

## LIFEBRANDZ LTD.

(Incorporated in the Republic of Singapore)

**SECOND QUARTER FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JANUARY 2006****PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS (Q1,Q2,Q3) RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| Continuing operations   | The Group             |                 |              |
|---|-----------------------|-----------------|--------------|
|   | 3 months ended 31 Jan |                 | Change<br>%  |
|   | 2006<br>S\$'000       | 2005<br>S\$'000 |              |
| Sales   | 6,801                 | 12,508          | -46%         |
| Other gains   |                       |                 |              |
| - Miscellaneous   | 89                    | 48              | 85%          |
| - Exceptional   | 1,800                 | -               | 0%           |
| Changes in inventories of finished goods                                    | 917                   | 165             | 456%         |
| Finished goods and consumables used,<br>distributor fees and handling costs | (2,495)               | (4,905)         | -49%         |
| Advertising and promotion expenses  | (2,272)               | (5,087)         | -55%         |
| Staff costs   | (1,654)               | (711)           | 133%         |
| Depreciation and amortisation   | (454)                 | (100)           | 354%         |
| Other operating expenses  | (3,835)               | (673)           | 470%         |
|   | (9,793)               | (11,311)        | -13%         |
| <b>(Loss)/profit from operations</b>  | <b>(1,103)</b>        | <b>1,245</b>    | <b>-189%</b> |
| Finance costs   | (165)                 | (34)            | 385%         |
| <b>(Loss)/profit before tax</b>   | <b>(1,268)</b>        | <b>1,211</b>    | <b>-205%</b> |
| Income tax expenses   | (238)                 | (277)           | -14%         |
| <b>Net (loss)/profit for the financial period</b>                           | <b>(1,506)</b>        | <b>934</b>      | <b>-261%</b> |
| <b>Attributable to:</b>   |                       |                 |              |
| Equity holders of the Company   | (1,538)               | 934             |              |
| Minority Interest   | 32                    | -               |              |
|   | <b>(1,506)</b>        | <b>934</b>      |              |

**Notes to Income Statement**

The Group's (loss)/profit before tax is arrived at after charging / (crediting):-

|   | The Group             |                 |
|---|-----------------------|-----------------|
|   | 3 months ended 31 Jan |                 |
|   | 2006<br>S\$'000       | 2005<br>S\$'000 |
| a) Depreciation and amortisation                          | 454                   | 100             |
| b) Inventories written off                                | 1,984                 | 5               |
| c) Foreign exchange loss                                  | 37                    | 4               |
| d) Operating lease expenses                               | 396                   | 94              |
| e) Other miscellaneous gains                              | (89)                  | (48)            |
| f) Impairment loss on goodwill                            | 9                     | -               |
| g) Intangible assets written off                          | 93                    | -               |
| h) Gain on disposal of equity interest in<br>a subsidiary | (1,800)               | -               |

