

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* throughout this Circular including this cover page.

### ACTION REQUIRED

Shareholders are referred to page 2 of this Circular, which sets out the action required of them with regard to the Claw-back Offer, full details of which are set out in this Circular. If you are in any doubt as to the action that you should take, please consult your CSDP, Broker, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all of your Shares, this Circular and the Form of Instruction should be forwarded to the purchaser to whom, or the CSDP, Broker or agent through whom, you disposed of your Shares.

Letters of Allocation, which are renounceable, can only be traded in Dematerialised form and, accordingly, all Letters of Allocation have been issued in Dematerialised form. The electronic record for holders of Certificated Shares is being maintained by the Transfer Secretaries, Computershare Investor Services Proprietary Limited, which has made it possible for holders of Certificated Shares to enjoy the same rights and opportunities as holders of Dematerialised Shares in respect of the Letters of Allocation.

The Form of Instruction enclosed with this Circular is negotiable and may be traded on the JSE.

### DISCLAIMER

KAP does not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of a Dematerialised Shareholder to notify such Shareholder of the details of this Circular.

The summary of the Exchange Control Regulations provisions detailed in paragraph 3.9 of this Circular is intended only as a guide and is therefore not a comprehensive statement of the Exchange Control Regulations. KAP Shareholders who are in any doubt as to the appropriate course of action to take, should consult their professional advisors.

### JURISDICTION

All transactions arising from the provisions of this Circular and the Form of Instruction shall be governed by and be subject to the laws of South Africa. The Claw-back Offer may be affected by the laws of the relevant jurisdictions of foreign Shareholders. Such foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this Circular that may affect them, including the Claw-back Offer. It is the responsibility of any foreign Shareholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the Claw-back Offer, including the obtaining of any governmental, exchange control or other consent or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or requisite payments due in such jurisdiction. The Claw-back Offer is further subject to any other applicable laws and regulations, including the Exchange Control Regulations. Any foreign Shareholder who is in doubt as to his position, including, without limitation, his tax status, should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.



**KAP INDUSTRIAL HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1978/000181/06)  
Share code: KAP  
ISIN: ZAE000171963  
("KAP" or "the Company")

---

## CIRCULAR TO KAP SHAREHOLDERS

---

### relating to:

- a renounceable Claw-back Offer to KAP Shareholders of 197 368 421 Claw-back Shares at the Subscription Price of R7.60 per Claw-back Share, in the ratio of 8.07368 Claw-back Shares for every 100 Shares held at the close of business on Friday, 25 November 2016;

### and enclosing:

- a Form of Instruction in respect of a Letter of Allocation providing for the acceptance and/or renunciation and/or sale of all or part of the Claw-back Entitlement(s) embodied in the Letter of Allocation in terms thereof (for the use of Certificated Shareholders only).

---

**Claw-back Offer opens at 09:00 on**

**Monday, 28 November 2016**

**Claw-back Offer closes at 12:00 on**

**Friday, 9 December 2016**

---

**Transaction Advisor and Sponsor**



PSG CAPITAL

---

**Date of issue: 22 November 2016**

This Circular is available in English only. Copies of this Circular may be obtained from the registered office of KAP and from PSG Capital whose addresses are set out in the "Corporate Information and Advisors" section of this Circular, as well as in electronic form from the Company's website ([www.kap.co.za](http://www.kap.co.za)) and from the Transfer Secretaries. The Circular will be available during normal business hours from Tuesday, 22 November 2016 up to Friday, 9 December 2016, both days inclusive.

---

## CORPORATE INFORMATION AND ADVISORS

---

### Directors

J du Toit \* # (Chairman)  
J Grové (Executive deputy chairman)  
G Chaplin (Chief executive officer)  
F Olivier (Chief financial officer)  
B La Grange \*  
M Jooste \*  
D van der Merwe \*  
C van Niekerk \* #  
I Mkhari \* #  
P Quarmby \* #  
S Nomvete \* #  
S Müller \* #

\* Non-executive

# Independent

### Company Secretary and Registered Address

Steinhoff Secretarial Services Proprietary Limited  
28, Sixth Street  
Wynberg  
Sandton  
2090  
(PO Box 1955, Bramley, 2018)

### Date and place of incorporation

19 January 1978, South Africa

### Transaction Advisor and Sponsor

PSG Capital Proprietary Limited  
(Registration number 2006/015817/07)  
1st Floor, Ou Kollege  
35 Kerk Street  
Stellenbosch, 7600  
(PO Box 7403, Stellenbosch, 7599)

and

1st Floor, Building 8  
Inanda Greens Business Park  
54 Wierda Road West  
Wierda Valley  
Sandton, 2196  
(PO Box 650957, Benmore, 2010)

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

and (new address as from 28 November 2016)

Rosebank Towers  
15 Biermann Ave  
Rosebank  
2196  
(PO Box 61051, Marshalltown, 2107)

### Subscribers

Ainsley Holdings Proprietary Limited  
(Registration number 1964/010191/07),  
a wholly-owned subsidiary of:  
Steinhoff International Holdings N.V.  
(Registration number 63570173)  
Business Address:  
Block D  
De Wagenweg Office Park  
Stellentia Road  
Stellenbosch, 7600  
(PO Box 122, Stellenbosch, 7599)  
Registered Address:  
Herengracht 466  
1017 CA Amsterdam  
The Netherlands

Allan Gray Proprietary Limited\*  
(Registration number 2005/002576/07)  
1 Silo Square, V&A Waterfront, Cape Town, 8001  
(PO Box 51318, V&A Waterfront, Cape Town, 8002)  
*\* in its capacity as investment manager and agent, for and on behalf of its clients*

Public Investment Corporation SOC Limited  
(Registration number 2005/009094/30)  
Block C, Riverwalk Office Park, 41 Matroosberg Road,  
Ashlea Gardens, Extension 6, Menlo Park, Pretoria  
(Private Bag X187, Pretoria, 0001)

---

## TABLE OF CONTENTS

---

Page

|   |                           |
|---|---------------------------|
| <b>CORPORATE INFORMATION AND ADVISORS</b>                     | <b>INSIDE FRONT COVER</b> |
| <b>ACTION REQUIRED BY SHAREHOLDERS</b>                        | <b>2</b>                  |
| <b>IMPORTANT DATES AND TIMES</b>                              | <b>4</b>                  |
| <b>DEFINITIONS AND INTERPRETATIONS</b>                        | <b>5</b>                  |
| <b>CIRCULAR TO SHAREHOLDERS</b>                               | <b>8</b>                  |
| 1. INTRODUCTION AND BACKGROUND                                | 8                         |
| 2. RATIONALE FOR THE CLAW-BACK OFFER AND UTILISATION OF FUNDS | 8                         |
| 3. PARTICULARS OF THE CLAW-BACK OFFER                         | 9                         |
| 4. EXPENSES   | 12                        |
| 5. INFORMATION ON KAP   | 12                        |
| 6. SHARE TRADING HISTORY                                      | 14                        |
| 7. DIRECTORS' RESPONSIBILITY STATEMENT                        | 14                        |
| 8. CONSENTS   | 14                        |
| 9. DOCUMENTS AVAILABLE FOR INSPECTION                         | 14                        |
| <b>ANNEXURES</b>  |                           |
| <b>ANNEXURE 1</b> TABLE OF ENTITLEMENT                        | <b>15</b>                 |
| <b>ANNEXURE 2</b> SHARE TRADING HISTORY OF KAP SHARES         | <b>16</b>                 |
| <b>ENCLOSURES</b>   |                           |
| FORM OF INSTRUCTION (WHERE APPLICABLE)                        |                           |

---

## ACTION REQUIRED BY SHAREHOLDERS

---

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this section.

