

## SECOND QUARTER AND HALF YEAR \* FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT

\* Asterisks denote mandatory information

<b>Name of Announcer *</b>	EU YAN SANG INTERNATIONAL LTD
<b>Company Registration No.</b>	199302179H
<b>Announcement submitted on behalf of</b>	EU YAN SANG INTERNATIONAL LTD
<b>Announcement is submitted with respect to *</b>	EU YAN SANG INTERNATIONAL LTD
<b>Announcement is submitted by *</b>	Ng Pei Shan
<b>Designation *</b>	Company Secretary
<b>Date &amp; Time of Broadcast</b>	06-Feb-2012 17:14:57
<b>Announcement No.</b>	00032

>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

<b>For the Financial Period Ended *</b>	31-12-2011
<b>Description</b>	Please see attached.
<b>Attachments</b>	 <a href="#">EYS_2QFY12_SGXNET.pdf</a> Total size = <b>85K</b> (2048K size limit recommended)

**Unaudited Financial Statements And Dividend Announcement**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) **An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Income statement

	Group Second Quarter ended		Change	Group Half Year ended		Change
	31-Dec-11	31-Dec-10		31-Dec-11	31-Dec-10	
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Revenue</b>	<b>69,764</b>	<b>64,012</b>	<b>9%</b>	<b>130,494</b>	<b>121,633</b>	<b>7%</b>
Cost of Sales	(33,890)	(31,014)	9%	(62,498)	(58,356)	7%
<b>Gross Profit</b>	<b>35,874</b>	<b>32,998</b>	<b>9%</b>	<b>67,996</b>	<b>63,277</b>	<b>7%</b>
Other operating income	393	356	10%	810	799	1%
Distribution and selling expenses	(22,480)	(20,216)	11%	(43,797)	(40,309)	9%
Administrative expenses	(6,012)	(5,366)	12%	(11,058)	(10,649)	4%
Other operating expenses	-	(75)	-100%	-	(75)	-100%
<b>Operating Profit</b>	<b>7,775</b>	<b>7,697</b>	<b>1%</b>	<b>13,951</b>	<b>13,043</b>	<b>7%</b>
Foreign exchange gain	133	307	-57%	175	533	-67%
Interest income	8	7	14%	27	18	50%
Interest expenses	(264)	(196)	35%	(541)	(334)	62%
Impairment of associate	(7,625)	-	N.M.	(7,625)	-	N.M.
Impairment of derivatives	(1,183)	-	N.M.	(1,183)	-	N.M.
<b>(Loss)/ profit before tax</b>	<b>(1,156)</b>	<b>7,815</b>	<b>-115%</b>	<b>4,804</b>	<b>13,260</b>	<b>-64%</b>
Taxation	(1,548)	(3,704)	-58%	(2,959)	(5,013)	-41%
<b>(Loss)/ profit for the period, net of tax</b>	<b>(2,704)</b>	<b>4,111</b>	<b>-166%</b>	<b>1,845</b>	<b>8,247</b>	<b>-78%</b>
<b>Attributable to:</b>						
<b>Owners of the parent</b>	<b>(2,780)</b>	<b>4,084</b>	<b>N.M.</b>	<b>1,723</b>	<b>8,209</b>	<b>-79%</b>
<b>Non-controlling interests</b>	<b>76</b>	<b>27</b>	<b>181%</b>	<b>122</b>	<b>38</b>	<b>221%</b>
	<b>(2,704)</b>	<b>4,111</b>	<b>N.M.</b>	<b>1,845</b>	<b>8,247</b>	<b>-78%</b>

