

The Tongaat-Hulett Group Limited

Unbundling and listing on the JSE of Hulett Aluminium (Pty) Limited (“Hulamin”), Black Economic Empowerment transactions in respect of Tongaat-Hulett and Hulamin

1. Transaction overview

Tongaat-Hulett CEO Peter Staude said, “ We are delighted that we have now reached the stage of the proposed transactions where we can provide more details to all stakeholders. On 20 February 2006, we announced Tongaat-Hulett Group’s (“THG”) intention to unbundle its 50% interest in Hulamin to THG shareholders and to list Hulamin on the JSE Limited (“JSE”) and simultaneously facilitate the introduction of meaningful and sustainable Black Economic Empowerment (“BEE”) equity participation in both Tongaat-Hulett (“TH”) and Hulamin.

The proposed transaction framework if implemented, will result in:

- THG separating into TH and Hulamin, which follows the previous disposals of non-core businesses from THG, investment in the core business and actions to enhance earnings;
- The listing of Hulamin on the JSE followed immediately by the unbundling by THG of its 50% interest in Hulamin to all shareholders pro rata to their current shareholdings in THG;
- The creation of two separately listed, focused companies:
 - TH will be an agri-processing business with significant integrated land management, agriculture and property development activities; and
 - Hulamin will be an independent producer of aluminium rolled, extruded and other semi-fabricated and finished products.
- The introduction of sustainable BEE equity participation in both TH and Hulamin;
- The acquisition of a 25% interest in TH by broad-based groups of BEE investors (“the TH BEE equity transaction”) comprising:
 - Anchor BEE partners in the form of Ayavuna Women’s Investments and Sangena Investments, headed up by Hixonias Nyasulu and Bahle Sibisi respectively, together with community groups relevant to TH’s business. These groupings will collectively subscribe for an 18% interest in TH; and

- Senior TH black South African management will participate in the TH Management Share Ownership Plan (“TH MSOP”). All permanent TH employees up to middle management level based in South Africa, the large majority of whom are black, will participate in the TH Employee Share Ownership Plan (“TH ESOP”). The TH MSOP and TH ESOP will collectively subscribe for a 7% interest in TH.
- The acquisition of a 15% interest in Hulamin by broad-based groups of BEE investors (“the Hulamin BEE equity transaction”) comprising:
 - Anchor BEE partners in the form of the Imbewu Consortium and the Makana Investment Consortium, headed up by JB Magwaza and Peter-Paul Ngwenya respectively, together with broad based groupings mainly representing communities in the Pietermaritzburg area all of whom will collectively subscribe for a 10% interest in the business of Hulamin; and
 - Senior Hulamin black South African management will participate in the Hulamin Management Share Ownership Plan (“Hulamin MSOP”). All permanent Hulamin employees up to middle management level based in South Africa, the large majority of whom are black, will participate in the Hulamin Employee Share Ownership Plan (“Hulamin ESOP”). The Hulamin MSOP and Hulamin ESOP will collectively subscribe for a 5% interest in Hulamin.
- A return of capital of R500m to TH shareholders by way of a share buy-back to optimise the capital structures of both TH and Hulamin, to facilitate the introduction of the BEE equity interest in the companies while leaving both companies with the balance sheet capacity to undertake meaningful growth projects.

THG and Hulamin have entered into binding Memoranda of Understanding (“MoU”) with the various BEE investors which will be expanded into definitive agreements to record the detailed terms of these proposed BEE transactions,” said Peter Staude.

2. Strategic rationale and prospects

2.1. Hulamin unbundling and listing on the JSE

Following a strategic review to further enhance shareholder value and build on the substantial achievements of the past three years and the ongoing actions to increase earnings and grow the business, the board of THG announced its intention to unbundle Hulamin to its shareholders.

THG has developed the Hulamin business over the past 30 years, transforming it into a successful independent niche producer of aluminium semi-fabricated products. Given the stage of its growth cycle, the business now has the requisite critical mass and growth prospects to prosper as a separately listed business.

The board believes that the unbundling and listing of Hulamin on the JSE will unlock value for shareholders and provide investors with a unique investment

opportunity in a focused aluminium semi-fabricator company. The unbundling will enhance TH's value proposition as an agri-processing business with significant integrated land management, agriculture and property development activities. It will create opportunities to further enhance operating performance, improve delivery on growth projects and take advantage of the changing global sugar dynamics.