If you are in any doubt as to what action you should take, you should consult your Broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all your Shares, please forward this Circular, together with the enclosed Form of Instruction, to the purchaser of such Shares or the Broker, CSDP or other agent through whom the disposal was effected.

### ACTION REQUIRED BY CERTIFICATED SHAREHOLDERS

A Form of Instruction for completion by Shareholders who hold Certificated Shares is enclosed with this Circular. The relevant procedure for participation in the Claw-back Offer is set out below:

- a Letter of Allocation will be created in electronic form with the Transfer Secretaries;
- if you are a Certificated Shareholder and do not wish to subscribe for all or some of the Claw-back Shares comprising your Entitlement under the Claw-back Offer, as reflected in the Form 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 enclosed Form of Instruction and return it to the Transfer Secretaries to be received by no later than 12:00 on Tuesday, 6 December 2016. The Transfer Secretaries will endeavour to procure the sale of the Entitlements on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries nor KAP will 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. Please note that the last day to trade Letters of Allocation is on Tuesday, 6 December 2016; and
  - if you wish to renounce your Entitlement in favour of any named renounee, you must complete Form B in the enclosed Form of Instruction, and the renounee must complete Form C in the enclosed Form of Instruction and return it to the Transfer Secretaries, to be received by no later than 12:00 on Friday, 9 December 2016, together with a bank-guaranteed cheque or banker's draft or EFT swift reference number (EFT to be made into the Designated Bank Account, details of which are available from the corporate actions department of the Transfer Secretaries +27 (0) 861 100 634) for the appropriate amount.
- If you are a Certificated Shareholder and wish to subscribe for all or part of your Entitlements in terms of the enclosed Form of Instruction, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and lodge it, together with the amount due in Rand in the form of a bank-guaranteed cheque or banker's draft or EFT swift reference number (EFT to be made into the Designated Bank Account, details of which are available from the corporate actions department of the Transfer Secretaries +27 (0) 861 100 634), with the Transfer Secretaries as follows:

*By hand to:*

**KAP Industrial Holdings Limited – Claw-back Offer**  
c/o Computershare Investor Services Proprietary Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001

*By post to:*

**KAP Industrial Holdings Limited – Claw-back Offer**  
c/o Computershare Investor Services Proprietary Limited  
PO Box 61763  
Marshalltown, 2107

and (new address as from 28 November 2016)

Rosebank Towers  
15 Biermann Ave  
Rosebank, 2196

*By facsimile to:*

**KAP Industrial Holdings Limited – Claw-back Offer**  
c/o Computershare Investor Services Proprietary Limited  
+27 (0) 11 688 5210

*By email to:*

**KAP Industrial Holdings Limited – Claw-back Offer**  
c/o Computershare Investor Services Proprietary Limited  
corporate.events@computershare.co.za

---

To be received by the Transfer Secretaries by no later than 12:00 on Friday, 9 December 2016.

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of posted, delivered, faxed or emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any other physical, postal, facsimile or email address other than those provided above. Forms of Instruction shall be deemed to be received on the date reflected in the Transfer Secretaries' electronic or facsimile systems. Notwithstanding anything to the contrary, it is each Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries.

KAP and the Transfer Secretaries accept no responsibility and will not be held liable for any allocation of Entitlements pursuant to payment being made or alleged to have been made and where proof of such payment has not been received or purported proof of such payment being insufficient or defective for KAP together with the Transfer Secretaries, for any reason, not being able to reconcile a payment or purported payment with a particular application for Claw-back Shares.

If you are a renounee, you may elect to receive your Claw-back Shares in Dematerialised form by providing the information requested in respect of your CSDP or Broker in Form E in the enclosed Form of Instruction.

In order to comply with recent legislative changes, the Claw-back Shares may only be issued in Dematerialised form. In this regard:

- a) Certificated Shareholders who wish to receive the Claw-back Shares allocated to them in Dematerialised form and who already have an account with a Broker or CSDP, will have their accounts at their Brokers or CSDPs credited with such Claw-back Shares (provided that they have provided their Form of Instruction, and have elected "Option 1" on Form E thereof, along with the relevant CSDP or Broker details, to the Transfer Secretaries on or before 12:00 on Friday, 9 December 2016 ; or
- b) Certificated Shareholders who wish to receive the Claw-back Shares allocated to them in Dematerialised form, but who do not have an account with a Broker or CSDP, will be issued with statements of allocation and will be required to appoint a Broker or CSDP so that Dematerialised Claw-back Shares can be made available to them following implementation of the Claw-back Offer (such Shareholders will be required to provide the statement of allocation to their Broker or CSDP as proof of their holdings), provided that such Shareholders have elected "Option 2" on Form E of their Form of Instruction and provided their Form of Instruction to the Transfer Secretaries on or before 12:00 on Friday, 9 December 2016; or
- c) Certificated Shareholders who do not wish to hold the Claw-back Shares allocated to them in Dematerialised form and prefer to hold their Claw-back Shares in Certificated form, will be afforded the option to "rematerialise" their Dematerialised Claw-back Shares and replace these with a physical Document of Title, provided that such Shareholders have elected "Option 3" on Form E of their Form of Instruction and provided their Form of Instruction to the Transfer Secretaries on or before 12:00 on Friday, 9 December 2016.

Certificated Shareholders should indicate which of the above applies when completing the Form of Instruction. Should a Certificated Shareholder contemplated in paragraph (a) above fail to provide the necessary Broker and CSDP account details and other information requested in the Form of Instruction, it will not be possible to credit such Shareholder's account at its Broker or CSDP with the Claw-back Shares due to it, and such Shareholder will instead be issued with a statement of allocation.

Should you be a Certificated Shareholder –

- contemplated in paragraph (a) above and have provided your Form of Instruction to the Transfer Secretaries on or before 12:00 on Friday, 9 December 2016, then, subject to payment of the appropriate amount having been received, the Claw-back Shares allocated to you will be credited to your Broker or CSDP account on Monday, 12 December 2016; or
- should you be a Shareholder contemplated in paragraph (b) above, subject to payment of the appropriate amount having been received, the statement of allocation in respect of your Claw-back Shares will be posted to you, at your risk, on Monday, 12 December 2016; or
- contemplated in paragraph (c) above, and have provided your Form of Instruction to the Transfer Secretaries on or before 12:00 on Friday, 9 December 2016, then, subject to payment of the appropriate amount having been received, the share certificate for your Claw-back Shares will be posted to you, at your risk, on Monday, 12 December 2016.

Shareholders who wish to "rematerialise" their Dematerialised Claw-back Shares as provided for above and whose registered addresses in the Register are outside of the Common Monetary Area, or whose Share certificates are restrictively endorsed in terms of the Exchange Control Regulations, should refer to paragraph 3.9 of the Circular.

**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 Shareholders or from any person in whose favour the Entitlements have been renounced) by 12:00 on Friday, 9 December 2016, then the Entitlement to those unsubscribed Claw-back Shares will be deemed to have been declined and will lapse.**

#### **ACTION REQUIRED BY DEMATERIALISED SHAREHOLDERS**

If you are a Shareholder and have Dematerialised your Shares, you will not receive a printed Form of Instruction and you should receive notification from your CSDP or Broker regarding your Entitlement in terms of the Claw-back Offer.

Your CSDP or Broker will credit your account with your Entitlement under the Claw-back Offer and will contact you to ascertain:

- whether you wish to follow all or some of your Entitlement in terms of the Claw-back Offer and, if so, to what extent;
- whether you wish your CSDP or Broker to endeavour to procure the sale of your Entitlement on the JSE on your behalf;
- whether you wish to renounce your Entitlement and if so, the details of the renounee; or
- whether you wish for your Entitlement in respect of the Claw-back Offer to lapse.

