

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, please consult your Central Securities Depository Participant ("CSDP") broker, banker, attorney, accountant or other professional adviser immediately. This rights offer circular incorporates revised listing particulars and is issued in compliance with the Listings Requirements of the JSE Limited for the purpose of giving information to the public with regard to the company.

**The rights offers contained herein do not constitute an offer in any jurisdiction in which it is illegal to make such an offer and in such circumstances this circular and accompanying forms of instruction are distributed for information only.**

The rights offer shares will not be registered for purposes of the rights offers with the Securities and Exchange Commission, Washington DC, or with the Canadian Provincial Securities Commission or with the Australian Securities Commission under Australian Corporation Law; or under the Public Offers of Securities Regulations 1995 of the United Kingdom. **Accordingly, the rights offers will not be made to or be open for acceptance by persons with registered addresses in the United States of America or within any of its territories, dependencies, possessions, or commonwealths, or in the district of Columbia, or in the Dominion of Canada, or in the Commonwealth of Australia, its states, territories or possessions, or in the United Kingdom. The CSDP or broker will ensure, where such shareholders are holding shares in dematerialised form, that such shareholders adhere to the above restrictions.**

### Action required

1. If you wish to take up your rights in terms of the renounceable rights offer contained in this circular, you must follow the procedure for acceptance and payment set out in paragraph 5.11 commencing on page 17 of this circular.
2. If you wish to renounce your rights you must follow the procedure for renunciation set out in paragraph 4.2 of this circular.
3. If you have disposed of your entire holding of ordinary shares in AfroCentric on or prior to Friday, 14 July 2006, you should forward this circular, together with the enclosed letter of instruction in respect of a renounceable (nil paid) letter of allocation to the purchaser to whom, or CSDP, broker, banker or other agent through whom, you disposed of such holding of ordinary shares.
4. The rights that are represented by the forms of instruction in respect of renounceable (nil paid) letters of allocation issued to certificated AfroCentric shareholders are negotiable and may be traded on the JSE Limited.
5. The renounceable (nil paid) letters of allocation to which a certificated shareholder is entitled have been created in electronic form and the electronic record for certificated shareholders in AfroCentric is being maintained by Computershare Nominees (Pty) Limited.
6. AfroCentric shareholders who have dematerialised their shares through a CSDP or broker and wish to participate in the rights offer and/or mandatory offer detailed in this circular must instruct their CSDP or broker accordingly. This should be done in terms of the agreement in existence between the dematerialised shareholder and the CSDP or broker.
7. Certificated shareholders who wish to accept the mandatory offer contained in Annexure 12 must complete the attached form of surrender, transfer and acceptance and return it, together with the relevant share certificates and/or other documents of title to the transfer secretaries to be received by no later than 12:00 on Friday, 11 August 2006.

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# AFROCENTRIC INVESTMENT CORPORATION LIMITED

*(Formerly WB Holdings Limited)*

(Incorporated in the Republic of South Africa)

(Registration number 1988/000570/06)

JSE codes: ACT, ACP    ISIN: ZAE000078416, ZAE 000082269

("AfroCentric" or "the company")

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## CIRCULAR TO SHAREHOLDERS

relating to:

- **renounceable rights offers of:**
  - **84 600 000 AfroCentric ordinary shares at a subscription price of 100 cents each, in the ratio of 900 new ordinary shares for every 100 ordinary shares held in AfroCentric at the close of business on Friday, 21 July 2006; and**
  - **16 638 000 AfroCentric redeemable preference shares at a subscription price of 91 cents each, in the ratio of 177 new redeemable preference shares for every 100 ordinary shares held in AfroCentric at the close of business on Friday, 21 July 2006;**
- **a mandatory offer of 100 cents per share to minority AfroCentric shareholders ("the mandatory offer") following a change of control pursuant to the rights offers;**

and incorporating

- **revised listing particulars for AfroCentric as required in compliance with the Listings Requirements of the JSE Limited;**
- **(for use by holders of certificated shares only) a form of surrender, transfer and acceptance in respect of the mandatory offer;**
- **(for use by holders of certificated shares only) forms of instruction in respect of the letters of allocation providing for acceptance and/or sale and/or renunciation of all or part of the rights entitlements embodied in the renounceable (nil paid) letters of allocation.**

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**Rights offers and mandatory offer open at 09:00**

**Monday, 24 July 2006**

**Rights offers and mandatory offer close at 12:00**

**Friday, 11 August 2006**

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Copies of the form of instruction in respect of a renounceable (nil paid) letter of allocation, together with this circular and the other required documents referred to in paragraph 5.14 of this circular have been lodged with and registered in English by the Registrar of Companies in terms of sections 146A(1) and (2) of the Companies Act, 1973 (Act 61 of 1973), as amended.

The directors of AfroCentric, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and that this circular contains all the information required by law and the Listings Requirements of the JSE Limited. This circular is only available in English and copies thereof may be obtained from the registered office of the company, Computershare Investor Services 2004 (Proprietary) Limited and Sasfin Capital, the addresses of which appear in the "Corporate information" section of this circular.

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This rights offer circular incorporates revised listing particulars and is issued in compliance with the Listings Requirements of the JSE Limited for the purpose of providing information to the public with regard to the company.

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Date of issue: 24 July 2006

**Attorneys**



Attorneys, Notaries  
and Conveyancers

**Corporate adviser and sponsor**

**sasfin**

CAPITAL

**Auditors and reporting accountants**



**SizweNtsaluba vsp**  
est. 1985

**Bankers to ACET**



**IMPERIAL BANK**

**Adviser to AfroCentric**

**CENTRIC CAPITAL**  
VENTURES LLC

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Forms of instruction in respect of the renounceable (nil paid) letters of allocation ( <b>green</b> in respect of the ordinary shares rights offer and <b>yellow</b> in respect of the redeemable preference shares rights offer) for use by holders of certificated shares only	Enclosed

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## CORPORATE INFORMATION

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### Secretary and registered office

**Secretary:** M I Sacks CA(SA), AICPA (ISR)

### Registered office

Fisher Hoffman PKF (Jhb) Inc.  
(Registration number 1994/001166/21)  
FHS House  
15 Girton Road  
Parktown, 2193  
PostNet Suite 200  
(Private Bag X30500, Houghton, 2041)

### Attorneys

HR Levin  
Attorneys Notaries and Conveyancers  
Kentgate, 64 Kent Road  
Corner Oxford Road  
Dunkeld, 2196  
Johannesburg  
(PO Box 52235, Saxonwold, 2132)

### Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited  
(Registration number 2004/003647/07)  
Ground Floor, 70 Marshall Street  
Johannesburg 2001  
(PO Box 61763, Marshalltown, 2107)

### Banker to ACET

Imperial Bank Limited  
(Registration number 1995/012641/06)  
24 Achter Road  
Paulshof 2021  
(PO Box 6093 Rivonia 2128)

### Sponsor and corporate adviser

Sasfin Capital  
A division of Sasfin Bank Limited  
(Registration number 1951/002280/06)  
13 – 15 Scott Street  
Waverley, 2090  
(PO Box 95104, Grant Park, 2051)

### Auditors and reporting accountants

SizweNtsaluba vsp  
1 Woodmead Drive  
Woodmead Estate  
Woodmead, 2196  
(PO Box 2939, Saxonwold, 2132)

### Corporate banker

Nedbank Corporate,  
A division of Nedbank Limited  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

### Adviser to AfroCentric

Centric Capital Ventures LLC  
708 Third Avenue  
Floor 5  
New York, New York 10017

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## SALIENT FEATURES AND ACTION REQUIRED BY SHAREHOLDERS

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The definitions commencing on page 7 of this circular apply, *mutatis mutandis*, to this information on the salient features of the rights offers and the action required by shareholders. Shareholders should not construe anything in this circular as legal, business or tax advice. Shareholders who are in any doubt as to what action to take or who require advice as to whether it is legally permissible for them to accept the rights offers should consult their broker, banker, accountant, attorney or other professional adviser immediately.

### BACKGROUND

On 20 December 2005 control of AfroCentric changed when Messrs Meyer Kahn (Chairman of SABMiller plc) and Michael (Motty) Sacks (Chairman of Network Healthcare Holdings Limited) purchased 80% of the issued share capital. Their purpose was to reconstitute AfroCentric, which was then a cash shell, as a broad-based black empowered diversified investment holding company that would actively participate in the economic transformation presently occurring in South Africa. Pursuant to this objective a leading group of fellow directors was appointed, namely Ms Brigalia Bam (Chair of the Independent Electoral Commission), Ms Nomhle Canca (CEO of Blue IQ Investment Holdings), Mr Mandla Gantsho (at the time of appointment CEO of the Development Bank of Southern Africa, now recently appointed Vice-President, Operations, North, East and South Africa Region of the African Development Bank), Mr Brian Joffe (CEO of the Bidvest Group) and Prof Derrick Swartz (Vice-Chancellor of The University of Fort Hare).

The board of AfroCentric has resolved to recapitalise the company to enable it to achieve its investment objectives by means of the rights offers detailed below. As part of the recapitalisation process, ACET, a trust established for the purpose, will acquire 50,1% of the issued ordinary share capital of AfroCentric. This trust has leading black institutions as its beneficiaries.

AfroCentric intends to invest in enterprises that could materially benefit from its principal BEE status and the entrepreneurial and intellectual capital which resides in the company. The investment philosophy of AfroCentric will be strictly commercial and will embody the active participation in or management of the selected investments, depending on the circumstances in each case.

The company intends to appoint a permanent executive management team and is in the process of reviewing appropriate candidates. Until such time as the executive team is appointed and established, Messrs Kahn and Sacks have agreed to assume the roles of acting management (in consultation with Mr Brian Joffe) through a presently informal management agreement. Following the appointment of the executive, Messrs Joffe, Kahn and Sacks will continue to provide advice and guidance under the auspices and mandate of the board investment committee.

In view of the change in control to ACET through the renunciation of the rights to 47 100 000 new ordinary shares by Messrs Kahn and Sacks, ACET will, simultaneously with the rights offers, make a mandatory offer to AfroCentric minority shareholders in terms of the Code to acquire their shares at 100 cents per share, being the highest price paid by ACET for the shares it will have acquired. The terms of the mandatory offer are set out in Annexure 12.

### THE RIGHTS OFFERS

There are **two** rights offers contained in this circular, namely the ordinary shares rights offer and the redeemable preference shares rights offer. The rights offers are not linked and the rights contained herein may be accepted, sold or renounced independently of each other. Reference to the "rights offers" is to both the ordinary share offer and the redeemable preference share rights offer.

1. **Salient features of the ordinary shares rights offer**

Number of new ordinary shares to be issued	84 600 000
Subscription price per new ordinary share (cents)	100
Number of new ordinary shares offered per 100 ordinary shares held at the record date	900
Total amount to be raised in terms of the ordinary shares rights offer (before expenses)	R84 600 000
Number of ordinary shares in issue before the ordinary shares rights offer	9 400 000
Number of ordinary shares in issue after the ordinary shares rights offer	94 000 000

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2. **Salient features of the redeemable preference shares rights offer**

Number of new redeemable preference shares to be issued	16 638 000
Subscription price per new redeemable preference share (cents)	91
Number of new redeemable preference shares offered per 100 ordinary shares held at the record date	177
Total amount to be raised in terms of the redeemable preference shares offer (before expenses)	R15 140 580
Number of redeemable preference shares in issue before the rights offer	–
Number of redeemable preference shares in issue after the rights offer	16 638 000

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3. **Total amount to be raised in terms of the rights offers (before expenses)** R99 740 580

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4. **Action required by certificated shareholders relating to the rights offers**

4.1 If you wish to accept either or both of the rights offers:

Complete the enclosed form/s of instruction (**green** in respect of the ordinary shares offer and **yellow** in respect of the redeemable preference shares rights offer) in accordance with the instructions contained therein and forward them to the transfer secretaries at either of the addresses set out below, so as to be received by no later than 12:00 on Friday, 11 August 2006.

*Ordinary shares rights offer*

Should you wish to subscribe for new ordinary shares offered or renounced to you, a banker's draft drawn on a registered bank or a cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**AfroCentric – Ordinary shares rights offer**" in respect of the amount due, together with a properly completed form of instruction (**green**), should be placed in an envelope clearly marked "**AfroCentric – Ordinary shares rights offer**";

*Redeemable preference shares rights offer*

Should you wish to subscribe for new redeemable preference shares offered or renounced to you, a banker's draft drawn on a registered bank or a cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**AfroCentric – Redeemable preference shares rights offer**" in respect of the amount due, together with a properly completed form of instruction (**yellow**), should be placed in an envelope clearly marked "**AfroCentric – Redeemable preference shares rights offer**";

and in each case delivered to:

Computershare Investor Services 2004 (Pty) Limited  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001

so as to be received by no later than 12:00 on Friday, 11 August 2006, or may be posted, at the risk of the shareholder concerned, to:

Computershare Investor Services 2004 (Pty) Limited  
PO Box 61763  
Marshalltown, 2107

so as to be received by no later than 12:00 on Friday, 11 August 2006.

If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying AfroCentric shareholder or from any person in whose favour the rights have been renounced) by 12:00 on Friday, 11 August 2006, then the rights to those unsubscribed rights shares will be deemed to have been declined and the rights entitlement will lapse.

#### 4.2 If you wish to sell or renounce all or part of your entitlements:

If you do not wish to subscribe for all of the rights allocated to you as reflected in the enclosed forms of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

If you wish to sell all or part of your entitlement, you must complete Form A in the relevant enclosed form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 4 August 2006. Note that the transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, the transfer secretaries will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such entitlements; and

If you wish to renounce your entitlements in favour of any named renounee, you must complete Form B in the relevant enclosed form of instruction and deliver it to the renounee who may then accept in terms of paragraph 4.1 above.

### 5. **Action required by dematerialised shareholders in respect of the rights offers**

If you have dematerialised your AfroCentric shares, you will not receive a printed form of instruction but will have your safe custody account automatically credited with your rights offer entitlements. You should contact your appointed CSDP or broker to advise:

- whether you wish to follow your rights in terms of the rights offers and, if so, in respect of how many rights shares; or
- if you do not wish to follow all or any of your rights, whether you wish to sell your rights and, if so, how many rights you wish to sell or whether you wish your rights to lapse.

Should a CSDP or broker not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you or, if the mandate is silent in this regard, not to accept the rights.

Payment will be effected on the shareholder's behalf by the CSDP or broker. The CSDP or broker will make payment to AfroCentric in respect of holders of dematerialised AfroCentric shares on a delivery versus payment basis. Payment by the shareholder to the CSDP or broker will take place according to the contractual terms between the shareholder and the CSDP or broker.

If you wish to sell or renounce some or all of the rights allocated to you, you should make the necessary arrangements with your CSDP or broker before the final time and date stated in the advice sent to you by your CSDP or broker in this regard.

AfroCentric does not take any responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer or to obtain instructions from you to subscribe for the rights shares or to sell the rights allocated.

### 6. **Action required in respect of the mandatory offer**

Certificated shareholders who wish to accept the mandatory offer contained in Annexure 12 must complete the attached form of surrender, transfer and acceptance and return it, together with the relevant share certificates and/or other documents of title to the transfer secretaries at the addresses given in paragraph 4.1 above to be received by no later than 12:00 on Friday, 11 August 2006.

Dematerialised shareholders must advise their CSDPs or brokers timeously should they wish to have the offer accepted on their behalf.

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## IMPORTANT DATES AND TIMES

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2006

Last day to trade in AfroCentric shares in order to qualify to participate in the rights offers ( <i>cum</i> entitlement) on	Friday, 14 July
AfroCentric shares commence trading ex-rights on the JSE at 09:00 on	Monday, 17 July
Listing of letters of allocation on the JSE commences at 09:00 on	Monday, 17 July
Letters of allocation commence trading on the JSE at 09:00 on	Monday, 17 July
<b>Record date</b> for the rights offers at the close of business on	<b>Friday, 21 July</b>
Circular (and forms of instruction in the case of certificated shareholders) distributed to shareholders on	Monday, 24 July
<b>Rights offers and mandatory offer open at 09:00 on</b>	<b>Monday, 24 July</b>
Entitlements are credited to custody accounts at Computershare Nominees (Pty) Limited in the case of certificated shareholders on	Monday, 24 July
Safe custody accounts of dematerialised shareholders at their CSDP or broker are updated with their entitlements on	Monday, 24 July
Last day for trading in letters of allocation on the JSE on	Thursday, 3 August
Last day to trade in ordinary shares to be eligible to participate in the mandatory offer to minority shareholders on	Thursday, 3 August
Shares trade ex the mandatory offer on	Friday, 4 August
Listing and trading of rights offer shares on the JSE commences at 09:00 on	Friday, 4 August
Record date for letters of allocation and for the mandatory offer on	Friday, 11 August
<b>Rights offers and mandatory offer close at 12:00 on (see note 3)</b>	<b>Friday, 11 August</b>
Entitlements in terms of the rights offers available on	Monday, 14 August
Payment of mandatory offer consideration posted (on or about) and CSDP or broker accounts credited and updated on	Monday, 14 August
Rights shares issued and new share certificates posted to certificated shareholders on or about	Monday, 14 August
Pay date – CSDP or broker accounts in respect of dematerialised shareholders debited and updated on	Monday, 14 August
Results of rights offers, mandatory offer, and abridged revised listing particulars released on SENS on	Monday, 14 August
Results of rights offers, mandatory offer, and abridged revised listing particulars published in the press on	Tuesday, 15 August

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### Notes:

1. The definitions commencing on page 7 apply, *mutatis mutandis*, to this information on important dates and times for the rights offers.
2. Share certificates in respect of AfroCentric shares may not be dematerialised or rematerialised between Monday, 17 July 2006 and Friday, 21 July 2006, and Friday, 4 August 2006 and Friday, 11 August 2006, all days inclusive.
3. If you are a holder of dematerialised AfroCentric shares you are required to notify your duly appointed CSDP or broker of your instructions in respect of the rights offers in the manner and time stipulated in the agreement governing the relationship between yourself and your CSDP or broker.
4. CSDP's effect delivery on a "delivery versus payment" method in respect of dematerialised shares.



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## DEFINITIONS

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Throughout this circular and the annexures and attachments hereto, unless otherwise stated, the words in the first column shall have the meanings assigned to them in the second column, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and words in the singular shall include the plural and *vice versa*.

