

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action to take, please consult your central securities depository participant ("CSDP"), broker, banker, attorney or other professional advisor immediately.

If you have disposed of all your ordinary shares in Life on or before Friday, 13 November 2015, you should forward this Circular immediately with the enclosed form of election ("Form of Election") to the purchaser to whom, or the CSDP, broker, banker, attorney or agent through whom, you disposed of such shares.



Life Healthcare Group Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 2003/002733/06)

JSE share code: LHC

ISIN: ZAE000145892

("Life" or "the Company")

CIRCULAR TO LIFE ORDINARY SHAREHOLDERS ("THIS CIRCULAR")

regarding

THE DISTRIBUTION OF SCRIP DISTRIBUTION SHARES TO ORDINARY SHAREHOLDERS OR AN ELECTION TO RECEIVE A CASH DIVIDEND AS AN ALTERNATIVE TO THE SCRIP DISTRIBUTION

and including

A FORM OF ELECTION (ONLY FOR USE BY CERTIFICATED SHAREHOLDERS ELECTING THE CASH DIVIDEND)

The following information pertains to all of the Company's ordinary Shareholders ("Shareholders").

YOU ARE ENTITLED TO RECEIVE A DISTRIBUTION OF NEW, FULLY-PAID LIFE ORDINARY SHARES OF R0.000001 EACH ("THE SCRIP DISTRIBUTION") IN PROPORTION TO YOUR ORDINARY SHAREHOLDING IN LIFE ON THE RECORD DATE, BEING FRIDAY, 11 DECEMBER 2015 ("THE RECORD DATE") AND IN ACCORDANCE WITH THE RATIO SET OUT IN THIS CIRCULAR. NO ACTION IS REQUIRED IF YOU WISH TO RECEIVE THE SCRIP DISTRIBUTION AND YOU ARE NOT REQUIRED TO PAY FOR THE LIFE ORDINARY SHARES TO WHICH YOU ARE ENTITLED IN TERMS THEREOF.

HOWEVER, SHOULD YOU SO ELECT, YOU WILL BE ENTITLED TO RECEIVE A CASH DIVIDEND OF 86 CENTS ("THE CASH DIVIDEND"), INSTEAD OF ALL OR PART OF YOUR ENTITLEMENT TO THE SCRIP DISTRIBUTION.

IF YOU WISH TO RECEIVE THE CASH DIVIDEND IN RESPECT OF ALL OR PART OF YOUR ORDINARY SHAREHOLDING AND:

- YOU HOLD DEMATERIALIZED ORDINARY SHARES, YOU SHOULD INSTRUCT YOUR CSDP OR BROKER ACCORDINGLY, IN TERMS OF THE AGREEMENT ENTERED INTO BETWEEN YOU AND YOUR CSDP OR BROKER; OR**
- YOU HOLD CERTIFICATED ORDINARY SHARES, YOU MUST COMPLETE THE ATTACHED FORM OF ELECTION (*grey*) AND RETURN IT TO THE TRANSFER SECRETARIES.**

FORMS OF ELECTION MUST BE LODGED WITH OR MAILED TO THE TRANSFER SECRETARIES TO BE RECEIVED BY NO LATER THAN 12:00 NOON ON FRIDAY, 11 DECEMBER 2015. FORMS OF ELECTION RECEIVED AFTER THIS TIME WILL NOT BE ACCEPTED.

IF YOU DO NOT WISH TO RECEIVE THE CASH DIVIDEND, NO FURTHER ACTION IS REQUIRED.

SHOULD YOU TAKE NO ACTION, REGARDLESS OF BEING A CERTIFICATED OR DEMATERIALIZED SHAREHOLDER, ON MONDAY, 14 DECEMBER 2015 THE SCRIP DISTRIBUTION WILL BE DISTRIBUTED TO YOU, SUBJECT TO AND IN ACCORDANCE WITH THE PROVISIONS DETAILED IN THIS CIRCULAR.

