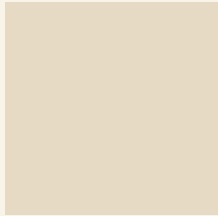
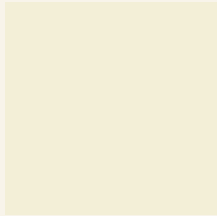
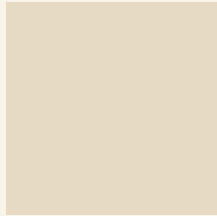
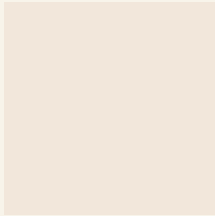
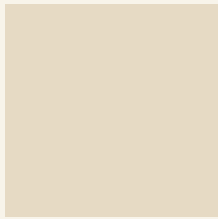
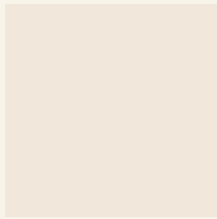
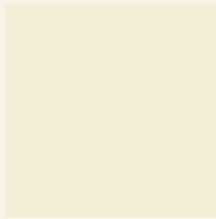
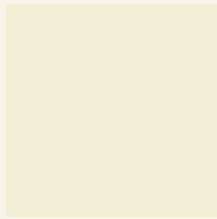




rich
Heritage,
Modern
perspectives



CORPORATE DATA

BOARD OF DIRECTORS

Joseph William Yee Eu
Non-Executive Chairman

Richard Yee Ming Eu
Group CEO

Clifford Yee Fong Eu
Managing Director

Malcolm Man-Chung Au
Independent Director

Robert James Yee Sang Eu
Non-Executive Director

Dr Jennifer Gek Choo Lee
Independent Director

Ian Wayne Spence
Independent Director

David Chung Woo Yeh
Independent Director

Dr David Yee Tat Eu
(alternate to Richard Eu)

Laurence Yee Lye Eu
(alternate to Clifford Eu)

Billy Wah Yan Ma
(alternate to Robert Eu)

AUDIT COMMITTEE

Ian Wayne Spence
Chairman

Dr Jennifer Gek Choo Lee

David Chung Woo Yeh

Malcolm Man-Chung Au
(Appointed on 10 Feb 2004)

STRATEGIC DIRECTION COMMITTEE

(Set up on 27 May 2004)

Robert James Yee Sang Eu
Chairman

Joseph William Yee Eu

David Chung Woo Yeh

Malcolm Man-Chung Au

NOMINATING COMMITTEE

Ian Wayne Spence
Chairman

Dr Jennifer Gek Choo Lee

Joseph William Yee Eu

COMPENSATION COMMITTEE

Dr Jennifer Gek Choo Lee
Chairman

Ian Wayne Spence

Robert James Yee Sang Eu

COMPANY SECRETARIES

Leslie Kim Loong Mah
(Appointed on 2 Jan 2004)

Sebastian Tan, FCIS
(Appointed on 1 July 2004)

REGISTERED OFFICE

269A, South Bridge Road
Singapore 058818

Tel : (65) 6225 3211

Fax : (65) 6225 8276

SHARE REGISTRARS

Lim Associates (Pte) Ltd

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

Tel : (65) 6536 5355

AUDITORS

Ernst & Young

10 Collyer Quay #21-01

Ocean Building

Singapore 049315

Audit Partner-in-charge: Gerard Ee

Appointment Date:

(since financial year ended 30 June 2003)

PRINCIPAL BANKERS

Bangkok Bank Public Company Limited

180 Cecil Street, Bangkok Bank Building

Singapore 069546

The Development Bank
of Singapore Ltd

6 Shenton Way,

DBS Building, Tower One

Singapore 068809

Public Bank Berhad

Menara Public Bank

146 Jalan Ampang,

50450 Kuala Lumpur

Malaysia

Standard Chartered Bank

13th Floor, Standard Chartered Tower

388 Kwun Tong Road, Kwun Tong

Hong Kong

United Overseas Bank Limited

1 Raffles Place, OUB Centre

Singapore 048616

OUR VISION

We want to be a global consumer healthcare company with a focus in Traditional Chinese Medicine and Integrative Healthcare.

OUR MISSION

We care for mankind by helping our consumers realise good life-long health.

OUR VALUES

- Humanity* - Always reflect respect for human life and care for its well being.
- Quality* - Offers the highest quality standards in the industry.
- Progress* - Seeks opportunities to produce new consumer healthcare products and services.
- Leadership* - Stays ahead in every aspect of the TCM industry.

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Listed on the Singapore Exchange, Eu Yan Sang International Limited (“EYS”) is a progressive, global healthcare company with its core focus in Traditional Chinese Medicine. EYS dedicates its business to the pursuit of offering the best natural healthcare products and services to its customers.

With its mission "Caring for Mankind", EYS dedicates its business to offer the best natural healthcare products and services to its customers by helping them realise good life-long health. A household name in Asia for over 120 years, EYS has earned an unrivalled reputation as the leader in the traditional Chinese medicine industry.

As a consumer healthcare group, EYS strives to introduce new product formulations and broaden the appeal of its products to a larger segment of consumers through key investments, research partnerships and strategic expansion of its distribution network.

Today, EYS manufactures and markets fine quality, Chinese herbs, Chinese Proprietary Medicines as well as health foods. EYS currently offers more than 150 products under its "Eu Yan Sang" brand name and over 1,000 different types of Chinese herbs and other medicinal products. Manufacturing facilities are carried out in its three GMP-certified

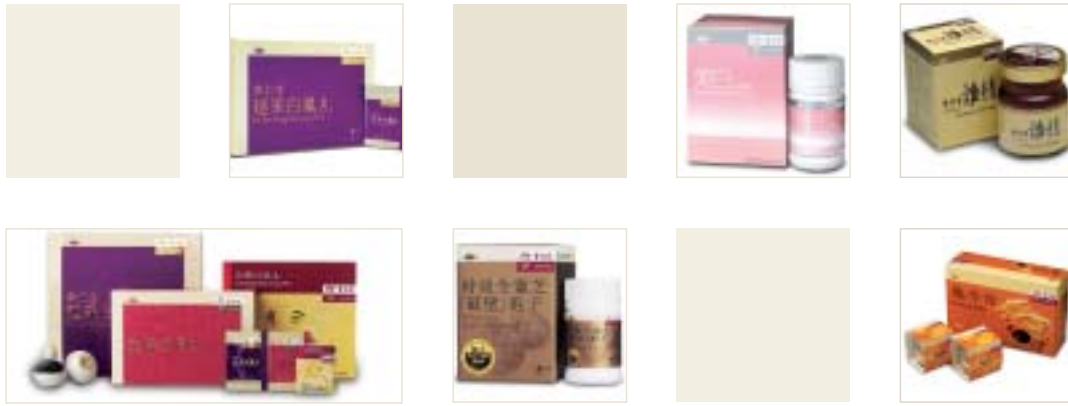
(Good Manufacturing Practice) factories in Hong Kong and Malaysia.

EYS has an extensive distribution network comprising of over 80 retail outlets in Hong Kong, Malaysia, Singapore and USA. “Eu Yan Sang” products are available in over 5000 drugstores, pharmacies, medical halls, hospitals, supermarkets, chain stores, health clubs, spas and convenience stores worldwide. Its cybershop at www.euyansang.com.sg offers its

global customers the ease and convenience of purchasing online.

In addition, EYS operates a chain of 12 TCM clinics in Singapore and Malaysia; 2 Specialist TCM clinics in Singapore; 4 "YourHealth" Integrative Medicine Centres (IMC) in Australia. The Specialist TCM clinics and IMCs combine the best practices of conventional medicine, TCM and other natural therapies, providing modern consumers with a holistic approach to healthcare.





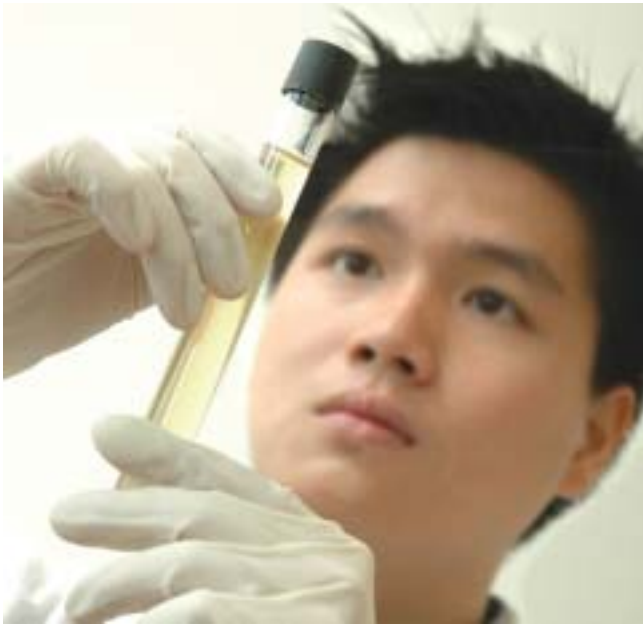
Our success didn't happen overnight. It's steeped in rich heritage, built upon a foundation of innovation, hard work and legendary service. It's about distinguishing us through our brand portfolio and management expertise;

It's about thinking and growing outside the bottle.



Eu Yan Sang is for
Everyone.





*A Way of Life for
Generations.*



THE PERFECT MIX

Passion and quality. Each employee throughout the company shares a common vision—a passion for quality. And it's this passion to excel in everything that we do, from the quality of our products to the quality of our services that makes Eu Yan Sang such an inspiring place to be. A place where good isn't simply enough.





Lingzhi

Cultured Spore Powder Capsules
純灵芝「破壁」
孢子粉

金牌白鳳丸
Gold Label Bai Fung Pills

金牌白鳳丸
Gold Label Bai Fung Pills

LEGENDARY SERVICE

At Eu Yan Sang, we have a long-standing tradition of nurturing relationships with our customers—of connecting and interacting with them on a personal level.

These are traits that cannot be measured tangibly; qualities that don't appear on a balance sheet. They are the intangibles that make Eu Yan Sang a leader like no other in its industry.



A HOLISTIC APPROACH

We have come a long way, and so have our products and services. Staying true to the caring spirit instilled more than 120 years ago by our founders; we continue to build and heighten the Eu Yan Sang experience. An experience where one is able to enjoy an integrative approach of both TCM and western practices for diagnoses and treatments.

After all, we've been fulfilling the needs of people for a hundred years. And we intend to do it for at least a hundred more.





Chairman's Statement



On behalf of the Board of Directors, I am pleased to present to you the Group's annual report for the financial year ended 30 June 2004.

The Year In Review

In our FY2002 and FY2003 annual reports, I mentioned that the company was operating under the pressures of a challenging retail environment. In FY2002, the events of September 11, 2001 shook consumer sentiment around the world. In FY2003, the Bali bombing in October 2002, the war in Iraq and the outbreak of SARS in Asia contributed to the tough operating conditions faced by the entire retailing industry. Naturally, prudence was called for under such conditions; yet the Group was also cautiously forward looking, striving to put in place plans not only to maintain our position within the Traditional Chinese Medicine (TCM) industry but to grow as well.

It is with pleasure that I present to you the initial results of this operational and expansion strategy. In FY2004, revenue increased 22% to \$135 million and net profit grew 200% to \$7 million. Higher revenue, combined with better operating efficiency, allowed our operating profit to grow by 68% to \$15.6 million. We also continued to

benefit from prior years' strategic efforts such as the expansion of our retail network in the region, introduction of new TCM and health food products, and constant reinforcement of the Eu Yan Sang premium brand name.

The Group's operations will be discussed in depth in the Operations Review section, but I would like to touch on them briefly now. Growth was registered across all three principal segments: Retail (TCM), Wholesale (TCM & Prescription/OTC) and Clinics. On a geographic basis, double-digit increases were seen across all key markets. The Integrative Medicine Centres ("IMCs") in Australia achieved revenue growth of 58% and our Elixir product line in the United States improved sales by 37%. Although these two relatively new businesses are taking longer than anticipated to generate profit, I am optimistic that they will achieve positive cashflow later in this financial year. In line with generally accepted accounting principles, we have taken prudent steps to write off goodwill of

\$1.4 million arising from consolidation and impairment of investment in respect of our Australian subsidiaries. Concurrently, we also took a one-time charge of a deferred tax asset of \$1.8 million arising from our USA subsidiary, Botanical Health Resources, Inc. (BHRI), to comply with Singapore Financial Reporting Standards. With this write off, the balance remaining in the goodwill account for BHRI is \$1.5 million, which will be addressed in the next financial year.

Given the positive business progress over the past year and our strong balance sheet, the Board is pleased to recommend a first and final dividend of 0.75 cents [an increase of 25% as compared to FY 2003: 0.6 cents] and, for the first time, a special dividend of 0.5 cents, making a total payout to shareholders of 1.25 cents per ordinary share. Both are tax-exempt one-tier dividends. Payment of dividends is subject to shareholders' approval at the forthcoming Annual General Meeting.

Our Twofold Approach To Value Creation

I would like to take some time to discuss with you an issue central to Eu Yan Sang's continued growth and identity as a leading player in the TCM industry. While estimates vary, the WHO states that the global market for herbal medicine was US\$60 billion in 2003 with steady growth expected¹. To capture a larger slice of this industry, Eu Yan Sang has adopted two strategic approaches, described below.

Scientific Approach To Value Creation

TCM has a history stretching back thousands of years, but certain factors such as safety and efficacy remain to be addressed before TCM can gain widespread consumer acceptance in global markets. At Eu Yan Sang, we believe that for TCM to benefit the public, and for the public to believe in the safety and efficacy of TCM, we must look to the scientific method. It is through this rigorous analysis that we can educate the consumer and other industry stakeholders about the validity and safety of traditional herbal remedies.



A range of Ready-to-Drink Bottled Bird's Nest

¹ Source: World Health Organization, *Traditional Medicine, Factsheet No. 124, May 2003*

Chairman's Statement

We believe our success lies, in part, with raising consumer awareness of Eu Yan Sang's 125-year tradition and the modern science that underpins the current offerings.



Granules Series

To this end, we have put in motion several measures aimed at enhancing the acceptance of TCM in a modern world: Our two factories in Hong Kong and Malaysia are Good Manufacturing Practice (“GMP”) certified; we have extensive R&D collaboration and product development projects with various academic institutions; and our raw herbs and finished products are being fingerprinted through comprehensive testing in our ISO-certified lab. While this approach is important in all our markets, it is particularly relevant to new geographies. We believe our success lies, in part, with raising consumer awareness of Eu Yan Sang’s 125-year tradition and the modern science that underpins the current offerings.

Branding Approach To Value Creation

We seek to differentiate ourselves through our strong “Eu Yan Sang” brand name, which is supported by a consistent advertising and promotion program. Our efforts to date have resulted in a strong brand valuation of \$35 million, as estimated by brand consultants, Interbrand, during the prestigious Singapore Brand Award 2003 organized by IE Singapore.

By differentiating ourselves through our twofold approach of strong branding and scientific research, we will continue to position ourselves at the forefront – and our products at the high end – of the global TCM market.



A range of Bak Foong Pills and Deer's Tail Pills

Prospects for FY2005

With the improvement in the regional economy, we foresee that business conditions for the Group will remain positive in FY 2005. Our traditional key markets, namely, Singapore, Malaysia and Hong Kong, should continue to perform well. To achieve further growth, the Group will continue to expand its core business activities and its regional distribution network. As in FY2004, the Group will introduce new TCM and health food products through this regional network. On the clinic side, focus will be placed on improving revenue, from both TCM clinics and IMCs.

Overall, the Directors expect increased group turnover and operating profit in FY2005.

Appreciation

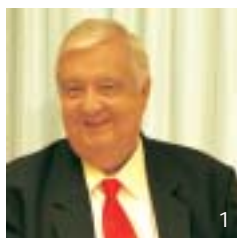
On behalf of the Board of Directors, I would like to take this opportunity to welcome Mr. Malcolm Man-Chung Au to our Board. I believe he will provide us with invaluable advice and contribution with his experience in the F&B industry.

Our successful performance would not have been possible without the contribution of many people. On behalf of the Board of Directors, I would like to thank our management and staff for their dedication and teamwork in meeting all the challenges faced in recent years. In addition, thanks must also be given to all our customers, bankers, business associates, suppliers and shareholders for their continuing support.

I look forward to meeting you at our Annual General Meeting

Joseph Eu
Chairman

Board of Directors



1. Joseph Eu, Non-Executive Chairman

Joseph Eu is the non-executive Chairman of our Company. In 1959, he became the managing director of United Malaya Insurance Co. Bhd., which was subsequently acquired by Sime Darby Bhd. Joseph Eu was in charge of the insurance operations of Sime Darby in 1970 for Malaysia, Singapore, Hong Kong and Thailand where he remained until he retired in 1989. Mr Eu studied at Radley College, UK, and subsequently joined the Parachute Regiment of the British Army. After the end of the war, Mr Eu joined the Eu family business in Singapore in 1949. He was appointed to our board on 27 May 1993.