"ACET"	The AfroCentric Empowerment Trust, details of which are given in Annexure 2;
"the Act"	the Companies Act, 1973 (Act 61 of 1973), as amended, of South Africa;
"AfroCentric" or "the company"	AfroCentric Investment Corporation Limited (registration number 1988/000570/06);
"AfroCentric shareholders" or "shareholders" or "members"	the registered holders of AfroCentric shares from time to time;
"AfroCentric shares" or "ordinary shares" or "shares"	ordinary shares of a nominal value of one cent each in the share capital of AfroCentric;
"BBBEE Act"	the Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended;
"BEE"	Black Economic Empowerment;
"BEE Advisory Council"	the Black Economic Empowerment Advisory Council, as contemplated in the BBBEE Act;
"BEE Codes of Practice"	the latest version of the BEE Codes of Good Practice as contemplated in the BBBEE Act;
"BEE Sectoral Charter"	the sector specific transformation charters, as contemplated in the BBBEE Act;
"black people/person"	shall bear the meaning in the BBEE Act, read in conjunction with any definition per the BEE Codes of Good Practice and/or any determination made by the BEE Advisory Council;
"the board"	the board of directors of AfroCentric;
"business day"	any day other than a Saturday, Sunday or a South African public holiday;
"the call option"	the option in terms of which a holder of a redeemable preference share shall be entitled to subscribe for ordinary shares in the company, the terms of which option are more fully set out in Annexure 3;
"CSDP"	Central Securities Depository Participant;
"certificated shareholders"	shareholders who have not dematerialised their AfroCentric shares in terms of the STRATE system;
"closing date"	the date on which the rights offers shall close, being Friday, 11 August 2006;
"Code"	the Securities Regulation Code on Take-overs and Mergers;
"this circular"	this circular to shareholders regarding the rights offer, dated 24 July 2006 and its Annexures and attachments, which form an integral part hereof;
"common monetary area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"dematerialised shareholders"	shareholders holding ordinary shares in electronic form as uncertificated shares and recorded in the sub-register of shareholders maintained by a CSDP;

“documents of title”	share certificates, certified transfer deeds, balance receipts or any other documents of title to ordinary shares acceptable to the board;
“donors”	individually M I Sacks and J M Kahn, the founders of ACET;
“form of instruction”	the form of instruction (green for the ordinary shares rights offer and yellow for the redeemable preference shares rights offer) in respect of the relevant letter of allocation, enclosed with this circular in the case of certificated shareholders;
“Imperial Bank”	Imperial Bank Limited (registration number 1995/012641/06);
“IFRS”	International Financial Reporting Standards;
“the JSE”	the JSE Limited, a company duly registered and incorporated with limited liability under the company laws of South Africa under registration number 2005/022939/06 and licensed as an exchange under the Securities Services Act, Act 36 of 2004, as amended;
“last day to trade”	the last business day to trade in AfroCentric shares in order to settle by the record date and to qualify to participate in the rights offers, being Friday, 14 July 2006;
“last practicable date”	Friday, 15 June 2006, being the last practicable date before finalisation of the circular;
“letters of allocation” or “letters”	the renounceable (nil paid) letters of allocation in respect of the right to subscribe for ordinary and/or redeemable preference shares, as applicable, to be issued by AfroCentric pursuant to the rights offers;
“mandatory offer”	the mandatory offer in terms of the Code to minority shareholders recorded in the register at the close of business on 11 August 2006, contained in Annexure 12;
“new ordinary shares”	ordinary shares to be issued pursuant to the ordinary shares rights offer;
“new redeemable preference shares”	redeemable preference shares to be issued pursuant to the redeemable preference shares rights offer;
“non-resident”	members with registered addresses outside the common monetary area;
“ordinary shares rights offer”	the offer to subscribe, by way of a renounceable rights offer, for a total of 84 600 000 new ordinary shares, at a price of 100 cents per new ordinary share to members recorded in the register as such on the record date, in the ratio of 900 new ordinary shares for every 100 ordinary shares held at that date, the terms of which offer are set out in this circular;
“pay date”	Monday, 14 August 2006, being the date on which share certificates will be posted and custody accounts updated and debited in the case of dematerialised holdings;
“the ratio of entitlement” or “the ratio”	the number of rights shares to which AfroCentric shareholders are entitled on the record date, being 900 new ordinary shares and 177 new redeemable preference shares for every 100 AfroCentric ordinary shares held;
“record date”	16:30 on Friday, 21 July 2006, being the date on which the holdings of AfroCentric shareholders upon which their entitlement to rights shares is based, are ascertained;
“redeemable preference shares rights offer”	the offer to subscribe, by way of a renounceable rights offer, for a total of 16 638 000 new redeemable preference shares, at a price of 91 cents per new redeemable preference share, to members recorded in the register as such on the record date, in the ratio of 177 new redeemable preference shares for every 100 ordinary shares held at that date, the terms of which offer are set out in this circular;

“redeemable preference shares”	the redeemable participating preference shares of a nominal value of 1 cent each carrying the rights set out in Annexure 3 to this circular, which will be listed on the JSE following their issue in terms of the redeemable preference shares rights offer under the share code “ACTP”, ISIN ZAE 000082269;
“resident”	members with registered addresses in the common monetary area;
“revised listing particulars”	the information relating to AfroCentric as required for inclusion in the Revised Listing Statement, in compliance with the Listings Requirements of the JSE;
“rights”	the entitlement to rights shares of AfroCentric shareholders in terms of the rights offers;
“rights offers”	the ordinary shares rights offer and the redeemable preference shares rights offer;
“rights shares”	new ordinary shares and new redeemable preference shares offered to shareholders in terms of the rights offers;
“SA GAAP”	South African Generally Accepted Accounting Principles;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“SRP”	the Securities Regulation Panel established in terms of section 440B of the Act;
“STRATE”	STRATE Limited (registration number 1998/022242/06), a registered central securities depository in terms of the Custody and Administration of Securities Act, 1992 (Act 65 of 1992), as amended, which manages the electronic clearing, custody and settlement environment for security transactions to be settled and transfer of ownership to be recorded electronically;
“STC”	Secondary Taxation on Companies;
“the transfer secretaries”	Computershare Investor Services 2004 (Proprietary) Limited (registration number 1958/003546/06);
“VAT”	Value-Added Taxation; and
“WB Holdings”	WB Holdings Limited, the name of which company was changed to AfroCentric Investments Limited in terms of a circular to shareholders dated 6 March 2006.

# AFROCENTRIC INVESTMENT CORPORATION LIMITED

(Formerly WB Holdings Limited)

(Incorporated in the Republic of South Africa)

(Registration number 1988/000570/06)

JSE codes: ACT, ACTP ISIN: ZAE000078416, ZAE 000082269

("AfroCentric" or "the company")

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## DIRECTORS

N B Bam\* (*Chair*), N M J Canca\*, M V Gantsho\*, B Joffe\*, J M Kahn\*, M I Sacks\*, Prof D I Swartz\*

(\* *Non-executive*)

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## CIRCULAR TO SHAREHOLDERS

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### 1. INTRODUCTION AND THE MANDATORY OFFER

It was announced on SENS on 23 June 2006 that the directors of AfroCentric have resolved to raise approximately R100 million, before expenses, by way of renounceable rights offers.

The purpose of this circular is to inform shareholders of the terms of the rights offers, the change of control, and to provide additional information to assist shareholders in the evaluation of the rights offers and the mandatory offer.

In addition to information regarding the rights offers and mandatory offer, this circular contains revised listing particulars for the company in terms of the JSE Listings Requirements.

There will be a change of control of AfroCentric following completion of the rights offers, as set out in paragraph 4.5. Accordingly, in terms of the Code, ACET is making the mandatory offer set out in Annexure 12.

### 2. BACKGROUND INFORMATION

AfroCentric was incorporated as a private company in South Africa on 3 February 1988 and was converted to a public company under the name WB Holdings Limited on 25 October 1988. WB Holdings was granted a listing in the "Industrial – Food" sector of the JSE lists on 5 December 1988 under the abbreviated name "WBHOLD".

In terms of a circular to shareholders dated 10 November 2005, a shareholders' meeting was convened on 28 November 2005 at which the shareholders approved the company's sale of its entire business undertaking to SGM Investments (Pty) Ltd for R19 million and declared a special dividend to shareholders of R1.82 per share. This left the company as a "cash shell" as defined in the JSE Listings Requirements, holding approximately R1 million in cash, after provisions, as its sole asset.

It was announced on SENS on 28 October 2005 that Messrs Meyer Kahn and Michael (Motty) Sacks (or their nominees) had agreed to purchase 80% of the issued shares in WB Holdings. The purchase was conditional upon several items including JSE approval to maintain the listing of the company and approval of the SRP to waive the mandatory offer to minority shareholders that Messrs Kahn and Sacks would otherwise have had to make. The company sought and received approval from the JSE to maintain the listing after the purchase. The SRP waived the mandatory offer otherwise required, subject to the approval of the company's shareholders, which approval was sought and received at the shareholders' meeting on 28 November 2005.

The purchase by Messrs Kahn and Sacks was concluded on 20 December 2005 whereafter it was announced on SENS that the then existing board of directors of the company had been replaced with immediate effect by N B Bam, N M J Canca, M V Gantsho, J M Kahn, M I Sacks and D I Swartz. It was also announced that initiatives were being finalised to recapitalise the company, to introduce BEE associates and other stakeholders and to change the company's name.

In terms of a circular dated 6 March 2006, a shareholders meeting was convened on 31 March 2006 at which shareholders' approved, *inter alia*, a name change, an increase in the authorised ordinary share capital and the creation of the redeemable preference shares.

On 25 May 2006 Mr Brian Joffe was appointed to the board.

On 23 June 2006, the terms of the rights offers were released on SENS.

### 3. **PURPOSE OF THE RIGHTS OFFERS**

The purpose of the rights offers is to raise funds of approximately R100 million, before expenses, to provide the company with capital for investment as more fully set out below.

## 4. **OVERVIEW OF THE INITIATIVE THAT ESTABLISHED AFROCENTRIC AS A BROAD-BASED BEE ENTERPRISE**

### 4.1 **Motivation for and philosophy of AfroCentric**

Messrs Kahn and Sacks purchased the majority shareholding in AfroCentric with the purpose of reconstituting it as a broad-based black empowered diversified investment holding company that would actively participate in the economic transformation presently occurring in South Africa.

The decision of Messrs Kahn and Sacks to promote and develop AfroCentric in conjunction with their fellow directors and shareholders is based upon their desire to continue to play an active role in facilitating sustainable economic transformation in South Africa. Mr Joffe has similarly embraced this objective and joins Messrs Kahn and Sacks in pursuit of AfroCentric's strategic plans. Messrs Joffe, Kahn and Sacks have many years of commercial and entrepreneurial experience, have broad and diverse contact and relationship networks and have the ability to and a record of nurturing and mentoring emerging and developing executives. This experience and their willingness to mentor and guide AfroCentric is invaluable and will assist the company and a new executive team to be appointed to identify and conclude suitable and feasible business transactions that hopefully will deliver long-term value.

Black Economic Empowerment is recognised as a principal imperative for business and for corporate South Africa. Given this imperative, over the past 12 years South African business has adopted a number of BEE models for the purpose of providing previously disadvantaged citizens and communities with the opportunity to participate in the mainstream economy.

The AfroCentric empowerment model seeks to select what are perceived to be the more positive and successful features of past models and combine them with certain other characteristics that the directors believe will achieve the intended and desired results and satisfy stakeholder expectations. A board of prominent and emerging business executives has been appointed to oversee the objectives of the company. The abridged *curricula vitae* of the directors appear in Annexure 1.

### 4.2 **AfroCentric as a broad based BEE enterprise**

It is intended that, following the successful implementation of the rights offers, AfroCentric will be a black-controlled entity, with not less than 50,1% of the issued ordinary shares owned by ACET. ACET is a trust that has been formed for the benefit of a broad number of historically disadvantaged persons.

The initially nominated beneficiaries of ACET are:

- The Fort Hare Foundation;
- The South African Council of Churches; and
- The Leadership Foundation Trust.

Further information on these beneficiaries appears in Annexure 2.

These beneficiaries, individually or collectively, have links to, or are associated with a significant number of South Africa's black and historically disadvantaged citizens. The broad-based support for, the endorsement of and the work and aspirations of these beneficiaries are well known, and their credibility and significance within the communities they serve are widely acknowledged.

The purpose of the inclusion of these entities as beneficiaries of ACET is to advance the broadest social, economic and educational interests of South Africa's population. Through their existing network and support systems, many of which are in the most remote parts of South Africa, these organisations are well-positioned to ensure that the value created through ACET's investment in AfroCentric will, on distribution by way of dividends or dividends *in specie*, be available to the beneficiaries, membership, students and patrons through, *inter alia*:

- the fulfilment of the each beneficiary's mandate and mission;
- advances in and the promotion of education;
- advances in and the provision of healthcare;
- community outreach and support;
- poverty alleviation; and
- leadership, jobs and skills training.

In addition to the beneficiaries above, further beneficiaries will be nominated. All of the beneficiaries will be either black people or institutions, organisations or entities that represent the interests of or that were constituted and are managed for the benefit of black people.

4.2.1 The trustees of ACET, as currently appointed are:

- **Themba Dennis Faku**

Mr Faku is an educator and principal based in the Eastern Cape who is actively engaged in the development of the youth. He sits as a director of a number of companies promoting broad based empowerment groups.

- **Yolisa Soul**

Ms Soul holds a Masters in Information Science from The University of Michigan, Honours degree, Bachelor of Education and Bachelor of Sciences degrees from the University of Fort Hare. Her responsibilities primarily relate to the Fort Hare library as well as the supervision and management of the struggle archives of a number of organisations. Ms Soul has been involved in a number of research projects resulting in the production of documentaries and exhibitions including the Life and times of Z K Matthews, Robert Sobukwe and the Commemoration of 90 years African National Congress Exhibition. She is also a board member of the Freedom Park and Amathole Museum. She was recently involved with the establishment of the Dr. Govan Mbeki Library to The University of Fort Hare and a documentary produced for national television.

- **Muditambi Ravele**

Ms Ravele initiated the Woman and Sport South Africa Project in the department of Sport and Recreation and was appointed a national co-ordinator of woman and sport in 1997. She received the State President Sports Administrator of the Year award for 2001/2002. She has been chairperson of Woman and Sport South Africa and has actively fought for woman's rights in sport. Ms Ravele serves on several boards of directors including Woman's Sport International, International federation on Netball associations, Laureus Sport For Good Foundation (South Africa) and the South African Hall of Fame. She recently joined the Premier Soccer league as head of marketing and communications.

Further information about ACET, including extracts from the trust deed relating to distribution of assets, appointment of trustees, and voting by trustees at company meetings, appears in Annexure 2.

#### 4.3 **Investment philosophy and approach**

Members of the board of AfroCentric have exceptional experience and track records in identifying, pursuing, concluding and nurturing investment opportunities. This expertise will guide the process and investment approach of the company. Any investment ultimately concluded by the company will match and comply with the same rigorous criteria successfully applied by the board members in their present and previous endeavours.

AfroCentric intends to invest in enterprises that could materially benefit from its principal BEE status and the entrepreneurial and intellectual capital which resides in the company. The investment philosophy of AfroCentric will be strictly commercial and will embody the active participation in or management of the selected investments, depending on the circumstances in each case.

The company believes that the economic transformation currently occurring in South Africa presents a fertile landscape for the successful participation of a BEE company with the financial, commercial and stakeholder profile of AfroCentric. In particular, and among other things, the company will seek to:

- position itself for transactions whereby it would be able to purchase meaningful minority stakes in established public and private South African companies and enterprises;
- partner with established international companies seeking to pursue new or expanded business opportunities in South Africa;
- acquire control of enterprises that could materially benefit from the introduction of a controlling BEE shareholder, that have the potential for growth, and could accelerate progress with skillful mentoring and strategic management guidance and instruction.

In each instance, certain key principles, consistently applied, will help ensure that the investments once concluded will advance the financial objectives of the company. These principles include:

- focus on companies and industries that exhibit strong growth characteristics;
- seek companies that have defensible market positions;
- support strong management teams; and
- employ sensible levels of leverage and transaction structures that will facilitate the transfer of long-term economic value as opposed to mere short-term capital rewards.

The Government's designs for sustainable broad-based black economic empowerment in corporate South Africa are evidenced through the promulgation of the BBBEE Act and the recently introduced BEE Sectoral Charters. Industries that have already announced charters include the mining, financial services, construction, transportation, ICT, healthcare and tourism sectors. The Sectoral Charters are part of a third wave of empowerment in South Africa and are aimed at achieving sustainable empowerment over the long term.

The necessities of BEE imposed by these charters on corporate South Africa will continue to provide AfroCentric with investment opportunities for consideration. The company does not intend initially to focus its investment strategy on any particular industrial or commercial sector. It will invest both in listed and unlisted securities where these investments suit its overall strategies. Pursuant thereto AfroCentric has already identified a number of interesting investment opportunities in a variety of industry sectors and will continue to evaluate each of these and others. Furthermore, AfroCentric has begun to establish relationships with financial advisory and investment firms with whom it will contract in order to further identify, evaluate and consummate investment opportunities.

Initially, until the capital raised by the rights issues is deployed, it will be invested in interest bearing deposits or near-cash liquid securities. Dividends are not intended to be paid until the company itself receives a flow of dividends or income from the long-term investments it makes.

In line with the JSE Listings Requirements, the company will disclose its portfolio to shareholders on a quarterly basis until such time as at least 50% of the portfolio has been established in investments other than cash or liquid securities.

At the last practicable date, although it is engaged with preliminary discussions on a number of fronts, the company is not yet involved in advanced negotiations to acquire any asset or property.

The listing of AfroCentric will for the present remain in the "Farming and Fishing" sector of the JSE lists. Should the company in due course make an acquisition or acquisitions justifying listing on another sector, application will be made at that stage for a move to the appropriate sector.



#### 4.4 **Management of AfroCentric**

The company intends to appoint a permanent executive management team and is in the process of reviewing appropriate candidates. Until such time as the executive team is appointed and established, Messrs Kahn and Sacks have agreed to assume the roles of acting management (in consultation with Mr Joffe) through a presently informal management agreement.

The company will establish an investment committee that will include Messrs Joffe, Kahn and Sacks, at least two other members of the board and members of the company's executive management. Following the appointment of the executive, Messrs Joffe, Kahn and Sacks will continue to provide advice and guidance under the auspices and mandate of the board investment committee. All investment opportunities will be presented to and reviewed by the investment committee and all material investments will also be presented to and reviewed by the board.

#### 4.5 **Renunciation of rights in favour of ACET and other selected parties and change of control**

In order to achieve the objectives set out in paragraph 4.1, Messrs Kahn and Sacks have agreed to renounce a substantial portion of their rights under the ordinary shares rights offer for no consideration to ACET and to other selected parties to enable them to subscribe for the requisite number of shares at 100 cents per ordinary share.

Following the renunciation of rights to ACET by Messrs Kahn and Sacks and the completion of the rights offers, ACET will hold 47 100 000 ordinary shares, comprising 50,1% of the issued ordinary share capital of AfroCentric. ACET will accordingly become the controlling shareholder of the company ("the change of control"). Also, following the renunciation to it by Messrs Kahn and Sacks, a trust of which Mr Brian Joffe is a trustee will hold 3 600 000 ordinary shares and 2 400 000 redeemable preference shares.

