

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 6 of this Circular apply *mutatis mutandis* to this front cover and all sections of this Circular.

ACTION REQUIRED BY KAP SHAREHOLDERS

Detailed action required by Shareholders is set out on page 3 of this Circular.

If you have disposed of all your Shares, then this Circular should be handed to the purchaser of such Shares or to the broker, CSDP, banker or other agent through whom the disposal was effected.

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

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.



CIRCULAR TO KAP SHAREHOLDERS

relating to:

- **the proposing of a special resolution in terms of section 60 of the Companies Act in order to authorise the Board to provide direct or indirect financial assistance in terms of section 44 and section 45 of the Companies Act, for the purpose of facilitating the sale of 45% of Unitrans Supply Chain Solutions Proprietary Limited in a B-BBEE transaction;**

and incorporating:

- **the Proposed Financial Assistance Resolution (Annexure 1); and**
- **the Form of Written Consent (grey) (Annexure 2).**

Corporate Advisor and Sponsor



Date of issue: 8 June 2018

This Circular is available in English only. Copies may be obtained from the registered office of the Company and the Company's Transfer Secretaries, whose addresses are set out in the "Corporate Information" section of this Circular. A copy of this Circular will also be made available on the Company's website – www.kap.co.za

CORPORATE INFORMATION

Directors

J de V du Toit*# (*Chairman*)
KJ Grové* (*Deputy Chairman*)
GN Chaplin (*Chief Executive Officer*)
FH Olivier (*Chief Financial Officer*)
DM van der Merwe*
TLR de Klerk*
LR du Preez*
CJH van Niekerk*#
IN Mkhari*#
PK Quarmby*#
SH Nomvete*#
SH Müller*#

* Non-executive

Independent

Transaction Advisor and Sponsor

PSG Capital Proprietary Limited
Registration number: 2006/015817/07
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7599
(PO Box 7403, Stellenbosch, 7599)
and at
2nd Floor, Building 3
11 Alice Lane
Sandhurst
Sandton
2196

Company Secretary and Registered Address

KAP Secretarial Services Proprietary Limited
28 6th Street
Wynberg
Sandton
2090
(PO Box 1955, Bramley, Johannesburg, 2018)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

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NOTICE TO SHAREHOLDERS IN TERMS OF SECTION 60 OF THE COMPANIES ACT IN RESPECT OF THE PROPOSED ADOPTION OF THE PROPOSED FINANCIAL ASSISTANCE RESOLUTION REQUIRED IN TERMS OF SECTION 44 AND SECTION 45 OF THE COMPANIES ACT

Notice is hereby given to Shareholders that the Board has resolved to submit the Proposed Financial Assistance Resolution set out in **Annexure 1** hereto, to Shareholders of the Company, to be considered and voted on in writing in terms of section 60 of the Companies Act.