2. Richard Eu, Group CEO

Richard Eu, Group CEO, is responsible for the overall corporate development and management of the EYSI Group. Prior to this, he worked in merchant banking, investment management, stock broking, computer distribution and venture capital before becoming the Group General Manager of Eu Yan Sang Holdings Ltd (EYSH) in 1989. EYSH was the owner of the Eu Yan Sang business in Singapore and Malaysia at that time. In 1993, he organized a management buyout of the business and in 1996 it was merged with the Eu Yan Sang business in Hong Kong, forming the EYSI Group as it is today. Richard graduated from London University with a LL B.

3. Clifford Eu, Managing Director

Clifford Eu is our Managing Director. In addition to looking after the business of Eu Yan Sang Australia Pty Ltd and Synco (H.K.) Ltd, he is also responsible for the administrative and support function of the Group. He joined the Group in 1994. Prior to this, he was involved with his family's investment holding group, overseeing its manufacturing and distribution operations in Singapore and Malaysia. In 1986, he co-founded a company which distributes consumer health products and was its Export Sales Director until 1990. Mr Clifford Eu graduated from the University of Melbourne, Australia with a Bachelor's degree in Electrical Engineering.

4. Malcolm Au, Independent Director

Malcolm Au Man-Chung was appointed to our board as an Independent Director on 2 January 2004. He holds a Bachelor of Science degree in Chemical Engineering and a Master of Science degree in Food Science both from the University of Wisconsin, USA and a Master of Business Administration degree from the University of Toronto, Canada. He started his career with Campbell Soup Company in Canada. Subsequently he was promoted to start Campbell's business in the Far East as its first Managing Director. He was also elected to the board of Campbell's in Australia. In 1991 he founded Artal Food Industries Limited, AFI, as a partner and Managing Director. AFI invested in food businesses in Hong Kong, PRC, Singapore, Malaysia and Indonesia. AFI also became the biggest Bread baking company in China. He retired in 2003. He is a non-executive director of China-Hong Kong Photo Products Holdings Ltd, the distributor of Fuji films in Hong Kong and China, and Convenience Retail Asia Ltd, the franchisee of Circle K stores in Hong Kong and China, both being publicly listed companies in Hong Kong. He is also a member of the Asian advisory board of York International, a manufacturer of refrigeration equipments, listed on the New York stock exchange.

5. Robert Eu, Non-Executive Director

Robert Eu has been a Non-Executive Director of our company since 24 January 1997. He is currently Managing Director of Asia Investment Banking at WR Hambrecht + Co (WRH+Co). WRH+Co provides underwriting and advisory services for technology and emerging growth companies, as well as equity research, sales and trading, brokerage and private equity offerings. Robert is based in San Francisco and focuses on the firms' initiatives in Asia.

Robert joined WR Hambrecht+Co in April 1998 from H&Q Asia Pacific, an affiliate of Hambrecht & Quist, where he was co-founder and was the Managing Director of the Hong Kong office. From 1992 to 1993, he was the Business Development Manager for Eu Yan Sang (Hong Kong) Limited. Robert also spent five years working for Citibank in the Private Banking Group in Hong Kong. Robert is a graduate of Northwestern University with a BA in History.

6. Dr Jennifer Lee, Independent Director

Dr Jennifer Lee is an Independent Director of our Company. Dr Lee is a Nominated Member of Parliament, having served since 1999 to date. She was CEO of KK Women's and Children's Hospital for 13 years from 1991. Prior to that she was chief operating officer in the Singapore General Hospital, in which capacity she was involved in its corporatisation. She began her career in healthcare in the practice of medicine in her first several years post graduation, moving subsequently into healthcare management at the Ministry of Health. Dr Lee is a graduate of the medical faculty of the then Singapore University, and subsequently obtained her MBA from the National University of Singapore. She was appointed to our board as an independent Director on 7 July 2000.



H4H Hair Formula Capsules

Board of Directors

7. Ian Wayne Spence, Independent Director

Ian Spence is an Independent Director of Eu Yan Sang International Ltd. He is a New Zealander, a permanent resident of Singapore, a commerce graduate from Otago University, New Zealand, and a Chartered Accountant. He is currently an independent director of several private and public companies in Singapore.

8. David Yeh, Independent Director

David Yeh is an Independent Director of our Company since 7 July 2000. Mr Yeh is the chairman and CEO of Universal International Group Ltd (UIG), which he founded in 1964. In 1986, shares in UIG's subsidiary, Universal Matchbox Group Ltd with principal operations in the toy manufacturing and marketing, were listed in the New York Stock Exchange. In 1992, UIG sold its interest in Universal Matchbox Group Ltd. and is now an investment group with interests primarily in Hong Kong, China and USA.



Wild Yunzhi Powder Extract Capsules

9. Dr David Eu, alternate to Richard Eu

Dr David Eu is the alternate Director to Richard Eu. He is the managing doctor of the Bonham Clinic in Singapore. Since 1987, he has been running his own private medical practice. Dr David Eu holds an MB BS, from St. Mary's Hospital, London and an MA from Oxford University, UK. He was appointed to our board as an alternate Director on 24 January 1997.

10. Laurence Eu, alternate to Clifford Eu

Laurence Eu is the alternate Director to Clifford Eu. He is the managing Director of the Euco group of companies in Malaysia, a family investment group with diverse interests in advertising, disposable medical products, hospital linen and food related products. He was appointed to the board as an alternate Director on 24th January 1997.

11. Billy Ma, alternate to Robert Eu

Billy Ma is the alternate Director to Robert Eu. He is a solicitor of the High Court of Hong Kong Special Administrative Region, the Supreme Court of England and Wales, the Supreme Court of the Republic of Singapore and the Supreme Court of the Australian Capital Territory. He is also a Notary Public. He is the Precedent Partner of Messrs. Hobson & Ma, Solicitors & Notaries and Council Member of The Law Society of Hong Kong. He is also a Council Member of the Legal Aid Services Council of Hong Kong.

Senior Management

HEAD OFFICE

Leslie Mah, Chief Financial Officer

Leslie Mah is the Chief Financial Officer for the Group, responsible for new business expansion, treasury and management, review of accounting and management information systems, risk and tax management, corporate governance guidelines and investor relations. Prior to joining us on 1 January 2002, he was the Executive Director and Company Secretary for Cerebos Pacific Limited for 15 years. Prior to his tenure at Cerebos, he was the Finance Director of Harpers Gilfillan for 10 years. He is also an independent non executive director of Hotel Properties Limited. He is a fellow member of the Institute of Chartered Accountants in England & Wales.

Tan Kang Fun, Group Financial Controller

Tan Kang Fun is the Group Financial Controller in charge of the development, maintenance and improvement of finance and accounting systems, group financial policies and procedures, tax planning and cash flow management. Prior to joining us on 1 April 2004, he was the Managing Director responsible for finance and operations in Nextec Applications Pte Ltd for about 4 years. Prior to his tenure at Nextec, he spent 11 years with NatSteel Chemicals Ltd and at the time of him leaving the company he was the General Manager responsible for finance and operations. He is an associate member of The Institute of Chartered Accountants in England and Wales, and also a CPA with The Institute of Certified Public Accountants of Singapore.

James Xiao, Sr. Manager, Research and Development

James Xiao is the Senior R&D Manager at Eu Yan Sang International Ltd. He is responsible for the company's overall R&D operations. He is actively involved in several

research projects with local research institutes and overseas universities. He was a Research Fellow at Harvard Medical School and other institutes and also holds an MSc from National University of Singapore, Medical Bachelor from West China Medical University and TCM Certificate from Chinese TCM Academy.

OTHER SUBSIDIARIES

AUSTRALIA - Eu Yan Sang (Australia) Pty Ltd

Menno Veeneklaas, Co-Founder and Managing Director

Menno Veeneklaas co-founded YourHealth Group in August 2000 and has been the Managing Director since then. He has thirteen years of diverse business experience, including five years of corporate strategy work with The Boston Consulting Group and two years in Chicago where he worked part time with five start up technology companies while completing a full time MBA at Kellogg. Menno has a BA Economics / Politics (Hons) from York University, UK and an MBA from Kellogg, Northwestern University, USA.

Dr Joachim Fluhrer, Co-Founder and Medical Director

Dr Joachim Fluhrer, co-founded YourHealth Group in August 2000 and has been the Medical Director since then. Dr Fluhrer is a GP who has specialised in Integrative Medicine for the last eighteen years and is a recognised leader in his field. He sat on the Federal Government Complementary Medicine Evaluation Committee for 5 years since its inception and conducts Integrative Medicine seminars in Australia, NZ and Europe. Dr Fluhrer has a BA Naturopathy from Wetzlar, an MB BS from Sydney University and is a Fellow of ACNEM, Melbourne.

Senior Management

HONG KONG - Eu Yan Sang (Hong Kong) Limited

Alice Wong Suet Ying, Managing Director

Alice Wong is the Managing Director of Eu Yan Sang Hong Kong (EYSHK). She is responsible for the overall performance and operations of EYSHK. Ms Wong joined us in 1993. Prior to joining us, Ms Wong was an accountant for 14 years with Thunderbird Marine Ltd, Hong Kong. She holds a Diploma in Business Administration from Wigan & Leigh College, UK.

William Sung Wai Lam, Financial Controller

William Sung is the Financial Controller of the Eu Yan Sang Hong Kong and is responsible for the financial matters of the Hong Kong group. Prior to joining us in 1997, he had spent over three years with the business services group of the then Coopers & Lybrand in Hong Kong. Mr Sung is a member of both the Hong Kong Society of Accountants (HKSA) and the Association of Chartered Certified Accountants (ACCA).

HONG KONG - Synco (HK) Limited

Sally Mo Sau Ping, Deputy General Manager

Sally Mo is the Deputy General Manager for Synco (HK) Ltd. She is presently responsible for the overall performance and operations of Synco. Sally joined Synco in 1995. Prior to this, she was a Retail Pharmacist at Boots the Chemist U.K. She graduated from John Moores University, Liverpool and is a registered pharmacist in Hong Kong and in the UK.

Dr Yip Yuen Wah, Sr. Manager, Quality Assurance

Dr Yip is the Quality Assurance/Product Formulation Manager of Synco (H.K.) Ltd. She is responsible for the development and implementation of the quality control system within the organization, and also for development of product formulation. She joined Synco in 1993. Before that, she was a Development Pharmacist with the Institute of Drug Technology, Victoria, Australia. She holds a PhD in Pharmaceutics from Aston University, UK and is a registered pharmacist in Hong Kong and in Australia.

MALAYSIA - Eu Yan Sang (1959) Sdn Bhd

Lok Eng Hock, Managing Director

Lok Eng Hock is the Managing Director of Eu Yan Sang (1959) Sdn. Bhd. He is presently responsible for EYS 1959's overall performance and trading operations including retail in Peninsula Malaysia. Mr Lok joined us in 1982. He holds a Bachelor's degree in Commerce from the then Nanyang University, Singapore.

SINGAPORE - Eu Yan Sang Singapore Pte Ltd

Vincent Lim, General Manager

Vincent Lim is the General Manager of Eu Yan Sang Singapore. Vincent joined us in March 2003. He is responsible for the overall operations of EYSS. In addition, Vincent is also responsible for our Elixir Tonics & Teas operations in Asia-Pacific regions. Vincent previously worked as Vice-President for Hospitality of Incofood Management Services and holds a Bachelor's degree in Business Administration from the Royal Melbourne Institute of Technology.

SINGAPORE - Eu Yan Sang Integrative Health Pte Ltd

Dr Luisa Lee, Managing Director

Dr Luisa Lee is currently the Managing Director of YourHealth Singapore Pte Ltd. She graduated with an MB BS from the National University of Singapore and obtained her MSc (Public Health) in 1976. Previous positions held include CEO of the National Healthcare Group's New Ventures Division, CEO of Tan Tock Seng Hospital, CEO of Woodbridge Hospital and Institute of Mental Health and Medical Director of the Ministry of Health's Training and Health Education Department.

USA (Botanical Health Resources Inc.)

Jeffrey A. Stein, President

Jeffrey Stein is also the co-founder, President and Chairman of Botanical Health Resources, Inc., dba Elixir Tonics & Teas. Jeff co-founded Camp Beverly Hills in 1977 a multi-national retailer and licensor of men's, women's and children's apparel and accessories with peak annual retail sales exceeding US\$200 million dollars via licensees, company owned retail stores, over twenty franchise stores, and a mail order business based on a million catalog-a-year distribution network. Prior to that he served as an executive in the motion picture division of Columbia Pictures Industries for more than six years. Jeff received a liberal arts degree from New York University and a juris doctor's law degree from Brooklyn Law School.

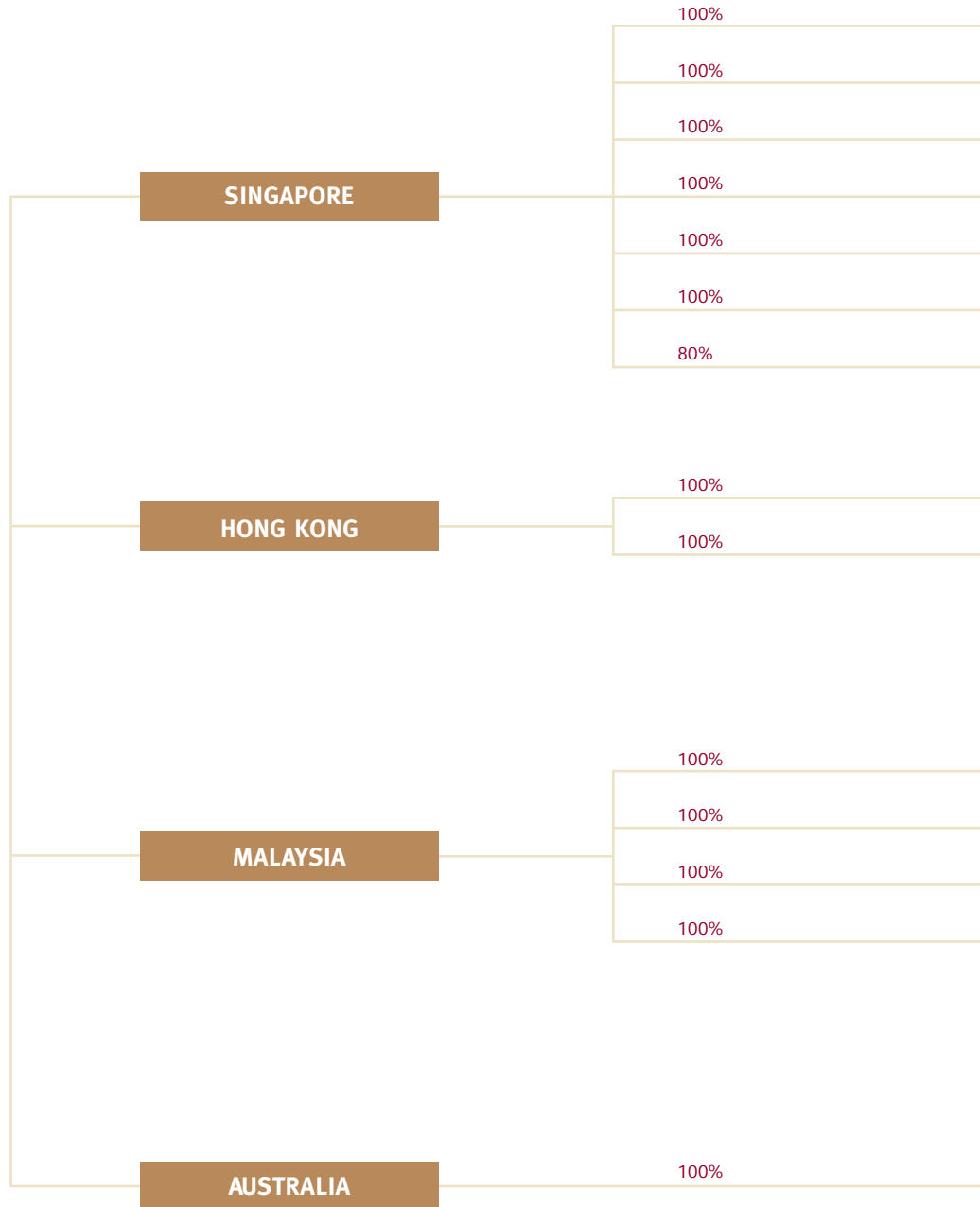
Liping Ching, Chief Financial Officer and Acting Chief Operating Officer

