



**Hunt
Leuchars &
Hepburn
Holdings
Limited**

(Incorporated in the Republic of South Africa)
(Registration number 1924/001164/06)
Ordinary share code: HLH ISIN: ZAE000003299
Preference share code: HLHP ISIN: ZAE000011441
("HL&H")

**PROPOSED SCHEMES OF ARRANGEMENT IN TERMS OF SECTION 311 OF THE COMPANIES ACT,
1973 (ACT 61 OF 1973), AS AMENDED ("THE ACT"),
PROPOSED BY INDUSTRIAL PARTNERSHIPS INVESTMENTS LIMITED ("IPI"),
A SUBSIDIARY OF REMGRO LIMITED ("REMGRO"), BETWEEN
HL&H AND ITS ORDINARY AND PREFERENCE SHAREHOLDERS (OTHER THAN IPI)**

1. INTRODUCTION

- 1.1 Further to the cautionary announcement released on The Securities Exchange News Service ("SENS") on Thursday, 4 July 2002 and in the press on Friday, 5 July 2002 ("the cautionary announcement"), PSG Investment Bank Limited ("PSGIB") is authorised to announce that IPI intends to propose schemes of arrangement between HL&H and its ordinary and preference shareholders ("HL&H shareholders"), other than IPI ("scheme members"), in terms of section 311 of the Act ("the schemes"). Upon the sanctioning of the schemes by the High Court of South Africa ("the Court"), IPI will acquire 59 862 158 HL&H ordinary shares ("the ordinary scheme shares") and 37 878 656 HL&H preference shares ("the preference scheme shares") (collectively "the scheme shares"). As a result, HL&H will become a wholly-owned subsidiary of IPI and the listing of HL&H's ordinary and preference shares on the JSE Securities Exchange South Africa ("the JSE") will, accordingly, be terminated.
- 1.2 IPI reserves the right to effect the transaction in paragraph 1.1 above in such other manner as IPI considers to be more cost effective and have the same effects as the proposed schemes.
- 1.3 IPI currently owns 162 932 743 out of the 222 794 901 issued ordinary shares in HL&H and 83 771 330 out of the 121 649 986 issued preference shares in HL&H, representing 73,1% and 68,9% of HL&H's issued ordinary share capital and preference share capital, respectively.

2. RATIONALE FOR THE SCHEMES

- 2.1 There has for some time been very low liquidity in the HL&H shares. IPI has advised the board of directors of HL&H ("the board") that it is of the opinion that, given the lack of tradeability of the share and the high costs associated with maintaining a listing on the JSE, there appears to be little justification for the continued listing of HL&H.
- 2.2 Consequently, IPI, as controlling shareholder of HL&H, has advised HL&H that it intends to propose schemes of arrangement as regards the ordinary and preference shareholders in HL&H which will enable HL&H shareholders to realise their investment at a significant premium to the recent HL&H market prices.

3. TERMS OF THE SCHEMES

- 3.1 Subject to the fulfilment of the conditions precedent referred to in paragraph 6 below, scheme members registered as such on the record date of the schemes will, upon the schemes becoming operative, be entitled to receive a cash consideration of 957 cents per ordinary scheme share and 997 cents per preference scheme share ("the scheme consideration"), which represents a 17,4% and 20,1% premium, respectively, to the market price of HL&H ordinary shares of 815 cents and HL&H preference shares of 830 cents on Thursday, 4 July 2002, the last trading day prior to the publication of the cautionary announcement. If the proposed schemes are implemented, scheme members will not be entitled to ordinary or preference dividends declared after 5 July 2002, the date of the publication of the cautionary announcement. The aggregate consideration receivable by the scheme members will be R950 531 052,38, excluding a net consideration of R39 922 859,00 to be paid to participants in the share incentive scheme.
- 3.2 In the event of the schemes not becoming operative for any reason, IPI may, at its election, make a substitute offer to acquire all the HL&H ordinary and preference shares held by HL&H shareholders, other than IPI, for the same considerations, i.e. 957 cents per ordinary share and 997 cents per preference share ("the substitute offer"). This substitute offer will be conditional upon HL&H minority shareholders holding no less than 90% of both the ordinary shares and the preference shares accepting the substitute offer, in which case IPI will invoke the provisions of section 440K of the Act to compulsorily acquire the shares held by HL&H minority shareholders who do not accept the substitute offer.

4. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

- 4.1 The board has appointed Standard Corporate and Merchant Bank, a division of The Standard Bank of South Africa Limited, as the independent adviser to advise the board as to whether the scheme consideration is fair and reasonable to scheme members. This opinion and the opinion of the board will be published as part of the salient dates announcement referred to in paragraph 9 below.
- 4.2 HL&H shareholders controlling 44 666 914 ordinary shares and 30 236 609 preference shares at the date of this announcement have, within the limitations of their mandates, undertaken to vote in favour of the schemes and accept the scheme consideration or, if applicable, to accept the substitute offer. These undertakings currently represent 76,2% of the ordinary scheme shares and 80,0% of the preference scheme shares that can vote.

5. FINANCIAL EFFECTS OF THE SCHEMES

5.1 On HL&H ordinary shareholders

The financial effects of the scheme on a scheme member holding ordinary scheme shares are as follows:

	Per 100 ordinary shares held		
	Before the scheme (cents)	After the scheme (cents)	% change
Market value	81 500 ⁽¹⁾	95 700	17,4
Net tangible asset value	79 440 ⁽²⁾	95 700	20,5
Diluted net tangible asset value	55 960 ⁽²⁾	95 700	71,0
Earnings	9 010 ⁽³⁾	7 656 ⁽⁴⁾	(15,0)
Headline earnings	9 060 ⁽³⁾	7 656 ⁽⁴⁾	(15,5)
Diluted headline earnings	7 270 ⁽³⁾	7 656 ⁽⁴⁾	5,3

Notes:

- Based on the closing market price of HL&H ordinary shares of 815 cents on 4 July 2002, the last trading day prior to the publication of the cautionary announcement relating to the scheme.
- Based on HL&H's net tangible asset value and diluted net tangible asset value per share at 31 March 2002 of 794,4 cents and 559,6 cents, respectively.
- Based on HL&H's earnings, headline earnings and diluted headline earnings per share for the year ended 31 March 2002 of 90,1 cents, 90,6 cents and 72,7 cents, respectively.
- Based on the assumption that the scheme consideration had been invested to earn an after-tax return of 8% during the year ended 31 March 2002.

5.2 On HL&H preference shareholders

The financial effects of the scheme on a scheme member holding preference scheme shares are as follows:

	Per 100 preference shares held		
	Before the scheme (cents)	After the scheme (cents)	% change
Market value	83 000 ⁽¹⁾	99 700	20,1
Diluted net tangible asset value	55 960 ⁽²⁾	99 700	78,2
Dividend	4 340 ⁽³⁾	7 976 ⁽⁵⁾	83,8
Diluted headline earnings	7 270 ⁽⁴⁾	7 976 ⁽⁵⁾	9,7

Notes:

- Based on the closing market price of HL&H ordinary shares of 830 cents on 4 July 2002, the last trading day prior to the publication of the cautionary announcement relating to the scheme.
- Based on HL&H's diluted net tangible asset value per share at 31 March 2002 of 559,6 cents.
- Based on the preference dividends per share relating to the 2002 financial year of 43,4 cents.
- Based on HL&H's diluted headline earnings per share for the year ended 31 March 2002 of 72,7 cents.
- Based on the assumption that the scheme consideration had been invested to earn an after tax return of 8% during the year ended 31 March 2002.

6. CONDITIONS PRECEDENT

The implementation of the schemes is subject to, *inter alia*, the following conditions precedent:

- HL&H board approval;
- the requisite majority of votes being cast in favour of the relevant scheme at separate meetings of scheme members holding, respectively, ordinary scheme shares and preference scheme shares, to be convened for such purpose;
- the Court sanctioning the schemes, and the resultant Order of Court sanctioning the schemes being registered by the Registrar of Companies; and
- receipt of the necessary regulatory approvals including, to the extent required, approvals from the JSE, the Securities Regulation Panel ("SRP"), and the South African Reserve Bank.

7. CONFIRMATION TO THE SRP

PSGIB has satisfied the SRP that IPI has sufficient cash resources available to meet its obligations in terms of the schemes.

8. TERMINATION OF HL&H'S LISTING ON THE JSE

Application will be made for the termination of HL&H's listing on the JSE with effect from the operative date of the schemes. Full details of the acceptance and surrender procedure for HL&H share certificates and other documents of title will be contained in the scheme documentation referred to in paragraph 9 below.

9. FURTHER ANNOUNCEMENT AND DOCUMENTATION

- 9.1 Subject to the necessary approvals from the JSE and the SRP, and subject to the Court granting leave to convene scheme meetings, a circular containing full details of the schemes will be posted to scheme members within 30 days of this announcement.
- 9.2 A further announcement setting out the salient dates of the schemes will be published in the press in due course.

Sandton
8 August 2002

**Investment bank and
transactional sponsor**



Sponsor



Attorneys



**Corporate law advisers
and consultants**



**Merchant bank
to HL&H**



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