

THE TRENDLINES GROUP LTD.
(the “Company”)
(Company Number: 513970947)
(Incorporated in Israel)

RESPONSE TO SGX QUERIES

The Board of Directors of The Trendlines Group Ltd. (“**Trendlines**” or the “**Company**” and together with its subsidiaries, the “**Group**”), refers to the Company’s announcement dated 26 September 2019 in relation to the proposed renounceable non-underwritten rights issue of up to 84,693,994 new ordinary shares in the capital of the Company (“**Previous Announcement**”) and wishes to provide the following clarifications in response to queries received from the Singapore Exchange Securities Trading Limited (the “**SGX**”) on 27 September 2019.

Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as ascribed to them in the Previous Announcement.

SGX Query 1

What is the rationale behind proposing the Rights Issue at an issue price which is at a premium (19.3%) to the last traded price? What is the incentive for shareholders to subscribe for the Rights Shares when they can purchase shares from the market at a lower price?

Company’s response

The Company believes that the current market price of Trendlines does not properly reflect the Company’s value. A share price of S\$0.1050 (“**Rights Issue Price**”) would more closely approximate the Company’s value as it was supported by a recently completed private placement to Librae Holdings Limited (“**Librae**”) at S\$0.1050 per share (“**Placement**”), which represented a premium of 34.6% over the VWAP and last traded price of the full market day prior to the date of the subscription agreement.

The Board is also of the view that the relatively substantial shareholding stake of 14.55% in the Company resulting from the Placement (at a premium over the Company’s VWAP) demonstrates the belief and support of Librae in the Company and its prospects. In addition, following exploratory talks with some of the Company’s substantial shareholders, including Librae, the Company had received a commitment from Librae to participate in a rights issue at the same price as the Placement.

Notwithstanding that the current market price is lower than the issue price for the Rights Issue, the current average trading volume of the Company’s shares is low and shareholders who wish to obtain further equity participation in the Company may not be able to purchase the shares from the market at the current market price.

With the Rights Issue following the Placement, the Board structured an opportunity for other existing shareholders of the Company who may be interested to obtain further equity participation in the Company to participate in the Rights Issue, and that such further equity participation should be at a price no less than the Placement price.

In addition, the Board had also noted that following the Company’s private placement exercise in October 2017, the Company had received feedback that existing shareholders should also have the opportunity to participating in fundraising exercises by the Company.

SGX Query 2

How was the ratio of 1 Rights Share for every 9 existing shares held determined? Such an allotment ratio will definitely result in fractional entitlements which would be disregarded. Please explain the considerations in arriving at such a ratio.

Company's response

The ratio of 1 Rights Share for every 9 existing shares was arrived at after taking into consideration (i) the Company's funding needs; and (ii) Librae's commitment under the Irrevocable Undertaking.

SGX Query 3

The Company has stated that there is no minimum amount to be raised for the rights issue. Notwithstanding, Librae will be providing an Irrevocable Undertaking to subscribe for its entitlements and excess rights shares (in aggregate, the "Undertaking Shares"). The Undertaking Shares represent 100% of all the Rights Shares to be issued under the Minimum Subscription Scenario, and 92.8% of all the Rights Shares to be issued under the Maximum Subscription Scenario.

- (a) What were the circumstances that led to the Irrevocable Undertaking being provided by Librae? Did the Company approach Librae to provide the undertaking, and why?**
- (b) What is the rationale for Librae entering into the Irrevocable Undertaking to subscribe for its entitlements and excess rights shares?**
- (c) In view of the Irrevocable Undertaking with the Undertaking Shares representing 100% of the Rights Shares to be issued under the Minimum Subscription Scenario, taken together with the Rights Issue Price which is at a 19% premium over the last traded price, pls explain why the fund raising exercise was structured as a rights issue. Did the Board consider other modes to raise funds eg: Placement to Librae?**

Company's response

- (a) As set out in the response to Query 1 above, the Company had held exploratory discussions with some of its substantial shareholders, including Librae, to assess the viability of a rights issue exercise at the Rights Issue Price as a rights issue exercise will consume considerable resources and funds. In this regard, the Company had also considered the possibility of negative market perception in the event of a failed offering. Following such exploratory discussions, Librae had agreed to provide the Irrevocable Undertaking.
- (b) The Company is unable to make representations on behalf of Librae. However, following the Placement and in the course of the exploratory talks, Librae had indicated that it wished to increase its investment in the Company as it believes in the prospects of the Company, and further, understands that providing the Irrevocable Undertaking in the Rights Issue will ensure the success of the Rights Issue.
- (c) The Board had considered several scenarios, including another placement before deciding to undertake the Rights Issue. As set out in the response to Query 1 above, the Company had also taken into account feedback from shareholders following the Company's private placement exercise in October 2017 that the existing shareholders would like to have opportunities to participate in fundraising exercises by the Company.

SGX Query 4

On 22 July 2019, Librae entered into a subscription agreement with the Company to subscribe for shares at S\$0.105 (34.6% premium). As a result, Librae became a 14.55% shareholder of the Company following completion of the placement in August 2019. Net proceeds of \$10.82m was raised. The use of proceeds is the same as that for the Proposed Rights Issue, ie, 30% for working capital and 70% for investment in new/prospective / existing portfolio companies.