Pursuant to the change of control, ACET is making the mandatory offer in terms of the Code to minority shareholders of AfroCentric set out in Annexure 12.

### 5. **PARTICULARS OF THE RIGHTS OFFERS**

Full details of the procedure for acceptance of the rights offers and payment are contained in the forms of instruction (separate forms for the ordinary shares rights offer and the redeemable preference shares rights offer) enclosed with this circular for certificated shareholders. Dematerialised shareholders will not receive forms of instruction, but will need to advise their CSDP or broker whether they wish to participate in the rights offer in accordance with their agreement with their CSDP or broker.

#### 5.1 **The terms of the rights offers**

The ordinary shares rights offer and the redeemable preference shares rights offer are not linked and the rights contained therein may be accepted, sold or renounced independently of each other. The procedures for acceptance, sale or renunciation are set out in paragraphs 5.11, 5.12 and 5.13.

CSDP's will make payment to AfroCentric on a delivery versus payment basis in respect of dematerialised shareholders who have accepted the rights offers. Dematerialised shareholders who wish to accept the rights offers should ensure that the necessary funds are deposited to the relevant CSDP or broker timeously.

##### 5.1.1 **Ordinary shares rights offer**

A total of 84 600 000 new ordinary shares are offered to AfroCentric shareholders recorded in the register as such on the record date. All of these shares are offered upon the terms and conditions set out herein and in the attached form of instruction (**green** in respect of the ordinary shares rights offer), for subscription in cash at a price of 100 cents per new ordinary share, payable in full on acceptance in the currency of South Africa, in the ratio of 900 new ordinary shares for every 100 ordinary shares held in the company at the record date, Friday, 21 July 2006. Upon allotment and issue, the new ordinary shares will rank *pari passu* in all respects with the existing issued ordinary shares of the company.



### 5.1.2 **Redeemable preference shares rights offer**

A total of 16 638 000 new redeemable preference shares are offered to AfroCentric shareholders recorded in the register as such on the record date. All of these shares are offered upon the terms and conditions set out herein and in the attached form of instruction (**yellow** in respect of the redeemable preference shares rights offer), for subscription in cash at a price of 91 cents per new redeemable preference share, payable in full on acceptance in the currency of South Africa, in the ratio of 177 new redeemable preference shares for every 100 ordinary shares held in the company at the record date, Friday, 21 July 2006. The new redeemable preference shares will carry the rights, privileges and obligations set out in Annexure 3. A summary of their terms is set out in paragraph 7.1.2.

### 5.1.3 **Offers not made in certain jurisdictions**

The rights offers contained herein do not constitute an offer in any jurisdiction in which it is illegal to make such an offer and in such circumstances this circular and accompanying forms of instruction are distributed for information only.

The rights offer shares will not be registered for purposes of the rights offers with the Securities and Exchange Commission, Washington DC, or with the Canadian Provincial Securities Commission or with the Australian Securities Commission under Australian Corporation Law; or under the Public Offers of Securities Regulations 1995 of the United Kingdom. Accordingly, the rights offers will not be made to or be open for acceptance by persons with registered addresses in the United States of America or within any of its territories, dependencies, possessions, or commonwealths, or in the district of Columbia, or in the Dominion of Canada, or in the Commonwealth of Australia, its states, territories or possessions, or in the United Kingdom.

The CSDP or broker acting for such shareholders will ensure, where such shareholders are holding shares in dematerialised form, that such shareholders adhere to the above restrictions. The rights attributable to such shareholders will, if a premium can be obtained over the expenses of the sale, be sold on the JSE for the benefit of such shareholders as soon as practicable. However, should the net proceeds of such sale in relation to any one holding be an amount of R5,00 or less, such amount will be retained for the benefit of the company. No letters of allocation will be sent to any shareholder whose registered address is in Canada, the United States of America, Australia or the United Kingdom.

## 5.2 **Opening and closing dates of the rights offers**

The rights offers open at 09:00 on Monday, 24 July 2006, and will close at 12:00 on Friday, 11 August 2006. If payment is not received on or before 12:00 on 11 August 2006 the rights offers will be deemed to have been declined and will lapse.

## 5.3 **Underwriting and minimum subscription**

In terms of an underwriting agreement between the company and Messrs J M Kahn and M I Sacks ("the underwriters"), the underwriters have agreed for no consideration to subscribe or procure subscriptions for their entitlement of 67 680 000 new ordinary shares and 13 310 400 new redeemable preference shares. In addition, they have underwritten the balance of the rights offers for no consideration.

The underwriters are directors of AfroCentric and their details, including their addresses, are given in paragraph 7.4. The underwriters have satisfied the JSE that they have sufficient resources to meet their commitments in terms of the underwriting agreement.

In view of the fact that the rights offers are fully underwritten, there is no minimum subscription.

## 5.4 **Entitlement**

The entitlement of each certificated shareholder is reflected in the appropriate block in the enclosed forms of instruction (**green** for the ordinary shares rights offer and **yellow** for the redeemable preference shares rights offer). If you have dematerialised your AfroCentric shares you will not receive a printed form of instruction. You should receive your notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offers.

## 5.5 Fractional entitlements

Only whole numbers of rights shares will be issued and shareholders will be entitled to rounded numbers of rights shares once the ratio of entitlement has been applied to each shareholder's aggregate holding of the relevant rights shares in AfroCentric. All allocations of shares will be rounded up or down based on the standard rounding convention resulting in allocations of whole shares and no fractional entitlements.

Shareholders are referred to the tables of entitlements in Annexure 5, which sets out their entitlement to rights shares in respect of existing holdings of ordinary shares (Annexure 5A) and redeemable preference shares (Annexure 5B), which are not multiples of 100.

## 5.6 Excess applications

Shareholders will **not** be entitled to subscribe for rights shares in excess of the number allocated to them.

## 5.7 South African Exchange Control Regulations

The following summary is intended only as a guide and is therefore not comprehensive. If shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional advisers.

5.7.1 In terms of the Exchange Control Regulations of South Africa and upon specific approval by the South African Reserve Bank, non-residents, excluding former residents, of the common monetary area will be allowed to:

- take up rights allocated to them in terms of the rights offers;
- purchase letters of allocation on the JSE;
- subscribe for the rights shares in terms of the letters of allocation purchased on the JSE, provided payment is received in foreign currency from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through a South African authorised dealer in foreign exchange. Electronic statements issued in terms of STRATE and any rights shares issued pursuant to such applications will be endorsed "non-resident".

5.7.2 Where a right in terms of the rights offers falls due to a former resident of the common monetary area, which right is based on shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to take up these rights, and may be used to:

- take up rights allocated to them in terms of the rights offers;
- purchase letters of allocation on the JSE;
- subscribe for the rights shares in terms of the letters of allocation purchased on the JSE.

All applications by former residents using blocked funds for the above purposes must be made through a South African authorised dealer in foreign exchange controlling their blocked assets. Share certificates issued to such emigrants will be endorsed "non-resident" and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds arising from the sale of letters of allocation or arising from the sale of blocked rights shares, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants' blocked accounts.

5.7.3 Any shareholder resident outside the common monetary area who receives this circular and any form of instruction should obtain advice as to whether any governmental or other legal consent is required or any other formality must be observed to enable a subscription to be made in terms of such form of instruction.

5.7.4 New share certificates issued pursuant to the rights offer to an emigrant will be endorsed "non-resident" and forwarded to the address of the relevant authorised dealer in foreign exchange controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant's shares are in dematerialised form

with a CSDP or broker, the electronic statement issued in terms of STRATE will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

5.7.5 The rights offers do not constitute an offer in any jurisdiction in which it is illegal to make such an offer and in such circumstances this circular and any form of instruction are sent for information purposes only.

## 5.8 **South African law**

All transactions arising from the provisions of the rights offers and the letters of allocation shall be governed by and be subject to the laws of South Africa.

## 5.9 **JSE listings**

The Committee of the JSE has granted listings of the letters of allocation and subsequently of the rights shares arising from the rights offers, as follows:

5.9.1 renounceable letters of allocation in respect of 84 600 000 new ordinary shares have been listed for the period from commencement of trading on Monday, 17 July 2006 to the close of trade on Thursday, 3 August 2006, both days inclusive;

5.9.2 renounceable letters of allocation in respect of 16 638 000 new redeemable preference shares have been listed for the period from commencement of trading on Monday, 17 July 2006 to the close of trade on Thursday, 3 August 2006, both days inclusive; and

5.9.3 84 600 000 new ordinary shares and 16 638 000 new redeemable preference shares with effect from the commencement of trading on Friday, 4 August 2006.

## 5.10 **Documents of title**

New share certificates to be issued pursuant to the rights offers will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Monday, 14 August 2006.

If you are a certificated shareholder please note that your certificated shares may not be traded on the JSE until they have been dematerialised.

If you are a dematerialised shareholder and subscribe for rights shares, your safe custody account held at your CSDP or broker will be updated to reflect your rights shares on Monday, 14 August 2006.

## 5.11 **Acceptance and payment**

If you hold AfroCentric share certificates and you wish to subscribe for the rights shares, a properly completed form of instruction (**green** for the ordinary shares rights offer and **yellow** for the redeemable preference shares rights offer), together with a cheque (crossed "not transferable" and with the word "or bearer" deleted) or banker's draft (drawn on a registered bank) payable to "**AfroCentric – ordinary shares rights offer**" in respect of the ordinary rights offer and to "**AfroCentric – redeemable preference shares rights offer**" in respect of the redeemable preference shares rights offer, for the amount due in the currency of South Africa must be received by the transfer secretaries, by no later than 12:00 on Friday, 11 August 2006. Such payment, when the cheque or banker's draft has been paid, will constitute acceptance of the relevant rights offer upon the terms set out in this circular. No acknowledgement of receipt will be given for a cheque or banker's draft received. If the form of instruction and cheque or banker's draft is not received as set out above, or is not honoured upon presentation, then the relevant rights offer will be deemed to have been declined and the right to subscribe for the rights shares or renounced in favour of the renounee will lapse no matter who then holds it and the rights shares will be dealt with in terms of the underwriting agreement.

If you are a dematerialised shareholder, payment will be effected on your behalf by your CSDP or broker. The CSDP or broker will make payment to AfroCentric in respect of dematerialised shareholders on a delivery versus payment basis. Payment by the shareholder to the CSDP or broker will be according to the contractual terms governing their relationship.

#### **5.12 Disposal of entitlements by certificated shareholders**

If you do not wish to subscribe for all of the rights allocated to you as reflected in the enclosed forms of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- If you wish to sell all or part of your entitlement, you must complete Form A in the relevant enclosed form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 4 August 2006. Note that the transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, the transfer secretaries will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such entitlements; and
- If you wish to renounce your entitlements in favour of any named renounee, you must complete Form B in the relevant enclosed form of instruction and deliver it to the renounee who may then accept in terms of paragraph 5.11.

#### **5.13 Action required by dematerialised shareholders**

If you have dematerialised your AfroCentric shares, you will not receive a printed form of instruction but will have your safe custody account automatically credited with your rights offer entitlements. You should contact your appointed CSDP or broker to advise:

- whether you wish to follow your rights in terms of the rights offers and, if so, in respect of how many rights shares; or
- if you do not wish to follow all or any of your rights, whether you wish to sell your rights and, if so, how many rights you wish to sell or whether you wish your rights to lapse.

Should a CSDP or broker not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you or, if the mandate is silent in this regard, not to accept the rights.

Payment will be effected on the shareholder's behalf by the CSDP or broker. The CSDP or broker will make payment to AfroCentric in respect of holders of dematerialised AfroCentric shares on a delivery versus payment basis. Payment by the shareholder to the CSDP or broker will take place according to the contractual terms between the shareholder and the CSDP or broker.

If you wish to sell or renounce some or all of the rights allocated to you, you should make the necessary arrangements with your CSDP or broker before the final time and date stated in the advice sent to you by your CSDP or broker in this regard.

AfroCentric does not take any responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer or to obtain instructions from you to subscribe for the rights shares or to sell the rights allocated.

#### **5.14 Taxation**

Shareholders are advised to consult their financial advisers regarding the taxation implications of the acceptance of their rights in terms of the rights offer.

#### **5.15 Costs**

It is estimated that the expenses of the rights offer will amount to approximately R1 275 000 as set out below. These costs will be borne by AfroCentric and paid from the proceeds of the rights offer.

<b>Paid/Payable to</b>	<b>R'000</b>
Sasfin Corporate Finance (corporate adviser and sponsor)	750
HR Levin (attorneys)	125
Sizwe Ntsaluba vsp (reporting accountants and auditors)	100
JSE – listing fees	69
JSE – documentation fees	64
Printing, advertising and distribution costs	125
Other	42
	<b>1 275</b>

All amounts are stated exclusive of VAT.

#### 5.16 Lodging and registration of documents

A copy, in English, of the forms of instruction with respect to the letters of allocation to be issued in terms of the rights offer has been lodged with and registered by the Registrar of Companies, Pretoria, in terms of section 146A of the Act. The aforementioned document was accompanied by:

- a signed copy of this circular;
- a copy of the underwriting agreement;
- a signed copy of the reporting accountants' report on the *pro forma* financial information;
- the written consents of the company's reporting accountants and auditors, attorneys, underwriters and corporate adviser and sponsor to act in the capacities stated and to their names being stated in this circular, which consents had not been withdrawn before registration;
- powers of attorney signed by the directors of AfroCentric;
- a copy of the application for the listing of the rights shares; and
- copies of the letters from the JSE confirming its approval of the rights offer circular and agreeing to the listing of the rights shares and the letters of allocation.

## 6. FINANCIAL INFORMATION

### 6.1 Financial effects of the rights offers

Set out in the table below are the *pro forma* financial effects of the rights offers based on AfroCentric's reviewed company results for the six months ended 31 December 2005 which are set out in Annexure 7. The *pro forma* financial effects have been prepared for illustrative purposes only to provide information of how the rights offers may have impacted on the results and financial position of AfroCentric. Preparation of the *pro forma* financial effects is the responsibility of the directors. The directors are of the opinion that the reviewed company results present a more accurate reflection of the performance and financial position of Afrocentric taking into account the company's proposed future direction. Because of their nature, the *pro forma* financial effects may not fairly present AfroCentric's financial position after the rights offer or the effect on future earnings.

	<b>Notes</b>	<b>Before the rights offers (cents)</b>	<b>After the rights offers (cents)</b>	<b>Percentage change</b>
Loss per ordinary share – diluted and undiluted	1, 2	(56.97)	(2.48)	N/A
Headline (loss)/earnings per ordinary share – diluted and undiluted	1, 2	(5.07)	1.92	N/A
Net asset value per ordinary share – diluted and undiluted	3	10.15	89.34	780
Tangible net asset value per ordinary share – diluted and undiluted	3	10.15	89.34	780

**Notes:**

1. Extracted from the reviewed company interim results of AfroCentric for the six months ended 31 December 2005 set out in Annexure 7.
2. Earnings and headline earnings per ordinary share are based on the following assumptions:
  - the rights offers were effective on 1 July 2005;
  - the capital raised (net of estimated costs) earned interest at 7,5% before taxation at 29,0%;
  - rights offer costs of R1 275 000;
  - the weighted average number of ordinary shares in issue during the year was 9 400 000 and 110 638 000 before and after the rights offer, respectively;
  - the diluted earnings and headline earnings attributable to the ordinary shares take into account that, upon exercise of the call option in full in relation to the redeemable preference shares, an additional 16 638 000 ordinary shares will be in issue for the period; and
  - diluted and undiluted earnings and headline earnings per ordinary share are the same because the redeemable preference shares participate in 15% of dividends and other distributions out of the company and have a 15% option exercise entitlement.
3. Net asset value and tangible net asset value per ordinary share are based on the following assumptions:
  - the rights offers were effective on 31 December 2005;
  - the number of ordinary shares in issue at 31 December 2005 was 9 400 000 and 94 000 000 before and after the rights offers, respectively, and 110 638 000 after dilution arising from the exercise of the call option;
  - undiluted and diluted net asset value and net tangible asset value per share are the same because the redeemable preference shares participate in a winding-up on the basis that their options had been exercised;
  - diluted net asset value and tangible net asset value are given assuming full conversion of the redeemable preference shares; and
  - the number of redeemable preference shares in issue at 31 December 2005 (assumed to have been converted into ordinary shares in terms of the call option) was 16 638 000 after the rights offers.

**6.2 Pro forma income statement**

Set out below, for illustration purposes only, is the *pro forma* consolidated income statement for AfroCentric after the rights offers which is prepared for illustrative purposes only and because of its nature may not fairly represent the company's financial position after the rights offers.

	<b>Before the rights offers R'000</b>	<b>The rights offers R'000</b>	<b>After the rights offers R'000</b>
Revenue	2		2
Operating loss	(4 927)		(4 927)
Net finance income		3 671	3 671
(Loss)/Profit before taxation	(4 927)	3 671	(1 256)
Taxation	(428)	(1 065)	(1 493)
(Loss)/Profit for the period	(5 355)	2 606	(2 749)
<i>Reconciliation between earnings and headline earnings</i>			
Loss for period	(5 355)		(2 749)
STC	428		428
Loss on disposal of subsidiary	4 450		4 450
Headline (loss)/earnings	(477)		2 129
Ordinary shares in issue	9 400		110 638
Loss per share (cents) – diluted and undiluted	(56,97)		(2,48)
Headline (loss)/earnings per share (cents) – diluted and undiluted	(5,07)		1,92

**Notes:**

1. Extracted from the reviewed interim results of the company for the six months ended 31 December 2005, set out in Annexure 7.

2. The adjustments relating to the rights offers are based on the following assumptions:
- the rights offers were effective on 1 July 2005;
  - the R97 890 580 capital raised (after estimated costs) earned interest at 7,5% before taxation at 29,0%;
  - rights offer costs of R1 275 000;
  - 84 600 000 new ordinary shares issued in terms of the ordinary shares rights offer;
  - 16 638 000 new redeemable preference shares issued in terms of the redeemable preference shares rights offer; and
  - the call option was fully exercised in respect of all the new redeemable preference shares.

### 6.3 **Pro forma balance sheet**

Set out below, for illustration purposes only, is the *pro forma* reviewed company balance sheet of AfroCentric, after the rights offers which is prepared for illustrative purposes only and because of its nature may not fairly represent the company's financial position after the rights offers.

