

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretations commencing on page 6 apply to this cover page.

**ACTION REQUIRED BY SHAREHOLDERS:**

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Shareholders", commencing on page 3.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.
3. If you have disposed of all your Shares in HCI, please forward this Circular and the attached Form of Proxy (grey) to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.



**HOSKEN CONSOLIDATED INVESTMENTS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1973/007111/06)

Share code: HCI ISIN: ZAE000003257

("HCI" or "the Company")

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**CIRCULAR TO SHAREHOLDERS**

relating to:

- the approval of the HCI Invest6 Transaction, such acquisition constituting a Related Party Transaction in respect of HCI in terms of the JSE Listings Requirements;

and incorporating:

- a Notice of General Meeting; and
  - a Form of Proxy (grey) for purposes of the General Meeting (only for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own Name Registration).
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Sponsor



Legal Adviser



Independent Expert



Independent Reporting  
Accountant

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**Date of issue: 16 September 2020**

This Circular is available in English only. Copies may be obtained during normal business hours from the registered office of HCI, whose address is set out in the "Corporate Information" section of this Circular, or from the Company's sponsor, from 16 September 2020 until 15 October 2020 (both days inclusive). A copy of this Circular will also be available on HCI's website (<http://www.hci.co.za>).

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## CORPORATE INFORMATION

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### DIRECTORS

JA Copelyn (Chief Executive Officer)  
JR Nicolella (Financial Director)  
Y Shaik  
TG Govender  
VE Mphande\*\* (Chairperson)  
MH Ahmed\*\*  
MF Magugu\*\*  
L McDonald\*  
SNN Mkhwanazi-Sigege\*\*  
JG Ngcobo\*\*  
RD Watson\*\*

\* Non-executive Directors

\*\* Independent Non-executive Directors

### DATE AND PLACE OF INCORPORATION

11 June 1973  
South Africa

### REGISTERED ADDRESS

Suite 801  
76 Regent Road  
Sea Point  
Western Cape, 8005

### COMPANY SECRETARY

HCI Managerial Services Proprietary Limited  
(Registration number 1996/017874/07)  
Suite 801  
76 Regent Road  
Sea Point  
Cape Town, 8005  
(PO Box 5251, Cape Town, 8000)

### INDEPENDENT EXPERT

Mazars Corporate Finance Proprietary Limited  
(Registration number 2003/029561/07)  
54 Glenhove Road  
Melrose Estate  
Johannesburg, 2196  
(PO Box 6697, Johannesburg, 2000)

### SPONSOR

Investec Bank Limited  
(Registration number 1969/004763/06)  
100 Grayston Drive,  
Sandton, 2196  
(PO Box 785700, Sandton, 2196)

### LEGAL ADVISER

Edward Nathan Sonnenbergs Incorporated  
(Registration number 2006/018200/21)  
1 North Wharf Square  
Loop Street  
Foreshore  
Cape Town, 8001  
(PO Box 2293, Cape Town, 8000)

### AUDITOR AND INDEPENDENT REPORTING ACCOUNTANT

BDO South Africa Incorporated  
(Registration number 1995/002310/21)  
Wanderers Office Park  
52 Corlett Drive  
Illovo, 2196  
(Private Bag X60500, Houghton, 2041)

### TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
Private Bag X9000, Saxonwold, 2132

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## CERTAIN FORWARD-LOOKING STATEMENTS

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The definitions and interpretations commencing on page 6 of this Circular apply throughout this Circular including this section.

### **FORWARD-LOOKING STATEMENTS**

This Circular contains statements about HCI, HCI Invest6 and E-Media that are or may be forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the media industry; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure; and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events, and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. HCI cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments including within the industry in which HCI, HCI Invest6 and E-Media operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, all of which estimates and assumptions, although HCI may consider them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to HCI, or not currently considered material), could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

HCI Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors may emerge from time to time that could cause the business of HCI, HCI Invest6 and E-Media or other matters to which such forward-looking statements relate, not to develop as expected and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. HCI has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

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## ACTION REQUIRED BY SHAREHOLDERS

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This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what actions to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all of your Shares in HCI, please forward this Circular and the attached Form of Proxy to the purchaser of such Shares or to the CSDP, Broker, banker, attorney or other agent through whom the disposal was effected.

**The General Meeting will be held at the offices of Hosken Consolidated Investments Limited, Suite 801, 76 Regent Road, Sea Point, 8005 on Thursday, 15 October 2020 at 13:00 (South African Standard Time) at which General Meeting Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting attached to this Circular.**

HCI Shareholders are strongly encouraged to submit their votes by proxy before the General Meeting at their earliest convenience. Certificated Shareholders and Dematerialised Shareholders with "Own Name" Registration can submit their votes before the General Meeting by completing a proxy form or submitting proxy instructions in accordance with the instructions set out below. Dematerialised Shareholders without "Own Name" Registration can submit their voting instructions before the General Meeting to their CSDP or Broker by the cut-off time and date advised by their CSDP or Broker for instructions of this nature in the manner stipulated in their respective custody agreements.

**HCI does not accept any responsibility and will not be held liable for any failure on the part of the Broker or CSDP of any holder of Dematerialised Shares to notify such HCI Shareholder of this Circular and/or the General Meeting.**

HCI Shareholders that wish to participate in the General Meeting are referred to the instructions below.

### 1. DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN NAME DEMATERIALISED 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 your Broker or CSDP has not contacted you, 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 (grey).**

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

- 1.2.1 In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:
  - 1.2.1.1 attend, speak and vote at the General Meeting; or
  - 1.2.1.2 send a proxy to represent you at the General Meeting.
- 1.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting.

### 2. CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WHO ARE OWN NAME DEMATERIALISED 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 (grey) in accordance with the instructions contained therein and lodging it, posting it or sending it via e-mail to the Transfer Secretaries to be received by them preferably by no later than 13:00 (South African Standard Time) on Tuesday, 13 October 2020 provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the chairperson of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

### 3. VOTING AND FORMS OF PROXY

On a show of hands, every Shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every Shareholder, present (i.e. in attendance for the electronic General Meeting) in person or by proxy, shall have one vote for every HCI Share held or represented.

Certificated Shareholders and Dematerialised Shareholders with “Own Name” Registration are entitled to appoint a proxy or proxies (for which purpose a Form of Proxy (*grey*) is included) to vote in their stead. The person so appointed need not be a HCI Shareholder.

The Forms of Proxy attached to the Notice of General Meeting must be completed only by Certified Shareholders and Dematerialised Shareholders with “Own Name” Registration.

Forms of Proxy must be lodged with HCI’s Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; posted to the Transfer Secretaries at Private Bag X9000, Saxonwold, 2132; or e-mailed to proxy@computershare.co.za (Tel. +27 (0)861 100 950) by no later than 13:00 on Tuesday, 13 October 2020.

Dematerialised Shareholders with “Own Name” Registration must contact their CSDP or Broker in the manner and time stipulated in their agreement, to furnish their CSDP or Broker with their voting instructions by the cut-off time and date advised by their CSDP or Broker for instructions of this nature.

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 6 apply to the section below.

### Salient dates relating to the General Meeting

2020

Record date for Shareholders to be recorded in the Register in order to receive this Circular	Friday, 4 September
Circular incorporating the Notice of General Meeting and Form of Proxy ( <i>grey</i> ), distributed to Shareholders on	Wednesday, 16 September
Announcement of distribution of Circular and notice convening the General Meeting released on SENS on	Wednesday, 16 September
Last day to trade Shares in order to be recorded in the Register to vote at the General Meeting (see note 2 below) on	Tuesday, 6 October
Record date for a Shareholder to 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, 9 October
Forms of Proxy ( <i>grey</i> ) in respect of the General Meeting to be lodged at the Transfer Secretaries, preferably by 13:00 on	Tuesday, 13 October
Forms of Proxy ( <i>grey</i> ) not lodged with the Transfer Secretaries to be handed/e-mailed to the chairperson of the General Meeting before the proxy exercises the rights of the Shareholder at the General Meeting held at 13:00 on	Thursday, 15 October
Results of the General Meeting published on SENS on	Thursday, 15 October
HCI Invest6 Transaction anticipated to be implemented on or about	Monday, 19 October

### Notes:

1. The above dates and times are subject to amendment at the discretion of HCI. Any such amendment will be released on SENS.
2. Shareholders should note that as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three South African Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on Tuesday, 6 October 2020 will not be eligible to attend, participate in and vote at the General Meeting.
3. All dates and times indicated above are South African Standard Time.
4. Share certificates may not be dematerialised or rematerialised between Wednesday, 7 October and Friday, 9 October 2020 both days inclusive.

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, unless the context indicates otherwise, references to the singular shall include the plural and *vice versa*, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite them in the second column.