Thursday, 19 November 2015

Merchant bank and sponsor



**RAND
MERCHANT
BANK**

A division of FirstRand Bank Limited

IMPORTANT DATES AND TIMES

EVENT	2015
Audited financial results of Life for the year ended 30 September 2015 and Scrip Distribution with Cash Dividend alternative released on the Stock Exchange News Service (“SENS”)	Friday, 13 November
Audited financial results of Life for the year ended 30 September 2015 and Scrip Distribution with Cash Dividend alternative published in the press	Monday, 16 November
Circular and Form of Election posted to Shareholders on	Thursday, 19 November
Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Thursday, 26 November, by 11:00 on	Friday, 27 November
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Thursday, 26 November 2015 on	Monday, 30 November
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Friday, 4 December
Ordinary shares trade “ex” the Scrip Distribution and the Cash Dividend alternative on	Monday, 7 December
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip distribution from the commencement of business on	Monday, 7 December
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12:00 on	Friday, 11 December
Record Date in respect of the Scrip distribution and the Cash Dividend alternative	Friday, 11 December
Scrip distribution shares issued to shareholders on the South African register and Scrip Distribution, certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 14 December
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 14 December
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 15 December
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	Thursday, 17 December

All times provided in this Circular are South African local times. The above dates and times are subject to change. Any material change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised, nor may transfers between registers take place, between Monday, 7 December 2015 and Friday, 11 December 2015, both days inclusive.



Life Healthcare Group Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 2003/002733/06)
JSE share code: LHC
ISIN: ZAE000145892
("Life" or "the Company")

Directors

M Brey (*Non-executive Chairman*)
A Meyer (CEO)
P van der Westhuizen (CFO)
P Golesworthy^{***}
M Jacobs^{*}
L Mojela^{*}
JK Netshitenzhe^{*}
M Ngatane^{*}
M Nkeli^{*}
G Solomon^{*}
R Vice^{*}

* Independent non-executive

** Lead Independent non-executive

^ British

CIRCULAR

1. INTRODUCTION

The audited financial results of Life for the year ended 30 September 2015 were released on SENS on Friday, 13 November 2015 and published in the press on Monday, 16 November 2015. In these results announcements, Life Shareholders were advised that the board of directors of the Company ("Board") had resolved to declare a final distribution of fully-paid Life ordinary shares of R0.000001 each ("the Scrip Distribution") to ordinary Shareholders ("Shareholders") recorded in the register of the Company at the close of business on the Record Date, being Friday, 11 December 2015.

Shareholders will, however, be entitled to elect to receive a cash dividend of 86 cents per ordinary share of R0.000001 each held on the Record Date, being Friday, 11 December 2015, in respect of all or part of their ordinary shareholding, instead of the Scrip Distribution ("the Cash Dividend"). The Cash Dividend will be issued only to those:

- certificated Shareholders whose Forms of Election to receive the Cash Dividend, in respect of all or part of their shareholding, are received by the Transfer Secretaries on or before 12:00 on Friday, 11 December 2015; and
- dematerialised Shareholders who have instructed their CSDP or broker accordingly and in the manner and time stipulated in their agreement with such CSDP or broker.

The terms of the Scrip Distribution are contained in paragraph 3.1 below.

Shareholders not electing to receive the Cash Dividend in respect of all or part of their ordinary shareholding will, without any action on their part, be entitled to receive the Scrip Distribution in proportion to their ordinary shareholding as at the close of business on the Record Date, being Friday, 11 December 2015 and in accordance with the ratio set out in this Circular.

Life does not accept any responsibility, and will not be held liable, for any action on the part of, or omission by, any CSDP, broker or other agent of any beneficial owner of Life ordinary shares.

No payment to Shareholders contemplated in this Circular shall carry interest as against the Company. Furthermore, any reference in this Circular to the Cash Dividend payable to or receivable by Shareholders refers to the amount of such dividend, after the deduction of Dividend Withholding Tax, if any, as contemplated in paragraph 3.4 below.

2. **RATIONALE**

Life's current and forecast solvency and liquidity comfortably allows for the payment of a full cash dividend. The Scrip Distribution with the election to receive the Cash Dividend allows Life to conserve cash to support continued growth, affords Shareholders the opportunity to increase their shareholding in Life and provides flexibility for those Shareholders who would prefer to receive the Cash Dividend. This will also facilitate Life's management of its internal liquidity.

