTWU Repurchase are considered small related party transactions requiring the preparation of a fairness opinion by an independent expert in terms of the Listings Requirements. In addition to the fairness opinions required in terms of the Listings Requirements, the Geomer Repurchases (and if considered collectively, the Repurchase Transactions) represent a repurchase of more than 5% of the HCI Shares and accordingly, in terms of sections 48(8)(b) and 114 of the Companies Act, the preparation of an independent expert's report, as well as approval by the TRP, is required.
- 12.6 The Directors have appointed BDO as the Independent Expert to provide the fairness opinions on the Small Related Party Transactions referred to in paragraph 12.5 above. The fairness opinions have been prepared in terms of the Listings Requirements and have been included in Annexure III to this Circular and will also be available for inspection at HCI's registered office for the required period of 28 days from the date of this Circular. In addition, the Independent Expert has prepared the independent expert's report required in terms of section 114 of the Companies Act, which is contained in Annexure I to this Circular and will also be available for inspection for the required period of 28 days from the date of this Circular. The TRP letter of approval required as described in paragraph 12.5 above will also be available for inspection at HCI's registered office for a period of 28 days from the date of this Circular.
- 12.7 The Independent Expert has advised that it has considered the terms and conditions of each of the Small Related Party Transactions, and at the Last Practicable Date its opinion and advice to the Board is that the terms and conditions of each of the Small Related Party Transactions are fair to HCI Shareholders.
- 12.8 The Independent Board, taking into account the fairness opinion by the Independent Expert and the Independent Expert's report required in terms of section 114 of the Companies Act, has considered the terms and conditions of the Geomer Repurchases and is of the opinion that the terms and conditions thereof are fair and reasonable to HCI Shareholders.
- 12.9 Accordingly, the Independent Board recommends to HCI Shareholders to vote in favour of the resolutions proposed in the notice of General Meeting. The directors who hold HCI Shares (other than the related parties who are prohibited from voting on specific resolutions) intend to vote in favour of all of the resolutions in respect of the Repurchase Transactions.
- 12.10 In terms of the Listings Requirements, the effective disposal of HCI's interest in TIH (pursuant to the issuance of TIH shares to the Rivetprops Entities, Geomer and SACTWU) is considered a category 2 transaction as the total consideration received by HCI for the disposal of their interest in TIH (R960 133 125), being equal to the total consideration for which the HCI Ordinary Shares are to be bought back in terms of the Rivetprops/TIH Transaction (R225 133 125), the second part of the Geomer Repurchases (R315 000 000) and the SACTWU Repurchase (R420 000 000), is between 5% and 30% (7.6%) of HCI's market capitalisation at the time the agreements were entered into. In terms of the Listings Requirements, all required disclosures were made in the announcement released on SENS related to the Specific Repurchases on 28 April 2016.

13. **EXCHANGE CONTROL**

In terms of the Exchange Control Regulations of the Republic of South Africa:

- any share certificates that might be issued to non-resident shareholders will be endorsed "Non-Resident";
- any new share certificates, dividend and residual cash payments based on emigrant's shares controlled in terms of the Exchange Control Regulations, will be forwarded to the authorised dealer in foreign exchange controlling their blocked assets. The election by emigrants for the above purpose must be made through the authorised dealer in foreign exchange controlling their blocked assets. Such share certificates will be endorsed "Non-Resident"; and
- dividend and residual cash payments due to non-residents are freely transferable from the Republic.

14. **CONSENTS**

The legal advisers, Independent Expert, corporate adviser, sponsor and Transfer Secretaries have consented in writing to act in the capacities stated in this Circular and to their names being stated in this Circular; and have not withdrawn their consent prior to the publication of this Circular.

By order of the Board

VE Mphande

Chairman of the board of directors

22 June 2016

Registered office

4 Stirling Street
Zonnebloem
7925
(PO Box 5251, Cape Town, 8000)

INDEPENDENT EXPERT'S REPORT

The Directors
 Hosken Consolidated Investments Limited
 Suite 801
 76 Regent Road
 Sea Point, Cape Town
 8005

15 June 2016

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO HOSKEN CONSOLIDATED INVESTMENTS LIMITED REGARDING THE SPECIFIC REPURCHASE BY HOSKEN CONSOLIDATED INVESTMENTS LIMITED OF ITS ORDINARY SHARES FROM GEOMER INVESTMENTS PROPRIETARY LIMITED

INTRODUCTION

The board of directors (the "Directors" or the "Board") of Hosken Consolidated Investments Limited ("HCI" or the "Company") has, pursuant to MJA Golding's resignation as a director of HCI, agreed to repurchase 6 500 000 ordinary shares having a par value of 25 cents each in the issued share capital of HCI ("HCI Shares") at R105.00 per HCI Share from Geomer Investments Proprietary Limited ("Geomer"), an associated entity of MJA Golding, in two separate and divisible transactions ("Geomer Repurchases").

In respect of the first transaction, HCI shall repurchase 3 500 000 HCI Shares at R105.00 per share. The aggregate consideration, being R367 500 000, shall be settled in cash ("Cash Consideration").

In respect of the second transaction, HCI shall repurchase 3 000 000 HCI Shares at R105.00 per share and an aggregate consideration of R315 000 000. In terms of this transaction, HCI's subsidiary, Tsogo Investment Holding Company Proprietary Limited ("TIH") has agreed to issue 3.03% of the issued ordinary shares of TIH to Geomer, at an aggregate issue price of R315 000 000 (being an amount equal to the repurchase price payable by HCI) ("TIH Subscription Consideration"). Geomer shall cede its entitlement to receive the repurchase price payable by HCI to TIH in settlement of the subscription consideration payable by it to TIH, whereafter HCI shall make payment in settlement of its obligation to pay the repurchase price directly to TIH.

As at the date of this opinion, the share capital of HCI prior to the Geomer Repurchases comprises the following:

Share capital as at the Last Practicable Date – Before the Geomer Repurchases	R'000
Authorised share capital 450 000 000 ordinary shares with a par value of R0.25 each	112 500
Issued share capital 105 198 669 ordinary shares with a par value of R0.25 each	26 300
Treasury shares 1 088 469 ordinary shares with a par value of R0.25 each	272
Share premium	–

The interests of the Directors in HCI Shares are set out below:

Director	Direct beneficial	Indirect beneficial	Associates	Percentage of total issued share capital
Executive Directors				
JA Copelyn	5 736 886	–	–	5.5
TG Govender	218 114	–	1 004 244	1.2
Non-executive Directors				
Y Shaik	–	–	–	–
MF Magugu	–	–	–	–
LM Molefi	–	–	–	–
VE Mphande	–	–	–	–
JG Ngcobo	–	–	–	–
RD Watson	–	–	–	–

In accordance with section 114(2) of the Companies Act (No. 71 of 2008), as amended (the “Companies Act”), BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed by the Board to provide independent external advice and this report to the Board regarding the provisions of section 114(3) and (4) of the Companies Act (as read with section 48(8)(b) and section 115 of the Companies Act).

Copies of sections 115 and 164 of the Companies Act are included as Annexures to this report of the independent expert.

INDEPENDENT EXPERT REPORT REQUIRED

As the Geomer Repurchases involve the acquisition by the Company of more than 5% of the Company’s ordinary shares in issue, section 48(8)(b) of the Companies Act specifies that the Geomer Repurchases is subject to the requirements of sections 114 and 115 of the Companies Act. In terms of section 114(2) and (3) of the Companies Act, as read together with Regulation 90 of the Companies Regulations, 2011 (the “Companies Regulations”), the Board must retain an independent expert to compile a report on the Geomer Repurchases (the “Opinion”). BDO Corporate Finance has been appointed by the Board to provide the Opinion.

SECTION 114(3) REQUIREMENTS

As required in terms of section 114(3) of the Companies Act (read together with section 48 of the Companies Act), this report deals with the following:

- (a) state all prescribed information relevant to the value of the securities affected by the proposed arrangement;
- (b) identify every type and class of holders of the Company’s securities affected by the proposed arrangement;
- (c) describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);
- (d) evaluate any material adverse effects of the proposed arrangement against;
 - (i) the compensation that any of those persons will receive in terms of that arrangement; and
 - (ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;
- (e) state any material interest of any director of the Company or trustee for security holders;
- (f) state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e); and
- (g) include a copy of sections 115 and 164.

RESPONSIBILITY

Compliance with the Companies Act is the responsibility of the Directors. Our responsibility is to report on the fairness and reasonableness of the terms of the Geomer Repurchases.

