



Unaudited Results For The First Quarter Ended 30 September 2014

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.

Consolidated income statement for the period ended 30 September 2014

	Group First Quarter Ended 30 September		
	2014 S\$'000	2013 S\$'000	Change +/(-)%
Revenue	83,033	79,538	4
Cost of sales	(40,237)	(38,851)	4
Gross profit	42,796	40,687	5
Other operating income	387	572	(32)
Distribution and selling expenses	(30,601)	(27,702)	10
Administrative expenses	(9,497)	(8,918)	6
Operating profit	3,085	4,639	(33)
Foreign exchange gain/(loss)	509	(374)	n.m.
Interest income	17	69	(75)
Interest expenses	(1,342)	(1,407)	(5)
Share of results of joint ventures	-	(9)	(100)
Profit before taxation	2,269	2,918	(22)
Income tax expense	(1,534)	(1,482)	4
Profit for the period, net of tax	735	1,436	(49)
Profit attributable to:			
Owners of the Company	737	1,425	(48)
Non-controlling interests	(2)	11	n.m.
	735	1,436	(49)

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 for the period ended 30 September 2014

	Group First Quarter Ended 30 September		
	2014	2013	Change
	S\$'000	S\$'000	+/(-)%
Profit for the period, net of tax	735	1,436	(49)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Revaluation gain of land and buildings, net of tax	-	-	n.m.
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation	1,344	(1,959)	n.m.
Other comprehensive income for the period, net of tax	<u>1,344</u>	<u>(1,959)</u>	<u>n.m.</u>
Total comprehensive income for the period	<u>2,079</u>	<u>(523)</u>	<u>n.m.</u>
Total comprehensive income attributable to:			
Owners of the Company	2,077	(526)	n.m.
Non-controlling interests	2	3	(33)
	<u>2,079</u>	<u>(523)</u>	<u>n.m.</u>

Notes:

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

	First Quarter Ended 30 September		
	2014	2013	Change
	S\$'000	S\$'000	+/(-)%
Depreciation of property, plant and equipment	2,598	2,200	18
Amortisation of intangible assets	317	196	62
Loss on disposal of property, plant and equipment	68	64	6
Property, plant and equipment written off	5	50	(90)
Reversal of write-down of inventories	(7)	(142)	(95)
Inventories written off	239	284	(16)

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	
	30-Sep-14	30-Jun-14	30-Sep-14	30-Jun-14
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	131,150	115,471	660	591
Investments in subsidiaries	-	-	79,553	80,758
Amounts due from subsidiaries	-	-	48,683	45,307
Other receivables	12,071	10,017	-	-
Investments in joint ventures	775	761	-	-
Long term investments	-	-	-	-
Investment properties	78,106	62,385	-	-
Intangible assets	4,892	5,084	987	1,082
Prepayments	742	7,683	-	-
Deferred tax assets	724	724	-	-
	228,460	202,125	129,883	127,738
Current assets				
Inventories	88,369	83,171	-	-
Trade and other receivables	17,350	17,221	151	72
Prepayments	2,528	1,852	208	86
Amounts due from subsidiaries	-	-	46,652	47,859
Tax recoverable	151	187	-	-
Cash and cash equivalents	36,154	45,118	6,559	12,116
	144,552	147,549	53,570	60,133
Current liabilities				
Trade and other payables	41,678	38,327	2,952	2,218
Provision for long service payments	46	46	-	-
Interest bearing loans and borrowings	46,157	30,507	24,200	27,200
Notes payable	24,879	24,565	24,879	24,565
Hire purchase creditors	133	140	78	78
Provision for restoration costs	1,038	1,102	-	-
Deferred revenue	3,510	3,437	-	-
Tax payable	8,264	7,306	225	225
Amounts due to a joint venture	314	108	-	-
Derivatives	9	9	9	9
	126,028	105,547	52,343	54,295
Net current assets	18,524	42,002	1,227	5,838
Non-current liabilities				
Interest bearing loans and borrowings	1,516	1,931	350	700
Notes payable	75,486	74,679	75,486	74,679
Long term loans from non-controlling shareholders of subsidiaries	145	143	-	-
Hire purchase creditors	217	246	178	198
Provision for restoration costs	2,894	2,844	-	-
Provision for long service payments	271	264	-	-
Deferred tax liabilities	5,591	5,572	62	62
Other payables	732	641	-	-
	86,852	86,320	76,076	75,639
Net assets	160,132	157,807	55,034	57,937
Equity attributable to owners of the Company				
Share capital	40,933	40,639	40,933	40,639
Reserves	119,028	116,999	14,101	17,298
	159,961	157,638	55,034	57,937
Non-controlling interests	171	169	-	-
Total equity	160,132	157,807	55,034	57,937