<b>“Board” or “Directors”</b>	the directors of HCI from time to time, comprising, as at the Last Practicable Date, those persons whose names appear in the “ <i>Corporate Information</i> ” section of this Circular;
<b>“Broker”</b>	any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;
<b>“Business Day”</b>	any day, other than a Saturday, Sunday or public holiday in South Africa;
<b>“Certificated Shareholders”</b>	Shareholders who hold Certificated Shares;
<b>“Certificated Shares”</b>	Shares which have not yet been Dematerialised, title to which is represented by a share certificate or other Document of Title;
<b>“CIPC”</b>	the Companies and Intellectual Properties Commission;
<b>“Circular”</b>	this bound document, dated Wednesday, 16 September 2020, to Shareholders, including all annexures hereto;
<b>“Companies Act”</b>	the Companies Act, 2008 (Act No. 71 of 2008), as amended;
<b>“Condition Precedent”</b>	the condition precedent in the HCI Invest6 Agreement;
<b>“CSDP”</b>	a central securities depository participant registered in terms of the Financial Markets Act with whom a beneficial holder of shares holds a Dematerialised share account;
<b>“Dematerialised Shareholders”</b>	those Shareholders who hold Dematerialised Shares;
<b>“Dematerialised Shares”</b>	Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
<b>“Documents of Title”</b>	share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares acceptable to HCI;
<b>“Effective Date”</b>	the second Business Day after the date of fulfilment or waiver, as the case may be, of the Condition Precedent;
<b>“E-Media”</b>	eMedia Holdings Limited (registration number 1968/011249/06), a public company incorporated under the laws of South Africa and listed on the JSE;
<b>“EMN Shares”</b>	N ordinary shares in the issued share capital of E-Media;
<b>“Financial Adviser and Sponsor” or “Investec”</b>	Investec Bank Limited (acting through its Corporate and Institutional Banking Division) (registration number 1969/004763/06), a public company incorporated under the laws of South Africa and conducting the business of a bank;
<b>“Financial Markets Act”</b>	the Financial Markets Act, 2012 (Act No. 19 of 2012), as amended;
<b>“Form of Proxy”</b>	for purposes of the General Meeting, the form of proxy ( <i>grey</i> ) for use only by Certificated Shareholders and Own Name Dematerialised Shareholders;
<b>“General Meeting”</b>	the general meeting of Shareholders to be held at 13:00 (South African Standard Time) on Thursday, 15 October 2020 convened in terms of the Notice of General Meeting enclosed and forming part of this Circular, together with any reconvened general meeting held as a result of the adjournment or postponement of that general meeting;



<b>“HCI” or “the Company”</b>	Hosken Consolidated Investments Limited (registration number 1973/007111/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE;
<b>“HCI Invest6”</b>	HCI Invest6 Holdco Proprietary Limited (registration number 2012/125148/07), a private company incorporated under the laws of South Africa and a subsidiary of HCI. HCI currently holds 70% of the issued share capital in HCI Invest6. On conclusion of the HCI Invest6 Transaction HCI will increase its holding in the issued share capital to 100% of the issued share capital in HCI Invest6;
<b>“HCI Invest6 Acquisition Consideration”</b>	the amount of R153 998 291, plus 20 000 000 EMN Shares, which shall be payable to Sactwu as consideration for the purchase of the HCI Invest6 Sale Equity;
<b>“HCI Invest6 Agreement”</b>	the sale of shares and claims agreement entered into between Sactwu and HCI on 26 June 2020, whereby Sactwu agreed to sell and HCI agreed to acquire Sactwu’s shares in and claims against HCI Invest6;
<b>“HCI Group”</b>	HCI and its Subsidiaries;
<b>“HCI Invest6 Sale Equity”</b>	the HCI Invest6 Sale Shares and HCI Invest6 Sale Claims;
<b>“HCI Invest6 Sale Claims”</b>	any and all of the loan claims owing by HCI Invest6 to Sactwu as at the Effective Date. In accordance with the terms of the HCI Invest6 Transaction, Sactwu’s pro rata portion of the cash dividend per EMN Share received by HCI Invest6 in respect of its EMN Shares during June 2020 (“E-Media Dividend Claim”) was utilised by HCI Invest6 to settle such pro rata share of Sactwu’s loan claim against HCI Invest6;
<b>“HCI Invest6 Sale Shares”</b>	the ordinary shares in the issued share capital of HCI Invest6 held by Sactwu, which shares constitute 30% of the issued share capital of HCI Invest6;
<b>“HCI Invest6 Transaction”</b>	the acquisition by HCI of HCI Invest6 ordinary shares and claims from Sactwu;
<b>“Holding Company”</b>	a “holding company” as defined in the Companies Act, but also includes an entity incorporated outside South Africa which, if incorporated in South Africa, would be a “holding company” as defined in the Companies Act;
<b>“IFRS”</b>	the International Financial Reporting Standards as issued from time to time by the International Accounting Standards Board or its successor body, as adopted or applied in South Africa;
<b>“Independent Expert’s Report”</b>	the fairness opinion prepared by the Independent Expert on the HCI Invest6 Transaction, in accordance with the provisions of paragraph 10.4(f) read with schedule 5 of the JSE Listings Requirements, a copy of which is annexed to the Circular as Annexure 1;
<b>“Independent Expert” or “Mazars”</b>	Mazars Corporate Finance Proprietary Limited (registration number 2003/029561/07), further particulars of which appear in the “Corporate Information” section of this Circular;
<b>“Independent Reporting Accountant”</b>	BDO South Africa Incorporated (registration number 1995/002310/21), further particulars of which appear in the “Corporate Information” section of the Circular, being the independent auditor of HCI;
<b>“JSE Listings Requirements”</b>	the Listings Requirements of the JSE;
<b>“JSE”</b>	JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa and which is licensed as an exchange in terms of the Financial Markets Act;
<b>“Last Practicable Date”</b>	the last practicable date before finalisation of this Circular, which date was 31 July 2020;
<b>“Legal Adviser” or “ENSafrica”</b>	Edward Nathan Sonnenbergs Incorporated (registration number 2006/018200/21), a private company duly incorporated in accordance with the laws of South Africa;

<b>“Material Shareholder”</b>	a material shareholder of HCI, as defined in the JSE Listings Requirements, meaning any person who is, or within the 12 months preceding the date of the HCI Invest6 Transaction was, entitled to exercise or control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general/annual general meetings of HCI, or any other company that is its Holding Company;
<b>“MOI”</b>	the memorandum of incorporation of HCI;
<b>“Notice of General Meeting”</b>	the notice of the General Meeting of Shareholders, forming part of this Circular;
<b>“Own Name Registration” or “Own Name Registered” or “Own Name Dematerialised Shareholders”</b>	Shareholders who hold Dematerialised Shares and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
<b>“Prime Rate”</b>	the publicly quoted prime rate of interest, compounded monthly in arrears and calculated on a 365-day year irrespective of whether or not the year is a leap year, from time to time published by Investec Bank Limited, as purportedly certified by any representative of that bank whose appointment and designation it shall not be necessary to prove;
<b>“Rand” or “R”</b>	South African Rand;
<b>“Register”</b>	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
<b>“Related Party Transaction”</b>	a “related party transaction” as defined in paragraph 10.1(a) of the JSE Listings Requirements;
<b>“Related Party”</b>	a “related party” as defined in paragraph 10.1(b) of the JSE Listings Requirements;
<b>“Sactwu”</b>	Southern African Clothing and Textile Workers Union, a trade union registered with the Department of Labour in accordance with the laws of South Africa;
<b>“SENS”</b>	the Stock Exchange News Service of the JSE;
<b>“Shareholders” or “HCI Shareholders”</b>	registered holders of Shares;
<b>“Shares”</b>	ordinary shares with a par value of R0.25 each in the Company’s share capital;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“South African Standard Time”</b>	the time zone used by all of South Africa, Botswana, the kingdoms of Lesotho and eSwatini, which zone is two hours ahead of Coordinated Universal Time;
<b>“Strate”</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, being a licensed central securities depository in terms of section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
<b>“Subsidiary”</b>	a “subsidiary” as defined in the Companies Act;
<b>“Transfer Secretaries”</b>	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa, the particulars of which are set out in the “ <i>Corporate Information</i> ” section of this Circular;
<b>“Treasury Shares”</b>	Shares beneficially owned by Subsidiaries of HCI;
<b>“Value Added Tax” or “VAT”</b>	value-added tax, as levied in terms of the VAT Act; and
<b>“VAT Act”</b>	the Value Added Tax Act 1991, (No. 89 of 1991), as amended.



## HOSKEN CONSOLIDATED INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1973/007111/06)

Share code: HCI ISIN: ZAE000003257

("HCI" or "the Company")

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### Directors:

JA Copelyn (Chief Executive Officer)

JR Nicolella (Financial Director)

Y Shaik

TG Govender

VE Mphande\*\* (Chairperson)

MH Ahmed\*\*

MF Magugu\*\*

L McDonald\*

SNN Mkhwanazi-Sigege\*\*

JG Ngcobo\*\*

RD Watson\*\*

\* Non-executive Directors

\*\* Independent Non-executive Directors

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## CIRCULAR TO SHAREHOLDERS

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### SECTION 1: INTRODUCTION

#### 1. Introduction and purpose of this Circular

- 1.1 Shareholders are referred to the announcement by HCI on SENS on 26 June 2020, advising that HCI had entered into an agreement to acquire the Sactwu shares in and loan claims against HCI Invest6.
- 1.2 The consideration payable in terms of the HCI Invest6 Transaction is greater than 5% of HCI's market capitalisation as at the Last Practicable Date. Sactwu is a Related Party to HCI due to Sactwu being a material Shareholder of HCI as at the Last Practicable Date. The HCI Invest6 Transaction is therefore a Related Party Transaction in terms of section 10 of the JSE Listings Requirements and requires a fairness opinion to be prepared by an independent expert and the approval of the HCI Shareholders by an ordinary resolution of Shareholders, excluding Sactwu and its associates. The Independent Expert has prepared the Independent Expert's Report, which is annexed to the Circular as Annexure 1.
- 1.3 The purpose of this Circular is to:
  - 1.3.1 provide Shareholders with the relevant information relating to the HCI Invest6 Transaction so as to enable Shareholders to make an informed decision in respect of the resolutions set out in the Notice of General Meeting enclosed with this Circular; and
  - 1.3.2 convene the General Meeting of Shareholders in order to consider and, if deemed fit, approve the resolutions authorising the HCI Invest6 Transaction.