1. The definitions and interpretations commencing on page 6 of this Circular apply *mutatis mutandis* to this Circular and all sections thereof.
2. The Board has resolved that the Record Date for the purpose of voting on the Proposed Financial Assistance Resolution (being the date on which a Shareholder must be registered in the Company's Register in order to vote on the Proposed Financial Assistance Resolution) shall be Friday, 6 July 2018. Accordingly, the last day to trade in order to be registered in the Company's register of Shareholders on the Record Date shall be Tuesday, 3 July 2018. The date on which Shareholders must be recorded as such in the Register maintained by the Transfer Secretaries for purposes of being entitled to receive this Circular is Friday, 1 June 2018.
3. Section 65(2) of the Companies Act provides that the Board may propose any resolution to be considered by Shareholders, and may determine whether that resolution will be considered at a meeting, or by vote or written confirmation in terms of section 60 of the Companies Act. The Board has resolved that the Proposed Financial Assistance Resolution set out in **Annexure 1** to this Circular, should be considered by the Shareholders of the Company by written consent in terms of section 60 of the Companies Act.
4. Section 60(1) of the Companies Act provides that a resolution that could be voted on at a shareholders' meeting may instead be (i) submitted for consideration to the shareholders entitled to exercise voting rights in relation to the resolution, and (ii) voted on in writing by shareholders entitled to exercise voting rights in relation to the resolution, within 20 (twenty) Business Days after the resolution was submitted to them.
5. Section 60(2) of the Companies Act further provides that a resolution contemplated in section 60(1) of the Companies Act will have been adopted if it is supported by persons entitled to exercise sufficient voting rights for it to have been adopted as an ordinary or special resolution, as the case may be, at a properly constituted shareholders' meeting, and, if adopted, such resolution will have the same effect as if it had been approved by voting at a meeting.
6. A company's directors may not authorise any financial assistance as contemplated in sections 44 and 45 of the Companies Act, unless it is pursuant to a special resolution of the shareholders adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient(s) falls within that category. The financial assistance authority given by Shareholders to the Board on 13 November 2017, prohibits the giving of financial assistance to any director or prescribed officer within the KAP Group. Since the B-BBEE Transaction herein requires the provision of financial assistance to certain entities, and indirectly to certain directors associated with such entities and their shareholders, there is a need to obtain a specific authority from Shareholders for such financial assistance.

ACTION REQUIRED BY SHAREHOLDERS

1. CERTIFICATED SHAREHOLDERS AND DEMATERIALISED OWN-NAME REGISTERED SHAREHOLDERS

- 1.1 Certificated Shareholders and dematerialised own-name registered Shareholders may indicate, by the insertion of the relevant number of votes exercisable by that Shareholder in the appropriate box provided, on the Form of Written Consent (*grey*) annexed as **Annexure 2** to this Circular, how they wish to cast their votes in relation to the Proposed Financial Assistance Resolution.
- 1.2 Please consider the proposed Financial Assistance Resolution and vote on it within 20 Business Days, but by no later than at close of business on Friday, 13 July 2018 and return a copy of the completed and signed Form of Written Consent (*grey*) to Computershare Investor Services Proprietary Limited (the Transfer Secretaries of the Company) for the latter to receive your Form of Written Consent by no later than at close of business on **Friday, 13 July 2018**, at any one of the following addresses:

By hand

Computershare Investor Services
Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

By mail

Computershare Investor Services
Proprietary Limited
PO Box 61051
Marshalltown
2107

2. DEMATERIALISED SHAREHOLDERS WITHOUT OWN-NAME REGISTRATION

Dematerialised Shareholders without own-name registration must **not** return the Form of Written Consent (*grey*) set out in **Annexure 2** to the Transfer Secretaries, but should advise their CSDP or broker as to what action they wish to take in terms of the agreement entered into between them and their CSDP or broker and furnish their CSDP or broker with their instruction for voting in respect of the Proposed Financial Assistance Resolution.

3. IF YOU HAVE DISPOSED OF YOUR SHARES

If you have disposed of your Shares, please forward this Circular to the purchaser of such Shares or to the broker or agent through whom the disposal was effected.

4. DEEMED RECEIPT

Where a Shareholder has received this Circular attaching the Proposed Financial Assistance Resolution by means of registered post, such Shareholder is deemed to have received these documents on the 7th (seventh) day following the day on which the document was posted as recorded by a post office, unless there is conclusive evidence that it was delivered on a different day. Where a Shareholder has received this Circular by means of electronic mail such Shareholder is deemed to have received this Circular on the date and at the time recorded by the computer used by the sender, unless there is conclusive evidence that it was delivered on a different date or at a different time. Notwithstanding the aforementioned, the deadline-date for submitting the signed Form of Written Consent or for advising your CSDP or broker of your instruction for voting in respect of the Proposed Financial Assistance Resolution remains **Friday, 13 July 2018**.