2.2. Introduction of BEE equity participation

THG regards transformation as fundamental to the long term development and stability of the South African economy and the THG business. THG has successfully undertaken numerous meaningful and sustainable BEE initiatives in all aspects of its business particularly in the areas of employment equity, preferential procurement, skills development, enterprise development and community involvement.

The proposed unbundling creates an opportunity to attract value add BEE equity partners into both TH and Hulamin.

The anchor BEE partners selected by TH have considerable knowledge of TH's business and will play a leading role in building the business and developing value adding initiatives with the community groups. The two selected community groups are the previously disadvantaged communities surrounding TH's property developments and the small scale cane grower communities supplying TH's four South African sugar mills.

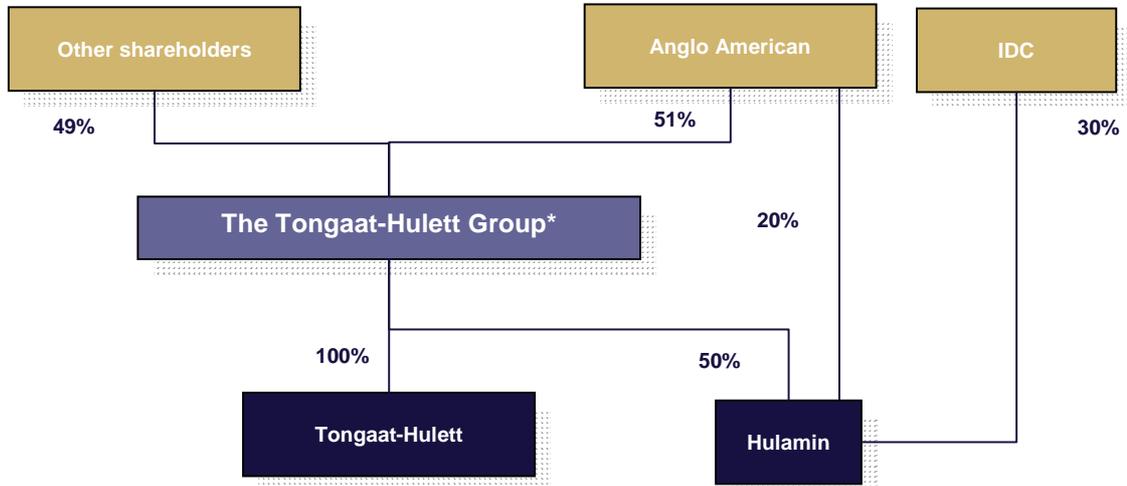
The anchor BEE partners in Hulamin were selected based on a number of criteria including demographic and geographic profile, and sustainable value creation. The consortium leaders have long standing relationships with Hulamin and will play a leading role in driving shareholder value and realising the growth ambitions of the company.

Employees are key to the sustainable prosperity of both TH and Hulamin. Eligible employees referred to in section 1 will be included in the BEE transaction which will enhance the businesses' track records of success in retaining and developing their staff.

3. Group structure

3.1. Current group structure

The current structure of THG is reflected in the diagram below.

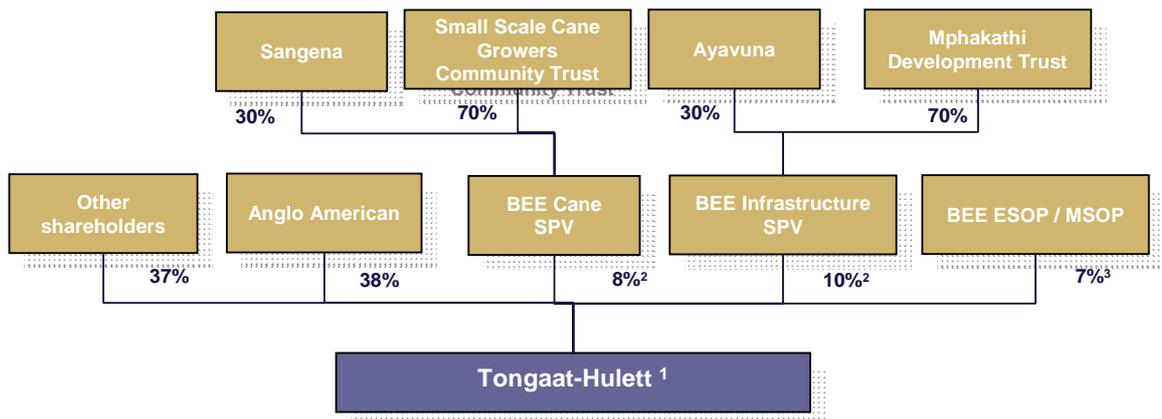


* JSE listed

3.2. Proposed structures after the Hulamín unbundling, the TH BEE equity transaction and the Hulamín BEE equity transaction