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

Consolidated Statement of Comprehensive Income

	Group		Change	Group		Change
	Second Quarter ended			Half Year ended		
	31-Dec-11	31-Dec-10		31-Dec-11	31-Dec-10	
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>(Loss)/ profit for the period, net of tax</b>	<b>(2,704)</b>	<b>4,111</b>	<b>N.M.</b>	<b>1,845</b>	<b>8,247</b>	<b>-78%</b>
<b>Other comprehensive income:</b>						
Currency translation adjustments on foreign operations	4,019	(3,339)	N.M.	4,110	(6,174)	N.M.
<b>Other comprehensive income for the period</b>	<b>4,019</b>	<b>(3,339)</b>	<b>N.M.</b>	<b>4,110</b>	<b>(6,174)</b>	<b>N.M.</b>
<b>Total comprehensive income for the period</b>	<b>1,315</b>	<b>772</b>	<b>70%</b>	<b>5,955</b>	<b>2,073</b>	<b>187%</b>
<b>Attributable to:</b>						
Owners of the parent	1,226	751	63%	5,816	2,047	184%
Non-controlling interests	89	21	324%	139	26	435%
	<b>1,315</b>	<b>772</b>	<b>70%</b>	<b>5,955</b>	<b>2,073</b>	<b>187%</b>

Notes:

- (i) Operating profit is arrived at after charging(crediting) the following:

	Second Quarter ended		Half Year ended	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,579	1,678	3,125	3,388
Amortisation of intangible assets	96	65	182	127
Gain on disposal of property, plant and equipment	-	(29)	(58)	(29)
Property, plant and equipment written off	5	7	7	7
Inventory written down	-	50	-	50
Share-based payment expenses	-	104	-	185

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

	Group		Company	
	31-Dec-11 S\$'000	30-Jun-11 S\$'000	31-Dec-11 S\$'000	30-Jun-11 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	70,976	66,116	426	425
Investment properties	48,421	22,028	-	-
Intangible assets	736	710	-	-
Investments in subsidiaries	-	-	44,121	43,918
Investments in associate	-	7,626	-	7,009
Amount due from subsidiaries	-	-	29,463	29,463
	<b>120,133</b>	<b>96,480</b>	<b>74,010</b>	<b>80,815</b>
<b>Current assets</b>				
Inventories	75,741	45,511	-	-
Trade and other receivables	20,440	15,482	789	243
Prepayments	5,734	3,576	185	155
Derivatives	-	1,183	-	1,183
Amount due from subsidiaries	-	-	16,559	14,625
Fixed bank deposits	24,000	2,641	24,000	-
Cash and bank balances	21,394	36,138	1,871	3,203
	<b>147,309</b>	<b>104,531</b>	<b>43,404</b>	<b>19,409</b>
<b>Current Liabilities</b>				
Trade and other payables	43,927	28,525	1,357	1,824
Provision for long service payments	1	1	-	-
Hire purchase creditors	156	122	54	54
Provision for restoration costs	392	379	-	-
Deferred revenue	2,179	1,951	-	-
Interest bearing loans and borrowings	55,853	25,070	33,820	22,520
Tax Payable	4,569	6,068	1,205	1,205
	<b>107,077</b>	<b>62,116</b>	<b>36,436</b>	<b>25,603</b>
<b>Net current assets / (liabilities)</b>	<b>40,232</b>	<b>42,415</b>	<b>6,968</b>	<b>(6,194)</b>
<b>Non-current liabilities</b>				
Long term loans from non-controlling shareholders of subsidiaries	148	141	-	-
Provision for long service payments	70	66	-	-
Provision for restoration costs	1,577	1,555	-	-
Hire purchase creditors	295	298	133	160
Interest bearing loans and borrowings	10,751	10,000	8,940	10,000
3% p.a. fixed rate SGD Notes	23,401	-	23,401	-
Deferred tax liabilities	6,413	6,366	63	63
	<b>42,655</b>	<b>18,426</b>	<b>32,537</b>	<b>10,223</b>
<b>Net assets</b>	<b>117,710</b>	<b>120,469</b>	<b>48,441</b>	<b>64,398</b>
<b>Equity attributable to owners of the parent</b>				
Share capital	38,774	38,539	38,774	38,539
Reserves	78,443	81,576	9,667	25,859
	<b>117,217</b>	<b>120,115</b>	<b>48,441</b>	<b>64,398</b>
Non-controlling interests	493	354	-	-
Total equity	<b>117,710</b>	<b>120,469</b>	<b>48,441</b>	<b>64,398</b>