5. **ANNOUNCEMENT OF THE RESULTS OF THE VOTING**

As soon as it has been established that the Proposed Financial Assistance Resolution has been adopted or rejected by Shareholders, the Company will release a statement on the SENS to inform Shareholders thereof, and within 10 (ten) Business Days thereafter will post a formal notice to Shareholders describing the results of the vote.

Note:

If you are in any doubt as to the action you should take, please consult your CSDP, broker, banker, legal advisor, accountant or other professional advisor immediately. 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 action required by Shareholders.

IMPORTANT DATES AND TIMES

2018

Record date to determine which Shareholders are entitled to receive this Circular	Friday, 1 June
Circular posted to Shareholders on	Friday, 8 June
Deemed date of receipt of the Circular	Friday, 15 June
Last day to trade for voting purposes	Tuesday, 3 July
Record Date for voting purposes	Friday, 6 July
Closing date for voting on the Proposed Financial Assistance Resolution	Friday, 13 July
Results of the voting to be released on SENS	The Business Day on which the Proposed Financial Assistance Resolution has been adopted or rejected
Posting of statement describing the results of the vote	Within 10 (ten) Business Days after the adoption/rejection of the Proposed Financial Assistance Resolution

Notes:

1. Dates and times are subject to potential changes. Any such changes will be released on SENS.
2. In order for the Proposed Financial Assistance Resolution to be adopted, at least 75% of all the voting rights exercised on the Proposed Financial Assistance Resolution, must have been exercised in favour of the Proposed Financial Assistance Resolution within 20 (twenty) Business Days after the Proposed Financial Assistance Resolution was submitted to Shareholders. Notwithstanding, the Proposed Financial Assistance Resolution shall become adopted and effective as soon as the voting rights exercised in favour thereon equate to 75% (seventy-five percent) of all voting rights that were entitled to be exercised on the Proposed Financial Assistance Resolution, which may be sooner than the Closing date as set out above.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or the context clearly indicates a contrary intention, the following words and expressions shall bear the meaning 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:

“Act” or “Companies Act”	the Companies Act, No. 71 of 2008, as amended, from time to time, including the Companies Regulations 2011;
“B-BBEE”	broad-based black economic empowerment, as such term is defined in the B-BBEE Act from time to time;
“B-BBEE Act”	the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended;
“B-BBEE Transaction”	collectively, the UED Transaction and the UEL Transaction;
“Business Day”	any day other than a Saturday, Sunday or public holiday in South Africa;
“Certificated”	in relation to a share of a company, such share as evidenced by a Document of Title;
“Certificated Shareholders”	a Shareholder who holds Certificated Shares;
“Certificated Shares”	Shares that have been Certificated;
“CGL Trust”	The CGL Custodian Trust No. 124, Master’s reference number T30/98, an <i>inter vivos</i> trust duly registered in the Republic of Namibia;
“Circular”	this Circular, dated 8 June 2018;
“CSDP”	a Central Securities Depository Participant, as defined in the Financial Markets Act;
“Dematerialise” or “Dematerialised” or “Dematerialisation”	process by which Certificated Shares and/or documents of title are converted to an electronic form and recorded in a company’s uncertificated securities register administered by a CSDP;
“Dematerialised Shareholders”	holders of Dematerialised Shares;
“Dematerialised Shares”	Shares that have been Dematerialised;
“Directors” or “the Board”	board of directors of KAP, whose names are set out in the “Corporate Information” section of this Circular;
“Documents of Title”	Share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question acceptable to the Directors;
“Financial Markets Act”	Financial Markets Act, No. 19 of 2012;
“Form of Written Consent”	the Form of Written Consent (<i>grey</i>) to be completed by Certificated Shareholders and Dematerialised Shareholders with own-name registration, annexed as Annexure 2 ;
“Francois Pieters”	FWG Pieters, a trustee of the Pieters Trust and a director of Xinergistix and several of its subsidiaries;
“JSE”	the exchange, licensed under the Financial Markets Act, operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
“JSE Listings Requirements”	the Listings Requirements of the JSE;

