



Eu Yan Sang International Ltd

annual report 2002

Leading the Way



Vision, Mission and Core Values

Our Vision

We aim to be a global consumer healthcare company leading the way to integrative healthcare with our core focus in Traditional Chinese Medicine.

Our Mission

We dedicate our business to the pursuit of offering the best natural healthcare products and services to our customers – Caring for Mankind – by helping them realise good life-long health.

Our Core Values:

Leadership: Staying ahead in every aspect of TCM industry.

Humanity: To always reflect respect for human life and genuine care for its well-being in everything we do.

Quality: To become synonymous to best quality standards in the industry.

Customer-focused: To constantly seek new opportunities and ideas to develop consumer-centric products and services to meet and exceed their expectations.

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Corporate Profile

Eu Yan Sang International Limited, a public listed company since July 2000, is Asia's premier consumer healthcare company. The Group promotes good health through the usage and dissemination of knowledge of traditional Chinese medicine (TCM) and other Asian health practices.

Today, Eu Yan Sang manufactures and markets fine quality, Chinese herbs and medicines under the brand name "*Eu Yan Sang*". A household name in Asia for over 120 years, it has since earned an unrivalled reputation as the leader in the traditional Chinese medicine industry.

With its mission "Caring for Mankind", Eu Yan Sang dedicates its business to offer the best natural healthcare products and services to its customers by helping them realise good life-long health.

As a consumer healthcare group, Eu Yan Sang 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.

The Group currently offers more than 150 products under its "*Eu Yan Sang*" brand name and over 1000 different types of Chinese herbs and other medicinal products. Manufacturing activities are carried out in its two GMP-certified (Good Manufacturing Practice) factories in Hong Kong and Malaysia. It boasts an extensive distribution network especially in Asia, comprising a total of 64 retail outlets under its brand name in its core markets - Hong Kong, Singapore and Malaysia as well as in over 5000 drugstores; pharmacies; supermarkets; medical halls and convenience stores worldwide. Its cybershop at www.euyansang.com offers its global customers the ease and convenience of purchasing online.



Flagship product Bak Foong Pill

Lead

Our products have been at the forefront of our markets, leading the race with our strategies and initiatives. It's about creating a more convenient, a more vibrant and healthy lifestyle and Eu Yan Sang is making it happen.



The Way Ahead

Under challenging market conditions, our TCM operations in Asia have performed well. We believe it is due to our strong leadership position in TCM consumer healthcare in Asia. Through our long history, we have gained the trust and loyalty of our consumers.



Lingzhi Cracked Spores Powder Capsules



A Range of Herbal Capsules



Pearl Powder

Chairman's Statement

We will focus on growing our core TCM operations and the new ventures in the current financial year. With our history of over 120 years, we have established a leadership position in the TCM industry.



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 2002.

The Year In Review

In my previous report, I mentioned the impact on our region caused by the slowdown in the US economy. Unfortunately, things worsened when the events of September 11 2001 in the US shook consumer sentiments across the world. For the twelve-month period to 30 June 2002, business conditions in the region remained challenging. Under such a competitive environment, the Group's operating performance was creditable in FY 2002.

Group turnover rose 18% to \$97.2 million. Turnover for our core Traditional Chinese Medicine ("TCM") operations, comprising the manufacturing and sale of loose medicinal herbs, Chinese Proprietary Medicine ("CPM") and Health Foods, grew 15% to \$86.8 million. For TCM, all three key markets of Hong Kong, Malaysia and Singapore registered double-digit percentage growth in turnover. The broad based nature of growth in our core TCM operations is extremely encouraging. Furthermore, the improvement in profit before tax and interest of our core TCM operations was even more impressive, growing 45% in FY 2002 to \$10.7 million. The stronger profit growth resulted from economies of scale with a growing TCM operations and greater synergies at advertising and distribution, benefits we will continue to enjoy as we grow.

Under challenging market conditions, our TCM operations in Asia have performed well. This, I believe, is due to our strong leadership position in TCM consumer healthcare in Asia. Through our long history, we have gained the trust and loyalty of consumers. Just as important are various corporate initiatives introduced a few years ago to strengthen corporate branding and the development of new products. The results of such initiatives were evident in FY 2002. For the year under review, our branded CPM and Health Foods turnover outpaced medicinal herbs by growing 25% to \$55.8 million. The share of branded CPM and Health Foods' turnover of the total TCM turnover had increased from 59% in the previous year to 64% in FY 2002.