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

**Amount repayable in one year or less, or on demand**

As at 31-Dec-11		As at 30-Jun-11	
Secured	Unsecured	Secured	Unsecured
S\$361,000	S\$55,648,000	S\$122,000	S\$25,070,000

**Amount repayable after one year**

As at 31-Dec-11		As at 30-Jun-11	
Secured	Unsecured	Secured	Unsecured
S\$2,106,000	S\$32,489,000	S\$298,000	S\$10,141,000

**Details of any collateral**

Nil

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

	Group Second Quarter ended		Group Half Year ended	
	31-Dec-11 S\$'000	31-Dec-10 S\$'000	31-Dec-11 S\$'000	31-Dec-10 S\$'000
<b>Cash flows from operating activities</b>				
(Loss)/ profit before taxation and non-controlling interests	(1,156)	7,815	4,804	13,260
Depreciation of property, plant and equipment	1,579	1,678	3,125	3,388
Amortisation of intangible assets	96	65	182	127
Gain on disposal of property, plant and equipment	-	(29)	(58)	(29)
Property, plant and equipment written off	5	7	7	7
Foreign currency translation realignment	4,113	(3,348)	4,243	(5,689)
Impairment of associate	7,626	-	7,626	-
Impairment of derivatives	1,183	-	1,183	-
Inventory written down	-	50	-	50
Interest income	(8)	(7)	(27)	(18)
Interest expense	264	196	541	334
Share-based payment expenses	-	104	-	185
Deferred revenue	39	-	228	-
Decrease in long service payments	-	12	-	(120)
<b>Operating income before reinvestment in working capital</b>	<b>13,741</b>	<b>6,543</b>	<b>21,854</b>	<b>11,495</b>
(Increase)/Decrease in trade and other receivables	(3,591)	(649)	(4,920)	2,404
Decrease/(Increase) in prepayments	417	(130)	(2,158)	1,109
Increase in inventories	(15,078)	(10,364)	(30,230)	(14,887)
Increase in trade and other payables	7,677	3,381	15,157	7,513
<b>Cash provided by/(used in) operations</b>	<b>3,166</b>	<b>(1,219)</b>	<b>(297)</b>	<b>7,634</b>
Interest received	8	7	27	18
Interest paid	(156)	(196)	(433)	(334)
Income tax refund	120	5	159	5
Income tax paid	(4,230)	(3,473)	(4,931)	(3,863)
<b>Net Cash (used in)/provided by operating activities</b>	<b>(1,092)</b>	<b>(4,876)</b>	<b>(5,475)</b>	<b>3,460</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2,332)	(4,101)	(6,345)	(5,769)
Purchase of investment property	(26,388)	-	(26,388)	(12,486)
Purchase of intangible assets	(15)	(58)	(198)	(75)
Proceeds from sale of property, plant and equipment	-	39	58	40
Purchase of long term investment	-	-	-	(4,390)
<b>Net Cash used in investing activities</b>	<b>(28,735)</b>	<b>(4,120)</b>	<b>(32,873)</b>	<b>(22,680)</b>
<b>Cash flows from financing activities</b>				
Proceeds from interest bearing loans and borrowings	36,351	19,754	42,303	26,974
Repayment of interest bearing loans and borrowings	(9,264)	(2,000)	(10,794)	(2,609)
Proceed from hire purchase creditors	-	353	-	353
Repayment of hire purchase creditors	(31)	(39)	(73)	(58)
Proceed from exercise of employee share options	122	953	198	1,933
Proceed from loan from non-controlling shareholders of subsidiaries	-	114	-	114
Proceeds from issuance of Notes and warrants	25,000	-	25,000	-
Notes and warrants issue expense paid	(696)	-	(696)	-
Dividends paid	(9,719)	(9,126)	(9,719)	(9,126)
<b>Net cash provided by financing activities</b>	<b>41,763</b>	<b>10,009</b>	<b>46,219</b>	<b>17,581</b>
Net increase/ (decrease) in cash & cash equivalent	11,936	1,013	7,871	(1,639)
Cash and cash equivalent as at beginning of the period	34,486	33,641	38,779	35,605
Effects of exchange rates changes on cash and cash	(1,028)	599	(1,256)	1,287
<b>Cash and cash equivalent as at end of the period</b>	<b>45,394</b>	<b>35,253</b>	<b>45,394</b>	<b>35,253</b>