“KAP” or “the Company”	KAP Industrial Holdings Limited, with registration number 1978/000181/06, a limited liability public company duly incorporated in accordance with the laws of South Africa and listed on the main board of the JSE under share code KAP, ISIN: ZAE000171963;
“KAP Corporate Services”	KAP Corporate Services Proprietary Limited, with registration number 1991/001164/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of KAP;
“KAP Group”	collectively, KAP and its subsidiaries;
“KAP Shareholders” or “Shareholders”	registered holders of Shares;
“own-name registration”	Dematerialised Shareholders who have registered their Shares in their own name with a CSDP or broker in terms of the Financial Markets Act;
“Pieters Trust”	FWG Pieters Trust, Master’s reference number T430/17, an <i>inter vivos</i> trust duly registered in the Republic of Namibia;
“Proposed Financial Assistance Resolution”	the special resolution set out in Annexure 1 to the Circular;
“Record Date”	the last date, in terms of section 59 of the Companies Act, for KAP Shareholders to be recorded in the Register in order to vote on the Proposed Financial Assistance Resolution, being Friday, 6 July 2018;
“Sakhumzi”	The Sakhumzi Foundation Empowerment Trust, a broad-based empowerment trust which is in the process of being registered with the Master of the High Court in South Africa;
“SENS”	Stock Exchange News Service of the JSE;
“SENS Announcement”	the announcement by the Company published on SENS, dated Friday, 18 May 2018;
“Shares”	ordinary shares of no par value in KAP;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated under the laws of South Africa, a central securities depository licenced in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
“Transactions”	collectively, the B-BBEE Transaction and the Xinergistix Transaction;
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, particulars of which appear in the Corporate Information section of the Circular;
“UED”	Unitrans Express Deliveries Proprietary Limited, with registration number 1997/008852/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, which will, following the registration of Sakhumzi with the Master of the High Court, be wholly-owned by Sakhumzi;
“UED Financial Assistance”	the direct and indirect financial assistance provided by KAP Group to UED, Sakhumzi and Vukile Zondani, a director of a related and inter-related company of KAP, relating to the issuance and subscription of the UED Preference Shares and the USCS ordinary shares in connection with and in order to facilitate the implementation of the UED Transaction as set out in more detail in paragraph 3.1.1;
“UED Preference Shares”	591 authorised cumulative redeemable preference shares to be issued by UED;

“UED Preference Share Issue Price”	R1 000 000 (one million Rand) per UED Preference Share, which amounts to an aggregate of R591 000 000 (five hundred and ninety-one million Rand);
“UED Preference Share Subscription”	the subscription by the KAP Group, through its wholly-owned subsidiary, KAP Corporate Services, for the UED Preference Shares at the UED Preference Share Issue Price,
“UED Transaction”	the transaction in terms of which UED will subscribe for newly issued shares in USCS, as more fully described in paragraph 3.1.1 of this Circular
“UEL”	Unitrans Express Logistics Proprietary Limited, with registration number 1987/006163/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a company wholly-owned by Pieters Trust;
“UEL Financial Assistance”	the direct and indirect financial assistance provided by KAP Group to UEL, Pieters Trust and Francois Pieters, a director of a related and inter-related company of KAP, relating to the issuance and subscription of the UEL Preference Shares and USCS ordinary shares in connection with and in order to facilitate the implementation of the UEL Transaction as set out in more detail in paragraph 3.1.2 of this Circular;
“UEL Preference Shares”	620 authorised cumulative redeemable preference shares to be issued by UEL;
“UEL Preference Share Issue Price”	R1 000 000 (one million Rand) per UEL Preference Share, which amounts to an aggregate of R620 000 000 (six hundred and twenty million Rand);
“UEL Preference Share Subscription”	the subscription by the KAP Group, through its wholly-owned subsidiary, KAP Corporate Services, for the UEL Preference Shares at the UEL Preference Share Issue Price,
“UEL Transaction”	the transaction in terms of which UEL, will subscribe for newly issued shares in USCS, as more fully described in paragraph 3.1.2 of this Circular;
“Unitrans Holdings”	Unitrans Holdings Proprietary Limited, with registration number 1994/007379/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of KAP and which holds 100% (one hundred percent) of the issued shares of USCS;
“USCS”	Unitrans Supply Chain Solutions Proprietary Limited, with registration number 1967/010920/07, a limited liability private company duly incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of Unitrans Holdings;
“Vukile Zondani”	VV Zondani, a director of several subsidiaries of the Company, and who will, following the registration of Sakhumzi with the Master of the High Court in South Africa, be a trustee of Sakhumzi;
“Xinergistix”	Xinergistix Proprietary Limited, with registration number 1999/019372/07, a limited liability private company duly incorporated in accordance with the laws of South Africa;
“Xinergistix Transaction”	the transaction in terms of which USCS will acquire all of the equity in Xinergistix not already owned by USCS, as more fully described in paragraph 3.2 of this Circular; and
“ZAR” or “Rand” or “R”	South African Rand.