EXPLANATION AS TO HOW THE TERMS “FAIR” AND “REASONABLE” APPLY IN THE CONTEXT OF THE GEOMER REPURCHASES

The assessment of the “fairness” of a transaction is primarily based on quantitative considerations. A transaction will generally be considered fair to a company’s shareholders if the benefits received by a company, as a result of corporate action, are equal to or greater than the value surrendered by a company.

The Geomer Repurchases may be said to be fair if the value attributable to the Company and its shareholders post the Geomer Repurchases exceeds or is equal to the attributable value prior to the Geomer Repurchases.

An assessment of reasonableness is generally based on factors other than quantitative considerations. Even though the repurchase price may differ from the market value of the assets being acquired, a transaction may still be reasonable after considering other significant qualitative factors.

OVERVIEW OF HCI AND TIH

HCI is an investment holding company with its principal investments comprising the following:

Industry	Principal investments	Description	Held	Beneficial shareholding ¹
Information Technology	Business Systems Group (Pty) Ltd	Unlisted investment	Directly	40.00%
Information Technology	Syntell (Pty) Ltd	Unlisted investment	Indirectly	55.40%
Transport	Golden Arrow Bus Services (Pty) Ltd	Unlisted investment	Directly	100.00%
Non-casino gaming	Niveus Investments Limited	Listed investment	Directly	52.28%
Vehicle component manufacture	Formex Industries (Pty) Ltd	Unlisted investment	Directly	100.00%
Mining	HCI Coal (Pty) Ltd	Unlisted investment	Directly	100.00%
Renewable energy	Karoshhoek Solar One (Pty) Ltd	Unlisted investment	Indirectly	10.00%
Offshore	Oceania Capital Partners Limited	Listed Investment	Indirectly	67.85%
Oil and gas	Impact Oil and Gas Limited	Unlisted investment	Indirectly	19.90%
Media and broadcasting	E Media Holdings Limited	Listed investment	Indirectly	62.49%
Branded products and manufacturing	Deneb Investments Limited	Listed investment	Indirectly	64.09%
Casino gaming and hotels	Tsogo Sun Holdings Limited	Listed investment	Indirectly	48.00%
Properties	14 Properties	Investment Properties	Indirectly	41% – 100% shareholding

Note 1: as percentage of total issued share capital

TIH is currently 99.56% indirectly owned by HCI and is the entity that owns HCI's 48.0% stake in Tsogo Sun Holdings Limited ("Tsogo Sun").

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- The terms and conditions of the Geomer Repurchases;
- HCI Annual Report for the years ended 31 March 2014 and 2015;
- HCI reviewed provisional consolidated results for the year ended 31 March 2016;
- Historical financial information for the year ended 31 March 2016 and budgeted financial information for the year ending 31 March 2017 for HCI's principal underlying investments, comprising:
 - Summarised budget of Business Systems Group (Pty) Ltd ("BSG") for the year ending 31 March 2017 incorporating the results for the year ended 31 March 2016;
 - Budget of Mars Holdings (Pty) Ltd, HCI's 55.4% held subsidiary which holds 100% of the ordinary issued shares in Syntell (Pty) Ltd ("Syntell"), for the for the year ending 31 March 2017 incorporating the results for the year ended 31 March 2016;
 - Budget of Golden Arrow Bus Services (Pty) Ltd and its subsidiaries and associates ("Golden Arrow") for the year ending 31 March 2017;
 - Budget of Formex Industries (Pty) Ltd ("Formex") for the year ending 31 March 2017 incorporating the results for the year ended 31 March 2016;
 - Audited annual financial statements of HCI Coal (Pty) Ltd ("HCI Coal") for the year ended 31 March 2016 and budget for the year ending 31 March 2017;
 - Unsigned draft annual financial statements of Impact Oil & Gas Limited ("Impact") for the year ended 31 December 2015;
 - Director's valuations of each of the 14 property held by HCI, incorporating the statement of financial position of the companies that holds each property ("Property Holding Company") as at 31 March 2016 and the budget for each property for the year ending 31 March 2017;

- TIH annual financial statements for the year ended 31 March 2015 and unaudited trial balance for the year ended 31 March 2016;
- Discussions with HCI directors and management and/or their advisers regarding the rationale for the Geomer Repurchases;
- Discussions with HCI directors and management and/or their advisers regarding the historical and forecast financial information of HCI and its underlying investments;
- Discussions with HCI directors and management and/or their advisers on prevailing market, economic, legal and other conditions which may affect underlying value; and
- Publicly available information relating to HCI and the markets in which the Company and its underlying investments operates.

The information above was secured from:

- directors and management of HCI and their advisers; and
- third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing HCI and its underlying investments.

PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Geomer Repurchases:

- Reviewed the terms and conditions of the Geomer Repurchases;
- Reviewed the financial information related to HCI and its underlying investments, as detailed above;
- Held discussions with directors of HCI and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Reviewed and obtained an understanding from management as to the forecast financial information of HCI and its underlying investments and assessed the achievability thereof by considering historic information as well as macroeconomic and sector-specific data;
- Held discussions with directors of HCI and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- The net asset value (“NAV”) method of valuation is normally most appropriate for the valuation of pure investment companies. This valuation approach would be used to value an investment holding company, where the value attributable to such holding company would be determined on a “sum of the parts” (“SOTP”) basis. As such, a net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business. BDO Corporate Finance performed a desktop SOTP valuation of HCI and TIH. The valuations were based on the following principal valuation methodologies:
 - Listed investments: obtained the quoted closing market price per share of the underlying listed investments as at 8 June 2016 in order to ascertain the value market value of the interests held by HCI. Principal listed investments comprise attributable interests in Niveus Investments Limited (“Niveus”), OCP, E Media Holdings Limited (“E Media”), Deneb Investments Limited (“Deneb”) and Tsogo Sun;
 - Unlisted investments (non-mining operating assets): compiled a capitalisation of maintainable earnings valuation for HCI’s principal unlisted investments by using adjusted historical and forecast financial information and applied BDO Corporate Finance’s calculated earnings multiples based on market comparables, adjusted for company specific factors for each unlisted investment relative to listed peers, to revenue, EBIT, EBITDA and PAT;
 - Unlisted investments (mining): compiled sustainable forecast free cash flows for HCI Coal by using available forecast financial information as contained in the budget. Applied BDO’s assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow (“DCF”) valuation of HCI Coal;
 - Unlisted investments (oil and gas exploration): Impact is a privately owned oil and gas exploration company. Its assets are still in the exploration phase and exploration costs have been capitalised in terms of IFRS 6 Exploration for and evaluation of mineral resources (“IFRS 6”). The carrying value of HCI’s investment in Impact is based on the costs of its investment date;
 - Investment Properties: reviewed a sample of the director’s valuations in respect of the HCI property portfolio and considered the valuation methodologies and assumptions applied. Based on our review of the directors’ valuations we are satisfied that the valuation approach adopted is consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the valuations and are placing reliance on the valuations;

- Unallocated head office and administration costs: determined the net present value (“NPV”) of HCI’s unallocated head office and administration function;
- Other financial assets and financial liabilities: financial assets and financial liabilities were valued based on their carrying values, after confirming that such carrying values represent fair value in terms of *International Financial Reporting Standards*;
- Aggregated the valuations of the underlying investments of HCI and its head office and administration function (based on the unallocated costs), as well as adjusting for investment properties and financial assets and financial liabilities to determine a SOTP valuation of HCI;
- Assessed the long-term potential of HCI and its underlying investments;
- Determined the fair value of the TIH Subscription Consideration based on the SOTP valuation of TIH, comprising primarily listed shares in Tsogo Sun, cash and cash equivalents, net working capital and liabilities in respect of cumulative redeemable preference shares and shareholder loans;
- Performed a sensitivity analysis on key assumptions included in the NAV valuations;
- Evaluated the relative risks associated with HCI and its underlying investments and the industries in which they operate;
- Reviewed certain publicly available information relating to HCI and its underlying investments and the industries in which they operate that we deemed to be relevant, including Company announcements and media articles;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which HCI and its underlying investments operate, and to analyse external factors that could influence the businesses of HCI and its underlying investments;
- Held discussions with the directors and management of HCI as to their strategy and the rationale for the Subsidiary Repurchase and considered such other matters as we considered necessary, including assessing prevailing economic and market conditions and trends.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the Geomer Repurchases will be legally enforceable;
- That the Geomer Repurchases will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisers of HCI; and
- That reliance can be placed on the audited and unaudited financial information of HCI and its underlying investments.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- conducting analytical reviews on the historical financial results, such as key ratio and trend analyses; and
- determining the extent to which representations from management and/or their advisers were confirmed by documentary evidence as well as our understanding of HCI and its underlying investments and the economic environment in which it operates.

