

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

**THE PROPOSED ACQUISITION OF THE BUSINESS AND ASSETS OF QUMULUS PTE. LTD. BY
LUX LEISURE PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY (THE
“PROPOSED ACQUISITION”)**

*Unless otherwise defined, capitalised terms used in this announcement shall bear the same meaning ascribed to them in the Company’s announcement dated 4 March 2013 in relation to the Proposed Acquisition (the “**Announcement**”).*

1. INTRODUCTION

The Board of Directors (the “**Board**”) of the Company refers to the Announcement and wishes to provide additional information in respect of the Proposed Acquisition following the comments received from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

2. ADDITIONAL INFORMATION

2.1 Rationale for the Proposed Acquisition

2.1.1 The Company has been in a loss-making position for the past two financial years ended 2011 and 2012 due to, amongst others, the increased competition in the food and beverage and entertainment industries in Singapore and has been constantly sourcing for ways to revive its business. The Company is of the view that it currently requires, amongst others, increased cash flow, increased profits and business expertise. The Company may, upon execution of the Novation Deed, receive service charges under the Contract (as defined below) for the period of 20 months from January 2013 to August 2014 when the Contract expires, subject to various factors including the performance of the Clubs (as defined below). The receipt of the service charges will thus provide the Company with increased cash flows that it urgently requires for its current operations. In addition to the foregoing, the Company is also of the view that the Proposed Acquisition is strategic and could allow the Group and the Qumulus group (as defined below) to combine each other’s core competencies, such as business expertise and marketing experience in the lifestyle entertainment industry and synergies to increase the Group’s competitiveness and profile in the lifestyle entertainment industry. In this regard, Qumulus had presented to the Directors of the Company four new concepts and business plans in relation to proposed new outlets and the revamp of the Company’s existing outlets at Clarke Quay (“**Four New Concepts**”). The Company believes that the joining of the Group’s and Qumulus group’s expertise will assist the Company in revamping and rebranding its business and concepts and to enable the Company to, *inter alia*, strengthen its financial position and to improve its profitability.

2.1.2 Massive Collective Pte. Ltd. (“**Massive**”) is a nightlife and hospitality group that has an interest in Qumulus. It is the marketing team for clubs such as Filter, Mink and Royal Room, which the Company believes to be amongst the top clubs in Singapore today. Mink and Royal Room began its operations on or about August 2011 and have generated profits of approximately S\$305,000 and S\$3.66 million for the period of August 2011 to December 2011 and for the period of 1 January 2012 to December 2012 respectively. In view of the success of the clubs that Massive and/or Qumulus (collectively, the “**Qumulus group**”) manage, the Company believes that the Proposed Acquisition will allow the Company to gain business expertise from the Qumulus group including business ideas, marketing and execution expertise, amongst others.

2.2 Contract

- 2.2.1 As part of the Proposed Acquisition of Qumulus by the Company, the collaboration agreement ("**Contract**") that had been entered into between Qumulus and Stereolounge Pte. Ltd. (now known as Royal Concepts Pte. Ltd.) ("**Royal Concepts**") in respect of a lounge and club named Mink and Royal Room ("**Club**") located at 7 Raffles Boulevard, #01-050, Pan Pacific Hotel, Singapore 039595, will be novated to the Company. The Company understands that the Contract was the first collaboration between Qumulus and Royal Concepts and that Qumulus and Royal Concepts did not have any business relationships prior to the Contract.
- 2.2.2 Pursuant to the Contract, Qumulus provides marketing and club management services in respect of the Club, while Royal Concepts provides the venue and infrastructure for the Club. Qumulus and Royal Concepts operate on a 50:50 profit sharing basis (after excluding all costs and expenses including costs which have been reimbursed to Qumulus for the operations of Mink and Royal Room). Qumulus collects its 50% share of the profits of Mink and Royal Room in the form of service charges billed to Royal Concepts in respect of its management and marketing services for Mink and Royal Room on a monthly basis. In the event of a growth in performance of Mink and Royal Room, it is expected that Mink and Royal Room's profits would also grow and accordingly, the service charges that Qumulus bills and collects on a monthly basis would increase and vice versa. Qumulus' responsibilities under the Contract include, *inter alia*, conceptualising, promoting and marketing the Club, managing the concept, graphic design and production of all marketing items in relation to the Club and managing and controlling the guestlist and entry into the Club.
- 2.2.3 As mentioned in Paragraph 2.1 above, the Company had entered into the Proposed Acquisition with a view to turn around its business. Accordingly, notwithstanding that the Contract will expire in August 2014, the Company is of the view that the Contract, once novated to the Company, may bring about an increase in the cash flow which the Company urgently requires and improve the profitability of the Company for the duration of the Contract. In addition, the Company also understands that the Contract gives either party an option to extend the duration of the Contract for a one (1) year duration thereafter, subject to the present lease agreement between Stereolab Pte Ltd (now known as Royal Concepts Pte. Ltd.), as tenant, and Hotel Marina City Private Limited, as landlord, relating to the premise of the Club being renewed at a mutually agreeable rate. In the event that the Contract is renewed, such renewal could serve to benefit the Company further.