3. **THE AWARD OF THE SCRIP DISTRIBUTION OR THE ELECTION TO RECEIVE THE CASH DIVIDEND ALTERNATIVE**

3.1 **Terms of the Scrip Distribution and the Cash Dividend Alternative**

Subject to this Circular and to due completion of the attached Form of Election, Shareholders will be entitled to receive a final distribution of fully-paid Life ordinary shares of R0.000001 each in respect of all or part of their ordinary shareholding as at the close of business on the Record Date, being Friday, 11 December 2015, in proportion to their ordinary shareholding and to the extent that such Shareholders have not elected to receive the Cash Dividend.

Shareholders will, however, be entitled to elect to receive the Cash Dividend alternative of 86 cents per ordinary share of R0.000001 each held on the Record Date, being Friday, 11 December 2015, in respect of all or part of their ordinary shareholding and instead of the Scrip Distribution.

The number of Scrip Distribution shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution (to the extent that such Shareholders have not elected to receive the Cash Dividend) will be determined by reference to such Shareholder's ordinary shareholding in Life (at the close of business on the Record Date, being Friday, 11 December 2015) in relation to the ratio that 86 cents multiplied by 1.025 bears to the volume weighted average price ("VWAP") of an ordinary Life share traded on the JSE during the 15-day trading period ending on Thursday, 26 November 2015, provided that, where the application of this ratio gives rise to a fraction of an ordinary share, the rounding principles described in paragraph 3.2 below will be applied.

The application of the 1.025 factor in the Scrip Distribution pricing mechanism above is intended to incorporate a 2.5% discount on the 15-day VWAP for Shareholders not electing to receive the Cash Dividend Alternative.

Example of Scrip Distribution entitlement:

This example assumes that a Shareholder holds 100 ordinary shares at the close of business on the Record Date, being Friday, 11 December 2015, and does not elect to receive the Cash Dividend alternative for all or part of such ordinary shares, and that the volume weighted average price of Life's ordinary shares traded on the JSE for the 15-day trading period ending on Thursday, 26 November 2015 is 3831 cents per ordinary share.

$$\text{New ordinary share entitlement} = \frac{100 \times 86 \text{ cents} \times 1.025}{3831 \text{ cents}}$$

= 2.30097 Scrip Distribution shares per 100 ordinary shares held, subject to the rounding principles described in paragraph 3.2 below. This would result in a shareholder with 100 shares receiving a new ordinary share entitlement of 2 Scrip Distribution shares and a shareholder with 300 shares receiving a new ordinary share entitlement of seven Scrip Distribution shares.

The Cash Dividend will be paid out of the Company's distributable retained profits while the issue price of the Scrip Distribution (which will equal the volume weighted average price of Life's ordinary shares traded on the JSE for the 15-day trading day period ending on Thursday, 26 November 2015) will be settled by way of capitalisation of the Company's distributable retained profits. The Scrip Distribution shares will, upon their issue, rank *pari passu* in all respects with the other ordinary Life shares then in issue.

The Company's total number of issued ordinary shares at the date of this Circular is 1 042 209 750 (as the Company holds no ordinary shares in treasury). Life's income tax reference number is 9387/307/15/1.

If all Shareholders were to accept the Scrip Distribution, without electing to receive the Cash Dividend alternative, the number of Scrip Distribution shares issued would amount to 23 980 890, based on the assumed Scrip Distribution ratio in the example above (and ignoring rounding up or down for fractions on a per Shareholder basis) and the aggregate issue price of R918 707 895.90 being capitalised out of the Company's distributable retained profits.

If all Shareholders were to elect to receive the Cash Dividend the maximum gross cash dividend payable by the Company would be R896 300 385.00.

3.2 Fractions

Trading on the JSE in the Strate Proprietary Limited (“Strate”) environment does not permit fractions and fractional entitlements. Accordingly, where a Shareholder’s entitlement to new Life ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction of a new ordinary share will be rounded up to the nearest whole number, where the fraction is greater than or equal to 0.5, and rounded down to the nearest whole number, where the fraction is less than 0.5.

3.3 Nominee companies

The Transfer Secretaries have been instructed to treat applications from nominee companies as separate applications on the submission of a breakdown of the beneficial owners of ordinary shares registered in the name of the nominee companies.