LIMITING CONDITIONS

This opinion is provided to the Board in connection with and for the purposes of the Geomer Repurchases. The opinion does not purport to cater for each individual shareholder’s perspective, but rather that of the general body of HCI shareholders.

Individual shareholders’ decisions regarding the Geomer Repurchases may be influenced by such shareholders’ particular circumstances and accordingly individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Geomer Repurchases.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information.

While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of HCI and its underlying investments relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of HCI and its underlying investments will correspond to those projected.

We have also assumed that the Geomer Repurchases will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of HCI and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE, COMPETENCE AND FEES

We confirm that BDO Corporate Finance meet the requirements as set out in section 114(2) of the Companies Act. We also confirm that we have the necessary qualifications and competence to provide the opinion.

Furthermore, we confirm that our professional fees of R150 000, payable in cash, are not contingent upon the success of the proposed Geomer Repurchases.

VALUATION APPROACH

BDO Corporate Finance performed a valuation of HCI and TIH on a SOTP basis to determine whether the Geomer Repurchases are fair to the HCI shareholders.

HCI

The valuation of HCI has been based upon an aggregation of the SOTP of HCI attributable interest in each of its investments as detailed below:

Description	Nature of investment	Description	Valuation approach
Principal Investments			
Tsogo Sun	459 492 699 ordinary shares ¹	Listed investment	Market price
Deneb	359 876 920 ordinary shares ¹	Listed investment	Market price
Golden Arrow	100% shareholding	Unlisted investment	Market approach
E Media	50 973 482 ordinary shares ¹	Listed investment	Market price
E Media	309 488 520 N ordinary shares ¹	Listed investment	Market price
HCI Coal	100% shareholding	Unlisted investment	Income approach
Gallagher Estate Holdings Ltd	100% shareholding	Investment Properties	Directors' valuation
Other properties	41% – 100% shareholding		(Capitalised yield)
Syntell	55.4% shareholding ¹	Unlisted investment	Market approach
OCP	23 903 356 ordinary shares ¹	Listed investment	Market price
Impact	19.9% shareholding ¹	Unlisted investment	Cost
BSG	40% shareholding	Unlisted investment	Market approach
Niveus	60 543 426 ordinary shares	Listed investment	Market price
Formex	100% shareholding	Unlisted investment	Market approach
Other financial assets and financial liabilities			
Cash and cash equivalents	Bank balances net of overdraft	Financial assets	Carrying value
Ithuba Mezz funding	Loan receivable	Financial assets	Carrying value
Long-term borrowings and other liabilities	Term loans, Preference Shares	Financial liabilities	Carrying value
Other			
HCI Corporate Office	Unallocated corporate costs	Head office	DCF

Note 1: Held indirectly via investment holding companies

Note 2: The table above includes only material investments. The fair value of the investments in BSG, Syntell, the renewable energy projects and Formex is <1% of the gross value of investments (before adjusting for financial assets, financial liabilities and HCI corporate costs)

The valuation was performed taking cognisance of risk and other market and industry factors affecting HCI and its underlying investments. The split of gross fair value attributable to HCI's underlying investments by major assets class is as follows (before adjusting for financial assets, financial liabilities and HCI corporate costs):

- Listed investments: 79.8%;
- Unlisted investments: 15.4%; and
- Properties: 4.8%.

The fair value of listed investments was based on the quoted closing market price on 8 June 2016, which is the key external value driver for the valuation of the listed investments. For the shares held in OCP and other ASX listed investments, the closing market price was converted to South African Rand ("ZAR" or "R") at the closing ZAR:AUD exchange rate of R11.0175:A\$1 on 8 June 2016.

The share prices used in the valuation are detailed below:

Description	Valuation approach	Share price
Principal Listed Investments		
Tsogo Sun	ZAR	27.74
Deneb	ZAR	1.69
E Media	ZAR	9.04
E Media	ZAR	5.00
Niveus Investments	ZAR	24.00
OCP	AUD	1.70

The key internal value driver for the listed investments is in respect of an appropriate blockage discount. A blockage discount of 10% which reflects the difficulty in selling a large block of shares was applied to the significant listed investments based on how many shares HCI holds relative to the normal daily, weekly, monthly and annual trading volumes of each listed investment.

BDO Corporate Finance performed a Market Valuation of Golden Arrow using the capitalisation of maintainable earnings methodology. The key internal value driver and assumption to the capitalisation of maintainable earnings valuation comprises the sustainable earnings for Golden Arrow. The key external value drivers for the Market Valuation is a market-related earnings multiples applicable to comparable publicly traded companies, adjusted for differences between the unlisted investment and the market comparables to account for the risk profile of the unlisted investment relative to the basket of peers. The key internal and external value drivers for Golden Arrow are detailed below:

Description	Sustainable EBITDA	Sustainable EBIAT	EBITDA multiple	EBIAT multiple
Principal unlisted investments				
Golden Arrow	376 014	193 166	4.4x	8.5x

The valuation of HCI Coal has been performed by applying the Income Approach. The Income Approach is based on NPV that is derived using a DCF technique applied to the post-tax pre-finance cash flows. The external value driver to the DCF is the forecast free cash flows. The key internal value driver is the discount rate. The key input parameters used in the DCF valuation are shown in the tables below:

Description	Forecast EBITDA	Forecast free cash flows	Real discount rate
Principal unlisted investments			
HCI Coal	179 676	90 785	10.0%

The fair value of Impact represents the cost of the investment incurred by HCI to date.

The properties have been valued by the directors using the income capitalization method. The key internal value driver comprises the budgeted net operating income whereas the key external value driver is the appropriate market yield, which ranges between 8.6% and 11.0% for the 14 properties.

For HCI, we have determined the NPV of HCI's unallocated head office and administration costs. Unallocated corporate costs amount to c.R45.0 million per annum. which is the key internal value driver for the valuation of the unallocated corporate office costs. The pre-tax corporate costs were discounted at a nominal discount rate of 15.0%, being the key external value driver for the unallocated corporate office costs.

An adjustment was made for capital gains tax based on the fair value of each investment relative to the investment's base cost.

TIH

TIH is currently 99.56% indirectly owned by HCI and is the entity that owns HCI's 48.0% beneficial stake in Tsogo Sun.

The valuation of TIH has been based upon an aggregation of the SOTP of TIH's attributable interest in each of its investments as detailed below:

Description	Nature of investment	Description	Valuation approach
Principal investments			
Tsogo Sun	459 492 699 ordinary shares ¹	Listed investment	Market price
Other financial assets and financial liabilities			
Cash and cash equivalents	Bank balances net of overdraft	Financial assets	Carrying value
Net working capital	Accounts payable, accounts receivable	Financial assets	Carrying value
Long-term borrowings and other liabilities	Loans payable, Preference Shares, Preference dividends	Financial liabilities	Carrying value

Note 1: Held indirectly via investment holding companies

An appropriate blockage discount of 10% was applied.

Sensitivity analysis

In addition sensitivity analyses were performed in respect of the following:

- Increasing and decreasing the blockage discounts by a maximum of 5%;
- Increasing and decreasing the earnings multiples for Golden Arrow by a maximum of 1x;
- Increasing and decreasing the real discount rate for HCI Coal by a maximum of 1%; and
- Increasing and decreasing the discount rate for HCI Corporate Office by a maximum of 1%.

The sensitivity analysis did not indicate a sufficient effect on the valuation of HCI and TIH to alter our opinion in respect of the Geomer Repurchases.

VALUATION RESULTS

In undertaking the valuation exercise above, we determined:

- a valuation range of an HCI Share of R123.18 to R133.11 with a most likely value of R128.15 per HCI Share; and
- a fair market value of TIH of between R10.375 billion and R11.390 billion.

Based on the above value ranges, the 3.03% equity interest in TIH to be issued to Geomer in terms of the TIH Subscription Consideration falls within or below the suggested range calculated from our valuation.

The valuation above is provided solely in respect of this opinion and should not be used for any other purposes.