## SECTION 2: THE HCI INVEST6 TRANSACTION

### 2. The business of HCI Invest6 and E-Media

2.1 HCI Invest6 is the holding company of HCI's and Sactwu's joint interest in EMN Shares. HCI Invest6 conducts no business other than holding 323 330 485 EMN Shares.

2.2 E-Media is a JSE-listed company that owns 67.7% of eMedia Investments Proprietary Limited ("eMedia Investments"). eMedia Investments has a number of core assets in the television and radio broadcasting sector, with additional assets in the content, properties and facilities sectors.

e.tv, South Africa's first and only free-to-air commercial television station, continues to capture a significant audience share of the South African free-to-air audience. The channel's reach extends beyond South African borders in the form of eAfrica, a repackaged version of the channel, which is broadcast across the African continent. The success of e.tv has also resulted in a number of spin-off entertainment channels which are on a number of analogue and satellite television platforms.

eSat.tv operates the 24-hour news channel eNCA, which is available on the premium and compact bouquets of satellite television operator DStv and gains significant share of the available news audience. eNCA also has an online offering, which includes a mobile application and a live news website.

Platco Digital operates Openview, a free-to-air satellite television platform, which broadcasts a number of channels, including e.tv's multi-channel offering eMovies, eMovies Extra, eExtra, eReality, eToonz, and News and Sports which includes the English Premier League ("EPL"), the German Bundesliga and the United States-based NBA.

eMedia Investments' content division consists of a number of companies that have interests in the publishing, content creation and distribution, music and events industries. The properties and facilities division is primarily concerned with providing appropriate solutions for media companies. Media Film Service, the Cape Town Film Studios and Moonlighting Films facilitate the production of some of the world's leading films, commercials and television series.

### 3. Rationale for the HCI Invest6 Transaction

HCI currently holds 70% of the issued shares of HCI Invest6 and Sactwu owns the remaining 30% of the issued shares. HCI Invest6 in turn currently owns the EMN Shares in the issued share capital of E-Media Holdings Limited. The HCI Invest6 Transaction, if implemented, will result in HCI holding all of the shares in and claims against HCI Invest6. The HCI Invest6 Transaction will furthermore result in HCI increasing its indirect interest in EMN Shares, which HCI believes to be acquired at an attractive purchase price, particularly having regard to the underlying asset value of HCI Invest6.

### 4. Overview of the HCI Invest6 Transaction

4.1 In terms of the HCI Invest6 Transaction, HCI shall:

4.1.1 acquire the HCI Invest6 Sale Claims from Sactwu; and

4.1.2 acquire the HCI Invest6 Sale Shares from Sactwu,

on the terms and conditions as set out in the HCI Invest6 Agreement. Following the HCI Invest6 Transaction, HCI will own 100% of HCI Invest6's issued share capital.

4.2 As indicated in paragraph 6 below, the HCI Invest6 Transaction is subject to the fulfilment (or, where applicable, waiver) of the Condition Precedent.

### 5. The HCI Invest6 Acquisition Consideration

5.1 The HCI Invest6 Acquisition Consideration will be made up of the following:

5.1.1 the amount of R153 998 291 ("**Cash Portion**"); plus

5.1.2 20 000 000 EMN Shares ("**EMN Consideration Shares**").

5.2 Cash Portion

The Cash Portion of the HCI Invest6 Acquisition Consideration shall be settled by HCI as follows:

5.2.1 on the Effective Date, HCI shall pay R1.00 to Sactwu in settlement of the purchase price owing for the Sale Shares;

5.2.2 the remainder of the Cash Portion shall be settled as follows:

5.2.2.1 HCI shall make payment on behalf of Sactwu of amounts due and owing by Sactwu (and/or its subsidiaries) on the Effective Date to HCI's Subsidiary, Deneb Investments Limited and its subsidiaries (which claims had a face value of approximately R79 million as at 31 July 2020). HCI shall furthermore make payment on behalf of Sactwu of amounts currently due and

owing by Sactwu (and/or its subsidiaries) to HCI's wholly-owned Subsidiary, HCI Solly Sachs House Proprietary Limited (which claims had a face value of approximately R22 million as at 31 July 2020).

5.2.2.2 All of the above amounts (at the actual values owing as at the Effective Date, as notified by each of the abovementioned entities or HCI by notice in writing to Sactwu on or before the Effective Date) shall be paid by HCI on behalf of Sactwu in settlement of Sactwu's corresponding obligations owing to such parties, by way of electronic transfer, free of deduction, set-off or bank charges into the bank accounts nominated by the relevant entities for that purpose.

5.2.2.3 The remaining balance of R53 million of the Cash Portion shall remain owing by HCI to Sactwu on loan account, which loan account shall accrue interest at the Prime Rate plus 1%, and shall be repaid by HCI to Sactwu by no later than 31 December 2021.

### 5.3 EMN Consideration Shares

By no later than the date that is six months after the Effective Date, HCI shall transfer (or procure the transfer of) the EMN Shares to Sactwu in settlement of the relevant portion of the HCI Invest6 Acquisition Consideration. The value of the EMN Shares as at the Last Practicable Date, based on the closing price published by the JSE, was R78 million.

## 6. The Condition Precedent

6.1 The HCI Invest6 Transaction remains subject to the fulfilment (or waiver) of the Condition Precedent that the Shareholders of HCI (excluding Sactwu) approve of the HCI Invest6 Transaction as a "related party transaction" in accordance with paragraph 10.4 of section 10 of the JSE Listings Requirements.

6.2 The Condition Precedent must be fulfilled or waived, as the case may be, on or before 1 December 2020; or such later date(s) as may be agreed between HCI and Sactwu.

## 7. The implementation date of the HCI Invest6 Transaction

The HCI Invest6 Transaction will be implemented on, and with effect from, the Effective Date, being the second Business Day after the Condition Precedent has been fulfilled or waived (to the extent legally permissible). Delivery of the shares in and claims against HCI Invest6 to HCI will be effected on the Effective Date.

## 8. Value of the net assets and profits attributable to the net assets

8.1 As at 31 March 2020 the net assets of HCI Invest6 were R(1 736) million, including shareholder loans of R3 465 million owing by HCI Invest6 to shareholders. Net assets attributable to the 30% interest in HCI Invest6 to be purchased by HCI therefore amount to R(521) million. Net losses after tax recorded by HCI Invest6 for the year ended 31 March 2020 were R724 million. Net losses attributable to the 30% interest in HCI Invest6 to be purchased by HCI therefore amount to R217 million.

8.2 E-Media's net assets attributable to E-Media shareholders was R2 618 million as at 31 March 2020. Losses attributable to E-Media shareholders was R(1 888) million for the year ended 31 March 2020.

8.3 Subsequent to implementation of the HCI Invest6 Transaction, HCI's effective economic interest in E-Media will increase from 62.9% to 80.3%.

## 9. Independent Expert's Report

In accordance with the JSE Listings Requirements the Board has appointed the Independent Expert to compile a fairness opinion report on the HCI Invest6 Transaction. The Independent Expert has determined that the HCI Invest6 Transaction is fair to HCI Shareholders, for the reasons and on the basis set out in the Independent Expert's Report, which is annexed to the Circular as Annexure 1, in compliance with the JSE Listings Requirements.

## 10. Opinions and Directors' recommendation

10.1 The Board, after due consideration of the Independent Expert's Report, has determined that it will place reliance on the valuations performed by the Independent Expert for the purposes of reaching its own opinion regarding the HCI Invest6 Transaction, as contemplated in the JSE Listings Requirements.

10.2 The Board, taking into account the Independent Expert's Report on the HCI Invest6 Transaction, has considered the terms and conditions of the HCI Invest6 Transaction and all members of the Board who are entitled to vote on the matter are unanimously of the opinion that the terms and conditions thereof are fair to and in the interest of Shareholders and, accordingly, recommend that Shareholders vote in favour of the resolution to be proposed at the General Meeting relating to the approval of the HCI Invest6 Transaction.

10.3 The Directors, in their personal capacities, intend to vote the Shares beneficially owned by them in favour of the resolutions to be proposed at the General Meeting.

## SECTION 3: INFORMATION RELATING TO HCI

### 11. Major Shareholders and interests

As far as the Directors are aware, as at the Last Practicable Date, the following persons are the beneficial owners of 5% or more of the Shares in issue:

Shareholder	Number of Shares	Percentage of total issued Share capital
Sactwu	24 409 804	28.5
Squirewood Investments 64 Proprietary Limited*	4 521 447	5.3
Ronaldgate Proprietary Limited	6 468 177	7.6
<b>Total</b>	<b>35 399 428</b>	<b>41.4</b>

\* Treasury shares

### 12. Material changes

Other than the impact of the COVID-19 pandemic described below, there have been no material changes in the financial or trading position of the HCI Group since the end of its last financial period on 31 March 2020.