- (a) Have the proceeds from the July/Aug 2019 placement exercise been fully utilised?
- (b) Based on the Group's HY2019 results announced on 7 Aug 2019, the Group has cash and equivalent of US\$8m, and has just raised S\$10.8m via the placement exercise. Please explain why there is a need to raise more monies via the Proposed Rights Issue in Sept 2019.

Company's response

- (a) To-date, the Company has not utilized the proceeds raised from the Placement in August 2019.
- (b) In view of the recently completed Placement at a premium to the market price of the Company's shares and Librae's indication during the exploratory talks that it was prepared to increase its investment in the Company at the same price as the Placement, the Company is taking advantage of the opportunity to raise additional funds through equity at a premium to the current market price and thereby strengthen its capital structure. Additionally, to reiterate the point mentioned in answer to Queries 1 and 3, following previous feedback from investors, we want to provide the opportunity to investors to participate in fundraising exercises.

Such funds will be used for working capital and investments in current and new portfolio companies to bring value to its shareholders. It is noted that while the Company does not have an urgent need to raise funds, it believes that it can put the funds to good use to further build shareholders' value.

SGX Query 5

Please tabulate the fund raising exercises undertaken by the Group from IPO (in Nov 2015) till to-date, including the amount raised, amount utilised, balance unutilised, intended use of proceed, actual use of proceeds.

Company's response

Please find below the requested information as at September 29th 2019

<u>Use of IPO Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
Follow-on investments in Portfolio Companies	10,000	9,256	744
Expansion of our operations into new markets	5,000	3,344	1,656
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
Total	19,275	16,875	2,401

<u>Use of 2017 Placement Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	4,000	-	4,000
Direct and indirect investments into new, prospective or existing Portfolio Companies	9,338	8,038	1,300
Total	13,338	8,038	5,300

<u>Use of 2019 Placement Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	3,246	-	3,246
Direct and indirect investments into new, prospective or existing Portfolio Companies	7,574	-	7,574
Total	10,820	-	10,820

SGX Query 6

What are the controls put in place to safeguard the Group's assets, including cash and deposits?

Company's response

In the fourth quarter of 2017, the Company completed a strategic review in respect of its operations with a view to reduce costs, increase efficiency and enhance shareholder value. Consequently, the Company implemented a plan to reduce its operating expenses. The Company exceeded its cost reduction goals for the financial year ended 31 December 2018.

The Company continues to carefully monitor and adjust its expense structure as deemed appropriate from time-to-time. The Group's annual budget is subject to Board approval prior to the beginning of each financial year. During this process, the Board also approves a general mandate which sets out accepted uses of the Group's funds for the financial year. We also provide our Board of Directors with periodic management reports, setting out the variances (if any) between the approved budget and actual financial performance. These management reports are provided to the Board on a quarterly basis and as when requested by the Board from time to time.

In addition, the Company via its board committees, in particular the audit committee, in consultation with the internal and external auditors of the Group, ensures that the Group has in place, effective risk management and internal controls systems which are sufficient to safeguard the Group's assets.

SGX Query 7

Will Librae have board and / or management representation in the Company and / or entities in the Group? Who introduced Librae to the Group?

Company's response

There is no intention for board and/or management representation by Librae in the Company or entities in the Group.

As to the participation of Librae in the investment committee of the new Agrifood fund, please see answer to Query 8.

As disclosed in the Company's announcement dated 22 July 2019 in relation to the Placement, the Company was introduced to Librae in the ordinary course of its business dealings by Zeev Bronfeld. Librae is a company organized under the laws of British Virgin Islands held by Geneva Trust Company (GTC) SA as Trustees of The Tchenguiz Three Trust (the "**Trust**"), the sole discretionary beneficiary of which is Mr. Vincent Tchenguiz. In the past three years, the Trust has diversified its investments with an increased focus on biotechnology and green technologies, and built a US\$350 million technology venture capital portfolio managed by a strong tech investment team. Many of the Trust's investments are focused on Europe, Israel and the United States, in incubators, venture funds, and several medical companies in Israel.

Zeev Bronfeld has known Mr Vincent Tchenguiz through Capital Nature. Capital Nature is an investment firm focused on funding and accelerating early-stage ventures as well as academic research in renewable energy in Israel, holds a less than 20% shareholding interest in two (2) Israeli companies which the Company's non-executive Director, Zeev Bronfeld, is a minority shareholder, holding less than 5% of the shares in each of them. Mr. Bronfeld is also a non-executive director in one (1) of them. Mr. Vincent Tchenguiz indirectly owns less than 30% of Capital Nature and is not considered to be a controlling shareholder in Capital Nature.

SGX Query 8

On 24 Sept 2019, the Company received conditional commitment of up to US\$22m from Librae, Temasek and other investors for its new Singapore-based venture fund ("Fund").

(a) What is Librae's capital contribution to the Fund?

(b) Are there interconditional or cross arrangements, agreements / terms or deals with regards to Librae's commitment to the Fund and the Proposed Rights Issue?

Company's response

(a) Librae's capital contribution to the above-mentioned conditional commitments is US\$10 million.

In addition to the capital contribution, we have discussed with Librae their participation in the investment committee of the new Agrifood fund. It should be noted that Librae's participation in the investment committee of the Trendlines Agrifood fund does not give it representation on the Company's Board or management.

(b) No.

BY ORDER OF THE BOARD OF

The Trendlines Group Ltd.

Haim Brosh,
Joint Company Secretary
4 October 2019

This announcement has been prepared by The Trendlines Group Ltd. (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. 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 press release.

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