	Group Second Quarter ended		Group Half Year ended	
	31-Dec-11 S\$'000	31-Dec-10 S\$'000	31-Dec-11 S\$'000	31-Dec-10 S\$'000
<b>A. Purchase of property, plant and equipment</b>				
Aggregate cost of property, plant and equipment acquired	2,332	4,184	6,448	6,122
Less :				
Financed by hire purchase creditors	-	(83)	(103)	(353)
Cash payments to acquire property, plant and equipment	<u>2,332</u>	<u>4,101</u>	<u>6,345</u>	<u>5,769</u>

### Note to Consolidated Cash Flow Statement

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Group Second Quarter ended		Group Half Year ended	
	31-Dec-11 S\$'000	31-Dec-10 S\$'000	31-Dec-11 S\$'000	31-Dec-10 S\$'000
Fixed bank deposits	24,000	389	24,000	389
Cash and bank balance	21,394	34,864	21,394	34,864
	<u>45,394</u>	<u>35,253</u>	<u>45,394</u>	<u>35,253</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 statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the parent							Total	Non-controlling interests	Total Equity
	Share capital	Asset revaluation reserve	Capital reserve	Share Option reserve	Warrant reserve	Foreign currency translation reserve	Revenue Reserve			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			
<b>Group</b>										
<b>At 1 Oct 2011</b>	38,630	13,959	453	1,042	-	(18,300)	88,997	124,781	404	125,185
Loss/profit for the period, net of tax	-	-	-	-	-	-	(2,780)	(2,780)	76	(2,704)
Other comprehensive income	-	-	-	-	-	4,006	-	4,006	13	4,019
<b>Total comprehensive income for the period</b>	-	-	-	-	-	<b>4,006</b>	<b>(2,780)</b>	<b>1,226</b>	<b>89</b>	<b>1,315</b>
Shares issued pursuant to the exercise of share options	144	-	-	(22)	-	-	-	122	-	122
Share options lapsed	-	-	-	(6)	-	-	6	-	-	-
Issuance of warrants, net	-	-	-	-	807	-	-	807	-	807
Dividends, net	-	-	-	-	-	-	(9,719)	(9,719)	-	(9,719)
<b>At 31 Dec 2011</b>	<b>38,774</b>	<b>13,959</b>	<b>453</b>	<b>1,014</b>	<b>807</b>	<b>(14,294)</b>	<b>76,504</b>	<b>117,217</b>	<b>493</b>	<b>117,710</b>

	Attributable to owners of the parent						Total	Non-controlling interests	Total Equity
	Share capital	Asset revaluation reserve	Capital reserve	Share Option reserve	Foreign currency translation reserve	Revenue Reserve			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			
<b>Group</b>									
<b>At 1 Oct 2010</b>	36,556	11,602	453	757	(12,201)	72,865	110,032	224	110,256
Profit for the period, net of tax	-	-	-	-	-	4,084	4,084	27	4,111
Other comprehensive income	-	-	-	-	(3,333)	-	(3,333)	(6)	(3,339)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,333)</b>	<b>4,084</b>	<b>751</b>	<b>21</b>	<b>772</b>
Shares issued pursuant to the exercise of share options	1,092	-	-	(139)	-	-	953	-	953
Share options lapsed	-	-	-	(1)	-	1	-	-	-
Grant of share options to employees	-	-	-	104	-	-	104	-	104
Dividends, net	-	-	-	-	-	(9,126)	(9,126)	-	(9,126)
<b>At 31 Dec 2010</b>	<b>37,648</b>	<b>11,602</b>	<b>453</b>	<b>721</b>	<b>(15,534)</b>	<b>67,824</b>	<b>102,714</b>	<b>245</b>	<b>102,959</b>