	<b>Before the rights offers R'000</b>	<b>The rights offers R'000</b>	<b>After the rights offers R'000</b>
<b>Assets</b>			
Current assets	1 325	97 891	99 216
	1 325	97 891	99 216
<b>Equity and liabilities</b>			
Capital and reserves			
Share capital	94	1 012	1 106
Premium		96 879	96 879
Reserves	860		860
	954	97 891	98 845
Current liabilities	371		371
	1 325		99 216
Shares in issue ('000)	9 400		110 638
Net asset value per share (cents) – diluted and undiluted	10,15		89,34

**Notes:**

1. Extracted from the reviewed interim results of the company for the six months ended 31 December 2005, set out in Annexure 7.
2. The adjustments relating to the rights offers are based on the following assumptions:
  - the rights offers were effective on 31 December 2005;
  - rights offer costs of R1 275 000;
  - 84 600 000 new ordinary shares issued in terms of the ordinary shares rights offer;
  - 16 638 000 new redeemable preference shares issued in terms of the redeemable preference shares rights offer; and
  - the call option was fully exercised in respect of all the new redeemable preference shares.

### 6.4 **Additional financial information**

6.4.1 The reporting accountants' report on the *pro forma* financial effects, the *pro forma* income statement and the *pro forma* balance sheet of AfroCentric after the rights offers is set out in Annexure 6.

6.4.2 The company and group interim results for the six months ended 31 December 2005 are set out in Annexure 7. These results have been reviewed by the company's auditors in respect of the company (as opposed to group) information only, as explained in Annexure 7. The auditors' review opinion is available for inspection as set out in paragraph 13.

### 6.5 **Adequacy of working capital**

The directors of AfroCentric are of the opinion that the working capital available to the company and its subsidiaries is sufficient for the group's present requirements for at least the next 12 months from the date of this circular.



## 6.6 Material changes

Save for the alteration and increase of share capital, the change of name and the changes to the board of directors referred to in paragraph 1, there has been no material change in the financial or trading position of AfroCentric and its subsidiaries since 31 December 2005.

## 6.7 Share incentive scheme

The company adopted a share incentive scheme for the incentivisation of employees and directors at a general meeting of shareholders held on 31 March 2006. At the date of this circular no shares or options had been issued in terms of the scheme. A summary of the scheme is set out in Annexure 4.

## 7. REVISED LISTING PARTICULARS

### 7.1 Share capital

#### 7.1.1 *Authorised and issued share capital*

The authorised and issued share capital of AfroCentric, before and after the rights offers, is as follows:

	<b>R'000</b>
<b>Before the rights offers</b>	
<b>Authorised</b>	
1 000 000 000 ordinary shares of a nominal value of 1 cent each	10 000
60 000 000 redeemable preference shares of a nominal value of 1 cent each	60
<b>Issued</b>	
9 400 000 ordinary shares of a nominal value of 1 cent each	94
Share premium	–
	<b>94</b>
<b>After the rights offers</b>	
<b>Authorised</b>	
1 000 000 000 ordinary shares of a nominal value of 1 cent each	10 000
16 638 000 redeemable preference shares of a nominal value of 1 cent each*	166
<b>Issued</b>	
94 000 000 ordinary shares of a nominal value of 1 cent each	940
16 638 000 redeemable preference shares of a nominal value of 1 cent each	166
Share premium	96 878
	<b>97 984</b>

\* **Note:** Following the issue of new redeemable preference shares in terms of this circular, the remaining authorised redeemable preference shares will be cancelled.

The remaining unissued ordinary shares in the authorised capital of the group are until the next annual general meeting under the control of the directors who are authorised to allot these shares on such terms and conditions and at such times as they in their sole discretion may deem fit, subject to the provisions of sections 221 and 222 of the Act and to the JSE Listings Requirements.

At the general meeting of the company held on 26 October 2005, shareholders approved a resolution to issue shares for cash, subject to the JSE Listings Requirements. This authority remains in place until the expiry of 15 months from the date of the resolution or until the next annual general meeting, whichever occurs first.



All of the existing issued ordinary shares and all the rights shares will be listed on the JSE. The current authorised and issued ordinary shares and those to be issued in terms of the rights offer are of the same class and rank *pari passu* in every respect.

The rights, privileges and obligations attaching to the redeemable preference shares are set out in Annexure 3 and are summarised in paragraph 7.1.2.

Any variation of rights attaching to ordinary or to redeemable preference shares will require the consent of shareholders in general meeting in accordance with the articles of association of AfroCentric.

In accordance with the articles of association of AfroCentric, every ordinary shareholder present in person or by proxy, or, if a body corporate, duly represented by an authorised representative, at any general meeting shall have one vote on a show of hands and, on a poll, shall have one vote for each share of the class of which he is the holder.

No commission or consideration, including underwriting commission, has been paid by the company during the three years preceding the date of this circular, nor does the company intend to pay a commission or consideration to any person subscribing for or agreeing to subscribe or agreeing to procure subscription for any shares for the purpose of the rights offer.

No commission, discount or brokerage or other special term has been granted by the company during the three years preceding the date of this circular in connection with the issue or sale of any securities, stock or debentures in the capital of the company.

No sum has been paid or agreed to be paid within the three years preceding the date of this circular to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a director, or to any partnership, syndicate or other association or which he is a member by any person either to induce him to become or to qualify as a director, or otherwise for services rendered by him or by the associate company or the associate entity in connection with the promotion or formation of the company.

#### **7.1.2 Summary of the terms of the redeemable preference shares**

7.1.2.1 The redeemable preference shares shall initially confer on the holders, collectively, an entitlement to receive 15% of the aggregate dividend or distribution declared by the company in respect of the combined ordinary and redeemable preference shares in issue at the date of declaration of the dividend, notwithstanding the proportionate number of ordinary and redeemable preference shares in issue at such date. The dividend or distribution to which redeemable preference shareholders are entitled shall be proportionately adjusted from time to time as redeemable preference shares are redeemed. The formula for calculating such dividend is set out in paragraph 2 of Annexure 3.

7.1.2.2 By means of exercising an option ("the call option"), the terms of which are more fully set out in Annexure 3, a holder of a redeemable preference share shall be entitled to subscribe for ordinary shares in the company. The option is designed to enable the preference shareholders collectively to subscribe for up to 15% (the "participating percentage") of the total issued ordinary shares on a fully diluted basis. The number of ordinary shares for which the holder of each preference share shall be entitled to subscribe and the subscription price of each ordinary share shall depend upon the number of ordinary shares outstanding at the time the option is exercised and the number of options already exercised. As options are exercised the participating percentage to which the remaining options are entitled will be proportionately reduced. The formula for calculating such entitlement is set out in paragraph 8.2 of Annexure 3. As an example, if all redeemable preference shareholders exercised their call options on the same date, they would end up holding 15% of the enlarged ordinary share capital.

7.1.2.3 The call option may be exercised by the relevant shareholder giving written notice to that effect to the company in accordance with the procedure set out in paragraph 11 of Annexure 3, in respect of each of the periods ending on 30 November 2010, 2011, 2012 and 2013 ("the option exercise dates"). The call option may be exercised in whole or in part. Any call option that is not exercised by 31 December 2013 shall

lapse whereafter any redeemable preference shares still outstanding shall be subject to redemption by the company on the basis set out in paragraph 12.1 of Annexure 3. The company shall give the redeemable preference shareholders timeous notice of each option exercise date by posted notice, setting out the procedures for exercising the option, and enclosing a form for completion by certificated redeemable preference shareholders. On the exercise of the call option by the holder of a redeemable preference share, the redeemable preference share to which that call option relates shall be redeemed on the exercise of the option on the basis set out in paragraph 11 of Annexure 3.

#### **7.1.3 Alterations to share capital**

At a general meeting of shareholders held on 31 March 2006, the authorised ordinary share capital of the company was increased from R200 000 consisting of 20 million shares of a nominal value of 1 cent each to R10 million consisting of 1 billion shares of a nominal value of 1 cent each and sixty million redeemable preference shares of a nominal value of 1 cent each were created. Save for the above, there have been no alterations to the share capital in the four years preceding the date of this circular.

#### **7.1.4 Dividends**

In terms of the company's articles of association, all unclaimed dividends shall not bear interest and may be invested or otherwise made use of by the directors of the company as they deem fit for the benefit of the company until claimed, provided that dividends unclaimed and retained for a period of three years shall be forfeited and shall revert to the company and be dealt with by the directors of the company as they deem fit.

#### **7.1.5 Share price history**

The share price history of AfroCentric ordinary share on the JSE is set out in Annexure 8.

### **7.2 Advances, loan capital and borrowings**

#### **7.2.1 Material loans and advances**

At the date of this circular, the company has no loans to or from any party.

#### **7.2.2 Borrowings**

The borrowing powers of the AfroCentric group have not been exceeded since the date of incorporation of AfroCentric. The details of the borrowing powers of the directors conferred upon them in terms of the articles of association of the company are set out in Annexure 9.

#### **7.2.3 Material commitments, lease payments and contingent liabilities**

No material capital commitments or lease payments have been contracted for or approved by the directors of AfroCentric. The company has no contingent liabilities.

#### **7.2.4 Information on subsidiaries**

The company has no subsidiaries.

#### **7.2.5 Principal immovable property owned and leased**

The company owns no immovable property nor is the company engaged in any leases.

#### **7.2.6 Property acquired or to be acquired**

The company has made no material acquisitions within the three years preceding the date of this circular and has no options to acquire any properties, securities or business undertakings at the date of this circular. As stated in paragraph 4.4 it is seeking opportunities for investment in accordance with its new strategy following completion of the rights offer.

### **7.3 Shareholders**

At the last practicable date, no shareholders, other than the directors as set out in paragraph 7.4 below, directly or indirectly, held 5% or more of the company's shares.

After the implementation of the rights offers ACET will hold 47 100 000 ordinary shares in Afrocentric renounced to it by Messrs J M Kahn and M I Sacks, being 50.1% of the issued ordinary share capital. There will therefore be a change in control of the company. Following the change of control, a mandatory offer to minorities as required under the Code is being made in terms of Annexure 12.

#### 7.4 Directors

The full names, ages, nationalities, addresses and occupations of the directors of AfroCentric are set out below:

<b>Name and age (all SA citizens and non-executive, save as disclosed in paragraph 4.4)</b>	<b>Business address</b>	<b>Qualifications and occupation</b>
Ntombemhlophe Brigalia Bam ( <i>Chair</i> ) (72) (independent)	Election House 260 Walker Street Sunnyside 0002	Election Commissioner and Social Worker
Nonhla Mbali Jacqueline Canca (40) (independent)	1 President Street Newtown 2001	Chief Executive Blue IQ
Mandla Vulindlela Gantsho (43) (independent)	1258 Lever Road Headway Hill Midrand 1685	Vice-President, Operations, North, East and South Africa Region of the African Development Bank
Brian Joffe (59) (non-independent – see paragraph 4.4)	Bidvest House 18 Crescent Drive Melrose Arch 2193	Chief Executive The Bidvest Group Limited
Jacob Meyer Kahn (66) (non-independent – see paragraph 4.4)	2 Jan Smuts Avenue Braamfontein 2001	Chairman SABMiller plc
Michael Ivan Sacks (63) (non-independent – see paragraph 4.4)	76 Maude Street Sandton 2196	Chairman, Network Healthcare Holdings Limited
Derrick Ian Swartz (45) (independent)	The University of Fort Hare, Alice 5700	Vice-Chancellor, The Fort Hare University

##### 7.4.1 Directors' interests

At the last practicable date, the beneficial and non-beneficial, direct and indirect, interests of the directors in the shares of AfroCentric were as follows:

##### **Before the rights offers – ordinary shares**

	<b>Direct beneficial</b>	<b>Indirect Non-beneficial</b>	<b>Total %</b>
J M Kahn	3 760 000		40,0
M I Sacks		3 760 000	40,0
			<b>80,0</b>

After the rights offers – ordinary shares, assuming no ordinary shares are taken up by Messrs Kahn or Sacks in terms of the underwriting agreement referred to in paragraph 5.3, or in terms of the mandatory offer as set out in Annexure 12. Assuming also that a trust of which Mr Brian Joffe is a trustee subscribes for the ordinary shares renounced in its favour equally by Messrs Kahn and Sacks and that Messrs Kahn and Sacks successfully procure subscriptions for the remaining new ordinary shares:

	<b>Direct beneficial</b>	<b>Indirect Non-beneficial</b>	<b>Total %</b>
B Joffe		3 600 000	3,8
J M Kahn	5 000 000		5,3
M I Sacks		5 000 000	5,3
			<b>14,4</b>

After the rights offers – redeemable preference shares assuming no redeemable preference shares are taken up by Messrs Kahn or Sacks in terms of the underwriting agreement referred to in paragraph 5.3 and that a trust of which Mr Brian Joffe is a trustee subscribes for the redeemable preference shares renounced in its favour equally by Messrs Kahn and Sacks:

	<b>Direct beneficial</b>	<b>Indirect Non-beneficial</b>	<b>Total %</b>
B Joffe		2 400 000	14,4
J M Kahn	3 636 800	1 818 400	32,8
M I Sacks		5 455 200	32,8
			<b>80,0</b>

The directors do not have any indirect beneficial or direct non-beneficial interests in the issued shares of AfroCentric.

Messrs J M Kahn and M I Sacks have undertaken to underwrite the offers as set out in paragraph 5.3.

There has been no change in the directors' interests disclosed above between the last practicable date and the date of this circular.

None of the directors had any interest in any transaction which is or was material to the business of the company and was effected during the current or immediately preceding financial year, which remain in any respect outstanding or unperformed.

#### 7.4.2 **Directors' remuneration**

At the date hereof, none of the directors receive remuneration from the company, either directly or through a third party. The remuneration policy will be reviewed by the directors from time to time when reviewing the scope and nature of the company's operations.

#### 7.4.3 **Directors' service contracts**

At the date hereof, save as disclosed in paragraph 4.4, none of the directors has entered into a service contract with the company.

7.4.4 Details of the directors' other significant directorships and/or partnerships in the past five years are included in Annexure 11.

7.4.5 None of the above directors has in the past 12 months been:

- declared bankrupt or entered into any individual voluntary arrangements with his creditors;
- party to any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors of any company where such person is or was a director with an executive function at the time of or within the 12 months preceding such events;
- a director of any company which has been liquidated (other than voluntarily) or reached a composition of any nature with its creditors;
- censored by any statutory or regulatory authorities or disqualified by a court from acting as a director of a company or from acting in the management of the affairs of any company; or
- convicted of any offence involving dishonesty.

7.4.6 The relevant provisions of the articles of association concerning the appointment, qualification, remuneration and borrowing powers of the directors of AfroCentric are set out in Annexure 9.

7.4.7 **Curricula vitae**

The abridged curricula vitae of the directors are set out in Annexure 1.

8. **LITIGATION**

There are no legal or arbitration proceedings active, pending or threatened against, or being brought by the company or its subsidiaries which may have a significant effect on the company's financial position or which have had such an effect during the 12 months preceding the date of this circular.

9. **MATERIAL CONTRACTS**

Save for: (i) the company's sale of its entire business undertaking to SGM Investments (Pty) Limited for R19 million and the declaration of a special dividend to shareholders of R1.82 per share and (ii) the underwriting agreement referred to in paragraph 5.3, AfroCentric and its subsidiaries have not entered into any material contracts during the period of two years prior to the date of this circular, nor has the company at any time entered into a material contract that contains an obligation or settlement that is material to the company or its subsidiaries at the date of this circular, nor is the company liable to pay any royalties or items of a similar nature.

10. **CORPORATE GOVERNANCE**

AfroCentric's statement in support of the King Code is set out in Annexure 10.

11. **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors, whose names are given in paragraph 7.4, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the JSE Listings Requirements.

12. **CONSENTS**

Each of the corporate adviser and sponsor, auditors and reporting accountants, bankers to ACET, adviser to AfroCentric and attorneys have consented in writing to act in their capacities and to their names being stated in this circular and have not withdrawn their consent prior to the publication of this circular.

13. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at any time during normal business hours (Saturdays, Sundays and South African public holidays excepted) from Monday, 24 July 2006 until Friday, 11 August 2006 at the registered office of the company:

13.1 the memorandum and articles of association of the company;

13.2 the audited annual financial statements of the company for the three financial years ended 30 June 2005 and the interim results announcement for the six months ended 31 December 2005 together with the auditors' review reports thereon;

13.3 the circular to shareholders relating to the reconstitution of the company dated 6 March 2006;

13.4 a signed copy of this circular;

13.5 the agreement of sale referred to in paragraph 9 above;

- 13.6 the underwriting agreement referred to in paragraph 5.3 and the letters of consent in relation thereto;
- 13.7 the share incentive scheme approved at the general meeting held on 31 March 2006;
- 13.8 the reporting accountants' reports on the *pro forma* financial effects of the rights offers;
- 13.9 the SRP's opinion letter set out in Annexure 12; and
- 13.10 letters of consent of the advisers to the company named on page 2 of this circular to their names appearing herein.

**SIGNED at JOHANNESBURG on behalf of all the directors of the company in terms of powers of attorney granted to MI Sacks on 26 July 2006.**

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## ABRIDGED *CURRICULA VITAE* OF THE AFROCENTRIC DIRECTORS

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The directors of the board are:

### **Ms N Brigalia Bam (*Chair*)**

Ntombemhlophe Brigalia Bam chairs the Independent Electoral Commission. She gained prominence through her work as general secretary of the SA Council of Churches and has served on the numerous boards in South Africa and abroad, including the SABC, Murray & Roberts, Absa and the Institute for Global Dialogue. She has also served on the boards of the SA Human Rights Commission, the Open Society Foundation, The Society for International Development, the All Africa Council of Churches and Unisa. Bam is the founder president of the Women's Development foundation and outgoing Chancellor of the University of Port Elizabeth.

In 2004, Bam received the National Order of the Baobab for her role in the upliftment of women and her contribution to bring about democracy in South Africa.

A qualified social worker, Bam holds a masters degree in communication from the University of Chicago. She has received numerous honorary doctorates and awards in recognition of her commitment to democracy and human rights, especially the rights of women.

### **Ms Nomhle Canca**

Nomhle Canca is CEO of Blue IQ Investment Holdings, an investment arm of the Gauteng provincial government, which develops strategic infrastructure investment products that have an economic and social impact. She was previously chair and CEO of Canca Financial Services a private equity company.

Earlier, she was executive director and a cofounder of Woman Investment Portfolio Holdings and the Women's Development Bank. She is a director of Anglovaal Industries Limited, Pareto and Primedia. She was educated in the US and qualified as a stockbroker on the New York Stock Exchange, Inc. and as an investment adviser in Georgia.

Her work experience includes spells with Merrill Lynch in the US and Anglo American and Capital Alliance in Johannesburg. Since 1996, she has sat on the Katz Commission on Taxation.

### **Mr Mandla Gantsho**

Mandla Gantsho was recently appointed as Vice President, Operations, North, East and South Africa Region of The African Development Bank (ADB). His primary responsibilities include infrastructure development, NEPAD and coordination with the private sector.

Until this recent appointment Mr Gantsho was Chief Executive of the Development Bank of Southern Africa. He joined the DBSA in 1995 as chief financial officer and took over as CEO in 2001, when he also joined the board of the bank. He was executive financial manager of the bank from 1995 to 2000.

