

## **LIFEBRANDZ LIMITED**

(Incorporated in the Republic of Singapore)

(Registration No. 200311348E)

## **MEMORANDUM OF UNDERSTANDING FOR THE PROPOSED ACQUISITION OF A GROUP OF COMPANIES**

### **1. INTRODUCTION**

LifeBrandz Ltd ("**Company**" or "**LifeBrandz**") wishes to announce that the Company has on 13 April 2007 entered into a non-binding Memorandum of Understanding (the "**MOU**") with Yee Fook Khong and Gerald Ho Shih Kwong to consider the acquisition of a group of companies (the "**Proposed Acquisition**"), namely:

- (i) Shanghai Malone's American Café Co Ltd;
- (ii) Shanghai La Belle Restaurant Management Co Ltd;
- (iii) Shanghai M-Box Co Ltd; and
- (iv) Shanghai Meng Yu Restaurant Management Co Ltd,

(collectively referred to as the "**PRC Companies**")

The Purchase Consideration for the Proposed Acquisition is RMB 72 million (the "**Purchase Consideration**"). Payment of the Purchase Price will be satisfied by a cash payment of RMB 18 million and by the allotment and issue of up to 72 million ordinary shares in the capital of the Company (the "**Consideration Shares**").

### **2. INFORMATION ON THE PRC COMPANIES**

The principal activities of the PRC Companies are in the lifestyle entertainment businesses. The specific businesses of the PRC Companies are as follows:-

- (i) The Shanghai Malone's American Café Co Ltd operates pub and restaurants under the "Malone" brand name.
- (ii) Shanghai La Belle Restaurant Management Co Ltd operates a dance club business under the "Mint" brand name and restaurant business under the "Maneo" brand name.
- (iii) Shanghai M-Box Co Ltd operates a dance club business under the "M-Box" brand name.
- (iv) Shanghai Meng Yu Restaurant Management Co Ltd operates several of its businesses under one entertainment complex by the brand name "Pier One". The restaurant business is under the brand name "Mimosa Superclub" and "Mimosa Private Dining". The hotel management business is under the "M-Suites" brand name and the bar business is under the "Monsoon" brand name.

### 3. **RATIONALE FOR THE ACQUISITION**

The acquisition of the PRC Companies is the next step in the Company's growth strategy of expanding its Asian presence through China's gateway cities, and comes closely after its March 2007 announcement of the upcoming launch in Macao of world-renowned ambient lounge club, Buddha-bar. With this acquisition, LifeBrandz will add approximately 88,000 sq ft to its entertainment real estate, bringing the total entertainment space to over 240,000 sq ft (including the opening of Buddha-bar) by the end of 2007.

Shanghai, with a high concentration of expatriates with strong spending power and an appetite for dining and entertainment options of international standards, represents a logical progression for LifeBrandz. The Company anticipates that Shanghai's already vibrant growth prospects will be further boosted by increasing affluence throughout the country, as well as by major upcoming events such as the 2008 Beijing Olympics and the 2010 World Expo in Shanghai.

This partnership stands to derive considerable synergies through the combination of LifeBrandz's existing brands and venues and the PRC businesses being acquired. In choosing to partner the Vendors, who has over 15 years' experience in the dining and entertainment industries in China, LifeBrandz will be able to leverage on their local knowledge and proven expertise in helping to further grow the acquired brands as well as to potentially establish the Company's brands in other gateway cities in China.

By focusing on its core competency – identifying existing brand names that offer the highest return opportunities, and thereafter growing these brands by adapting and updating them as may be required by the market, as well as by leveraging on the expertise of local partners in various markets, LifeBrandz believes that it will be successful in growing these newly acquired brands, thereby increasing value to shareholders.

### 4. **SALIENT TERMS OF THE PROPOSED ACQUISITION**

#### 4.1 **Structure of the Proposed Acquisition**

The PRC Companies will be re-organised and be held under a new holding company ("**NewCo**"), which is to be fully owned by Hubertus Johannes Marinus van der Staak, Rana Vikram Jietendra, Shawn Michael Doyle, Yee Fook Khong and Gerald Ho Shih Kwong (collectively known as the "**Vendors**").

The Company shall buy all the shares in the capital of the NewCo from the Vendors representing 100% of the issued and paid up capital of NewCo ("**Sale Shares**").

#### 4.2 **Purchase Consideration and Payment**

The Purchase Consideration of RMB 72 million is based on arms-length negotiations and was arrived at on a willing-buyer willing-seller basis, after taking into consideration, *inter alia*, the business prospects of the PRC Companies and the synergy of the PRC Companies' operations with the Company's business strategy and certain financial targets for the PRC Companies which will result in an adjustment to the Purchase Consideration if the targets are not met.

### Payment of Purchase Consideration

The Purchase Consideration will be satisfied by a cash payment of RMB 18 million and by the allotment and issue of up to a maximum of 72 million Consideration Shares, at the issue price of S\$0.15 for each Consideration Share, to the Vendors in three tranches as follows:

(i) First Tranche Cash Payment and Consideration Shares

On the Completion Date, the Company shall pay to the Vendors 25% of the Purchase Price in cash; and shall allot and issue to the Vendors 24 million Consideration Shares.

The First Tranche Consideration Shares shall be subject to a moratorium whereby the Vendors shall not dispose of any of the Consideration Shares for a period of 6 months from the date of issue of the Consideration Shares and shall not dispose of more than 12 million Consideration Shares for a period of 6 months thereafter.

(ii) Second Tranche Consideration Shares

The Second Tranche Consideration Shares shall be allotted and issued to the Vendors 30 days after the audited consolidated financial statements for the NewCo and the PRC Companies for the First Financial Period is issued.