CSDPs effect payment in respect of Dematerialised Shareholders on a delivery versus payment basis.

If you are a Dematerialised Shareholder and wish to follow your Entitlement in respect of the Claw-back Offer, you are required to notify your duly appointed CSDP or Broker of your acceptance of the Claw-back Offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker. If you are not contacted, you should proactively contact your CSDP or Broker and provide them with your instructions. If your CSDP or Broker does 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 subscribe for Claw-back Shares in terms of the Claw-back Offer.

**KAP does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Claw-back Offer and/or to obtain instructions from you to subscribe for the Claw-back Shares and/or to sell the allocated Entitlement and/or to renounce the allocated Entitlement.**

---

## IMPORTANT DATES AND TIMES

---

2016

|  |                            |
|--|----------------------------|
| Declaration announcement released on SENS  | Monday, 31 October         |
| Finalisation announcement released on SENS   | Thursday, 17 November      |
| Last day to trade in KAP Shares in order to participate in the Claw-back Offer ( <i>cum entitlement</i> ) and the Circular made available on KAP's website (www.kap.co.za)   | Tuesday, 22 November       |
| Listing of and trading in the Letters of Allocation on the JSE commences at 09:00 under the JSE code KAPN and ISIN ZAE000231247 on   | Wednesday, 23 November     |
| KAP Shares commence trading ex-Claw-back Entitlement on the JSE at 09:00 on  | Wednesday, 23 November     |
| Claw-back Offer Shares allotted to the Subscribers and Subscription Amount paid to KAP in terms of the Subscription Agreement  | Wednesday, 23 November     |
| Circular posted to Certificated Shareholders together with a Form of Instruction   | Thursday, 24 November      |
| Record Date for the Claw-back Offer  | Friday, 25 November        |
| <b>Claw-back Offer opens at 09:00 on</b>   | <b>Monday, 28 November</b> |
| Certificated Shareholders will have their Letters of Allocation credited to an electronic account held at the Transfer Secretaries   | Monday, 28 November        |
| Dematerialised Shareholders will have their accounts at their CSDP or Broker credited with their Entitlement   | Monday, 28 November        |
| Circular posted to Dematerialised Shareholders (where applicable) on   | Tuesday, 29 November       |
| Last day for trading Letters of Allocation on the JSE  | Tuesday, 6 December        |
| Form of Instruction lodged by Certificated Shareholders wishing to sell all or part of their entitlement at the Transfer Secretaries by 12:00  | Tuesday, 6 December        |
| Listing of Claw-back Shares and trading therein on the JSE commences   | Wednesday, 7 December      |
| <b>Claw-back Offer closes at 12:00.</b> Payment to be made and Form of Instruction lodged by Certificated Shareholders wishing to renounce or subscribe for all or part of the Entitlement at the Transfer Secretaries* on | <b>Friday, 9 December</b>  |
| Record Date for the Letters of Allocation  | Friday, 9 December         |
| Claw-back Shares issued and posted to Shareholders in certificated form (where applicable) on or about   | Monday, 12 December        |
| Claw-back Shares not subscribed for in terms of the Claw-back Offer, issued to the Subscribers on  | Monday, 12 December        |
| CSDP or Broker accounts of Dematerialised Shareholders updated with Claw-back Shares and debited with any payments due on  | Monday, 12 December        |
| Results of Claw-back Offer announced on SENS   | Monday, 12 December        |
| Refund to the Subscribers in terms of Claw-back Shares taken up by Shareholders on   | Wednesday, 14 December     |

\* CSDP effect payment in respect of Dematerialised Shareholders on a delivery versus payment method.

### Notes:

1. Unless otherwise indicated, all times indicated above and elsewhere in this Circular are South African times.
2. Shareholders may not dematerialise or rematerialise their Shares between Wednesday, 23 November 2016 and Friday, 25 November 2016, both dates inclusive.

---

## DEFINITIONS AND INTERPRETATIONS

---

In this Circular and the annexures hereto, unless otherwise stated or the context clearly indicates a contrary intention, the following words and expressions shall bear the meanings assigned to them hereunder. Words in the singular shall include the plural and *vice versa*, words signifying any one gender shall include the other genders and references to natural persons shall include juristic persons and associations of persons and *vice versa*:

|                                      |   |
|--------------------------------------|---|
| <b>“Ainsley Holdings”</b>            | Ainsley Holdings Proprietary Limited (registration number 1964/010191/07), a private company duly incorporated in accordance with the laws of South Africa and an indirectly, wholly-owned subsidiary of Steinhoff International Holdings N.V. (registration number 63570173), a limited liability public company duly incorporated in accordance with the laws of The Netherlands; |
| <b>“Allan Gray”</b>                  | Allan Gray Proprietary Limited (registration number 2005/002576/07), a company with limited liability incorporated in South Africa, it being recorded that its undertaking has been given its capacity as investment manager and agent, for an on behalf of its clients, who are beneficial shareholders in the Company, and not by Allan Gray as principal;                        |
| <b>“Board” or “Directors”</b>        | the board of directors of KAP;  |
| <b>“Broker”</b>                      | a “stockbroker” as defined in the Financial Markets Act, or its nominee;  |
| <b>“Certificated Shareholders”</b>   | holders of Certificated Shares;   |
| <b>“Certificated Shares”</b>         | Shares that have not been Dematerialised in terms of Strate, title to which is represented by Documents of Title;   |
| <b>“Circular”</b>                    | this circular, dated 22 November 2016, incorporating a Form of Instruction, where applicable and the annexures thereto;   |
| <b>“Claw-back Offer”</b>             | a renounceable claw-back offer to KAP Shareholders of 197 368 421 Claw-back Shares at a Subscription Price of R7.60 per Claw-back Share in the ratio of 8.07368 Claw-back Shares for every 100 Shares held at the close of business on the Record Date;   |
| <b>“Claw-back Shares”</b>            | 197 368 421 new ordinary Shares which are the subject of the Claw-back Offer;   |
| <b>“Common Monetary Area”</b>        | collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;  |
| <b>“CSDP”</b>                        | a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act with which a Shareholder holds a Dematerialised share account;   |
| <b>“Custody Agreement”</b>           | the agreement which regulates the relationship between the CSDP or Broker and each beneficial holder of Dematerialised Shares;  |
| <b>“Dematerialise”</b>               | the process whereby Certificated Shares are converted into an electronic format as Dematerialised Shares, and recorded in the Company’s uncertificated securities register administered by a CSDP;  |
| <b>“Dematerialised Shareholders”</b> | holders of Dematerialised Shares;   |
| <b>“Dematerialised Shares”</b>       | Shares which have been Dematerialised in terms of the requirements of Strate and the ownership of which is no longer evidenced by physical Documents of Title, but by electronic records;   |
| <b>“Designated Bank Account”</b>     | the bank account, the details of which will be provided on request from the corporate actions department of the Transfer Secretaries, contactable during ordinary business hours on +27(0) 861 100 634;   |
| <b>“Documents of Title”</b>          | Share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board;  |
| <b>“EFT”</b>                         | electronic funds transfer;  |