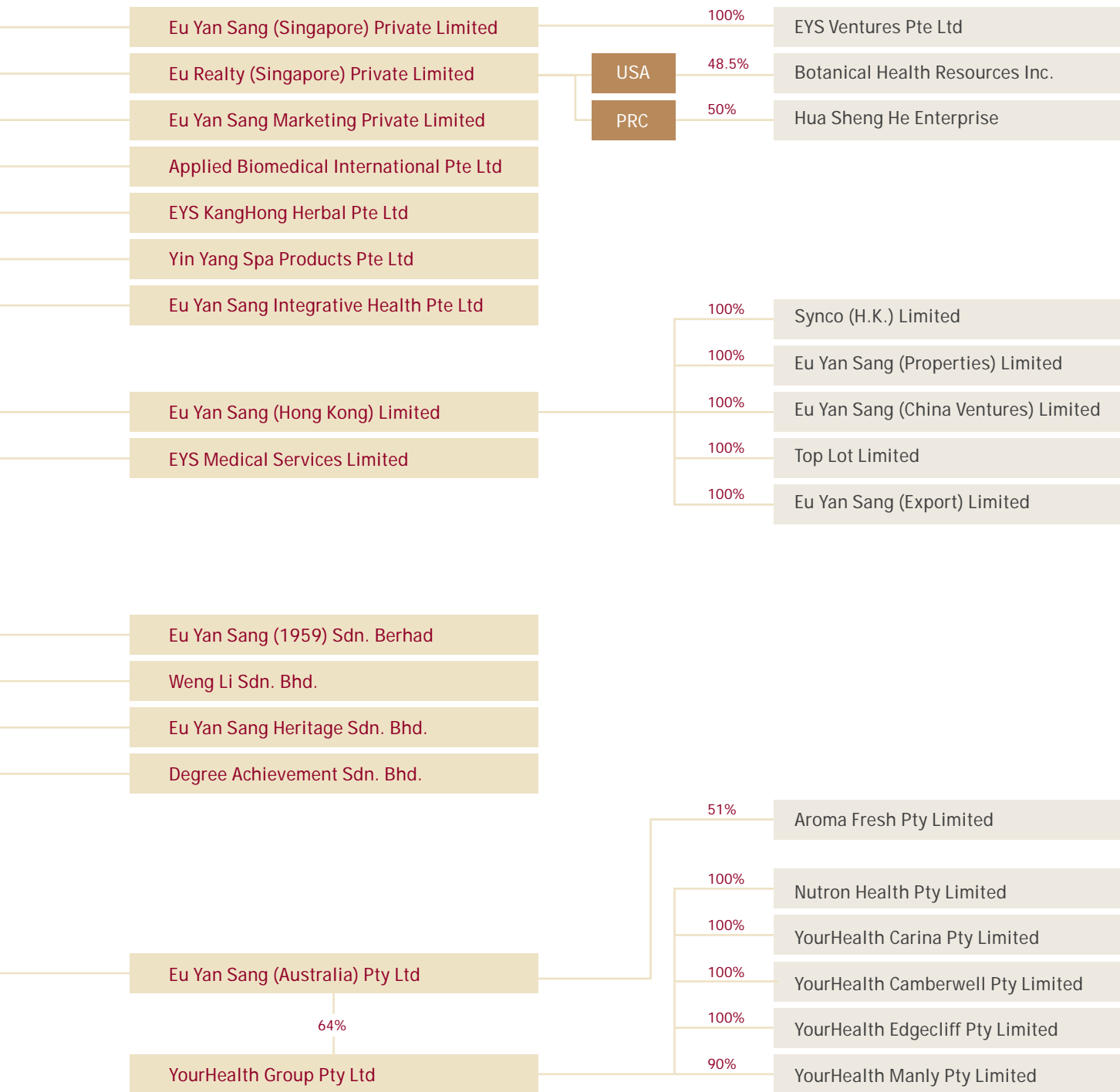
LiPing Ching is currently CFO and Acting COO of Elixir Tonics & Teas and has been with the company since September 2001. He has over 20 years of international food & beverage industry experience. Previous to Elixir, he founded and raised capital for Colonel Foods China and negotiated franchise rights to KFC for several provinces in China with Tricon Restaurants International. He also worked in various capacities for Sheraton, Inter-Continental and Shangri-La Hotels. LiPing was born and raised on Long Island, NY and graduated from Cornell University, School of Hotel Administration. He holds a Bachelor's Degree in Hotel Administration with a concentration in finance.



American Wild Ginseng Tea

Group Structure





Calendar of Events

2003

AUGUST

- Announcement of our Full Year Results for FY2003.

SEPTEMBER

- Eu Yan Sang Hong Kong won the Watsons and Mannings Health & Beauty Awards – Bak Foong Pills for the Chinese medicine category & the most popular Health Food Product Award; Bo Ying Compound for the most welcomed Chinese Medicine Award.

OCTOBER

- Launch of our first Chinese Edition of “Illustrated Chinese Materia Medica in Hong Kong” - a collaborative effort with the School of Chinese Medicine, Hong Kong Baptist University.
- Eu Yan Sang Hong Kong won the 2003 Hong Kong Awards for Industry: Quality Award from the Hong Kong Trade & Industry Department. ¹

NOVEMBER

- Eu Yan Sang International participated in the World Congress of Chinese Medicine 2003 in Melbourne,

Australia showcasing the Bak Foong Pill research with Chinese University of Hong Kong; clinical trials on Hong Qu capsules and the first Chinese Edition of the “Illustrated Chinese Materia Medica”.

- Eu Yan Sang Hong Kong won the Asia Pacific Interior Design Awards – Commercial Category 2003 from the Hong Kong Interior Design Association. ²
- Eu Yan Sang International was awarded for the 2nd consecutive year the Singapore Brand Awards under the Strongest Brand and Most Valuable Brand categories. ³
- Our Group CEO, Richard Eu, was nominated for Entrepreneur of the Year Award 2003 by Ernst & Young under the Master Category. ⁴

DECEMBER

- Eu Yan Sang Hong Kong won the Design for Asia Award 2003 – Distinguished Design from China “Total Branding Solution” by Hong Kong Design Center. ⁵



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2004

JANUARY

- Eu Yan Sang Hong Kong won the 2003 Hong Kong Top Ten Brandnames Awards – The Honorary Award by the Chinese Manufacturer’s Association of Hong Kong. **6**
- Eu Yan Sang Hong Kong was nominated “Superbrand” Hong Kong 2004. **7**
- Eu Yan Sang Hong Kong was voted amongst the 100 Most Wanted Brands by readers of A La Carte Travel Monthly. **10**

FEBRUARY

- Eu Yan Sang Malaysia donated RM56,000 to the Selangor School of Deaf through the Chinese New Year festive promotional event “Bucket of Gold”. **8**
- Eu Yan Sang Hong Kong was voted as the most trustworthy retailer in TCM category by the readers of Guangzhou Daily, the leading newspaper in People’s Republic of China.

APRIL

- Eu Yan Sang International was the first Chinese Herb Partner at World Gourmet Summit 2004. We collaborated with Conrad Hotel to host a Herbal Gourmet Banquet for some 200 guests. **9**

MAY

- Eu Yan Sang Hong Kong was awarded the Hong Kong Q-Mark Service Scheme Certificate by the Hong Kong Q-Mark Council Federation of Hong Kong Industries.

JUNE

- Launch of the first English Edition of “Illustrated Chinese Materia Medica” in Singapore plus staging an educational Talk to the TCM industry’s practitioners and students by Dr Zhao Zhong Zhen, author of the “Illustrated Chinese Materia Medica” from Hong Kong Baptist University.
- Eu Yan Sang International participated in the first TCM Wellness Weekend programme for Spa Asia’s members in Bangkok through an educational talk on “TCM & Longevity” and Herbal Soups Workshop.



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Operations Review

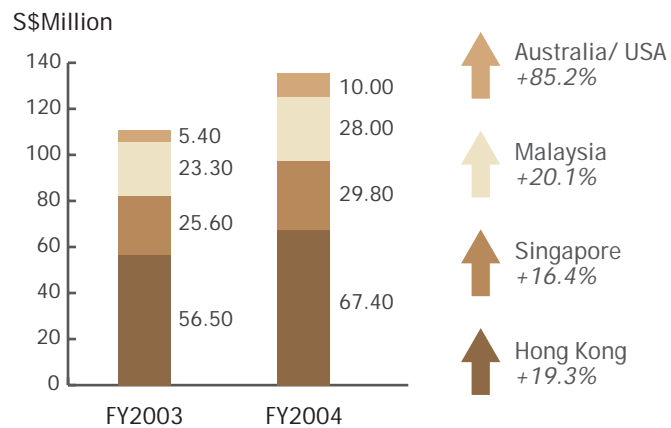
Group turnover rose by 22.0% to \$135.2 million in FY 2004.

Growth was broad based, with improvement registered across all key geographical markets.



Bottled Bird's Nest and Essence of Chicken

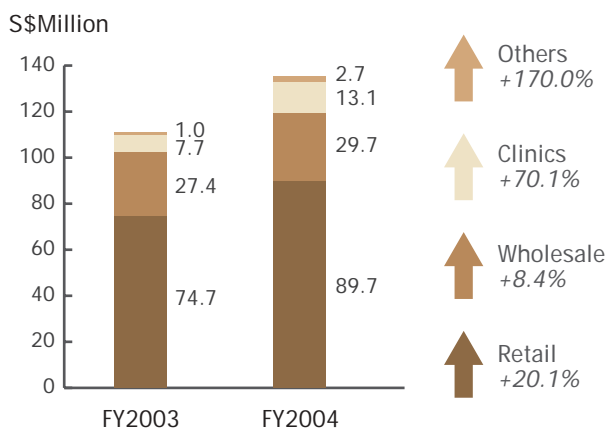
Turnover by Geographical Operations



Group turnover rose by 22.0% to \$135.2 million in FY 2004, with improvement across all key geographical markets. Malaysian operations led this growth in percentage terms, with turnover rising 20.1% to \$28.0 million. Hong Kong and Singapore turnover grew 19.3% and 16.4% respectively. In absolute terms, Hong Kong outperformed all the other markets with turnover increasing by \$10.9 million. Outside these core markets, Australia's revenue continued to benefit from higher business activities at the 4 Integrative Medicine Centres ("IMCs") and the USA operations saw a new revenue contribution of \$1.4 million; as a result, in these 2 markets combined, turnover increased 85.2% to \$10.0 million.

Revenue contribution was more evenly distributed across the Group's geographies. With growing revenues in Australia and the USA we are seeing less reliance on our traditional markets. This is in line with the Group's strategy of growing our business in new markets and mitigating our geographic risk.

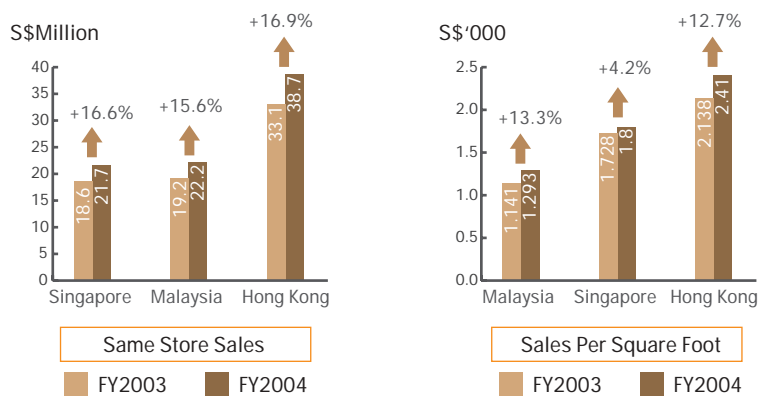
Turnover by Activities



Growth was achieved across all business units. Retail, Clinics and Others¹ experienced double-digit or higher growth while Wholesale's growth is commendable at 8.4%.

Retail

Retail TCM turnover led the growth – in dollar terms – across our business units, with an increase of \$15.0 million, or 20.1%, to \$89.7 million. The improvement was attributable to higher sales of both CPM / Health Foods and TCM herbs.



¹ Mainly the Elixir business

Operations Review



Premium Bottled Bird's Nest

New products and successful implementation of advertising and marketing strategies resulted in improved sales from existing retail outlets. Our retail operations are being increasingly attuned to consumers' preferences and this is evident in our rising same store sales and sales per square foot across all 3 of our key retail markets compared to FY2003.

Countries	Added (net)	Total
Hong Kong	3	27
Singapore	1	19
Malaysia	5	39
Total	9	85

We opened 9 new retail outlets (net) in FY2004, bringing our total number of outlets to a record 85. This was driven by several market factors. The growth of the hypermarket channel in Malaysia presented us with the opportunity to co-locate our new outlets within hypermarkets such as Jusco and thus access a new consumer shopping paradigm; at the same time, Hong Kong continued to be an attractive market in which to expand our retail operations in general.



Wholesale

Group turnover for TCM Wholesale rose 12.0 % to \$23.0 million. Hong Kong and Singapore recorded strong growth, while Malaysia wholesale turnover registered a slight decline as the Group streamlined its Malaysian operations. This process saw the rationalization of the number of wholesale accounts, modeled after our successful Yee Lee special counters operations. Elsewhere, turnover for TCM Wholesale benefited from the supply of TCM herbs to hospitals in Hong Kong and China as well as the surge in sales during the post-SARS period. We expect to benefit from China's Closer Economic Partnership Arrangement ("CEPA") with Hong Kong. The CEPA will be a strong driver for our wholesale business in China as the tax savings enjoyed under the zero-tariff arrangement will be plowed into more Advertising and Promotion ("A&P") activities, hence, strengthening Eu Yan Sang's brand name in China. Currently, we are supplying our TCM products to five provinces in the Southern part of China and this is expected to grow strongly.

To further exploit global market potential, we have been proactively seeking channel partnerships with distributors worldwide to take advantage of their extensive distribution networks. The Group is also active in exploring store-in-store opportunities.

As for the Prescription/OTC Wholesale, the business under Synco (HK) Ltd, turnover was stable at \$6.7 million. Synco manufactures and sells generic pharmaceutical drugs to medical practitioners and hospitals in Hong Kong and Singapore on a contract basis.

Currently, we are supplying our TCM products to five provinces in the Southern part of China and this is expected to grow strongly.



Bo Ying Compound

Operations Review

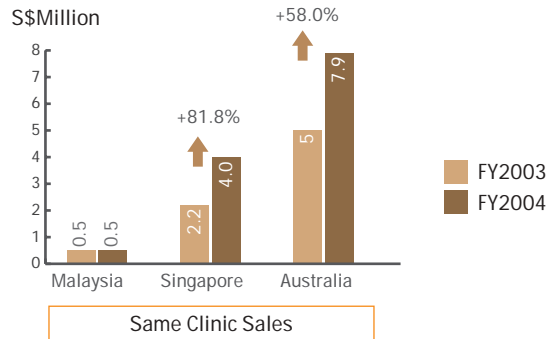


Skin Whitening Capsules

TCM Clinics

Countries	TCM Clinics		Specialist TCM Centres	
	Added	Total	Added	Total
Hong Kong	-	-	-	-
Singapore	1	6	-	2
Malaysia	-	5	-	-
Total	1	11	-	2

During the year, we added one TCM clinic in Singapore, making a total of 13 in Singapore and Malaysia. Due to the growing awareness of TCM, our clinics were well received and patronized by our customers.



As a testament to the growing popularity of our clinics and increasing consumer awareness of TCM, the Group succeeded in increasing same clinic sales in Singapore and Malaysia by a commendable 66.7% in FY2004. Singapore alone increased 81.8% to \$4.0 million.

A significant event for the Group's Clinics operations was the reorganization and rebranding of its Singapore TCM and IMC clinics in August 2004. The clinics were reorganized along the lines of 'general practitioner' and 'specialist' style services, as these concepts were more familiar to consumers.



The ‘general practitioner’ clinics continue to be known as “Eu Yan Sang TCM Clinics” offering strictly TCM treatments, while the ‘specialist’ clinics are now known as “Eu Yan Sang Specialist TCM Centres” offering both traditional Chinese and other natural therapies to diagnose and treat patients.

The Group’s strategy is to provide consultation services that meet the changing needs of consumers and the Group believes providing an integrated “east-west” approach will give consumers the best of both worlds. The landscape of medicine is changing both locally and globally, and the reorganization and rebranding is the first step by the Group towards meeting the changes in the TCM consultation services industry.

IMCs

Countries	Integrative Medicine Centres (IMCs)	
	Added	Total
Hong Kong	-	-
Singapore	-	1*
Malaysia	-	-
Australia	-	4
Total	-	5

**wellness clinic*



Kang Du Bu Fei Pills

As a testament to the growing popularity of our clinics and increasing consumer awareness of TCM, the Group succeeded in increasing same clinic sales in Singapore and Malaysia by a commendable 66.7% in FY2004.

Operations Review

During the current year, we are likely to see further growth in turnover from our Australian IMCs and our target is to bring the business to profitability.



San She Dan Chen Pi Powder

As we were refining our Australian offering, there were no new IMCs added during the year. The 4 IMCs continue to cater to the needs of modern consumers, incorporating the best practices of Western medicine with nutritional and Chinese herbal remedies. Our 4 Australia IMCs experienced strong business activity and turnover growth of 58% to \$7.9 million. During the current year, we are likely to see further growth in turnover from our Australian IMCs and our target is to bring the business to profitability.

Singapore Wellness Medicine Clinic provides Western (Conventional) Medicine services with a focus on preventive health and nutritional medicine. Together, through its team of highly qualified and experienced specialists, it offers the best combination of modern medicine and traditional therapies with a holistic mind-body approach to health.

Elixir Teas & Tonics

In the United States, our subsidiary Botanical Health Resources Inc. continued to grow its wholesale Elixir Teas and Tonics business strongly. Sales over the last three years have experienced an annual growth rate of 37% and business at the 2 Elixir retail outlets has also been encouraging. The Group is actively working towards profitability by increasing sales, pursuing new distribution opportunities, and managing costs across the business lines; the Elixir business is expected to turn cashflow positive towards the end of the current financial year.