KAP

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 de V du Toit*[#] (*Chairman*)
KJ Grové* (*Deputy Chairman*)
GN Chaplin (*Chief Executive Officer*)
FH Olivier (*Chief Financial Officer*)
DM van der Merwe*
TLR de Klerk*
LR du Preez*
CJH van Niekerk*[#]
IN Mkhari*[#]
PK Quarmby*[#]
SH Nomvete*[#]
SH Müller*[#]

* Non-executive

[#] Independent

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

- 1.1 Shareholders are referred to the SENS Announcement, in terms of which it was announced that Sakhumzi, through UED and the Pieters Trust, through UEL, will subscribe for newly issued ordinary shares in USCS, an indirectly wholly-owned subsidiary of KAP, housing its South African contractual logistics and supply chain operations, subject to the conditions precedent set out in the SENS Announcement.
- 1.2 As part of the transaction, USCS will acquire all of the issued shares of Xinergistix not already owned by USCS from an entity associated with the Pieters Trust, being the CGL Trust.

2. RATIONALE FOR THE TRANSACTIONS

- 2.1 KAP is a diversified industrial group, operating in southern Africa, with leading industry positions in the wood-based panel, automotive components, bedding, polymer, logistics and passenger transport sectors. KAP subscribes to the principles of transformation through B-BBEE and as a result of its diversified nature, pursues its objectives in this regards in various ways.
- 2.2 USCS provides logistics and supply chain solutions to various sectors of the economy, including petroleum, chemical, mining, cement, food and general freight. KAP believes that, in addition to the extensive B-BBEE initiatives already in place in USCS, it is imperative for the continued growth of its logistics and supply chain operations, to introduce direct B-BBEE ownership in USCS.
- 2.3 To this end, KAP has identified a broad-based empowerment trust, Sakhumzi, and the founder and co-owner of Xinergistix, Francois Pieters, of which the Pieters Trust is an associate, as its preferred B-BBEE partners for USCS. It is anticipated that the implementation of the Transactions will result in USCS' ownership structure changing to more than 51% black-owned and more than 30% black women owned.

3. THE TRANSACTIONS

3.1 B-BBEE Transaction

- 3.1.1 KAP, through its wholly-owned subsidiary, KAP Corporate Services, will subscribe for the UED Preference Shares at the UED Preference Share Issue Price. Sakhumzi will, through its wholly-owned company, UED, use the proceeds of the UED Preference Share Subscription to subscribe for newly issued shares of USCS for a consideration of R591 408 591 (five hundred and ninety-one million four hundred and eight thousand five hundred and ninety-one Rand). Subsequent to the aforementioned, UED will own 21.98% (twenty-one point nine eight percent) of the issued shares of USCS.
- 3.1.2 KAP, through its wholly-owned subsidiary, KAP Corporate Services, will subscribe for the UEL Preference Shares at the UEL Preference Shares Issue Price. Pieters Trust will, through its wholly-owned company, UEL, use the proceeds of the UEL Preference Share Subscription to subscribe for newly issued shares in USCS for a consideration of R619 500 500 (six hundred and nineteen million five hundred thousand five hundred Rand). Subsequent to the aforementioned, UEL will own 23.02% (twenty-three point zero two percent) of the issued shares of USCS.