ADB is a multilateral development bank whose shareholders include 53 African countries (regional member countries "RMCs") and 24 non-African countries from the Americas, Asia, and Europe (non-regional member countries "non-RMCs"). It was established in 1964 and officially began operations in 1967.

ADB's primary objective is to promote sustainable economic growth in order to reduce poverty in Africa. It achieves this objective by financing a broad range of development projects and programmes through:

- (i) public sector loans (including policy-based loans), private sector loans, and equity investments;
- (ii) technical assistance for institutional support projects and programmes;
- (iii) public and private capital investment;
- (iv) assistance in coordinating RMC development policies and plans; and
- (v) grants of up to US\$500,000 in emergency support.

Mr Gantsho's appointment to ADB is a testament to the respect he earned and his successes at the DBSA.



He has also worked for Mobil Oil (now Engen), the wider Transnet group and the World Bank's private equity arm, the International Finance Corporation. He has served on presidential task forces, including the Financial & Fiscal Commission and the commission of inquiry into the rapid depreciation of the rand in 2001. Gantsho is a director of petrochemical group Sasol Limited.

He is a CA(SA) and holds an MSc in project management from George Washington University in the USA, a BCom Hons and a CTA from UCT and a BCom from the University of the Transkei.

### **Mr Brian Joffe**

Brian Joffe graduated from the University of the Witwatersrand in 1971 as a Chartered Accountant. He served Articles with a firm of accountants – Levitt Kirson Gross. After graduating he worked in Israel for three years before returning to South Africa where he bought a half-share in a pet food business acquiring the full shareholding a year later. The business was sold profitably in the following year to Tongaat, a major food group within the Anglo American stable.

After some time in the USA he returned to South Africa to join Standard Merchant Bank as a consultant in their corporate finance division where he met Mannie Simchowitz who was establishing W & A. Mr Joffe joined W & A as chief executive of E W Tarry plc which was listed on the London Stock Exchange in August 1983. In 1987 he became managing director of W & A. He initiated the sale of W & A later that year after which he left the group in May 1988.

In November 1988 he gained control of a JSE-listed cash shell. The name was changed to Bid Corporation Limited with Brian as executive chairman. The Bidvest Group Limited (Bidvest) was floated.

In 1995 he was elected by the Sunday Times as one of South Africa's top five businessmen of the year. He was elected as one of the top South African Jewish Business Achievers for 1995.

In 2003 an international research organisation Marakon Associates rated Bidvest first in conglomerate performance world-wide, delivering a 36% annual compound growth in total shareholder returns, in US dollars over 10 years, beating Jack Welsh's GE and Warren Buffet's Berkshire Hathaway. In the same year Bidvest was listed as one of only three South African companies as an index component in the Dow Jones Sustainability World Index.

In 2004 Bidvest initiated a R2,1 billion transaction to introduce Dinatla as a 15% shareholder in Bidvest in a groundbreaking Black Economic Empowerment initiative. In that year Bidvest was also listed as a founding constituent of the Socially Responsible Investment index launched by the JSE. In 2005 Bidvest was included in the Forbes Global Roster of the world's most attractive big companies for investors. The 400 companies listed represent less than 1% of the world's publicly quoted companies.

Bidvest employs 82 000 people, has a market capitalisation of approximately R23,5 billion and operates in southern Africa, the United Kingdom, continental Europe, Australia and New Zealand.

### **Mr J Meyer Kahn**

After obtaining his BA Degree (Law) and MBA at the University of Pretoria, Meyer Kahn entered the business world in Pretoria as junior manager with the OK Bazaars retail chain. After rapid progress, he later occupied executive positions in both Afcol and Amrel. In 1977 he returned to the OK Group as Chief Executive Officer. In 1981 he was appointed a director of SA Breweries Group, Group Managing Director in 1983 and Executive Chairman in 1990.

Mr Kahn served on the boards of 16 listed companies and as a trustee of numerous organisations and is also a past-president of The South Africa Foundation.

He has received a number of notable awards, among others: one of the country's five Top Businessmen in 1983; Marketing Man of the Year in 1987; and Business Manager of the Year in 1990. During 1991 he received the Award for Business Excellence from the University of the Witwatersrand. He was also honoured by the University of Pretoria as Professor Extraordinaire (1989) and by way of an honorary doctorate in Commerce (1990). He was also awarded SOE in recognition of outstanding service rendered in SAPS in 2000.

On 1 August 1997, Mr Kahn commenced his two-and-a-half year secondment to the South African Police Service as its Chief Executive. On 1 January 2000, he returned to the Braamfontein offices of South African Breweries plc to reassume his position as Chairman. In July 2002, on completion of the transaction with the Miller Brewing Company of the USA, he became Chairman of SABMiller plc.



### **Mr Michael (Motty) I Sacks**

Motty Sacks graduated from the University of the Witwatersrand in 1967 and was admitted as a Public Accountant and Auditor in 1968. He was admitted as an Accountant and Auditor in the United Kingdom and Israel in 1974 and 1978, respectively.

In 1968, he entered private practice as a Public Accountant and Auditor but retired in 1972 to form a specialised consultancy practice dealing more specifically in mergers, acquisitions, corporate rescue and insolvency matters.

During his 25 years as a Financial Consultant, Mr Sacks served as a non-executive director on the boards of several listed institutions and continues to serve in that capacity as well as being the chairman/member of several board committees.

In addition to his corporate involvement, Mr Sacks serves on several charity committees, community trusts and consults in an honorary capacity as a mentor and adviser to several black empowerment entities.

Mr Sacks is also an Officer of the International Association of Political Consultants and has served as a Director and Officer of that Association for the past 20 years.

He is presently the Chairman of Netcare, having co-founded the Group with Dr Jack Shevel in 1996. He is also the Chairman of Advtech Limited, one of South Africa's leading education institutions.

### **Professor Derrick I Swartz**

Derrick Ian Swartz is Vice-Chancellor of the University of Fort Hare ("UFH"). He joined the University on his return from exile, first as Director of the Institute of Government and then as Vice-Chancellor in 1999. He assumed the helm when the university was on the brink of collapse. His bold and visionary rescue initiative, Strategic Plan 2000, resulted in a dramatic turn of fortune for UFH.

Swartz has served three successive terms as Deputy Chairman of the SA Vice-Chancellors' Association and sits on various boards: the SABC, the Liliesleaf (Rivonia) Trust, the Freedom Park Trust and the Dora Tamana Trust. He was a member of the Presidential Review Commission established by former president Nelson Mandela.

He has a BA from UWC and MA and PhD from Essex University (UK). He has been awarded one of South Africa's highest honours, the Supreme Order of the Baobab (Gold Class).

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## INFORMATION ABOUT THE AFROCENTRIC EMPOWERMENT TRUST

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ACET is a trust that will be the controlling shareholder of AfroCentric. In addition to other qualifying beneficiaries to be nominated, the nominated beneficiaries of ACET as of the date hereof are:

- The Fort Hare Foundation Trust.
- The South African Council of Churches through The Barangoa Trust.
- The Leadership Foundation Trust.

These entities, individually or collectively, have links to, or are associated with, a significant number of South Africa's black and historically disadvantaged citizens. The broad based support for or endorsement of the work and aspirations of these organisations is well known and their credibility and significance within the communities they serve is broadly acknowledged.

The constitution and inclusion of each of these entities in ACET is designed to advance the social, economic and educational designs of South Africa's population. Through their existing infrastructure and support systems, some in the most remote parts of South Africa, these organisations are well positioned to ensure that the value created through BEE is delivered to the country's citizens, their membership, their students and their patrons (and their extended families) through, *inter alia*:

- advances in and the promotion of education;
- advances in and the provision of healthcare;
- community outreach and support;
- poverty alleviation; and
- leadership, jobs and skills training.

### Trustees of ACET

The following people have agreed to serve as trustees of ACET:

- **Themba Dennis Faku**

An educator and principal based in the Eastern Cape who is actively engaged in the development of the youth. He sits as a director of a number of companies promoting broad-based empowerment groups.

- **Yolisa Soul**

Ms Soul holds a Masters in Information Science from the University of Michigan, Honours degree, Bachelor of Education and Bachelor of Sciences degrees from the University of Fort Hare. Her responsibilities primarily relate to the Fort Hare library as well as the supervision and management of the struggle archives of a number of organisations. Ms Soul has been involved in a number of research projects resulting in the production of documentaries and exhibitions including the Life and times of Z K Matthews, Robert Sobukwe and the Commemoration of 90 years African National Congress Exhibition. She is also a board member of the Freedom Park and Amathole Museum. She was recently involved with the establishment of the Dr. Govan Mbeki Library to the University of Fort Hare and a documentary produced for national television.

- **Muditambi Ravele**

Ms Ravele initiated the Woman and Sport South Africa Project in the department of Sport and Recreation and was appointed a national coordinator of woman and sport in 1997. She received the State President Sports Administrator of the Year award for 2001/2002. Ms Ravele has been chairperson of Woman and Sport South Africa and has actively fought for woman's rights in sport. She serves on several boards of directors including Woman's Sport International, International federation on Netball associations, Laureus Sport For Good Foundation (South Africa) and the South African Hall of Fame. She recently joined the Premier Soccer league as head of marketing and communications.

## **Identified beneficiaries of ACET:**

**The Fort Hare Foundation** is associated with Fort Hare University located in the Eastern Province. Fort Hare University came into existence in 1916 and is the oldest historically black university in Southern Africa. Alumni of Fort Hare include Nelson Mandela, Oliver Tambo, Govan Mbeki, Chris Hani, Robert Sobukwe, Mangosuthu Buthelezi, Dennis Brutus (an acclaimed poet) and Can Themba (an accomplished journalist).

Fort Hare has as its mission to become a vibrant, equitable and sustainable African university committed to teaching and research excellence that builds upon its unique historical leadership role and rural location to provide an attractive and enriching educational service to its graduates and scholars to become meaningful and critical participants in the social, economic and political development of society.

On 26 April 2005 President Thabo Mbeki awarded Fort Hare University with one of the highly celebrated national Orders – The Supreme Order of Baobab (Gold Class) – in recognition of its role in academic training of legions of men and women in South Africa and Southern Africa, as well as its leadership development contribution.

**The South African Council of Churches** (the “SACC” or “Council”) is the facilitating body for a wide fellowship of church denominations committed to expressing together, through proclamation and programmes, the united witness of the church in South Africa.

The SACC has adopted as its mission, to work for moral reconstruction in South Africa, focusing on issues of justice, reconciliation, the integrity of creation and the eradication of poverty. In addition it seeks to contribute towards the empowerment of all who are spiritually, socially and economically marginalised.

The SACC is the national ecumenical enabler and coordinator of inter-church debate and action. The Council is well known for the part it played in the struggle against apartheid and is now engaged in assisting the reconstruction of the nation and the development of South Africa’s new democracy.

Through its broad denominational church network and its associated para-church organisations, the SACC represents the interests of a substantial percentage of citizens in South Africa. The national office is located at Khotso House in Johannesburg. There are also nine Provincial Councils of Churches working in close contact with the Council and for the same aims. They are governed by representatives of the Provincial churches as the Council is governed by its national member-churches.

**The Leadership Foundation Trust** is a newly formed trust that has as its objective the formation, funding and maintenance of an internationally recognized Institute – “The Leadership Foundation”. The Leadership Foundation is intended to be an organisation committed to the promotion of peace, justice, democracy and human rights in Africa. In addition, the Leadership Foundation will also seek to take an active role in advancing South Africa’s leadership role in NEPAD and its African agenda.

Not unlike the Carter Center based in Atlanta, the divisions associated with The Leadership Foundation will pursue its agenda through providing a forum for debate, negotiation and reconciliation among and between African leaders and their representative bodies. Through action-oriented programmes, The Leadership Foundation will advance a broad-based vision of human rights. These rights include political and civil rights, such as freedom from oppression and the right to vote, as well as economic and social rights to adequate food, healthcare and livelihoods.

The Leadership Foundation believes that the benefits of peace extend well beyond just eliminating war and conflict. Building peace and promoting democracy prevents conflict and instability, improves governance and strengthens the rule of law. When citizens are empowered, they use their voices to influence policy, protect human rights and hold their governments accountable. Through strengthening human rights, people have the tools they need to build hope for themselves and their communities.

Mr Lwazi Konyana will be appointed as the initial trustee of the Leadership Foundation Trust.

## **EXTRACTS FROM THE ACET TRUST DEED RELATING TO THE DISTRIBUTION OF ASSETS, APPOINTMENT OF TRUSTEES, VOTING BY TRUSTEES AT COMPANY MEETINGS, AND TERMINATION**

Extracts from the ACET trust deed relating to distribution of assets, appointment of trustees, voting by trustees at company meetings, and termination are set out below:

### **“FUNDING AND RELEASE OF SHARES**

10.2 Save as otherwise provided in this deed:

10.2.1 prior to the tenth anniversary of the date upon which the relevant company shares are acquired the trustees shall not be entitled to release to the vested beneficiaries any company shares in which they have an entitlement;

10.2.2 by no later than the twentieth anniversary of the date upon which the relevant company shares are acquired the trustees shall release to the vested beneficiaries all company shares in which they have an entitlement;

10.2.3 the entitlement which the vested beneficiaries have in respect of the company shares that are held by the trust shall be determined with reference to their percentage entitlement as set out in this deed; and

10.2.4 the vested beneficiaries shall be entitled, by giving written notice to that effect to the trustees, to require that the date upon which the relevant assets of the trust are released to the vested beneficiaries be a date later than the twentieth anniversary of the date upon which the relevant company shares are acquired.

10.3 After the date upon which the relevant company shares are released by the trust to the vested beneficiaries, the trustees, acting in their discretion, shall be entitled to distribute to the beneficiaries of the trust who are not vested beneficiaries but who shall be providential persons, all company shares that the trust holds that have not been distributed to the vested beneficiaries.

10.4 Notwithstanding the provisions of 10.2 and 10.3, no distribution shall be made to the beneficiaries unless the trust has discharged the purchase price payable for the company shares and any loans that have been raised by the trust in order to acquire the company shares together with all interest thereon and all other liabilities of the trust have been repaid in full.

### **11. APPOINTMENT OF TRUSTEES BY VESTED BENEFICIARIES, ENTITLEMENTS OF VESTED BENEFICIARIES AND VOTES OF VESTED BENEFICIARIES AT COMPANY MEETINGS**

11.1 The donors (or their heirs) shall have the right to appoint one (1) trustee of the trust. Failure to do so on any occasion shall not preclude them from doing so on any other occasion.

11.2 Subject to 11.1, the trustees shall be appointed by the vested beneficiaries on an annual basis in the manner set out in this clause 11.

11.3 At least one of the trustees shall be an independent person suitably qualified to participate in the financial management of the trust.

11.4 Each vested beneficiary with a vested interest in the trust in excess of 10% shall be entitled to appoint a trustee of the trust.

11.5 The trustees shall take all such steps that are necessary to procure that a meeting of the vested beneficiaries is held on the first business day of March in each year or such earlier date that the trustees determine in order to enable the vested beneficiaries to determine who will be appointed as trustees in that year. The first such meeting shall be held after the third anniversary but prior to the fourth anniversary of the date on which this deed is signed by the party hereto who or which signs this trust deed last in time.

11.6 Should the vested beneficiaries not attend the meeting specified in 11.5 above or there not be a quorum at that meeting then the trustees who are appointed as trustees at the date of the relevant meeting shall continue to act as trustees of the trust.

- 11.7 Should a meeting of the shareholders of the company be held, the trustees shall be entitled to vote all of the company shares held by the trust at that meeting, unless the the board of directors of the company requests that the trust implement its voting procedure defined in 1.1.28 in which case the trustees shall take such steps that are necessary to procure that the vested beneficiaries are granted such proxies in respect of that meeting that will enable the vested beneficiaries to vote their percentage vested entitlement in respect of the company shares that are held by the trust.
- 11.8 If the company declares a dividend then the trustees may, acting in their discretion, on receipt of that dividend, distribute to the vested beneficiaries in proportion to their percentage vested entitlements at the relevant time a proportion of the dividend declared by the company, after deductions necessary to pay or provide for its allocation of operating expenses.
- 11.9 It is recorded for purposes of clarity that nothing contained in this deed shall preclude the trustees from accumulating capital for any purpose that the trustees may determine.
- 11.10 Once the trust has paid all operating expenses and repaid all liabilities, loans and interest thereon the trustees shall effect payments to beneficiaries of dividends which the trustees acting in their sole and absolute discretion may determine should be distributed to the beneficiaries in such manner as is consistent with the principle that the trust is a conduit through to the beneficiaries, unless the trustees in their discretion determine not to do so.
- 11.11 The company shall be entitled to make presentations to the trustees and the vested beneficiaries at all meetings of the trustees and at all meetings of the vested beneficiaries held in terms of this clause 11.
- 11.12 Should the company fail to achieve or maintain the target empowerment ownership rating for any reason related to any vested beneficiary then –
- 11.12.1 the trustees of the trust shall give the relevant vested beneficiary (“the non compliant beneficiary”) notice of the fact that the non compliant beneficiary does not comply with the BEE Regulations or its conduct is limiting the rating achievable by the company and specifying the manner in which the relevant vested beneficiary ceases to comply with the BEE Regulations or is limiting the company’s rating;
- 11.12.2 the non-compliant beneficiary shall have a period of **60** (sixty) days to remedy such non compliance failing which the vested beneficiary shall cease to be a vested beneficiary of the trust and shall cease to have any vested interest whatsoever in the company shares whereupon the interest forfeited by the vested beneficiary shall be assigned by a nomination committee to another beneficiary that would enable the company to achieve the objectives identified in 2.4;
- 11.12.3 if the non-compliant beneficiary complies with the BEE Regulations after the expiry of the **60** (sixty) day period specified in clause 11.12.2, a nomination committee shall have the power, in their discretion, to declare that such non compliant beneficiary shall be reinvested with the right to receive such company shares and thereupon any previously subsisting right of such non compliant beneficiary hereunder shall revert to that non compliant beneficiary to the extent determined by the trustees acting in their sole and absolute discretion.

## 12. TERMINATION

The trust shall terminate when the trustees so resolve, but in any event by no earlier than **10** (ten) years after the date upon which the last company shares that the trust acquires are acquired. Upon such termination, the assets (if any) of the trust shall be –

- 12.1 realised and any surplus remaining after the discharge of the trust’s liabilities shall be paid over to the vested beneficiaries in the proportions to which the vested beneficiaries are entitled and to discretionary beneficiaries in such proportions as the trustees acting in their discretion may determine; or
- 12.2 distributed to the vested beneficiaries in the proportions to which the vested beneficiaries are entitled and to discretionary beneficiaries in such proportions as the trustees acting in their discretion may determine.”