Products

Our top 5 products in FY2004 remained the same as in FY2003. Turnover for our top 5 products grew by 19% to \$48.9m and their contribution towards Group turnover remained stable at 36.2%. Bottled Bird's Nest, Bo Ying Compound and Hou Ning experienced double-digit growth while demand for Bak Foong dipped slightly. Sales for Lingzhi Cracked Spores turned in an especially strong performance, growing 162% to \$6.3m. It is now the 4th best selling product in the Group.



Pearl Powder and a range of Cough Powder

An interesting point to note is that 3 out of our top 5 products were introduced only within the last 3 years. They are the Bottled Bird's Nest, Lingzhi Cracked Spores and Hou Ning. Their contribution towards FY2004 Group turnover accounts for an impressive 19% and we believe this highlights the success of the Group's strategy in introducing new products to spearhead growth.

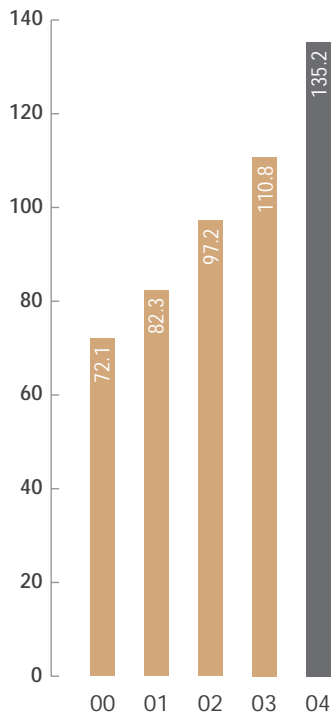
At Eu Yan Sang, we view product development as an ongoing and critical process. During FY2004, the Group continued to develop and offer new innovative TCM products and Health Foods to our customers. Some of the new products introduced during the year include Extra-Strength Lingzhi Cracked Spores, Niah bottled bird's nest, Wild Cordyceps Capsules and Infant Cough Powder, which together, contributed approximately \$5.3 million to FY2004 turnover. This accounted for a commendable 5% of total TCM sales.

At Eu Yan Sang, we view product development as an ongoing and critical process. During FY2004, the Group continued to develop and offer new innovative TCM products and Health Foods to our customers.

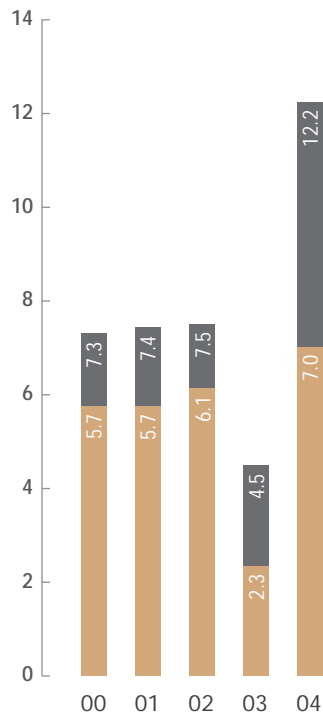
Product Name	For	FY04	FY03	%Change
Bottled Bird's Nest	General health maintenance	\$15.1m	\$13.4m	13
Bak Foong Pills	Women's health, nourishes blood and Qi	\$12.1m	\$12.8m	-5
Bo Ying Compound	Infants' health	\$11.1m	\$8.7m	28
Lingzhi Cracked Spores	Improves immunity	\$6.3m	\$2.4m	162
Hou Ning	Cough and phlegm	\$4.3m	\$3.9m	10
Total		\$48.9m	\$41.2m	19

Financial Highlights

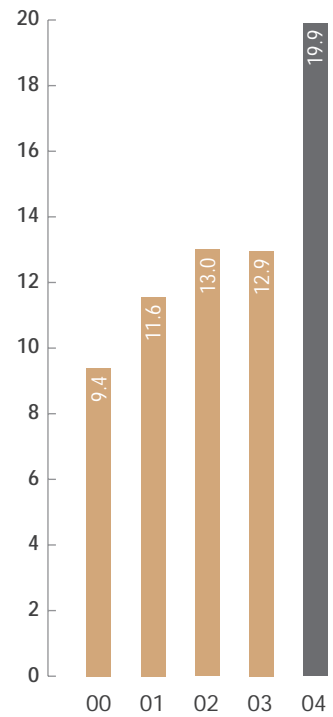
Turnover (\$m)



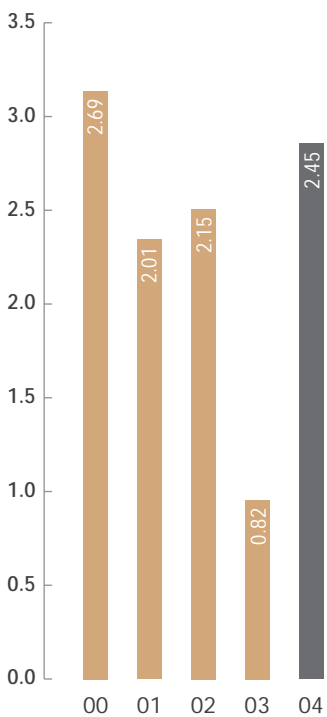
Profit Before Tax (\$m) ■
Profit After Tax, Extraordinary Item and Minority Interest (\$m) ■



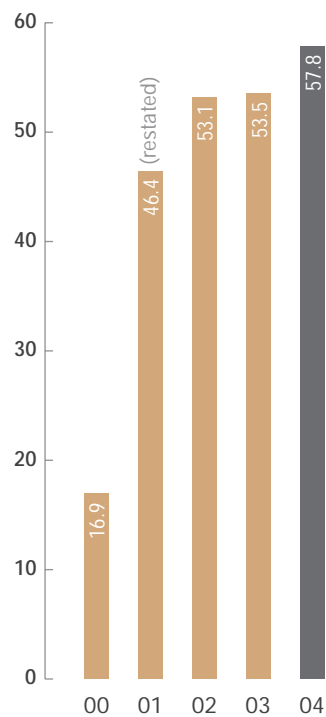
EBITDA (\$m)



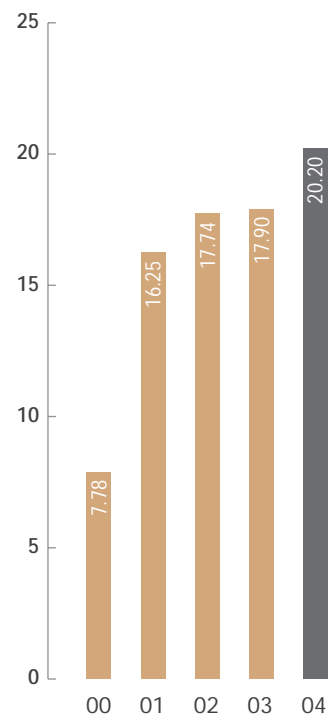
Earnings Per Share (cents)



Shareholders' Equity (\$m)



Net Tangible Assets Per Share (cents)



Corporate Governance

The Board of Eu Yan Sang International Limited (“the Board”) is committed to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interest of the Company’s shareholders.

This report describes the corporate governance principles applied by the Company with specific reference to the Code of Corporate Governance (“the Code”). References to the principles of the Code are listed below:

PRINCIPLE 1: BOARD’S CONDUCT OF ITS AFFAIRS

The principal functions of the Board are:

- (1) to approve the broad policies, strategies and financial objectives of the Company and monitoring the performance of Management;
- (2) to oversee the processes for evaluating the adequacy of internal controls, financial reporting and compliance;
- (3) to approve the appointment of directors to the Board and the appointment of key personnel;
- (4) to approve annual budgets, major funding proposals, investment and divestment proposals; and
- (5) to assume responsibility for corporate governance.

Matters which are specifically referred to the Board for decision are those involving approval of accounts and results announcements, dividend payments or other returns to shareholders, corporate or financial restructuring and share issuance, material acquisitions and disposal of assets.

The Board conducts regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company’s Articles of Association provide for meetings by means of conference telephone. The attendance of the directors at meetings of the Board and Board committees, and the frequency of these meetings, is disclosed as follows.

Directors’ Attendance At Board & Committee Meetings

Name	Eu Yan Sang Board		Audit Committee		Compensation Committee		Nominating Committee	
	No of Meetings Held	No of Meetings Attended	No of Meetings Held	No of Meetings Attended	No of Meetings Held	No of Meetings Attended	No of Meetings Held	No of Meetings Attended
Joseph William Yee Eu	4	4	-	-	-	-	1	1
Richard Yee Ming Eu	4	4	-	-	-	-	-	-
Clifford Yee Fong Eu	4	4	-	-	-	-	-	-
Dr Jennifer Gek Choo Lee	4	4	4	4	1	1	1	1
Ian Wayne Spence	4	4	4	4	1	1	1	1
Robert James Yee Sang Eu	4	4	-	-	1	1	-	-
David Chung Woo Yeh	4	3	4	3	-	-	-	-
Malcolm Man-Chung Au*	4	2	4	2	-	-	-	-

* Malcolm Man-Chung Au was appointed to the Board and Audit Committee on 2.01.2004 and 10.02.2004 respectively.

Corporate Governance

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS (CONT'D)

The Company provides facilities such as the conduct of internal courses for the directors to meet their training needs. The new directors are also given orientation on the Group's businesses. The Company adopts a policy whereby directors are encouraged to request for further explanations, briefings or informal discussions on the Company's operations or business with the management.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board currently has eight (8) directors, comprising four (4) independent, two (2) non-independent and non-executive directors and two (2) executive directors. Information regarding each Board member is provided under the Board of Directors section.

The Board comprises directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience. To assist in the execution of its responsibilities and to comply with the requirements, the Board has established sub-committees: an Audit Committee, a Nominating Committee, a Strategic Direction Committee, which was set up on 27th May 2004 and will have its first meeting on 19th October 2004, and a Compensation Committee, under which the Executives' Share Option Scheme Committee functions as a sub-committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The Board's structure, size and composition is reviewed annually by the Nominating Committee ("NC"). The NC is of the view that the current size of the Board is appropriate to facilitate effective decision making, taking into account the nature and scope of the Group's operations. As half of the Board is independent, the NC is satisfied that the Board has substantial independent elements to ensure that objective judgment be exercised on corporate affairs.

PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a non-executive director serving as Chairman and an executive director serving as CEO. The CEO is the most senior executive in the Company and bears executive responsibility for the Company's business, while the Chairman bears responsibility for the workings of the Board. Though the Chairman and the CEO are related, the relationship does not affect the division of responsibilities between the Chairman and the CEO.

The Chairman ensures that board meetings are held when necessary and sets the board agenda in consultation with the CEO. The Chairman reviews most board papers before they are submitted to the Board and ensures that all Board members are provided with complete, adequate and timely information. As a rule, board papers are sent to directors approximately seven days in advance for directors to be adequately prepared for the meetings.

The CEO executes decisions taken by the Board and is responsible for the day-to-day operations of the Company. The CEO presides over a Management Committee ("MC") consisting of the executive directors and Group General Managers. In setting the business direction of the Company, the MC convenes meetings as and when necessary to review the Group's operational performance and evaluate new projects and investment opportunities.

Corporate Governance

PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CONT'D)

In line with good corporate governance principles, the Board had also set up a Strategic Direction Committee, comprising two (2) non-executive independent directors and two (2) non-executive non-independent directors. The primary role of this committee is to assist the CEO in setting the direction of the Group's business as it has gone beyond the region to join the league of global business.

PRINCIPLE 4: BOARD MEMBERSHIP

PRINCIPLE 5: BOARD PERFORMANCE

Nominating Committee

The members of the Nominating Committee ("NC") are as follows:

- (1) Ian Wayne Spence (Chairman) (Independent)
- (2) Dr Jennifer Gek Choo Lee (Independent)
- (3) Joseph William Yee Eu (Non-Independent) (Non-Executive)

The NC's principal functions are:

- (1) to identify candidates and review all nominations for the appointment or re-appointment of members of the Board of Directors; the Chief Executive Officer of the Company; members of the various Board committees, for the purpose of proposing such nominations to the Board for its approval;
- (2) to set criteria for identifying candidates and reviewing nominations for the appointments referred to in paragraph 1;
- (3) to determine annually the independence of the directors. If the NC determines that a director is independent, notwithstanding that he has one or more of the relationships (as set forth in Guidance Note 2.1 of the Code), it will disclose in full the nature of the director's relationship and bear responsibility for considering him independent;
- (4) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;
- (5) to decide whether a director is able to and has been adequately carrying out his or her duties as a director of the Company particularly when the director has multiple board representations;
- (6) to assess the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness to the Board.

New directors are at present appointed by the Board, after the NC approves their appointment. Such new directors are required to submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company pursuant to Article 92 of the Company's Articles of Association. Article 109 of the Articles of Association require one third of the Board (other than the Managing Director) to retire by rotation at every AGM.

Corporate Governance

PRINCIPLE 6: ACCESS TO INFORMATION

In order to ensure that the Board is able to fulfill its responsibilities, Management provides the Board with monthly financial reports and quarterly management reports. The directors have also been provided with emails particulars and telephone numbers of the Company's Group General Managers to facilitate access.

The Company Secretary attends all board meetings and is responsible to ensure that the Company complies with the statutory requirements of the Companies Act. Together with the management staff, the Company Secretary is responsible for compliance with all other rules and regulations that are applicable to the Company.

In the furtherance of their duties, the directors may seek independent advice, if necessary, at the Company's expense.

Changes to regulations and accounting standards are closely monitored by Management. Directors are briefed either during Board meetings or by the Company Secretary of these changes especially where these changes have an important bearing on the Company's or directors' disclosure obligations.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The members of the Compensation Committee ("CC") are as follows:

- (1) Dr Jennifer Gek Choo Lee (Chairman) (Independent)
- (2) Ian Wayne Spence (Independent)
- (3) Robert James Yee Sang Eu (Non-Executive) (Non-Independent)

CC's principal responsibilities are to review the annual remuneration package of the executive directors and fees for Board members. The review covers all aspects of remuneration, including but not limited to directors' fees, salaries, bonuses and benefits in kind based on the performance of the Group and the individual. The recommendations are submitted to the Board for endorsement.

The review of the remuneration of each senior management staff of the Group is not conducted by the CC but reviewed by the Group's human resources department, in consultation with the CEO and the senior management. The review takes into consideration the performance and the contributions of the staff to the company and gives due regard to the financial and business performance of that company. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully.

The Company adopts a remuneration policy that comprises a fixed as well as a variable component. The fixed component is in a form of base salary and benefits while the variable component is in a form of performance bonus and grant of share options under the Company's Executives' Share Option Scheme ("ESOS").

Corporate Governance

PRINCIPLE 9: DISCLOSURE ON REMUNERATION (CONT'D)

A sub-committee under the purview of the CC administers the ESOS and comprises:

- (1) Ian Wayne Spence
- (2) Dr Jennifer Gek Choo Lee
- (3) Robert James Yee Sang Eu
- (4) Richard Yee Ming Eu

More details on the ESOS are provided in the Directors' Report.

An executive director is paid a basic salary and a performance related bonus. Adjustments to the remuneration package of an executive director are subject to review and approval by the Board of Directors. Under the terms of the agreement, the Chairman is paid a flat fee and there is no performance-related element. Non-executive directors have no service contracts.

- (1) Table shows breakdown of Directors' Remuneration (in percentage terms)

Name of Directors	Remuneration Bands	Salary	Bonus	Directors Fee	Other Benefits*	Total
	\$	%	%	%	%	%
Richard Yee Ming Eu	250,000 to 499,999	82.34	13.38	-	4.28	100
Clifford Yee Fong Eu	250,000 to 499,999	83.48	13.01	-	3.51	100
Joseph William Yee Eu	0 to 249,999	-	-	100	-	100
Robert James Yee Sang Eu	0 to 249,999	-	-	100	-	100
Dr Jennifer Gek Choo Lee	0 to 249,999	-	-	100	-	100
David Chung Woo Yeh	0 to 249,999	-	-	100	-	100
Ian Wayne Spence	0 to 249,999	-	-	100	-	100
Malcolm Man-Chung Au	0 to 249,999	-	-	100	-	100

* excluding share options which are disclosed in Directors' Report

- (2) Table shows the range of gross remuneration received by executives of the Group

Number of executives of the Group in remuneration bands:-	2004
	\$
500,000 and above	-
250,000 to 499,999	3
100,000 to 249,999	9
Total	12

Corporate Governance

PRINCIPLE 10: ACCOUNTABILITY

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

The Company holds briefings for the media and the analysts on its half-year and its full-year results. The results announcements are released through the MASNET system and via news releases, and are also posted on the Company's website. All material information relating to the Company is disseminated via MASNET followed by a news release. All announcements, including the Annual Report, are available on the Group's website at www.euyansang.com.