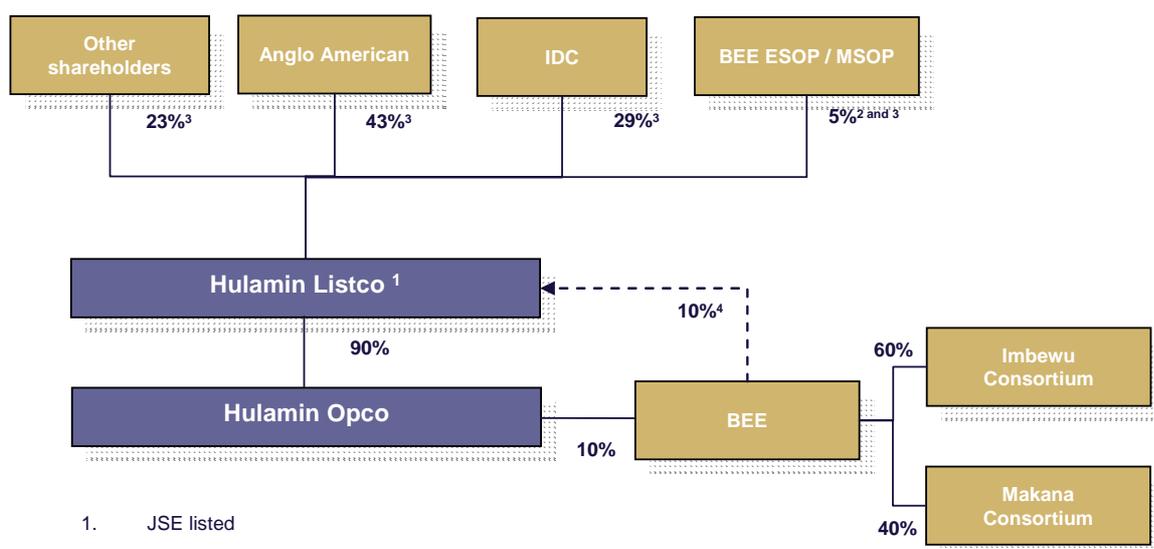
The ownership structures of TH and Hulamín, assuming the Hulamín unbundling, the Hulamín BEE equity transaction and the TH BEE equity transactions are implemented, are illustrated in the diagrams below (refer to sections 0 to 8 for a description of the transactions and the BEE partners).

TH structure



1. JSE listed (existing THG listed entity)
2. Held through A Preferred Ordinary Shares
3. Held through B Ordinary Shares

Hulamin structure



1. JSE listed
2. Held through B Ordinary Shares
3. Economic interest in Hulamin Listco. The effective interest into the operating subsidiary would be diluted by 10%
4. A Ordinary Shares (voting shares only)

4. The transactions

4.1. Transaction value

For the purposes of introducing BEE equity participation in TH and Hulamin, a detailed assessment of the value of the two entities was undertaken. Based on this, the parties agreed an enterprise value split of 71.5%:28.5% ("the Agreed Split") between TH and the 50% of Hulamin owned by THG.

Based on the closing THG share price of R106 per share on Monday 11 December, the Agreed Split implies the following approximate enterprise valuations:

- TH: R8,270 million
- Hulamin: R6,600 million

Unless agreed otherwise, the final enterprise valuations for TH and Hulamin will be determined by applying the Agreed Split to the enterprise value of THG based on a volume weighted average price ("VWAP") for a period up to the latest practicable date prior to TH posting a circular to shareholders detailing the transactions and approvals required from shareholders. The enterprise valuations of the two companies will be adjusted for net debt and other pre-agreed adjustments.

4.2. Transaction steps

The proposed transaction comprises the following series of transaction steps, which will be implemented simultaneously.

Step 1: Listing and unbundling of Hulamin

Hulamin will be listed on the JSE by way of introduction by its shareholders. Immediately after the listing of Hulamin on the JSE, THG will unbundle its 50% interest in Hulamin to all THG's shareholders. The THG listed entity will be known as TH after the unbundling.