REASONABLENESS OF THE GEOMER REPURCHASES

We have assessed the terms of the Geomer Repurchases with reference to normal market-related practice. We have found no indication that the Geomer Repurchases will have any material adverse effect on the Company or its shareholders and have identified no transaction parameters which could be considered unreasonable to the Company or its shareholders.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Geomer Repurchases and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Geomer Repurchases (including, without limitation, the repurchase price, provided that same is within the valuation range set out in the paragraph headed "Valuation Results" or below such range), based on quantitative considerations, are fair to the Company.

Based on qualitative factors, we are of the opinion that the terms and conditions of the Geomer Repurchases (including, without limitation, the repurchase price, provided that same is within the valuation range set out in the paragraph headed "Valuation Results" or below such range) are reasonable from the perspective of the Company.

Our opinion is necessarily based upon the information available to us up to 8 June 2016, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Geomer Repurchases have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

This opinion may be included, in whole or in part, in any required regulatory announcement or documentation, including, without limitation, the circular to HCI shareholders.

Yours faithfully

N Lazanakis

Director

BDO Corporate Finance Proprietary Limited

22 Wellington Road

Parktown, 2193

SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

“115: Required approval for transactions contemplated in Part A

1. Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
 - (a) the disposal, amalgamation or merger, or scheme of arrangement:
 - (i) has been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
 - (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement,the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
2. A proposed transaction contemplated in subsection (1) must be approved:
 - (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company’s Memorandum of Incorporation, as contemplated in section 64(2); and
 - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company’s holding company, if any, if:
 - (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
 - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
 - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
 - (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
 - (a) required to be present or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.

- 4A. In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).
5. If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
 - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
 6. On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
 - (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
 7. On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
 - (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
 8. The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
 - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
 9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
 - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."

“164: Dissenting shareholders appraisal rights

1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
 - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113, or 114,
 that notice must include a statement informing shareholders of their rights under this section.
3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither:
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
 - (a) the shareholder:
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder:
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
6. The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
 - (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
 - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b); the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (b) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
11. Within five business days after the later of:
 - (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

12. Every offer made under subsection (11):
 - (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.

13. If a shareholder accepts an offer made under subsection (12):
 - (a) the shareholder must either in the case of:
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.

14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
 - (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

15. On an application to the court under subsection (14):
 - (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court:
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (iii) in its discretion may:
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment; may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (iv) must make an order requiring:
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

- 15A. At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
 - (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).

16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

17. If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
 - (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that:
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
 - (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
20. Except to the extent:
 - (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case,a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

INDEPENDENT EXPERT'S JSE FAIRNESS OPINION

The Directors
 Hosken Consolidated Investments Limited
 Suite 801
 76 Regent Road
 Sea Point, Cape Town
 8005

17 June 2016

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO HOSKEN CONSOLIDATED INVESTMENTS LIMITED REGARDING THE SPECIFIC REPURCHASE BY HOSKEN CONSOLIDATED INVESTMENTS LIMITED OF ITS ORDINARY SHARES FROM RIVETPROPS 47 PROPRIETARY LIMITED AND THE SOUTHERN AFRICAN CLOTHING AND TEXTILE WORKERS' UNION

INTRODUCTION

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance") has been appointed by the board of directors of Hosken Consolidated Investments Limited ("HCI" or the "Company") to provide independent fairness opinions to the shareholders of HCI with regard to the agreements concluded by HCI whereby:

- HCI will repurchase 5 240 000 ordinary shares having a par value of 25 cents each in the issued share capital of HCI ("HCI Shares") at R105.00 per HCI Share from Rivetprops 47 Proprietary Limited ("Rivetprops"), and its Subsidiary, Circumference Investments Proprietary Limited ("Circumference"), and from Cheersley Investments Proprietary Limited ("Cheersley"), in two separate but indivisible transactions ("Rivetprops Repurchases"), as follows:
 - In terms of the first transaction, HCI shall repurchase 3 095 875 HCI Shares at R105.00 per share and an aggregate consideration of R325 066 875 ("Rivetprops/HCIA Buy-back Price"). Simultaneously therewith, HCI shall sell all of the shares in HCI Investments Australia Proprietary Limited ("HCI Australia") at a sale price equal to R325 066 875 ("HCIA Sale Consideration") ("Rivetprops/HCIA Sale Transaction"). The Parties' respective obligations to make payment of the HCIA Sale Consideration and the Rivetprops/HCIA Buy-back Price shall be discharged by set-off, which shall occur automatically without the need for further actions by the Parties;
 - In terms of the second transaction, HCI shall repurchase in aggregate 2 144 125 HCI Shares at R105.00 per share and an aggregate consideration of R225 133 125 ("Rivetprops/TIH Buy-back Price") ("Rivetprops/TIH Subscription Transaction"). HCI's subsidiary, Tsogo Investment Holding Company Proprietary Limited ("TIH") has furthermore agreed to issue in aggregate 2.17% of the issued ordinary shares of TIH to Rivetprops, Cheersley and Circumference ("Rivetprops Entities") at an aggregate issue price of R225 133 125 ("Rivetprops/TIH Subscription Price") (being an amount equal to the Rivetprops/TIH Buy-back Price payable by HCI). The Rivetprops Entities have agreed to cede their entitlements to receive the Rivetprops/TIH Buy-back Price to TIH in settlement of the subscription consideration payable by them to TIH, whereafter HCI shall settle the Rivetprops/TIH Buy-back Price in settlement of its obligation to make payment thereof directly to TIH; and
- HCI, through its wholly-owned subsidiary, Squirewood, will purchase 4 000 000 HCI Shares ("HCI Acquisition Shares") at R105.00 per HCI Share from the Southern African Clothing and Textile Workers' Union ("SACTWU") and an aggregate purchase consideration of R420 000 000 ("SACTWU Repurchase"). TIH has furthermore agreed to issue 4.04% of the issued ordinary shares of TIH to SACTWU, at an aggregate subscription price of R420 000 000 (being an amount equal to the repurchase price payable by HCI) ("SACTWU Repurchase Consideration"). SACTWU shall cede its entitlement to receive the purchase price payable by Squirewood to TIH in settlement of the subscription consideration payable by it to TIH, whereafter Squirewood shall make payment of such purchase price directly to TIH in settlement of its obligation to make payment thereof.

FAIRNESS OPINION REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

SACTWU is a related party of HCI because it is a material shareholder of HCI and the Rivetprops Entities are all associated entities of members of Mr JA Copelyn's family.

Accordingly, the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase are viewed as small related-party transactions and in terms of section 10.7 of the JSE Listings Requirements, HCI is required to provide the JSE with written confirmation from an independent professional expert confirming whether the terms and conditions of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase are fair insofar as the shareholders of HCI are concerned ("Fairness Opinion").

BDO Corporate Finance has been appointed as the independent professional expert by the directors of HCI in respect of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase. The Fairness Opinion will be available for inspection at the registered offices of HCI during normal business hours for a period of 28 business days from the date of this opinion.

RESPONSIBILITY

Compliance with the Listings Requirements is the responsibility of the directors. Our responsibility is to report to the directors and shareholders of HCI on the fairness of the terms of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase.

EXPLANATION AS TO HOW THE TERM "FAIR" APPLIES IN THE CONTEXT OF THE TRANSACTIONS

Schedule 5.7 of the Listings Requirements states that the "fairness" of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company's shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The Rivetprops/HCIA Sale Transaction would be considered fair to the shareholders of HCI if the value of the HCIA Sale Consideration is less than or equal to the value of the Rivetprops/HCIA Buy-back Price, or unfair if the value of HCIA Sale Consideration is more than the value of the Rivetprops/HCIA Buy-back Price.

The Rivetprops/TIH Subscription Transaction would be considered fair to the shareholders of HCI if the value of the Rivetprops/TIH Subscription Price is less than or equal to the value of the Rivetprops/TIH Buy-back Price, or unfair if the value of the Rivetprops/TIH Subscription Price is more than the value of the Rivetprops/TIH Buy-back Price.

The SACTWU Repurchase would be considered fair to the shareholders of HCI if the SACTWU Repurchase Consideration is less than or equal to the value of the HCI Acquisition Shares, or unfair if the SACTWU Repurchase Consideration is more than the value of the HCI Acquisition Shares.