The Company has an investor relations team headed by the Chief Executive Officer and assisted by the Chief Financial Officer whose function is to communicate with investors and attend to their queries. Shareholders of the Company receive the annual report and notice of AGM. At AGMs, shareholders are given the opportunity to ask the Management questions regarding the Company and to air their views.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") comprises four (4) independent directors. They are as follows:

- (1) Ian Wayne Spence (Chairman)
- (2) Dr Jennifer Gek Choo Lee
- (3) David Chung Woo Yeh
- (4) Malcolm Man-Chung Au

During the year, the AC met with the Group's external auditors and the internal auditors to review the audit plans and the reports of the external auditors and internal auditors. It had also evaluated the adequacy of the internal controls of the Company with the auditors and discussed their findings with Management. The AC reviewed half-year and full-year results announcements before their submission to the Board for approval.

The principal functions of the AC are:

- (1) to review the audit plans and findings of the external auditors;
- (2) to review the half-yearly and full year financial statements prior to submission to the Board for approval and release;
- (3) to evaluate the adequacy of the internal control systems of the Company by reviewing the written reports from the external auditors;
- (4) to review the Company's risk management processes;
- (5) to review related party transactions, if any; and
- (6) to evaluate the independence of external auditors and nominates them for reappointment.

Corporate Governance

PRINCIPLE 11: AUDIT COMMITTEE (CONT'D)

To create an environment for open discussion on audit matters, the AC meets with the external and internal auditors, without the presence of Management, at least once a year.

The AC has reviewed the independence of the external auditors and has recommended the re-appointment of Messrs Ernst & Young as Auditors of the Company at the forthcoming Annual General meeting.

The AC is authorized to investigate any matter within its terms of reference and has been given full access to and cooperation from Management to enable the committee to fulfill its responsibilities effectively. The AC has full discretion to invite any director or any executive to attend its meetings.

PRINCIPLE 12: INTERNAL CONTROLS

PRINCIPLE 13: INTERNAL AUDITS

The Company has outsourced its Internal Audit (“IA”) function. The scope of the internal audit is:

- (1) to review the effectiveness of the Group’s material internal controls;
- (2) to provide assurance that key business and operational risks are identified and managed;
- (3) to determine that internal controls are in place and functioning as intended; and
- (4) to evaluate that operations are conducted in an effective and efficient manner.

Material non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the Chairman of the AC as part of the review of the Group’s internal control system. For non-compliance of administrative matters, the matter is reported to the CEO. The AC reviews the Internal Auditor’s reports. To ensure the adequacy of the internal audit function, the AC reviews the Internal Auditor’s scope of work on an annual basis.

SECURITIES TRANSACTIONS

The Company has issued a policy on securities dealing by officers of the Company and its subsidiaries (comprising directors and key personnel) in the form of a Code of Best Practices on Securities Dealings (“the Code”) to govern and regulate transactions relating to securities of the Company. The Code was based on the Best Practices Guide issued by the SGX-ST and has been circulated to all relevant parties.

Under the Code, officers are prohibited from dealing in securities of the Company at least four (4) weeks before the announcements of the Company’s results till the day after the release of such announcements.

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Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of Eu Yan Sang International Ltd (the “Company”) and its subsidiary companies (the “Group”) for the year ended 30 June 2004.

DIRECTORS OF THE COMPANY

The names of the Directors of the Company in office at the date of this report are :-

Joseph William Yee Eu	(Chairman)
Richard Yee Ming Eu	(Group CEO)
Clifford Yee Fong Eu	(Managing Director)
Robert James Yee Sang Eu	
Ian Wayne Spence	
David Chung Woo Yeh	
Dr Jennifer Gek Choo Lee	
Malcolm Man-Chung Au	(appointed on 2.1.2004)
Dr David Yee Tat Eu	(alternate to Richard Yee Ming Eu)
Laurence Yee Lye Eu	(alternate to Clifford Yee Fong Eu)
Billy Wah Yan Ma	(alternate to Robert James Yee Sang Eu)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described below, neither at the end of the financial year, nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company, as stated below :-

Name of director	Direct interest		Deemed interest	
	At 1.7.2003	At 30.6.2004	At 1.7.2003	At 30.6.2004
	Ordinary shares of \$0.05 each			
Richard Yee Ming Eu	–	1,000,000	41,436,115	41,436,115
Joseph William Yee Eu	10,859,964	10,859,964	–	–
Clifford Yee Fong Eu	502,595	1,002,595	71,741,414	70,741,414
Dr David Yee Tat Eu	10,569,045	9,719,045	–	–
Laurence Yee Lye Eu	500,000	1,000,000	64,991,414	63,991,414
Robert James Yee Sang Eu	–	–	21,970,828	21,970,828
David Chung Woo Yeh	–	–	5,265,526	2,649,526
Dr Jennifer Gek Choo Lee	100,000	100,000	–	–
Billy Wah Yan Ma	–	–	24,949,686	24,949,686
	Options to subscribe for ordinary shares of \$0.05 each			
Richard Yee Ming Eu	200,000	200,000	–	–
Clifford Yee Fong Eu	180,000	180,000	–	–

There were no change in any of the above-mentioned interest between the end of the financial year and 21 July 2004.

No other Directors who held office at the end of the financial year had an interest in shares or debentures of the Company, or any of the subsidiary companies of the Company. By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Clifford Yee Fong Eu and Laurence Yee Lye Eu are deemed to have interest in the subsidiary companies of the Company.

Report of the Directors

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors. The members of the Audit Committee at the date of this report are :

Ian Wayne Spence	(Chairman)
Dr Jennifer Gek Choo Lee	
David Chung Woo Yeh	
Malcolm Man-Chung Au	(appointed on 10.2.2004)

The Audit Committee carried out its function in accordance with the Companies Act, Cap. 50 and the Code of Corporate Governance. In performing its functions, the Committee reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. The Committee met with the internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal control. The Committee also reviewed the financial statements of the Group and the Company for the year and the auditors' report thereon.

Report of the Directors

EMPLOYEES SHARE OPTION SCHEME

The Eu Yan Sang Employees Share Option Scheme (“ESOS”) was approved by the shareholders at an Extraordinary General Meeting held on 3 July 2000. The ESOS will be granted to executive directors, executives, and other employees of the Group and associated companies.

Under the ESOS, the options will be granted at the average of the last dealt prices for the shares on the SGX-ST for the 10 consecutive market days immediately preceding the relevant date of grant for which there was trading in the shares on the SGX-ST or at a discount of not more than 20% of the market value.

On 20 September 2002, the ESOS committee amended the rules of the ESOS whereby options to be granted to Directors may be higher than the average of the last dealt prices for the shares on the SGX-ST for the 10 consecutive market days immediately preceding the relevant date of grant for which there is trading in the shares on the SGX-ST.

The ESOS is administered by a committee comprising Richard Yee Ming Eu, Dr Jennifer Gek Choo Lee, Ian Wayne Spence and Robert James Yee Sang Eu, all of whom are Directors of the Company. The committee has power to determine, inter alia, the persons to be granted options, the number of shares to be offered by way of options, the amount of discount or premium to be given and recommendations for modifications to the ESOS. The Committee, in granting options, shall be at liberty to take into consideration factors including, but not limited to, rank and performance of the employees.

No options have been granted in the current financial year.

Report of the Directors

UNISSUED SHARES UNDER OPTION

No shares were issued by virtue of any exercise of option to take up unissued shares of the Company.

At the end of the financial year, unissued shares of the Company under option were as follows :

Date of grant	Number of share options outstanding	Exercise price per share \$	Exercisable periods
18.3.2002	756,000	0.280	18.3.2003 to 17.3.2012
31.3.2003	380,000	0.350	31.3.2004 to 30.3.2013
31.3.2003	2,140,000	0.265	31.3.2004 to 30.3.2013
	<u>3,276,000</u>		

The information on directors participating in the ESOS and employees who receive 5 percent or more of the total number of options available under the ESOS is as follows :

Name	Aggregate options granted during the financial year	Aggregate options granted since commencement of the Scheme to 30 June 2004	Aggregate options exercised since commencement of the Scheme to 30 June 2004	Aggregate options outstanding as at 30 June 2004
Directors				
Richard Yee Ming Eu	–	200,000	–	200,000
Clifford Yee Fong Eu	–	180,000	–	180,000
Employees				
Alice Suet Ying Wong	–	310,000	–	310,000
Eng Hock Lok	–	250,000	–	250,000
	–	940,000	–	1,548,000

Report of the Directors

AUDITORS

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Richard Yee Ming Eu

Director

Clifford Yee Fong Eu

Director

Singapore

10 September 2004

Statement by Directors

Pursuant to Section 201(15)

We, Richard Yee Ming Eu and Clifford Yee Fong Eu, being two of the Directors of Eu Yan Sang International Ltd, do hereby state that, in the opinion of the Directors :

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Richard Yee Ming Eu
Director

Clifford Yee Fong Eu
Director

Singapore
10 September 2004

Auditors' Report

to the Members of Eu Yan Sang International Ltd

We have audited the accompanying financial statements of Eu Yan Sang International Ltd (the "Company") and its subsidiary companies (the "Group") set out on pages 49 to 95 for the year ended 30 June 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2004 and the results, changes in equity and cash flows of the group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG

Certified Public Accountants

Singapore

10 September 2004

Consolidated Profit and Loss Account

for the year ended 30 June 2004

(In Singapore dollars)

	Note	2004 S'000	2003 S'000
Revenue	3	135,261	110,796
Cost of sales		(66,533)	(55,209)
Gross profit		68,728	55,587
Other operating income		543	222
Distribution and selling expenses		(39,974)	(34,397)
Administrative expenses		(13,565)	(11,616)
Other operating expenses		(436)	(527)
Operating profit	4	15,296	9,269
Foreign exchange (loss)/gain, net		(621)	134
Interest income	5	103	218
Interest expense	6	(594)	(525)
Impairment of goodwill		(1,403)	(689)
Amortisation of goodwill		(877)	(762)
Provision for impairment in carrying amount of investment		–	(2,920)
Surplus/(deficit) on revaluation of land and buildings		339	(149)
Share of associated companies' losses		(7)	(76)
Profit before taxation		12,236	4,500
Taxation	7	(5,544)	(2,782)
Profit after taxation		6,692	1,718
Minority interest		319	613
Net profit for the year		7,011	2,331
Basic earnings per share (cents)	9	2.45	0.82
Diluted earnings per share (cents)		2.45	0.82

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 30 June 2004

(In Singapore dollars)

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-current assets					
Fixed assets	10	43,031	42,323	410	437
Subsidiary companies	11	–	–	23,965	23,660
Associated companies	12	60	68	–	–
Long term investments	13	47	362	21	314
Goodwill	14	2,179	2,265	–	–
Loan to an associated company	15	–	3,080	–	–
Amount due from subsidiary companies	20	–	–	8,782	6,472
Intangible assets	16	287	–	–	–
		45,604	48,098	33,178	30,883
Current assets					
Stocks	17	21,362	17,765	–	–
Trade debtors	18	6,947	6,481	–	–
Other debtors	19	5,305	5,099	444	170
Amounts due from subsidiary companies	20	–	–	20,864	20,853
Fixed banks deposits	30	1,866	2,966	–	932
Cash and bank balances	30	9,822	5,443	567	367
		45,302	37,754	21,875	22,322
Deduct : Current liabilities					
Amounts due to bankers	21	7,013	16,634	3,700	14,950
Trade creditors		5,738	5,688	–	–
Other creditors	22	6,646	5,310	608	727
Hire purchase creditors	23	239	234	98	72
Provision for taxation		2,678	1,918	241	372
		22,316	29,784	4,647	16,121
Net current assets		22,988	7,970	17,228	6,201

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 30 June 2004

(In Singapore dollars)

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Long-term liabilities					
Bank loan, secured	24	9,038	1,082	8,000	–
Long term loans from minority shareholders of subsidiary companies	25	254	107	–	–
Hire purchase creditors	23	523	499	227	197
Deferred taxation	26	833	671	18	18
Provision for key service payments		156	–	–	–
		(10,804)	(2,359)	(8,245)	(215)
		57,788	53,709	42,161	36,869
Equity					
Share capital	27	14,284	14,284	14,284	14,284
Reserves	28	43,504	39,217	27,877	22,585
		57,788	53,501	42,161	36,869
Minority interest		–	208	–	–
		57,788	53,709	42,161	36,869

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2004

(In Singapore dollars)

	2004 \$'000	2003 \$'000
Share capital		
Balance at beginning and end of the year	14,284	14,284
Share premium reserve		
Balance at beginning and end of the year	19,897	19,897
Asset revaluation reserve		
Balance at beginning of the year	4,010	4,632
Deficit on revaluation	(414)	(190)
Adjustment for deferred taxation in relation to revaluation of land and buildings	–	(432)
Balance at end of the year	3,596	4,010
Capital reserve		
Balance at beginning and end of the year	453	453
Foreign currencies translation reserve		
Balance at beginning of the year	(1,958)	(1,926)
Net movement	(596)	(32)
Balance at end of the year	(2,554)	(1,958)
Revenue reserve		
Balance at beginning of the year	16,815	15,821
Net profit for the year	7,011	2,331
	23,826	18,152
Dividends, net (note 8)	(1,714)	(1,337)
Balance at end of the year	22,112	16,815
Total equity	57,788	53,501

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flow

for the year ended 30 June 2004

(In Singapore dollars)

	2004 \$'000	2003 \$'000
Cash flows from operating activities :		
Profit before taxation	12,236	4,500
Adjustments for :		
Depreciation of fixed assets	4,790	3,569
Profit on sale of fixed assets	(1)	(18)
Foreign currency translation adjustments	(179)	(189)
Fixed assets written off	10	63
Interest expense	594	525
Interest income	(103)	(218)
Share of associated companies' losses	7	76
Amortisation of intangible assets	17	–
Amortisation of goodwill	877	762
Impairment of goodwill	1,403	689
Provision for impairment in carrying amount of investment	–	2,920
(Surplus)/deficit on revaluation of land and buildings	(339)	149
Operating income before reinvestment in working capital	19,312	12,828
Increase in debtors	(604)	(1,462)
Increase/(decrease) in creditors	983	(1,684)
Increase in stocks	(3,030)	(1,041)
Increase in intangible assets	(24)	–
Cash generated from operations	16,637	8,641
Interest received	103	218
Interest paid	(594)	(525)
Income taxes paid	(2,733)	(1,774)
Net cash provided by operating activities	13,413	6,560

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flow

for the year ended 30 June 2004

(In Singapore dollars)

	2004 \$'000	2003 \$'000
Cash flows from investing activities :		
Capital contribution from minority shareholder of a subsidiary company	–	100
Acquisition of additional interests in subsidiary companies	(259)	(311)
Acquisition of medical practice	–	(550)
Proceeds from sale of fixed assets	63	229
Purchase of fixed assets	(5,430)	(7,870)
Investment in unquoted shares of a company	315	(219)
Increase in amounts due from associated companies (net)	–	(58)
Acquisition of subsidiary companies, net of cash and cash equivalent acquired	386	8
Loan to associated company	(799)	–
Net cash used in investing activities	(5,724)	(8,671)
Cash flows from financing activities :		
Proceeds from/(repayment of) short-term loans	8,000	(50)
(Repayment of)/proceeds from bank loan	(10,682)	957
Dividends paid	(1,714)	(1,337)
Proceeds from hire purchase creditors	29	31
Proceeds from long term loan from minority shareholders of subsidiary companies	147	45
Net cash used in financing activities	(4,220)	(354)
Net increase/(decrease) in cash and cash equivalents	3,469	(2,465)
Cash and cash equivalents at beginning of the year (note 30)	8,124	10,589
Cash and cash equivalents at end of the year (note 30)	11,593	8,124

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flow

for the year ended 30 June 2004

(In Singapore dollars)

The acquisition of Botanical Health Resources, Inc. has been shown in the statement as a single item. The effect of the individual assets and liabilities is set out as below :

	\$'000
Fixed assets	772
Intangible assets	279
Deferred tax asset	1,831
Stocks	567
Cash at bank	386
Debtors	69
Creditors	(559)
Amounts due to related parties	(3,879)
Bank loan	(1,207)
	(1,741)
Goodwill arising on consolidation	1,741
Total consideration	-
Less : Cash and cash equivalents acquired	(386)
Net cash and cash equivalent movement arising from acquisition of subsidiary company	(386)

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

1. CORPORATE INFORMATION

The financial statements of Eu Yan Sang International Ltd and subsidiary companies for the financial year ended 30 June 2004 were authorised for issue in accordance with a resolution of the Directors on 10 September 2004.

Eu Yan Sang International Ltd is a limited liability company which is incorporated in Singapore. The registered office of Eu Yan Sang International Ltd is located at 269A South Bridge Road, Singapore 058818.

The financial statements of the Company and the consolidated financial statements of the Group are expressed in Singapore dollars.

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies. The principal activities of the subsidiary companies are :

- (1) manufacturing, distribution and sale of traditional Chinese, Western and other medicines;
- (2) act as commission agents for all kinds of pharmaceutical products;
- (3) provision of traditional Chinese medical consultation and treatment, as well as integrative medical services;
- (4) provision of laboratory testing services; and
- (5) investment in properties.

There have been no significant changes in the nature of these activities during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) as required by the Singapore Companies Act, Cap. 50. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (“SAS”). The transition from SAS to FRS did not result in any significant change in accounting policies.

The accounting policies have been consistently applied by the Company and Group and are consistent with those used in the previous year.