	Attributable to owners of the parent				Total Equity
	Share capital S\$'000	Share option reserve S\$'000	Warrant reserve S\$'000	Revenue Reserve S\$'000	S\$'000
<b>Company</b>					
<b>At 1 Oct 2011</b>	38,630	1,042	-	25,122	64,794
Total comprehensive income for the period	-	-	-	(7,563)	(7,563)
Shares issued pursuant to the exercise of share options to employees	144	(22)	-	-	122
Share option lapsed	-	(6)	-	6	-
Issuance of warrants, net	-	-	807	-	807
Dividends, Net	-	-	-	(9,719)	(9,719)
<b>At 31 Dec 2011</b>	<b>38,774</b>	<b>1,014</b>	<b>807</b>	<b>7,846</b>	<b>48,441</b>
<b>At 1 Oct 2010</b>	36,556	757	-	22,663	59,976
Total comprehensive income for the period	-	-	-	(527)	(527)
Shares issued pursuant to the exercise of share options to employees	1,092	(139)	-	-	953
Share option lapsed	-	(1)	-	1	-
Grant of Share options to employees	-	104	-	-	104
Dividends, net	-	-	-	(9,126)	(9,126)
<b>At 31 Dec 2010</b>	<b>37,648</b>	<b>721</b>	<b>-</b>	<b>13,011</b>	<b>51,380</b>

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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 share capital during the financial period

As at 31<sup>st</sup> December 2011, the Company's issued and paid up capital, excluding treasury shares comprises of 441,947,217 (30<sup>th</sup> June 2011: 441,415,217) ordinary shares. Movement in the number of the Company's issued and paid-up capital, excluding treasury shares are as follows:

Number of shares issued and paid up	Shares issued		Number of shares issued and paid up
	Number of shares issued and paid up	pursuant to the exercise of share options	
1-Oct-11			31-Dec-11
441,615,217	332,000		441,947,217

## B) Share Options – Eu Yan Sang Employees Share Option Scheme

Between 1<sup>st</sup> October 2011 and 31<sup>st</sup> December 2011, the Company has issued 46,000 ordinary share under the Eu Yan Sang Employees Share Option Scheme 2000 (“the 2000 scheme”).

Under the 2000 scheme, options to subscribe for 3,826,500 shares remained outstanding as at 31<sup>st</sup> December 2011, compared to 4,234,500 as at 31<sup>st</sup> December 2010. Movements in the number of the unissued shares of the Company under the 2000 scheme during 2QFY12 were as follows:

<b>Outstanding options as at 1-Oct-11</b>	<b>Number of options exercised</b>	<b>Outstanding options as at 31-Dec-11</b>
3,872,500	(46,000)	3,826,500

Between 1<sup>st</sup> October 2011 and 31<sup>st</sup> December 2011, the Company has issued 286,000 ordinary shares under the Eu Yan Sang Employees Share Option Scheme 2006 (“the 2006 scheme”).

Under the 2006 scheme, options to subscribe for 9,115,000 shares remained outstanding as at 31<sup>st</sup> December 2011, compared to 11,241,000 as at 31<sup>st</sup> December 2010. Movements in the number of the unissued shares of the Company under the 2006 scheme during 2QFY12 were as follows:

<b>Outstanding options as at 1-Oct-11</b>	<b>Number of options exercised</b>	<b>Number of options lapsed</b>	<b>Outstanding options as at 31-Dec-11</b>
9,497,000	(286,000)	(96,000)	9,115,000

## C) Performance Share Plan

At the extraordinary general meeting of the Company held on 25<sup>th</sup> October 2007, the Company’s shareholders approved the adoption of the Eu Yan Sang Performance Share Plan (“EYS PSP”). As at 31<sup>st</sup> December 2011, no shares were granted and outstanding under the EYS PSP (31<sup>st</sup> December 2010: nil).

