

LIFEBRANDZ LTD.

(Incorporated in the Republic of Singapore)

FIRST QUARTER FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 OCTOBER 2005

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

The Group			
	3 months ended 31 Oct		Change
	2005	2004	%
	S\$'000	S\$'000	
Sales	<u>1,990</u>	<u>12,712</u>	-84%
Other operating income	68	50	36%
Changes in inventories of finished goods	70	208	-66%
Finished goods and consumables used, distributor fees and handling costs	(768)	-4,636	-83%
Advertising and promotion expenses	(4,471)	-4,294	4%
Staff costs	(951)	-692	37%
Depreciation and amortisation	(150)	-78	92%
Other operating expenses	(1,359)	-623	118%
	<u>(7,561)</u>	-10,065	-25%
(Loss)/profit from operations	<u>(5,571)</u>	2,647	-310%
Finance costs	(125)	-36	247%
(Loss)/profit before tax	<u>(5,696)</u>	2,611	-318%
Income tax expenses	-	-503	-100%
Net (loss)/profit for the financial period	<u>(5,696)</u>	<u>2,108</u>	-370%

Notes to Income Statement

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

The Group			
	3 months ended 31 Oct		
	2005	2004	
	S\$'000	S\$'000	
a) Depreciation and amortisation	150	78	
b) Inventories written off	844	2	
c) Foreign exchange (gain)/loss	(128)	57	
d) Operating lease expenses	130	79	
e) Other income	(68)	(50)	
f) Impairment loss on goodwill	9	-	

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	
	31/10/2005 S\$'000	31/07/2005 S\$'000	31/10/2005 S\$'000	31/07/2005 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	18,291	20,025	15,756	18,252
Trade receivables	18,048	16,377	7	-
Other receivables	724	520	11,107	4,725
Other current assets	3,757	3,668	1,091	1,118
Inventories at cost	677	607	-	-
	<u>41,497</u>	<u>41,197</u>	<u>27,961</u>	<u>24,095</u>
Non-current assets				
Plant and equipment	2,879	924	-	-
Intangible assets	1,387	1,114	-	-
Investments in subsidiaries	-	-	7,839	5,339
	<u>4,266</u>	<u>2,038</u>	<u>7,839</u>	<u>5,339</u>
Total assets	<u>45,763</u>	<u>43,235</u>	<u>35,800</u>	<u>29,434</u>
LIABILITIES				
Current liabilities				
Trade payables	4,461	4,654	103	37
Other payables	2,098	1,553	206	124
Borrowings	9,479	1,559	6,250	-
Current income tax liabilities	1,427	1,473	4	49
	<u>17,465</u>	<u>9,239</u>	<u>6,563</u>	<u>210</u>
Total liabilities	<u>17,465</u>	<u>9,239</u>	<u>6,563</u>	<u>210</u>
NET ASSETS	<u>28,298</u>	<u>33,996</u>	<u>29,237</u>	<u>29,224</u>
SHAREHOLDERS' EQUITY				
Share capital	6,120	6,120	6,120	6,120
Share premium	22,988	22,988	22,988	22,988
Foreign currency translation reserve	(11)	(9)	-	-
Retained (loss)/earnings	(799)	4,897	129	116
Total shareholders' equity	<u>28,298</u>	<u>33,996</u>	<u>29,237</u>	<u>29,224</u>

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

	The Group			
	As at 31/10/2005		As at 31/10/2004	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	4,843	-	-	-
Amount repayable after one year	4,636	-	-	-
	<u>9,479</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.