|   |   |
|---|---|
| <b>"Entitlement" or "Claw-back Entitlement"</b> | a Shareholder's entitlement to subscribe for Claw-back Shares in the ratio of 8.07368 Claw-back Shares for every 100 Shares held on the Record Date, which Entitlement arises as a result of the Claw-back Offer;   |
| <b>"Exchange Control Regulations"</b>           | the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, No. 9 of 1933, as amended from time to time;   |
| <b>"Financial Markets Act"</b>                  | the Financial Markets Act, No. 19 of 2012, as amended from time to time;  |
| <b>"Form of Instruction"</b>                    | a form of instruction in respect of the Letter of Allocation reflecting the Entitlement of Certificated Shareholders and on which Certificated Shareholders are required to indicate whether they wish to take up, sell or renounce their Claw-back Entitlement;  |
| <b>"Group" or "KAP Group"</b>                   | the Company and its subsidiaries;   |
| <b>"JSE"</b>                                    | JSE Limited (registration number 2005/022939/06), a public company incorporated in South Africa and licensed as an exchange under the Financial Markets Act;  |
| <b>"KAP" or "the Company"</b>                   | KAP Industrial Holdings Limited (registration number 1978/000181/06), a public company incorporated in accordance with the laws of South Africa and listed on the JSE main board;   |
| <b>"KAP Shareholders" or "Shareholders"</b>     | holders of Shares;  |
| <b>"KAP Shares" or "Shares"</b>                 | ordinary shares of no par value in the authorised Share capital of the Company;   |
| <b>"Last Practicable Date"</b>                  | 8 November 2016, the last practicable date prior to the finalisation of this Circular;  |
| <b>"Letter of Allocation" or "LA"</b>           | a renounceable letter of allocation in electronic form relating to the Claw-back Offer;   |
| <b>"Listings Requirements"</b>                  | the Listings Requirements of the JSE, as amended from time to time;   |
| <b>"PIC"</b>                                    | Public Investment Corporation SOC Limited (registration number 2005/009094/30), a public company established in terms of the Public Investment Corporation Act, 23 of 2004;   |
| <b>"Rand" or "ZAR"</b>                          | South African Rand, the official currency of South Africa;  |
| <b>"Record Date"</b>                            | the last day for Shareholders to be recorded in the Register in order to participate in the Claw-back Offer, being close of business on Friday, 25 November 2016;   |
| <b>"Register"</b>                               | means the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-registers of Dematerialised Shareholders maintained by the relevant CSDPs;   |
| <b>"Safripol Acquisition"</b>                   | the acquisition by the Group of Safripol Holdings Proprietary Limited, further details of which appear in paragraph 2 of the Circular;  |
| <b>"SENS"</b>                                   | the Stock Exchange News Service of the JSE;   |
| <b>"Strate"</b>                                 | Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated in the Republic of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE; |
| <b>"Subscribers"</b>                            | collectively, Ainsley Holdings, the PIC and Allan Gray, in the case of Allan Gray, such subscription shall be in its capacity as investment manager and agent, for and on behalf of its clients, as such holdings are beneficially held by Allan Gray's clients and not by Allan Gray as principal;         |



|   |  |
|---|--|
| <b>“Subscription Agreement”</b>                           | the agreement entered into between KAP and Ainsley Holdings on 1 November 2016, supported by irrevocable undertakings from PIC and Allan Gray to subscribe on the same terms and conditions as contained in the Subscription Agreement, in terms of which the Subscribers have committed to fully subscribe for 197 368 421 Claw-back Shares at the Subscription Price of R7.60 per Claw-back Share for a total consideration amount equal to the Subscription Amount in proportion to their existing holdings in KAP; |
| <b>“Subscription Amount”</b>                              | the amount of R1.5 billion payable by the Subscribers for the Claw-back Shares in terms of the Subscription Agreement;   |
| <b>“Subscription Price”</b>                               | subscription price equal to the volume weighted average trading price of the Company on 28 October 2016, being R7.60 per Claw-back Share;  |
| <b>“Transaction Advisor and Sponsor” or “PSG Capital”</b> | PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company duly incorporated in accordance with the laws of South Africa, particulars of which appear in the <i>“Corporate information and advisors section”</i> of the Circular;   |
| <b>“Transfer Secretaries”</b>                             | Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa, being the transfer secretaries of KAP; and   |
| <b>“VAT”</b>  | Value Added Tax.   |



**KAP INDUSTRIAL HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1978/000181/06)  
Share code: KAP  
ISIN: ZAE000171963  
("KAP" or "the Company")

#### **Directors**

|                                     |                   |
|-------------------------------------|-------------------|
| J du Toit * # (Chairman)            | D van der Merwe * |
| J Grové (Executive deputy chairman) | C van Niekerk * # |
| G Chaplin (Chief executive officer) | I Mkhari * #      |
| F Olivier (Chief financial officer) | P Quarmby * #     |
| B La Grange *                       | S Nomvete * #     |
| M Jooste *                          | S Müller * #      |

\* *Non-executive*

# *Independent*

---

## **CIRCULAR TO SHAREHOLDERS**

---

### **1. INTRODUCTION AND BACKGROUND**

- 1.1 KAP Industrial Holdings Limited is a JSE listed diversified industrial group consisting of logistics and manufacturing businesses. KAP provides contractual logistics services for bulk commodities like fuel, cement, agriculture and food, using specialised transport equipment under the Unitrans brand. Personnel, commuter, tourist and intercity passengers are transported through a range of brands, including Megabus, Mega Coach, Greyhound and Citiliner. KAP also manufactures a broad range of products in large-scale, state-of-the-art factories that supply to industrial and retail customers. Products include timber; chipboard and medium density fibreboard ("MDF"); polyethylene terephthalate ("PET"), which is used to make plastic packaging; automotive components and accessories used in all major car brands; and bedding products.
- 1.2 Shareholders are referred to the announcement released by the Company on SENS dated 31 October 2016, in which Shareholders were advised of the proposed Claw-back Offer to Shareholders. Subsequent to the announcement, the Subscription Agreement has been concluded, which agreement provides for the subscription by the Subscribers of 197 368 421 Shares in the share capital of KAP at the Subscription Price.
- 1.3 The Subscription Price equates to the volume weighted average trading price of the Company on 28 October 2016, being the date on which the Claw-back Offer was approved by the Board.
- 1.4 The attached Form of Instruction in respect of the Letters of Allocation contains full details of the Entitlement to which Certificated Shareholders are entitled in terms of the Claw-back Offer, as well as the procedures for acceptance, sale or renunciation of such Entitlement.
- 1.5 Dematerialised Shareholders will be advised by their CSDP or Broker of their Entitlement as well as the procedure for acceptance, sale and renunciation of such Entitlement.
- 1.6 The JSE has approved the listings of:
  - 1.6.1 197 368 421 Letters of Allocation from the commencement of trade on Wednesday, 23 November 2016, until close of trade on Tuesday, 6 December 2016, both days inclusive; and
  - 1.6.2 Claw-back Shares from the commencement of trade on Wednesday, 7 December 2016.
- 1.7 As the Claw-back Offer is fully subscribed, no minimum subscription is required.

### **2. RATIONALE FOR THE CLAW-BACK OFFER AND UTILISATION OF FUNDS**

- 2.1 KAP is invested in a number of industry leading industrial businesses managed within two segments: diversified logistics and diversified industrial. KAP is focussed on and engaged in various expansion activities which include organic expansion of existing operations, "bolt-on" acquisitions to existing operations and acquisitions which comply with its strategic objectives.

- 2.2 The Company recently concluded, as announced to Shareholders on SENS on 10 August 2016 and subject to certain conditions precedent, the Safripol Acquisition for a consideration of R4.1 billion on a debt free cash free basis through a series of transactions. Safripol operates in the chemical sector and is complementary to the existing chemical operations of KAP, namely Hosaf and Woodchem. This acquisition represents an ideal fit for KAP in terms of its key strategic objectives, being Safripol's market leadership, high barriers to entry, strong cash generative qualities and competent management with sufficient depth and continuity to run the operations of Safripol.
- 2.3 The purpose of the Claw-back Offer is to provide KAP with additional capital to contribute to the financing of its various expansion activities and in order to maintain a healthy capital structure to facilitate future growth for the Company.