## D) Treasury shares

No treasury shares were held by the Company as at 31<sup>th</sup> December 2011 and 31<sup>st</sup> December 2010.

**1(d)(iii) To show the total number of issued shares excluding treasury shares at the end of the current financial period and as at the end of the immediately preceding year.**

The number of issued shares as at 31<sup>st</sup> December 2011 is 441,947,217 (30<sup>th</sup> June 2011: 441,415,217) ordinary shares.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not Applicable.

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

The figures have not been audited or reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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.**

This financial statement has been prepared based on the accounting policies and methods of computation consistent with those adopted in the most recent audited financial statement for the year ended 30 June 2011.

**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.**

Not applicable

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.

	Group		Group	
	Second Quarter Ended 31-Dec-11 (cents)	Second Quarter Ended 31-Dec-10 (cents) (restated)	Half Year Ended 31-Dec-11 (cents)	Half Year Ended 31-Dec-10 (cents) (restated)
<b>(Loss)/Earnings per ordinary share of the Group based on net profit attributable to shareholders:</b>				
<b>(i) Based on the weighted average number of ordinary shares</b>	<b>(0.63)</b>	<b>0.93</b>	<b>0.39</b>	<b>1.88</b>
Weighted average number of shares	441,255,361	435,582,586	441,255,361	435,582,586
<b>(ii) On a fully diluted basis</b>	<b>(0.62)</b>	<b>0.92</b>	<b>0.39</b>	<b>1.86</b>
Weighted average number of shares	445,436,201	441,359,021	445,436,201	441,359,021

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year.

	31-Dec-11	30-Jun-11
<b>Net asset value per ordinary share based on issued share capital</b>		
<b>For the Group (Cents)</b>	<b>26.5</b>	<b>27.2</b>
<b>For the Company (Cents)</b>	<b>11.0</b>	<b>14.6</b>

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:-
- 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
  - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### Overview

Group revenue for the second financial quarter ended 31st December 2011 ("2QFY12") increased 9% to S\$69.8 million as compared to the same period in last year ("2QFY11"). The increase was mainly attributable to increase in retail sales in all our 3 core markets. Operating profit was flat at S\$7.8 million while loss for the period, net of tax, attributed to Owners of the parent was S\$2.8 million.

### (A) Revenue

Group revenue for 2QFY12 increased by 9% to S\$69.8 million as compared to S\$64 million achieved in 2QFY11. The increase was mainly attributable to the increase in retail sales in all our 3 core markets, namely Malaysia, Hong Kong and Singapore.

#### **Revenue by Activities:**

Activities	Group			Group		
	Second Quarter ended			Half Quarter ended		
	31-Dec-11	31-Dec-10	Change	31-Dec-11	31-Dec-10	Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Retail - TCM*	56,014	51,953	8%	104,301	97,921	7%
Wholesale - TCM	8,478	7,084	20%	16,095	14,290	13%
Clinic - TCM	4,533	4,353	4%	8,747	8,169	7%
Others	739	622	19%	1,351	1,253	8%
	<b>69,764</b>	<b>64,012</b>	<b>9%</b>	<b>130,494</b>	<b>121,633</b>	<b>7%</b>

- Traditional Chinese Medicine ("TCM") - comprising Chinese Proprietary Medicine ("CPM"), Health Foods and Medicinal Herbs.

