



HOSKEN CONSOLIDATED INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1973/007111/06
Share code: HCI
ISIN: ZAE00003257
("HCI")



SEARDEL INVESTMENT CORPORATION LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1968/011249/06
Ordinary share code: SRN; N-ordinary share code: SER
ISIN: ZAE000030144; ISIN: ZAE000029815
("SearDel")

JOINT ANNOUNCEMENT REGARDING THE ACQUISITION BY SEARDEL OF A FURTHER INDIRECT STAKE IN SABIDO INVESTMENTS PROPRIETARY LIMITED

1. Introduction

HCI ordinary shareholders ("HCI Shareholders") and SearDel ordinary shareholders and N-ordinary shareholders (collectively "SearDel Shareholders") are advised that SearDel has concluded an agreement with the Southern African Clothing and Textile Workers Union ("Sactwu") to acquire Sactwu's 30% equity interest in HCI Invest 3 Holdco Proprietary Limited ("Sabido Holdco") in exchange for the issue of 150 million new N-ordinary shares in SearDel ("N-Shares") at R1.60 per N-Share ("the Proposed Acquisition"). Sabido Holdco holds a 63.9% interest in Sabido Investments Proprietary Limited ("Sabido"), which in turn holds investments in, *inter alia*, South Africa's first and only private commercial free-to-air television channel, e.tv, South Africa's first 24-hour television news channel, the eNews Channel, as well as Yfm and Sasani Studios.

2. Rationale

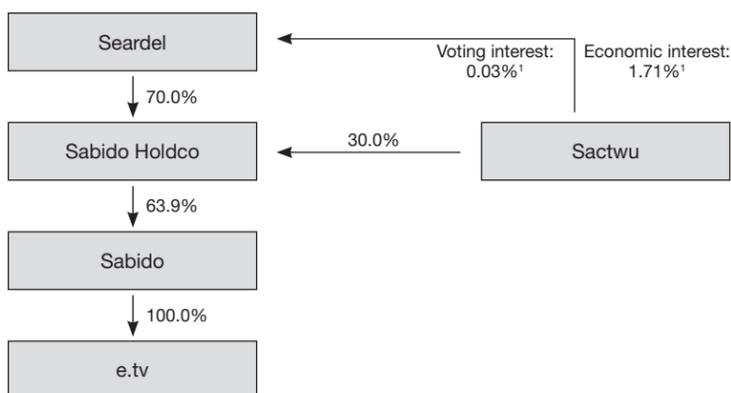
The Proposed Acquisition provides a number of strategic benefits to HCI, SearDel and their shareholders including:

- simplifying the group structure as, following the Proposed Acquisition, SearDel will hold all of the issued shares of Sabido Holdco;
- increasing SearDel Shareholders' exposure to Sabido and its underlying investments; and
- increasing SearDel's BEE ownership by introducing Sactwu as a direct shareholder of SearDel.

From a Sactwu perspective, the Proposed Acquisition will ensure that it retains exposure to the highly cash-generative Sabido investment and will result in it holding an investment in N-Shares with a listed reference price rather than unlisted shares in Sabido Holdco.

3. Terms of the Proposed Acquisition

The current structure of SearDel and Sactwu's investment in Sabido is as follows:

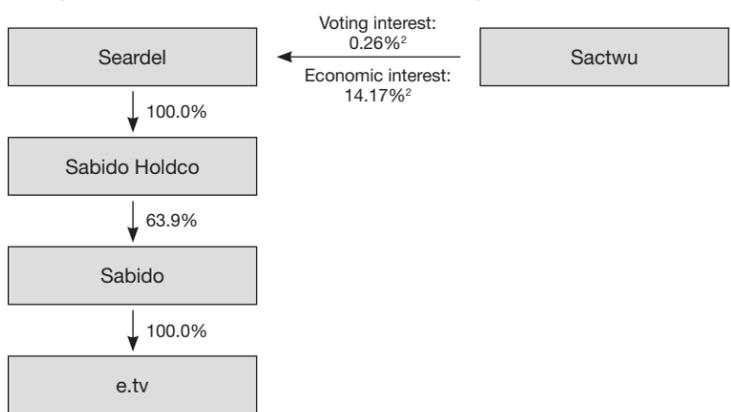


Note:

- Sactwu holds 17 659 320 N-Shares prior to the implementation of the Proposed Acquisition which equates to an effective economic and voting interest in SearDel of 1.71% and 0.03% respectively.