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

Amount repayable in one year or less, or on demand

As at 30-Sep-14		As at 30-Jun-14	
Secured	Unsecured	Secured	Unsecured
S\$328,000	S\$70,841,000	S\$335,000	S\$54,877,000

Amount repayable after one year

As at 30-Sep-14		As at 30-Jun-14	
Secured	Unsecured	Secured	Unsecured
S\$1,383,000	S\$75,981,000	S\$1,477,000	S\$75,522,000

Details of any collateral

Secured borrowings are:

- (1) bank loan secured by a charge over the property of a subsidiary; and
- (2) finance lease liabilities secured by the rights to the leased assets.

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	
	First Quarter Ended 30 September	
	2014	2013
	S\$'000	S\$'000
Cash flows from operating activities:		
Profit before taxation	2,269	2,918
Depreciation of property, plant and equipment	2,598	2,200
Amortisation of intangible assets	317	196
Loss on disposal of property, plant and equipment	68	64
Property, plant and equipment written off	5	50
Foreign currency translation realignment	211	(895)
Reversal of write-down of inventories	(7)	(142)
Inventories written off	239	284
Interest income	(17)	(69)
Interest expense	1,342	1,407
Share of results of joint ventures	-	9
Deferred revenue	78	(138)
Increase in long service payments	18	40
Operating cash flows before changes in working capital	7,121	5,924
Increase in trade and other receivables	(2,183)	(1,043)
Decrease in prepayments	6,265	392
Increase in amount due to a joint venture	206	-
Increase in inventories	(5,430)	(3,635)
Increase in trade and other payables	3,427	893
Cash flows from operations	9,406	2,531
Interest received	17	69
Interest paid	(251)	(240)
Income tax refund	10	17
Income taxes paid	(677)	(3,890)
Net cash flows from/(used in) operating activities	8,505	(1,513)
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,893)	(3,895)
Purchase of investment property	(15,097)	-
Purchase of intangible assets	(141)	(161)
Proceeds from sale of property, plant and equipment	1	173
Investment in joint venture	-	(73)
Net cash used in investing activities	(33,130)	(3,956)
Cash flows from financing activities		
Proceeds from interest bearing loans and borrowings	18,650	-
Repayment of interest bearing loans and borrowings	(3,415)	(5,985)
Repayment of hire purchase creditors	(35)	(205)
Proceeds from exercise of employee share options	246	34
Net cash flows generated from/(used in) financing activities	15,446	(6,156)
Net decrease in cash and cash equivalents	(9,179)	(11,625)
Cash and cash equivalents as at beginning of the period	45,118	98,076
Effects of exchange rates changes on cash and cash equivalents	215	(339)
Cash and cash equivalents at end of the financial period	36,154	86,112

1(c)

	Group	
	First Quarter Ended 30 September	
	2014 S\$'000	2013 S\$'000
A. Purchase of property, plant and equipment		
Aggregate cost of property, plant and equipment acquired	17,938	4,003
Less :		
Financed by hire purchase creditors	-	(108)
Restoration costs capitalised	(45)	-
Cash payments to acquire property, plant and equipment	<u>17,893</u>	<u>3,895</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	
	First Quarter Ended 30 September	
	2014 S\$'000	2013 S\$'000
Fixed bank deposits	-	33,157
Cash and bank balances	36,154	52,955
	<u>36,154</u>	<u>86,112</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.