OVERVIEW OF HCI, TIH AND HCI AUSTRALIA

HCI is an investment holding company with its principal investments comprising the following:

Industry	Principal investments	Description	Held	Beneficial shareholding ¹
Information Technology	Business Systems Group (Pty) Ltd	Unlisted investment	Directly	40.00%
Information Technology	Syntell (Pty) Ltd	Unlisted investment	Indirectly	55.40%
Transport	Golden Arrow Bus Services (Pty) Ltd	Unlisted investment	Directly	100.00%
Non-casino gaming	Niveus Investments Limited	Listed investment	Directly	52.28%
Vehicle component manufacture	Formex Industries (Pty) Ltd	Unlisted investment	Directly	100.00%
Renewable Energy	Karoshhoek Solar One (Pty) Ltd	Unlisted investment	Indirectly	10.00%
Mining	HCI Coal (Pty) Ltd	Unlisted investment	Directly	100.00%
Offshore	Oceania Capital Partners Limited	Listed Investment	Indirectly	67.85%
Oil and Gas	Impact Oil and Gas Limited	Unlisted investment	Indirectly	19.90%
Media and Broadcasting	E Media Holdings Limited	Listed investment	Indirectly	62.49%
Branded Products and Manufacturing	Deneb Investments Limited	Listed investment	Indirectly	64.09%
Casino Gaming and Hotels Properties	Tsogo Sun Holdings Limited 14 Properties	Listed investment Investment Properties	Indirectly Indirectly	48.00% 41% – 100% shareholding

Note 1: as a percentage of total issued share capital

TIH is currently 99.56% indirectly owned by HCI and is the entity that owns HCI's 48.0% stake in Tsogo Sun Holdings Limited ("Tsogo Sun").

HCI Australia is the holding company which owns 100% of HCI Australia Operations Proprietary Limited ("HCI Australia Operations") which in turn holds HCI's 67.7% stake in Oceania Capital Partners Limited ("OCP"), as well as certain other ASX-listed shares, comprising: Commonwealth Bank of Australia Limited (745 ordinary shares), Graincorp Limited (10 000 ordinary shares), Telstra Corporation Limited (11 000 ordinary shares) and Woolworths Limited (1 565 ordinary shares).

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- The terms and conditions of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase;
- HCI Annual Report for the years ended 31 March 2014 and 2015;
- HCI reviewed provisional consolidated results for the year ended 31 March 2016, consolidation workings for the year ended 31 March 2016 and budget for the year ending 31 March 2017;
- Historical financial information for the year ended 31 March 2016 and budgeted financial information for the year ending 31 March 2017 for HCI's principal underlying investments, comprising:
 - Summarised budget of Business Systems Group (Pty) Ltd ("BSG") for the year ending 31 March 2017 incorporating the results for the year ended 31 March 2016;
 - Budget of Mars Holdings (Pty) Ltd, HCI's 55.4% held subsidiary which holds 100% of the ordinary issued shares in Syntell (Pty) Ltd ("Syntell"), for the year ending 31 March 2017 incorporating the results for the year ended 31 March 2016;
 - Budget of Golden Arrow Bus Services (Pty) Ltd and its subsidiaries and associates ("Golden Arrow") for the year ending 31 March 2017;
 - Budget of Formex Industries (Pty) Ltd ("Formex") for the year ending 31 March 2017 incorporating the results for the year ended 31 March 2016;
 - Audited annual financial statements of HCI Coal (Pty) Ltd ("HCI Coal") for the year ended 31 March 2016 and budget for the year ending 31 March 2017;
 - Unsigned draft annual financial statements of Impact Oil & Gas Limited ("Impact") for the year ended 31 December 2015;
 - Directors' valuations of each of the 14 properties held by HCI, incorporating the statement of financial position of the companies that hold each property ("Property Holding Company") as at 31 March 2016 and the budget for each property for the year ending 31 March 2017;
- TIH annual financial statements for the year ended 31 March 2015 and unaudited trial balance for the year ended 31 March 2016;
- OCP annual report for the years ended 31 March 2015 and 2016 and unaudited statement of financial position for HCI Australia and HCI Australia Operations as at 31 March 2016;
- Discussions with HCI directors and management and/or their advisers regarding the rationale for the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase;
- Discussions with HCI directors and management and/or their advisers regarding the historical and forecast financial information of HCI and its underlying investments;
- Discussions with HCI directors and management and/or their advisers on prevailing market, economic, legal and other conditions which may affect underlying value; and
- Publicly available information relating to HCI and the markets in which the Company and its underlying investments operate.

The information above was secured from:

- Directors and management of HCI and their advisers; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing HCI and its underlying investments.

PROCEDURES AND CONSIDERATION

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase:

- Reviewed the terms and conditions of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase;

- Reviewed the financial information related to HCI and its underlying investments, as detailed above;
- Held discussions with directors of HCI and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Reviewed and obtained an understanding from management as to the forecast financial information of HCI and its underlying investments and assessed the achievability thereof by considering historic information as well as macroeconomic and sector-specific data;
- Held discussions with directors of HCI and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- The net asset value (“NAV”) method of valuation is normally most appropriate for the valuation of pure investment companies. This valuation approach would be used to value an investment holding company, where the value attributable to such holding company would be determined on a “sum of the parts” (“SOTP”) basis. As such, a net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business. BDO Corporate Finance performed a desktop SOTP valuation of HCI, TIH and HCI Australia. The valuations were based on the following principal valuation methodologies:
 - Listed investments: obtained the quoted closing market price per share of the underlying listed investments as at 8 June 2016 in order to ascertain the market value of the interests held by HCI. Principal listed investments comprise attributable interests in Niveus Investments Limited (“Niveus”), OCP, E Media Holdings Limited (“E Media”), Deneb Investments Limited (“Deneb”) and Tsogo Sun;
 - Unlisted investments (non-mining operating assets): compiled a capitalisation of maintainable earnings valuation for HCI’s principal unlisted investments by using adjusted historical and forecast financial information and applied BDO Corporate Finance’s calculated earnings multiples based on market comparables, adjusted for company specific factors for each unlisted investment relative to listed peers, to revenue, EBIT, EBITDA and PAT;
 - Unlisted investments (mining): compiled sustainable forecast free cash flows for HCI Coal by using available forecast financial information as contained in the budget. Applied BDO’s assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow (“DCF”) valuation of HCI Coal;
 - Unlisted investments (oil and gas exploration): Impact is a privately owned oil and gas exploration company. Its assets are still in the exploration phase and exploration costs have been capitalised in terms of IFRS 6 Exploration for and evaluation of mineral resources (“IFRS 6”). The carrying value of HCI’s investment in Impact is based on the costs of its investment to date;
 - Investment Properties: reviewed a sample of the director’s valuations in respect of the HCI property portfolio and considered the valuation methodologies and assumptions applied. Based on our review of the directors’ valuations we are satisfied that the valuation approach adopted is consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the valuations and are placing reliance on the valuations;
 - Unallocated head office and administration costs: determined the net present value (“NPV”) of HCI’s unallocated head office and administration function;
 - Other financial assets and financial liabilities: financial assets and financial liabilities were valued based on their carrying values, after confirming that such carrying values represent fair value in terms of International Financial Reporting Standards;
- Aggregated the valuations of the underlying investments of HCI and its head office and administration function (based on the unallocated costs), as well as adjusting for investment properties and financial assets and financial liabilities to determine a SOTP valuation of HCI;
- Assessed the long-term potential of HCI and its underlying investments;
- Determined the fair value of the HCIA Sale Consideration by performing a SOTP valuation of HCI Australia, comprising listed shares, cash and cash equivalents and a loan payable to HCI’s indirectly held subsidiary, Deepkloof Limited;
- Determined the fair value of the Rivetprops/TIH Subscription Price and SACTWU Repurchase Consideration based on the SOTP valuation of TIH, comprising primarily listed shares in Tsogo Sun, cash and cash equivalents, net working capital and liabilities in respect of cumulative redeemable preference shares and shareholder loans;
- Performed a sensitivity analysis on key assumptions included in the SOTP valuations;
- Evaluated the relative risks associated with HCI and its underlying investments and the industries in which they operate;
- Reviewed certain publicly available information relating to HCI and its underlying investments and the industries in which they operate that we deemed to be relevant, including Company announcements and media articles;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which HCI and its underlying investments operate, and to analyse external factors that could influence the businesses of HCI and its underlying investments;
- Held discussions with the directors and management of HCI as to their strategy and the rationale for the Subsidiary Repurchase and considered such other matters as we considered necessary, including assessing prevailing economic and market conditions and trends.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that are to be entered into in terms of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase will be legally enforceable;
- That the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisers of HCI; and
- That reliance can be placed on the audited and unaudited financial information of HCI and its underlying investments.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of HCI and its underlying investments and the economic environment in which the Company operates.