The number of Second Tranche Consideration Shares to be allotted and issued to the Vendors is dependent on whether the NPAT Target of RMB 12 million for the First Financial Period is achieved. As such, the number of Second Tranche Consideration Shares that is to be allotted and issued is dependent on the following scenarios:

- (a) If the NPAT for the First Financial Period is RMB 12 million or more, 24 million Consideration Shares shall be allotted and issued to the Vendors.
- (b) If the NPAT for the First Financial Period is less than RMB 12 million but more than RMB 8.4 million, the Consideration Shares will be allotted and issued to the Vendors on a pro rata basis, the formula of which is set out below;
- (c) If the NPAT for the First Financial Period is less than RMB 8.4 million, no further Consideration Shares will be allotted and issued to the Vendors.

The Second Tranche Consideration Shares shall be subject to a moratorium of 6 months whereby the Vendors shall not dispose of any of the Second Tranche Consideration Shares for a period of 6 months from the date of issue.

(iii) Third Tranche Consideration Shares

The Third Tranche Consideration Shares shall be allotted and issued to the Vendors 30 days after the audited consolidated financial statements for the NewCo and the PRC Companies for the Second Financial Period is issued.

The number of Third Tranche Consideration Shares to be allotted and issued to the Vendors is dependent on whether the aggregate of the NPAT for the First Financial Period and the Second Financial Period is RMB 24 million or more. As such, the number of Second Tranche Consideration Shares that is to be allotted and issued is dependent on the following scenarios:

- (a) If the NPAT for the First Financial Period is less than RMB 8.4 million, and the NPAT for the First Financial Period and the Second Financial Period when aggregated together is RMB 24 million or more, 48 million Consideration Shares shall be allotted and issued to the Vendors.
- (b) If the NPAT for the First Financial Period is less than RMB 12 million but above RMB 8.4 million, and the NPAT for the First Financial Period and the Second Financial Period when aggregated together is RMB 24 million or more, 48 million Consideration Shares less the Consideration Shares issued on a pro rata basis under (ii) (b) above shall be allotted and issued to the Vendors;
- (c) If the NPAT for the First Financial Period is more than RMB 12 million, but the NPAT for the Second Financial Period is less than RMB12 million and the aggregate of the First Financial Period and the Second Financial Period is less than RMB 24 million or if the NPAT for the First Financial Period is less than RMB12 million and the NPAT for the Second Financial Period is less than RMB12 million, the Purchase Consideration to be paid shall be adjusted in the manner set out below. The number of Third Tranche Consideration Shares to be allotted and issued shall be based on an issue price of \$0.15 for each Consideration Shares.

Second Tranche Consideration Shares under (ii)(b)

This formula is applicable if the NPAT for the First Financial Period is less than RMB 12 million but more than RMB 8.4 million. In that event, the Second Tranche Consideration Shares to be allotted and issued on a pro rata basis as follows:-

$$\frac{\text{NPAT Achieved}}{\text{NPAT Target}} \quad \times \quad 24 \text{ million Consideration Shares}$$

Third Tranche Consideration Shares under (iii)(c)

This formula is applicable if the aggregate NPAT for the First Financial Period and the Second Financial Period is less than RMB 24 million. In that event, the initial Purchase Consideration of RMB 72 million shall be adjusted in the manner set out below:-

$$\text{Adjusted Purchase Consideration} = \frac{\text{Initial Consideration}}{\text{RMB 24 million}} \times \left( 1 - \frac{\text{Shortfall}}{\text{RMB 24 million}} \right)$$

**"First Financial Period"** means the period 12 months commencing from the first day of the calendar month immediately after the date of completion of the sale and purchase of the Sale Shares.

**"Second Financial Period"** means the period of 12 months commencing on the date after the end of the First Financial Period.

**"NPAT"** means the audited consolidated net profit from ordinary activities after tax and minority interests of the Group comprising the PRC Companies attributable to shareholders of NewCo, excluding any exceptional and extraordinary items.

### 4.3 Option to Sell and Adjustment of Purchase Consideration

Under the MOU, the Company has the option to sell the Sale Shares to the Vendors in the event that:

- (a) the NPAT for the First Financial Period is less than RMB 6 million; or
- (b) the NPAT for the First Financial Period and the Second Financial Period when aggregated together is less than RMB 12 million.

(the "**Option**").

Upon the Company's exercise of the Option, the Vendors shall purchase all the Sale Shares from the Company for a cash amount that is equivalent to the amount of consideration that the Company has paid to the Vendors.

If the Company does not exercise the Option, the Company may make full payment of the Purchase Consideration as adjusted in the manner set out below:-

$$\text{Adjusted Purchase Consideration} = \frac{\text{Initial Consideration}}{\text{RMB 24 million}} \times \left( 1 - \frac{\text{Shortfall}}{\text{RMB 24 million}} \right)$$

### 5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

### 6. FURTHER INFORMATION

Shareholders and potential investors should note that the MOU is non-binding. If and when the Company enters into a definitive Sale and Purchase agreement in relation to the Proposed Acquisition, the Company will make a further announcement and provide further details. The completion of the definitive Sale and Purchase agreement is subjected to, inter alia, the results of due diligence on the PRC Companies being satisfactory to the Company. Both parties endeavour to enter into the definitive sale and purchase agreement within four (4) months from the date of signing the MOU or such other date as both parties may agree in writing.

### BY ORDER OF THE BOARD

**Koh Boon Liang**  
**Company Secretary**  
**Date: 17 April 2007**