3.2 Xinergistix Transaction

- 3.2.1 As at the date of this Circular, the issued shares in Xinergistix are held as follows -
- 3.2.1.1 50.1% (fifty point one percent) by USCS;
 - 3.2.1.2 46.9% (forty-six point nine percent) by the CGL Trust; and
 - 3.2.1.3 the remaining 3% (three percent) by a minority.
- 3.2.2 Prior to the implementation of the Xinergistix Transaction, Xinergistix will repurchase the remaining 3% (three percent) of the issued shares of Xinergistix from the minority which will result in USCS owning 51.6% (fifty-one point six percent) of the issued shares of Xinergistix and the CGL Trust owning 48.4% (forty-eight point four percent) of the issued shares of Xinergistix. As part of the Xinergistix Transaction, USCS will acquire the 48.4% (forty-eight point four percent) of the issued shares of Xinergistix held by the CGL Trust from the CGL Trust, for a consideration of R145 389 997.88 (one hundred and forty-five million three hundred and eighty-nine thousand nine hundred and ninety-seven Rand and eighty-eight cents), resulting in USCS owning 100% (one hundred percent) of the issued shares of Xinergistix after the implementation of the Xinergistix Transaction. The consideration payable for the acquisition by USCS of the 48.4% (forty-eight point four percent) of the issued shares of Xinergistix from the CGL Trust will be paid in equal proportions of cash and an issuance of Shares.

3.3 Indivisibility of the Transactions

The Transactions are indivisible and will only be implemented once all the conditions precedent as set out in paragraph 3.5 below are fulfilled or waived (where applicable).

3.4 Effective Date of the Transactions

The Transactions will be implemented on the first business day of the calendar month following that in which the final condition precedent is fulfilled or waived (where applicable), it being anticipated that the closing date will occur on or before 31 August 2018.

3.5 Conditions Precedent

The B-BBEE Transaction is subject to the fulfilment or waiver (where applicable) of, *inter alia*, the following conditions precedent by no later than 31 August 2018, or such later date as the parties may agree in writing:

- 3.5.1 the board of directors of the Company, Unitrans Holdings and USCS passing the resolutions required to give effect to the B-BBEE Transaction, including all steps required to implement the B-BBEE Transaction;

- 3.5.2 the directors and shareholders of UEL and UED passing the resolutions required to give effect to the UED Transaction and the UEL Transaction, including all steps required to implement the aforementioned transactions;
- 3.5.3 the Xinergistix Transaction being approved in accordance with the provision of the Competition Act or in the event that such approval is given subject to any condition(s), that the seller and the purchaser confirm in writing by such date that such condition(s) is/are acceptable to them;
- 3.5.4 the JSE approving the listing on the JSE of the Shares to be issued as consideration for the Xinergistix Transaction; and
- 3.5.5 all such other statutory and regulatory approvals and requirements as may be necessary to implement the B-BBEE Transaction having been obtained, which specifically includes KAP Shareholders' approval of the financial assistance to be provided to UEL and UED relating to the issuance and subscription of the UEL Preference Shares and the UED Preference Shares, by way of a section 60 written resolution.