3.4 Tax implications

3.4.1 The Scrip Distribution and the Cash Dividend alternative are likely to have tax implications for both resident and non-resident Shareholders. Shareholders are therefore encouraged to consult their professional tax advisers, should they be in any doubt as to the appropriate action to take. In terms of the Income Tax Act 58 of 1962 (“the Income Tax Act”), the Cash Dividend will, unless exempt, be subject to Dividend Withholding Tax (“DWT”). South African resident Shareholders that are liable for DWT will be subject to DWT at a rate of 15% of the Cash Dividend and this amount will be withheld from the Cash Dividend with the result that they will receive a net amount of 7310 cents per share. Non-resident Shareholders may be subject to DWT at a rate of less than 15%, depending on their country of residence and the applicability of any Double Tax Agreement between South Africa and their country of residence; and

3.4.2 The Scrip Distribution is not subject to DWT in terms of the Income Tax Act, but the subsequent disposal of ordinary shares obtained as a result of the Scrip Distribution is likely to have Income Tax or Capital Gains Tax (“CGT”) implications. Where any future disposals of ordinary shares obtained as a result of the Scrip Distribution falls within the CGT regime, the base cost of such shares will be deemed to be zero in terms of the Income Tax Act (or the value at which such ordinary shares will be included in the determination of the weighted average base cost method will be zero).

4. FOREIGN SHAREHOLDERS

The distribution of this Circular, and the rights to receive the Scrip Distribution shares in jurisdictions other than the Republic of South Africa, may be restricted by law and any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Accordingly, Shareholders will not be entitled to receive the Scrip Distribution shares, directly or indirectly, in those jurisdictions and shall be deemed to have elected the Cash Dividend alternative. Such non-resident Shareholders should inform themselves about and observe any applicable legal requirements in such jurisdictions. It is the responsibility of non-resident Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdictions in respect of the Scrip Distribution, including the obtaining of any governmental, exchange control or other consents or the making of any filing which may be required, compliance with other necessary formalities and payment of any issue, transfer or other taxes or other requisite payments due in such jurisdictions. Shareholders who have any doubts as to their position, including, without limitation, their tax status, should consult an appropriate adviser in the relevant jurisdictions without delay.

5. PROCEDURE FOR CERTIFICATED SHAREHOLDERS WHO ELECT TO RECEIVE THE CASH DIVIDEND ALTERNATIVE

Shareholders who wish to receive the Cash Dividend must take the following action:

5.1 Certificated Shareholders wishing to receive the Cash Dividend:

Shareholders who hold certificated ordinary shares (“Certificated Shareholders”) and who wish to receive the Cash Dividend must complete the attached Form of Election in respect of all or part of their shareholding in accordance with the instructions contained therein and lodge it with, or post it to, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107) so as to be received no later than 12:00 on Friday, 11 December 2015. Forms of Election received after this date and time will not be accepted.

5.2 Dematerialised Shareholders wishing to receive the Cash Dividend:

Shareholders who have dematerialised their ordinary shares (“Dematerialised Shareholders”) must not complete the attached Form of Election. Dematerialised Shareholders are required to notify

their duly appointed CSDP or broker if they wish to receive the Cash Dividend, in the manner and the time stipulated in the agreement governing the relationship between such Shareholders and their CSDP or broker, failing which they will receive the Scrip Distribution.

Dematerialised Shareholders' CSDP/broker accounts will be credited and updated on Monday, 14 December 2015, in accordance with any election made.

5.3 Election in respect of all or part of the Shareholders' ordinary shares

Shareholders may make the election, using the Form of Election, in respect of all or any part of their ordinary shares held on the Record Date, being Friday, 11 December 2015. If an election is made in respect of part of an ordinary shareholding, the Shareholder concerned will receive the Scrip Distribution in respect of the ordinary shares for which the election to receive the Cash Dividend is **not** made. Shareholders who do not wish to receive any Cash Dividend do not need to take any further action and will receive the Scrip Distribution. Shareholders electing to receive the Cash Dividend should note that the election is irrevocable and, once an election to receive the Cash Dividend is made, such election cannot be cancelled.