The financial statements of the Company and of the Group are prepared under the historical cost convention modified by revaluation of certain fixed assets.

The financial statements are presented in Singapore Dollars (\$).

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after the elimination of all material intragroup transactions and resulting unrealised profits. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the Group cease to have control of the subsidiary companies. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(c) Revenue recognition

Revenue from the sale of goods are recognised upon passage of title to the customer which generally coincides with their delivery and acceptance. Medical centre and laboratory service income are recognised upon the rendering of services.

Rental income is recognised on an accrual basis. Remittance commission is recognised upon completion of the remittance transaction.

Dividend income is included to the extent of dividends declared during the year.

Interest income is accrued on a day-to-day basis.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Fixed assets

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost. Land and buildings are subsequently revalued, on an asset-by-asset basis, to their fair values. Revaluations are made annually to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Depreciation

Depreciation is calculated on the straight line method to write off the cost or valuation of fixed assets over their estimated useful lives. The estimated useful lives of the fixed assets are as follows :

Freehold and leasehold buildings	50 years
Furniture, fittings and equipment	3 - 10 years
Motor vehicles	5 years
Renovations	3 - 10 years
Plant and machineries	10 years

No depreciation is provided for construction in progress.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Investment properties are stated at valuation and no depreciation were deemed necessary by the Directors of the Company for certain properties.

(f) Subsidiary companies

Investments in subsidiary companies are stated at cost, less impairment losses. A subsidiary company is defined as a company in which the Group directly or indirectly controls more than 50% of the issued share capital or controls more than half of the voting power, or controls the composition of the Board of Directors.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Associated companies

Investments in associated companies are stated at cost. Provision is made for any impairment losses.

An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investments in associated companies are recorded at cost and adjusted to recognise the Group's share of the net assets of the associated companies at the date of acquisition. The excess or deficit between the net assets of the associated companies and the consideration paid is capitalised as goodwill and amortised using the straight line method over a period not exceeding 20 years.

The Group's share of the results of associated companies is included in the consolidated profit and loss account of the Group. The Group's share of the post-acquisition reserves of associated companies is included in investments in associated companies in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the associated companies concerned, made up as appropriate, to the end of the financial year.

(h) Investments in unquoted shares

Investment in unquoted shares held on a long term basis are stated at cost. Provision is made for any impairment losses.

(i) Intangible assets

Costs relating to patents and trademarks, which are acquired, are capitalised and amortised on a straight-line basis over the estimated useful lives of 5 to 15 years.

(j) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary or associated company at the date of acquisition. Goodwill is amortised using the straight line basis over a period not exceeding 20 years.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials on a first-in-first-out basis and in the case of finished products, includes direct labour and attributable production overheads based on a normal level of activity. Net realisable value is the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

(l) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts owing by subsidiary companies are recognised and carried at cost less an allowance for any uncollectible amounts.

(m) Loans and borrowings

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(n) Trade and other creditors

Liabilities for trade and other payables, which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts owing to subsidiary companies are carried at cost.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(q) Employee benefits

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

(ii) Defined contribution plan

As required by law, the Group's companies in Singapore and certain overseas subsidiary companies make contributions to the state pension funds of the respective countries. Such contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

(iii) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. Provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the balance sheet date.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee benefits (cont'd)

(iv) Share options

The Company has in place an Employees Share Option Scheme for the granting of options to eligible employees to subscribe for shares in the Company. There are no charges to the earnings upon the grant or exercise of the options because the exercise price approximates the market value of the shares on the date of grant.

Details of the Plan are disclosed in Note 29 to the financial statements.

(r) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unabsorbed capital allowances and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. For deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the income in the years in which those temporary differences are expected to be recovered or is settled, based on tax rates enacted or substantively enacted at the balance sheet date.

(t) Foreign currencies

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are converted into local currency at year-end exchange rates. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies and associated companies are translated into Singapore dollars at exchange rates ruling at the balance sheet date and the results of foreign subsidiary companies and associated companies are translated at the average exchange rates. Exchange differences due to such currency translations are included in the Group foreign currencies translation reserve.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Cash and cash equivalents

Cash and cash equivalents consist of fixed bank deposits, and cash on hand and in bank.

For the purposes of the consolidated cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

3. REVENUE

Revenue for the Group represents sales of goods at invoiced value less returns and trade discounts, remittance commission, rental income, medical service income and laboratory service income.

Revenue is analysed as follows :

	Group	
	2004 \$'000	2003 \$'000
Sales of goods	120,853	102,562
Medical centre income	13,878	7,709
Laboratory service income	165	170
Rental income	365	338
Remittance commission	–	17
	135,261	110,796

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting) :

	Group	
	2004 S'000	2003 S'000
Depreciation of fixed assets	4,790	3,569
Profit on sale of fixed assets	(1)	(18)
Fixed assets written off	10	63
Amortisation of intangible assets	17	–
Directors' fee	136	115
Directors' emoluments :		
- Directors of Company	560	653
- Other Directors of subsidiary companies	1,787	1,400
Auditors' remuneration :		
- Auditors of Company		
• audit fees	100	105
• non-audit fees	–	68
• prior year under provision of audit fees	4	7
• prior year under provision of non audit fees	16	–
- Other auditors		
• audit fees	195	136
• prior year underprovision of audit fees	–	1
Provision for doubtful debts		
- trade	15	6
- non-trade	–	258
Bad debts written off	8	22
Stock written off	24	28
Provision for stock obsolescence	380	57

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

4. OPERATING PROFIT (CONT'D)

Details of Directors' remuneration of the Company pursuant to the Singapore Exchange Securities Trading Limited's Listing rules are as follows:

Number of Directors in remuneration bands

	2004	2003
\$500,000 and above	–	–
\$250,000 to \$499,999	2	2
Below \$250,000	6	5
Total	8	7

5. INTEREST INCOME

	Group	
	2004 S'000	2003 S'000
Interest earned from fixed bank deposits	20	74
Interest earned from current account	–	19
Interest earned from an associated company	76	125
Others	7	–
	103	218

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

6. INTEREST EXPENSE

	Group	
	2004 S'000	2003 S'000
Interest on bank loan	216	61
Interest on bank overdrafts	10	60
Interest on hire purchase	38	26
Interest on short term loan	330	378
	594	525

7. TAXATION

Provision for taxation in respect of profit for the year :

	Group	
	2004 S'000	2003 S'000
Current taxation		
- Singapore	683	649
- Malaysia	1,163	1,120
- Hong Kong	1,805	817
Group relief receivable	(6)	-
Deferred taxation	2,025	67
(Over)/under provision in previous year	(126)	110
Foreign withholding tax	-	19
	5,544	2,782

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

7. TAXATION (CONT'D)

A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to profit before taxation was as follows :

	Group	
	2004 \$'000	2003 \$'000
Profit before taxation for the year	12,236	4,500
Taxation on profit before taxation for the year at 20% (2003 : 22%)	2,447	989
Adjustments:		
Permanent differences/expenses not deductible for tax purposes	1,389	1,707
Income not taxable	(119)	(643)
Investment allowance	(32)	(19)
Difference in effective tax rate in other countries	(198)	105
Deferred tax assets not recognised	2,577	522
Utilisation of previous years' tax losses and unabsorbed capital allowances	(537)	(85)
Changes in statutory tax rate	(16)	–
(Over)/under provision in prior years	(155)	9
Others	188	197
	5,544	2,782

As at 30 June 2004, certain subsidiary companies have unutilised tax losses and unabsorbed capital allowances amounting to approximately \$10,727,000 (2003 : \$1,447,000) and \$nil (2003 : \$526,000) available for setting-off against future taxable profit subject to the regulations and agreements by the relevant tax authorities.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

8. DIVIDEND

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Final dividend of 12% (2003 : 12%) or 0.6 (2003 : 0.6) cents per share less tax of nil% (2003 : 22%)	1,714	1,337	1,714	1,337

The Directors propose that a first and final dividend of 15% or 0.75 cents per share and a special dividend of 10% or 0.5 cents per share, amounting to \$3,570,914, be paid for the financial year ended 30 June 2004.

9. EARNINGS PER SHARE

	Group	
	2004 S'000	2003 S'000
Net profit for the year	7,011	2,331
	'000	'000
Weighted average number of ordinary shares for computing of basic earnings per share	285,673	285,673
Adjustment for share options	–	33
Weighted average number of ordinary shares for computing diluted earnings per share	285,673	285,706
	Cents	Cents
Basic earnings per share	2.45	0.82
Diluted earnings per share	2.45	0.82

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

10. FIXED ASSETS

	Land and buildings						Total \$'000
	Freehold	Long-term leasehold	Furniture, fittings and equipment	Motor vehicles	Renovations	Plant and machineries	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Group							
Cost and valuation							
At 1 July 2003	5,755	21,870	25,822	2,125	3,365	1,873	60,810
Additions	–	442	4,029	484	452	23	5,430
Arising from acquisition							
of a subsidiary company	–	876	323	–	–	–	1,199
Disposals	–	(14)	(1,346)	(124)	(50)	(13)	(1,547)
Gain/(deficit) on valuation	45	(322)	–	–	–	–	(277)
Foreign currency translation adjustment	(149)	(165)	(533)	(21)	(10)	(48)	(926)
At 30 June 2004	5,651	22,687	28,295	2,464	3,757	1,835	64,689
Representing -							
Cost	–	–	28,295	2,464	3,757	1,835	36,351
Valuation	5,651	22,687	–	–	–	–	28,338
	5,651	22,687	28,295	2,464	3,757	1,835	64,689
Accumulated depreciation							
At 1 July 2003	–	–	14,285	1,181	1,529	1,492	18,487
Charge for the year	43	213	3,365	400	700	69	4,790
Arising from acquisition							
of a subsidiary company	–	227	200	–	–	–	427
Disposals	–	–	(1,293)	(124)	(45)	(13)	(1,475)
Adjustment for deficit on valuation	(43)	(159)	–	–	–	–	(202)
Foreign currency translation adjustment	–	–	(303)	(14)	(15)	(37)	(369)
At 30 June 2004	–	281	16,254	1,443	2,169	1,511	21,658
Charge for 2003	46	155	2,462	319	525	62	3,569
Net book value							
At 30 June 2004	5,651	22,406	12,041	1,021	1,588	324	43,031
At 30 June 2003	5,755	21,870	11,537	944	1,836	381	42,323

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

10. FIXED ASSETS (CONT'D)

	Motor vehicles	Furniture, fittings and equipment	Renovations	Total
	\$'000	\$'000	\$'000	\$'000
Company				
Cost				
At 1 July 2003	720	367	83	1,170
Additions	148	33	–	181
Disposal	–	(10)	–	(10)
At 30 June 2004	868	390	83	1,341
Accumulated depreciation				
At 1 July 2003	475	244	14	733
Charge for the year	149	48	9	206
Disposal	–	(8)	–	(8)
At 30 June 2004	624	284	23	931
Charge for 2003	144	59	8	211
Net book value				
At 30 June 2004	244	106	60	410
At 30 June 2003	245	123	69	437

Notes to the Financial Statements

30 June 2004

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10. FIXED ASSETS (CONT'D)

- (a) Included under long-term leasehold land and building is investment properties stated at valuation with a net book value of \$9.2 million (2003 : \$9.5 million). The market value of investment properties in Singapore was determined based on independent professional valuation carried out by CB Richard Ellis on 30 June 2004 on the basis of an open market value for existing use. The investment properties in Malaysia was determined based on independent professional valuation carried out by W.M. Malik & Kamaruzaman, chartered valuer on 30 June 2004 on the basis of an open market value for existing use.
- (b) Included under freehold land and building is an investment property stated at valuation with a net book value of \$0.23 million (2003 : \$0.23 million). The market value of the investment property was determined based on independent professional valuation carried out by W.M. Malik & Kamaruzaman, chartered valuer on 30 June 2004 on the basis of an open market value for existing use.
- (c) The latest valuation of the remaining leasehold and freehold land and buildings in Malaysia and Singapore, which are not held by the Group as investment properties, were carried out by W.M. Malik & Kamaruzaman and EB Richard Ellis respectively on 30 June 2004. The leasehold land and buildings in Hong Kong were revalued on 30 June 2004 by A.G. Wilkinson & Associates, independent professional valuers. All valuations were carried out on the basis of open market value for existing use.
- (d) Certain properties of the Group with net book value of \$6.7 million (2003 : \$25.6 million) still required credit facilities (notes 21 and 24).

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(e) Net book value of fixed assets under hire purchase	714	681	244	245

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

11. SUBSIDIARY COMPANIES

	Company	
	2004 S'000	2003 S'000
Unquoted shares, at cost	23,965	23,660

The subsidiary companies at 30 June are :-

Name of company	Country of incorporation and place of business	Principal activities	At cost		Percentage of equity held by the Group	
			2004 S'000	2003 S'000	2004 %	2003 %
# Eu Yan Sang (Singapore) Private Limited	Singapore	Distribution and sale of traditional Chinese and other medicines	3,185	3,185	100	100
* Eu Yan Sang (Hong Kong) Limited	Hong Kong	Manufacturing, processing and sales of traditional Chinese medicines	731	731	100	100
** Eu Yan Sang (1959) Sdn Berhad	Malaysia	Distribution and sale of traditional Chinese and other medicines	4,381	4,381	100	100
# Eu Realty (Singapore) Private Limited	Singapore	Property investment and sale of traditional Chinese and other medicines	12,366	12,366	100	100
** Weng Li Sendirian Berhad	Malaysia	Commission agent in all kinds of pharmaceutical products and manufacturer of medical pills and capsules	50	50	100	100
** Eu Yan Sang Heritage Sdn Bhd	Malaysia	Property investment and provision of management services	57	57	100	100

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

11. SUBSIDIARY COMPANIES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	At cost		Percentage of equity held by the Group	
			2004 \$'000	2003 \$'000	2004 %	2003 %
# Eu Yan Sang Marketing Private Limited	Singapore	Distribution of herbal products	10	10	100	100
* EYS Medical Services Limited	Hong Kong	Dormant	@	@	100	100
## Eu Yan Sang Australia Pty Ltd	Australia	Investment holding	2,634	2,044	100	83
# EYS Kanghong Herbal Pte Ltd	Singapore	Dormant	@	@	100	100
# Applied Biomedical International Pte Ltd	Singapore	Provision of laboratory testing services and processing, sales of bottled birds nests	100	100	100	100
** Degree Achievement Sdn Bhd	Malaysia	Property investment	@	@	100	100
# Eu Yan Sang Integrative Health Pte Ltd (formally known as YourHealth Singapore Pte Ltd)	Singapore	Provision of integrative medical services	400	400	80	80
# Yin Yang Spa Products Pte Ltd	Singapore	Development, manufacturing and distribution of spa products.	50	50	100	100

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

11. SUBSIDIARY COMPANIES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	At cost		Percentage of equity held by the Group		
			2004 \$'000	2003 \$'000	2004 %	2003 %	
Held by subsidiary companies							
# EYS Ventures Pte Ltd	Singapore	Remittance commission agent	–	–	100	100	
* Eu Yan Sang (China Ventures) Limited	Hong Kong	Dormant	–	–	100	100	
* Synco (H.K.) Limited	Hong Kong	Manufacturing, processing and sale of Western pharmaceutical products	–	–	100	100	
* Tot Lot Limited	Hong Kong	General trading and provision of advertising agency	–	–	100	100	
* Eu Yan Sang (Properties) Limited	Hong Kong	Property investment	–	–	100	100	
* Eu Yan Sang (Export) Limited	The British Virgin Islands	Dormant	–	–	100	100	
## Aroma Fresh Pty Ltd	Australia	Manufacture, sell and distribute natural soap and skincare products	–	–	43	43	
## YourHealth Manly Pty Limited	Australia	Provision of integrative medical services	–	–	58	58	
^##YourHealth Group Pty Limited	Australia	Investment holding and provision of management services	–	286	64	64	

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

11. SUBSIDIARY COMPANIES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	At cost		Percentage of equity held by the Group		
			2004 \$'000	2003 \$'000	2004 %	2003 %	
Held by subsidiary companies (cont'd)							
## YourHealth Edgecliff Pty Limited	Australia	Provision of integrative medical services	–	–	64	64	
## YourHealth Carina Pty Limited	Australia	Provision of integrative medical services	–	–	64	64	
## YourHealth Camberwell Pty Limited	Australia	Provision of integrative medical services	–	–	64	64	
## Nutron Health Pty Limited	Australia	Dormant	–	–	64	64	
+ Botanical Health Resources, Inc.	United States of America	Sales and distribution of specialty and tonics	–	–	48.5	–	

Audited by Ernst & Young, Singapore

* Audited by Ernst & Young, Hong Kong

** Audited by Ernst & Young, Malaysia

Audited by Ernst & Young, Australia

@ Denote amount less than \$1,000

^ During the year, the Company disposed 5.7% interest in YourHealth Group Pty Ltd. Eu Yan Sang Australia Pty Ltd owns 64% interest in YourHealth Group Pty Ltd.