The outbreak of the COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, had a significant impact on the Group, particularly the gaming and hospitality sectors. While the majority of the Group's media and broadcasting, transport and coal mining operations were designated as essential services under the lockdown regulations, the Group's gaming, hotel, and branded products and manufacturing operations were not able to trade during the initial stages of the lockdown. Most of the Group's manufacturing business was allowed to reopen when the lockdown regulations were relaxed with effect from 1 May 2020 and a further relaxation on 1 June 2020 meant that all businesses within the branded products and manufacturing group could reopen. The Group's gaming and hotel operations were only allowed to resume trading, under very restrictive conditions, during June 2020.

Even though it was designated as essential services, the Group's transport and media interests have seen a significant reduction in revenues during the first quarter of the 2021 financial year due to a decrease in demand for public passenger transport services during the national lockdown and the loss of advertising revenue from some key industries such as fast foods, alcohol and the motor industry. The Group's properties division has been impacted by the reduced ability of its tenant base to comply with its rent obligations as a significant portion of its tenants have not been able to trade during the period of lockdown restrictions.

### 13. Material contracts

There have been no material contracts entered into either verbally or in writing by HCI or its Subsidiaries, being restrictive funding arrangements and/or contracts entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by HCI and/or its Subsidiaries, within the two years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to HCI and/or its Subsidiaries at the date of this Circular.

### 14. Existing contracts or proposed contracts

The remuneration of the Directors will not be varied as a result of the HCI Invest6 Transaction. The Directors' remuneration for the year ended 31 March 2020 is included in note 44 of HCI's annual financial statements for the year ended 31 March 2020, which is available on HCI's website, [www.hci.co.za](http://www.hci.co.za).

### 15. Information relating to the Directors

#### 15.1 Directors' interests in the issued Shares

15.1.1 The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any Directors who may have resigned during the last 18 months, in HCI's issued Shares, as at the Last Practicable Date:

Director	Direct beneficial	Indirect beneficial	Percentage of issued Shares held
JA Copelyn	–	6 468 177	7.5
JR Nicolella	52 097	13 235	0.1
TG Govender	–	932 784	1.1
MH Ahmed	–	–	–
MSI Gani	–	–	–
JG Ngcobo	–	–	–
Y Shaik	8 808	–	–
RD Watson	–	–	–
SNN Mkhwanazi-Sigege	–	–	–
L McDonald	–	–	–
MF Magugu	–	–	–
VE Mphande	–	–	–
<b>Total</b>	<b>60 905</b>	<b>7 414 196</b>	<b>8.7</b>

## 15.2 Directors' interests in the HCI Invest6 Transaction

Save to the extent that some Directors may be Shareholders of HCI, the Directors (including any person who may have resigned as a Director within the last 18 months) do not have any material beneficial interest, directly or indirectly in the HCI Invest6 Transaction or in any transactions that were:

15.2.1 effected by HCI during the current or immediately preceding financial year; or

15.2.2 during an earlier financial year and remain in any respect outstanding or unperformed.

## 16. Litigation statement

As at 31 March 2020 litigation was pending in the Johannesburg High Court against a third party, Ithuba Holdings (RF) Proprietary Limited and its related parties relating to the premature repayment of a loan granted to Ithuba Holdings by the Group. The loan was repaid to HCI, being a purported premature repayment, by Ithuba Holdings on 28 September 2016, and reinstated on 29 October 2019. HCI and various of its wholly-owned Subsidiaries together with Zamani, Ithuba Holdings, the Mabuza trusts and various of their associates announced on 7 August 2020 that they had reached agreement on an amount to settle all issues arising from agreements between them to their mutual satisfaction and have in consequence agreed to abandon all judgments and outstanding litigation in relation thereto and to cancel all other agreements between them in exchange for payment of R400 million to HCI.

## 17. Pro forma financial information of HCI

17.1 The consolidated *pro forma* financial effects of the HCI Invest6 Transaction, as set out below, are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of HCI has been prepared and in terms of HCI's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present HCI's financial position, changes in equity, results of operations or cash flows post the implementation of the HCI Invest6 Transaction.

17.2 The *pro forma* financial information of HCI has been prepared based on the published audited consolidated financial information of HCI for the year ended 31 March 2020.

17.3 The consolidated *pro forma* financial effects set out below should be read in conjunction with the consolidated *pro forma* statement of profit or loss and the consolidated *pro forma* statement of financial position as set out in Annexure 2, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in Annexure 2.

17.4 The report of the Independent Reporting Accountant in respect of the *pro forma* financial statements referred to in paragraph 17.3 above, appears in Annexure 3 to this Circular.

	HCI unadjusted audited financial position of the year ended 31 March 2020	Adjustment on the purchase of HCI Invest6 shares and claims at 31 March 2020	Costs of circular and other adjustments	<i>Pro forma</i> after the transactions for the year ended 31 March 2020
<b>Net asset value per share (cents) aggregate</b>	<b>15 268.9</b>	<b>1 233.4</b>	<b>(1.4)</b>	<b>16 500.9</b>
<b>Tangible net asset value per share (cents) aggregate</b>	<b>3 340.9</b>	<b>1 233.4</b>	<b>(1.4)</b>	<b>4 572.9</b>
<b>(Losses)/earnings per share (cents)</b>	<b>(4 591.5)</b>	<b>33.9</b>	<b>(1.3)</b>	<b>(4 558.9)</b>
– Continuing operations	(4 460.7)	33.9	(1.3)	(4 428.1)
– Discontinued operations	(130.8)	–	–	(130.8)
<b>Headline earnings per share (cents)</b>	<b>1 263.2</b>	<b>33.9</b>	<b>(1.3)</b>	<b>1 295.8</b>
– Continuing operations	1 352.2	33.9	(1.3)	1 384.8
– Discontinued operations	(89.0)	–	–	(89.0)
<b>Number of shares in issue excluding treasury shares</b>	<b>80 870 000</b>	<b>80 870 000</b>	<b>80 870 000</b>	<b>80 870 000</b>
<b>Weighted average number of shares in issue</b>	<b>82 876 000</b>	<b>82 876 000</b>	<b>82 876 000</b>	<b>82 876 000</b>

### Notes and Assumptions:

1. The "HCI unadjusted audited financial position" column has been extracted from unadjusted audited results of HCI for the period ended 31 March 2020, as approved on 24 August 2020.
2. Further detailed notes and assumptions to the *pro forma* financial information of HCI are set out in Annexure 2.



## SECTION 4: GENERAL

### 18. Expenses

18.1 The estimated costs by HCI of preparing and distributing this Circular, holding the General Meeting, implementing the HCI Invest6 Transaction, including the fees payable to professional advisers, are approximately R1 105 000, excluding VAT, and include the following:

		R'000
Sponsor	Investec Bank	200
Legal Adviser	ENSAfrica	300
Independent Reporting Accountant	BDO	125
Independent Expert	Mazars	250
Printing, publication and distribution		50
JSE documentation fees		80
Contingency		100
<b>Total</b>		<b>1 105</b>

### 19. General meeting and voting

19.1 The General Meeting of Shareholders will be held at the offices of HCI, Suite 801, 76 Regent Road, Sea Point, 8005 at 13:00 (South African Standard Time) on Thursday, 15 October 2020, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the HCI Invest6 Transaction.

19.2 A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "Action required by Shareholders" section of this Circular.

19.3 The ordinary resolutions for the approval of the HCI Invest6 Transaction in terms of paragraph 10.4(e) of the JSE Listings Requirements, set out in the Notice of General Meeting, are subject to more than 50% of the votes cast by Shareholders, excluding Sactwu and its associates, present in person or represented by proxy at the General Meeting, being cast in favour thereof. It is noted that Sactwu and its associates will be taken into account for purposes of determining the quorum for the ordinary resolution but will not be entitled to vote on the ordinary resolutions in respect of the HCI Invest6 Transaction.

### 20. Directors' responsibility statement

The Directors, whose names are listed in the "Corporate Information" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the JSE Listings Requirements.

### 21. Advisers' consents

Each of the advisers, whose name appears in the "Corporate information" section of this Circular, has consented in writing to act in the capacities stated and to the inclusion of its names and, where applicable, to the inclusion of its reports in this Circular in the form and context in which they appear and has not withdrawn its consent prior to the publication of this Circular.

### 22. Documents available for inspection

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of HCI or from the Company's sponsor from the date of publication of this Circular until the date of the General Meeting (both days inclusive):

22.1 the MOI of HCI and the memoranda of incorporation of its Major Subsidiaries;

22.2 the Independent Expert's Report, as reproduced in Annexure 1;

22.3 the Independent Reporting Accountant's Report on the *pro forma* financial information of HCI, as reproduced in Annexure 3;

22.4 the HCI Invest6 Agreement;

22.5 the written consents from each of the advisers referred to in paragraph 21;

22.6 the published audited annual financial statements of HCI for the preceding three financial years ended 31 March 2020, 31 March 2019 and 31 March 2018;

22.7 a copy of this Circular and all annexures hereto.