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheets

|  | The Group             |                       | The Company           |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31/01/2006<br>S\$'000 | 31/07/2005<br>S\$'000 | 31/01/2006<br>S\$'000 | 31/07/2005<br>S\$'000 |
| <b>ASSETS</b>  |                       |                       |                       |                       |
| <b>Current assets</b>  |                       |                       |                       |                       |
| Cash and cash equivalents  | 18,354                | 20,025                | 5,130                 | 18,252                |
| Trade receivables  | 12,779                | 16,377                | 7                     | -                     |
| Other receivables  | 1,661                 | 520                   | 21,301                | 4,725                 |
| Other current assets   | 4,107                 | 3,668                 | 1,059                 | 1,118                 |
| Inventories  | 1,594                 | 607                   | -                     | -                     |
|  | <u>38,495</u>         | <u>41,197</u>         | <u>27,497</u>         | <u>24,095</u>         |
| <b>Non-current assets</b>  |                       |                       |                       |                       |
| Plant and equipment  | 8,324                 | 924                   | -                     | -                     |
| Intangible assets  | 1,240                 | 1,114                 | -                     | -                     |
| Investments in subsidiaries  | -                     | -                     | 8,639                 | 5,339                 |
| Loan to intercompany   | -                     | -                     | 1,000                 | -                     |
|  | <u>9,564</u>          | <u>2,038</u>          | <u>9,639</u>          | <u>5,339</u>          |
| <b>Total assets</b>  | <u>48,059</u>         | <u>43,235</u>         | <u>37,136</u>         | <u>29,434</u>         |
| <b>LIABILITIES</b>   |                       |                       |                       |                       |
| <b>Current liabilities</b>   |                       |                       |                       |                       |
| Trade payables   | 6,976                 | 4,654                 | 62                    | 37                    |
| Other payables   | 3,560                 | 1,553                 | 166                   | 124                   |
| Borrowings   | 10,839                | 1,559                 | 5,833                 | -                     |
| Current income tax liabilities   | 309                   | 1,473                 | 4                     | 49                    |
|  | <u>21,684</u>         | <u>9,239</u>          | <u>6,065</u>          | <u>210</u>            |
| <b>Total liabilities</b>   | <u>21,684</u>         | <u>9,239</u>          | <u>6,065</u>          | <u>210</u>            |
| <b>NET ASSETS</b>  | <u>26,375</u>         | <u>33,996</u>         | <u>31,071</u>         | <u>29,224</u>         |
| <b>EQUITY</b>  |                       |                       |                       |                       |
| <b>Capital and reserves attributable to the Company's equity holders</b> |                       |                       |                       |                       |
| Share capital  | 6,120                 | 6,120                 | 6,120                 | 6,120                 |
| Share premium  | 22,988                | 22,988                | 22,988                | 22,988                |
| Foreign currency translation reserve                                     | (13)                  | (9)                   | -                     | -                     |
| (Accumulated losses)/retained earnings                                   | (2,952)               | 4,897                 | 1,963                 | 116                   |
|  | <u>26,143</u>         | <u>33,996</u>         | <u>31,071</u>         | <u>29,224</u>         |
| Minority Interest  | 232                   | -                     | -                     | -                     |
| <b>Total equity</b>  | <u>26,375</u>         | <u>33,996</u>         | <u>31,071</u>         | <u>29,224</u>         |

1(b)(ii) Aggregate amount of group's borrowings and debt securities

|   | The Group          |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|
|   | As at 31/01/2006   |                      | As at 31/01/2005   |                      |
|   | Secured<br>S\$'000 | Unsecured<br>S\$'000 | Secured<br>S\$'000 | Unsecured<br>S\$'000 |
| Amount repayable in one year or less,<br>or on demand | 5,217              | -                    | -                  | -                    |
| Amount repayable after one year                       | 5,622              | -                    | -                  | -                    |
|   | <u>10,839</u>      | <u>-</u>             | <u>-</u>           | <u>-</u>             |

Details of any collateral

A charge on Fixed Deposit of the Company for S\$500,000 placed with a financial institution for a credit facility granted to the Company. A charge over asset on a subsidiary of the Company for S\$4,800,000 placed with a financial institution for a banker's guarantee granted to the subsidiary.

