



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

RESPONSE TO SGX QUERIES

1. The Board of Directors (the "**Board**" or the "**Directors**") of LifeBrandz Ltd. (the "**Company**") has received certain further queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in respect of its announcement dated 31 January 2020, its subsequent corrigendum announcement dated 3 February 2020 and its response to SGX-ST's queries dated 5 February 2020 ("**Proposed Share Consolidation and Rights Issue Announcements and Response**") 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 and Response.

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

We refer to the Company's response to our queries dated 5 February 2020.

- Q1. Why did the Company not consider undertaking the Rights Issue before the proposed Share Consolidation exercise? This would enable shareholders to subscribe for their entitlement and excess if they wish to maintain their shareholdings in the Company. Under the current proposal (share consolidation and thereafter rights issue), shareholders holding less than 50 shares will no longer be shareholders and as such, will not be able to partake in the rights issue nor take steps to maintain their shareholdings in the Company. Please provide basis of Board's consideration. Please provide reasons on why the current proposal (i.e. share consolidation and thereafter rights issue) is the best interest of the minority shareholders?**

Reply by Company:

The share capital of the Company is S\$64,996,649 comprising 611,670,246 Shares. This is a significant number of Shares for a Company with a market capitalization of S\$2.45 million based on the closing price of the Shares as at 5 February 2020 despite having a high Shareholder base.

The Board considered the possibility of completing the Rights Issue before the Proposed Share Consolidation and also considered a standalone rights issue. However, given that a favourable discount is required to make the Rights Issue attractive to the Entitled Shareholders and the Board's estimate of the amount to be raised from the Rights Issue, the Board concluded that if the Rights Issue was to be conducted as a standalone exercise or prior to the Proposed Share Consolidation, the Company would not be able maintain the value of the nil-paid rights above S\$0.001 which is the minimum trading price requirement of the SGX-ST.

For illustrative purposes only, one structures of a direct rights issue which the Board had considered was on the basis of six (6) rights shares for every one (1) existing Share, based on the existing share base of 611,670,246 Shares, with an issue price of S\$0.002 per rights share. Assuming that the closing price of the Shares is S\$0.008 (before the announcement of the Proposed Share Consolidation and Rights Issue), this would result in the following:

Enlarged share base	4,281,691,722 Shares
Theoretical ex-rights price	S\$0.0029
Value of nil-paid rights	S\$0.00086
Total gross proceeds if the rights issue is fully subscribed	S\$8.56 million

In such a scenario, as the value of the nil-paid rights would be even lower than the minimum price possible for trading, there is no certainty whether any trading of the nil-paid rights will take place and consequently Entitled Shareholders who do not take up their entitlement will be excessively diluted and will not be able to realise value by monetizing the nil-paid rights. This scenario is certainly not favourable to or in the interests of the minority Shareholders.

As such, the Board is of the view that it is necessary to conduct the Proposed Share Consolidation prior to the Rights Issue, using the subsequent share price post-Proposed Share Consolidation to arrive at the appropriate discounted Issue Price of S\$0.028 and theoretical ex-rights price of S\$0.042. Given the theoretical ex-rights price of S\$0.042, the expected value of the nil-paid rights is S\$0.014. Minority Shareholders who do not want to participate in the Rights Issue may still benefit by selling their nil-paid rights to monetize their investment in the Company.

Q2. As at 31 January 2020, there are 282 shareholders holding less than 50 shares. Under the Proposed Share Consolidation exercise, shareholders who currently hold less than 50 shares will result in them being no longer shareholders. Does the Board have any proposed plans for the best interest of these shareholders?

Reply by Company:

The Board notes the concern of the affected 282 Shareholders and is currently contemplating various options (including but not limited to the possibility of issuing one (1) Consolidated Share to each of the affected Shareholders) to address this concern. The Company will make the necessary announcement(s) in this regard as soon as possible.

By Order of the Board
LifeBrandz Ltd.

Saito Hiroyuki
Executive Chairman and Chief Executive Officer
6 February 2020

*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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