



LIFE BRANDZ LTD.

(Company Registration No. 200311348E)
(Incorporated in the Republic of Singapore)

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN RAISED BY AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Pursuant to Rule 704(4) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors (the “**Board**”) of LifeBrandz Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the independent auditor of the Company, Messrs Mazars LLP (“**Independent Auditors**”), has indicated in their report (“**Independent Auditor’s Report**”) that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern for the financial year ended 31 July 2020 (“**FY2020**”). The opinion of the Independent Auditor remains unqualified.

Further details are set out in the extracts of the Independent Auditor’s Report and Note 3.1 of the Notes to the Financial Statements which are appended to this announcement. Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor’s Report and the Audited Financial Statements that will form part of the annual report of the Company for FY2020 (which will be released on SGXNet in due course) in their entirety.

In the opinion of the Directors, the Group will be able to continue as a going concern and the factors taken into consideration by the Directors in arriving at this view are set out in Note 3.1 of the Notes to the Financial Statements and extracted below.

The Board confirms that, to the best of its knowledge, all material disclosures have been provided for the trading of the Company’s shares to continue.

Relevant extracts from the FY2020 Annual Report are as below:

(A) Material Uncertainty Related to Going Concern – Independent Auditor’s Report

“We draw your attention to Note 3 to the consolidated financial statements, which indicates that the Group incurred loss before tax of S\$8,623,000 and net operating cash outflows of S\$1,320,000 for the financial year ended 31 July 2020 and, as of that date, the Group reported net current liabilities and net liabilities of S\$5,068,000 and S\$7,683,000 respectively. As of 31 July 2020, the Group reported cash position of S\$105,000. After permanently closing Hashida Sushi in Singapore during the financial year with the plan to change the concept to “Kappo” style, the Group continues to be adversely affected by the COVID-19 outbreak with planned cessation of its tourism operations in Japan and food and beverage operations in the United States of America (“USA”) subsequent to 31 July 2020 (Note 30). As of the date of authorisation for the issuance of the financial statements, the Group’s food and beverage operations in the USA have ceased and the food and beverage operations in Thailand remain halted because of the outbreak. Meanwhile, the plan to change the concept to “Kappo” style did not go through with the termination of the corresponding agreement with the counterparty. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

(B) Going Concern – Note 3.1 of the Audited Financial Statements

“The Group incurred loss before tax of S\$8,623,000 and net operating cash outflows of S\$1,320,000 for the financial year ended 31 July 2020, and as of that date, the Group also reported net current liabilities and net liabilities of S\$5,068,000 and S\$7,683,000 respectively. As of 31 July 2020, the Group reported cash position of S\$105,000. After permanently closing Hashida Sushi in Singapore during the financial year with the plan to change the concept to “Kappo” style, the Group continues to be adversely affected by the COVID-19 outbreak with planned cessation of its tourism operations in Japan and food and beverage operations in the United States of America (“USA”) subsequent to 31 July 2020 (Note 30). As of the date of authorisation for the issuance of the financial statements, the Group’s food and beverage operations in the USA have ceased and the food and beverage operations in Thailand remain halted because of the outbreak. Meanwhile, the plan to change the concept to “Kappo” style did not go through with the termination of the corresponding agreement with the counterparty. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

Notwithstanding the above, these financial statements have been prepared on a going concern basis as the Directors are of the opinion that the use of the going concern assumption remains appropriate in consideration of the following:

- a) the Company had, on 26 November 2020, entered into a deed of settlement (“Settlement Deed”) with Bounty Blue Capital Ltd. (“Bounty Blue”) and Mr. Saito Hiroyuki (“Mr Saito”), the Executive Chairman and CEO of the Company for the settlement of certain interest-free loans in the aggregate sum of \$2,918,923 extended by Bounty Blue to the Group and the Company for working capital and business expansion. Pursuant to the Settlement Deed, with effect from 31 October 2020, the Company shall cease all payments to Mr Saito of his monthly salary payable to him under his service agreement with the Company dated 21 April 2017 in order to support the working capital sufficiency of the Group and the Company. The loan amount of \$2,918,923 shall be fully settled and satisfied by the payment by the Group and the Company to Bounty Blue of \$1,000,000 in cash;*
- b) the Company had, on the same day, entered into a deed of waiver with one of its shareholders, Capital Square Co., Ltd. (“Capital Square”) for the waiver of a loan of \$200,000 extended by Capital Square to the Company and its interest charges;*
- c) the Company had, on 10 December 2020, successfully completed a placement exercise and raised placement proceeds amounting to S\$450,000. As of the date of authorisation for the issuance of these financial statements, the proceeds have been fully utilised for working capital purpose;*
- d) the Company had, on 8 February 2021, entered into separate subscription agreements with nine individuals who are not related to the Group to raise S\$1,530,000 by way of issuing 306,000,000 new ordinary shares in the capital of the Company (the “subscription exercise”) for the repayment of debts and liabilities and general working capital purposes. Pursuant to two separate loan agreements dated 25 January 2021 and 29 January 2021 entered into between the Company and two of the subscribers, the Company obtained an interest-free bridging loan of S\$730,000 (“Loan Amount”) from these subscribers. As of the date of authorisation for the issuance of these financial statements, S\$200,000 has been drawn down by the Company. The aggregate consideration payable by these two subscribers under their respective subscription agreements shall be satisfied in full by way of settlement and set-off against the Loan Amount. The subscription exercise is subject to the approval of shareholders at Extraordinary General Meeting;*
- e) the Company, as announced on 9 February 2021, plans to conduct a rights issue exercise at a pricing similar to that offer in the subscription exercise. The terms of the*

proposed rights issue have not been determined by the directors as of the date of authorisation for the issuance of these financial statements; and

- f) *the Group has identified certain business opportunities and is in discussion with potential third-party business partners, and will look for more fundraising opportunities to support the execution of its strategic business plans, which will in turn generate operating cash flows.*

The Directors acknowledge the existence of uncertainties involving:

- a) *the outcome of the aforementioned subscription exercise which is subject to the approval of shareholders at Extraordinary General Meeting;*
- b) *the eventual execution and timing of the rights issues; and*
- c) *the ability of the Group to raise funds to support its strategic business plans to generate operating cash flows.*

If the Group's and Company's use of going concern assumption were not appropriate and the financial statements were presented on a realisation basis, the carrying value of liabilities may be materially different from that currently recorded in the statements of financial position. If the outcome of the new capital fund injection were not favourable, the Group and Company may not be able to continue as going concerns. Should the use of the going concern assumption in the preparation of their financial statements be inappropriate, the Group and Company may be unable to discharge their liabilities in the normal course of business and provision may need to be made for any onerous contractual commitments as at the reporting date. In addition, the Group and Company may need to incur costs of terminating the business."

BY ORDER OF THE BOARD

Saito Hiroyuki
Executive Chairman and Chief Executive Officer

10 February 2021

*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.*

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210), at 1 Robinson Road, #21- 00 AIA Tower, Singapore 048542.