1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

|  | <b>The Group</b>                         |                       |
|--|--|-----------------------|
|  | 3 months ended 31 Jan<br>2006<br>S\$'000 | 2005<br>S\$'000       |
| <b>Cash flows from operating activities</b>                        |  |                       |
| (Loss)/Profit after tax  | (1,506)                                  | 934                   |
| Adjustments for:   |  |                       |
| Tax  | 238                                      | 277                   |
| Depreciation and amortisation                                      | 454                                      | 100                   |
| Impairment loss on goodwill  | 9  | -                     |
| Interest income from short-term bank deposits                      | (69)                                     | (48)                  |
| Factoring charges and interest on bank borrowings                  | 165                                      | 34                    |
| Franchise fee written off  | 93                                       | -                     |
| Gain on disposal of equity interest in a subsidiary                | (1,800)                                  | -                     |
| Gain on disposal of plant and equipment                            | (20)                                     | -                     |
| Operating cashflow before working capital changes                  | <u>(2,436)</u>                           | <u>1,297</u>          |
| Change in operating assets and liabilities:                        |  |                       |
| Trade receivables  | 4,378                                    | (2,601)               |
| Other receivables  | (46)                                     | -                     |
| Other current assets   | (350)                                    | 449                   |
| Inventories  | (917)                                    | (164)                 |
| Trade payables   | 2,515                                    | 1,338                 |
| Other payables   | 1,463                                    | -                     |
| Cash used in operations  | <u>4,607</u>                             | <u>319</u>            |
| Income tax paid  | (1,357)                                  | (1,171)               |
| <b>Net cash provided by/(used in) operating activities</b>         | <u><b>3,250</b></u>                      | <u><b>(852)</b></u>   |
| <b>Cash flows from investing activities</b>                        |  |                       |
| Proceeds from disposal of plant and equipment                      | 108                                      | -                     |
| Purchases of plant and equipment                                   | (5,943)                                  | (393)                 |
| Interest received from short-term bank deposits                    | 69                                       | 48                    |
| <b>Net cash used in investing activities</b>                       | <u><b>(5,766)</b></u>                    | <u><b>(345)</b></u>   |
| <b>Cash flows from financing activities</b>                        |  |                       |
| Payments for share issue expenses                                  | -  | (80)                  |
| Proceeds from sale of equity interest in a subsidiary              | 2,000                                    | -                     |
| Proceeds from borrowings   | 1,360                                    | -                     |
| Factoring charges and interest on bank borrowings paid             | (165)                                    | (34)                  |
| Dividends paid to shareholders                                     | (616)                                    | (4,467)               |
| <b>Net cash from/(used in) financing activities</b>                | <u><b>2,579</b></u>                      | <u><b>(4,581)</b></u> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>        | <b>63</b>                                | <b>(5,778)</b>        |
| Cash and cash equivalents at the beginning of the financial period | 18,291                                   | 28,707                |
| Effects of exchange rate changes on cash and cash equivalents      | -  | 2                     |
| <b>Cash and cash equivalents at end of the financial period</b>    | <u><b>18,354</b></u>                     | <u><b>22,931</b></u>  |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative for the corresponding period of the immediately preceding financial year

(i) Consolidated statement of changes in equity for 3 months ended 31 Jan 2006 - Group

|  | Share<br>Capital | Share<br>Premium | Foreign<br>Currency<br>Translation<br>Reserve | Retained<br>Earnings/<br>(Accumulated<br>Loss) | Minority<br>Interest | Total   |
|--|------------------|------------------|---|--|----------------------|---------|
|  | S\$'000          | S\$'000          | S\$'000                                       | S\$'000  | S\$'000              | S\$'000 |
| <b>Balance at 1 August 2005</b>  | 6,120            | 22,988           | (9)   | 4,897  | -                    | 33,996  |
| Net loss for the period  | -                | -                | -   | (5,696)  | -                    | (5,696) |
| Net loss not recognised in<br>income statement - currency<br>translation differences | -                | -                | (2)   | -  | -                    | (2)     |
| <b>Total recognised losses<br/>for the period</b>                                    | -                | -                | (2)   | (5,696)  | -                    | (5,698) |
| <b>Balance at 31 October 2005</b>  | 6,120            | 22,988           | (11)  | (799)  | -                    | 28,298  |
| Net loss for the period  | -                | -                | -   | (1,538)  | 32                   | (1,506) |
| Net loss not recognised in<br>income statement - currency<br>translation differences | -                | -                | (2)   | -  | -                    | (2)     |
| <b>Total recognised profit/(losses)<br/>for the period</b>                           | -                | -                | (2)   | (1,538)  | 32                   | (1,508) |
| Dividend   |                  |                  |   | (616)  |                      | (616)   |
| Minority Interest  |                  |                  |   |  | 200                  | 200     |
| <b>Balance at 31 January 2006</b>  | 6,120            | 22,988           | (13)  | (2,952)  | 232                  | 26,375  |
| <b>Balance at 1 August 2004</b>  | 6,120            | 23,068           | 2   | 4,436  | -                    | 33,626  |
| Net profit for the period  | -                | -                | -   | 2,108  | -                    | 2,108   |
| Net gain not recognised in income statement<br>- currency translation differences    | -                | -                | (14)  | -  | -                    | (14)    |
| <b>Total recognised gains and losses<br/>the period</b>                              | -                | -                | (14)  | 2,108  | -                    | 2,094   |
| <b>Balance at 31 October 2004</b>  | 6,120            | 23,068           | (12)  | 6,544  | -                    | 35,720  |
| Net profit for the period  | -                | -                | -   | 934  | -                    | 934     |
| Net gain not recognised in income statement<br>- currency translation differences    | -                | -                | (2)   | -  | -                    | (2)     |
| Net change in share premium  |                  | (80)             |   |  |                      | (80)    |
| <b>Total recognised gains and losses<br/>the period</b>                              | -                | (80)             | (2)   | 934  | -                    | 852     |
| Dividend   |                  |                  |   | (4,467)  | -                    | (4,467) |
| <b>Balance at 31 January 2005</b>  | 6,120            | 22,988           | (14)  | 3,011  | -                    | 32,105  |