### **3. PARTICULARS OF THE CLAW-BACK OFFER**

#### **3.1 TERMS OF THE CLAW-BACK OFFER**

- 3.1.1 KAP Shareholders and/or their renounees are hereby offered for subscription, by way of a renounceable Claw-back Offer, a total of 197 368 421 Claw-back Shares at a Subscription Price of R7.60 per Claw-back Share in the ratio of 8.07368 Claw-back Shares for every 100 Shares held in KAP at the close of business on the Record Date, upon the terms and conditions set out in this Circular.
- 3.1.2 The Subscription Price equates to the volume weighted average trading price of the Company on 28 October 2016, being the date on which the Claw-back Offer was approved by the Board.
- 3.1.3 The Subscription Price is payable in Rand and in full upon acceptance by Certificated Shareholders of their Entitlement in terms of the Claw-back Offer. CSDP or Brokers will make payment, on a delivery versus payment basis, in respect of Dematerialised Shareholders who have accepted their Entitlement. Dematerialised Shareholders who wish to accept their Entitlement should ensure that the necessary funds are deposited with the relevant CSDP or Broker.
- 3.1.4 Shareholders recorded in the Register of KAP at the close of business on the Record Date, or their renounees, will be entitled to participate in the Claw-back Offer.
- 3.1.5 The Claw-back Shares will, upon allotment and issue, rank *pari passu* with all other existing KAP Shares in terms of both voting rights and dividends.
- 3.1.6 The Letters of Allocation in respect of the Claw-back Offer are negotiable and will be listed on the JSE on Wednesday, 23 November 2016, under the share code KAPN and ISIN ZAE000231247. The Claw-back Shares cannot be traded before such Shares are listed on the JSE on Wednesday, 7 December 2016.

#### **3.2 OPENING AND CLOSING DATES OF THE CLAW-BACK OFFER**

The Claw-back Offer will open at 09:00 on Monday, 28 November 2016, and will close at 12:00 on Friday, 9 December 2016.

#### **3.3 EXCESS**

The Claw-back Offer does not include the right for Shareholders to apply for excess Claw-back Shares.

#### **3.4 CLAW-BACK ENTITLEMENT**

- 3.4.1 Shareholders will be entitled to subscribe for 8.07368 Claw-back Shares for every 100 Shares held on the Record Date. Accordingly, Shareholders are entitled to participate in the Claw-back Offer in accordance with **Annexure 1** to this Circular.
- 3.4.2 The allocation of Claw-back Shares will be such that Shareholders will not be allocated a fraction of a Claw-back Share. Only whole numbers of Claw-back Shares will be issued and Shareholders will be entitled to subscribe for rounded numbers of Claw-back Shares once the ratio of entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down to the nearest whole number.
- 3.4.3 Certificated Shareholders will have their Entitlements credited to a nominee account in electronic form, which will be administered by the Transfer Secretaries on their behalf. The enclosed Form of Instruction reflects the number of Claw-back Shares to which the Certificated Shareholder is entitled to subscribe and sets out the procedure to be followed for the acceptance, sale or renunciation of such Entitlements.
- 3.4.4 Dematerialised Shareholders will have their Entitlements credited to their accounts held by their appointed CSDP or Broker. The CSDP or Broker will advise Dematerialised Shareholders of the procedure to be followed and the timing for the acceptance, sale, renunciation or lapsing of such Entitlements.
- 3.4.5 The electronic Letters of Allocation to which the Forms of Instruction relate, are negotiable and can be traded on the JSE.

#### **3.5 SUBSCRIPTION AGREEMENT**

- 3.5.1 In terms of the Subscription Agreement, the Subscribers have committed to subscribe fully for the Claw-back Shares.
- 3.5.2 The Subscription Amount of R1.5 billion will be paid by the Subscribers in proportion to their existing holdings in KAP on Wednesday, 23 November 2016 to the Company in accordance with the Subscription Agreement.
- 3.5.3 The allotment of Claw-back Shares to the Subscribers will be effected on Wednesday, 23 November 2016 upon payment of the Subscription Amount to KAP.
- 3.5.4 In consideration for the Subscribers providing the Subscription Amount to the Company in advance, KAP shall pay to the Subscribers a subscription fee equal to 4% of the Subscription Amount, amounting to R60 million.

3.5.5 The Claw-back Shares not subscribed for by Shareholders will be issued to the Subscribers on Monday, 12 December 2016 and any refunds payable to the Subscribers in terms of Claw-back Shares subscribed for by Shareholders or renounees will be processed on Wednesday, 14 December 2016, in the same proportion to their existing holdings in KAP.

### 3.6 PROCEDURES FOR ACCEPTANCE

Shareholders are referred to the “*Action required by Shareholders*” section of the Circular, as well as to the information contained in the Form of Instruction, for the procedures for acceptance of the Entitlement in terms of the Claw-back Offer.

### 3.7 PROCEDURES FOR SALE AND RENUNCIATION

Shareholders are referred to the “*Action required by Shareholders*” section of the Circular, as well as to the information contained in the Form of Instruction, for the procedures for sale and renunciation of the Entitlement in terms of the Claw-back Offer.

### 3.8 PAYMENT

#### 3.8.1 Payment by Certificated Shareholders

3.8.1.1 The amount due on acceptance of the Claw-back Offer is payable in Rand.

3.8.1.2 A banker’s draft drawn on a registered bank or a bank-guaranteed 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 “**KAP – Claw-back Offer**” in respect of the amount due or an EFT accompanied by an EFT swift reference number (obtainable from Computershare Investor Services Proprietary Limited, at +27 (0) 8611 00634), together with a properly completed Form of Instruction, should be clearly marked “**KAP – Claw-back Offer**”, and delivered to:

| <i>By hand to:</i>  | <i>By post to:</i>  |
|---|---|
| <b>KAP INDUSTRIAL HOLDINGS LIMITED – Claw-back Offer</b>  | <b>KAP INDUSTRIAL HOLDINGS LIMITED – Claw-back Offer</b>                                      |
| c/o Computershare Investor Services Proprietary Limited<br>Ground Floor<br>70 Marshall Street<br>Johannesburg, 2001 | c/o Computershare Investor Services Proprietary Limited<br>PO Box 61763<br>Marshalltown, 2107 |

and (new address as from 28 November 2016)

Rosebank Towers  
15 Biermann Ave  
Rosebank, 2196

| <i>By facsimile (only in the case where payment is by way of EFT) to:</i>      | <i>By electronic mail (only in the case where payment is by way of EFT) to:</i>                 |
|--|---|
| <b>KAP INDUSTRIAL HOLDINGS LIMITED – Claw-back Offer</b>                       | <b>KAP INDUSTRIAL HOLDINGS LIMITED – Claw-back Offer</b>  |
| c/o Computershare Investor Services Proprietary Limited<br>+27 (0) 11 688 5210 | c/o Computershare Investor Services Proprietary Limited<br>corporate.events@computershare.co.za |

To be received by no later than 12:00 on Friday, 9 December 2016.

3.8.1.3 All bank-guaranteed cheques or bankers’ drafts received by the Transfer Secretaries will be deposited immediately for payment. In the event that any cheque or banker’s draft is dishonoured, KAP, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant Claw-back Shares to which it relates against payment in cash of the Subscription Price for such Claw-back Shares.