In terms of the Proposed Acquisition, SearDel will acquire Sactwu's 30% stake in Sabido Holdco in exchange for the issue of 150 million new N-Shares at R1.60 per N-Share. The effective date of the Proposed Acquisition will be the 5th business day following the fulfilment (or waiver) of the conditions precedent outlined in paragraph 5.

The Proposed Acquisition will simplify the group structure and will result in SearDel holding 100% of Sabido Holdco, with Sactwu acquiring listed N-Shares as follows:



Note:

- Sactwu will hold 167 659 320 N-Shares following the implementation of the Proposed Acquisition which equates to an effective economic and voting interest in SearDel of 14.17% and 0.26% respectively.

4. An overview of Sabido

Sabido is a media group that is jointly owned by Sabido Holdco and Remgro Limited. The Sabido media grew out of the success of e.tv, South Africa's first and only private commercial free-to-air television channel, which launched in 1998 and which is wholly owned by Sabido.

In 2008, Sabido launched South Africa's first 24-hour television news channel, the eNews Channel. It also operates a pan-African entertainment channel, e.tv Africa, which broadcasts in 49 countries across the continent and has direct investment in broadcasting businesses in Botswana and Ghana.

Sabido continues to expand its media business with investments in content, production and distribution as well as the launch of services across multiple platforms and territories.

5. Conditions precedent to the Proposed Acquisition

The Proposed Acquisition is subject to the fulfilment or waiver of the following conditions precedent:

- the obtaining of the approval of the JSE Limited ("JSE"):
 - of the documentation to be issued to shareholders of SearDel in connection with the Proposed Acquisition; and
 - for the listing of the N-Shares to be issued to Sactwu as consideration in terms of the Proposed Acquisition;
- the obtaining of the approval of the shareholders of SearDel for the Proposed Acquisition in accordance with the provisions of the Listings Requirements of the JSE ("Listings Requirements") and the Companies Act, 2008, as amended ("Companies Act");
- the obtaining of the consents of the bankers of SearDel and HCI to the Proposed Acquisition;
- the obtaining of such regulatory approvals as may be necessary; and
- the filing and registration by the Companies and Intellectual Property Commission of the special resolution amending SearDel's Memorandum of Incorporation in order to increase the number of N-Shares.

6. Financial effects

6.1 HCI

HCI Shareholders are hereby advised that the financial effects of the Proposed Acquisition on HCI's historical earnings, headline earnings, net asset value and net tangible asset value are not significant.

6.2 SearDel

The table below sets out the unaudited *pro forma* financial effects of the Proposed Acquisition on the earnings, diluted earnings, headline earnings and diluted headline earnings per SearDel share for the year ended 31 March 2013 and the net asset value and tangible net asset value per SearDel share at that date.

The unaudited *pro forma* financial effects have been prepared in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS"). The accounting policies used to prepare the unaudited *pro forma* financial effects are consistent with those applied in the preparation of the financial statements for the year ended 31 March 2013.

The unaudited *pro forma* financial effects have been prepared for illustrative purposes only, in order to provide information on how the Proposed Acquisition may have affected the financial results and position of a SearDel Shareholder and, because of their nature, may not give a true reflection of the actual financial effects of the Proposed Acquisition. The unaudited *pro forma* financial effects are the responsibility of the directors of SearDel.

Per SearDel share	Before the Proposed Acquisition (cents) ¹	After the Proposed Acquisition (cents) ^{2,3,4}	% change	Notes
Earnings	9.4	10.3	9.6	3
Diluted earnings	9.2	10.1	9.8	3
Headline earnings	5.3	5.8	9.4	3
Diluted headline earnings	5.1	5.7	11.8	3
Net asset value	195.6	191.1	(2.3)	4
Tangible net asset value	(267.8)	(213.5)	20.3	4
Weighted average number of SearDel shares in issue ('000)	1 035 310	1 185 310	14.5	
Diluted weighted average number of SearDel shares in issue ('000)	1 060 913	1 210 913	14.1	
Number of SearDel shares in issue ('000)	1 032 892	1 182 892	14.5	