**SIGNED AT CAPE TOWN ON 16 SEPTEMBER 2020 BY JA COPELYN ON BEHALF OF ALL THE DIRECTORS OF HCI**

#### JA Copelyn

Chief Executive Officer

JR Nicolella, Y Shaik, TG Govender, VE Mphande, MH Ahmed, MF Magugu, L McDonald, SNN Mkhwanazi-Sigege, JG Ngcobo, RD Watson



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## INDEPENDENT EXPERT'S REPORT

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The Directors  
Hosken Consolidated Investments Limited  
76 Regent Road, Sea Point  
Cape Town,  
8005  
South Africa

16 September 2020

Dear Sirs,

**INDEPENDENT FAIRNESS OPINION TO THE BOARD OF DIRECTORS OF HOSKEN CONSOLIDATED INVESTMENTS LIMITED ("HCI") IN TERMS OF SCHEDULE 5.8 OF THE JSE LIMITED'S ("JSE") LISTINGS REQUIREMENTS IN RESPECT OF THE RELATED PARTY TRANSACTION ARISING FROM HCI'S OFFER TO ACQUIRE SOUTHERN AFRICAN CLOTHING AND TEXTILE WORKERS UNION'S ("SACTWU") SHARES IN AND LOAN CLAIMS AGAINST HCI INVEST6 HOLDCO PROPRIETARY LIMITED ("HCI INVEST6") ("PROPOSED TRANSACTION")**

### INTRODUCTION

The Independent Board of Directors of HCI ("HCI Board") has appointed Mazars Corporate Finance Proprietary Limited ("Mazars") as the Independent Expert in accordance with section 10 of the JSE Listings Requirements to advise the Shareholders of HCI whether, in our opinion, the Proposed Transaction described below is fair to the Shareholders of HCI.

The consideration payable in terms of the Proposed Transaction is greater than 5% of HCI's market capitalisation as at the Last Practicable Date. Sactwu is a Related Party to HCI due to Sactwu being a material Shareholder of HCI as at the Last Practicable Date. The Proposed Transaction is therefore a Related Party Transaction in terms of section 10 of the JSE Listings Requirements and requires a fairness opinion to be prepared by an independent expert and the approval of the HCI Shareholders by an ordinary resolution of Shareholders, excluding Sactwu and its associates.

### The Proposed Transaction:

HCI currently holds 70% of the issued shares of HCI Invest6 and Sactwu owns the remaining 30% of the issued shares. HCI Invest6 currently owns 323 330 485 N ordinary shares ("**EMN Shares**") in the issued share capital of eMedia Holdings Limited ("**eMedia Holdings**") and conducts no other business.

eMedia Holdings owns 67.7% of eMedia Investments Proprietary Limited ("**eMedia Investments**"), a South African media group with holdings in a variety of broadcasting, content and production businesses. eMedia Investments is owned and controlled by eMedia Holdings and Venfin Media Beleggings Proprietary Limited.

In terms of the Proposed Transaction, HCI will acquire 30% of the issued share capital of HCI Invest6 ("**Sale Shares**") and all claims owing by HCI Invest6 to Sactwu ("**Sale Claims**"), such that immediately after implementation of the Proposed Transaction, HCI will hold 100% of the shares in and shareholder loan claims against HCI Invest6.

The consideration payable by HCI to Sactwu ("**Purchase Consideration**") is the aggregate of:

- the amount of R153 998 291 ("**Cash Portion**"); plus
- 20 000 000 EMN Shares ("**EMN Consideration Shares**").

Subsequent to implementation of the Proposed Transaction, HCI's effective economic interest in eMedia Holdings will increase from 62.9% to 80.3%.

### EXPLANATION OF THE TERM "FAIR"

The term "fairness" is defined in Schedule 5 of the JSE Listings Requirements as being primarily based on quantitative issues. Therefore, the Proposed Transaction would be considered fair if the Purchase Consideration paid by HCI is equal to or less than the fair value of the HCI Invest6 Sale Shares and Sale Claims acquired.

### SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information obtained from HCI's management and from various public, financial and industry sources. Our conclusion is dependent on such information being accurate in all material respects. For the purpose of compiling this report and the opinion contained herein, we have considered all information relevant to the securities affected by the Proposed Transaction.

The principal sources of information used in formulating our opinion regarding the Proposed Transaction are as follows:

- audited annual financial statements of eMedia Holdings for the periods ended 31 March 2018 and 31 March 2019, and audited financial statements of eMedia Holdings for the period ended 31 March 2020;
- unaudited management accounts of eMedia Holdings for the two-month period ending 31 May 2020;
- information and assumptions made available by the management of eMedia Investments around the forecasted revenue, Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”), working capital and capital expenditure for the five-year forecasted period;
- audited annual financial statements of eMedia Investments for the periods ended 31 March 2018 and 31 March 2019, and draft financial statements of eMedia Investments for the period ended 31 March 2020;
- unaudited consolidated management accounts of eMedia Investments for the two-month period ending 31 May 2020;
- audited annual financial statements of HCI Invest6 for the periods ended 31 March 2018 and 31 March 2019, and draft financial statements of HCI Invest6 for the period ended 31 March 2020;
- unaudited management accounts of HCI Invest6 for the two-month period ending 31 May 2020;
- publicly available information relating to eMedia, eMedia Investments, HCI Invest6 and other comparable companies in the sector that we deemed to be relevant;
- Circular; and
- the terms and conditions of the Proposed Transaction (as detailed in the SENS announcement).

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussions with management.

#### **LIMITING CONDITIONS AND RELATED PARTY RELATIONSHIPS**

Mazars is accredited to perform fairness opinions and JSE-related work. Mazars has a substantial internal resource base with extensive experience in providing independent expert opinions.

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purposes of this opinion, whether in writing or obtained through discussion with the management of HCI. We express no opinion on this information.

There were no limiting conditions, or any restrictions of scope, imposed by the client whilst this opinion was being prepared.

Our opinion is based on the current economic, regulatory, market as well as other conditions. Subsequent developments may affect this opinion, which we are under no obligation to update, review or reaffirm.

This opinion is provided to the HCI Board solely to assist the HCI Board in forming and expressing an opinion for the benefit of the Shareholders of HCI in connection with and for the purposes of their consideration in respect of the Proposed Transaction.

There is no relationship between Mazars and any other parties involved in the Proposed Transaction. Mazars has no shares in HCI, HCI Invest6, eMedia Holdings, eMedia Investments or any other party involved in the Proposed Transaction. Mazars' fee in respect of this opinion is **R250 000** excluding VAT and is not payable in HCI, eMedia Holdings nor eMedia Investments shares and is not contingent or related to the outcome of the Proposed Transaction.

Each Shareholder's individual decision may be influenced by such Shareholder's particular circumstances and accordingly each Shareholder should consult an independent adviser if in any doubt as to the merits or otherwise of the Proposed Transaction.

Our procedures and enquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

#### **PROCEDURES**

In order to assess the fairness of the terms and conditions relating to the Proposed Transaction, we have performed, amongst others, the following procedures:

- reviewed the audited annual financial statements of eMedia Holdings for the periods ended 31 March 2018 and 31 March 2019, and the reviewed financial statements of eMedia Holdings for the period ended 31 March 2020;
- reviewed the unaudited management accounts of eMedia Holdings for the two-month period ending 31 May 2020;
- reviewed the audited annual financial statements of eMedia Investments for the periods ended 31 March 2018 and 31 March 2019, and the draft financial statements of eMedia Investments for the period ended 31 March 2020;
- reviewed the unaudited consolidated management accounts of eMedia Investments for the two-month period ending 31 May 2020;
- reviewed the audited annual financial statements of HCI Invest6 for the periods ended 31 March 2018 and 31 March 2019, and the draft financial statements of HCI Invest6 for the period ended 31 March 2020;

- reviewed the unaudited management accounts of HCI Invest6 for the two-month period ending 31 May 2020;
- considered information made available by and from discussions held with the management of HCI;
- reviewed general economic, market and related conditions in which eMedia Investments, eMedia Holdings and HCI Invest6 operate in;
- reviewed the methodologies available for performing valuations of businesses operating in this industry;
- performed an indicative valuation of eMedia Investments, eMedia Holdings and HCI Invest6;
- considered the rationale of the transaction;
- reviewed the historic share price of EMN Shares;
- conducted appropriate sensitivity analyses given a reasonable range of key assumptions on the valuations below; and
- reviewed the Circular.

We believe the above procedures commercially justify the conclusion outlined below.

## **VALUATION**

We have performed a valuation of HCI Invest6 to determine whether the acquisition of the HCI Invest6 Sale Shares and Sale Claims represents fair value to the HCI shareholders.

### **Sale Shares and Sale Claims**

We confirm that we have performed a valuation of HCI Invest6 Sale Shares utilising the adjusted net asset value (“NAV”) methodology as the primary basis. An adjusted NAV methodology valuation was performed on eMedia Holdings and a discounted cash flow (“DCF”) valuation method was performed on eMedia Investments as this is the underlying investment of eMedia Holdings and, in turn, HCI Invest6. The adjusted NAV methodology is appropriate for investment holding companies since the assets and liabilities represent fair value. It can be noted that the Sale Claims were treated as debt in the adjusted NAV calculation. We valued the Sale Shares at R1 and valued the recoverable value of the Sale Claims between R452 million and R547 million based on the underlying fair value of the EMN Shares as at 31 May 2020.

### **Purchase Consideration**

We valued 20 000 000 EMN Shares between R91 million and R110 million. Therefore, the Purchase Consideration fair value ranges between R244 million and R264 million.