(ii) Statement of changes in equity for 3 months ended 31 January 2006 - Company

|   | Share<br>Capital<br>S\$'000 | Share<br>Premium<br>S\$'000 | Retained<br>Earnings<br>S\$'000 | Total<br>S\$'000 |
|---|-----------------------------|-----------------------------|---------------------------------|------------------|
| <b>Balance at 1 August 2005</b>                             | 6,120                       | 22,988                      | 116                             | 29,224           |
| Net profit for the period                                   | -                           | -                           | 13                              | 13               |
| <b>Balance at 31 October 2005</b>                           | 6,120                       | 22,988                      | 129                             | 29,237           |
| Net profit for the period                                   | -                           | -                           | 2,450                           | 2,450            |
| Dividend  |                             |                             | (616)                           | (616)            |
| <b>Balance at 31 January 2006</b>                           | 6,120                       | 22,988                      | 1,963                           | 31,071           |
| <b>Balance at 1 August 2004</b>                             | 6,120                       | 23,068                      | 4,512                           | 33,700           |
| Net profit for the period                                   | -                           | -                           | 38                              | 38               |
| <b>Balance at 31 October 2004</b>                           | 6,120                       | 23,068                      | 4,550                           | 33,738           |
| Net profit for the period                                   | -                           | -                           | 39                              | 39               |
| Net change in share premium                                 |                             | (80)                        |                                 | (80)             |
| <b>Total recognised gains and losses<br/>for the period</b> | -                           | (80)                        | 39                              | (41)             |
| Dividend  |                             |                             | (4,467)                         | (4,467)          |
| <b>Balance at 31 January 2005</b>                           | 6,120                       | 22,988                      | 122                             | 29,230           |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

**(a) Changes in authorised share capital**

There were no changes in the authorised share capital.

**(b) Changes in paid-up share capital**

There were no changes in the issued share capital.

**(c) Options**

There were no option granted as at 31 January 2006

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not Applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The same accounting policies and methods of computation have been adopted for the current reporting period as compared with the most recently audited financial statements of LifeBrandz Ltd for the year ended 31st July 2005.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has applied the same accounting policies and methods of computation in the presentation of the financial statements for the current reporting period compared with the audited financial statements as at 31 July 2005, except for the adoption of the following new and revised Singapore Financial Reporting Standards (FRS) that are effective for our financial year beginning on 1 August 2005:

- FRS 1 (revised 2004) Presentation of Financial Statements
- FRS 2 (revised 2004) Inventories
- FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 10 (revised 2004) Events after the Balance Sheet Date
- FRS 16 (revised 2004) Property, Plant and Equipment
- FRS 17 (revised 2004) Leases
- FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates
- FRS 24 (revised 2004) Related Party Disclosures
- FRS 27 (revised 2004) Consolidated and Separate Financial Statements
- FRS 32 (revised 2004) Financial Instruments: Disclosures and Presentation
- FRS 33 (revised 2004) Earnings per Share
- FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement
- FRS 103 Business Combinations

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies.