Step 2: Pro rata repurchase of shares

TH will undertake a specific, pro-rata repurchase of shares from shareholders in the amount of R500 million (inclusive of any STC that may be incurred by TH).

Step 3: Subscription for shares by TH BEE partners

The TH BEE partners will form the following investment vehicles for the purpose of entering into the proposed BEE transactions:

- Sangena Consortium will combine with the small scale cane grower communities to form a special purpose vehicle ("Cane SPV") which will subscribe for an 8% interest in TH; and
- Ayavuna Consortium will combine with the communities in the areas surrounding the land management and property development business of TH to form a special purpose vehicle to subscribe for a 10% interest in TH ("Infrastructure SPV").

Each of the Cane SPV and Infrastructure SPV will subscribe for unlisted A Preferred Ordinary Shares ("A Preferred Ordinary Shares") which will represent a combined stake of 18% in TH subsequent to the implementation of all the steps of the transaction. The A Preferred Ordinary Shares will rank pari passu with all other ordinary shares except for their preferred entitlement to a fixed annual dividend which will endure for a period of seven years. After seven years the right to a preferred dividend will expire and these shares will become listed ordinary shares (ranking pari passu with all other ordinary shares) and will be subject to a lock-in provision for a further three year period.

As agreed in the MoU, the BEE parties will subscribe for the A Preferred Ordinary Shares. The equity value per share will be based on an enterprise value for TH determined in accordance with paragraph 4.1, less net debt in TH and certain pre-agreed adjustments.

Step 4: Subscription for shares by TH BEE employee share trusts

The TH ESOP and TH MSOP trusts will subscribe for B Ordinary Shares which will represent a collective interest of 7% in TH after the conclusion of the proposed transactions. The B Ordinary Shares will rank pari passu with the existing ordinary shares other than for certain rights and obligations attaching to these shares in respect of notional vendor funding considerations (refer to section 8).

Step 5: Subscription for shares in Hulamín operating subsidiary by BEE partners

The Hulamín empowerment partners, through a ringfenced SPV, will subscribe for a 10% stake in a wholly owned subsidiary of Hulamín as set out in section 7. The equity value per share will be based on the enterprise value for Hulamín determined in accordance with paragraph 4.1, less net debt in Hulamín and certain pre-agreed adjustments.

Step 6: Subscription for shares by Hulamín BEE employee share trusts

The Hulamín ESOP and Hulamín MSOP trusts will subscribe for B Ordinary Shares which will represent a collective interest of 5% in Hulamín after the conclusion of the proposed transactions. The B Ordinary shares will rank *pari passu* with the existing ordinary shares other than for certain rights and obligations attaching to these shares in respect of notional vendor funding considerations.

The following sections provide more detail on the transaction steps.

5. The Hulamín unbundling

The unbundling of Hulamín will take the form of a distribution *in specie* by THG to its shareholders of its entire holding of Hulamín shares. This unbundling will be effected by a reduction of share premium account and / or distribution of reserves in terms of section 46 of the Income Tax Act No. 58 of 1962 and section 90 of the Companies Act No 61 of 1973.

6. The TH BEE equity transaction

6.1. Information on the BEE equity participants

Ayavuna Women’s Investments (“Ayavuna”)

Ayavuna is a black controlled women’s group, with the majority of its members based in KwaZulu-Natal, which will own 30% of the Infrastructure SPV. The shareholders of Ayavuna are:

Shareholder	% interest in Ayavuna	% indirect interest in TH
Mawavune	35.0%	1.05%
Community Trust	10.0%	0.30%
Nyasulu Trust	25.0%	0.75%
Ayavuna employees	10.0%	0.30%
Standard Bank	20.0%	0.60%

Hixonia Nyasulu is the executive chairperson of Ayavuna and has the largest individual shareholding. Hixonia currently serves on the THG board in addition to other board directorships including Anglo Platinum, Defy Appliances and Sasol. Hixonia has a long association with the THG and will bring relevant expertise and leadership to the management of the Infrastructure SPV.

Ayavuna brings a wealth of experience and expertise through its individual members in Mawavune. Mawavune is an investment vehicle owned and managed by ten professional black women with various areas of expertise. Thandeka Mgoduso is Chairperson of Mawavune, an executive director of Ayavuna, a director of the South African Reserve Bank, chairperson of the Road Freight Association, deputy chairperson of the National Nuclear Regulator and was previously the CEO of Freightdynamics, the road and freight subsidiary of Transnet.