Group	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Asset revaluation reserve	Capital reserve	Premium paid on acquisition of non-controlling interests	Share options reserve	Warrant reserve	Foreign currency translation reserve	Revenue reserve	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
At 1 Jul 2014	40,639	27,872	453	(35)	1,258	437	(20,116)	107,130	157,638	169	157,807
Profit for the period, net of tax	-	-	-	-	-	-	-	737	737	(2)	735
Other comprehensive income, net of tax	-	-	-	-	-	-	1,340	-	1,340	4	1,344
Total comprehensive income for the period	-	-	-	-	-	-	1,340	737	2,077	2	2,079
Contributions by and distributions to owners											
Shares issued pursuant to the exercise of share options	294	-	-	-	(48)	-	-	-	246	-	246
Share options lapsed	-	-	-	-	(266)	-	-	266	-	-	-
Total contributions by and distributions to owners	294	-	-	-	(314)	-	-	266	246	-	246
At 30 Sep 2014	40,933	27,872	453	(35)	944	437	(18,776)	108,133	159,961	171	160,132

Group	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Asset revaluation reserve	Capital reserve	Premium paid on acquisition of non-controlling interests	Share options reserve	Warrant reserve	Foreign currency translation reserve	Revenue reserve	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
At 1 Jul 2013	39,598	23,336	453	-	1,403	437	(17,865)	101,823	149,185	492	149,677
Profit for the period, net of tax	-	-	-	-	-	-	-	1,425	1,425	11	1,436
Other comprehensive income, net of tax	-	-	-	-	-	-	(1,951)	-	(1,951)	(8)	(1,959)
Total comprehensive income for the period	-	-	-	-	-	-	(1,951)	1,425	(526)	3	(523)
Contributions by and distributions to owners											
Shares issued pursuant to the exercise of share options	41	-	-	-	(7)	-	-	-	34	-	34
Total contributions by and distributions to owners	41	-	-	-	(7)	-	-	-	34	-	34
At 30 Sep 2013	39,639	23,336	453	-	1,396	437	(19,816)	103,248	148,693	495	149,188

	Attributable to owners of the Company				Total equity
	Share capital	Share options reserve	Warrant reserve	Revenue reserve	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company					
At 1 Jul 2014	40,639	1,258	437	15,603	57,937
Loss for the period, net of tax	-	-	-	(2,993)	(2,993)
Total comprehensive income for the period	-	-	-	(2,993)	(2,993)
<u>Contributions by and distributions to owners</u>					
Shares issued pursuant to the exercise of share options	294	(48)	-	-	246
Share options lapsed	-	(266)	-	110	(156)
Total transactions with owners in their capacity as owners	294	(314)	-	110	90
At 30 Sep 2014	40,933	944	437	12,720	55,034
At 1 Jul 2013	39,598	1,403	437	17,760	59,198
Loss for the period, net of tax	-	-	-	(2,732)	(2,732)
Total comprehensive income for the period	-	-	-	(2,732)	(2,732)
<u>Contributions by and distributions to owners</u>					
Shares issued pursuant to the exercise of share options	41	(7)	-	-	34
Total transactions with owners in their capacity as owners	41	(7)	-	-	34
At 30 Sep 2013	39,639	1,396	437	15,028	56,500

- 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 30 September 2014, the Company's issued and paid up capital, excluding treasury shares comprises 446,304,217 (30 June 2014: 445,812,217) ordinary shares. Movement in the number of the Company's issued and paid-up capital, excluding treasury shares were as follows:

Number of shares issued and paid up	Shares issued pursuant to the exercise of share options	Number of shares issued and paid up
1-Jul-14		30-Sep-14
'000	'000	'000
445,812	492	446,304

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

Between 1 July 2014 and 30 September 2014, the Company has issued 240,000 ordinary shares under the Eu Yan Sang Employees Share Option Scheme 2000 ("the 2000 scheme").