**Retail – TCM** revenue achieved in 2QFY12 was 8% higher than 2QFY11. Retail activities were relatively resilient at our outlets throughout the regional markets as consumers continue to recognise our premium brand and accept TCM as an alternative to western medicine and health supplements. The Group's top selling products such as Bo Ying Compound ("BYC"), Bottled Bird's Nest ("BBN"), Bak Foong Pills ("BFP"), Lingzhi Cracked Spores Capsules ("LCS") and Essence of Chicken ("EOC") continue to be our top selling products.

**Wholesale – TCM** revenue increased by 20% to S\$8.5 million in 2QFY12, the increase was mainly due to stock replenishment by wholesalers.

**Clinic – TCM** revenue increased by 4% to S\$4.5 million in 2QFY12, mainly due to recognition of TCM as an alternative to western medicine.

Revenue under Others was mainly contributed from food & beverages and rental income.

**Turnover by Geographical Locations:**

Core Countries		Group Second Quarter ended			Group Half year ended		
		31-Dec-11	31-Dec-10	Change	31-Dec-11	31-Dec-10	Change
		'000	'000	%	'000	'000	
Hong Kong*	SGD	31,068	28,257	10%	58,740	53,383	10%
	HKD	188,211	168,644	12%	364,095	312,478	17%
Singapore**	SGD	19,550	18,751	4%	38,418	37,084	4%
Malaysia	SGD	19,146	17,004	13%	33,336	31,166	7%
	MYR	46,942	40,631	16%	82,007	73,592	11%
<b>Total</b>	<b>SGD</b>	<b>69,764</b>	<b>64,012</b>	<b>9%</b>	<b>130,494</b>	<b>121,633</b>	<b>7%</b>

\* Include Macau and China.

\*\* Include Australia

Malaysia market led our growth by 16% to MYR47 million, Hong Kong market grew 12% to HK\$188 million while Singapore market increased by 4% to S\$19.6 million. These revenue growth in our core countries signified robust demand for our products as we continue to fulfill our vision to our customer.

**(B) 2QFY12 Outlets & Clinics**

Countries	Retail		General TCM Clinics		Premier TCM Clinics		Integrative Medical Centre	
	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total
Malaysia	7	88		3	-	-	-	-
Hong Kong	2	54	-	-	-	-	-	2
Singapore	2	51	-	18	-	2	-	-
China	5	10	-	-	-	-	-	-
Macau	-	2	-	-	-	-	-	-
<b>Total</b>	<b>16</b>	<b>205</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>

In 2QFY12, the Group added 16 retail outlets. The establishment of these new outlets will contribute positively to the improvement of our Group turnover.

**(C) Profitability**

In line with the higher revenue in 2QFY12, Gross Profit increased by 9% to S\$35.9 million compared to S\$33 million achieved in 2QFY11. Gross Profit margin was stable at 51.4%. Operating Profit was flat at S\$7.8 million mainly due to higher operating expenses incurred in 2QFY12.

Loss for the period, net of tax, attributable to Owners of the parent for 2QFY12 was S\$2.8 million as compared to a profit of S\$4.1 million in 2QFY11. The loss was mainly due to the impairment of investments in associate and its related derivatives.

**(D) Distribution and selling expenses**

In 2QFY12, distribution and selling expenses increased 11% to S\$22.5 million as compared to 2QFY11. The higher distribution and selling expenses were mainly due to higher salaries and rental expenses incurred as a result of the increased in our retail outlets amid escalating rental and salaries cost.

**(E) Administrative expenses**

In 2QFY12, administrative expenses increased 12% to S\$6 million as compared to 2QFY11 was mainly due to increase in manpower to support our retail and clinic operations.

**(F) Interest income and Interest expenses**

Higher interest income was due to higher fixed deposits interest received from our principal bankers.

Higher interest expenses were attributable to higher proceeds from interest bearings loans and 3% p.a. SGD Notes.

**(G) Taxation**

Lower tax expenses were mainly due to the absence of a settlement of S\$1.8 million to the Malaysian tax authority in 2QFY11.