2.3 Information on the Qumulus group

Qumulus is a private limited company incorporated in Singapore in 2011. Its shareholders are Filter Entertainment Pte. Ltd. (as to 70%) and Mr Cedric Chong (as to 30%). Filter Entertainment Pte. Ltd. is jointly held by eM & eM Pte. Ltd. and Massive. As mentioned above, Massive is a nightlife and hospitality group that specialises in lifestyle marketing consultancy, club marketing and operations. The Qumulus group is the marketing team for clubs such as Filter, Mink and Royal Room, which are one of the top clubs in Singapore, with Mink and Royal Room typically drawing full-house crowds on weekends. Massive commenced providing club management services to the Filter club on or around 2010. Following the success of the Filter club, Massive then, through Qumulus, started providing club management services to Mink and Royal Room on or around September 2011.

2.4 Consideration

- 2.4.1 The Board would like to add that the value of Consideration amounting to S\$3,480,000 payable to Qumulus for the Proposed Acquisition was determined based on, *inter alia*: (i) the potential contribution of the service charges paid to/to be paid under the Contract for the remaining term of the Contract; and (ii) the Four New Concepts, business expertise from Qumulus and the Database (as defined below). The value of the Consideration was agreed between the parties following the due diligence exercise conducted on Qumulus which

provided the Company with the information on the amount of service charges paid to Qumulus for the period 1 January 2012 to 31 December 2012.

- 2.4.2 The Company had taken into account the potential contribution of the service charges for the period of 20 months from January 2013 to August 2014 in determining the value of the Consideration payable to Qumulus. Qumulus had received approximately S\$1.83 million in service charges under the Contract for the period 1 January 2012 to 31 December 2012. As mentioned above, the Company may receive service charges from the Contract upon execution of the Novation Deed, subject to various factors including the performance of the clubs.
- 2.4.3 The Company had also considered factors such as the expertise of the Qumulus group including business ideas, marketing and execution expertise, the potential of the Four New Concepts and the value that the Database may contribute to the Group in arriving at the value of the Consideration. The Company believes that it will benefit from Qumulus' expertise and that the Four New Concepts will be able to assist in turning around the business of the Company. The database ("**Database**") refers to the data base of customers that Massive and Qumulus possess and/or maintain in relation to their clubs. Under the Master Agreement, the Company will be acquiring the Database and going forward, the Database may be shared between the Company and the Qumulus group. The Company will be able to tap on the Database as part of its marketing purposes for its existing outlets and future business operations, including launches of its new clubs, bars and outlets as well as other promotional events.
- 2.4.4 Subsequently, the Company and Qumulus agreed to satisfy the Consideration by issuing shares of the Company to Qumulus as it is one of the intentions of the Proposed Acquisition that the Company and Qumulus to collaborate with each other and to combine each other's expertise. The issue of Consideration Shares to Qumulus will accord with the intention of the parties to collaborate with each other. In addition, the issue of Consideration Shares to Qumulus will also serve to align Qumulus' interest with the Company's interest. In addition, as mentioned earlier, the Company is in a loss-making position and is thus not likely to be able to fund the Proposed Acquisition by way of cash. As such, it was agreed between the parties that the Consideration be satisfied by the issue of Consideration Shares. The parties subsequently determined the aggregate number of Consideration Shares to be issued by the Company by making a reference to the market value of the Company's shares transacted on the market day preceding the date of the Master Agreement.

2.5 No change in control

The Board would also like to add that the Proposed Acquisition would not result in a change of control of the Company for the following reasons:

- (a) as mentioned above, the Company is in loss-making position. The Proposed Acquisition will allow the Company to strengthen its financial position and improve its profitability and cash flow position by being able to recognise the service charges under the Contract and having access to the cash flow under the Contract from January 2013 to August 2014, upon the execution of the Novation Deed. The Proposed Acquisition will also allow the Group and the Qumulus group to join their expertise, such as business and marketing experience in the lifestyle entertainment industry, to assist the Company in revamping and rebranding its business and concepts, through *inter alia*, the Four New Concepts, in order for the Company to turnaround its business and operations;
- (b) pursuant to the Master Agreement, Qumulus will only be entitled to appoint only one director onto the Board. As the Board will consist of four other board members, being Mr Bernard Lim (Executive Director), Mr Wong Kok Hoe (Non-Executive Director), Mr Irwin Lim Kee Way (Independent Director) and Mr Thomas Carlton Thompson III (Independent Director), there will be no change in control at the Board level. There will also be no change in the key management of the Company, particularly the chief executive officer, Mr Bernard Lim, and the chief financial officer. In connection with

the Proposed Acquisition, Qumulus will be appointing a director, Mr Cedric Chong Sien Chern as an Executive Director, to the Board; and

- (c) Qumulus currently does not hold any shares in the Company. The Consideration Shares will constitute approximately 14.05% of the enlarged issued share capital of the Company immediately following the Proposed Acquisition. The 14.05% shareholding interest in the Company by Qumulus does not constitute a controlling interest of 15% as defined in the SGX-ST Listing Manual. Further, each of Qumulus and Massive will provide an undertaking to the Company that, for a period of 12 months from the Completion Date, it will not (i) increase its shareholding in the Company to cause its shareholding in the Company to be equal to or exceed 15%, save as a result of any issue of shares as a result of a rights issue or similar exercises that may be carried out by the Company, and (ii) appoint any other director to the Board. The Company has no current understanding or agreement relating to the acquisition of any other asset or business from the Massive group or Mr Cedric Chong.

BY ORDER OF THE BOARD
Bernard Lim Miang
Executive Director and Chief Executive Officer
29 April 2013