#### 3.8.2 Payment by Dematerialised Shareholders

3.8.2.1 The CSDP or Broker will effect payment directly on behalf of Dematerialised Shareholders in respect of the accepted Entitlement, in Rand, on Friday, 9 December 2016 on a delivery versus payment basis. Dematerialised Shareholders who wish to accept the Entitlement should ensure that the necessary funds are deposited with the relevant CSDP or Broker.

3.8.2.2 Dematerialised Shareholders’ accounts will be credited with the Claw-back Shares in terms of the Claw-back Offer on Monday, 12 December 2016.

### 3.9 EXCHANGE CONTROL REGULATIONS

The following summary is intended only as a guide and is therefore not a comprehensive statement of the Exchange Control Regulations. Shareholders who are in any doubt as to the appropriate course of action, are advised to consult their professional advisors.

The Claw-back Shares to be issued pursuant to the Claw-back Offer will not be freely transferable from South Africa and must be dealt with in terms of the South African Exchange Control Regulations.

### **3.9.1 Non-residents outside the Common Monetary Area**

Shareholders resident outside the Common Monetary Area who receive this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.

### **3.9.2 Non-residents of the Common Monetary Area**

3.9.2.1 Pursuant to the South African Exchange Control Regulations and upon specific approval of the South African Reserve Bank, non-residents, excluding former residents of the Common Monetary Area, will be allowed to:

3.9.2.1.1 take up Entitlements allocated to them in terms of the Claw-back Offer;

3.9.2.1.2 purchase Letters of Allocation on the JSE; and

3.9.2.1.3 subscribe for the Claw-back Shares arising in respect of the Letters of Allocation purchased on the JSE, provided payment is received either through normal banking channels from abroad or from a non-resident account.

3.9.2.2 Share certificates issued pursuant to the application must be endorsed "non-resident". In respect of Shareholders taking up their rights in terms of the Claw-back Offer:

3.9.2.2.1 a "non-resident" endorsement will be applied to Forms of Instruction issued to non-resident Certificated Shareholders; or

3.9.2.2.2 a "non-resident" annotation will appear in the CSDP or Broker's register for non-resident Dematerialised Shareholders.

3.9.2.3 All applications by non-residents for the above purposes must be made through a South African authorised dealer in foreign exchange. Where Entitlements are sold on the JSE on behalf of non-residents, the proceeds of such sale are freely remittable through a South African authorised dealer in foreign exchange.

### **3.9.3 Former residents of the Common Monetary Area ("emigrants")**

3.9.3.1 Where an Entitlement in terms of the Claw-back Offer becomes due to a former resident of the Common Monetary Area, which right is based on Shares blocked in terms of the Exchange Control Regulations, only then may emigrant blocked capital funds be used to:

3.9.3.1.1 take up Entitlements allocated to such emigrant in terms of the Claw-back Offer;

3.9.3.1.2 purchase Letters of Allocation on the JSE; and

3.9.3.1.3 subscribe for the Claw-back Shares in terms of the Claw-back Offer.

3.9.3.2 All applications by emigrants using blocked capital funds for the above purposes must be made through the South Africa authorised dealer 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.

3.9.3.3 In respect of Shareholders taking up their Entitlement in terms of the Claw-back Offer:

3.9.3.3.1 a "non-resident" endorsement will be applied to Forms of Instruction issued to non-resident Certificated Shareholders; or

3.9.3.3.2 a "non-resident" annotation will appear in the CSDP or broker's register for non-resident Dematerialised Shareholders.

3.9.3.4 Where Entitlement are sold on the JSE on behalf of emigrants, which Entitlement are based on an investment which is blocked in terms of the South African Exchange Control Regulations, the proceeds of such sales will be credited to the blocked capital accounts of the Shareholders concerned.

3.9.3.5 Non-resident and emigrant Dematerialised Shareholders will have all aspects relating to exchange control managed by their CSDP or broker.

## **3.10 DOCUMENTS OF TITLE**

3.10.1 Shareholders are referred to the "Action required by Shareholders" section of the Circular, as well as to the information contained in the Form of Instruction.

3.10.2 Shareholders receiving Claw-back Shares must note that such Certificated Shares are not good for delivery in respect of future trades on the JSE until they have been Dematerialised.

## **3.11 TAXATION**

Shareholders are advised to consult their tax and financial advisors regarding any taxation implications pertaining to them in terms of the Claw-back Offer.

## 4. EXPENSES

- 4.1 It is estimated that KAP's expenses relating to the Claw-back Offer will amount to approximately R63 million (excluding VAT) and include the following:

|   | R'mil        |
|---|--------------|
| JSE – Documentation inspection fee                          | 0.05         |
| JSE – Listing fee   | 0.50         |
| PSG Capital – Transaction Advisor and Sponsor fee           | 1.00         |
| Subscribers – Subscription fee                              | 60.00        |
| Greymatter & Finch – Printing, publication and distribution | 0.65         |
| Transfer Secretaries  | 0.20         |
| GirardHayward Inc – Legal fees                              | 0.30         |
| Contingency   | 0.30         |
| <b>Total</b>  | <b>63.00</b> |

## 5. INFORMATION ON KAP

### 5.1 OVERVIEW AND NATURE OF BUSINESS

- 5.1.1 KAP is a diversified industrial group predominantly located in and focused on growth in strategic industry sectors. The Group focuses on delivering on its strategy of being a market leader in the industries it serves in a growing African market. KAP owns various businesses that are diversified across industries, market sectors, products and services in order to sustain consistent performance through business cycles. The Group is also diversified from a geographic perspective, with multiple locations in 13 African countries to balance macro-economic factors. During 2015, the group re-aligned its operating segments as follows:

#### 5.1.1.1 Diversified logistics

This segment comprises:

- 5.1.1.1.1 a contractual logistics division that designs, implements and manages supply chain, warehousing and logistics services, positioned to service the petrochemical, foods, mining and infrastructure, agriculture and specialised warehousing sectors; and
- 5.1.1.1.2 a passenger transport division that provides intercity, personnel, tourist and commuter transport services.

#### 5.1.1.2 Diversified industrial

This segment comprises:

- 5.1.1.2.1 an integrated timber division incorporating wood based panel manufacturing, forestry, sawmilling and pole production;
- 5.1.1.2.2 a chemical division that manufactures and distributes PET, primarily for the carbonated soft drinks packaging market, and various urea formaldehyde resins, for the panel industry;
- 5.1.1.2.3 an automotive division that manufactures and distributes automotive components used in new vehicle assembly and automotive accessories for the retail aftermarket; and
- 5.1.1.2.4 a bedding division that manufactures foam and inner spring mattresses, together with mattress fabric, polyurethane foam and various bedding components.

- 5.1.2 The Company continues to invest in established businesses, which provide high barriers to entry and enhance the group's quality of earnings in respect of sustainability, solid margins and cash generation.

### 5.2 PROSPECTS

The Group remains focused on providing sustainable value to shareholders through three core objectives – to grow profitable revenue, to generate solid returns on capital employed and to maintain strong profit-to-cash conversion. These objectives are enabled and supported by five strategic drivers:

- Market leadership
- High barriers to entry
- Diversification
- Adding value through specialisation
- Leveraging from an African base

These drivers provide competitive advantage to the company and act as a guideline to direct strategy formulation and implementation by the Group.

Management continues to focus on optimising and expanding its existing operations and on growing its market share in all areas of operation. Management remains optimistic that these activities will provide a solid platform for continued growth of the group, despite the current challenging economic environment.