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

	The Group	
	3 months ended 31 Oct 2005 S\$'000	2004 S\$'000
Cash flows from operating activities		
(Loss)/Profit before tax	(5,696)	2,611
Adjustments for:		
Depreciation and amortisation	150	78
Impairment loss on goodwill	9	-
Interest income from short-term bank deposits	(68)	(50)
Factoring charges and interest on bank overdraft	125	36
Operating cashflow before working capital changes	<u>(5,480)</u>	<u>2,675</u>
Change in operating assets and liabilities:		
Trade receivables	(1,671)	(537)
Other receivables	(204)	(3)
Other current assets	(89)	(1,789)
Inventories	(70)	(208)
Trade payables	(193)	(1,381)
Other payables	545	(1)
Cash used in operations	<u>(7,162)</u>	<u>(1,244)</u>
Income tax paid	<u>(46)</u>	<u>(1)</u>
Net Cash used in operating activities	<u>(7,208)</u>	<u>(1,245)</u>
Cash flows from investing activities		
Purchases of plant and equipment	(2,099)	(99)
Purchases of franchises and licenses	(288)	-
Interest received from short-term bank deposits	68	50
Net cash used in investing activities	<u>(2,319)</u>	<u>(49)</u>
Cash flows from financing activities		
Proceeds from borrowings	7,920	-
Factoring charges and interest on bank overdraft paid	(125)	(36)
Net cash from/(used in) financing activities	<u>7,795</u>	<u>(36)</u>
Net decrease in cash and cash equivalents	<u>(1,732)</u>	<u>(1,330)</u>
Cash and cash equivalents at the beginning of the financial period	20,025	30,040
Effects of exchange rate changes on cash and cash equivalents	(2)	(3)
Cash and cash equivalents at end of the financial period	<u>18,291</u>	<u>28,707</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 the period ended 31 Oct 2005 - Group

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Earnings/ Accumulated Loss	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 August 2005	6,120	22,988	(9)	4,897	33,996
Net loss for the period	-	-	-	(5,696)	(5,696)
Net loss not recognised in income statement - currency translation differences	-	-	(2)	-	(2)
Total recognised gains and losses for the financial period	-	-	(2)	(5,696)	(5,698)
Balance at 31 October 2005	<u>6,120</u>	<u>22,988</u>	<u>(11)</u>	<u>(799)</u>	<u>28,296</u>
Balance at 1 August 2004	6,120	23,068	2	4,436	33,626
Net profit for the financial year	-	-	-	2,108	2,108
Net gain not recognised in income statement - currency translation differences	-	-	(14)	-	(14)
Total recognised gain for the financial period - Net Profit	-	-	(14)	2,108	2,094
Balance at 31 October 2004	<u>6,120</u>	<u>23,068</u>	<u>(12)</u>	<u>6,544</u>	<u>35,720</u>

(ii) Statement of changes in equity for period ended 31 Oct 2005 - Company

	Share Capital S\$'000	Share Premium S\$'000	Retained Earnings S\$'000	Total S\$'000
Balance at 1 August 2005	6,120	22,988	116	29,224
Net profit for the period	-	-	13	13
Balance at 31 October 2005	6,120	22,988	129	29,237
Balance at 1 August 2004	6,120	23,068	4,512	33,700
Net profit for the period	-	-	38	38
Balance at 31 October 2004	6,120	23,068	4,550	33,738

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 October 2005

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 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") as required by the Companies Act.

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 Oct	
2005	2004

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

Basic Earnings per share (cents)	(0.93)	0.34
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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	
	31/10/05	31/07/05	31/10/05	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)	4.62	5.55	4.78	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.

Overview

The Group's financial performance for the first quarter, August – October 2005 ("Q1 FY06"), of the financial year ending 31 July 2006 ("FY06") is in line with the outlook statement provided in conjunction with the Group's release of FY05 results on 29 September 2005 and profit warning issued on 17 November 2005.

As guided earlier, the unfavourable developments that arose in Q4 FY05 persisted through Q1 FY06 and thus, negatively impacted the Group's Q1 FY06 sales and profitability. These included factors such as the slowdown in demand across the beauty and health supplement industry in all the markets where the Group's products are present, increased competition, overall increase in advertising & promotion ("A&P") rates and continuously changing regulations in the Group's overseas markets.

Furthermore, set-up costs and A&P-related expenses were incurred in Q1 FY06 for various projects under development in the Group's LifeStyle and Fashion categories. Most of these projects are only scheduled to commence operations progressively from Q2 FY06, but contributed to higher operating expenses and upfront cash payments in Q1 FY06.

Consequently, the Group posted significantly lower Q1 FY06 sales of \$2.0 million compared to Q1 FY05 sales of \$12.7 million and a net loss of \$5.7 million for Q1 FY06 compared to a profit of \$2.1 million for Q1 FY05. Nevertheless, gross margin was maintained at 65%.

Sales

Q1 FY06 sales are comprised entirely from the sale of products classified under its Beauty/Fashion/Wellness product category.

