

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

	Group			Group		
	Second Quarter ended		Change	Half Year ended		Change
	31-Dec-10	31-Dec-09		31-Dec-10	31-Dec-09	
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Revenue</b>	<b>64,012</b>	<b>58,531</b>	<b>9%</b>	<b>121,633</b>	<b>111,615</b>	<b>9%</b>
Cost of Sales	(31,014)	(28,021)	11%	(58,356)	(53,078)	10%
<b>Gross Profit</b>	<b>32,998</b>	<b>30,510</b>	<b>8%</b>	<b>63,277</b>	<b>58,537</b>	<b>8%</b>
Other operating income	356	116	207%	799	225	255%
Distribution and selling expenses	(20,216)	(19,519)	4%	(40,309)	(37,186)	8%
Administrative expenses	(5,366)	(5,489)	-2%	(10,649)	(10,854)	-2%
Other operating expenses	(75)	-	N.M.	(75)	(2)	N.M.
<b>Operating Profit</b>	<b>7,697</b>	<b>5,618</b>	<b>37%</b>	<b>13,043</b>	<b>10,720</b>	<b>22%</b>
Foreign exchange gain/(loss)	307	-	N.M.	533	(131)	N.M.
Interest income	7	6	17%	18	12	50%
Interest expenses	(196)	(145)	35%	(334)	(315)	6%
<b>Profit before tax</b>	<b>7,815</b>	<b>5,479</b>	<b>43%</b>	<b>13,260</b>	<b>10,286</b>	<b>29%</b>
Taxation	(3,704)	(721)	414%	(5,013)	(1,882)	166%
<b>Profit for the period, net of tax</b>	<b>4,111</b>	<b>4,758</b>	<b>-14%</b>	<b>8,247</b>	<b>8,404</b>	<b>-2%</b>
<b>Attributable to:</b>						
Equity holders of the company	4,084	4,719	-13%	8,209	8,346	-2%
Non-controlling interests	27	39	-31%	38	58	-34%
	<b>4,111</b>	<b>4,758</b>	<b>-14%</b>	<b>8,247</b>	<b>8,404</b>	<b>-2%</b>

1(a) Consolidated Statement of Comprehensive Income

	Group			Group		
	Second Quarter ended		Change	Half Year ended		Change
	31-Dec-10	31-Dec-09		31-Dec-10	31-Dec-09	
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Profit for the period, net of tax</b>	<b>4,111</b>	<b>4,758</b>	<b>-14%</b>	<b>8,247</b>	<b>8,404</b>	<b>-2%</b>
<b>Other comprehensive income:</b>						
Currency translation adjustments on foreign operations	(3,339)	(751)	345%	(6,174)	(2,608)	N.M.
<b>Other comprehensive income for the period</b>	<b>(3,339)</b>	<b>(751)</b>	<b>345%</b>	<b>(6,174)</b>	<b>(2,608)</b>	<b>N.M.</b>
<b>Total comprehensive income for the period</b>	<b>772</b>	<b>4,007</b>	<b>-81%</b>	<b>2,073</b>	<b>5,796</b>	<b>-64%</b>
<b>Attributable to:</b>						
Equity holders of the company	751	3,971	-81%	2,047	5,743	-64%
Non-controlling interests	21	36	-42%	26	53	N.M.
	<b>772</b>	<b>4,007</b>	<b>-81%</b>	<b>2,073</b>	<b>5,796</b>	<b>-64%</b>

Notes:

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

	Second Quarter ended		Half Year ended	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,678	1,762	3,388	3,600
Amortisation of intangible assets	65	-	127	-
(Gain)/Loss on disposal of property, plant and equipment	(29)	-	(29)	1
Property, plant and equipment written off	7	1	7	43
Inventory written down	50	-	50	-
Impairment of goodwill	-	25	-	25
Share-based payment expenses	104	44	185	71