In the diversified logistics segment, certain key contracts were renewed during the year and a healthy volume of new contracts was secured, providing momentum for FY2017. It is expected that improved efficiencies and significantly

reduced costs resulting from the rationalisation of this division will result in further contract renewals, extensions and the procurement of additional contracts in the sectors within which the group operates. KAP acquired 100% of the equity and claims in Lucerne Transport Proprietary Limited (“Lucerne”), effective 1 September 2016. Lucerne’s operations are complementary to those of Unitrans, specifically in terms of bulk liquid tanker transport of chemicals and edible oils. Subsequent to the year-end date, KAP entered into an agreement to acquire 23.09% of the issued ordinary share capital of Xinergistix Proprietary Limited (“Xinergistix”) and thereby increased its shareholding to 51.4%. It is anticipated that the acquisition would become effective on 1 July 2016, subject to approval by Regulatory Authorities and other conditions precedent customary for transactions of this nature. Xinergistix is engaged primarily in line-haul work, but will provide some unique operating and infrastructure synergies to KAP. The passenger transport division, remains well positioned in terms of its modern and well-maintained asset base, diversification and strong cash conversion to sustain above average returns on capital employed and to competitively pursue expansion opportunities.

In the diversified industrial segment, the momentum of existing operations is expected to continue during FY2017. This will be supported by the acquisition of Autovest Limited and certain expansion projects implemented during FY2016. These projects include PG Bison’s high-gloss line and the Woodchem paper impregnation plant. Certain key projects, including, among others, the expansion of the Hosaf PET operation, the upgrade of the PG Bison Piet Retief particleboard line and the construction of the new integrated bedding factory, are progressing on schedule. The Safripol Acquisition, concluded after 30 June 2016 and subject to certain conditions precedent, will expand the chemical division into the manufacture of polypropylene and high-density polyethylene.

Management remains focused on executing its strategy and ensuring that an adequate capital structure is maintained. The diversity inherent in the Group’s earnings will continue to protect it against volatile trading conditions, and continued investment into operations and acquisitions done after year-end will support sustainable growth into the future.

The Group continues to pursue acquisition opportunities in accordance with its strategy.

### 5.3 BOARD OF DIRECTORS

#### 5.3.1 Directors and executive management

There will be no variation in the Directors and/or the executive management team of KAP as a consequence of this Claw-back Offer.

#### 5.3.2 Directors’ emoluments

5.3.2.1 There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Claw-back Offer.

5.3.2.2 All the executive Directors have concluded service agreements with terms and conditions that are standard for such appointments, which service agreements are available for inspection in terms of paragraph 9 of the Circular.

#### 5.3.3 Directors’ interests in securities

5.3.3.1 At the Last Practicable Date, the following Directors (and their associates), including Directors who have resigned during the last 18 months, held direct and indirect beneficial interests in the Company’s issued Share capital as reflected below:

|                        | Direct           | Indirect | Total Shares     | Percentage    |
|------------------------|------------------|----------|------------------|---------------|
| J Grové                | 1 610 451        | –        | 1 610 451        | 0.066%        |
| G Chaplin              | 1 824 048        | –        | 1 824 048        | 0.075%        |
| F Olivier <sup>1</sup> | 557 997          | –        | 557 997          | 0.023%        |
| J Haveman <sup>1</sup> | 828 364          | –        | 828 364          | 0.034%        |
| J du Toit              | 500 000          | –        | 500 000          | 0.020%        |
| S Müller               | 300 004          | –        | 300 004          | 0.012%        |
| <b>Total</b>           | <b>5 620 864</b> | <b>–</b> | <b>5 620 864</b> | <b>0.230%</b> |

**Note:**

1. On 15 April 2016, the Company’s chief financial officer, Mr J Haveman, resigned from the Board and Mr F Olivier was appointed in his stead on the same date.

5.3.3.2 There has been no change in the interests of the Directors between the end of the last financial year, being 30 June 2016 and the Last Practicable Date.

#### 5.3.4 Directors interests in transactions and contracts

Save as disclosed in the table above, by virtue of each Director’s (or his associates) shareholding in KAP, no Director has or had any beneficial interest, directly or indirectly, in any transaction which is, or was, material to the business of KAP and which was effected by the Company during the current financial year or the immediately preceding financial year or in respect of any previous financial year which remains in any respect outstanding or unperformed.

## 5.4 SHARE CAPITAL

The authorised and issued share capital of KAP, before and after the Claw-back Offer, is set out below:

|  | R'mil        |
|--|--------------|
| <b>Authorised stated ordinary share capital</b>                        |              |
| 6 000 000 000 ordinary Shares of no par value                          | –            |
| <b>Issued stated ordinary share capital before the Claw-back Offer</b> |              |
| 2 444 591 373 ordinary Shares of no par value                          | 7 342        |
| <b>Total issued stated ordinary capital before the Claw-back Offer</b> | 7 342        |
| <b>Issued for the Claw-back Offer at R7.60</b>                         |              |
| 197 368 421 ordinary Shares of no par value (net of expenses)          | 1 437        |
| <b>Total issued stated ordinary capital after the Claw-back Offer</b>  | <b>8 779</b> |

**Notes:**

1. As at the Last Practicable Date, KAP held no Shares in treasury.

## 6. SHARE TRADING HISTORY

The share trading history of KAP on the JSE up to the Last Practicable Date is set out in **Annexure 2** of this Circular.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of KAP, whose names appear in the "Corporate Information and Advisors" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information contained in this Circular which relates to the Company, and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this Circular contains all information required by law and the Listings Requirements.

## 8. CONSENTS

Each of the advisors whose names appear in the "Corporate Information and Advisors" section of this Circular have consented and have not, prior to the publication of this Circular, withdrawn their written consents to the inclusion of their names and the capacities in which they act in the form and context in which they appear in this Circular.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of KAP and at the offices of PSG Capital during normal business hours from the date of issue of this Circular up to and including Friday, 9 December 2016:

- 9.1 the memorandum of incorporation of KAP and of its major subsidiaries;
- 9.2 the audited financial statements of KAP for the financial years ended 30 June 2016, 30 June 2015 and 30 June 2014;
- 9.3 service agreements of executive Directors of KAP;
- 9.4 signed Subscription Agreement;
- 9.5 written letters of consent referred to in paragraph 8 of this Circular; and
- 9.6 a signed copy of this Circular.

**APPROVED ON 22 NOVEMBER 2016 AT STELLENBOSCH BY G CHAPLIN FOR AND ON BEHALF OF ALL THE OTHER DIRECTORS OF KAP INDUSTRIAL HOLDINGS LIMITED, IN TERMS OF POWERS OF ATTORNEY GRANTED TO HIM BY SUCH DIRECTORS**

**BY ORDER OF THE BOARD**

**G CHAPLIN**

*Chief Executive Officer*



## TABLE OF ENTITLEMENT

The number of Claw-back Shares to which Shareholders will be entitled is set out below. Shareholders will be entitled to 8.07368 Claw-back Shares for every 100 Shares held at the close of business on the Record Date. Shareholders' Entitlements will be rounded up or down, as appropriate, with fractions of 0.5 and above being rounded up, and only whole numbers of Claw-back Shares being issued.