As mentioned above, the substantial reduction in sales was largely attributed to the slowdown in demand for the beauty and health supplement industry which the Group's products occupy, the increased number of low price competitors, and the marketing delays as a result of changed regulations in the overseas markets.

There was no recognition of sales under the new LifeStyle product category for Q1 FY06 as the Group's first lifestyle concept, The Balcony, was opened in November 2005, i.e., Q2 FY06, with the next offering, Ministry of Sound, scheduled to be launched in late Q2 FY06.

Profitability

Overall, the Group has re-channelled resources from non-earning areas to its promising LifeStyle category and implemented measures to contain costs and overheads to improve cost efficiency across the Group's operations.

A&P Expenses

In accordance with the Group's focused A&P strategy, related spending rose marginally to \$4.5 million in Q1 FY06 from \$4.3 million in Q1 FY05, which was mainly invested in the following:

- A&P expenses incurred for the overseas markets of Indonesia, Taiwan and Thailand;
- Continuous efforts to build brand equity for our leading products in Singapore and Hong Kong markets;
- Launching of Dashing Diva brand in Singapore; and
- Pre-promotional expenses related to LifeStyle category (principally Ministry of Sound and the Balcony).

Other Operating Expenses

Other operating expenses in Q1 FY06 saw an increase of \$1.0 million to \$2.4 million from \$1.4 million in Q1 FY05. Excluding a write-off of \$0.9 million arising from finished goods spoilage, other operating expenses increased by a net amount of \$0.1 million during this period, which were attributed to:

- Savings from the Group's streamlining of operations in Singapore and Hong Kong offset by:
- Increased headcount in Q1 FY05 to support the Group's new business units under Fashion and LifeStyle;
- Higher depreciation / amortisation charges in line with increases in plant and equipment as well as franchise and licence fees; and
- Various expenses incurred in developing the new businesses, e.g., consultancy, legal, overseas travel, rental charges.

The increase in finance cost to \$0.1 million in Q1 FY06 was in line with the increase in borrowings to support the new business activities.

Balance Sheet and Cash Flow

Plant and equipment increased to \$2.9 million as at 31 October 2005 compared to \$0.9 million as at 31 July 2005. This was mainly attributed to investment outlay in the setting up of the premises for new businesses under Fashion and Lifestyle categories and purchase of computer equipment.

Trade receivables increased to \$18.0 million as at 31 October 2005 compared to \$16.4 million as at 31 July 2005. This increase was due mainly to sales being recorded in later part of Q1 FY06. Subsequent to 31 October 2005, \$2.8 million has been collected from the trade receivables balance.

The increase in borrowings to \$9.5 million from \$1.6 million as at 31 July 2005 was to support the Group's new businesses.

In line with lower sales from existing Beauty/Wellness product category in Q1 FY06 coupled with various investments, prepayments and set-up expenses in bringing its new businesses under Fashion and LifeStyle categories to the market, there was a further reduction in cash flow from operating activities, an increase in cash used in investing activities and an increase in cash from financing activities. Cash and cash equivalents as at Q1 FY06 stood at \$18.3 million compared to \$28.7 million a year ago.

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

With reference to the overall outlook statement for FY06 provided in conjunction with the announcement of the Group's FY05 results, the underlying challenges and trends in the operating climate of the Group remains the same.

Unfavourable operating conditions for the Group's Beauty/Wellness products are likely to prevail over the next two quarters in FY06. In addition, the Group expects to incur additional expenditures for setting up premises and A&P costs to position its new Fashion and Lifestyle brands prior to launch. In light of the above, the Group expects its financial performance in FY06 to be negatively impacted.

The Group will continue to monitor closely the operating climate for each country and product while focusing on building selective brands with a longer term perspective, especially new brands under its LifeStyle product category. The Group is pleased to announce that it has launched on schedule the first Dashing Diva Nail Spa & Boutique at Suntec City Mall and The Balcony, a 24-hour bistro-cum-chill out lounge at the Heeren. The Group also remains on track to launch its first international entertainment brand Ministry of Sound at Clarke Quay in late Q2 FY06. Other LifeStyle concepts in the pipeline, e.g., Café del Mar, Fashion TV and Bice Restaurant, are progressing according to plans and will be announced at the appropriate times.

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
15-Dec-05