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## RIGHTS, PRIVILEGES AND OBLIGATIONS OF THE REDEEMABLE PREFERENCE SHARES

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1. For the purposes of this annexure:
  - 1.1 "business day" means any day other than a Saturday, Sunday or public holiday in the RSA;
  - 1.2 "preference dividend" means a preferential cash dividend per preference share determined pursuant to the formula contained in 2 below;
  - 1.3 "the redeemable preference shares" means 60 000 000 (sixty million) redeemable participating preference shares in the issued share capital of the company of a nominal value of 1 (one) cent each which have the rights set out in this annexure;
  - 1.4 "RSA" means the Republic of South Africa; and
  - 1.5 "the rights offer" means the rights offer to be implemented by the company commencing on or about 24 July 2006.

2. If the company declares dividends or makes any payment to the holders of the ordinary shares in respect of any financial year, then the holders of the redeemable preference shares shall be entitled to a preferential dividend or payment calculated in accordance with the following formula:

$$\text{Pref Div/Payment} = P \times 0.15 \times R/S$$

Where:

- Pref Div/Payment = the total dividend or payment to be declared by board in respect of the redeemable preference shares as a class;
- P = the total dividend or payment to be declared by board in respect of ordinary shares and redeemable preference shares;
- R = the redeemable preference shares in issue at record date of the relevant dividend or payment; and
- S = the total number of redeemable preference shares issued in terms of the rights offer.

To calculate the preference dividend payable per redeemable preference share, the Rand value derived from applying the above formula is divided by "R".

3. The redeemable preference shares will rank as regards arrear dividends and return of capital on a winding up in priority to the ordinary shares and in priority to the holders of any other shares in the capital of the company to repayment of an amount equal to the greater of: (a) the sum of the subscription price of the redeemable preference shares and any arrears in the preference dividends or (b) the amount the holders of the redeemable preference shares would otherwise be entitled to receive had the holders thereof elected to exercise their options to purchase ordinary shares immediately prior to the date it is determined to wind up the affairs of the company (whether or not such date is an option exercise date detailed in 8.1 below).
4. The company in general meeting or the directors of the company shall be entitled to declare dividends in respect of the redeemable preference shares on the basis that the preference dividend payable in respect of any financial year shall be payable at the same time as the payment of the dividend in respect of ordinary shares to the holders of the redeemable preference shares registered as such at a reasonable date chosen by the company in general meeting or by the directors, as the case may be, which date shall be subsequent to the date of the declaration of such dividends or the date of the confirmation of such dividends, whichever is the later. Any arrear preference dividends shall rank for payment in priority to the declaration or payment of any dividends in respect of the ordinary shares.

5. With respect to voting rights in the company, the holders of the redeemable preference shares shall not be entitled to receive notice of and to attend and vote at any general meeting of the company unless any one or more of the following circumstances prevail at the date of the meeting –
  - 5.1 the preference dividend or any part thereof whether declared or not remains unpaid after 60 days from the due date thereof;
  - 5.2 a resolution of the company is proposed which directly affects the rights attached to the redeemable preference shares or the interests of the holders thereof, including a resolution for the winding up of the company or for the reduction of its share capital or share premium account or a resolution pursuant to section 228 of the Act (except for any reduction which does not involve any distribution to members and except for the redemption of any preference shares originally issued as redeemable by the company), or for the repayment or distribution of the share premium or non distributable reserves of the company or the issue of capitalisation shares (except in such manner as is permitted by any statutes and the company's articles of association provided that such repayment or distribution does not have the effect of reducing the share premium account to below the amount of 1 cent per issued redeemable preference share plus any amount required to be retained in the share premium account in respect of any other shares). The rights and privileges attaching to the redeemable preference shares shall not be regarded as being directly or adversely affected by the creation and issue by the company of any further shares of any class, unless those new shares rank as regards participation in assets or profits of the company in all or some respects in priority to or *pari passu* with the redeemable preference shares;
  - 5.3 a resolution of the company is proposed for the disposal of the whole or substantially the whole of the undertaking of the company, or the whole or the greater part of the assets of the company which shall include a resolution of the company for the disposal of the undertaking or assets of a subsidiary of the company, if such undertaking or assets constitute the whole or substantially the whole of the undertaking or assets of the company and all its subsidiaries considered as one entity for this purpose.
6. Payment in respect of preference dividends and any other payments shall be made in the currency of South African Rand at the risk of the relevant holder of redeemable preference shares either by cheque sent by ordinary post to the address of each holder of redeemable preference shares as recorded in the register of the company's shareholders or by electronic transfer to such bank account nominated in writing by any holder of redeemable preference shares for such purpose. Payment in respect of shareholders whose redeemable preference shares have been dematerialised will be made to the relevant CSDP or broker.
7. All or any of the rights attaching to the issued redeemable preference shares may not be modified, altered, varied, added to or abrogated, without the prior written consent of the holders of at least three-quarters of the issued redeemable preference shares or the sanction of a resolution of the holders of the issued redeemable preference shares passed at a separate general meeting of such holders and at which redeemable preference shareholders holding in the aggregate not less than one quarter of the total votes of all the redeemable preference shareholders holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three quarters of the total votes to which the redeemable preference shareholders are present in person or by proxy are entitled.
8. The holder of each redeemable preference share is granted the right and option ("the call option") to subscribe for such number of ordinary shares at the prices set out below. The call option may be exercised by the holder of each redeemable preference share upon the following terms and conditions:
  - 8.1 the call option may be exercised by the relevant shareholder giving written notice to that effect to the company in accordance with the procedure set out in paragraph 11 below, in respect of each of the periods ending on 30 November 2010, 2011, 2012 and 2013 ("the option exercise dates");
  - 8.2 the number of ordinary shares that will be issued to the holder of each redeemable preference share if the call option is exercised in respect of that redeemable preference share at the relevant time shall be calculated in accordance with the following formula:



$$\{(A - B)/0.85 - (A - B)\} \times C/D$$

Where:

- A = total ordinary shares in issue at time of exercise of the call option;
- B = total ordinary shares issued in terms of previously exercised call options;
- C = number of redeemable preference shares in respect of which the call option is exercised;  
and
- D = total number of redeemable preference shares originally issued in terms of the rights offer;

8.3 The subscription price per ordinary share payable by the shareholder to the company shall be calculated in accordance with the following formula:

$$A = B \div C$$

Where:

- A = the subscription price per ordinary share at which the call option may be exercised;
- B = the aggregate subscription price at which the preference shares associated with the options that were exercised were subscribed for by the relevant shareholder; and
- C = the number of ordinary shares that will be issued by the company upon the exercise of the call option;

8.4 the call option may be exercised in whole or in part; and

8.5 any call option that is not exercised by 31 December 2013 shall lapse.

9. From the date upon which ordinary shares are issued pursuant to the exercise of the relevant call options, the preference shares to which the exercised call options relate shall cease to be entitled to any dividend or other distribution. The only monies to which holders of those redeemable preference shares shall be entitled are the redemption monies provided for in 10 below.

10. The redeemable preference shares to which that call option relate shall be redeemed out of the proceeds of the issue of the ordinary shares that will be subscribed for by the holders of the redeemable preference shares on the exercise of the option on the following bases:

- 10.1 the price payable for each redeemable preference share on redemption of same will be at a redemption price equal to the subscription price paid per redeemable preference share;
- 10.2 the company shall be deemed to have given notice of such redemption simultaneously with the exercise of the call option; and
- 10.3 the redemption shall take place in accordance with the procedures set out in paragraph 11 below.

11. The procedures for enabling redeemable preference shareholders to exercise their options and enable the company to redeem the redeemable preference shares are as follows:

- 11.1 not less than 30 (thirty) days before the occurrence of any option exercise date, the company shall post a notice to redeemable preference shareholders;
- 11.2 the notice shall advise redeemable preference shareholders of the salient features of the call option attaching to the redeemable preference shares, shall set out a timetable and the specific procedures approved by the JSE for the exercise of the call option, for the issue and allotment of the ordinary shares that will result should a call option be exercised and the redemption of the preference shares;
- 11.3 the call option may be exercised on behalf of a redeemable preference shareholder whose redeemable preference shares have been dematerialised by the CSDP of such redeemable preference shareholder;



- 11.4 the notice shall contain a form for completion by any certificated redeemable preference shareholder wishing to exercise the call option in respect of the relevant option exercise date and for return to the company or its authorised representative by a time and date which shall be not later than 14 (fourteen) days prior to the close of business on the relevant option exercise date; and
- 11.5 certificated redeemable preference shareholders shall be required to deliver their share certificates together with the completed form referred to above.
12. On the lapsing of the call option the company shall redeem the redeemable preference shares out of monies which may be lawfully applied for that purpose on the basis that the price payable for each redeemable preference share on redemption of same will be at a redemption price equal to the subscription price paid per redeemable preference share, provided that should the company not have sufficient reserves to redeem the redeemable preference share at a redemption price equal to the subscription price of the redeemable preference share then the price at which each redeemable preference share shall be redeemed shall be calculated by taking the reserves available for the redemption of the redeemable preference shares and dividing that amount by the number of redeemable preference shares to be redeemed.
13. Upon the date of redemption of any redeemable preference shares there shall be paid all preference dividends (including any which are in arrear) outstanding in respect of the same, up to the date fixed for redemption thereof.
14. In respect of redeemable preference shares where the call option has lapsed, the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the share certificate in respect of the preference shares, payment of the redemption monies is not effected by the company.
15. The company shall not be liable to a redeemable preference shareholder for interest on any unclaimed redemption monies and arrear dividends.
16. Any preference dividends (including any which are in arrear) that remain unclaimed for 3 (three) years may become the property of the company.
17. The redeemable preference shares will, subject to the approval of the JSE, be listed on the JSE.
18. Any redeemable preference shares in the authorised capital of the company that are not issued in the rights offer will be automatically cancelled on completion of the rights offer.

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## SALIENT FEATURES OF THE SHARE INCENTIVE SCHEME

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### 1. INTRODUCTION

- 1.1 A summary of the salient features of the scheme is set out below.
- 1.2 For the purposes of the scheme, “the group” comprises the company, its subsidiaries and associated companies and any other entity controlled or jointly controlled by the company or any of its subsidiaries from time to time.

### 2. NUMBER OF SHARES TO BE MADE AVAILABLE FOR THE PURPOSES OF THE SCHEME

- 2.1 The aggregate number of ordinary shares which may be made available for the purposes of the scheme shall not be more than 20% of the issued ordinary share capital from time to time of the company.
- 2.2 The aggregate number of ordinary shares which may be acquired by any one participant under the scheme, shall not be more than 3% of the issued ordinary share capital from time to time of the company.
- 2.3 The percentages and numbers set out in 2.1 and 2.2 above shall not be exceeded without prior authority of the shareholders of the company in general meeting and the approval of the JSE.
- 2.4 The price at which shares shall be made available shall be the Volume Weighted Average Price at which shares are traded on the JSE on the five business days immediately preceding the date upon which the board directs that the relevant shares are made available to participants as determined by the sponsors of the company or such other valuers nominated by the board for that purpose acting in their discretion.
- 2.5 The shares issued in terms of the scheme shall rank *pari passu* with the existing issued ordinary shares in the company.

### 3. TRUSTEES

- 3.1 The board of the company shall be entitled to appoint, remove and replace the trustees of the scheme. There shall at all times be a minimum of two trustees in office. The trustees may not be participants under the scheme. The first trustees will be Themba Dennis Faku and Oyama Mabandla.
- 3.2 In accordance with the Act, the scheme will be funded out of its own resources, loans by the group in accordance with the provisions of section 38(2)(b) of the Act, loans by third parties and/or any other resource which is available to the scheme.

### 4. PARTICIPANTS AND MANNER OF PARTICIPATION

Participants in the scheme may be officers or other employees of the group, including, but not limited to, executive and non-executive directors, selected by the board. Participants may be offered the opportunity to acquire shares in terms of the so-called offer to purchase scheme and the so-called option scheme.

### 5. OFFER TO PURCHASE SCHEME

The salient features of the offer to purchase scheme are set out hereunder –

- 5.1 under this scheme, shares (“scheme shares”) are sold by the scheme to the participants on the basis that ownership thereof passes to the participants on conclusion of the contract of sale but the purchase price need not be paid immediately. The amount due (together with interest thereon, if any – see 5.4 below) is hereinafter referred to as the “share debt”;

- 5.2 the amount payable by a participant for his scheme shares shall, in respect of the allocation, be not less than the Volume Weighted Average Price at which shares are traded on the JSE on the five business days immediately preceding the date upon which the board directs that the relevant shares are made available to participants as determined by the sponsors of the company or such other valuers nominated by the board for that purpose acting in their discretion ("share price");
- 5.3 scheme shares will be registered in the names of participants and will be pledged in favour of, and retained by, the scheme as security for payment of the share debt;
- 5.4 subject to certain limitations, a participant's outstanding balance of the share price will bear interest at such rate (if any), as may from time to time be determined by the board. Dividends on scheme shares will be paid to the scheme and be applied in payment of such interest and any excess shall be paid towards the reduction of the outstanding balance of the share price of such participant's shares;
- 5.5 unless the board otherwise resolves at any time, notwithstanding that any scheme shares are paid for, in whole or in part, at any time by the participant concerned, no scheme shares shall be released from the scheme or from the pledge until a period specified in the relevant offer to purchase is reached;
- 5.6 if any amount in respect of the share price of any scheme shares becomes payable on demand by the trustees in accordance with the provisions of the scheme and such amount is not paid by the due date thereof, the trustees shall be entitled, *inter alia*, to cancel that sale in terms of which those scheme shares were acquired by the participant concerned and, *inter alia*, the participant concerned shall cease to have any interest in the scheme shares in respect of which the balance of the share price was due to be paid, such scheme shares shall be transferred into the name of the trust and the trustees may repay to the participant all or any part of the share price which such participant has paid in respect of such scheme shares.

## 6. SHARE OPTION SCHEME

The salient features of the scheme relating to share options are set out hereunder –

- 6.1 the trustees may, if the board so directs, offer participants options ("share options") to purchase scheme shares. Each share option shall confer upon the holder thereof the right to purchase scheme shares upon the terms and conditions summarised below;
- 6.2 the amount payable by a participant for his scheme shares shall be calculated *mutatis mutandis* in accordance with the provisions of 2.4 above;
- 6.3 share options may be exercised at any time but will only be released to a participant in accordance with the relevant terms and conditions upon which the relevant option is granted.

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**TABLE OF ENTITLEMENT TO NEW ORDINARY SHARES**


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The following table sets out the number of new ordinary shares to which a member is entitled in respect of such member's holding which is not 100 or a multiple of 100 shares:

<b>Number of shares held</b>	<b>Entitlement</b>	<b>Number of shares held</b>	<b>Entitlement</b>	<b>Number of shares held</b>	<b>Entitlement</b>
1	9	34	306	67	603
2	18	35	315	68	612
3	27	36	324	69	621
4	36	37	333	70	630
5	45	38	342	71	639
6	54	39	351	72	648
7	63	40	360	73	657
8	72	41	369	74	666
9	81	42	378	75	675
10	90	43	387	76	684
11	99	44	396	77	693
12	108	45	405	78	702
13	117	46	414	79	711
14	126	47	423	80	720
15	135	48	432	81	729
16	144	49	441	82	738
17	153	50	450	83	747
18	162	51	459	84	756
19	171	52	468	85	765
20	180	53	477	86	774
21	189	54	486	87	783
22	198	55	495	88	792
23	207	56	504	89	801
24	216	57	513	90	810
25	225	58	522	91	819
26	234	59	531	92	828
27	243	60	540	93	837
28	252	61	549	94	846
29	261	62	558	95	855
30	270	63	567	96	864
31	279	64	576	97	873
32	288	65	585	98	882
33	297	66	594	99	891

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**TABLE OF ENTITLEMENT TO NEW REDEEMABLE PREFERENCE SHARES**


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The following table sets out the number of new redeemable preference shares to which a member is entitled in respect of such member's holding which is not 100 or a multiple of 100 shares:

<b>Number of shares held</b>	<b>Entitlement</b>	<b>Number of shares held</b>	<b>Entitlement</b>	<b>Number of shares held</b>	<b>Entitlement</b>
1	2	34	60	67	119
2	4	35	62	68	120
3	5	36	64	69	122
4	7	37	65	70	124
5	9	38	67	71	126
6	11	39	69	72	127
7	12	40	71	73	129
8	14	41	73	74	131
9	16	42	74	75	133
10	18	43	76	76	135
11	19	44	78	77	136
12	21	45	80	78	138
13	23	46	81	79	140
14	25	47	83	80	142
15	27	48	85	81	143
16	28	49	87	82	145
17	30	50	89	83	147
18	32	51	90	84	149
19	34	52	92	85	150
20	35	53	94	86	152
21	37	54	96	87	154
22	39	55	97	88	156
23	41	56	99	89	158
24	42	57	101	90	159
25	44	58	103	91	161
26	46	59	104	92	163
27	48	60	106	93	165
28	50	61	108	94	166
29	51	62	110	95	168
30	53	63	112	96	170
31	55	64	113	97	172
32	57	65	115	98	173
33	58	66	117	99	175

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## REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL EFFECTS

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"The Directors  
AfroCentric Investment Corporation Limited  
C/O FHS House  
15 Girton Road  
Parktown, 2193

23 June 2006

Dear Sirs and Mesdames

### INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF AFROCENTRIC INVESTMENT CORPORATION LIMITED ("*Afrocentric*")

#### Introduction

We have performed our limited assurance engagement in respect of the *pro forma* financial effects, income statement and balance sheet (collectively "the *pro forma* financial information") of AfroCentric set out in paragraph 6 of the circular to be dated on or about 24 July 2006 issued in connection with the proposed rights offers that is the subject of this circular of AfroCentric.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the rights offers might have affected the reported financial information had the rights offers been undertaken on 1 July 2005 for income statement purposes and on 31 December 2005 for balance sheet purposes.

#### Responsibilities

The directors of AfroCentric are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that: the *pro forma* financial information contained in the circular has been properly compiled on the basis stated; the basis is consistent with the accounting policies of AfroCentric and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

#### Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Revised Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## **Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of AfroCentric, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the rights offers that are subject of this circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of AfroCentric and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the historical reviewed company financial information and other information provided to us, our assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of AfroCentric;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to Section 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

### **SizweNtsaluba VSP**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

Johannesburg  
South Africa"



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**UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005**

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Set out below are the unaudited interim results of the company for the six months ended 31 December 2006. This report is the responsibility of the directors of the company and has been reviewed in respect of the company results (as opposed to the group results) by the company's auditors. It differs in certain details from the interim results published on 10 March 2006 following the review by the auditors. For an explanation of the reasons for the limited review by the auditors, refer to the paragraphs in the commentary relating to the transfer to IFRS.

