
PEMBURY LIFESTYLE GROUP LIMITED

Incorporated in the Republic of South Africa

(Registration number 2013/205899/06)

Share code: PEM ISIN: ZAE000222949

("PLG" or "the Company" or "the Group")

**UPDATE ON VERITYHURST SHARE SUBSCRIPTION, RENEWAL OF CAUTIONARY
ANNOUNCEMENT AND BOARD RESTRUCTURE**

1. Verityhurst Share Subscription and Disposal of PLG Retirement Villages

1.1. Shareholders are collectively referred to the:

- 1.1.1. Detailed Cautionary Announcement relating to an Offer to Subscribe for Shares by Verityhurst Proprietary Limited ("**Verityhurst**") dated 30 July 2020 (and using the terms defined therein unless otherwise stated) wherein shareholders were advised, *inter alia*, that the Board had accepted an offer from Verityhurst to enter into a Share Subscription Agreement in terms of which Verityhurst has agreed to subscribe for 180 000 000 Subscription Shares for cash at a subscription price of 10.5 cents per share for a total consideration of R18 900 000 ("**Verityhurst Share Subscription**") subject to certain suspensive conditions, including the disposal of the PLG Retirement Village subsidiary ("**Disposal of the PLG Retirement Villages**");
- 1.1.2. the subsequent renewal of cautionary announcements, the last of which was released on SENS on 22 April 2021; and
- 1.1.3. update announcements, the last of which was released on SENS on 27 July 2021.

1.2. Shareholders are also reminded that, as announced on SENS on 14 August 2020:

- 1.2.1. given that the Company was suspended on 1 July 2020, the Subscription Price of the Subscription Shares by Verityhurst was subject to discussions with the JSE Limited ("**JSE**") in terms of the Company's general authority; and
- 1.2.2. in so far as paragraph 9.7 of the Listings Requirements of the JSE is concerned and to which the Disposal of the PLG Retirement Villages is subject, the JSE has, via the Designated Advisor, engaged with the Company in order to reach a determination of the categorisation of such disposal prior to signature of the disposal agreement.

1.3. The JSE had requested a formal ruling request which was submitted in February 2021 ("**Ruling Request**"). Subsequently, the JSE requested a valuation for the Subscription Price of the Subscription Shares, which was completed by the Company and submitted to the JSE for approval.

1.4. A meeting was held in the first week of July 2021 and the Company was requested to provide an additional motivation to the JSE, which was submitted to the JSE for their consideration.

2. Outcome of JSE Ruling Request

2.1. Shareholders are advised that the JSE has issued a letter in response to the Ruling Request which stated that, regarding the Verityhurst Share Subscription:

- 2.1.1. The Subscription Shares cannot be issued to Verityhurst under the Company's general authority to issue shares for cash as it does not meet the provisions of the Listings Requirements.
- 2.1.2. The Company would need to obtain a specific authority to issue shares for cash to Verityhurst, which would require a circular to be dispatched to shareholders, incorporating a notice of general meeting containing the relevant resolution to be voted

upon, and including up-to-date financial information of the Company in accordance with the Listings Requirements.

2.1.3. The Company has been suspended pending the publication of outstanding financial information, from the annual financial statements for the year ended 31 December 2019 and the relevant interim and annual financial statements to date ("**Outstanding Financial Information**"), and accordingly, would need to progress the publication of all Outstanding Financial Information prior to dispatching a circular to shareholders requesting their approval for the specific authority to issue shares for cash. The Outstanding Financial Information is currently not available and thus obtaining a specific authority is not feasible at this stage.

2.1.4. Accordingly, the JSE has ruled that the Verityhurst Share Subscription cannot proceed under the General Authority.

2.2. As noted above, the Disposal of the PLG Retirement Villages was inter-conditional on the Verityhurst Share Subscription being implemented, and similarly so, ruled that it cannot be effected.