Communities surrounding TH's property developments

The 70% shareholder in the Infrastructure SPV will be the previously disadvantaged communities surrounding a number of near to medium term land development projects of TH. These projects will contribute significantly to the upliftment of the surrounding communities.

The identified projects fall within the eThekweni municipality and Ilembe regional and KwaDukuza local authorities and are predominantly urban and peri-urban developments surrounded by African and Indian communities. The community investment in TH will be held through the Mphakathi Development Trust which will manage disbursements and ongoing benefits arising from the investment in TH. The trust will be managed by a board of trustees comprising representatives of the constituent communities, Ayavuna and TH.

Sangena Investments (“Sangena”)

Sangena is a 100% black owned and managed entity which will own 30% of the Cane SPV. The shareholders in Sangena are five professional business persons, each owning between 13.5% and 36% of Sangena and representing an effective interest in TH of between 0.32% and 0.86%.

Bahle Sibisi is the Chief Executive of Sangena and, as a 36% shareholder, has the largest individual shareholding in Sangena. Bahle is the former Deputy Director General of the Enterprise and Industry Development division of the Department of Trade and Industry (“DTI”). Bahle played a key role in the development of the DTI's strategy for broad based black economic empowerment and led the negotiations on the Trade, Development and Co-operation Agreement with the European Union. He brings a wealth of experience particularly with respect to dynamics in the sugar industry which will be key to Sangena's leadership role in the Cane SPV.

Vuyokazi Mahlali and Claudia Manning are women shareholders in Sangena who own a collective interest of circa 33% in Sangena. Vuyo is a consultant to the National Programme for the Creation of Small Enterprise and Jobs in the Second Economy and Claudia is a non executive director of the Development Bank of Southern Africa, Scott Stewart International and Mondi South Africa.

Sagay Moodliar and Nathi Chonco are executive and non-executive directors respectively of Sangena owning a combined interest of circa 30% in Sangena.

Communities surrounding TH's small scale cane growers

The major shareholder in the Cane SPV will be the small scale cane grower communities surrounding TH's four South African sugar mills. By including these communities as a key stakeholder in the transformation of TH, the company recognises the valuable part that these communities have played, and will continue to play, in the success of the business.

The community ownership will be held through the Small Scale Cane Growers Community Trust which will manage disbursements and ongoing benefits arising from the investment in TH. The trust will be managed by a board of trustees comprising representatives of the constituent communities, Sangena and TH.

6.2. Funding

The consideration for the 10% and 8% interests which are respectively to be subscribed for by the Infrastructure SPV and Cane SPV will be funded as follows:

- Equity contributions by the anchor partners in the respective SPVs;
- External institutional funding in the form of preference share capital in the SPVs. The preference share funding will comprise:
 - 'senior' preference shares which will be raised against the preferred coupon payable on the A Preferred Ordinary Share investment of each of the SPVs into TH; and
 - 'mezzanine' preference shares which will be raised on a share cover basis against the value of the A Preferred Ordinary Shares.
- The remainder of the funding requirement will be provided by TH through a notional vendor funding arrangement. In terms of this arrangement, the SPVs will subscribe for a portion of the A Preferred Ordinary Shares at their par value. TH will repurchase so many of these shares, at par value, at the end of the funding term, as will be sufficient to 'settle' the outstanding balance, taking into account a market related return on the notional vendor funding account.

The external and notional vendor funding arrangements will endure for a period of seven years after which the A Preferred Ordinary Shares will become ordinary shares ranking pari passu with all other ordinary shares and refinancing of the various funding arrangements will be evaluated.

6.3. Board representation

Both of the anchor BEE partners will be invited to appoint a representative to the board of directors of TH.

7. The Hulamin BEE equity transaction

7.1. Overview of the Hulamin BEE equity transaction

In anticipation of the unbundling and listing of Hulamin and, in order to facilitate the introduction of BEE partners in Hulamin, Hulamin will dispose of all of its operations to a wholly owned subsidiary (“OpCo”) as a going concern. The disposal proceeds will be settled by way of equity in OpCo and a shareholder loan and it is anticipated that, depending on the eventual enterprise value of Hulamin, the latter would comprise in excess of 90% of the disposal consideration.