### **Assumptions:**

We arrived at our opinion based on the following assumptions:

- that reliance can be placed on information and assumptions made available by eMedia Investments, eMedia Holdings, HCI Invest6 and HCI’s management;
- that reliance can be placed on audited annual financial statements of eMedia Holdings for the periods ended 31 March 2018 and 31 March 2019, and the reviewed financial statements of eMedia Holdings for the period ended 31 March 2020;
- that reliance can be placed on the consolidated management accounts of eMedia Holdings for the two months ended 31 May 2020;
- that reliance can be placed on audited annual financial statements of eMedia Investments for the periods ended 31 March 2018 and 31 March 2019, and the draft financial statements of eMedia Investments for the period ended 31 March 2020;
- that reliance can be placed on the unaudited consolidated management accounts of eMedia Investments for the two months ended 31 May 2020;
- that reliance can be placed on audited annual financial statements of HCI Invest6 for the periods ended 31 March 2018 and 31 March 2019, and the draft financial statements of HCI Invest6 for the period ended 31 March 2020;
- that reliance can be placed on the unaudited management accounts of HCI Invest6 for the two-month period ending 31 May 2020;
- that reliance can be placed on the presentations prepared by management;
- that reliance can be placed on trading and market data obtained from external data providers;
- that the terms and conditions of the Proposed Transaction (as detailed in the SENS announcement) are correct; and
- that forecasted assumptions provided by eMedia Investments’ management are achievable.

The valuation was performed taking cognisance of eMedia Holdings, eMedia Investments and HCI Invest6’s current and planned operations as well as other market factors affecting these operations. Using the value derived from the above valuation, a comparison was made between the Purchase Consideration and the fair value of HCI Invest6.

Key value drivers to the adjusted NAV and DCF valuation methods performed on HCI Invest6, eMedia Holdings and eMedia Investments are as follows:

**Internal:**

- fair market value of HCI Invest6's assets, taking into account their realisable values;
- fair market value of HCI Invest6's liabilities and claims based on the outstanding amounts payable;
- fair market value of eMedia Holdings' assets, taking into account their realisable values;
- fair market value of eMedia Holdings' liabilities and claims based on the outstanding amounts payable;
- revenue growth rates of eMedia Investments – forecasted revenue growth rates were considered against historic revenue growth rates achieved;
- profit margins of eMedia Investments to be achieved through the forecast period – forecasted profit margins were considered against historic profit margins achieved;
- the discount rates applicable to eMedia Investments – the weighted average cost of capital (“WACC”) applicable to eMedia Investments was used as a discount rate which is derived from the cost of equity and the after-tax cost of debt in proportion to the long-term target capital structure of the company;
- forecast working capital assumptions of eMedia Investments – forecasted working capital days were considered against historic working capital days achieved; and
- forecast capital expenditure requirements of eMedia Investments – forecasted capital expenditure requirements were considered against historic capital expenditure requirements.

**External:**

- the market in which eMedia Holdings and eMedia Investments operate in;
- stability of the economy and other macroeconomic factors;
- sensitivity analyses on the long-term inflation rate assumed and assessed the impact thereof on the valuation. An increase in 50 basis points increased fair value by 5.3% while a decrease in 50 basis points decreased fair value by 4.7%; and
- a sustainable growth rate in line with inflation was assumed in determining the perpetuity value.

The following analyses were performed on the key value drivers of the DCF valuation:

- an analysis and review of the forecast revenue growth rates. This included sensitivity analyses performed on the forecast revenue and assessed the impact thereof on the valuation. A 10% increase in revenue increased fair value by 16% while a 10% decrease in revenue decreased fair value by 9.3%; and
- an analysis and review of the forecast profit margins. This included a sensitivity analysis performed on the forecast EBITDA margins and assessed the impact thereof on the valuation. An increase in 20 basis points increased fair value by 14.4% while a decrease in 20 basis points decreased fair value by 9.62%.

**OPINION**

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated at the date of the share exchange. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or reaffirm.

We have considered the terms and conditions of the Proposed Transaction and, based upon and subject to the foregoing, we are of the opinion that the Proposed Transaction is therefore fair to the ordinary Shareholders of HCI in terms of the Companies Act and JSE Listings Requirements.

**CONSENT**

We hereby consent to the inclusion of this opinion, and references hereto, in the form and context in which it appears in any required regulatory announcement or document.

Yours faithfully

**Anoop Ninan**

Director

Mazars Corporate Finance Proprietary Limited

54 Glenhove Road

Melrose Estate, 2196

16 September 2020

## **PRO FORMA FINANCIAL INFORMATION OF HCI**

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### **PRO FORMA FINANCIAL INFORMATION OF THE COMPANY**

The *pro forma* financial information of HCI is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of HCI have been prepared for illustrative purposes only to show the financial effects of the HCI Invest6 Transaction. Due to the nature of the *pro forma* financial information, the *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income may not fairly present HCI's financial position, changes in equity, results of operations or cash flows after the HCI Invest6 Transaction has been implemented.

The *pro forma* financial information as at 31 March 2020 is presented in a manner that is consistent with the accounting policies of HCI, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the Listings Requirements and in compliance with the SAICA Guide on *pro forma* Financial Information. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income as set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 3 to this Circular.

The Directors of HCI are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial effects that the disposal took place with effect from 1 April 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 31 March 2020 for purposes of the *pro forma* consolidated statement of financial position.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	HCI unadjusted audited financial position of the year ended 31 March 2020 R'000 (1)	Adjustment on the purchase of HCI Invest6 shares and claims at 31 March 2020 R'000 (2), (4)	Costs of circular and other adjustments R'000 (5)	<i>Pro forma</i> after the transactions for the year ended 31 March 2020 R'000 (6)
<b>ASSETS</b>				
<i>Non-current assets</i>	54 304 599	–	–	54 304 599
Property, plant and equipment	25 686 739	–	–	25 686 739
Right-of-use assets	1 172 047	–	–	1 172 047
Investment properties	9 229 722	–	–	9 229 722
Goodwill	3 943 166	–	–	3 943 166
Interest in associates and joint arrangements	2 977 772	–	–	2 977 772
Other financial assets	1 036 987	–	–	1 036 987
Intangibles	9 424 800	–	–	9 424 800
Deferred taxation	467 886	–	–	467 886
Operating lease equalisation asset	121 338	–	–	121 338
Other	244 142	–	–	244 142
<i>Current assets</i>	10 206 306	(90 557)	(1 105)	10 114 644
Inventories	1 054 443	–	–	1 054 443
Programme rights	845 355	–	–	845 355
Other financial assets	37 823	–	–	37 823
Trade and other receivables	2 441 634	(90 557)	–	2 351 077
Taxation	142 019	–	–	142 019
Bank balances and deposits	5 685 032	–	(1 105)	5 683 927
Disposal group assets held for sale	381 371	–	–	381 371
<b>Total assets</b>	<b>64 892 276</b>	<b>(90 557)</b>	<b>(1 105)</b>	<b>64 800 614</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>	26 651 453	824 539	(1 105)	27 474 887
Share capital	20 218	–	–	20 218
Other reserves	1 122 790	–	–	1 122 790
Accumulated profits	11 204 954	997 412	(1 105)	12 201 261
Equity attributable to equity holders of the parent	12 347 962	997 412	(1 105)	13 344 269
Non-controlling interest	14 303 491	(172 873)	–	14 130 618
<i>Non-current liabilities</i>	25 396 676	63 441	–	25 460 117
Deferred taxation	5 035 017	–	–	5 035 017
Long-term borrowings	18 169 392	–	–	18 169 392
Lease liabilities	1 424 481	–	–	1 424 481
Provisions	218 324	–	–	218 324
Other	549 462	63 441	–	612 903
<i>Current liabilities</i>	12 738 104	(978 537)	–	11 759 567
Trade and other payables	2 933 215	86 000	–	3 019 215
Current portion of borrowings	5 195 377	(1 064 537)	–	4 130 840
Taxation	203 030	–	–	203 030
Provisions	311 194	–	–	311 194
Bank overdrafts	3 956 883	–	–	3 956 883
Other	138 405	–	–	138 405
Disposal group liabilities held for sale	106 043	–	–	106 043
<b>Total equity and liabilities</b>	<b>64 892 276</b>	<b>(90 557)</b>	<b>(1 105)</b>	<b>64 800 614</b>
Net asset carrying value per share (cents) incremental	15 268.9	1 233.4	(1.4)	16 500.9
Net asset carrying value per share (cents) aggregate	15 268.9	16 502.3	16 500.9	
Tangible net asset carrying value per share (cents) incremental	3 340.9	1 233.4	(1.4)	4 572.9
Tangible net asset carrying value per share (cents) aggregate	3 340.9	4 574.2	4 572.9	

**PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	HCI unadjusted audited results of the year ended 31 March 2020 R'000 (1)	Adjustment on the purchase of HCI Invest6 shares and claims at 31 March 2020 R'000 (3)	Costs of circular and other adjustments R'000 (5)	<i>Pro forma</i> after the transactions for the year ended 31 March 2020 R'000 (7)
Revenue	14 924 170	–	–	14 924 170
Net gaming win	9 846 472	–	–	9 846 472
Property rental income	1 023 944	–	–	1 023 944
Income	25 794 586	–	–	25 794 586
Expenses	(19 032 879)	–	(1 105)	(19 033 984)
EBITDA	6 761 707	–	(1 105)	6 760 602
Depreciation and amortisation	(1 675 268)	–	–	(1 675 268)
Operating profit	5 086 439	–	(1 105)	5 085 334
Investment income	524 354	(1 260)	–	523 094
Finance costs	(2 310 645)	–	–	(2 310 645)
Share of losses of associates and joint arrangements	(176 689)	–	–	(176 689)
Investment surplus	29 524	–	–	29 524
Fair value adjustment on associate on change of control	9 163	–	–	9 163
Fair value adjustments of investment properties	(993 218)	–	–	(993 218)
Impairment reversals	–	–	–	–
Asset impairments	(10 261 318)	–	–	(10 261 318)
Fair value adjustments on financial instruments	(2 122)	–	–	(2 122)
Impairment of goodwill and investments	(847 970)	–	–	(847 970)
Loss before taxation	(8 942 482)	(1 260)	(1 105)	(8 944 847)
Taxation	1 750 053	353	–	1 750 406
Loss for the year from continuing operations	(7 192 429)	(907)	(1 105)	(7 194 441)
Discontinued operations	(132 595)	–	–	(132 595)
Loss for the year	(7 325 024)	(907)	(1 105)	(7 327 036)
Attributable to:				
Equity holders of the parent	(3 805 278)	28 129	(1 105)	(3 778 254)
Non-controlling interest	(3 519 746)	(29 036)	–	(3 548 782)
	(7 325 024)	(907)	(1 105)	(7 327 036)
<b>Reconciliation of headline earnings</b>				
Earnings attributable to equity holders of the parent	(3 805 278)	28 129	(1 105)	(3 778 254)
Fair value adjustment on deemed disposal of associate	(5 691)	–	–	(5 691)
Impairment of goodwill	637 713	–	–	637 713
Gains on disposal of plant and equipment	(10 815)	–	–	(10 815)
Impairment of property, plant and equipment	425 908	–	–	425 908
Foreign currency translation reserve recycled	–	–	–	–
Gains from disposal of subsidiaries	(1 599)	–	–	(1 599)
Gains on disposal of associates and joint arrangements	(12 400)	–	–	(12 400)
Impairment of associates and joint arrangements	14 523	–	–	14 523
Reversal of impairment of assets	–	–	–	–
Impairment of intangible assets	3 292 624	–	–	3 292 624
Losses on disposal of investment properties	89	–	–	89
Fair value adjustments on investment properties	352 749	–	–	352 749
Impairment of right-of-use assets	3 361	–	–	3 361
Write-off of intangible assets	–	–	–	–
Insurance claims for capital assets	(3 815)	–	–	(3 815)
Remeasurements included in equity-accounted earnings of associates and joint arrangements	159 539	–	–	159 539
Headline profit	1 046 908	28 129	(1 105)	1 073 932



**Basic (losses)/earnings per share (cents)**

(Losses)/earnings	(4 591.53)	33.94	(1.33)	(4 558.92)
Continuing operations	(4 460.67)	33.94	(1.33)	(4 428.06)
Discontinued operations	(130.86)	–	–	(130.86)
Headline earnings per share (cents)	1 263.22	33.94	(1.33)	1 295.83
Continuing operations	1 352.17	33.94	(1.33)	1 384.78
Discontinued operations	(88.95)	–	–	(88.95)
Weighted average number of shares in issue	82 876 000	82 876 000	82 876 000	82 876 000
Actual number of shares in issue at the end of the year (net of treasury shares)	80 870 000	80 870 000	80 870 000	80 870 000
<b>Diluted (losses)/earnings per share (cents)</b>				
(Losses)/earnings	(4 591.53)	33.94	(1.33)	(4 558.92)
Continuing operations	(4 460.67)	33.94	(1.33)	(4 428.06)
Discontinued operations	(130.86)	–	–	(130.86)
Headline earnings	1 263.22	33.94	(1.33)	1 295.83
Continuing operations	1 352.17	33.94	(1.33)	1 384.78
Discontinued operations	(88.95)	–	–	(88.95)
Weighted average number of shares in issue	82 876 000	82 876 000	82 876 000	82 876 000

**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

- (1) Extracted from the unadjusted audited results of HCI for the year ended 31 March 2020, as approved on 24 August 2020. For the purposes of preparing the *pro forma* effects on the statement of profit or loss it is assumed that the HCI Invest6 Transaction was effective on 1 April 2019. For the purposes of preparing the *pro forma* effects on the statement of financial position it is assumed that the HCI Invest6 Transaction was effective on 31 March 2020.
- (2) The following amounts, which are impacted by the HCI Invest6 Transaction, were included in the results of HCI for the year ended 31 March 2020:
  - (a) claims owing by Sactwu to Deneb Investments Limited of R71 467 000 included in trade and other receivables. Deneb Investments is a Subsidiary of HCI and its results are therefore included in the consolidated results of HCI;
  - (b) claims owing by Sactwu to HCI Solly Sachs House Proprietary Limited of R19 090 000 included in trade and other receivables. Solly Sachs House is a Subsidiary of HCI and its results are therefore included in the consolidated results of HCI; and
  - (c) the HCI Invest6 Sale Claims of R1 064 537 000 included in current portion of borrowings.
- (3) The following has been recognised in the statement of profit or loss as part of the prospective HCI Invest6 Transaction:
  - (a) increase in attributable earnings in respect of E-Media due to the increase in HCI's effective interest in E-Media from 62.9% to 80.3%; and
  - (b) decrease in interest of R1 260 000 earned by Deneb Investments Limited due to the settlement of the respective claims and the tax and non-controlling interest effect thereof.
- (4) The following has been recognised in the statement of financial position as part of the prospective HCI Invest6 Transaction:
  - (a) decrease of R172 873 000 in equity attributable to non-controlling interests upon the purchase of Sactwu's 30% interest in HCI Invest6;
  - (b) increase of R997 412 000 in accumulated profits, recognised directly in reserves, in respect of the gain recognised upon the change in interest held in HCI Invest6;
  - (c) Increase in other non-current liabilities of R63 441 000 in respect of the amount that remains owing to Sactwu following the set-off of amounts owing by Sactwu to Deneb Investments Limited and Solly Sachs House Proprietary Limited; and
  - (d) increase in trade and other payables of R86 000 000, using the closing share price on 25 June of R4.30 per EMN Share, in respect of the EMN Consideration Shares to be transferred to Sactwu within six months of the Effective Date.
- (5) The adjustments in the statement of profit or loss relating to the implementation of the HCI Invest6 Transaction involve the following:
  - (a) transaction costs in respect of the HCI Invest6 Transaction are estimated to be R1 105 000.
- (6) The *pro forma* statement of financial position after the implementation of the HCI Invest6 Transaction and other adjustments as detailed above.
- (7) The *pro forma* statement of profit or loss after the implementation of the HCI Invest6 Transaction and other adjustments as detailed above.
- (8) All adjustments are of a continuing effect with the exception of the transaction costs.



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## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF HCI

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

16 September 2020

Dear Sirs,

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF HOSKEN CONSOLIDATED INVESTMENTS LIMITED

#### Introduction

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Hosken Consolidated Investments Limited ("HCI" or the "Company") by the directors of HCI (the "Directors"), consisting of the *pro forma* statement of financial position as at 31 March 2020 and the *pro forma* statement of comprehensive income for the period ended 31 March 2020 and related notes (the "*Pro forma* Financial Information") as set out in paragraph 17 and Annexure 2 of this circular to ordinary Shareholders (the "Circular") issued by HCI, to be dated on or about 16 September 2020. The *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the Listings Requirements of the JSE Limited (the "Listings Requirements"). Because of its nature the *Pro Forma* Financial Information does not represent the Company's actual financial position, financial performance or cash flows.

The *Pro Forma* Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of the Southern African Clothing and Textile Workers Union's ("Sactwu") shares in and loan claims against HCI Invest6 Holdco Proprietary Limited ("HCI Invest6") (the "Transaction") on HCI's financial position as at 31 March 2020 and the Company's financial performance for the period then ended, as if the Transaction had taken place on 31 March 2020 for purposes of the statement of financial position and on 1 April 2019 for purposes of the statement of comprehensive income.

As part of this process, information about HCI's financial position and financial performance has been extracted by the Directors from the reviewed financial statements for the year ended 31 March 2020.

#### Directors' responsibility

The Directors of HCI are solely responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information in terms of the Companies Act as described in paragraph 17 and Annexure 2 of the Circular, and for the financial information from which it has been prepared.

#### Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Reporting Accountants' responsibility

Our responsibility is to express an opinion, as required by the Companies Act, about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the Directors in accordance with the applicable criteria, based on our procedures performed. We are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information. In addition, we have not performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

## Scope

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420*, Assurance Reports on the Process to Compile *Pro Forma* Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the responsible party has applied the process to compile the *Pro Forma* Financial Information in accordance with the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Published Financial Information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the Published Financial Information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction as at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involved in performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information, provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the *Pro Forma* Financial Information, as set out in paragraph 17 and Annexure 2 of this Circular, has been compiled, in all material respects, on the basis of the applicable criteria specified by the Companies Act and the Listings Requirements.

### **BDO South Africa Incorporated**

Chartered Accountants (SA)

Registered Auditors

**Per Nick Lazanakis**

**Chartered Accountant (SA)**

**Registered Auditor**

**JSE Reporting Accountant Specialist**

52 Corlett Drive, Illovo, 2196



## HOSKEN CONSOLIDATED INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1973/007111/06)

Share code: HCI ISIN: ZAE000003257

("HCI" or "the Company")

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## NOTICE OF GENERAL MEETING

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

**NOTICE IS HEREBY GIVEN** that a general meeting of Shareholders will be held at the offices of Hosken Consolidated Investments Limited, Suite 801, 76 Regent Road, Sea Point, on Thursday, 15 October 2020 at 13:00 (South African Standard Time), to consider and, if deemed fit, pass, with or without modification, the resolutions set out hereunder.