**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**

	Group		Company	
	31-Dec-10 S\$'000	30-Jun-10 S\$'000	31-Dec-10 S\$'000	30-Jun-10 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	64,359	64,142	477	119
Investment properties	19,491	7,021	-	-
Intangible assets	592	662	-	-
Investments in subsidiaries	-	-	52,930	52,928
Long term investments	4,390	-	4,390	-
Amount due from subsidiaries	-	-	24,273	24,273
	<b>88,832</b>	<b>71,825</b>	<b>82,070</b>	<b>77,320</b>
<b>Current assets</b>				
Inventories	59,695	44,858	-	-
Trade and other receivables	17,613	20,008	8	14
Prepayments	2,959	4,068	162	170
Amount due from subsidiaries	-	-	12,449	10,091
Fixed bank deposits	389	1,706	-	-
Cash and bank balances	34,864	33,899	1,349	1,373
	<b>115,520</b>	<b>104,539</b>	<b>13,968</b>	<b>11,648</b>
<b>Current Liabilities</b>				
Trade and other payables	36,639	28,923	880	1,738
Provision for long service payments	1	130	-	-
Amount due to subsidiaries	-	-	-	734
Hire purchase creditors	134	94	54	21
Provision for restoration costs	33	33	-	-
Deferred revenue	1,105	1,307	-	-
Interest bearing loans and borrowings	45,354	26,589	37,030	25,980
Tax Payable	5,753	4,905	843	843
	<b>89,019</b>	<b>61,981</b>	<b>38,807</b>	<b>29,316</b>
<b>Net current assets / (liabilities)</b>	<b>26,501</b>	<b>42,558</b>	<b>(24,839)</b>	<b>(17,668)</b>
<b>Non-current liabilities</b>				
Long term loans from minority shareholders of subsidiaries	260	156	-	-
Provision for long service payments	70	75	-	-
Provision for restoration costs	728	728	-	-
Hire purchase creditors	370	119	188	11
Interest bearing loans and borrowings	5,600	-	5,600	-
Deferred tax liabilities	5,346	5,411	63	63
	<b>12,374</b>	<b>6,489</b>	<b>5,851</b>	<b>74</b>
<b>Net assets</b>	<b>102,959</b>	<b>107,894</b>	<b>51,380</b>	<b>59,578</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	37,648	35,487	37,648	35,487
Reserves	65,066	72,188	13,732	24,091
	<b>102,714</b>	<b>107,675</b>	<b>51,380</b>	<b>59,578</b>
Non-controlling interests	245	219	-	-
Total equity	<b>102,959</b>	<b>107,894</b>	<b>51,380</b>	<b>59,578</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-10		As at 30-Jun-10	
Secured	Unsecured	Secured	Unsecured
S\$134,000	S\$45,354,000	S\$94,000	S\$26,589,000

**Amount repayable after one year**

As at 31-Dec-10		As at 30-Jun-10	
Secured	Unsecured	Secured	Unsecured
S\$370,000	S\$5,860,000	S\$119,000	S\$156,000

**Details of any collateral**

Nil

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

	Group		Group	
	Second Quarter		Half Year	
	ended	ended	ended	ended
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Profit before taxation and non-controlling interests	7,815	5,479	13,260	10,286
Depreciation of property, plant and equipment	1,678	1,762	3,388	3,600
Amortisation of intangible assets	65	-	127	-
(Gain)/Loss on disposal of property, plant and equipment	(29)	-	(29)	1
Property, plant and equipment written off	7	1	7	43
Foreign currency translation realignment	(3,348)	(420)	(5,689)	(2,114)
Impairment of Goodwill	-	25	-	25
Inventory written down	50	-	50	-
Interest income	(7)	(6)	(18)	(12)
Interest expense	196	145	334	315
Share-based payment expenses	104	44	185	71
<b>Operating income before reinvestment in working capital</b>	<b>6,531</b>	<b>7,030</b>	<b>11,615</b>	<b>12,215</b>
(Increase)/Decrease in trade and other receivables	(649)	(297)	2,404	1,425
(Increase)/Decrease in prepayments	(130)	(932)	1,109	(2,136)
Increase in inventories	(10,364)	(4,775)	(14,887)	(7,787)
Increase in trade and other payables	3,381	6,470	7,513	12,608
Increase/(Decrease) in long service payments	12	(5)	(120)	127
<b>Cash (used in)/generated from operations</b>	<b>(1,219)</b>	<b>7,491</b>	<b>7,634</b>	<b>16,452</b>
Interest received	7	6	18	12
Interest paid	(196)	(145)	(334)	(315)
Income tax refund	5	-	5	-
Income tax paid	(3,473)	(4,277)	(3,863)	(4,631)
<b>Net Cash (used in)/generated by operating activities</b>	<b>(4,876)</b>	<b>3,075</b>	<b>3,460</b>	<b>11,518</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(4,101)	(1,344)	(5,769)	(2,983)
Purchase of investment property	-	-	(12,486)	-
Purchase of intangible assets	(58)	-	(75)	-
Proceeds from sale of property, plant and equipment	39	14	40	30
Purchase of long term investment	-	-	(4,390)	-
<b>Net Cash used in investing activities</b>	<b>(4,120)</b>	<b>(1,330)</b>	<b>(22,680)</b>	<b>(2,953)</b>
<b>Cash flows from financing activities</b>				
Proceeds from interest bearing loans and borrowings	19,754	4,774	26,974	8,359
Repayment of interest bearing loans and borrowings	(2,000)	(1,998)	(2,609)	(7,698)
Proceed from hire purchase creditors	353	-	353	40
Repayment of hire purchase creditors	(39)	(33)	(58)	(76)
Proceed from exercise of employee share options	953	-	1,933	-
Proceed from loan from non-controlling shareholders of subsidiaries	114	-	114	-
Dividends paid	(9,126)	(7,930)	(9,126)	(7,930)
<b>Net cash provided by/ (used in) financing activities</b>	<b>10,009</b>	<b>(5,187)</b>	<b>17,581</b>	<b>(7,305)</b>
Net increase/(decrease) in cash & cash equivalent	1,013	(3,442)	(1,639)	1,260
Cash and cash equivalent as at beginning of the period	33,641	30,389	35,605	25,378
Effects of exchange rates changes on cash and cash equivalents	599	300	1,287	609
<b>Cash and cash equivalent as at end of the period</b>	<b>35,253</b>	<b>27,247</b>	<b>35,253</b>	<b>27,247</b>