Under the 2000 scheme, options to subscribe for 2,292,000 shares remained outstanding as at 30 September 2014, compared to 2,778,000 as at 30 September 2013. Movements in the number of the unissued shares of the Company under the 2000 scheme during Q1FY15 were as follows:

Outstanding options as at	Number of options exercised	Outstanding options as at
1-Jul-14		30-Sep-14
'000	'000	'000
2,532	(240)	2,292

Between 1 July 2014 and 30 September 2014, the Company has issued 252,000 ordinary shares under the Eu Yan Sang Employees Share Option Scheme 2006 ("the 2006 scheme").

Under the 2006 scheme, options to subscribe for 7,174,000 shares remained outstanding as at 30 September 2014, compared to 10,855,000 as at 30 September 2013. Movements in the number of the unissued shares of the Company under the 2006 scheme during Q1FY15 were as follows:

Outstanding options as at	Number of options exercised	Number of options lapsed	Outstanding options as at
1-Jul-14			30-Sep-14
'000	'000	'000	'000
7,546	(252)	(120)	7,174

C) Performance Share Plan

At the extraordinary general meeting of the Company held on 25 October 2007, the Company's shareholders approved the adoption of the Eu Yan Sang Performance Share Plan ("EYS PSP"). As at 30 September 2014, no shares were granted and outstanding under the EYS PSP (30 September 2013: nil).

D) Treasury shares

No treasury shares were held by the Company as at 30 September 2014 and 30 September 2013.

E) Warrants

During FY12, the Company issued 22,000,000 Warrants in conjunction with the issuance of interest bearing notes at par of \$25,000,000. The Warrants were issued at an issue price of S\$0.04 per Warrant and each Warrant carried the right to subscribe for 1 ordinary share in the capital of the Company at an exercise price of \$0.83 for each new share.

The Warrants are exercisable any time during a period of 5 years from the issue date of the Warrants. Noteholders of the S\$25,000,000 Notes have the option to tender the notes at par in lieu of cash payment for the exercise of the Warrants at the exercise price at any time before the maturity date.

Between 1 July 2014 and 30 September 2014, no convertible warrants have been exercised.

As at 30 September 2014, there were 22,000,000 (30 September 2013: 22,000,000) outstanding convertible warrants with exercise price at \$0.83 (30 September 2013: \$0.83) for each ordinary share.

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 30 September 2014 is 446,304,217 (30 June 2014: 445,812,217) 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.

Except as disclosed in note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those of the audited financial statements for the year ended 30 June 2014.

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.

During the current financial year, the group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 First Quarter Ended 30 September	
2014	2013
cents	cents
Earnings per ordinary share of the Group based on net profit attributable to shareholders:	
(i) Based on the weighted average number of ordinary shares	0.17 0.32
Weighted average number of shares ('000)	446,040 443,986
(ii) On a fully diluted basis	0.16 0.32
Weighted average number of shares ('000)	448,903 447,452

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.

	30-Sep-2014	30-Jun-2014
Net asset value per ordinary share based on issued share capital	cents	cents
For the Group	35.8	35.4
For the Company	12.3	13.0

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 posted a 4% growth in revenue for the 1st quarter, largely due to higher revenue generated from Australia, Hong Kong and Singapore.

Gross margin ("GM") of 52% for the Group in the 1st quarter was relatively on par with that of last year.

The Group recorded a 33% decline in Operating Profit ("OP") for the 1st quarter, primarily due to the slowdown in revenue growth, which only covered part of the increase in distribution and selling ("D&S") and administrative expenses. The increase in operating expenses was largely due to cost pressures in salary and rental across most markets.

The Group's Profit before tax ("PBT") for the 1st quarter slipped by 22%, mainly due to the decline in OP but was partially cushioned by foreign exchange gain as a result of the strengthening of Singapore dollar against Hong Kong dollar. Consequently, the Group's Profit after tax ("PAT") also dipped against last year.

(A) Revenue

Revenue for the Group grew by 4% in the 1st quarter, largely attributed to the increased revenue from the retail and wholesale segments. In terms of geographical performance, the Group's main markets in Australia, Hong Kong and Singapore reported higher revenue, which resulted in the 4% overall improvement in the Group's revenue for the 1st quarter.