+ Audited by Kaplan Lim and Brignoni Certified Public Accountants. During the year, through its subsidiary company, Eu Realty (Singapore) Private Limited, the Company has acquired management control in Botanical Health Resources Inc. As such, it has been consolidated as a subsidiary company as at 30 June 2004.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

12. ASSOCIATED COMPANIES

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Unquoted shares, at cost	96	1,156	–	–
Goodwill paid on subscription of shares in an associated company	–	(1,060)	–	–
	96	96	–	–
Share of post-acquisition losses of associated companies	(36)	(28)	–	–
	60	68	–	–

The associated companies as at 30 June are :

Name of company	Country of incorporation and place of business	Principal activities	At cost		Percentage of equity held by the Group	
			2004 S'000	2003 S'000	2004 %	2003 %
Held by a subsidiary company						
* Chengdu Hua ShengHe Enterprise Company	People's Republic of China	Development of scientific-based herbal medicine	96	96	50	50
+ Botanical Health Resources Inc.	United States of America	Distribution and sale of specialty teas and tonics	–	1,060	–	48.5

* Audited by Sze Chuan Heng De Certified Public Accountants.

+ Audited by Kaplan Lim and Brignoni Certified Public Accountants. During the year, through its subsidiary company, Eu Realty (Singapore) Private Limited, the Company has acquired management control in Botanical Health Resources Inc. As such, it has been consolidated as a subsidiary company as at 30 June 2004.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

13. LONG TERM INVESTMENTS

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Unquoted shares, at cost	4,347	4,662	4,321	4,614
Provision for impairment	(4,300)	(4,300)	(4,300)	(4,300)
	47	362	21	314

14. GOODWILL

	Group	
	2004 S'000	2003 S'000
At cost		
Balance at beginning of the year	4,303	2,999
Goodwill arising from subscription of additional shares in a subsidiary company	481	255
Goodwill arising on acquisition of subsidiary companies	1,741	197
Goodwill arising on acquisition of medical practice	–	550
Adjustment due to subsequent adjustment to purchase consideration of medical practice	(48)	–
Currency realignment	33	302
Balance at end of the year	6,510	4,303
Accumulated amortisation		
Balance at beginning of the year	(2,038)	(509)
Charge for the year	(877)	(762)
Impairment loss	(1,403)	(689)
Currency realignment	(13)	(78)
Balance at end of the year	(4,331)	(2,038)
Net book value at end of the year	2,179	2,265

Notes to the Financial Statements

30 June 2004

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15. LOAN TO AN ASSOCIATED COMPANY

Loan to an associated company - Botanical Health Resources Inc. is unsecured, bear interest at 4% per annum and is repayable on 6 February 2007.

During the year, through its subsidiary company, Eu Realty (Singapore) Private Limited, the Company has acquired management control in Botanical Health Resources Inc. As such, it has been consolidated as a subsidiary company as at 30 June 2004.

16. INTANGIBLE ASSETS

	Group	
	2004 S'000	2003 S'000
At cost :		
Balance at beginning of the year	–	–
Intangible assets arising from acquisition of subsidiary company	494	–
Additions during the year	25	–
Balance at end of the year	519	–
Accumulated amortisation :		
Balance at beginning of the year	–	–
Accumulated amortisation arising from acquisition of subsidiary company	215	–
Charge during the year	17	–
Balance at end of the year	232	–
Net book value at end of year	287	–

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

17. STOCKS

	Group	
	2004 S'000	2003 S'000
At cost :		
Raw materials	1,227	1,155
Work-in-progress	1,216	1,049
Packaging materials	1,077	597
Finished goods	7,988	6,287
	11,508	9,088
At net realisable value :		
Finished goods	9,854	8,677
Stocks stated at lower of cost and net realisable value	21,362	17,765
Finished goods are stated after deducting provision for stock obsolescence of	862	499
Analysis of provision for stock obsolescence :		
Balance at beginning of the year	499	442
Charge to profit and loss	380	57
Foreign currency translation adjustment	(17)	-
Balance at end of the year	862	499

18. TRADE DEBTORS

	Group	
	2004 S'000	2003 S'000
Trade debtors are stated after deducting provision for doubtful debts of	630	628
Analysis of provision for doubtful debts :		
Balance at beginning of the year	628	616
Charge to profit and loss account	15	6
Arising from acquisition of subsidiary companies	-	4
Foreign currency translation adjustment	(13)	2
Balance at end of the year	630	628
Bad debts written off directly to profit and loss account	8	22

Notes to the Financial Statements

30 June 2004

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19. OTHER DEBTORS

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Sundry deposits	4,112	3,322	31	1
Prepaid expenses	715	1,195	99	44
Tax recoverable	111	114	106	106
Sundry debtors	367	463	208	16
Staff loans and advances	–	5	–	3
	5,305	5,099	444	170

Sundry debtors are stated after provision for doubtful debts :

Balance at beginning of the year	258	–	–	–
Charge to profit and loss account	–	258	–	–
Write off against other debtors	(258)	–	–	–
Balance at end of the year	–	258	–	–

20. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	Company	
	2004 S'000	2003 S'000
Amounts owing by subsidiary companies	21,132	21,121
Loans to subsidiary companies (unsecured)		
(i) Bears interest at 4% per annum and repayable over 4 years commencing March 2006	655	650
(ii) Bears interest at 4% per annum and repayable over 4 years commencing July 2006	1,191	1,181
(iii) Bears interest at 6% per annum and repayable over 4 years commencing July 2006	1,395	–
(iv) Bears interest between 2% to 7% (2003 : 2.50% to 4.1%) per annum and have no fixed terms of repayment	5,541	4,641
	29,914	27,593
Provision for amount owing by a subsidiary company	(268)	(268)
	29,646	27,325

The amounts owing by subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

30 June 2004

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21. AMOUNTS DUE TO BANKERS

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Bank loan, secured (note 24)	3,118	1,399	–	–
Bank overdraft, secured (note 30)	95	285	–	–
Short term loans				
- secured	100	13,200	–	13,200
- unsecured	3,700	1,750	3,700	1,750
	7,013	16,634	3,700	14,950

The amounts due to bankers bear interest between 2% to 2.5% (2003 : 2.1% to 7.8%) per annum, and are secured by certain properties of the Group (Note 10).

22. OTHER CREDITORS

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Accrued expenses	2,315	2,446	320	487
Sundry provisions	2,830	1,852	270	225
Sundry creditors	1,351	905	18	15
Amount due to directors of subsidiary companies	150	107	–	–
	6,646	5,310	608	727

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

23. HIRE PURCHASE CREDITORS

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Repayable within one year	239	234	98	72
Repayable after one year	523	499	227	197
	762	733	325	269
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	2004 \$'000	2004 \$'000	2003 \$'000	2003 \$'000
Group				
Within one year	277	239	265	234
After one year but not more than five years	582	504	522	446
More than five years	22	19	61	53
Total minimum lease payments	881	762	848	733
Less : Amounts representing finance charges	(119)	–	(115)	–
Present value of minimum lease payments	762	762	733	733
Company				
Within one year	115	98	86	72
After one year but not more than five years	261	227	234	197
Total minimum lease payments	376	325	320	269
Less : Amounts representing finance charges	(51)	–	(51)	–
Present value of minimum lease payments	325	325	269	269

The average discount rate implicit in the Group's and the Company's hire purchases ranges from 2.2% to 6.7% (2003 : 2.6% to 6.2%) and 2.2% to 2.9% (2003 : 2.6% to 2.9%) per annum respectively.

Notes to the Financial Statements

30 June 2004

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24. BANK LOANS, SECURED

	Group	
	2004 \$'000	2003 \$'000
Repayable within 12 months (note 21)	3,118	1,399
Repayable after 12 months	9,038	1,082
	12,156	2,481

The bank loans bear interest at 1.5% to 7.8% (2003 : 1.8%) per annum and are secured by certain properties of the Group (note 10).

25. LONG TERM LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARY COMPANIES

Long term loans from minority shareholders of subsidiary companies are unsecured, interest-free and are not expected to be repayable within the next financial year.

26. DEFERRED TAXATION

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at beginning of the year	671	178	18	18
Deferred tax asset as a result of acquisition of a subsidiary company	(1,831)	–	–	–
Provided during the year	1,999	67	–	–
Amount credited to asset revaluation reserve	–	432	–	–
Currency realignment	(6)	(6)	–	–
Balance at end of the year	833	671	18	18

The deferred taxation arises as a result of excess of net book value over tax written down value of fixed assets.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

27. SHARE CAPITAL

	Group and Company	
	2004 \$'000	2003 \$'000
Authorised :		
1,600,000,000 ordinary shares of \$0.05 each	80,000	80,000
Issued and fully paid :		
285,673,158 ordinary shares of \$0.05 each	14,284	14,284

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

28. RESERVES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share premium reserve	19,897	19,897	19,897	19,897
Asset revaluation reserve	3,596	4,010	–	–
Capital reserve	453	453	–	–
Foreign currency translation reserve	(2,554)	(1,958)	–	–
Revenue reserve	22,112	16,815	7,980	2,688
Total reserve	43,504	39,217	27,877	22,585
Made up of :				
Distributable reserves	19,558	14,857	7,980	2,688
Non-distributable reserves	23,946	24,360	19,897	19,897
	43,504	39,217	27,877	22,585

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

29. EMPLOYEE BENEFITS

	Group		Company	
	2004	2003	2004	2003
Number of employees at end of the year	891	802	15	15

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Staff cost (including executive directors)				
- salaries, bonuses and other costs	21,971	19,955	1,646	1,625
- Staff Provident Fund	1,412	1,258	82	91
	23,383	21,213	1,728	1,716

Under the Eu Yan Sang Employees Share Option Scheme (“ESOS”) the following options to subscribe for ordinary shares of \$0.05 each in the Company’s share capital, exercisable at any time during the dates indicated below, were outstanding as at 30 June 2004 :

Date of grant	As at 1.7.2003	Number of options granted	Number of options expired	Number of options lapsed	Number of options exercised	At 30.6.2004	Exercise price per share	Exercisable period \$
18.3.2002	756,000	-	-	-	-	756,000	0.280	18.3.2003 to 17.3.2012
31.3.2003	380,000	-	-	-	-	380,000	0.350	31.3.2004 to 30.3.2013
31.3.2003	2,140,000	-	-	-	-	2,140,000	0.265	31.3.2004 to 30.3.2013
	3,276,000	-	-	-	-	3,276,000		

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

29. EMPLOYEE BENEFITS (CONT'D)

The information on directors participating in the ESOS and employees who receive 5 percent or more of the total number of options available under the ESOS is as follows :

Name	Aggregate options granted during the financial year	Aggregate options granted since commencement of the Scheme to 30 June 2004	Aggregate options exercised since commencement of the Scheme to 30 June 2004	Aggregate options outstanding as at 30 June 2004
Directors				
Richard Yee Ming Eu	–	200,000	–	200,000
Clifford Yee Fong Eu	–	180,000	–	180,000
Employees				
Alice Suet Ying Wong	–	310,000	–	310,000
Eng Hock Lok	–	250,000	–	250,000
	–	940,000	–	940,000

30. CASH AND CASH EQUIVALENTS

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

	Group	
	2004 \$'000	2003 \$'000
Cash and bank balances	9,822	5,443
Bank overdrafts (note 21)	(95)	(285)
Fixed bank deposits	1,866	2,966
	11,593	8,124

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

31. LEASE COMMITMENTS

Rental expense for retail outlets of the Group was \$12,309,000 (2003 : \$10,316,000) for the year. Future minimum lease rental under non-cancellable leases as of 30 June are as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within one year	9,643	8,330	–	–
After one year but not more than 5 years	11,272	7,740	–	–
	20,915	16,070	–	–

32. CAPITAL COMMITMENTS

The following are commitments for capital expenditure that have not been provided for in the financial statements :

	Group	
	2004 \$'000	2003 \$'000
Authorised and contracted for	268	224

33. RELATED PARTY TRANSACTIONS

The Company and the Group have the following transactions with subsidiary companies and related parties at rates and terms agreed between the parties :

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Dividend income from subsidiary companies	–	–	8,078	5,382
Interest received from subsidiary companies	–	–	275	183
Management fee received from subsidiary companies	–	–	5,094	4,549
Interest received from an associated company	159	125	–	–
Advertising and promotion allowance paid to an associated company	123	125	–	–
Rental paid to a subsidiary company	–	–	167	167
Interest paid to a subsidiary company	–	–	–	3

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

34. CONTINGENT LIABILITIES

	Group		Company	
	2004 S'000	2003 S'000	2004 S'000	2003 S'000
Contingent liabilities not provided in the financial statements :				
Corporate guarantees given to bankers				
for credit facilities granted to subsidiary companies	–	–	6,324	5,376
Corporate guarantee given to a banker for credit facility				
granted to an associated company	–	1,760	–	–

As at 30 June 2004, \$4,351,000 (2003 : \$2,043,000) of the credit facilities were utilised by the Group.

35. SEGMENT REPORTING

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services. TCM relates to manufacturing, processing and sales of traditional Chinese medicines, Prescription/OTC relates to the manufacturing and sales of western pharmaceutical products, Clinics relates to the provision of traditional Chinese medical consultation and treatment and as well as integrative medical services. Others segment include the provision of rental of premises, laboratory testing services, remittance services and management services.

Segment accounting policies are the same as the policies described in Note 2. The Group generally account for inter-segments sales and transfers as if the sales or transfers were to third parties at current market prices.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

35. SEGMENT REPORTING (CONT'D)

The following tables present revenue and net income information for the Group's industry segment for the years ended 30 June 2003 and 30 June 2004 and certain asset and liability information regarding the Group's industry segment as at 30 June 2003 and 30 June 2004 :

	TCM	Prescription/ OTC	Clinics	Others	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Business segments						
2004						
Revenue and expenses						
Sales to external customers	112,739	6,665	13,153	2,704	–	135,261
Inter-segment sales	11,349	–	–	13,714	(25,063)	–
Total sales	124,088	6,665	13,153	16,418	(25,063)	135,261
Operating profits	19,252	847	9,017	(779)	(13,041)	15,296
Foreign exchange gain, net						(621)
Interest income						103
Interest expense						(594)
Amortisation of goodwill						(877)
Impairment of goodwill						(1,403)
Surplus on revaluation of land and buildings						339
Share of associated companies' results						(7)
Profit before taxation						12,236
Taxation						(5,544)
Profit after taxation						6,692
Minority interests						319
Profit for the year						7,011
Assets and liabilities						
Segment assets	56,440	10,699	3,716	20,051	–	90,906
Segment liabilities	9,791	431	2,249	17,136	–	29,607
Unallocated liabilities						3,511
						33,118

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

35. SEGMENT REPORTING (CONT'D)

	TCM	Prescription/ OTC	Clinics	Others	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other segment information :						
Capital expenditure	4,375	50	344	661	–	5,430
Depreciation of fixed assets	2,466	511	771	1,042	–	4,790
Amortisation of goodwill	–	–	637	240	–	877
Impairment of goodwill	–	–	1,403	–	–	1,403
2003						
Revenue and expenses						
Sales to external customers	95,679	6,447	7,709	961	–	110,796
Inter-segment sales	15,158	–	–	16	(15,174)	–
Total sales	110,837	6,447	7,709	977	(15,174)	110,796
Operating profits	14,559	1,275	(1,461)	6,137	(11,241)	9,269
Foreign exchange gain, net						134
Interest income						218
Interest expense						(525)
Amortisation of goodwill						(762)
Impairment of goodwill						(689)
Provision for impairment in carrying amount of investment						(2,920)
Deficit on revaluation of land and buildings						(149)
Share of associated companies' results						(76)
Profit before taxation						4,500
Taxation						(2,782)
Profit after taxation						1,718
Minority interests						613
Profit for the year						2,331

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operations carry financial risks, including the effects of changes in foreign exchange rates and interest rates. The Group's overall risk management approach is to minimise the effects of such volatility on its financial performance.

Financial risk management policies are periodically reviewed and approved by the Board of Directors.

Foreign currency risk

The Group has transactional currency exposure, which arise from the sales or purchases by the Company and its subsidiary companies in those currencies other than their functional currencies. Besides, the Group is also exposed to translational risks arising from its foreign currency denominated assets and liabilities.

The Group manages its transactional exposure by matching, as far as possible, its receipts and payments in each individual currencies. The Group does not use any foreign currency instruments to hedge foreign currency exposure on such purchases and sales.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rate available in the market.

The Group's earnings are affected by changes in interest rates due to the impact that such changes have on its interest income from short-term deposits, loan to associated company, and its interest expense on the bank borrowings.

Information relating to the Group's interest rate exposure is disclosed in Notes 15, 20, 21, 23 and 24.

Counterparty risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 30 June 2004 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

The Group only transacts with creditworthy counterparties. Surplus funds are placed with reputable financial institutions. Counterparty risks are managed by limiting aggregate exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counterparties.

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As the Group transacts with a diversity of counterparties in different countries, the Group does not have any significant exposure to any individual customers.

Notes to the Financial Statements

30 June 2004

(In Singapore dollars)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

As at 30 June 2004, the Group had at its disposal, cash and short-term deposits amounting to approximately \$11,688,000 (2003 : \$8,409,000) to finance its operations.

The Group's holdings of cash and short-term deposits, together with non-committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all capital expenditure due in the next financial year.