	Group Second Quarter ended		Group Half year ended	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	S\$'000	S\$'000	S\$'000	S\$'000
<b>A. Purchase of property, plant and equipment</b>				
Aggregate cost of property, plant and equipment acquired	4,184	1,344	6,122	3,023
Less :				
Financed by hire purchase creditors	(83)	-	(353)	(40)
Cash payments to acquire property, plant and equipment	<u>4,101</u>	<u>1,344</u>	<u>5,769</u>	<u>2,983</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-10	31-Dec-09	31-Dec-10	31-Dec-09
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed Bank Deposits	389	1,889	389	1,889
Cash and bank balance	34,864	25,358	34,864	25,358
	<u>35,253</u>	<u>27,247</u>	<u>35,253</u>	<u>27,247</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 equity holders of the Company						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 equity holders of the Company						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 2009</b>	34,931	8,138	453	659	(10,132)	61,036	95,085	156	95,241
Profit for the period, net of tax	-	-	-	-	-	4,719	4,719	39	4,758
Other comprehensive income	-	-	-	-	(748)	-	(748)	(3)	(751)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(748)</b>	<b>4,719</b>	<b>3,971</b>	<b>36</b>	<b>4,007</b>
Share options lapsed	-	-	-	(8)	-	8	-	-	-
Grant of share options to employees	-	-	-	44	-	-	44	-	44
Dividends, Net	-	-	-	-	-	(7,930)	(7,930)	-	(7,930)
<b>At 31 Dec 2009</b>	<b>34,931</b>	<b>8,138</b>	<b>453</b>	<b>695</b>	<b>(10,880)</b>	<b>57,833</b>	<b>91,170</b>	<b>192</b>	<b>91,362</b>

Company	Attributable to equity holders of the Company			Total Equity
	Share capital	Share option reserve	Revenue Reserve	
	S\$'000	S\$'000	S\$'000	S\$'000
<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>13,011</b>	<b>51,380</b>
<b>At 1 Oct 2009</b>	34,931	659	14,707	50,297
Total comprehensive income for the period	-	-	6,058	6,058
Share option lapsed	-	(8)	8	-
Grant of Share options to employees	-	44	-	44
Dividends, net	-	-	(7,930)	(7,930)
<b>At 31 Dec 2009</b>	<b>34,931</b>	<b>695</b>	<b>12,843</b>	<b>48,469</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 2010, the Company's issued and paid up capital, excluding treasury shares comprises of 439,587,217 (30<sup>th</sup> June 2010: 362,105,188) 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 pursuant to the exercise of share options	Bonus Issue	Number of shares issued and paid up
1-Oct-10			31-Dec-10
364,152,188	2,417,600	73,017,429	439,587,217



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

Between 1<sup>st</sup> October 2010 and 31<sup>st</sup> December 2010, the Company issued 2,417,600 ordinary shares under both the Eu Yan Sang Employees Share Option Scheme 2000 (“the 2000 scheme”) and 2006 (“the 2006 scheme”) schemes.