Revenue by Activities

	Group First Quarter Ended 30 September		
	2014	2013	Change
Activities	S\$'000	S\$'000	+/(-)%
Retail (TCM & non TCM)	62,353	60,148	4
Wholesale (TCM & non TCM)	15,383	13,990	10
Clinic - TCM	4,362	4,455	(2)
Others	935	945	(1)
	83,033	79,538	4

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

Retail – Retail revenue for the 1st quarter improved marginally by 4% against the previous corresponding quarter, mainly attributed to better retail performance in Singapore and Australia. Higher retail revenue was generated in Singapore as a result of favorable consumer response to promotions while in Australia, the higher retail revenue was in line with the number of company-operated outlets. Hong Kong's retail performance was hampered by various challenges in the retail environment in Hong Kong while for Malaysia, retail performance was affected by the timing effect of promotions.

Wholesale – Wholesale revenue for the 1st quarter went up by 10% against last year, primarily driven by higher sales to the distribution channels in Hong Kong and Macau.

Clinic – Clinic revenue for the 1st quarter decreased by 2% against last year, largely due to the decline in patient traffic. The decline was largely due to the competitive environment in Singapore whereby there are many alternative options available for government-subsidized medical treatments.

Revenue under "Others" mainly related to food and beverages ("F&B") income, rental income and franchise fee income. The slight drop in revenue under "Others" was largely due to lower rental income.

Turnover by Geographical Locations:

		Group First Quarter Ended 30 September		
Core Countries		2014 '000	2013 '000	Change +/(-)%
Hong Kong*	SGD	38,533	37,485	3
	HKD	237,860	229,544	4
Singapore	SGD	18,534	17,459	6
Malaysia	SGD	13,827	14,729	(6)
	MYR	35,275	37,959	(7)
Australia	SGD	12,139	9,865	23
	AUD	10,577	8,558	24
Total		SGD 83,033	79,538	4

* Include Macau and China.

In terms of local currency, Hong Kong's revenue for the 1st quarter increased by 4% against the corresponding quarter, largely driven by the higher revenue generated by the wholesale segment.

Singapore's revenue for the 1st quarter improved by 6% against last year, primarily due to higher sales of raw and fine herbs.

In local currency terms, Malaysia's revenue for the 1st quarter decreased by 7% against last year, mainly due to the timing effect of promotions held.

Australia's revenue for the 1st quarter, in terms of local currency, went up by 24% against the previous corresponding quarter. The higher revenue was largely in line with the increased number of company-operated outlets and the improvement in same-store sales.

(B) FY15 Q1 Outlets & Clinics

FY15 Q1 Outlets & Clinics												
Countries	Retail						General TCM Clinics		Premier TCM Clinics		Integrative Medical Centre	
	Company-operated outlets		Franchise outlets		Total							
	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total
Australia	3	39	(1)	31	2	70	-	-	-	-	-	-
Malaysia	2	90	-	-	2	90	-	5	-	-	-	-
Hong Kong	(1)	57	-	-	(1)	57	-	-	-	-	-	2
Singapore	(1)	49	-	-	(1)	49	-	25	-	2	-	-
China	1	15	-	-	1	15	-	-	-	-	-	-
Macau	(1)	2	-	-	(1)	2	-	-	-	-	-	-
Total	3	252	(1)	31	2	283	-	30	-	2	-	-

The Group's retail network consisted of 252 company-operated outlets and 31 franchise outlets as at 30 September 2014. During the 1st quarter, there was an addition of 3 company-operated outlets and a reduction of 1 franchise outlet in Australia, bringing to a net total of 70 retail outlets as at 30 September 2014. A net total of 3 retail outlets were closed in Hong Kong, Macau and Singapore while a total of 3 outlets were set up in Malaysia and China.

The total number of TCM clinics and Integrative Medical Centres remained unchanged at 32 and 2 respectively as at 30 September 2014.