The following additional disclosures are made for the period under review in terms of the JSE Listings Requirements:

- following the disposal referred to in the commentary below, the company has no property, plant or equipment;
- the company has no material loans receivable;
- there are no loans to or securities furnished by the company for the benefit of any director or manager of the company;
- the company has no material borrowings;
- there were no issues of shares or convertible securities;
- there were no schemes involving the staff of the company or its subsidiaries;
- the company has no subsidiaries;
- there were no emoluments paid or accrued to any director;
- net asset value per share set out below is the same as the net tangible asset value per share; and
- the company became a "cash shell" as defined in the JSE Listings Requirements.

	Company		Consolidated		
	Six months ended 31 December				Year ended 30 June
	Reviewed 2005 R'000	Reviewed 2004 R'000	Unaudited 2005 R'000	Unaudited 2004 R'000	Audited 2005 R'000
<b>INCOME STATEMENT</b>					
<b>Revenue</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>24 604</b>	<b>45 877</b>
Operating loss	(4 927)	–	(4 539)	(18 492)	(19 404)
Net finance costs	–	–	–	(1 316)	(2 252)
<b>Loss before taxation</b>	<b>(4 927)</b>	<b>–</b>	<b>(4 539)</b>	<b>(19 808)</b>	<b>(21 656)</b>
Taxation – STC	(428)	–	(428)	3 262	3 537
<b>Loss for period</b>	<b>(5 355)</b>	<b>–</b>	<b>(4 967)</b>	<b>(16 546)</b>	<b>(18 119)</b>
Reconciliation between earnings and headline earnings					
Net loss for period	(5 355)	–	(4 967)	(16 546)	(18 119)
Impairment losses	–	–	–	11 592	12 734
Loss on disposal of fixed assets	–	–	–	1 175	(856)
Loss on removal of orchards	–	–	–	3 107	–
Profit on sale of investments	–	–	–	–	31
Taxation on distribution of dividends	428	–	428	–	–
Loss on disposal of subsidiary	4 450	–	4 522	–	–
<b>Headline earnings</b>	<b>(477)</b>	<b>–</b>	<b>(17)</b>	<b>(672)</b>	<b>(6 272)</b>
Ordinary shares in issue	9 400	9 400	9 400	9 400	9 400
Loss per share (cents)	(57)	–	(53)	(176)	(193)
Headline loss per share (cents)	(5)	–	–	(7)	(67)
<b>BALANCE SHEET</b>					
Assets					
Non-current assets					
Tangible assets	–	–	–	40 877	33 475
Investments	–	29 557	–	9 632	1 490
Current assets	1 325	–	1 325	2 133	11 238
<b>Total assets</b>	<b>1 325</b>	<b>29 557</b>	<b>1 325</b>	<b>52 642</b>	<b>46 203</b>
Equity and liabilities					
Capital and reserves					
Share capital	94	94	94	94	94
Reserves	860	29 424	860	24 555	22 935
Total shareholders' equity	954	29 518	954	24 649	23 029
Non-current liabilities					
Interest bearing liabilities	–	–	–	11 293	10 202
Deferred tax	–	–	–	1 033	758
Current liabilities	371	39	371	15 667	12 214
<b>Total equity and liabilities</b>	<b>1 325</b>	<b>29 557</b>	<b>1 325</b>	<b>52 642</b>	<b>46 203</b>
Net asset value per share (cents)	10,1	314,0	10,1	262,2	245,0

	Company		Consolidated		
	Six months ended 31 December				Year ended 30 June
	Reviewed 2005 R'000	Reviewed 2004 R'000	Unaudited 2005 R'000	Unaudited 2004 R'000	Audited 2005 R'000
<b>STATEMENT OF CHANGES IN EQUITY</b>					
Opening balance	23 417	29 518	23 029	41 195	41 195
Decrease in fair value reserves	–	–	–	–	(53)
Reversal of unclaimed dividends	–	–	–	–	6
Dividend paid	(17 108)	–	(17 108)	–	–
Loss for period	(5 355)	–	(4 967)	(16 546)	(18 119)
Closing balance	954	29 518	954	24 649	23 029
<b>CASH FLOW STATEMENT</b>					
Net cash utilised in operations	(458)	–	(458)	(1 342)	1 773
Net interest paid	–	–	–	(1 216)	(2 252)
Taxation paid – STC	(428)	–	(428)	–	–
Dividends paid	(16 789)	–	(16 789)	–	–
Net cash utilised in operating activities	(17 675)	–	(17 675)	(2 558)	(479)
Cash generated from investing activities					
Proceeds from disposal of subsidiary	19 000	–	19 000	–	–
Bank overdraft of subsidiaries no longer consolidated	1 775	–	1 775	–	–
Proceeds from disposal of property, plant and equipment	–	–	–	(553)	7 326
Net cash outflow from other investing activities	–	–	–	–	153
Net cash raised from/ (utilised in) investing activities	20 775	–	20 775	(553)	7 479
Net cash used in financing activities	–	–	–	–	(8 740)
Net cash inflow/(outflow)	3 100	–	3 100	(3 111)	(1 740)
Opening balance	(1 775)	–	(1 775)	(35)	(35)
Closing balance	1 325	–	1 325	(3 146)	(1 775)

#### TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group's interim condensed consolidated financial statements for the period ended 31 December 2005 were prepared in accordance with Group accounting policies which have been drafted to comply with the revised International Financial Reporting Standards ("IFRS") and interpretations effective at 31 December 2005, IFRS IAS 34 – Interim Financial Reporting, and in compliance with the Listings Requirements of the JSE Limited and the South African Companies Act, 1973, except for the matters detailed below.

This is the group's first IFRS interim financial information, for part of the period, in respect of which annual financial statements will be prepared in terms of IFRS. The financial statements for the year ended 30 June 2006 will be the group's first consolidated IFRS compliant financial statements. The interim financial information does not include all the information required by IFRS for full annual financial statements.

The transition to IFRS should have been accounted for in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards). IFRS 1 requires an opening IFRS balance sheet to be prepared at 1 July 2004, the group's date of transition to IFRS, and requires that the same accounting policies applicable to the Group at 30 June 2006 should be applied to the opening IFRS balance sheet and throughout all periods presented (with certain exemptions and exceptions to retrospective application). The group's opening balance sheet at 1 July 2004 and the comparative financial statements for the periods ended 31 December 2004 and 30 June 2005 were not restated to reflect the necessary adjustments to comply with IFRS statements expected to be applicable at 30 June 2006 in respect of the subsidiary sold during the 2006 financial period. This is attributable to the difficulties experienced in accessing financial information for the subsidiary that was disposed of during the period ended 31 December 2005, as this was no longer under the group's control or influence. The directors' view is that the only material impact on the financial information, had the subsidiary complied fully with IFRS 1, would have been between opening retained earnings, operating profit and profit and loss on sale of subsidiary, and that it would be impracticable to determine the effects of non-compliance with IFRS 1 in the interim financial information.

As a result of the above, no reconciliation between the previously reported SA GAAP consolidated financial information and restated IFRS consolidated financial information has been prepared.

In addition, the accompanying condensed consolidated statements of income for the interim period ended 31 December 2005 does not incorporate the operating results of the subsidiary disposed of during the period, owing to the difficulties as discussed above.

In light of the above and due to the company being regarded as a "cash shell" pursuant to the disposal of the subsidiary, the directors are of the opinion that the company results present a more accurate reflection of the performance and financial position of Afrocentric Limited taking into account the company's proposed future direction. The transition to IFRS has had no impact on the company results, and accordingly no reconciliation between SA GAAP and IFRS is necessitated.

## **COMMENT**

The operating loss for the period includes the net consolidated loss on disposal of the company's subsidiary of R4 522 000. The unaudited consolidated interim results of operations for the six months ended 31 December 2005 reflect and give effect to the corporate transactions described in this circular and are not meaningfully comparable with the unaudited results for the same period in the prior year or to the audited results for the fiscal year ended 30 June 2005.

## SHARE PRICE HISTORY OF AFROCENTRIC SHARES

Set out below is the trading history of the company's shares in cents on the JSE:

- monthly for the past 12 months;
- quarterly for the prior two years; and
- daily for the past 30 days prior to the last practicable date.

YEAR	MONTH	CLOSE	HIGH	LOW	VOLUME	VALUE (R)
2005	6	149	149	149	2 800	4 172
2005	7	144	144	120	2 925	3 540
2005	8	144	144	144	10 875	15 660
2005	9	180	180	125	34 500	52 965
2005	10	190	190	188	4 600	8 738
2005	11	350	350	237	110 674	333 397
2005	12	200	380	190	9 100	25 990
2006	1	177	200	175	10 805	20 481
2006	2	200	200	200	20 000	40 000
2006	3	400	400	200	46 600	144 330
2006	4	405	405	400	72 310	292 595
2006	5	600	600	400	50 500	227 175

YEAR	QUARTER	CLOSE	LOW	HIGH	VOLUME	VALUE (R)
2003	3	160	0	0	0	0
2003	4	110	90	160	24 700	28 310
2004	1	140	140	140	7 000	9 800
2004	2	100	100	140	8 147	8 642
2004	3	115	100	130	53 622	66 671
2004	4	115	115	116	9 050	10 418
2005	1	115	111	115	5 200	5 976
2005	2	149	90	149	112 980	124 790

YEAR	MONTH	DAY	CLOSE	HIGH	LOW	VOLUME	VALUE (R)
2006	May	15	405	0	0	0	0
2006	May	16	405	405	405	1 000	4 050
2006	May	17	400	400	400	2 000	8 000
2006	May	18	400	0	0	0	0
2006	May	19	400	0	0	0	0
2006	May	22	400	0	0	0	0
2006	May	23	400	0	0	0	0
2006	May	24	400	0	0	0	0
2006	May	25	400	0	0	0	0
2006	May	26	400	400	400	18 000	72 000
2006	May	29	500	510	405	22 000	104 125
2006	May	30	500	500	500	6 000	30 000
2006	May	31	600	600	600	1 500	9 000
2006	June	1	650	650	600	13 150	82 837
2006	June	2	1 000	1 000	660	12 500	87 807
2006	June	5	725	1 100	725	25 100	195 870
2006	June	6	700	700	680	7 000	48 390
2006	June	7	700	700	700	3 000	21 000
2006	June	8	500	500	500	8 350	41 750
2006	June	9	410	500	410	1 050	5 205
2006	June	12	410	0	0	0	0
2006	June	13	410	0	0	0	0
2006	June	14	410	0	0	0	0

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## EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF AFROCENTRIC

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The following extracts from the Articles of association of Afrocentric deal with appointment of directors, remuneration, policy with regard to interests of directors, and borrowing powers:

“13. **DIRECTORS**

13.1 Subject to the provisions of the statutes:

S208(1)

13.1.1 unless otherwise determined by a general meeting, the number of directors shall be not less than four nor more than twenty;

13.1.2 no fewer than half of the directors appointed to the company shall be non-executive directors; and

S208 to S11

13.1.3 the first directors may be appointed by the subscribers to the memorandum.

S210

S211

S212

13.2 A general meeting of the directors shall have the power, from time to time, to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director, provided that the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these articles and the appointment of any director so appointed shall cease at the conclusion of the next annual general meeting, unless it is confirmed at that annual general meeting.

13.3 The continuing directors may act, notwithstanding any vacancy in their number, but if and for so long as their number is reduced below the minimum number of directors required to act as such for the time being, the continuing directors may act only to:

13.3.1 increase the number of directors to the required minimum; or

13.3.2 summon a general meeting for that purpose, provided that if there is no director able or willing to act, then any member may convene a general meeting for that purpose.

13.4 Neither a director nor an alternate director shall be obliged to hold any qualification shares.

13.5 The remuneration of the directors for their services as such shall be determined from time to time by a remuneration committee appointed by the board and ratified by members in a general meeting.

13.6 The directors shall be paid all travelling, subsistence and other expenses properly incurred by them in the execution of their duties in or about the business of the company and which are authorised or ratified by the directors.

16. **BORROWING POWERS**

16.1 The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertakings and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party.

16.2 For the purposes of the provisions of 16.1, the borrowing powers of the directors shall be unlimited.

17. **INTERESTS OF DIRECTORS**

S234 to S241

17.1 Subject to compliance with the provisions of the statutes, a director shall not be liable (in the absence of any agreement to the contrary) to account to the company for any profit or other benefit arising out of contract entered into by the company in which he is directly or indirectly interested.

S234

S235

S237

17.2 A director shall, if he has, in accordance with the Act, disclosed his interest (if it is material) in the relevant contract or arrangement:

17.2.1 be counted in a *quorum* for the purpose of a meeting of directors at which he is present to consider any matter; and

17.2.2 be entitled to vote in regard to any matter,

relating to any existing or proposed contract or arrangement in which he is interested, other than a contract or arrangement regulating his holding of an office or place of profit under the company or a subsidiary of the company."



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## SUMMARY OF COMPLIANCE WITH RECOMMENDATIONS OF THE KING REPORTS

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### 1. INTRODUCTION

The board of the company confirms its commitment to the principles of fairness, accountability, responsibility and transparency as advocated in the Second King Report on Corporate Governance ("KING II"). Through this process, shareholders and other stakeholders may derive assurance that the company is being ethically managed according to prudently determined risk parameters and in compliance with generally accepted corporate practices. Because the company has embarked on a new direction, the new board will be re-examining the principles and requirements of King II and will give due consideration as to how best to implement the recommendations of the report within the company. The board will, as a minimum, ensure compliance with the following:

### 2. THE BOARD

The company will have a unitary board with a non-executive chairperson. The board will sit at least four times per annum and more frequently if necessary.

Save for the disclosures contained in the body of the circular to which this annexure is attached, the non-executive directors are not involved in the day-to-day management of the group and are not full-time salaried employees of the company or its subsidiaries. Non-executive directors are individuals of calibre and credibility and a high public profile, and have the necessary skills and experience to bring judgement to bear on issues of strategy, performance, resources, transformation, diversity and employment equity. The chairperson is an independent non-executive director.

The company intends to appoint a permanent executive management team and is in the process of reviewing appropriate candidates. When the board appoints appropriate executives a CEO will be appointed to report to the board, with appropriate review mechanisms.

Until such time as the executive team is appointed and established, Messrs Kahn and Sacks have agreed to assume the roles of acting management (in consultation with Mr Joffe) through a presently informal management agreement.

As and when the company acquires operating businesses, appropriate executives will be recruited.

The directors will all have unfettered access to the company secretary who, *inter alia*, will be responsible for ensuring that proper procedures are followed regarding board matters. It will require a decision of the board as a whole to remove the company secretary, should this become necessary. Directors' information packs will be prepared before each board meeting so as to fully inform the directors of the issues at hand. Directors will furthermore be entitled to ask questions of any personnel and will have unrestricted access to all company documentation, information, documents and property.

### 3. BOARD RESPONSIBILITIES

The board's main responsibilities will include: strategy, acquisition and disinvestments policy, risk management, financing and corporate governance. In addition, the board will be accountable for relations with stakeholders and will be responsible for creating, protecting and enhancing the company's wealth and resources, timely and transparent reporting and for acting at all times in the best interests of the company and its shareholders.

At this stage, no formal procedures exist for the delegation of the functions of the board. This aspect of corporate governance will be considered by the board after the completion of the rights offer. The policy will evidence a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

#### 4. **BOARD APPOINTMENTS AND THE NOMINATION COMMITTEE**

Future appointments to the board, which will be formal and transparent, will be considered by the board as a whole assisted where necessary by a nomination committee. The nomination committee will constitute only non-executive directors, of whom the majority will be independent, and will be chaired by the board chairperson.

#### 5. **CONTROLS AND AUDIT COMMITTEE**

The board will ensure a sound system of internal control to safeguard stakeholders' interests and the company's assets. The company will institute an audit committee, which committee will act as follows:

- The audit committee will consist of non-executive directors and the company secretary and members of the committee will be named in the annual report and accounts.
- The committee will operate in accordance with written terms of reference, confirmed by the board, which deal clearly with its authority and duties.
- The external auditors will have free access to this committee and will be invited to attend all of its meetings, which will occur at least twice each year.
- The audit committee will set the principles for recommending the use of the external auditors for non-audit services.

The primary objective of the audit committee will be to promote the overall effectiveness of corporate governance within the group. Additional objectives will include:

- ensuring the integrity of the company's accounting and financial reporting systems;
- ensuring that the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
- evaluating the effectiveness of the risk- and compliance-management functions of the company;
- maintaining appropriately transparent relationships with the external auditors, who will be appointed each year based on the recommendations of the committee;
- advising on the appointment of the external auditors to handle non-audit functions;
- reviewing the scope and quality of the statutory audit and the independence and objectivity of the audit; and
- reporting on the going concern concept.

The audit committee will have explicit authority to investigate any matter under its terms of reference and will have access to all resources and information it requires in order to act on this authority.

The audit committee will furthermore be responsible for monitoring all contracts entered into by the company in which any of the directors are either beneficially or indirectly beneficially interested so as to ensure that all such contracts are fair and reasonable and in the best interests of the company.

An internal audit function of the company will be established should the company acquire operating businesses. The function will be conducted by the financial director, together with the company secretary and in conjunction with the audit committee and the external auditors.

All reports of the internal audit function will be circulated to the external auditors.

#### 6. **COMMUNICATION WITH STAKEHOLDERS**

A policy of effective communication and engagement with all stakeholders in the affairs of the company will be adhered to and the company will seek to provide a secure, healthy and participative social and working environment for its staff and associates.

#### 7. **CLOSED PERIODS**

The company will enforce a restricted period for dealing in shares, in terms of which any dealings in shares by all directors and personnel will be disallowed by the board from the time that the reporting period has elapsed to the time that results are released and at any time that the company is trading under a cautionary announcement. A procedure for directors and personnel to deal in shares will be introduced and the company's sponsors will be available to give guidance on the matter at any time.

## 8. REMUNERATION COMMITTEE

A remuneration committee consisting of a majority of non-executive directors will be set up. The committee will make recommendations to the board, within agreed terms of reference, on the company's framework of executive remuneration and its costs. The committee will ensure that levels of remuneration are sufficient to attract and retain directors and senior management needed to run the company successfully.

## 9. COMPANY SECRETARY

The company secretary is required to provide the members of the board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the board is aware of all the legislation relevant to or affecting the affairs of the company. The company secretary will ensure that the company complies with all applicable legislation regarding the affairs of the company, including the necessary recording of meetings of the board, board committees and shareholders of the company.

## 10. CODE OF ETHICS

The board will subscribe to the highest level of professionalism and integrity in conducting its business and dealing with all its stakeholders.