Under the 2000 scheme, options to subscribe for 4,234,500 shares remained outstanding as at 31<sup>st</sup> December 2010, compared to 4,496,250 as at 31<sup>st</sup> December 2009.

Under the 2006 scheme, options to subscribe for 11,241,000 shares remained outstanding as at 31<sup>st</sup> December 2010, compared to 12,525,000 as at 31<sup>st</sup> December 2009.

## **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 2010, no shares were granted and outstanding under the EYS PSP (31<sup>st</sup> December 2009: nil).

## **D) Treasury shares**

No treasury shares were held by the Company as at 31<sup>st</sup> December 2010 and 31<sup>st</sup> December 2009.

### **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 2010 is 439,587,217(30<sup>th</sup> June 2010: 362,105,188) 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 2010.

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 10 (cents)	Second Quarter Ended 31 Dec 09 (cents)	Half Year Ended 31 Dec 10 (cents)	Half Year Ended 31 Dec 09 (cents)
<b>Earnings per ordinary share of the Group based on net profit attributable to shareholders:</b>				
(i) Based on the weighted average number of ordinary shares	1.10	1.31	2.22	2.32
Weighted average number of shares	369,766,876	360,435,188	369,766,876	360,435,188
(ii) On a fully diluted basis	1.09	1.30	2.19	2.31
Weighted average number of shares	375,543,311	361,636,451	375,543,311	361,636,451

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-10	30-Jun-10
<b>Net asset value per ordinary share based on issued share capital</b>		
<b>For the Group (Cents)</b>	<b>23.4</b>	<b>29.7</b>
<b>For the Company (Cents)</b>	<b>11.7</b>	<b>16.5</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 31<sup>st</sup> December 2010 ("Q2FY11") increased 9% to S\$64 million as compared to the same period in last year ("Q2FY10"). The increase was mainly attributable to the increase in retail sales in all our 3 core markets. Operating profit increased 37% to S\$7.7 million while profit for the year, net of tax, attributed to Equity holders of the company decreased 13% to S\$4.1 million.

### (A) Revenue

Group revenue for Q2FY11 increased by 9% to S\$64 million as compared to S\$58.5 million achieved in Q2FY10. The increase was mainly attributable to the increase in retail sales in all our 3 core markets, namely Hong Kong, Malaysia and Singapore.

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

Activities	Group			Group		
	Second Quarter ended			Half Year ended		
	31-Dec-10	31-Dec-09	Change	31-Dec-10	31-Dec-09	Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Retail - TCM*	51,953	47,730	9%	97,921	89,123	10%
Wholesale - TCM	7,084	6,840	4%	14,290	14,764	-3%
Clinic - TCM	4,353	3,616	20%	8,169	7,070	16%
Others	622	345	80%	1,253	658	90%
	<b>64,012</b>	<b>58,531</b>	<b>9%</b>	<b>121,633</b>	<b>111,615</b>	<b>9%</b>

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

**Retail – TCM** revenue achieved in Q2FY11 was 9% higher than Q2FY10. 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 Bottled Bird's Nest ("BBN"), Bo Ying Compound ("BYC"), 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 4% to S\$7.1 million in Q2FY11, the increase was mainly due to resumption of export sales to China in Q2FY11.

**Clinic – TCM** revenue increased by 20% to S\$4.4 million in Q2FY11, 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-10	31-Dec-09	Change	31-Dec-10	31-Dec-09	Change
		'000	'000	%	'000	'000	
Hong Kong*	SGD	28,257	26,169	8%	53,383	51,594	3%
	HKD	168,644	145,491	16%	312,478	282,190	11%
Singapore**	SGD	18,751	17,269	9%	37,084	32,713	13%
Malaysia	SGD	17,004	15,093	13%	31,166	27,308	14%
	MYR	40,631	35,275	15%	73,592	65,213	13%
<b>Total</b>	SGD	<b>64,012</b>	<b>58,531</b>	<b>9%</b>	<b>121,633</b>	<b>111,615</b>	<b>9%</b>

\* Include Macau and China.