(C) Profitability

The Group's OP for the 1st quarter declined by 33% against last year, largely due to higher operating expenses in the form of rental and salary costs across most markets. The increase in revenue contribution offset part of the overall increase in operating expenses.

As a result of the lower OP, the Group's PBT and PAT dipped against last year. However, the impact was partially mitigated by foreign exchange gain as a result of the strengthening of Singapore dollar against Hong Kong dollar.

(D) Distribution and selling expenses

D&S expenses for the 1st quarter went up by 10% against last year, with higher salary and rental costs accounting for the bulk of the increase in D&S expenses. The higher salary costs were mainly from increased headcount and general salary increment while the higher rental expenses were as a result of increased outlets and increase in rental rates from existing landlords.

(E) Administrative expenses

Administrative expenses for the 1st quarter increased by 6% against the previous corresponding quarter. The increase was largely due to media spending incurred on Corporate activities, higher depreciation expenses and salary costs.

(F) Property, plant and equipment

The increase in property, plant and equipment was primarily due to the acquisition of a property in Macau.

(G) Investment properties

The increase in investment properties was mainly due to the purchase of a property by a subsidiary in Hong Kong.

(H) Prepayments (non-current)

The reduction of prepayments was largely due to reclassification to properties and fixed assets upon full payment of the properties and fixed assets.

(I) Inventories

The higher inventories were primarily due to the building up of inventories for year-end promotions.

(J) Cash and cash equivalents

The decrease in net cash and cash equivalents was mainly due to the properties acquired in Hong Kong and Macau during the 1st quarter.

(K) Trade and other payables

The increase in trade and other payables was largely due to fluctuations in payments to the creditors and timing of purchases.

(L) Interest bearing loans and borrowings

The increase in loans and borrowings was primarily due to short-term borrowings taken up for the purchase of properties.

(M) Cash flows

Net cash generated from operating activities for the 1st quarter was above last year by S\$10.0 million. This was largely attributed to lower working capital tied up in prepayments.

Net cash used in investing activities for the 1st quarter increased by S\$29.2 million compared to last year mainly due to the properties acquired in Hong Kong and Macau.

Net cash generated from financing activities for the 1st quarter went up by S\$21.6 million primarily due to short-term borrowings taken up to fund part of the purchase of properties in Hong Kong and Macau.

As at 30 September 2014, the Group had cash and cash equivalents amounting to S\$36.2 million as compared to S\$86.1 million as at 30 September 2013.

The Group's gearing ratio was 70.3% as at 30 September 2014.

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 FY2014 full year announcement made on 28 August 2014.

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 Company is concerned about the economic growth of its key markets. These concerns stem from the protracted unrest in Hongkong, the economic slowdown in China and softening retail markets in other markets, which is expected to dampen revenue growth. In addition, the Company anticipates that retail operating costs, namely from retail rents and payroll cost increases will continue to pose a challenge to sustaining operating profit margins. The Company has taken necessary steps to manage these operating costs by rationalizing its retail network, expanding wholesale and also, creating new platforms to reach to a wider segment of customers through new initiatives. Despite the current operating challenges, the Company sees many future opportunities, notably from the rising affluence of its target market leading to increased demand, new product development, extensions of wholesale channels and expansion of current manufacturing facilities. The Company expects its core lines of business to continue to grow albeit at a slower rate compared to previous years but remain cash flow positive, while its investment in Australia continue to demonstrate incremental improvements operationally and provide revenue growth potential. Moving forward, the Group's strategy is to continue leveraging on its innovation and branding approach to perpetuate consistent future growth. The Group will continue to manage its business risks prudently with a view to enhancing long term shareholder 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/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Interested Persons Transactions for the financial period ended 30 September 2014

Interested Person Transaction	Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate (excluding transactions less than S\$100,000 pursuant to Rule 920)
Transactions with:-	S\$'000	S\$'000
(a) XAct Solutions Pty. Ltd	13	-
(b) XAct Solutions Pte Ltd	50	-

14. Negative confirmation 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 first quarter unaudited financial statements for the period ended 30 September 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lam Chee Weng
Chief Financial Officer
29 October 2014