The financial statements, comprising the consolidated income statement, balance sheets, statements of changes in equity and consolidated cashflow statements, have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| The Group             |      |
|-----------------------|------|
| 3 months ended 31 Jan |      |
| 2006                  | 2005 |

(Loss)/Earnings per ordinary share ("EPS") for the period after deducting any provision for preference dividends :

|   |        |      |
|---|--------|------|
| Basic (Loss)/Earnings per share (cents) | (0.25) | 0.15 |
|---|--------|------|

Diluted earnings per share is the same as basic earnings per share as there are no issuance of dilutive instrument.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

|  | The Group |          | The Company |          |
|--|-----------|----------|-------------|----------|
|  | 1/31/2006 | 31/07/05 | 1/31/2006   | 31/07/05 |

|  |      |      |      |      |
|--|------|------|------|------|
| Net assets backing per ordinary share based on existing issued share capital as at the end of the period reported on (cents) | 4.27 | 5.55 | 5.08 | 4.78 |
|--|------|------|------|------|

8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -**

**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### **Income Statement**

The Group's financial performance for the second quarter ended 31 January 2006 ("Q2 FY06") is in line with the outlook statement provided in conjunction with the Group's Q1 FY06 results announcement on 15 December 2005.

Per previous guidance, the unfavourable conditions prevailing in the beauty and health supplement industry in all the markets where the Group's products are present continued through Q2 FY06, thereby impacting the contributions from the Group's Beauty/Fashion/Wellness product category.

However in Q2 FY06, the Group commenced the initial recognition of sales from its new Lifestyle product category with the inaugural opening of the first two entertainment concepts, The Balcony in November 2005 and Ministry of Sound in December 2005, as scheduled. The positive market reception to the Group's new Lifestyle product category offerings mitigated the lower contribution from the Beauty/Fashion/Wellness product category in line with the abovementioned challenging conditions.

In spite of The Balcony and Ministry of Sound commencing operations for a brief period during the quarter under review, ie, 2.5 months and 1.5 months respectively, the Group recorded total Q2 FY06 sales of \$6.8 million.

This is an encouraging improvement compared to the \$2.0 million sales reported for the preceding Q1 for the current financial year FY06, albeit, still significantly lower than the \$12.5 million sales posted for the corresponding Q2 FY05 last year when conditions in the beauty and health supplement industry were more favourable.

Consequently, net loss attributable to shareholders for Q2 FY06 was significantly narrowed to \$1.5 million in Q2 FY06, from a net loss of \$5.7 million reported for the preceding Q1 FY06. The Group had posted a net profit of \$0.9 million for the corresponding Q2 FY05 last year.

The improvement in net loss was mainly attributed to average gross margin rising to 76% compared to 65% for Q1 FY06 and 62% for Q2 FY05. In addition, the Group recognised a one-time exceptional income of \$1.8 million arising from the sale of a 20% equity interest in wholly owned subsidiary Cannery Holding Pte Ltd ("CHPL") on 23 January 2006, for a cash consideration of \$2.0 million in two tranches. CHPL owns 100% interest in the capital of Ministry of Sound Pte Ltd.

Spending on advertising and promotion ("A&P") was reduced to \$2.3 million in Q2 FY06 versus \$5.1 million in Q2 FY05. This is in line with the Group maintaining a focused A&P strategy for its Beauty/Fashion/Wellness product category viz-a-viz continuing unfavourable conditions in the beauty and health supplement industry including significantly increased advertisement media rates; thus utilising more cost-effective channels, e.g., below-the-line A&P. In addition, the new Lifestyle product category required comparatively less on-going A&P spending apart from initial expenses incurred for the launch events.