Notes to the unaudited *pro forma* financial effects

- The *Before the Proposed Acquisition* column reflects the earnings, diluted earnings, headline earnings, diluted headline earnings, net asset value and the tangible net asset value per SearDel share based on the unaudited *pro forma* financial effects disclosed in the SearDel circular to shareholders dated 10 July 2013.
- The *After the Proposed Acquisition* column is based on information extracted from the audited consolidated financial statements of Sabido Holdco and the consolidated audited financial statements of Sabido for the year ended 31 March 2013.
- The effects on earnings, diluted earnings, headline earnings and diluted headline earnings per SearDel share are based on the following assumptions and information:
 - the Proposed Acquisition was effective 1 April 2012 and the 150 million new N-Shares were issued at R1.60 per SearDel share on this date in settlement of the purchase price; and
 - the costs relating to the Proposed Acquisition, which are once-off in nature, have not been included in the calculation as they are not considered to have a significant impact.
- The effects on net asset value and tangible net asset value per SearDel share are based on the following assumptions:
 - the Proposed Acquisition was effective 31 March 2013 and the 150 million new N-Shares were issued at R1.60 per SearDel share on this date in settlement of the purchase price; and
 - the costs relating to the Proposed Acquisition, which are once-off in nature, have not been included in the calculation as they are not considered to have a significant impact.

7. Restructuring of HCI's holding of SearDel N-Shares

HCI Shareholders are further advised that, pursuant to the Proposed Acquisition, HCI and Sactwu have entered into an agreement in terms of which 350 000 000 N-Shares owned by HCI and the 150 000 000 N-Shares which will be owned by Sactwu on implementation of the Proposed Acquisition, will be transferred to HCI Invest 6 Holdco Proprietary Limited ("SPV") in exchange for shares in SPV ("N-Share Restructuring"). The shares in SPV will be held as to 70% by HCI and 30% by Sactwu such that HCI and Sactwu's respective effective beneficial interests in N-Shares are unchanged.

The N-Share Restructuring is subject to the fulfilment of a number of conditions precedent including, *inter alia*:

- the Proposed Acquisition being implemented;
- the obtaining of the consents of the bankers of HCI; and
- the obtaining of the necessary regulatory approvals.

8. Categorisation and documentation

8.1 HCI

In terms of the Listings Requirements, the Proposed Acquisition is a related party transaction as Sactwu is a material shareholder of HCI. However, due to the size of the Proposed Acquisition, it is classified as a small related party transaction. Accordingly, HCI Shareholder approval is not required in order to implement the Proposed Acquisition although a fairness opinion has been obtained in terms of the Listings Requirements as detailed in paragraph 9 below.

8.2 SearDel

The Proposed Acquisition is a category 2 transaction for SearDel. In terms of the Listings Requirements, the Proposed Acquisition is also a related party transaction as Sactwu is a material shareholder of Sabido Holdco and of HCI, SearDel's holding company. Accordingly, the transaction is subject to approval by means of an ordinary resolution by SearDel Shareholders excluding Sactwu.

A circular will be issued to SearDel Shareholders in accordance with the Listings Requirements and the Companies Act, which will incorporate a notice convening a general meeting of SearDel Shareholders to pass the resolutions necessary to approve the Proposed Acquisition.

9. Fairness opinion

9.1 HCI

The directors of HCI have appointed BDO Corporate Finance Proprietary Limited as the independent expert ("Independent Expert") to provide the fairness opinion on the Proposed Acquisition required as a result of it being classified as a small related party transaction in terms of the Listings Requirements.

In accordance with paragraph 10.7(b) of the Listings Requirements, HCI has provided the JSE with confirmation from the Independent Expert that the terms of the Proposed Acquisition with Sactwu are fair as far as the remaining HCI Shareholders are concerned. The fairness opinion will lie for inspection at HCI's registered office (Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001) for a period of 28 days from the date of this announcement.

9.2 SearDel

The directors of SearDel have appointed BDO Corporate Finance Proprietary Limited as the Independent Expert to provide the fairness opinion on the Proposed Acquisition. The fairness opinion will form part of the circular to SearDel Shareholders referred to above.

Cape Town
10 October 2013

Investment bank & Sponsor to HCI and SearDel

Out of the Ordinary®



Specialist Bank

Independent expert



Joint legal advisers to HCI and SearDel



Reporting accountants to HCI and SearDel



An instinct for growth™

Joint legal advisers to HCI and SearDel

