LIFEBRANDZ LTD.
(Company Registration Number 200311348E)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES

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1. The Board of Directors (the "**Board**" or the "**Directors**") of LifeBrandz Ltd. (the "**Company**") has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in respect of its announcement dated 31 January 2020 and subsequent corrigendum announcement dated 3 February 2020 ("**Proposed Share Consolidation and Rights Issue Announcements**") relating to (i) the proposed consolidation of every fifty (50) existing ordinary shares in the capital of the Company into one (1) ordinary share in the capital of the Company ("**Consolidated Share**"), fractional entitlements to be disregarded ("**Proposed Share Consolidation**"), and (ii) the proposed renounceable non-underwritten rights issue of up to 305,835,100 new ordinary shares in the capital of the Company on the basis of twenty-five (25) rights shares for every one (1) Consolidated Share, fractional entitlements to be disregarded ("**Rights Issue**"), and wish to provide its response as follows:-

Unless otherwise defined, capitalized terms used herein shall bear the same meanings ascribed to them the Proposed Share Consolidation and Rights Issue Announcements.

2. **SGX-ST's queries:**

We refer to the Company's Proposed Share Consolidation and Rights Issue announcements released on 31 January 2020.

Q1. Pursuant to the Proposed Share Consolidation, the shareholders holding less than 50 existing shares will result in such shareholders being no longer shareholders. What is the Company's current shareholding distribution (please furnish the information in a table)? How many shareholders hold less than 50 shares? Under the "Minimum Subscription Scenario", how many shareholders will be affected?

Reply by Company:

Please refer to the table below for the Company's shareholding distribution as at 31 January 2020:

Share Distribution	Number of Shareholders	%	Number of Shares	%
1 - 49	282	8.5	8,530	<0.1
50 - 99	124	3.8	7,700	<0.1
100 – 1,000	1,007	30.5	466,356	0.1
1,001 - 10,000	1,040	31.5	4,109,712	0.7
10,001 - 1,000,000	787	23.8	109,765,820	17.9
>1,000,000	63	1.9	497,312,128	81.3
Total	**3,303**	**100.0**	**611,670,246**	**100.0**

Pursuant to the Proposed Share Consolidation, assuming that there is no change in the above shareholding distribution as at the Share Consolidation Books Closure Date, 282 Shareholders who hold less than fifty (50) Shares in the Company will no longer be Shareholders of the Company upon completion of the Proposed Share Consolidation.

The Minimum Subscription Scenario relates to the Rights Issue and is separate from the Proposed Share Consolidation. The Rights Issue will be undertaken only after the completion of the Proposed Share Consolidation. Accordingly, the Minimum Subscription Scenario under the Rights Issue will not affect the Proposed Share Consolidation.

Q2. The price of the Rights Issue of S$0.028 represents a 93% discount to the post Proposed Share Consolidation market price of S$0.40 (assuming that its share price remains the same post Proposed Share Consolidation). Part of the net proceeds of the Rights Issue will be used to repay the advances by the Undertaking Shareholders. In view of the steep discount and use of proceeds, the Rights Issue may be viewed akin to a bonus issue. If so, will this Rights Issue circumvent Rule 838 of the Catalist Rules?

Reply by Company:

A rights issue and a bonus issue are two separate and distinct exercises. The main distinguishing factor is that of the purpose of the exercise – in a rights issue, the purpose is for raising funds for the company, whereas a bonus issue is to improve liquidity through affordability of a company's shares.

As disclosed in the Proposed Share Consolidation and Rights Issue Announcements, the Rights Issue is primarily for fundraising purposes. Under the Maximum Subscription Scenario, the Company will raise net proceeds of S$8.40 million, which will then be applied towards (i) the repayment of the Advances by the Undertaking Shareholders by way of setting off against the Undertaking Shareholders' subscription monies; (ii) funding the expansion of the F&B Business; (iii) funding the expansion of the Distribution Business; and (iv) general working capital purposes. Under the Minimum Subscription Scenario, the Company will still raise aggregate gross proceeds of S$177,000, which will then be set-off against the Advances, thereby decreasing the Company's existing liabilities. Therefore, the Rights Issue is distinct from a bonus issue and should not be viewed as such.

In determining the Issue Price of S$0.028, the Board took into consideration various factors, including the prevailing market conditions and the discount rates of recent rights issue transactions, including the discount rates on theoretical ex-rights price, on the SGX-ST for the past twelve (12) months. The Board notes that typically, following the completion of a share consolidation exercise, the share price does not remain at the theoretical post-share consolidation market price and tends to fall. Based on how the market has typically reacted in relation to such share consolidation exercises in the past, coupled with the dilution effect on earnings per Share and net tangible value per Share with the issuance of twenty-five (25) rights shares for every one (1) Consolidated Share and the fact the Company is in a net liabilities position as

at 31 October 2019, the Board is of the view that the Issue Price of S$0.028 is appropriate and the discount rate for the Issue Price should not be benchmarked against the theoretical post-Proposed Share Consolidation market price of S$0.40.

Q3. The subscription rate of the Company's rights issue in January 2019 is only 35.04%. After the Company's announcement, the share price has dropped from S$0.007 to S$0.004. Under the "Minimum Subscription Scenario", the amount of gross proceeds is S$177,000, which will be entirely off-set against the advances by Bounty Blue and Capital Square. How is the Rights Issue in the interest of the minority shareholders?