In adhering to its code of ethics, the board will be guided by the following broad principles:

- businesses should operate and compete in accordance with the principles of free enterprise;
- free enterprise will be constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- ethical behaviour is predicated on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm;
- business activities will benefit all participants through a fair exchange of value or satisfaction of need; and
- equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

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## PRINCIPAL DIRECTORSHIPS OF THE AFROCENTRIC DIRECTORS

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The following are the principal directorships of the directors of Afrocentric, both currently, and formerly over the five years preceding the date of this circular:

### **Ms N Brigalia Bam**

#### ***Current***

South African Broadcasting Corporation  
Murray and Roberts Holdings Limited  
Institute for Global Dialogue

#### ***Former***

ABSA Group Limited  
SA Human Rights Commission

### **Ms Nomhle Canca**

#### ***Current***

Blue IQ Investment Holdings  
Anglovaal Industries Limited  
Pareto  
Primedia Limited

#### ***Former***

Woman Investment Portfolio Holdings Limited  
Women's Development Bank  
Sentech Limited  
SA National Parks  
Land Bank

### **Mr Mandla Gantsho**

#### ***Current***

Sasol Limited

#### ***Former***

Development Bank of Southern Africa

### **Mr Brian Joffe**

#### ***Current***

The Bidvest Group Limited  
Bidvest International Limited  
Rennies Bank Holdings Limited  
Bidcorp PLC  
Enviroserv Holdings Limited  
McCarthy Limited  
Bidvest Australia Limited  
Tiger Wheels Limited

**Mr Meyer Kahn*****Current***

Amalgamated Appliances Limited  
Comair Limited  
Cycad Financial Holdings Limited  
Netcare Limited  
SABMiller PLC  
SA Breweries Limited

**Mr Motty Sacks*****Current***

Netcare Limited  
Advtech Limited

***Former***

Fedsure Holdings Limited  
Clinic Holdings Limited)

**Prof Derrick Swartz*****Current***

South African Broadcasting Corporation  
Liliesleaf Trust  
Freedom Park Trust  
Northern Areas Trust  
Higher Education South Africa  
Fort Hare Foundation Trust

***Former***

South African Weather Services

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## TERMS OF THE MANDATORY OFFER

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### OFFER TO MINORITY SHAREHOLDERS REGISTERED ON FRIDAY, 11 AUGUST 2006 TO ACQUIRE THEIR ORDINARY SHARES AT A PRICE OF 100 CENTS PER ORDINARY SHARE

#### 1. DEFINITIONS AND INTERPRETATIONS

In this Annexure, unless otherwise stated or the context otherwise indicates, the definitions and interpretations commencing on page 7 of the circular shall apply *mutatis mutandis* to this section and the following words and phrases shall have the meaning stated opposite them:

“ACET” or “the offeror”	The AfroCentric Empowerment Trust, details of which are given in Annexure 2;
“closing date”	12:00 on Friday, 11 August 2006;
“last day to trade”	Thursday, 3 August 2006, being the last day to trade in AfroCentric ordinary shares to qualify for the mandatory offer;
“mandatory offer” or “offer”	the offer by ACET to the offerees to acquire their offer ordinary shares for the mandatory offer consideration;
“mandatory offer consideration”	the offer by ACET to the offerees to acquire their ordinary shares for 100 cents per ordinary share;
“mandatory offer payment date”	the date on which cheques for the mandatory offer consideration are posted or the mandatory offer consideration is made available electronically to those offerees who have accepted the offer by its closing date, which will be the first business day following the closing date;
“offeree”	an offeree in terms of the mandatory offer, being an ordinary shareholder on the register of AfroCentric at the close of business on the record date for the mandatory offer, excluding Messrs M Kahn and M Sacks who have undertaken not to accept the offer in respect of shares held by them;
“opening date”	09:00 on Monday, 24 July 2006; and
“record date for the mandatory offer”	Friday, 11 August 2006, being the last day on which an offeree must be recorded on AfroCentric’s register of shareholders to qualify for the mandatory offer.

#### 2. THE MANDATORY OFFER

ACET hereby makes an irrevocable mandatory offer to acquire the ordinary shares held by offerees on the record date for the mandatory offer at 100 cents per ordinary share on the terms and conditions set out in this Annexure. It must be noted that the ordinary shares that are the subject of the mandatory offer are ex the rights in terms of the rights offers.

#### 3. MANDATORY OFFER PERIOD

The mandatory offer will remain open until 12:00 on Friday, 11 August 2006, which is the record date for the mandatory offer. The last day to trade in AfroCentric ordinary shares to qualify for the mandatory offer is Thursday, 3 August 2006. Payment will be made to shareholders who accept the mandatory offer on or about Monday, 14 August 2006.

#### 4. **CONDITIONS PRECEDENT**

The mandatory offer is unconditional.

#### 5. **SECTION 440K OF THE ACT**

It is not intended to invoke section 440K of the Act to compulsorily acquire ordinary shares in the event of a 90% acceptance of the mandatory offer.

#### 6. **ACCEPTANCE OF THE MANDATORY OFFER**

Acceptance of the mandatory offer by certificated shareholders must be made by completing and lodging with the transfer secretaries the relevant attached form of surrender, transfer and acceptance attached to this document prior to the closing date, together with the relevant documents of title. No receipt will be issued for documents lodged, unless specifically requested. Persons requiring receipts must prepare a receipt and forward it together with their documents of title surrendered.

The CSDPs or brokers of dematerialised offerees will request the dematerialised offerees concerned to indicate if they wish to accept the mandatory offer. This must be done by the cut-off date stipulated by the relevant CSDP or broker.

#### 7. **SETTLEMENT OF THE MANDATORY OFFER CONSIDERATION**

7.1 The consideration due to dematerialised offerees will not be posted to such offerees but will be transferred, at their risk, to their CSDPs or brokers and dealt with in terms of the custody agreement entered into between the offerees and their CSDPs or brokers.

7.2 The consideration due to certificated offerees will be posted, by ordinary post, to such offerees, at such offeree's risk, to his/her address reflected in the form of surrender, transfer and acceptance, or if there is no address on the form of surrender, to the address reflected on the register of members of AfroCentric. This will take place within five business days of the record date for the mandatory offer, if the form of surrender, transfer and acceptance together with the relevant document(s) of title (in negotiable form) have been properly surrendered to the transfer secretaries by 12:00 on the record date for the mandatory offer.

7.3 Where, on or prior to the closing date, a person, who was not a registered holder of ordinary shares on the record date of the offer, tenders to the transfer secretaries document(s) of title together with a duly stamped form of transfer, purporting to have been executed by or on behalf of the registered holder of such ordinary shares and, provided that the consideration shall not already have been posted or delivered to the registered holder, then such transfer may be accepted by ACET and AfroCentric as if it were a valid transfer to such person of the ordinary shares concerned, provided that ACET and AfroCentric have been, if so required by either or both of them, provided with an indemnity on terms acceptable to them in respect of such consideration.

7.4 If the consideration is not sent to offerees entitled thereto because the relevant document(s) of title have not been properly surrendered or if the consideration is returned undelivered to the transfer secretaries, the consideration will be held in trust by AfroCentric until claimed and no interest will accrue thereon. This paragraph does not apply to dematerialised ordinary shares held by offerees.

7.5 The consideration will be paid in full in accordance with the terms of the offer without regard to any lien, right of set-off, counterclaim or other analogous right to which ACET may be entitled.

The transfer secretaries will be appointed by ACET to act on its behalf for the purposes of the mandatory offer.

It is specifically provided, however, that the mandatory offer consideration arising out of any acceptance of the mandatory offer will, unless previous arrangements have been made for collection, be posted or electronically transferred, depending on the election of the offerees, by the transfer secretaries on behalf of ACET at the risk of the offerees who accepted the mandatory offer and submitted a duly completed form of surrender, transfer and acceptance together, where appropriate, with the documents of title prior to the closing date.



- 7.6 Dematerialised shareholders should note that they will be credited with the mandatory offer consideration arising out of any acceptance of the mandatory offer in terms of the custody agreement entered into between such dematerialised ordinary shareholder and the CSDP or broker.
- 7.7 Settlement of the mandatory offer consideration will be implemented in full in accordance with the terms of the mandatory offer without regard to any lien, right of set-off, counterclaim, deduction, withholding or other analogous right to which ACET may otherwise be, or claim to be, entitled against any ordinary shareholder.

## 8. **CASH CONFIRMATION**

The SRP has been given appropriate confirmation (in terms of its requirements) that ACET will be able to satisfy the mandatory offer consideration payable in terms of the mandatory offer.

## 9. **SALE OF MANDATORY OFFER SHARES ACQUIRED BY ACET**

ACET has entered into a put and call arrangement with Messrs Kahn and Sacks whereby any AfroCentric ordinary shares acquired by ACET pursuant to the terms of the mandatory offer will be sold to and purchased by Messrs Kahn and Sacks at cost of 100 cents per ordinary share.

## 10. **OPINIONS AND RECOMMENDATIONS**

The offer is a mandatory one in terms of the requirements of the Code following the change in control of AfroCentric. The intention of the board of AfroCentric is to retain the listing of AfroCentric on the JSE. Accordingly the directors do not recommend that minority shareholders accept the offer.

The SRP has expressed an opinion that the mandatory offer does not require an independent advice as required in terms of Rule 3.1 of the Code. The SRP opinion will be available for inspection at the company's registered office during the offer period.

## 11. **AMENDMENT OR VARIATION OF THE MANDATORY OFFER**

No amendment or variation of the mandatory offer shall be valid unless it is agreed to by ACET in writing and approved by the SRP, provided that ACET shall not agree to any amendment or variation that has the effect of reducing the mandatory offer consideration.

## 12. **APPLICABLE LAW**

The mandatory offer is made in compliance with the requirements of the Securities Regulation Code on Take-overs and Mergers, and is governed by and subject to the provisions of the laws of South Africa and each offeree will be deemed, by his acceptance, to have consented and submitted to the jurisdiction of the Courts of South Africa in relation to all matters arising out of or in connection with the mandatory offer and acceptance thereof.

## 13. **IRREVOCABLE UNDERTAKINGS**

No irrevocable undertakings have been received in respect of the mandatory offer.

## 14. **EXCHANGE CONTROL REGULATIONS**

The summary of the exchange control regulations are set out below. Offerees who are in any doubt as to the action they should take, should consult their professional advisers.

### *Residents of the common monetary area*

In the case of:

- certificated offerees whose registered addresses in the register are within the common monetary area and whose documents of title are not restrictively endorsed in terms of the South African Exchange Control Regulations, the consideration will be posted to such offerees, in accordance with paragraph 7 above; or

- dematerialised offerees whose registered addresses in the register are within the common monetary area and have not been restrictively designated in terms of the South African Exchange Control Regulations, the consideration will be credited directly to the accounts nominated for the relevant offerees by their duly appointed CSDP or broker in terms of the provisions of the custody agreement with their CSDP or broker.

#### ***Emigrants from the common monetary area***

In the case of offerees who are emigrants from the common monetary area, the consideration will:

- in the case of certificated offerees whose documents of title have being restrictively endorsed under the South African Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such certificated offerees' blocked assets in terms of the South African Exchange Control Regulations. The attached form of surrender and transfer makes provision for details of the authorised dealer concerned to be given; or
- in the case of dematerialised offerees, be credited to the bank account of the offerees' CSDP or broker which shall arrange for the same to be credited directly to the offerees' blocked Rand bank accounts held by the offerees' authorised dealers and held to the order of the offerees authorised dealer in foreign exchange in South Africa.

#### ***All other non-residents of the common monetary area***

The offer consideration accruing to non-resident offerees whose registered addresses are outside the common monetary area and who are not emigrants from the common monetary area will:

- in the case of certificated offerees, whose documents of title have been restrictively endorsed under the South African Exchange Control Regulations, be posted to the registered addresses of the non-resident offerees concerned, unless written instructions to the contrary are received and an address provided. The attached form of surrender and transfer makes provision for a substitute address or bank details; or
- in the case of dematerialised offerees, be credited by their duly appointed CSDP or broker directly to the accounts nominated by the offerees in terms of the provisions of the custody agreement with his CSDP or broker.

#### ***Information not provided***

If the information regarding the authorised dealer is not given or instructions are not given as required, the consideration will be held by AfroCentric or the transfer secretaries on behalf of AfroCentric for the benefit of the certificated offerees concerned pending receipt of the necessary information or instructions. No interest will accrue or be paid on the consideration so held.

### **15. MANDATES**

Each mandate or instruction from an offeree in force on the date on which the mandatory offer becomes effective will be deemed to be a mandate to ACET in relation to the mandatory offer consideration to be received by that offeree.

### **16. APPLICABLE INFORMATION**

The information regarding AfroCentric set out in the circular to which this offer is attached should be read in its entirety by offerees when considering this offer. In compliance with the requirements of the SRP, the following additional information is supplied:

16.1 There will be no change to directors' remuneration arising out of the mandatory offer.

16.2 Other than the put and call arrangement described in paragraph 9 above, there is no agreement, arrangement or understanding (including any compensation arrangement) that exists between the offeror or any person acting in concert with it and any of the directors of the offeree company or persons who were directors within the preceding three months, or holders of ordinary shares or persons who were holders thereof within the preceding 12 months who have any connection with or dependence on the offer.

16.3 There are no arrangements, agreements or understandings between the offeror and AfroCentric in relation to the offer.

## 17. OFFER NOT MADE WHERE ILLEGAL

- 17.1 The legality of the mandatory offer to persons resident in jurisdictions outside South Africa may be affected by laws of the relevant jurisdiction. Such persons should inform themselves about any applicable legal requirements, which they are obligated to observe. It is the responsibility of any such person wishing to accept the mandatory offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith.
- 17.2 In particular, the mandatory offer is not being made, directly or indirectly, in or into any jurisdiction where it is illegal for the mandatory offer to be made or accepted ("the affected jurisdictions") or by the use of mail, or by means or instrumentality of inter-state or foreign commerce of, or any facility of a national securities exchange of any of the affected jurisdictions.
- 17.3 Persons wishing to accept the mandatory offer should not use the mail of any of the affected jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the mandatory offer. Envelopes containing forms of surrender and acceptance or other documents relating to the mandatory offer should not be post-marked in any of the affected jurisdictions or otherwise dispatched from any of the affected jurisdictions and all acceptors must provide addresses outside the affected jurisdictions for receipt of the consideration to which they are entitled under the mandatory offer.

# AFROCENTRIC INVESTMENT CORPORATION LIMITED

(Formerly WB Holdings Limited)

(Incorporated in the Republic of South Africa)

(Registration number 1988/000570/06)

JSE codes: ACT, ACTP ISIN: ZAE000078416, ZAE 000082269

("AfroCentric" or "the company")

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## FORM OF SURRENDER, TRANSFER AND ACCEPTANCE FOR CERTIFICATED MINORITY SHAREHOLDERS

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The definitions and interpretations given in Annexure 12 to this circular have, where applicable, been utilised in this form of surrender, transfer and acceptance of the mandatory offer for certificated offerees. This form should be read in conjunction with the circular.

### Instructions:

**The surrender of documents of title is only applicable to those offerees who hold paper share certificates, certified transfer deeds and balance receipts or other documents of title. An offeree is a shareholder recorded on the register on Friday, 11 August 2006 being the expected record date for the offer.**

A separate form of surrender is required for each certificated offeree.

1. Part A must be completed by all certificated minority shareholders who return this form.
2. Part B must be completed by all certificated minority shareholders who are emigrants from or non-residents of the common monetary area.
3. Part C must be completed by all certificated minority shareholders who wish to accept the mandatory offer. An acceptance of the mandatory offer in terms of this form of transfer, surrender and acceptance will be irrevocable.
4. Persons who have acquired shares in AfroCentric after the date of issue of the document to which this form of surrender is attached can obtain copies of the form of surrender and the offer document from the transfer secretaries.
5. Notwithstanding transfer of ownership, the consideration will not be sent to offerees unless and until documents of title in respect of the relevant offer linked units have been surrendered to the transfer secretaries.

To: **Computershare Investor Services 2004 (Proprietary) Limited**  
PO Box 61763  
Marshalltown 2107

Dear Sirs

### **PART A – To be completed by all certificated offerees who return this form.**

Surname or Name of corporate body

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First names (in full)

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Title (Mr, Mrs, Miss, Ms, etc.)

---

Address to which the consideration should be sent (if different from registered address) (preferably a PO Box number):

---

---

Postal code

Country

---

Telephone ( )

Telefax ( )

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Address to which the documents of title must be returned (if different from the registered address) in the event of the offer not becoming operative (preferably a PO Box number):

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Postal code

Country

---

Telephone ( )

Telefax ( )

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In terms of the provisions of the circular, to which this form is attached, I/we surrender and enclose the undermentioned document(s) of title to AfroCentric shares:

**Documents of title**

<b>Certificate number(s)</b>	<b>Number of AfroCentric ordinary shares covered by each certificate</b>
<b>Total</b>	

<b>Signature of AfroCentric shareholder</b>	<b>Stamp and address of agent lodging this form (if any)</b>
<b>Date of signature</b>	

**PART B – To be completed by all certificated offerees who are emigrants from or non-residents of the common monetary area (see 1 and 2 below).**

**To be completed by certificated offerees who are emigrants from South Africa**

The consideration will be forwarded to the authorised dealer nominated below for its control and credit to the emigrant’s blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

Name of authorised dealer in South Africa or alternative instructions \_\_\_\_\_

Address \_\_\_\_\_

Account number \_\_\_\_\_

To be completed only by all other non-resident certificated offerees.

A cheque in respect of the consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and an address provided.

If no nomination is made in terms of 1 above the cheque/payment of the consideration will be held in trust by the transfer secretaries.

**PART C – To be completed by all certificated offerees who wish to accept the mandatory offer.**

I/We wish to accept  (please tick the box)

the mandatory offer upon the terms and conditions as set out in the circular dated 24 July 2006, in respect of  (please insert number) of the AfroCentric ordinary shares, held by me/us and I/we surrender, in accordance with such terms and conditions, my/our said documents of title. (Failure to state a number of shares shall be deemed to indicate acceptance of the mandatory offer in respect of all shares indicated by the documents of title surrendered by that shareholder or his/her representative.)

I/We acknowledge that this acceptance of the mandatory offer must be lodged, together with the relevant documents of title, prior to the closing date of the offer.

**Notes:**

1. Emigrants from the common monetary area must complete Part B.
2. All other non-residents of the common monetary area must complete Part B (if they wish the offer consideration to be paid to an authorised dealer in South Africa).
3. If Part B is not properly completed, the offer consideration will be held in trust by the transfer secretaries pending receipt of the necessary nomination or instruction. No interest will accrue or be paid on any consideration so held in trust.
4. No receipt will be issued for documents lodged, unless specifically requested. Persons requiring receipts must prepare a receipt and forward it together with their documents of title surrendered.
5. Any alteration to this form of surrender must be signed in full and not initialled.
6. If this form of surrender is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by the company or its transfer secretaries).
7. Where the participants in the offer is a company or a close corporation or other juristic person, unless it has already been registered with the company or its transfer secretaries, a certified copy of the directors’ or members’ or other resolution authorising the signing of this form of surrender must be submitted with this form unless waived by the company.
8. Note 7 does not apply in the event of this form bearing the stamp of a broking member of the JSE.
9. Where there are joint holders of any AfroCentric ordinary shares, only that holder whose name stands first in the register in respect of such ordinary shares need sign this form of surrender.