LIMITING CONDITIONS

This opinion is provided to the directors and shareholders of HCI in connection with and for the purposes of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of HCI shareholders

Individual shareholders' decisions regarding the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

We have also assumed that the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of HCI and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE

We confirm that we have no direct or indirect interest in HCI Shares or the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase. We also confirm that we have the necessary qualifications and competence to provide the fairness opinion on the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase.

Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the success of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase.

VALUATION APPROACH

BDO Corporate Finance performed a valuation of HCI, TIH and HCI Australia on a SOTP basis to determine whether the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase are fair to the HCI shareholders.

HCI

The valuation of HCI has been based upon an aggregation of the SOTP of HCI attributable interest in each of its investments as detailed below:

Description	Nature of investment	Description	Valuation approach
Principal Investments			
Tsogo Sun	459 492 699 ordinary shares ¹	Listed investment	Market price
Deneb	359 876 920 ordinary shares ¹	Listed investment	Market price
Golden Arrow	100% shareholding	Unlisted investment	Market approach
E Media	50 973 482 ordinary shares ¹	Listed investment	Market price
E Media	309 488 520 N ordinary shares ¹	Listed investment	Market price
HCI Coal	100% shareholding	Unlisted investment	Income approach
Gallagher Estate Holdings Ltd	100% shareholding	Investment properties	Directors' valuation (Capitalised yield)
Other Properties	41% – 100% shareholding		
OCP	23 903 356 ordinary shares ¹	Listed investment	Market price
Impact	19.9% shareholding ¹	Unlisted investment	Cost
Niveus	60 543 426 ordinary shares	Listed investment	Market price
Other financial assets and financial liabilities			
Cash and cash equivalents	Bank balances net of overdraft	Financial assets	Carrying value
Ithuba Mezz funding	Loan receivable	Financial assets	Carrying value
Long-term borrowings and other liabilities	Term loans, Preference Shares	Financial liabilities	Carrying value
<i>Other</i>			
HCI Corporate Office	Unallocated corporate costs	Head office	DCF

Note 1: Held indirectly via investment holding companies

Note 2: The table above includes only material investments. The fair value of the investments in BSG, Syntell, the renewable energy projects and Formex is <1% of the gross value of investments (before adjusting for financial assets, financial liabilities and HCI corporate costs)

The valuation was performed taking cognisance of risk and other market and industry factors affecting HCI and its underlying investments. The split of gross fair value attributable to HCI's underlying investments by major assets class is as follows (before adjusting for financial assets, financial liabilities and HCI Corporate Costs):

- Listed investments: 79.8%;
- Unlisted investments: 15.4%; and
- Properties: 4.8%.

The fair value of listed investments was based on the quoted closing market price on 8 June 2016 which is the key external value driver for valuation of the listed investments. For the shares held in OCP and other ASX listed investments, the closing market price was converted to South African Rand ("ZAR" or "R") at the closing ZAR:AUD exchange rate of R11.0175:A\$1 on 8 June 2016. The share prices used in the valuation are detailed below:

Description	Valuation approach	Share price
Principal Listed Investments		
Tsogo Sun	ZAR	27.74
Deneb	ZAR	1.69
E Media	ZAR	9.04
E Media	ZAR	5.00
Niveus Investments	ZAR	24.00
OCP	AUD	1.70

The key internal value driver for the listed investments is in respect of an appropriate blockage discount. A blockage discount of 10%, which reflects the difficulty in selling a large block of shares, was applied to the significant listed investments based on how many shares HCI holds relative to the normal daily, weekly, monthly and annual trading volumes of each listed investment.

BDO Corporate Finance performed a Market Valuation of Golden Arrow using the capitalisation of maintainable earnings methodology. The key internal value driver and assumption to the capitalisation of maintainable earnings valuation comprises the sustainable earnings for Golden Arrow. The key external value drivers for the Market Valuation is a market-related earnings multiple applicable to comparable publicly traded companies, adjusted for differences between the unlisted investment and the market comparables to account for the risk profile of the unlisted investment relative to the basket of peers. The key internal and external value drivers for Golden Arrow are detailed below:

Description	Sustainable EBITDA	Sustainable EBIAT	EBITDA multiple	EBIAT multiple
Principal Unlisted Investments				
Golden Arrow	376 014	193 166	4.4x	8.5x

The valuation of HCI Coal has been performed by applying the Income Approach. The Income Approach is based on NPV that is derived using a DCF technique applied to the post-tax pre-finance cash flows. The key external value driver to the DCF is the forecast free cash flows. The key internal value driver is the discount rate. The key input parameters used in the DCF valuation are shown in the tables below:

Description	Forecast EBITDA	Forecast free cash flows	Real discount rate
Principal Unlisted Investments			
HCI Coal	179 676	90 785	10.0%

The fair value of Impact represents the cost of the investment incurred by HCI to date.

The properties have been valued by the directors using the income capitalisation method. The key internal value driver comprises the budgeted net operating income whereas the key external value driver is the appropriate market yield, which ranges between 8.6% and 11.0% for the 14 properties.

For HCI, we have determined the NPV of HCI's unallocated head office and administration costs. Unallocated corporate costs amount to c.R45.0 million per annum which is the key internal value driver for the valuation of the unallocated corporate office costs. The pre-tax corporate costs were discounted at a nominal discount rate of 15.0%, being the key external value driver for the unallocated corporate office costs.

An adjustment was made for capital gains tax based on the fair value of each investment relative to the investment's base cost.

HCI Australia

The valuation of HCI Australia has been based upon an aggregation of the SOTP of HCI Australia's attributable interest in each of its investments as detailed below:

Description	Nature of investment	Description	Valuation approach
Principal Investments			
OCP	23 903 356 ordinary shares ¹	Listed investment	Market price
Other ASX listed shares	See above	Listed investment	Market price
Other financial assets and financial liabilities			
Cash and cash equivalents	Bank balances	Financial assets	Carrying value
Long-term borrowings and other liabilities	Loan – Deepkloof Investments Limited	Financial liabilities	Carrying value

Note 1: Held indirectly via investment holding companies

An appropriate blockage discount of 10% was applied.

TIH

TIH is currently 99.56% indirectly owned by HCI and is the entity that owns HCI's 48% stake in Tsogo Sun.

The valuation of TIH has been based upon an aggregation of the SOTP of TIH's attributable interest in each of its investments as detailed below:

Description	Nature of investment	Description	Valuation approach
Principal Investments			
Tsogo Sun	459 492 699 ordinary shares ¹	Listed investment	Market price
Other financial assets and financial liabilities			
Cash and cash equivalents	Bank balances net of overdraft	Financial assets	Carrying value
Net working capital	Accounts payable, accounts receivable	Financial assets	Carrying value
Long-term borrowings and other liabilities	Loans payable, Preference Shares, Preference Dividends	Financial liabilities	Carrying value

Note 1: Held indirectly via investment holding companies

An appropriate blockage discount of 10% was applied.

Sensitivity analysis

In addition sensitivity analyses were performed in respect of the following:

- Increasing and decreasing the blockage discounts by a maximum of 5%;
- Increasing and decreasing the earnings multiples for Golden Arrow by a maximum of 1x;
- Increasing and decreasing the real discount rate for HCI Coal by a maximum of 1%; and
- Increasing and decreasing the discount rate for HCI Corporate Office by a maximum of 1%.

The sensitivity analysis did not indicate a sufficient effect on the valuation of HCI, HCI Australia and TIH to alter our opinion in respect of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Rivetprops/HCIA Sale Transaction, Rivetprops/TIH Subscription Transaction and SACTWU Repurchase are fair to the HCI shareholders.

Our opinion is necessarily based upon the information available to us up to 8 June 2016, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Rivetprops Repurchases have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

N Lazanakis

Director

BDO Corporate Finance Proprietary Limited

22 Wellington Road
Parktown
2193



HOSKEN CONSOLIDATED INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1973/007111/06

Share code: HCI ISIN: ZAE000003257

NOTICE OF GENERAL MEETING OF HCI SHAREHOLDERS

All terms defined in the Circular, to which this notice of General Meeting is attached, shall bear the same meanings when used in this notice of General Meeting.

Notice is hereby given to HCI Shareholders that the General Meeting will be held at the offices of HCI, 4 Stirling Street, Zonnebloem, 7925, Cape Town, on Thursday, 21 July 2016 at 10:00, to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder.

The record date for determining which HCI Shareholders must be registered in the Register in order to receive the Circular is Friday, 17 June 2016.