2.3. It has subsequently been clarified that it was only the initial offer to the Board that set certain inter-conditional. The final signed agreements were not inter-conditional and were entered into with separate parties, as below:

2.3.1. the Company entered into a Subscription Agreement for cash with Verityhurst on 12 August 2020, which agreement was not conditional on the Disposal of the PLG Retirement Villages; and

2.3.2. a separate agreement for the Disposal of the PLG Retirement Villages was concluded between the Company and a related party of PLG on 12 August 2020, similarly so it was not conditional on the Subscription Agreement.

2.4. The Company has advised the JSE of the new information above, and consequently the JSE is now reconsidering the Disposal of the PLG Retirement Villages part of the Ruling Request and will revert with their response thereto in due course.

2.5. With respect to the Abacus Agreement, details of which are contained in the announcement released on SENS on 27 July 2021, Verityhurst will need to negotiate an addendum with Abacus so as to not prejudice Abacus. The agreement envisaged the settlement of approximately R9.4 million in ordinary shares under the Subscription Agreement, which shares can no longer be issued under the General Authority.

2.6. With respect to the acquisition of debt from Moore Stephens Inc. ("**Moore**"), this agreement had also provided for the issue of shares at 10.5 cents under the Subscription Agreement.

3. Renegotiation with Verityhurst, Abacus and Moore

3.1. The response letter received from the JSE in respect of the Ruling Request is problematic for the Company and its turnaround as both Abacus and Moore were previously busy with applications for the liquidation of the Group companies in 2019 and 2020 and months of negotiations to settle these two large creditors and improve relations have been frustrated. The Company is precluded from proceeding with the issue of shares under a general or specific authority to issue shares for cash.

3.2. Subsequently, the Company has also received a legal demand from Verityhurst to either refund the monies previously advanced, including interest within 10 business days, or proceed with the issue of shares.

3.3. The various agreements will need to be renegotiated with Verityhurst, Abacus and Moore.

4. Board Restructure

- 4.1. Following ongoing negotiations between the largest shareholder of the Company and BMFI, the second largest shareholder of the Company, BMFI made a written offer to acquire a portion of the shares and inject additional funds into the Group. Pursuant to the rejection of this offer, the controlling shareholder again facilitated a written request to remove four directors of the Company, comprising one executive director and three independent non-executive directors, of which one has resigned in the interim, as announced on SENS on 3 August 2021.
- 4.2. The Board suggested that instead of calling a general meeting, that a responsible handover be undertaken.
- 4.3. The remaining two independent non-executive directors have also elected to step down as a matter of principle, following the request to change the Board and also following the rejection of the BMFI offer.
- 4.4. The Board has appealed to the Financial Director to remain with the Company.
- 4.5. It is expected that the Board restructure will be finalised on or about 25 August 2021 and a separate announcement will be made. The Chairperson of the Board will facilitate a meeting of the new Board, expected within the next 10 days, and will then also resign.

5. Turnaround of the Company

- 5.1. The current Board has made substantial progress with the turnaround of the Company as well as the quality of internal financial reporting procedures, with costs being substantially reduced over the past year, property audits being undertaken, the loss of pupils being stemmed, and increased pupil numbers in 2021. The Board had also established a turnaround committee, to focus on raising additional funding, potential partnerships and the disposal of properties, amongst other initiatives. It will also be renaming its registered schools and has made good progress on securing the registration of the remainder of its schools, other than Sanrock, which is based in Limpopo and is proving difficult to engage with the Limpopo Education Department due to Covid-19.
- 5.2. Whilst certain transactions will need to be renegotiated or amended slightly, it is the Board's understanding that Verityhurst remains committed to continue to recapitalise the Company.
- 5.3. We trust that the Company will remain in good hands, with the newly constituted Board.

6. Renewal of Cautionary

Following the information disclosed above, shareholders are advised to continue exercising caution when dealing in the Company's securities until a further announcement is made.

Johannesburg
25 August 2021

Designated Adviser

Merchantec Capital