Fair values

The carrying amounts of the financial assets and liabilities such as trade debtors, other debtors, fixed bank deposits, cash at bank, short-term loan, trade and other creditors approximate their fair value due to their short-term nature.

The aggregate net fair value of financial assets and financial liabilities of the Group which are not carried at fair value in the balance sheet, are presented in the following table :

	Total carrying amount		Aggregate net fair value	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Group				
Financial assets				
Loan to an associated company	–	3,080	–	3,045
Bank loan, secured	8,000	–	7,007	–
Company				
Financial assets				
Loan to subsidiary companies	3,241	1,831	2,830	1,573
Bank loan, secured	8,000	–	7,007	–

It is not practicable to determine the fair values of the remaining loan to subsidiary companies and bank loan, secured, as there is no fixed repayment terms.

Portfolio of Properties

Properties/ Location	Tenure	Floor Area (sq ft)	Usage
PROPERTIES OCCUPIED BY THE GROUP			
Singapore			
269 South Bridge Road	Lot 99871A 999 years from 1/10/1823 Lot 99869K, 99868A & 99866P 999 years from 1/10/1827	15,048	Shop/ office
Malaysia			
Nos. 9 & 11 Jalan Petaling, Kuala Lumpur	Freehold	5,464	Shop
Nos 22 & 23 Jalan Dato Bandar Tunggal Negeri Sembilan	Freehold	13,263	Shop
No. 1 SS 2/67 SEA Park Petaling, Jaya Selangor	Freehold	5,216	Shop/ hostel
Nos 36 & 38 Leech Street, Ipoh Perak	Freehold	5,880	Shop/ warehouse
No.2 Jalan Othman Talib & No 1 Lorong Iskandar Shah, Ipoh Perak	Freehold	4,140	Warehouse
No. 98 Jalan Idris Kampar	Freehold	4,600	Shop/warehouse
No. 156 Lebuah Chulia Georgetown, Pulau Pinang	Freehold	18,800	Shop/ warehouse
Lot No.LG15, Lower Ground Floor The Summit, Subang	Freehold	778	Shop
No 4 Persiaran 1/118C, Desa Tun Razak Industrial Park II Cheras	99 years lease expiring on 20/3/2085	11,360	Factory
Unit 77 Block 1, Kompleks Bukit Jambul	Freehold	2,612	Shop/ office
Hong Kong			
3rd floor, Units B & F 4th floor, Unit F 10th floor, Sunview Industrial Building No 3 On Yip Street, Chai Wan	75 years lease from 1/1/63; renewable for a further 75 years	40,989	Office/ factory/ laboratory/ warehouse
Ground floor, 192 Lai Chi Kok Road Shamshuipo Kowloon	75 years lease from 23/3/1923; renewable for a further 75 years	617	Shop
INVESTMENT PROPERTIES			
Singapore			
265 South Bridge Road	999 years from 1/10/1823	5,590	Shop/ office
273 South Bridge Road	999 years from 1/10/1823	10,027	Shop/ office
Malaysia			
No 2 Persiaran 1/118C, Desa Tun Razak Industrial Park II Cheras	99 years lease expiring on 20/3/2985	7,200	Factory
Lot B1-36 Lower Ground floor, Skudai Parade Johor Bahru	Freehold	415	Shop

Statistics of Shareholdings

as at 9th September 2004

Authorised share capital	:	\$80,000,000
Issued and fully paid-up capital	:	\$14,283,657.90
Class of shares	:	Ordinary share of \$0.05 each
Voting rights	:	One vote for each share

DISTRIBUTION OF SHAREHOLDINGS

	Number of Shareholders	%	Number of Shares	%
1 - 999	11	0.21	1,971	0.00
1,000 - 10,000	4,623	87.41	9,622,733	3.37
10,001 - 1,000,000	623	11.78	41,732,626	14.61
1,000,001 and above	32	0.60	234,315,828	82.02
Total	5,289	100.00	285,673,158	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 9TH SEPTEMBER 2004

(as recorded in the Register of Substantial Shareholders)

	Number of Shares of \$0.05 Each Fully Paid			
	Direct Interest	%	Deemed Interest	%
Euco Investments Pte Ltd	34,574,814	12.10	27,692,000	9.69
Bestand Development Corporation	-	-	21,970,828	7.69
Richard Yee Ming Eu	1,000,000	0.35	41,436,115	14.50
Clifford Yee Fong Eu	1,002,595	0.35	70,741,414	24.76
Laurence Yee Lye Eu	1,000,000	0.35	63,991,414	22.40

NOTES:

- (i) Overseas Union Bank Nominees (Pte) Ltd holds an aggregate of 14,242,213 shares in trust for Euco Investment Pte Ltd ("Euco") and Clifford Yee Fong Eu respectively which are included in their deemed interests. Euco's deemed interest also includes 13,000,000 shares held in trust by Southern Nominees (S) Sdn Bhd.
- (ii) The deemed interest of Bestand Development Corporation relates to shares held in trust by United Overseas Bank Nominees (Pte) Ltd.
- (iii) Clifford Yee Fong Eu and Laurence Yee Lye Eu are deemed interested in all the shares held by Euco and 1,724,600 shares held by Woldseth Corporation Inc by virtue of Section 7 of the Companies Act, Chapter 50.
- (iv) Richard Yee Ming Eu's deemed interest relates to shares held by his nominees.

Statistics of Shareholdings

as at 9th September 2004

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number Of Shares	%
1	Euco Investments Pte Ltd	34,574,814	12.10
2	United Overseas Bank Nominees Pte Ltd	29,648,018	10.38
3	HL Bank Nominees (S) Pte Ltd	24,100,000	8.44
4	Overseas Union Bank Nominees Pte Ltd	19,298,056	6.76
5	HSBC (Singapore) Nominees Pte Ltd	16,208,612	5.67
6	Southern Nominees (S) Sdn Bhd	13,150,000	4.60
7	Eu Joseph William Yee	10,859,964	3.80
8	Hong Leong Finance Nominees Pte Ltd	10,593,113	3.71
9	Eu Mei Ying Helena Mrs Helena Ho	10,124,045	3.54
10	David Eu Yee Tat	9,719,045	3.40
11	Oversea-Chinese Bank Nominees Pte Ltd	7,634,000	2.67
12	Bermuda Trust (Singapore) Limited	6,858,002	2.40
13	DBS Nominees Pte Ltd	6,236,000	2.18
14	Eu Yee Kwong Geoffrey	5,702,134	2.00
15	G K Goh Stockbrokers Pte Ltd	2,904,000	1.02
16	Fraser Securities Pte Ltd	2,707,000	0.95
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,649,526	0.93
18	Eu Keng Iu Roy and Eu Yan Wai Hing Virginia	2,471,434	0.87
19	Great Expectations Investments Inc	1,873,848	0.66
20	William R Hambrecht	1,873,848	0.66
	Total	219,185,459	76.74

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

34% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice Of Annual General Meeting

EU YAN SANG INTERNATIONAL LTD

(Incorporated in The Republic of Singapore with limited liability) (Company Registration Number: 199302179H)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at East India Rooms, Raffles Hotel, Singapore 189673 on 21 October 2004 at 3pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2004 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 15% and a special dividend of 10% (or a total of 1.25 cents per ordinary share) [one-tier tax exempt] for the year ended 30 June 2004 (2003: 12% or 0.6 cents per share). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Articles 92 and 109 of the Company's Articles of Association:-

Mr Malcolm Man-Chung Au (Retiring under Article 92) **(Resolution 3)**

Mr Clifford Yee Fong Eu (Retiring under Article 109) **(Resolution 4)**

Mr Malcolm Man-Chung Au will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:-
 - (a) That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Joseph William Yee Eu be re-appointed a Director of the Company to hold office until the next Annual General Meeting. [see Explanatory Note (i)] **(Resolution 5)**
 - (b) That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr David Chung Woo Yeh be re-appointed a Director of the Company to hold office until the next Annual General Meeting. [see Explanatory Note (i)] **(Resolution 6)**

Mr David Chung Woo Yeh will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice Of Annual General Meeting

EU YAN SANG INTERNATIONAL LTD

(Incorporated in The Republic of Singapore with limited liability) (Company Registration Number: 199302179H)

5. To approve the payment of Directors' fees of S\$136,250 for the year ended 30 June 2004 (2003: S\$114,500).
(Resolution 7)
6. To approve the payment of Directors' fees of S\$166,000 for the year ending 30 June 2005, to be paid quarterly in arrears.
(Resolution 8)
7. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.
(Resolution 9)
8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (ii)]

(Resolution 10)

Notice Of Annual General Meeting

EU YAN SANG INTERNATIONAL LTD

(Incorporated in The Republic of Singapore with limited liability) (Company Registration Number: 199302179H)

10. Authority to allot and issue shares under the Eu Yan Sang Employees' Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Eu Yan Sang Employees' Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time.

[See Explanatory Note (iii)]

(Resolution 11)

By Order of the Board

Leslie Kim Loong Mah

Sebastian Cher Liang Tan

Company Secretaries

Singapore, 5 October 2004

Notice Of Annual General Meeting

EU YAN SANG INTERNATIONAL LTD

(Incorporated in The Republic of Singapore with limited liability) (Company Registration Number: 199302179H)

EXPLANATORY NOTES:

- (i) The effect of the Ordinary Resolutions 5 and 6 proposed in item 4 above, if passed, is to re-appoint Mr Joseph William Yee Eu and Mr David Chung Woo Yeh, both over 70 years old, as Directors of the Company to hold office until the next Annual General Meeting of the Company. Section 153(6) of the Companies Act, Chapter 50 requires the re-appointments to be approved by way of ordinary resolutions at the Annual General Meeting of the Company.

- (ii) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 11 proposed in item 10 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 269A South Bridge Road, Singapore 058818 not less than 48 hours before the time appointed for holding the Meeting.

Proxy Form

EU YAN SANG INTERNATIONAL LTD

(Incorporated in The Republic of Singapore with limited liability)
(Company Registration Number: 199302179H)

IMPORTANT:

1. For investors who have used their CPF monies to buy Eu Yan Sang International Ltd's share, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.
4. CPF Investors who wish to attend should contact their CPF Approved Nominees.

I/We, _____

of _____

being a member/members of Eu Yan Sang International Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 21 October 2004 at 3 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [v] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2004		
2	Payment of proposed first & final dividend and special dividend		
3	Re-election of Mr Malcolm Man-Chung Au as a Director		
4	Re-election of Mr Clifford Yee Fong Eu as a Director		
5	Re-election of Mr Joseph William Yee Eu as a Director		
6	Re-election of Mr David Chung Woo Yeh as a Director		
7	Approval of Directors' fees amounting to S\$136,250 for the year ended 30 June 2004		
8	Approval of Directors' fees amounting to S\$166,000 for the year ending 30 June 2005		
9	Re-appointment of Messrs Ernst & Young as Auditors		
10	Authority to allot and issue new shares		
11	Authority to allot and issue shares under the Eu Yan Sang Employees' Share Option Scheme		

Dated this _____ day of _____ 2004

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

Proxy Form

EU YAN SANG INTERNATIONAL LTD

(Incorporated in The Republic of Singapore with limited liability)

(Company Registration Number: 199302179H)

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 269A South Bridge Road, Singapore 058818 not less than 48 hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

THE GROUP'S NETWORK

EU YAN SANG'S RETAIL OUTLETS

Singapore

- Ang Mo Kio Town Centre
- Bedok Central
- Causeway Point
- Changi Airport Terminal 1
- Changi Airport Terminal 2
- Compass Point
- Great World City
- IMM Building
- Jurong East
- Lot 1 Shopper's Mall
- Marine Parade Central
- Paragon
- Sembawang Shopping Centre
- South Bridge Road
- Sun Plaza
- Tampines Mall
- Tiong Bahru Plaza
- Toa Payoh Central
- West Mall

Hong Kong

- Causeway Bay
- Central
- Chaiwan
- China Hong Kong City
- Grand Century Place
- Hong Kong International Airport
- Kornhill
- Kwun Tong
- Ma On Shan Counter
- Mongkok
- Plaza Hollywood
- Russell Street
- Shamshuipo
- Shatin
- Sheung Shui
- Taikooshing
- Taipo Counter
- Telford Plaza
- Tseung Kwan O
- Tsimshatsui
- Tsing Yi
- Tsuen Kam
- Tsuen Wan
- Tuen Mun
- Tuen Mun Counter
- Uptown Plaza
- Whampoa Counter
- Yuen Long

Malaysia

Johor

- Johor Bahru, Permas Jaya – Jaya Jusco
- Johor Bahru, Taman Johor Jaya
- Johor Bahru, Taman Sentosa
- Johor Baru Carrefour
- Johor Baru Century Garden
- Muar, Jalan Ali

Klang Valley

- Bandar Utama, Jaya Jusco
- Cheras, Leisure Mall
- Jalan Ipoh, Mutiara Complex
- Klang, Bukit Raja Shopping Centre
- Klang, Giant Hypermarket
- Kepong, Jaya Jusco
- Kuala Lumpur, Jalan Petaling
- Kuala Lumpur, Pudu Plaza
- Kuala Lumpur, Shaw Parade

- Old Klang Road, Lucky Plaza Bandar Park
- Pandan Indah, Mid Point
- Petaling Jaya, SS 2
- Petaling Jaya, Section 14
- Puchong, IOI Mall
- Puchong, Tesco
- Selayang, Selayang Mall
- Seri Petaling, Endah Parade
- Subang USJ, The Summit USJ
- Taman Maluri, Jaya Jusco
- Wangsa Maju, Jaya Jusco
- Alpha Angle Shopping Complex

Melaka

- Ayer Keroh, Jaya Jusco
- Pringgit, Tesco

N Sembilan

- Seremban, Jalan Dato' Bandar Tunggal

Pahang

- Genting Skyway Complex
- Kuantan, Giant Hypermarket
- Kuantan, Jalan Air Putih

Perak

- Ipoh, Jalan Bandar Timah
- Ipoh, Kinta City Shopping Center
- Kampar, Jalan Idris
- Teluk Intan, Fajar Supermarket

Pulau Pinang

- Bayan Lepas
- Gurney Plaza
- Leboh Chulia
- Sunshine Square Complex

Sarawak

- Kuching, Jalan Tunku Abdul Rahman
- Kuching, Wisma Wan

ELIXIR RETAIL OUTLETS

USA

- Melrose Avenue, Los Angeles
- Hollywood and Highland Center

TCM CLINICS / CENTRES

Eu Yan Sang Specialist TCM Centres

Singapore

- Camden
- Paragon

Eu Yan Sang TCM Clinics

Singapore

- Ang Mo Kio Town Centre
- Bedok Central
- Jurong East
- Marine Parade Central
- South Bridge Road
- Tiong Bahru Plaza

Malaysia

Klang Valley

- Kuala Lumpur, Jalan Petaling
- Petaling Jaya, SS 2

N Sembilan

- Seremban, Jalan Dato' Bandar Tunggal

Pulau Pinang

- Leboh Chulia

INTEGRATIVE MEDICINE CENTRES

Australia

YourHealth Integrative Medicine Centres

- Camberwell, Melbourne
- Carina, Brisbane
- Edgecliff, Sydney
- Manly, Sydney

Singapore

Singapore Wellness Medical Clinic

- Camden

EU YAN SANG GROUP

Corporate

Eu Yan Sang International Ltd
269A South Bridge Road Singapore 058818
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facsimile : (65) 6225 8276
email : info.hq@euyansang.com.sg

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Sydney, Australia.
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facsimile : (612) 9939 7122
email : info@euyansang.com.au
website : www.yourhealth.com.au

Hong Kong

Eu Yan Sang (Hong Kong) Limited
2/F, 152-156 Queen's Road Central, Hong Kong
telephone : (852) 2544 3268
facsimile : (852) 2850 6785
email : info@euyansang.com.hk

Synco (H.K.) Limited

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Chaiwan, Hong Kong
telephone : (852) 2556 0157
facsimile : (852) 2897 2582
email : info@synco.com.hk

Malaysia

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No. L2-01 & L2-12, 2nd Floor, Shaw Parade,
Changkat Thambi Dollah, 55100 Kuala Lumpur, Malaysia
telephone : (603) 2116 8200
facsimile : (603) 2116 8201
email : info@euyansang.com.my

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4 Persiaran 1/118C Fasa 2, Desa Tun Razak Industrial Park
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facsimile : (603) 9173 1987
email : info@wengli.com.my

Singapore

Eu Yan Sang (Singapore) Private Limited
163 Shun Li Industrial Park, Kaki Bukit Ave 1,
Singapore 416016
telephone : (65) 6749 8830
facsimile : (65) 6749 8692
email : info@euyansang.com.sg

Eu Yan Sang Integrative Health Private Limited

269A South Bridge Road Singapore 058818
telephone : (65) 6732 0922
facsimile : (65) 6732 5922
email : healing@euyansang.com.sg
website : www.ihealth.com.sg

USA

Botanical Health Resources Inc.
8612 Melrose Avenue, Los Angeles, CA, 90069-5011 USA
telephone : (310) 657 9300
facsimile : (310) 657 9311
email : herbalist@elixir.net
website : www.elixir.net



<http://www.euYansang.com>