4. TERMS OF THE PREFERENCE SHARE FUNDING BY KAP GROUP

4.1 UED Preference Share Funding

- 4.1.1 KAP, through its wholly-owned subsidiary, KAP Corporate Services, will subscribe for the UED Preference Shares at the UED Preference Share Issue Price.
- 4.1.2 Each UED Preference Share will confer on KAP Corporate Services the right to receive a cumulative preferential annual cash dividend equal to the UED Preference Share Issue Price multiplied by a rate equal to the publicly quoted prime South African commercial bank overdraft rate per annum charged by UED's bankers, which dividend shall be distributed in priority to any payment of dividends to holders of other shares in UED.
- 4.1.3 UED will be obliged to redeem the UED Preference Shares on the occurrence of the following, whichever is earlier:
 - 4.1.3.1 the 7th (seventh) anniversary of the date on which the UED Preference Shares were issued;
 - 4.1.3.2 in the event that any shareholder of UED disposes of its shares in UED;
 - 4.1.3.3 in the event that UED disposes of its shares in USCS; or
 - 4.1.3.4 such date as KAP Corporate Services and UED agree otherwise in writing.

4.2 UEL Preference Share Funding

- 4.2.1 KAP, through its wholly-owned subsidiary, KAP Corporate Services, will subscribe for the UEL Preference Shares at the UEL Preference Share Issue Price.
- 4.2.2 Each UEL Preference Share will confer on KAP Corporate Services the right to receive a cumulative preferential annual cash dividend equal to the UEL Preference Share Issue Price multiplied by a rate equal to the publicly quoted prime South African commercial bank overdraft rate per annum charged by UEL's bankers, which dividend shall be distributed in priority to any payment of dividends to holders of other shares in UEL.
- 4.2.3 UEL will be obliged to redeem the UEL Preference Shares on the occurrence of the following, whichever is earlier:
 - 4.2.3.1 the 7th (seventh) anniversary of the date on which the UEL Preference Shares were issued;
 - 4.2.3.2 in the event that any shareholder of UEL disposes of its shares in UEL;
 - 4.2.3.3 in the event that UEL disposes of its shares in USCS; or
 - 4.2.3.4 such date as KAP Corporate Services and UEL agree otherwise in writing.

5. **REQUIRED SHAREHOLDERS' APPROVAL**

As part of the B-BBEE Transaction, KAP Group will provide the UEL Financial Assistance to UEL and the UED Financial Assistance to UED. Accordingly, in order to proceed with the Transactions, the Board, proposes, in terms of section 65(1) and section 65(2) of the Companies Act, the Proposed Financial Assistance Resolution as a special resolution before the Shareholders for approval.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, collectively and individually, accept full responsibility for the accuracy of the information given herein and certify to the best of their knowledge and belief that there are no facts which have been omitted which would make any statement in the Circular false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

Signed by Mr GN Chaplin on behalf of the Directors of KAP and in terms of the powers of attorney granted to him by the Board.

By order of the Board

GN Chaplin
Chief Executive Officer

Stellenbosch
8 June 2018



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”)

SPECIAL RESOLUTION PROPOSED IN TERMS OF SECTION 60 OF THE COMPANIES ACT

The definitions and interpretations commencing on page 6 of this Circular apply mutatis mutandis to this section of this Circular.

Notes:

- Section 60 of the Companies Act provides that a resolution that could be voted on at a shareholders meeting may instead be submitted for consideration to the shareholders entitled to exercise voting rights in relation to the resolution, and be voted on in writing by shareholders entitled to exercise voting rights in relation to the resolution, within 20 (twenty) Business Days after the resolution was submitted to them.
- In order for the Proposed Financial Assistance Resolution to be adopted, at least 75% (seventy five percent) of all the voting rights exercised on the Proposed Financial Assistance Resolution, must have been exercised in favour of the Proposed Financial Assistance Resolution. Notwithstanding, the Proposed Financial Assistance Resolution shall become adopted and effective as soon as the voting rights exercised in favour thereon equate to at least 75% (seventy-five percent) of all voting rights that were entitled to be exercised on the Proposed Financial Assistance Resolution, even though the abovementioned 20 (twenty) Business Day period may not have elapsed at that point in time.