6. POSTING OF SHARE CERTIFICATES, PAYMENT OF CASH DIVIDEND AND UPDATING/CREDITING OF CSDP/BROKER ACCOUNTS

Where applicable, ordinary share certificates will be dispatched to all Certificated Shareholders by registered post at the risk of such Shareholders on or about Monday, 14 December 2015 to their registered addresses or in accordance with the instructions given to the Transfer Secretaries.

According to the election made, Cash Dividend payments will be made by electronic funds transfer into the personal bank accounts of Certificated Shareholders on Monday, 14 December 2015. Certificated Shareholders who have not already provided the Transfer Secretaries with their banking details are requested to complete **FORM B: Direct Credit - Bank Account Details attached to this Circular and return same to the Transfer Secretaries. (To combat the increase in cheque fraud, the Company has discontinued payments by cheque and accordingly, payment of any Cash Dividend to Certificated Shareholders is dependent on the Transfer Secretaries being in possession of such Certificated Shareholder's banking details.)**

Shareholders' CSDP/broker accounts will be updated on Monday, 14 December 2015.

7. LISTING OF NEW ORDINARY SHARES

Application has been made to the JSE to list the maximum possible number of Scrip Distribution shares issued in terms of the Scrip Distribution, with effect from the commencement of business on Monday, 7 December 2015. An adjustment of the number of ordinary shares listed will be made on or about Thursday, 17 December 2015, in accordance with the actual number of ordinary shares issued in terms of the Scrip Distribution.

The right to receive new ordinary shares in terms of the Scrip Distribution is not renounceable and may not be traded on the JSE.

8. EXCHANGE CONTROL REGULATIONS

In terms of the Exchange Control Regulations of the Republic of South Africa, which apply to Shareholders who are registered on the South African register, who are either non-residents of, or emigrants from, the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Lesotho and Swaziland):

8.1 in the case of Certificated Shareholders:

- 8.1.1 any share certificate that may be issued to non-resident Shareholders will be endorsed "non-resident";
- 8.1.2 any new share certificates issued based on emigrant Shareholders ordinary shares controlled in terms of the Exchange Control Regulations will be forwarded to the Authorised Dealer in foreign exchange controlling their blocked assets. The election by emigrant Shareholders for the above purpose must be made through the Authorised Dealer in foreign exchange controlling their blocked assets. Such new share certificates will be endorsed "non-resident"; and
- 8.1.3 cash dividend payments paid out of the Company's distributable profits due to non-residents and emigrant Shareholders are freely transferable from South Africa. In respect of all non-residents of the Common Monetary Area (collectively, the Republics of South Africa and Namibia and the Kingdoms of Lesotho and Swaziland) the cash dividend payments due will be sent to the registered address of the Shareholder concerned or in accordance with instructions given to the Transfer Secretaries. In respect of all emigrants, the dividend payments will be sent to the Authorised Dealer in foreign exchange controlling their blocked assets.

8.2 in the case of Dematerialised Shareholders:

- 8.2.1 any ordinary shares issued to emigrant Shareholders from the Common Monetary Area will be credited to their blocked shares accounts at the CSDP controlling their blocked portfolios. Any ordinary shares issued to a non-resident of the Common Monetary Area will be credited to such non-residents CSDP or broker account and a “non-resident” annotation will appear in the CSDP or broker register; and
- 8.2.2 any cash dividend payments paid out of the Company’s distributable profits to non-residents and emigrant Shareholders from the Common Monetary Area are freely transferable and will be credited to the CSDP or broker controlling their portfolios.

9. EXPERTS’ CONSENTS

The merchant bank and sponsor and the Transfer Secretaries to Life have consented in writing to act in the capacity stated and to their names being included in this Circular and have not withdrawn their consents prior to the publication of this Circular.

This Circular is available in English only. Copies may be obtained from the Transfer Secretaries at the address set out in paragraph 5.1 of this Circular.

By order of the Board

Fazila Patel

For and on behalf of

Life Healthcare Group Holdings Limited

Company Secretary

Registered office: 21 Chaplin Road, Illovo, 2196, Johannesburg, South Africa.

Thursday, 19 November 2015

Illovo