Reply by Company:

The Board is of the view that the Rights Issue is in the interest of the minority Shareholders for the following reasons:

(a) The Board is of the view that the Issue Price of the Rights Shares is priced at a sufficiently attractive rate to encourage the subscription of the Rights Shares by the Entitled Shareholders. The Board decided to conduct the fundraising exercise through a Rights Issue instead of a placement or other similar methods (which would have been dilutive to minority Shareholders) in order to afford the minority Shareholders the opportunity to further participate in the equity of the Company at an attractive price should they choose to.

(b) In arriving at the Issue Price of S$0.028, the Board took into account, *inter alia*, the potential dilutive effect which the Rights Issue may have on minority Shareholders of the Company. Given the theoretical ex-rights price of S$0.042, the expected value of the nil-paid rights is S$0.014. Even if Shareholders do not take up their entitlements, they will be able to realize value by monetizing their nil-paid rights.

(c) In the Maximum Subscription Scenario, the Company will raise net proceeds of S$8.40 million. These funds will be used by the Company to, *inter alia*, expand its F&B Business and the new Distribution Business. The Board expects that such expansion will create value for all Shareholders in the long run.

(d) Under the Minimum Subscription Scenario, while the gross proceeds of S$177,000 will be entirely set-off against the Advances provided by the Undertaking Shareholders, this would reduce the Company's existing liabilities, strengthening the Group's financial position.

(e) The Undertaking Shareholders, in demonstrating their support for the Company, have agreed to capitalize the Advances which they have provided to the Company through the Rights Issue. This reflects the faith and trust that the Undertaking Shareholders have in the Group and its future prospects. An alignment of the interests of the Group and the Undertaking Shareholders is beneficial to the minority Shareholders as both the Undertaking Shareholders and the minority

Shareholders are seeking to maximize shareholder value from their investments in the Company.

While the Board is not in a position to comment on the reasons for the low subscription rate of the earlier rights issue or the fall in share price following announcement of the Rights Issue, the Board is confident that the Rights Issue will be well received by the Entitled Shareholders due to reasons stated above.

Q4. The Company has just completed a placement exercise in January 2020 to Capital Square and raised S$0.42 million net proceeds. This amount has not been utilized yet. Why is there a need for this Rights Issue now?

Reply by Company:

The proceeds from the placement exercise have subsequently been fully utilized. Please refer to the Company's announcement dated 5 February 2020 for further details.

The purposes of the placement exercise are different from that of the Rights Issue. Under the placement exercise, the net cash proceeds of S$0.42 million raised have been used solely to finance the Group's general working capital and to strengthen the Company's financial position. In contrast, apart from strengthening the Group's financial position, the main purpose of the Rights Issue is to reduce its existing liabilities, and to finance the expansion of the Group's F&B Business and new Distribution Business.

The Group has identified certain business opportunities and is in discussion with potential third party business partners. These opportunities, as and when materialized, will require capital investment on the part of the Group and the Rights Issue is expected to provide the necessary financial resources for such investment. The Company will make the necessary announcements in relation to such business opportunities as and when required.

In addition, the Rights Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company, and will allow the Group to be less reliant on external sources of funding, providing it the financial flexibility for its core activities.

Q5. Bounty Blue is owned by the Executive Chairman and CEO, Mr. Saito Hiroyuki. Considering that part of the proceeds from the Rights Issue will be used to repay the advances by Bounty Blue, did the Board of Directors consider to abstain Mr. Saito Hiroyuki from voting at the upcoming EGM?

Reply by Company:

In considering whether Mr. Saito Hiroyuki should abstain from voting at the upcoming EGM, the Board took into consideration other rights issues in the market with similar offsetting arrangements of loans or advances made by controlling shareholders who had given undertakings to subscribe for their *pro rata* entitlements of rights shares (and excess in certain cases). In each scenario, the controlling shareholder did not have to abstain from voting at the

general meeting. As such, the Board is of the view that there is no need for Mr. Saito Hiroyuki to abstain from voting at the upcoming EGM.

Q6. In view of the Company's current net liability and loss-making financial position, did the Board of Directors consider to focus its financial resources on the Company's working capital and business needs? Please clarify if the net proceeds of S$4.54 million for general working capital (under "Maximum Subscription Scenario") will be used to further repay the advances by the Undertaking Shareholders. Please provide a further breakdown of the purposes for the S$4.54 million general working capital.

Reply by Company:

Yes, the Board's intention for the Rights Issue is to raise funds mainly for the working capital and business expansion purposes. As the Group is in the business growth phase, more funding is required to strengthen its financial position for further business expansion and to grow the existing businesses to a level where they can generate stable working capital for the Group.

As stated in the Proposed Share Consolidation and Rights Issue Announcements and more specifically, the corrigendum announcement dated 3 February 2020, only S$1.86 million (or equivalent to 22.1%) of the Net Proceeds of S$8.40 million raised under the Maximum Subscription Scenario will be used to repay the advances by the Undertaking Shareholders. Out of the remainder of the Net Proceeds raised, S$4.54 million (or equivalent to 54.1%) and S$2.0 million (or equivalent to 23.8%) will be set aside for general working capital and business expansion purposes, respectively.

Please refer to the table below for a further breakdown of the purposes for the S$4.54 million general working capital:

Breakdown of General Working Capital	**Allocation of General Working Capital (S$' million)**	**Approximate allocation of General Working Capital (%)**
Salaries and related expenses	1.82	40.0
Directors' fees	0.09	2.0
Professional fees	0.73	16.1
Operating expenses	1.90	41.9
Total	**4.54**	**100.0**

By Order of the Board
LifeBrandz Ltd.

Saito Hiroyuki
Executive Chairman and Chief Executive Officer
5 February 2020

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the*

*Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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