SPECIAL RESOLUTION NUMBER 1: SPECIFIC AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 AND SECTION 45 OF THE COMPANIES ACT

“**RESOLVED THAT** the Board be and is hereby authorised to provide the UED Financial Assistance and the UEL Financial Assistance in terms of section 44 and section 45 of the Companies Act.”

Reason

The reason for the Proposed Financial Assistance Resolution is that the Company requires shareholder approval by way of a special resolution in terms of section 44 and section 45 of the Companies Act in order to provide the UED Financial Assistance and the UEL Financial Assistance.

Effect

The effect of the Proposed Financial Assistance Resolution, once adopted, is that the Board will be authorised to provide the UED Financial Assistance and the UEL Financial Assistance in terms of section 44 and section 45 of the Companies Act.

KAP

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")

FORM OF WRITTEN CONSENT IN TERMS OF SECTION 60 OF THE COMPANIES ACT

*Note: The definitions and interpretation commencing on page 6 of the Circular to which this **Annexure 2** is attached apply mutatis mutandis to the Form of Written Consent (grey) set out below.*

FOR USE BY CERTIFICATED SHAREHOLDERS AND DEMATERIALIZED OWN-NAME SHAREHOLDERS ONLY

Certificated Shareholders and Dematerialised Own-Name Shareholders may complete this form with their instructions for voting in respect of the Proposed Financial Assistance Resolution and furnish it to their CSDP or broker. In the event that this form is not completed and furnished by the cut-off time, to their CSDP or broker, as the case may be, by Certificated Shareholders and Dematerialised Own-Name Shareholders, their votes will not be taken into consideration in respect of the Proposed Financial Assistance Resolution,

Note:

Shareholders who hold Dematerialised Shares, but not in their own name, must NOT lodge this Form of Written Consent, but instead must furnish their respective CSDP or broker with their instructions for voting in respect of the Proposed Financial Assistance Resolution. Unless such Shareholders advise their respective CSDP or broker, as the case may be, by the cut-off time stipulated in terms of their agreement with their CSDP or broker, that they wish to give or withhold consent or abstain in respect of the Proposed Financial Assistance Resolution, the CSDP or broker will assume that such Shareholders do not wish to vote on the Proposed Financial Assistance Resolution.

I/We (Full name in block letters)

of (address)

the holder of Shares issued by the Company

hereby vote as follows:

	For	Against	Abstain
Special Resolution: To authorise the Board to provide the UED Financial Assistance and the UEL Financial Assistance in terms of section 44 and 45 of the Companies Act.			

One vote per Share held by Shareholders. Please insert the number of ordinary shares you wish to vote or insert an "X" if you wish to vote all of your Shares.

Signed this

day of

2018

Signature of member(s)

Assisted by me (where applicable)

Note:

1. A person signing this Form of Written Consent in a representative capacity must attach the documentary evidence establishing such authority to this Form of Written Consent, unless previously recorded by the Transfer Secretaries of the Company.
2. Where this Form of Written Consent is signed under power of attorney, such power of attorney must accompany this Form of Written Consent, unless it has been registered by the Transfer Secretaries of the Company.
3. For this Form of Written Consent to be binding, it must be completed and signed in accordance with the instructions therein, and must be received by the Company's Transfer Secretaries by no later than close of business on Friday, 13 July 2018:

By hand

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

By mail

Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown
2107

4. A certificated or own-name dematerialised Shareholder's instructions on the Form of Written Consent must be indicated by the insertion of the relevant number of votes exercised by that Shareholder in the appropriate box provided. Such a Shareholder is not obliged to use all the votes exercisable by the Shareholder, but the total number of votes cast and in respect of which abstention is recorded may not exceed the total number of votes exercisable by such Shareholder.
5. Where Shares are held jointly, all joint Shareholders must co-sign this Form of Written Consent.
6. A Shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries of the Company.
7. Any alteration or correction made to this Form of Written Consent must be initialled by the signatory/ies.