Staffing-related costs rose to \$1.7 million from \$0.7 million in Q2 FY05 while depreciation charges rose to \$0.4 million from \$0.1 million, in line with the additional headcount and plant and equipment / new premises set-up respectively, for the Group's new businesses under both product categories, in particular Ministry of Sound.

Excluding a write-off of \$2.0 million arising from finished goods spoilage in Q2 FY06, Other Operating Expenses rose by a net amount of \$1.2 million compared to Q2 FY05, which was largely due to additional general office and administrative expenses incurred for the new Lifestyle product category.

The increase in finance cost to \$165,000 in Q2 FY06 from \$34,000 in Q2 FY05 was in line with the increase in borrowings to support the new business activities.

#### **Balance Sheet and Cash Flow**

Trade receivables decreased to \$12.8 million as at 31 January 2006 compared to \$16.4 million as at 31 July 2005. This was due mainly to the timing of receivables collection by quarter-end, while the new Lifestyle product category's businesses entail cash sales transactions.

Other receivables increased to \$1.7 million from \$0.6 million due to the inclusion of the remaining cash consideration of \$0.62 million with regards to the sale of 200,000 equity interest of CHPL which is due by 31 December 2006.

The increase in inventories to \$1.6 million from \$0.6 million was largely due to the initial stocking up of products for sale in preparation for the inaugural opening of new businesses, i.e., Ministry of Sound, The Balcony, Dashing Diva and N-Inc.

Plant and equipment increased to \$8.3 million from \$0.9 million mainly attributed to investment outlay in the setting up of the premises for new businesses and purchase of computer equipment, mainly for Ministry of Sound. Trade payables rose to \$7.0 million from \$4.7 million and Other accruals rose to \$3.6 million from \$1.6 million in tandem with the purchases of plant and equipment for the new businesses.

Borrowings increased to \$10.8 million from \$1.6 million as at 31 July 2005 was to fund the set-up for the Group's new businesses. Cash and cash equivalents as at 31 January 2006 stood at \$18.4 million compared to \$20.0 million as at 31 July 2005.

Operating activities in Q2 FY06 generated a net cash flow of \$3.2 million versus net cash used in operating activities of \$0.9 million in Q2 FY05. Net cash used in investing activities amounted to \$5.8 million, largely due to purchases of plant and equipment, while net cash from financing activities of \$2.6 million included the \$2.0 million from the Group's sale of interest in a subsidiary.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

Further to our outlook statement for FY06 provided in conjunction with our results for the preceding quarter Q1 FY06, we wish to provide the following update:-

With regard to the Group's Beauty/Fashion/Wellness product category, the underlying challenges and trends in its beauty and health supplement market segments remain unfavourable as anticipated earlier.

Thus, the Group will continue to judiciously utilise resources allocated to this category, selectively building its brands with a longer term perspective. The Group will continue to monitor closely the operating climate for each country and product and remain on the look out for fresh opportunities.

In regards to the LifeStyle product category, the Group is motivated by the positive market reception to its first two product offerings – The Balcony and Ministry of Sound - and will proceed to develop Phase II of the Clarke Quay's Cannery block in the second half of FY06. The Group is optimistic about the future prospects of this category, buoyed by bullish market sentiments in tandem with better performance by the Singapore economy and the increase in tourist visits to Singapore.

In view of the above outlook for the Beauty/Fashion/Wellness product category, the Directors are of the opinion that the Group will incur a net loss for FY06.

**11 Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on ?

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year ?

None

**(c) Date payable**

Not applicable

**(d) Books Closure date**

Not applicable

**12 If no dividend has been declared/recommendeded, a statement to that effect**

No interim dividend has been declared/recommended for the period under review.

**BY ORDER OF THE BOARD**

**Koh Boon Liang / Tan Ping Ping  
Joint Company Secretaries  
14 March 2006**