**(H) Investment properties**

The increase was due to the completion of an acquisition of a commercial property at 268 Des Voeux Road Central, Sheung Wan, Hong Kong in 2QFY12.

**(I) Inventories**

Higher inventories were due to stocking up at our retail outlets in anticipation of higher demand in the subsequent quarters.

**(J) Trade and other receivables**

Higher trade and other receivables were due to timing differences of payment from our debtors.

**(K) Prepayments**

Higher prepayments were mainly due to deposits paid to suppliers to secure inventories in anticipating sales in subsequent quarters, insurance premium and rental paid in advance.

**(L) Fixed deposits, cash and bank balances**

Increase in fixed deposits, cash and bank balances were mainly due to issuance of 3% p.a. fixed rate SGD Notes.

**(M) Trade and other payables**

Higher trade and other payables were due to timing differences of payment to our creditors.

**(N) Interest bearing loans and borrowings**

Higher interest bearing loans and borrowings were mainly due to the financing of stock built-up at our retail outlets in anticipation of higher demand in the subsequent quarters.

**(O) Tax Payable**

Lower tax expenses were mainly due to the absence of a settlement of S\$1.8 million to the Malaysian tax authority in 2QFY11.

**(P) 3% p.a. fixed rate SGD Notes**

The Notes were issued in 2QFY12 for funding, business expansion into China and other countries in the region; funding (whether in whole or in part) the acquisition of, or investment in, commercial real estate related to the Group's operations; and for working capital and general business purposes.

Note: The 3% p.a. fixed rate will be stepped up to 4.5% if the Notes are not redeemed by 28<sup>th</sup> November 2014.

**(Q) Cash flows**

Net cash used in operating activities for Q2FY12 was S\$1.1 million. The decrease was due mainly to foreign currency translation realignment as a result of the weakening of Singapore dollars against other trading currencies which offset the effect of increased in inventories level and trade and other receivables.

Net cash used in investing activities increased by S\$24.6 million in Q2FY12 was mainly due to acquisition of a commercial property at 268 Des Voeux Road Central, Sheung Wan (Hong Kong), was completed in 2QFY12.

Net cash provided by financing activities in Q2FY12 increased by S\$31.8 million as compared with Q2FY11 was mainly due to proceeds from issuance of 3% p.a. fixed rate SGD Notes and proceeds from interest bearing loans and borrowings.

As at 31<sup>st</sup> December 2011, the Group had cash and cash equivalent amounting to S\$45.4m as compared to S\$35.3m as at 31<sup>st</sup> December 2010.

The Group's gearing ratio was 77.3% as at 31<sup>st</sup> December 2011.

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

The results for the period are in line with the prospect statement contained in the FY2011 full year announcement made on 25<sup>th</sup> August 2011.

**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.**

The demand for quality healthcare products and services remains resilient, driven by growing affluence and ageing population. However, sovereign debts problems in the West, coupled with increasing commodity and food prices may erode economic growth and affect consumer sentiment.

With a backdrop of weaker economic outlook, the general market and business conditions are expected to remain challenging and competitive in the next 12 months. The strong Singapore dollar against Hong Kong dollar may continue to impact our results when expressed in Singapore dollar terms. Moving forward, the Group's strategy is to continue leveraging on its competency and brand strength to explore opportunities to grow its core business. The Group will continue to manage its business risks prudently and review its business strategy with a view to enhance shareholders' value.

The Group believes that its acquisition of selected business assets and undertakings in Australia provides a ready platform to expand and broaden its products penetration in line with its strategic vision to become a global integrative healthcare and wellness company.

**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.**

Not applicable

**13. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

The Board of Eu Yan Sang International Ltd does hereby confirm that to the best of its knowledge, nothing has come to the attention of the Board which may render the 2<sup>nd</sup> quarter FY12 and 1<sup>st</sup> half FY12 un-audited financial statements for the period ended 31<sup>st</sup> December 2011 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Lam Chee Weng  
Chief Financial Officer  
6<sup>th</sup> February 2012