

16 January 2017

An email from Orthotouch

Dear Sir/ Madam

Towards the end of 2016 there was a lot of commentary in printed and electronic media regarding the Highveld Syndication Companies ("HS Companies") and Orthotouch Proprietary Limited ("Orthotouch"). Some of the reports and comments are false and misleading. Accordingly, they do not serve the best interests of you, the investors. We are mindful that you would like to recover some value from your investment and would like to clarify the misconceptions and further explain the true position.

Orthotouch became directly involved with the HS Companies, after a dispute arose regarding the alleged non-payment by Bosman & Visser Proprietary Limited ("B & V") of the balance owed to Zephan Properties Proprietary Limited ("Zephan") on the properties sold to B&V by Zephan. The HS Companies ran into financial difficulties between late 2010 and early 2011 and were unable to pay investors their interest. On 24 March 2011, an agreement was entered into in terms of which Orthotouch agreed to buy the properties from the HS Companies ("the Orthotouch Agreement"). The director of Orthotouch, Mr Nic Georgiou, believed that with his years of experience he would be able to salvage the HS Companies, pay interest to the investors, repay their capital at the end of a five year period and also generate a profit for Orthotouch. In the process Orthotouch would recoup the outstanding monies which were audited in an amount in excess of R880 million excluding interest (roughly R1,1 Billion including interest). B&V had on-sold the properties bought from Zephan to the HS Companies at a higher price than the amount for which they had been purchased.

The Orthotouch Agreement resulted in the settlement of all the disputes between the various parties, in the best interests of all concerned, particularly the investors.

The Orthotouch Agreement was subject to approval from the Security Regulation Panel ("SRP") and the investors (shareholders in a general meeting).

Before the SRP approval was received an application was brought for the liquidation of HS 19. The remaining HS Companies, HS 15 to HS 18 and HS 20 to HS 22 were placed under business rescue by resolution of the directors. The liquidation application for HS 19 was withdrawn and HS 19 was then also placed under business rescue.

A Business Rescue Plan ("the Plan") was negotiated in terms of which the properties of the HS Companies were sold to Orthotouch.

The grave situation that the HS investors found themselves in was well documented in the Plan. Had the Plan not been adopted and approved by more than 99% of creditors present and voting, the HS Companies would have gone into liquidation, with investors receiving as

little as 10c in the Rand from a process that would have lasted for years after 2011 and with no interest payments to investors during that time.

When it became apparent that the Plan would not achieve its purpose due to a downturn in the economy and the inability to raise the required funding as a result of undue interference, the Orthotouch directors proposed a Scheme of Arrangement (“Arrangement”) with the investors and trade creditors. The effect of the Arrangement was to restructure the payment terms according to the Plan and to afford investors three alternatives on which they might be paid.

The reasons motivating the proposal for the Arrangement were clearly set out in a summary, extracts of which are recorded in italics below:

“It is a well-known fact that even prior to the HS Companies getting into financial difficulties, a group of individuals termed herein, for want of a better name, “the detractors”, sought to bring about the failure and demise of the HS Companies.

“During this process... the Company, funded by Orthotouch commenced paying interest to HS investors in March 2011 “at the initial interest rate of 6% per annum based on the full amount of their historical investment, which was more than double the value of the properties available. To date HS investors have been paid more than R1 billion.

“Had interest been calculated and paid on the value of the properties at the time when business rescue proceedings in respect of the HS Companies commenced, being only some R2.6 billion, as opposed to the value at which the properties were syndicated, Orthotouch would as at the date of the proposing of the Arrangement, have been more than R200 million in credit, and there would have been no arrears due to HS Investors.

“The reason why the offer by Orthotouch to the Business Rescue Practitioner was made on syndication value, was that Orthotouch believed that its offer would receive the backing of investors and brokers and above all, financial institutions. This was not the case and as a result the affairs of Orthotouch need to be restructured in terms of a Scheme of Arrangement in terms of Section 155 of the Companies Act, 71 of 2008.

“In terms of this Arrangement, the claims of the trade creditors of Orthotouch and the HS Companies are being restructured in full and final settlement and trade creditors are expected to receive payment in full of their claims.

“Furthermore in terms of the Arrangement, the claims of HS Investors are likewise being restructured, in full and final settlement, and in particular, HS Investors’ claims in regard to interest are restructured, and HS Investors are afforded the opportunity to make elections as to the repayment of their historical investments in the HS Companies.

The Arrangement maintained the structure that was proposed in the Plan, that money owed to Orthotouch is subordinated to that of the investors.

On 12 November 2014, a statutory meeting in terms of the Companies Act was held at which 95% of the investors present and voting approved the Arrangement. The Arrangement was sanctioned by the High Court on the 26 November 2014.

Since the sanctioning of the Arrangement, Orthotouch has met all its obligations to HS investors, particularly that of paying interest.

Despite the Arrangement's documented support there still exist parties that are misrepresenting to members of the public and investors that value can be sought through pursuing Mr. Nic Georgiou personally. Mr. Georgiou is not, and never was, involved as a director or shareholder in any of the HS Companies or B& V.

Legal issues

An application was brought to certify a class of plaintiffs to bring actions against a number of respondents including Orthotouch and Mr. Georgiou. This application commonly termed the class action has been withdrawn.

A further application to set aside the Arrangement has also been launched by three parties and similarly withdrawn.

It is clear that the Arrangement offers the greatest potential for investors to realise some value from their investment in the HS Companies. The outcome of the continued costly legal actions against Orthotouch does not guarantee any successful outcome for investors and we believe serves to waste time and money.

The alternative to the Arrangement is a liquidation, which can only serve the interests of the liquidators and attorneys.

Should you have any further queries on this matter, please feel free to email us on admin@orthotouch.co.za or call 087 9970545.

Sincerely

ORTHOTOUCH (PTY) LIMITED