The record date for determining which HCI Shareholders are entitled to participate in and vote at the General Meeting is Friday, 15 July 2016. Accordingly, the last day to trade in order to be eligible to participate and vote at the General Meeting will be Tuesday, 12 July 2016

Please note that HCI intends to provide for participation at the General Meeting by way of electronic communication. In this regard, please read the notes at the end of this notice.

Special resolution number 1 – Specific authority for the repurchase by the Company of 5 240 000 HCI Shares from Rivetprops and its Subsidiary, Circumference, and from Cheersley

“Resolved as a special resolution that, the Company be and is hereby authorised, by way of a specific authority, in accordance with the applicable provisions of the Companies Act, the Listings Requirements and its Memorandum of Incorporation, to acquire 5 240 000 HCI Shares currently owned by Rivetprops and its Subsidiary Circumference, and by Cheersley, for a consideration of R105.00 per HCI Share, and an aggregate consideration of R550 200 000 on the terms and conditions as set out in the Circular.

The purchase consideration per HCI Share payable by the Company to Rivetprops, and its Subsidiary, Circumference, and to Cheersley, shall comprise:

- R105.00 per HCI Share, which shall not represent a reduction of the contributed tax capital (as defined in section 1 of the Income Tax Act) of the Company.

Once the specific repurchase has been completed, the HCI Shares acquired from Rivetprops, and its Subsidiary Circumference, and from Cheersley, shall be cancelled, delisted and restored to the authorised, but unissued, share capital of the Company.”

In terms of the Companies Act, the Company’s Memorandum of Incorporation and the Listings Requirements, this resolution will be adopted with the support of not less than 75% of voting rights exercised on this resolution.

Note that neither Rivetprops, Circumference, Cheersley nor any of their respective associated entities or related parties will be allowed to vote on this special resolution number 1.

Reason and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to authorise the Company to acquire 5 240 000 HCI Shares currently owned by Rivetprops, and its Subsidiary, Circumference, and by Cheersley, by way of a specific repurchase in accordance with section 48 of the Companies Act and paragraph 5.69 of the Listings Requirements.

The Directors have considered the impact of the specific repurchase contemplated in this resolution and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with, and:

- in terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the specific repurchase by resolution;
- in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase; and
- in terms of section 46(1)(c) of the Companies Act and paragraph 5.69(b) of the Listings Requirements, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase.

Special resolution number 2 – Specific authority for the repurchase by the Company of 3 500 000 HCI Shares from Geomer

“Resolved as a special resolution that, the Company be and is hereby authorised, by way of a specific authority, in accordance with the applicable provisions of the Companies Act, the Listings Requirements and its Memorandum of Incorporation, to acquire 3 500 000 HCI Shares currently owned by Geomer, for a consideration of R105.00 per HCI Share, and an aggregate consideration of R367 500 000 on the terms and conditions as set out in the Circular.

The purchase consideration per HCI Share payable by the Company to Geomer, shall comprise:

- R105.00 per HCI Share, which shall not represent a reduction of the contributed tax capital (as defined in section 1 of the Income Tax Act) of the Company.

Once the specific repurchase has been completed, the HCI Shares acquired from Geomer shall be cancelled, de-listed and restored to the authorised, but unissued, share capital of the Company.”

In terms of the Companies Act, the Company’s Memorandum of Incorporation and the Listings Requirements, this resolution will be adopted with the support of not less than 75% of voting rights exercised on this resolution.

Note that neither Geomer, nor any of its associated entities or related parties, will be allowed to vote on this special resolution number 2

Reason and effect of special resolution number 2

The reason for and effect of special resolution number 2 is to authorise the Company to acquire 3 500 000 HCI Shares currently owned by Geomer, by way of a specific repurchase in accordance with sections 48, 114 and 115 of the Companies Act and paragraph 5.69 of the Listings Requirements.

The Directors have considered the impact of the specific repurchase contemplated in this resolution and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with, and:

- in terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the specific repurchase by resolution;
- in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase; and
- in terms of section 46(1)(c) of the Companies Act and paragraph 5.69(b) of the Listings Requirements, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase.

Special resolution number 3 – Specific authority for the repurchase by the Company of 3 000 000 HCI Shares from Geomer

“Resolved as a special resolution that, the Company be and is hereby authorised, by way of a specific authority, in accordance with the applicable provisions of the Companies Act, the Listings Requirements and its Memorandum of Incorporation, to acquire 3 000 000 HCI Shares currently owned by Geomer, for a consideration of R105.00 per HCI Share, and an aggregate consideration of R315 000 000 on the terms and conditions as set out in the Circular.

The purchase consideration per HCI Share payable by the Company to Geomer, shall comprise:

- R105.00 per HCI Share, which shall not represent a reduction of the contributed tax capital (as defined in section 1 of the Income Tax Act) of the Company.

Once the specific repurchase has been completed, the HCI Shares acquired from Geomer shall be cancelled, delisted and restored to the authorised, but unissued, share capital of the Company.”

In terms of the Companies Act, the Company’s Memorandum of Incorporation and the Listings Requirements, this resolution will be adopted with the support of not less than 75% of voting rights exercised on this resolution.

Note that neither Geomer, nor any of its associated entities or related parties, will be allowed to vote on this special resolution number 3.

Reason and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to authorise the Company to acquire 3 000 000 HCI Shares currently owned by Geomer, by way of a specific repurchase in accordance with sections 48, 114 and 115 of the Companies Act and paragraph 5.69 of the Listings Requirements.

The Directors have considered the impact of the specific repurchase contemplated in this resolution and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with, and:

- in terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the specific repurchase by resolution;
- in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase; and
- in terms of section 46(1)(c) of the Companies Act and paragraph 5.69(b) of the Listings Requirements, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase.

Special resolution number 4 – Specific authority for the repurchase by the Company of 400 000 HCI Shares from Majorshelf

“Resolved as a special resolution that, the Company be and is hereby authorised, by way of a specific authority, in accordance with the applicable provisions of the Companies Act, the Listings Requirements and its Memorandum of Incorporation, to acquire 400 000 HCI Shares currently owned by Majorshelf, for a consideration of R105.00 per HCI Share, and an aggregate consideration of R42 000 000 on the terms and conditions as set out in the Circular.

The purchase consideration per HCI Share payable by the Company to Majorshelf, shall comprise:

- R105.00 per HCI Share, which shall not represent a reduction of the contributed tax capital (as defined in section 1 of the Income Tax Act) of the Company.

Once the specific repurchase has been completed, the HCI Shares acquired from Majorshelf shall be cancelled, delisted and restored to the authorised, but unissued, share capital of the Company.”

In terms of the Companies Act, the Company’s Memorandum of Incorporation and the Listings Requirements, this resolution will be adopted with the support of not less than 75% of voting rights exercised on this resolution.

Note that neither Majorshelf, nor any of its associated entities or related parties, will be allowed to vote on this special resolution number 4.

Reason and effect of special resolution number 4

The reason for and effect of special resolution number 4 is to authorise the Company to acquire 400 000 HCI Shares currently owned by Majorshelf, by way of a specific repurchase in accordance with section 48 of the Companies Act and paragraph 5.69 of the Listings Requirements.

The Directors have considered the impact of the specific repurchase contemplated in this resolution and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with, and:

- in terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the specific repurchase by resolution;
- in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase; and
- in terms of section 46(1)(c) of the Companies Act and paragraph 5.69(b) of the Listings Requirements, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase.

Special resolution number 5 – Specific authority for the repurchase by the Company’s wholly-owned Subsidiary, Squirewood, of 4 000 000 HCI Shares from SACTWU

“Resolved as a special resolution that, Squirewood be and is hereby authorised, by way of a specific authority, in accordance with the applicable provisions of the Companies Act, the Listings Requirements and its Memorandum of Incorporation, to acquire 4 000 000 HCI Shares currently owned by SACTWU, for a consideration of R105.00 per HCI Share, and an aggregate consideration of R420 000 000 on the terms and conditions set out in the Circular.

Once the specific repurchase has been completed, the HCI Shares acquired from SACTWU shall be held in treasury.”

In terms of the Companies Act, the Company’s Memorandum of Incorporation and the Listings Requirements, this resolution will be adopted with the support of not less than 75% of voting rights exercised on this resolution.

Note that neither SACTWU, nor any of its associated entities or related parties, will be allowed to vote on this special resolution number 5.

Reason and effect of special resolution number 5

The reason for and effect of special resolution number 5 is to authorise Squirewood to acquire 4 000 000 HCI Shares currently owned by SACTWU, by way of an acquisition by a Subsidiary of the Company of shares in the Company in accordance with section 48 of the Companies Act and a specific repurchase in terms of paragraph 5.69 of the Listings Requirements.