Notes:

- For Ordinary Resolution Number 1 to be approved, it must be supported by more than 50% of the voting rights exercised on such resolution by Shareholders, excluding the relevant Related Parties and their associates. Related Parties and their associates will, however, be taken into account for purposes of determining the quorum for Ordinary Resolution Number 1.
- For Ordinary Resolution Number 2 to be approved, it must be supported by more than 50% of the voting rights exercised on such resolution by Shareholders.
- In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of that person to participate and vote at the General Meeting, either as a HCI Shareholder, or as a proxy or representative for a HCI Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green bar-coded or smart card identification document issued by the South African Department of Home Affairs, South African driver's licence or a valid passport.
- HCI Shareholders who are entitled to attend, participate in and vote at the General Meeting are reminded that they are entitled to appoint a proxy to attend, participate in and vote at the General Meeting in place of such HCI Shareholder, provided that in doing so such HCI Shareholder completes the attached Form of Proxy (grey) and follows the prescribed procedures set forth at the end of this Notice of General Meeting under the title "Voting requirements and proxies". A proxy need not also be a HCI Shareholder.
- See the "Action required by HCI Shareholders" section of the Circular for further information.

Record Date:

In terms of section 59(1)(a) and (b) of the Companies Act (and to the extent relevant the JSE Listings Requirements), the following are the record dates for the purposes of determining which Shareholders are entitled to:

- receive this Notice of General Meeting (being the date on which a HCI Shareholder must be registered in the Register in order to receive this Notice of General Meeting), which date is 4 September 2020; and
- participate in and vote at the General Meeting (being the date on which a HCI Shareholder must be registered in the Register in order to participate in and vote at the General Meeting), which date is 9 October 2020.

Therefore the last day to trade in order to be able to participate in and vote at the General Meeting is 6 October 2020.

### ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE HCI INVEST6 TRANSACTION

**IT IS RESOLVED AS AN ORDINARY RESOLUTION** that the HCI Invest6 Transaction, being HCI acquiring the Sactwu shares in and loan claims against HCI Invest6, pursuant to the HCI Invest6 Agreement, on terms and conditions more fully set out in the Circular, be and is hereby approved as a related party transaction in terms of paragraph 10.4(e) of the JSE Listings Requirements.

#### **Reason and effect**

HCI is a Related Party of Sactwu, and accordingly the HCI Invest6 Transaction constitutes a Related Party Transaction for HCI, which requires the approval of the Shareholders, excluding the affected Related Parties and their associates, by way of an ordinary resolution in accordance with paragraph 10.4(e) of the JSE Listings Requirements.

*The effect of Ordinary Resolution Number 1, if passed, will be to grant the necessary approval for the conclusion and implementation of the HCI Invest6 Transaction, in terms of the JSE Listings Requirements.*

## **ORDINARY RESOLUTION NUMBER 2 – DIRECTORS’ AUTHORITY**

**IT IS RESOLVED AS AN ORDINARY RESOLUTION** that any Director of HCI 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 give effect to the ordinary resolution set out above in this Notice of General Meeting and anything already done in this respect be and is hereby ratified.

### ***Reason and effect***

*The reason for and effect of Ordinary Resolution Number 2 is to authorise each Director of HCI to do all such things and sign all such documents as are deemed necessary or desirable to implement the ordinary resolution set out above in the Notice of General Meeting.*

## **VOTING AND PROXIES**

On a show of hands, every HCI Shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every HCI Shareholder, present in person or by proxy, shall have one vote for every HCI Share held or represented.

Certified Shareholders and Dematerialised Shareholders with “Own Name” Registration are entitled to appoint a proxy or proxies (for which purpose a Form of Proxy (*grey*) is included) to vote in their stead. The person so appointed need not be a HCI Shareholder.

Forms of proxy (*grey*) must be completed only by Certified Shareholders and Dematerialised Shareholders with “Own Name” Registration.

HCI Shareholders who have dematerialised their HCI Shares, other than those HCI Shareholders who have dematerialised their Shares with “Own Name” Registration, must contact their CSDP or Broker to furnish their CSDP or Broker with their voting instructions by the cut-off time and date advised by their CSDP or Broker for instructions of this nature in the manner stipulated in their respective custody agreements.

HCI does not accept any responsibility and will not be held liable for any failure on the part of the Broker or CSDP of any holder of Dematerialised Shares to notify such HCI Shareholder of this Circular and/or the General Meeting.

Forms of Proxy (*grey*) must be lodged with HCI’s Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; posted to the Transfer Secretaries at Private Bag X9000, Saxonwold, 2132; or e-mailed to proxy@computershare.co.za (Tel. +27 (0)861 100 950) by no later than 13:00 on **13 October 2020** for administrative purposes only.

The completion of a Form of Proxy (*grey*) does not preclude any HCI Shareholder registered by the voting Record Date from participating in the General Meeting.

By order of the Board

### **JA Copelyn**

Chief Executive Officer

### **Company Secretary**

HCI Managerial Services Proprietary Limited  
Suite 801, 76 Regent Road, Sea Point  
Cape Town, 8005  
(PO Box 5251, Cape Town, 8000)

### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank  
Johannesburg, 2196  
(Private Bag X9000, Saxonwold, 2132)



**HOSKEN CONSOLIDATED INVESTMENTS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1973/007111/06)

Share code: HCI ISIN: ZAE000003257

("HCI" or "the Company")

**FORM OF PROXY**

**FOR USE BY CERTIFICATED AND OWN NAME DEMATERIALISED SHAREHOLDERS ONLY**

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 only by:

- holders of Certificated Shares; and
holders of Dematerialised Shares held through a Central Securities Depository Participant (CSDP) or Broker and who have selected "Own Name" Registration,

at the General Meeting to be held at 13:00 on 15 October 2020 and at any adjournment thereof.

If you are a HCI Shareholder referred to above, and are entitled to vote at the General Meeting, you can appoint a proxy or proxies to vote and speak in your stead at the General Meeting. A proxy need not be a HCI Shareholder. If you are a HCI Shareholder and have dematerialised your HCI Shares through a CSDP (and have not selected "Own Name" Registration in the sub-register maintained by a CSDP), do not complete this Form of Proxy but provide your CSDP with your voting instructions in terms of your custody agreement entered into with it. Generally, a HCI Shareholder will not be an Own Name Dematerialised Shareholder unless the HCI Shareholder has specifically requested the CSDP to record the HCI Shareholder as the holder of Shares in the HCI Shareholder's own name in HCI's sub-register.

I/We (Full name in print) \_\_\_\_\_

of (address) \_\_\_\_\_

Telephone: (work) area code ( ) \_\_\_\_\_ Telephone: (home) area code ( ) \_\_\_\_\_

Cell phone number: \_\_\_\_\_ E-mail address: \_\_\_\_\_

being the holder of \_\_\_\_\_ Shares in HCI, hereby appoint:

- 1. \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ or failing him/her
3. the chairperson of the General Meeting,

as my/our proxy to speak and vote for me/us at the General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instructions (see notes):

Table with 3 columns: Resolution description, In favour of\*, Against\*, Abstain\*. Rows include Ordinary Resolution Number 1 (Approval of the HCI Invest6 Transaction) and Ordinary Resolution Number 2 (Directors' authority).

\* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Shares held by them. If the Form of Proxy is returned without an indication as to how the proxy should vote on any particular matter, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature(s) \_\_\_\_\_

Capacity of signatory (where applicable) \_\_\_\_\_

Assisted by (where applicable) (state capacity and full name) \_\_\_\_\_

Each Shareholder is entitled to appoint one or more proxy(ies) (who need not be Shareholder(s) of HCI) to speak and vote in his/her stead at the General Meeting.

**Notes:**

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

Every Shareholder present in person or by proxy and entitled to vote at the General Meeting shall, on a show of hands, have one vote only, irrespective of the number of Shares such Shareholder holds. In the event of a poll, every Shareholder shall be entitled to that proportion of the total votes in HCI which the aggregate amount of the nominal value of the Shares held by such Shareholder bears to the aggregate amount of the nominal value of all the Shares issued by HCI.

Shareholders who have Dematerialised their Shares with a CSDP or Broker, other than Own Name Dematerialised Shareholders, must arrange with the CSDP or Broker concerned to provide them with the necessary authorisation to attend the General Meeting or the Shareholders concerned must instruct their CSDP or Broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or Broker concerned.

**Instructions on signing and lodging the Form of Proxy:**

A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided, with or without deleting "the chairperson of the General Meeting", but any such deletion must be initialled by the Shareholder. Should the space(s) be left blank, the proxy will be exercised by the chairperson of the General Meeting. 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.

A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries or HCI.

The completed Form of Proxy must be delivered or posted to or sent via e-mail to the Transfer Secretaries at the addresses set out below, to be received by them preferably by no later than 13:00 (South African Standard Time) on 13 October 2020, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

**Transfer Secretaries****Postal/E-mail deliveries to:**

Computershare Investor Services Proprietary Limited  
Private Bag X9000  
Saxonwold, 2132  
E-mail address: proxy@computershare.co.za

**Hand deliveries to:**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196

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.

The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending at the General Meeting and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

The appointment of a proxy in terms of this Form of Proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly 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 to HCI.

The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this Form of Proxy must be initialled by the signatory(ies).

The chairperson of the General Meeting may accept any Form of Proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a Shareholder wishes to vote.