\*\* Include Australia

Hong Kong market led our growth by 16% to HK\$169 million, Malaysia market grew 15% to MYR40.6 million while Singapore market increased by 9% to S\$18.8 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) FY2011 Retail Outlets & Clinics**

Countries	Retail Outlets		General TCM Clinics		Specialist TCM Clinics		Integrative Medical Centre	
	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total
Malaysia	-	69	(1)	2	-	-	-	-
Hong Kong	2	51	-	-	-	-	-	2
Singapore	5	46	1	17	-	2	-	-
China	-	3	-	-	-	-	-	-
Macau	-	2	-	-	-	-	-	-
<b>Total</b>	<b>7</b>	<b>171</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>

In Q2FY11, the Group added 7 retail outlets. The establishment of these new outlets and clinic will contribute positively to the improvement of our Group turnover.

**C) Profitability**

In line with the higher revenue in Q2FY11, Gross Profit increased by 8% to S\$33 million compared to S\$30.5 million achieved in Q2FY10. Gross Profit margin was stable at 51.5%. Operating Profit increased by 37% to S\$7.7 million as compared to Q2FY10 was mainly due higher revenue generated in Q2FY11.

Profit for the period, net of tax, attributable to shareholders of the company for Q2FY11 decreased by 13% to S\$4.1 million as compared to S\$4.7 million in Q2FY10 was mainly due to additional tax expenses relating to prior year tax assessment finalized by the tax authority in Malaysia.

**(D) Other operating income**

The increase in other operating income was mainly due to a government grant received in Q2FY11.

**(E) Distribution and selling expenses**

In Q2FY11, distribution and selling expenses increased by 4% to S\$20.2 million as compared to Q2FY10. The higher distribution and selling expenses were mainly due to higher salaries and rental expenses.

**(F) Administrative expenses**

In Q2FY11, administrative expenses remained stable at S\$5.4 million compared to Q2FY10.

**(G) 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 interest bearings loans as compared with Q2FY10.

**(H) Taxation**

Higher tax expenses were mainly due to a settlement of S\$1.8 million following a tax investigation by Malaysian tax authority regarding manufacturing rebates given to other Group subsidiaries from 2002 to 2007.

**(I) Investment properties**

The increase was due to the purchase of an industrial property in Singapore.

**(J) Long term investments**

The increase was due to the purchase of a stake in Healthzone Limited, a company listed on the Australian Stock Exchange.

**(K) Inventories**

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

**(L) Trade and other receivables**

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

**(M) Prepayments**

Lower prepayments were mainly due to the reclassification of the prepaid portion of an industrial property to investment properties upon the completion of the purchase.

**(N) Trade and other payables**

Higher trade and other payables were mainly due to replenishment of inventories to meet the demand in the subsequent quarters and the timing of repayments.

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

Higher interest bearing loans and borrowings were mainly due to the purchase of an industrial property in Singapore and financing of inventories in anticipation of demand in subsequent quarters.

**(P) Tax payable**

Higher tax payable was mainly due additional tax expense accrued relating to prior year tax assessment finalized by the tax authority in Malaysia.

**(Q) Cash flows**

Net cash used in operating activities for Q2FY11 was S\$4.9 million. The decrease was due mainly to higher foreign currency translation realignment as a result of the strengthening of Singapore dollars against other trading currencies and increased in inventories level.

Net cash used in investing activities increased by S\$2.8 million in Q2FY11 was mainly due to the purchase of property, plant and equipment.

Net cash provided by financing activities in Q2FY11 increased by S\$15.2 million as compared with Q2FY10 was mainly due to cash used for building up of inventories.

As at 31<sup>st</sup> December 2010, the Group had cash and cash equivalent amounting to S\$35.3m as compared to S\$27.2m as at 31<sup>st</sup> December 2009.

The Group's gearing ratio was 50.4% as at 31<sup>st</sup> December 2010.

**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 FY2010 full year announcement made on 26<sup>th</sup> August 2010.

**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 economic outlook for our core markets remains healthy despite lingering concerns of a double dip in some Western economies. The demand for quality healthcare products and services may remain resilient, driven by growing affluence and population.

Notwithstanding positive sentiments on the economic recovery of our core markets, the global outlook remains uncertain. The general market and business conditions are expected to remain challenging and competitive in the next 12 months. Moving forward, the Group's strategy is to leverage on its' competency and 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.

**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. Board negative assurance confirmation for 2<sup>nd</sup> Quarter FY11 and 1<sup>st</sup> half FY11 results**

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 FY11 and 1<sup>st</sup> half FY11 un-audited financial statements for the period ended 31<sup>st</sup> December 2010 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Danny Heng Hang Siong  
Chief Financial Officer & Company Secretary  
10<sup>th</sup> February 2011