The Directors have considered the impact of the specific repurchase contemplated in this resolution and are of the opinion that the provisions of section 4 and section 48 of the Companies Act have been complied with, and:

- in terms of section 46(1)(a)(ii) of the Companies Act, the Board has authorised the specific repurchase by resolution;
- in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company and its wholly-owned Subsidiary, Squirewood, will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase; and
- in terms of section 46(1)(c) of the Companies Act and paragraph 5.69(b) of the Listings Requirements, the Board has, by resolution, acknowledged that it has applied the Solvency and Liquidity Test, and reasonably concluded that the Company, and its wholly-owned Subsidiary Squirewood, will satisfy the Solvency and Liquidity Test immediately after completing the specific repurchase.

Ordinary resolution number 1 – Directors’ authority to take all such actions necessary to implement the Transactions

“Resolved as an ordinary resolution that, any director of the Company, be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the Repurchase Transactions and any of the above resolutions.”

In terms of section 65(7) of the Companies Act and the Company’s Memorandum of Incorporation, this resolution will be adopted with the support of more than 50% of the voting rights exercised on this resolution.

Entitlement to attend and vote at the General Meeting and appointment of Proxies

HCI Shareholders who wish to participate in the General Meeting should note that in terms of section 63 of the Companies Act, they are required to provide reasonable satisfactory identification before being entitled to attend or participate in a shareholders’ meeting.

Certificated HCI Shareholders or Own-name Dematerialised HCI Shareholders may attend and vote at the General Meeting, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolutions, vote in their stead by completing the attached form of proxy and returning it to the Transfer Secretaries at the address given in the Circular to be received by no later than 10:00 on Tuesday, 19 July 2016 for administrative purposes or thereafter to the Company by hand by no later than 10:00 on Thursday, 21 July 2016.

Dematerialised HCI Shareholders other than Own-name Dematerialised HCI Shareholders, must contact their CSDP or broker, as the case may be, and obtain the relevant letter of representation from it if they wish to attend the General Meeting. If HCI Shareholders are unable to attend the General Meeting but wish to be represented thereat, they must furnish their CSDP or broker, as the case may be, with their instructions for voting at the General Meeting.

The completion of a form of proxy will not preclude an HCI Shareholder from attending the General Meeting.

Participation in the General Meeting by electronic communication

HCI Shareholders wishing to participate electronically in the General Meeting are required by no later than 10:00 on Tuesday, 19 July 2016, to deliver written notice to HCI at HCI’s offices, 4 Stirling Street, Zonnebloem, 7925, Cape Town (marked for the attention of HCI Managerial Services Proprietary Limited, Group company secretary) that they wish to participate via electronic communication at the General Meeting (**“Electronic Notice”**).

In order for the Electronic Notice to be valid it must contain: (a) if the HCI Shareholder is an individual, a certified copy of his/her identity document and/ or passport; (b) if the HCI Shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the General Meeting via electronic communication; (c) a valid email address and/or facsimile number (**“Contact Address/Number”**); and (d) confirmation of whether the HCI Shareholder wishes to vote via electronic communication. By no later than

24 (twenty-four) hours (excluding Saturdays, Sundays and official public holidays) before the General Meeting HCI shall use its reasonable endeavours to notify a shareholder at its Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

Should you wish to participate in the General Meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to dial-in to the dial-in facility on the date of the General Meeting. The dial-in facility will be linked to the venue at which the General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the General Meeting. The dial-in facility will enable all persons to participate electronically in the General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

By order of the Board

22 June 2016

Registered office

4 Stirling Street
Zonnebloem
7925
(PO Box 5251, Cape Town, 8000)



HOSKEN CONSOLIDATED INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1973/007111/06

Share code: HCI ISIN: ZAE000003257

FORM OF PROXY – GENERAL MEETING

All terms defined in the Circular, to which this form of proxy is attached, shall bear the same meanings when used in this form of proxy.

For use by Certificated HCI Shareholders or Own-name Dematerialised HCI Shareholders at the General Meeting to be held at 10:00 on Thursday, 21 July 2016 at the offices of HCI, 4 Stirling Street, Zonnebloem, 7925, Cape Town.

Dematerialised HCI Shareholders, other than Own-name Dematerialised HCI Shareholders, must not complete this form of proxy.

Full name: I/We (BLOCK LETTERS)

Of (address):

Telephone: (Work)

Telephone: (Home)

Fax:

Cell number:

being the holder(s) of HCI Shares

hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairperson of the General Meeting, as my/our proxy to vote for me/us on my/our behalf at the General Meeting to be held at 10:00 on Thursday, 21 July 2016 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Special resolution number 1 Specific authority, in terms of the Companies Act, the Listings Requirements and HCI's Memorandum of Incorporation, for the repurchase by HCI of 5 240 000 HCI Shares from Rivetprops and its subsidiary, Circumference, and from Cheersley			
Special resolution number 2 Specific authority, in terms of the Companies Act, the Listings Requirements and HCI's Memorandum of Incorporation, for the repurchase by HCI of 3 500 000 HCI Shares from Geomer			
Special resolution number 3 Specific authority, in terms of the Companies Act, the Listings Requirements and HCI's Memorandum of Incorporation, for the repurchase by HCI of 3 000 000 HCI Shares from Geomer			
Special resolution number 4 Specific authority, in terms of the Companies Act, the Listings Requirements and HCI's Memorandum of Incorporation, for the repurchase by HCI of 400 000 HCI Shares from Majorshelf			
Special resolution number 5 Specific authority, in terms of the Companies Act, the Listings Requirements and HCI's Memorandum of Incorporation, for the repurchase by HCI of 4 000 000 HCI Shares from SACTWU			
Ordinary resolution number 1 Authority for directors to take all such actions necessary to implement the Repurchase Transactions			

Signed at _____ this _____ day of _____ 2016

Signature _____

Assisted by me (if applicable) _____

Please read the notes on the reverse side hereof.

A HCI Shareholder entitled to attend and vote at the General Meeting may appoint one or more persons as his/her proxy to attend, speak or vote in his/her stead at the General Meeting. A proxy need not be a HCI Shareholder.

On a show of hands, every HCI Shareholder or his proxy shall have one vote (irrespective of the number of HCI Shares held). On a poll, every HCI Shareholder or his proxy shall have one vote for each HCI Share held or represented by him.

Notes:

1. A HCI Shareholder may insert the name of a proxy or the names of two alternative proxies of his choice in the spaces provided with or without deleting "the chairperson of the General Meeting", but any such deletion must be initialed by the HCI Shareholder. The person whose name appears first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please indicate in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of HCI Shares exercisable by you, insert the number of HCI Shares held in respect of which you wish to vote. Failure to provide an indication as to the manner in which you wish your votes to be cast will be deemed to authorise and compel the chairperson, if the chairperson is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he deems fit, in respect of all your votes exercisable thereat. An HCI Shareholder or his proxy is not obliged to use all the votes exercisable by the HCI Shareholder or its proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the HCI Shareholder or his proxy.
3. Forms of proxy must be lodged with the Transfer Secretaries, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00 on Tuesday, 19 July 2016 for administrative purposes or thereafter delivered by hand to the Company by 10:00 on Thursday, 21 July 2016.
4. Any alteration or correction made to this form of proxy must be initialed by the signatory(ies).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairperson of the General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant HCI Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such HCI Shareholder wish to do so.
7. The chairperson of the General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the chairperson is satisfied as to the manner in which the HCI Shareholder wishes to vote.
8. This form of proxy shall not be valid after the expiration of the General Meeting or any adjournment thereof.
9. Joint holders – any such persons may vote at the General Meeting in respect of such joint HCI Shares as if he were solely entitled thereto, but if more than one of such joint holders are present or represented at the General Meeting, that one of the said persons whose name stands first in the register in respect of such HCI Shares or his proxy, as the case may be, is alone entitled to vote in respect thereof.
10. Own-name Dematerialised HCI Shareholders will be entitled to attend the General Meeting in person or, if they are unable to attend and wish to be represented thereat, must complete and return this form of proxy to the Transfer Secretaries in accordance with the time specified in 3 above.

Summary of the rights established in terms of section 58 of the Companies Act:

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
 - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
 - 3.2 a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - 3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy provide otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - 9.1 such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - 9.2 the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Companies Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
 - 9.3 the company must not require that the proxy appointment be made irrevocable; and
 - 9.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.