Immediately after the listing and prior to the unbundling of Hulamin, the following steps will be undertaken to introduce BEE partners in Hulamin:

- the BEE partners will subscribe, through a special purpose vehicle, for 10% of Hulamin’s equity and shareholder’s loan investments in OpCo based on the enterprise value as set out in paragraph 4.1, less net debt and certain pre-agreed adjustments. Unless otherwise agreed by the parties, the shares in Opco will after seven years be exchanged, on an equivalent value basis, for listed shares in Hulamin. The BEE partners will be subject to lock in provisions for a further period of three years;
- Hulamin will issue one A Ordinary Share to the BEE partners which will not be listed. The A Ordinary Share will have no entitlements to any dividends or other shareholder distributions, but will entitle the BEE partners to a 10% voting interest in Hulamin. This A ordinary share will be repurchased by Hulamin at its par value upon occurrence of the share exchange referred to above;
- the Hulamin ESOP and Hulamin MSOP share trusts will subscribe for B Ordinary Shares in Hulamin representing a collective interest of 5% in the company after the conclusion of the proposed transactions. The B Ordinary Shares will rank pari passu with the Hulamin ordinary shares other than for certain rights and obligations attaching to these shares in respect of the vendor funding considerations (refer to section 8).

7.2. Information on the BEE participants

Imbewu Consortium (“Imbewu”)

Imbewu is a black controlled consortium which will own 6% of Hulamin OpCo. The shareholders of Imbewu are:

Shareholder	% interest in Imbewu	% indirect interest in Hulamin OpCo
JB Magwaza	16.3%	0.98%
Imbewu Capital Partners	29.2%	1.75%
Sipho Madonsela	4.2%	0.25%
Strategic Partners and broad based groupings	50.3%	3.02%

JB Magwaza is the Chairman of the Imbewu Consortium and is also a director of THG. He has a 16.3% stake in Imbewu and sits on a number of boards of companies including Mutual & Federal, Nedbank, Dorbyl, Ithala Development Corporation, Rainbow Chicken and Anglo American South Africa.

Imbewu Capital Partners is a black controlled private equity and investment holding company. Gcina Zondi is a founder and the Chief Executive and he owns 40% of Imbewu Capital Partners. Imbewu Capital Partners has a 29.2% stake in Imbewu.

Sipho Madonsela is a Pietermaritzburg based businessman who founded and is currently the Chief Executive of Emzansi Consulting Engineers, a firm of 55 professional engineers specialising in civil, mechanical and electrical engineering. He is currently the President of the Engineering Council of South Africa.

The broad based groupings associated with Imbewu include the following:

- The Mehlesizwe Trust which has numerous beneficiaries including rural women’s groups, youth and disabled groupings and other developmental trusts in KwaZulu-Natal.
- An Engineers’ Trust representing the interests of 87 engineers who are members of the National Society of Black Engineers.
- The SMME Trust representing the interests of 56 SMME’s associated with the Business Support Centre (“BSC”) in Pietermaritzburg. BSC is an organisation focused on the development of black micro enterprises in and around the Pietermaritzburg area. BSC’s mission is to source and establish business opportunities for small and medium sized enterprises and support their development. BSC has been operating since 1996 and Hulamin has been a supportive partner since its inception.

- In addition, Hulamin and the BEE partners have identified a number of broad-based groupings involved in education, healthcare and social upliftment to participate in the Hulamin BEE equity transaction.

Makana Investment Consortium (“Makana Consortium”)

The Makana Consortium, which is controlled by Makana Investment Corporation, will own 4% of Hulamin OpCo. The shareholders of the Makana Consortium are:

Shareholder	% interest in the Makana Consortium	% indirect interest in Hulamin OpCo
Makana Investment Corporation	60.0%	2.40%
<i>Makana Trust</i>	51.0%	1.22%
<i>African Sky</i>	22.5%	0.54%
<i>Autshumatu Investments</i>	16.5%	0.40%
<i>Wild Orchard</i>	10.0%	0.24%
Makana Investment KZN	40.0%	1.60%
<i>Makana Investment Corporation</i>	40.0%	0.64%
<i>KZN EPPC Committee (Section 21 company)</i>	40.0%	0.64%
<i>EPPC KZN management</i>	20.0%	0.32%

Makana Investment Corporation was formed as a commercial vehicle to enable former political prisoners to participate in the South African economy. Makana Investment Corporation is a broad based grouping and is the major shareholder in the Makana Consortium with a 60% direct stake.