| No. of KAP shares held | Claw-back Entitlement | No. of KAP shares held | Claw-back Entitlement | No. of KAP shares held | Claw-back Entitlement |
|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| 1                      | –                     | 42                     | 3                     | 83                     | 7                     |
| 2                      | –                     | 43                     | 3                     | 84                     | 7                     |
| 3                      | –                     | 44                     | 4                     | 85                     | 7                     |
| 4                      | –                     | 45                     | 4                     | 86                     | 7                     |
| 5                      | –                     | 46                     | 4                     | 87                     | 7                     |
| 6                      | –                     | 47                     | 4                     | 88                     | 7                     |
| 7                      | 1                     | 48                     | 4                     | 89                     | 7                     |
| 8                      | 1                     | 49                     | 4                     | 90                     | 7                     |
| 9                      | 1                     | 50                     | 4                     | 91                     | 7                     |
| 10                     | 1                     | 51                     | 4                     | 92                     | 7                     |
| 11                     | 1                     | 52                     | 4                     | 93                     | 8                     |
| 12                     | 1                     | 53                     | 4                     | 94                     | 8                     |
| 13                     | 1                     | 54                     | 4                     | 95                     | 8                     |
| 14                     | 1                     | 55                     | 4                     | 96                     | 8                     |
| 15                     | 1                     | 56                     | 5                     | 97                     | 8                     |
| 16                     | 1                     | 57                     | 5                     | 98                     | 8                     |
| 17                     | 1                     | 58                     | 5                     | 99                     | 8                     |
| 18                     | 1                     | 59                     | 5                     | 100                    | 8                     |
| 19                     | 2                     | 60                     | 5                     | 125                    | 10                    |
| 20                     | 2                     | 61                     | 5                     | 150                    | 12                    |
| 21                     | 2                     | 62                     | 5                     | 175                    | 14                    |
| 22                     | 2                     | 63                     | 5                     | 200                    | 16                    |
| 23                     | 2                     | 64                     | 5                     | 500                    | 40                    |
| 24                     | 2                     | 65                     | 5                     | 1 000                  | 81                    |
| 25                     | 2                     | 66                     | 5                     | 5 000                  | 404                   |
| 26                     | 2                     | 67                     | 5                     | 10 000                 | 807                   |
| 27                     | 2                     | 68                     | 5                     | 20 000                 | 1 615                 |
| 28                     | 2                     | 69                     | 6                     | 50 000                 | 4 037                 |
| 29                     | 2                     | 70                     | 6                     | 100 000                | 8 074                 |
| 30                     | 2                     | 71                     | 6                     | 200 000                | 16 147                |
| 31                     | 3                     | 72                     | 6                     | 300 000                | 24 221                |
| 32                     | 3                     | 73                     | 6                     | 400 000                | 32 295                |
| 33                     | 3                     | 74                     | 6                     | 500 000                | 40 368                |
| 34                     | 3                     | 75                     | 6                     | 1 000 000              | 80 737                |
| 35                     | 3                     | 76                     | 6                     | 2 000 000              | 161 474               |
| 36                     | 3                     | 77                     | 6                     | 3 000 000              | 242 210               |
| 37                     | 3                     | 78                     | 6                     | 4 000 000              | 322 947               |
| 38                     | 3                     | 79                     | 6                     | 5 000 000              | 403 684               |
| 39                     | 3                     | 80                     | 6                     | 10 000 000             | 807 368               |
| 40                     | 3                     | 81                     | 7                     | 50 000 000             | 4 036 840             |
| 41                     | 3                     | 82                     | 7                     | 100 000 000            | 8 073 680             |

## SHARE TRADING HISTORY OF KAP SHARES

Set out in the table below are the aggregate volumes and values and the highest and lowest prices traded in KAP's Shares in respect of:

- each day over the 30 trading days preceding the Last Practicable Date; and
- each month over the twelve months prior to the date of issue of this circular.

| Daily     | Close (cents) | High (cents) | Low (cents) | Volume    | Value (Rand) |
|-----------|---------------|--------------|-------------|-----------|--------------|
| 8-Nov-16  | 825           | 829          | 796         | 2 555 467 | 20 616 698   |
| 7-Nov-16  | 801           | 821          | 781         | 840 633   | 6 645 542    |
| 4-Nov-16  | 781           | 785          | 770         | 1 522 215 | 11 821 199   |
| 3-Nov-16  | 773           | 798          | 760         | 793 677   | 6 131 786    |
| 2-Nov-16  | 774           | 774          | 766         | 1 639 337 | 12 627 200   |
| 1-Nov-16  | 774           | 779          | 768         | 1 804 521 | 13 927 334   |
| 31-Oct-16 | 775           | 830          | 760         | 1 050 795 | 8 104 991    |
| 28-Oct-16 | 756           | 763          | 756         | 1 123 112 | 8 539 859    |
| 27-Oct-16 | 763           | 764          | 750         | 1 902 876 | 14 484 492   |
| 26-Oct-16 | 750           | 759          | 750         | 95 128    | 716 375      |
| 25-Oct-16 | 759           | 760          | 755         | 574 640   | 4 359 211    |
| 24-Oct-16 | 755           | 765          | 752         | 2 024 181 | 15 316 724   |
| 21-Oct-16 | 753           | 761          | 753         | 1 299 412 | 9 833 183    |
| 20-Oct-16 | 755           | 758          | 749         | 480 526   | 3 620 594    |
| 19-Oct-16 | 747           | 771          | 747         | 727 785   | 5 493 892    |
| 18-Oct-16 | 753           | 780          | 750         | 1 487 520 | 11 258 912   |
| 17-Oct-16 | 782           | 800          | 753         | 1 360 093 | 10 490 218   |
| 14-Oct-16 | 757           | 758          | 749         | 2 073 354 | 15 663 965   |
| 13-Oct-16 | 758           | 758          | 737         | 843 753   | 6 304 013    |
| 12-Oct-16 | 739           | 744          | 731         | 1 258 861 | 9 280 733    |
| 11-Oct-16 | 735           | 745          | 734         | 2 869 790 | 21 134 655   |
| 10-Oct-16 | 745           | 760          | 743         | 1 153 602 | 8 690 187    |
| 7-Oct-16  | 756           | 757          | 724         | 2 397 351 | 17 876 980   |
| 6-Oct-16  | 740           | 753          | 738         | 806 913   | 6 013 700    |
| 5-Oct-16  | 742           | 750          | 735         | 1 734 302 | 12 870 812   |
| 4-Oct-16  | 756           | 760          | 748         | 1 217 891 | 9 199 410    |
| 3-Oct-16  | 752           | 756          | 736         | 1 778 148 | 13 357 821   |
| 30-Sep-16 | 748           | 755          | 740         | 2 551 750 | 19 202 857   |
| 29-Sep-16 | 750           | 755          | 733         | 2 422 212 | 18 157 205   |
| 28-Sep-16 | 743           | 744          | 730         | 3 558 236 | 26 343 058   |

| Monthly | Close (cents) | High (cents) | Low (cents) | Volume     | Value (Rand) |
|---------|---------------|--------------|-------------|------------|--------------|
| Nov-16  | 825           | 829          | 760         | 9 155 850  | 71 769 759   |
| Oct-16  | 775           | 830          | 724         | 28 260 033 | 212 610 727  |
| Sep-16  | 748           | 760          | 705         | 37 902 959 | 281 593 212  |
| Aug-16  | 750           | 784          | 628         | 52 444 957 | 368 757 799  |
| Jul-16  | 649           | 672          | 600         | 66 179 536 | 411 919 552  |
| Jun-16  | 625           | 649          | 601         | 41 101 096 | 257 646 639  |
| May-16  | 616           | 650          | 610         | 23 592 518 | 147 849 578  |
| Apr-16  | 630           | 679          | 605         | 25 975 461 | 164 757 561  |
| Mar-16  | 645           | 675          | 585         | 35 234 392 | 214 467 577  |
| Feb-16  | 605           | 630          | 541         | 50 709 218 | 290 907 026  |
| Jan-16  | 588           | 690          | 501         | 31 288 015 | 188 625 113  |
| Dec-15  | 690           | 760          | 634         | 47 375 157 | 323 138 752  |