The majority shareholder of Makana Investment Corporation is Makana Trust (51%). Makana Trust was established in 1996 to address the needs of ex-political prisoners and has an estimated 6,450 beneficiaries. The current trustees include Peter-Paul Ngwenya, Soto Ndukwana, Margaret Ndlovu, Nolitha Yvonee Vukuza-Linda and Tokyo Sexwale. Peter-Paul Ngwenya is a founder member and executive chairman of Makana Investment Corporation. Peter-Paul is a 22.5% shareholder in the Makana Investment Corporation through African Sky.

Autshumatu Investments is 100% black owned and has 8 shareholders including Sfiso Buthelezi, the former economic adviser to the MEC of KwaZulu-Natal, who is a 22.5% shareholder in Autshumatu Investments.

Wild Orchard is an investment company that is 83% black owned and controlled.

Makana Investment KZN is a 40% shareholder in the Makana Consortium. The company was formed to take advantage of local SME business opportunities in KwaZulu-Natal and enable KwaZulu-Natal-based ex-political prisoners to benefit from growth opportunities in the province. Its shareholders include Makana Investment Corporation (40%) and the KZN EPPC Committee

which is a Section 21 company owning 40%. The EPPC management in KwaZulu-Natal has a 20% stake in Makana Investment KZN.

7.3. Funding

The funding of the subscription for shares by the BEE partners in OpCo will be fully funded by an unencumbered equity contribution from the BEE partners.

The BEE partners will fund the purchase of their proportionate share of the OpCo shareholders' loan through third party bank funding which will be serviced through the repayment by OpCo of the BEE partners' shareholder loan. The BEE partners' shareholder loan will rank ahead of the Hulamin shareholder loan to OpCo to enhance the fundability of the acquisition by the BEE partners.

7.4. Board representation

The BEE SPV will be invited to appoint at least one representative to the board of directors of Hulamin.

8. Employee participation

TH and Hulamin value their employees as key contributors to the historic and ongoing success of the respective businesses and for this reason senior black South African management and all permanent employees up to middle management level based in South Africa, the large majority of whom are black, will be included as participants in the proposed BEE transactions. The proposed initiatives for employee participation in the respective companies were developed with the following objectives in mind:

- To retain and attract a high calibre of employee at every level within the organisation;
- To create a sense of ownership amongst the employees of the companies and engender an ownership culture in the workforce; and
- To spread a significant proportion of the benefit of the BEE transactions amongst a wide group of individuals who are key to the sustained success of the respective businesses.

The employee participation in both TH and Hulamin will be effected through similar notional vendor funding structures. Senior black South African management and all permanent employees up to middle management level based in South Africa, the large majority of whom are black, will be invited to participate (through trusts set up for this purpose ("Employee Trusts")) in the transaction.

The Employee Trusts will subscribe for B Ordinary shares in TH and Hulamin. The B Ordinary shares will rank pari passu with the ordinary shares except that TH and Hulamin will retain the right to repurchase a proportion of these shares at the completion of the option period at their par value, in order to 'settle' the notional vendor funding extended to the Employee Trusts to acquire these shares. The shares held for the benefit of employees by the Employee Trusts will be under the control of

the employees of TH and Hulamín through their representation on the board of trustees.

9. Facilitation

Both the Hulamín BEE transaction and the TH BEE transaction will be funded and sustainable. The facilitation cost to shareholders as a percentage of market capitalisation will be in line with similar BEE transactions concluded.

10. Conditions precedent

Implementation of the transactions will be subject, *inter alia*, to:

- Obtaining of the funding required to implement the transactions;
- Signature of the requisite agreements;
- Obtaining the requisite regulatory approvals and third party opinions;
- Approval by THG shareholders of the resolutions necessary to implement the transactions; and
- Obtaining of any third party consents to the cession and delegation of certain contracts (if required).

To the extent that a fair and reasonable opinion may be required by the JSE it will be contained in the circular to be posted to shareholders.

11. Cautionary announcement

A further announcement will be made at the appropriate time and when the requisite agreements have been signed and the financial effects have been finalised. Thereafter a circular will be sent to THG shareholders which will record the detailed transaction terms and the resolutions the shareholders will be asked to approve in order to implement the transactions.

Accordingly, Tongaat-Hulett Group shareholders are advised to exercise caution when dealing in their Tongaat-Hulett Group shares until a further announcement is made.

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