Chairman's Statement



Ready-to-Drink
Concentrated Birds' Nest

In addition, our top five selling items are all key branded products in our CPM / Health Foods category, and collectively Bak Fong Pills, Bo Ying Compound, Bottled Birds' Nests, Hou Ning Powder and Lingzhi Cracked Spores Capsules accounted for about 38% of group turnover in FY 2002. Two of these top five products, Bottled Birds' Nests and Lingzhi Cracked Spores Capsules, were new products introduced only in the last two years.

While considerable efforts have been put into strengthening our core TCM operations in the last few years, we have also planned for the long term growth of the Group. The challenge is to expand into new geographical markets with a TCM-related business that remains relevant to the new markets. In Australia, we believe we have found that business model with Integrative Medicine Centres, a practice that combines Western medicine with TCM and other natural therapies. In 2000, the natural medicine sector was estimated to account for about A\$1.9 billion of the A\$50 billion Australian healthcare industry.

We opened our first YourHealth Integrative Medicine Centre ("IMC") in Manly, near Sydney, in October 2001. The 9-month turnover contribution in FY 2002 from our Australian operation was an impressive \$2.2 million. At the centre level, the Manly IMC is now profitable, and once we have a critical mass of IMCs, our 80% subsidiary, Eu Yan Sang Australia Pty Ltd should be able to turn in a profit. A second YourHealth IMC opened in Sydney in June this year, and two additional IMCs will be operational by end 2002. Initial losses sustained at Eu Yan Sang Australia Pty Ltd, a foreign exchange loss as well as exceptional items totalling \$1.2 million moderated the good performance at our core TCM operations.

Exceptional items comprise a \$420,000 revaluation deficit on our Hong Kong factory and office, and a net provision of \$735,000 for diminution in value of our investment in Oxford Natural Products plc ("ONP"), which is involved in the development of novel pharmaceuticals and nutraceuticals from plants. We are aware that ONP is preparing for a listing on the London Stock Exchange in 2003, subject to market conditions, but have made the provision on the grounds of prudence. In spite of the several setbacks, we have, on a group basis, managed to record a 7% increase in profit after tax to \$6.14 million. Your Board is recommending a final dividend of 0.6 cents per share, an increase of 14% over the previous year. Payment of dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

Building On Our TCM Leadership

Having made numerous acquisitions in the last two years, we will focus on growing our core TCM operations and the new ventures in the current financial year. With our history of over 120 years, we have established a leadership position in the TCM industry. Our TCM operations



Cheras, Malaysia,
GMP Factory



Chai Wan, Hong Kong,
GMP Factory

are fully integrated, with two factories in Hong Kong and Malaysia conforming to the global standard of Good Manufacturing Practice. We have an extensive and growing distribution network, especially in Asia, comprising Eu Yan Sang retail outlets, store-in-stores, pharmacies, supermarkets and convenience stores.

We will continue to effectively market our existing range of TCM products across our distribution network. During the current financial year, we will add new TCM products to enhance our product range, as well as expand the retail and wholesale channels of our distribution. Backed by a consistent advertising and promotion programme, we are achieving synergies from the expanded product range and growing distribution network.

In recent months, problems with an adulterated imported product have led to the introduction of stricter regulations governing the manufacturing of TCM products, enforceable by 2004 in Singapore. We welcome the more stringent manufacturing requirements for TCM products, and view it as a long term positive development for the industry. In view of the impending legislation, certain of our competitors' TCM products currently in the market may be discontinued due to non-compliance with the new regulations.

In Australia, we have a good head start in organising and upgrading the business of integrative medicine. Our first IMC in Manly has proven to be a success in less than a year of operations, and our second centre in Sydney is performing to expectation. Two more centres are planned to be opened in Australia by end 2002. For a new business in a new geographical market, the progress is extremely encouraging.

The global business environment is expected to remain challenging for the rest of the current financial year. With the economic uncertainties, it is prudent for us to focus our resources on our core TCM operations and our YourHealth IMC operations in Australia. By leveraging on our strengths, we will be able to continue competing effectively in a challenging environment. Barring any unforeseen circumstances, your directors expect group turnover and operating profit for the current financial year to be higher than those of the preceding year.

A Word of Thanks

Finally, it is my pleasure to record a word of thanks to those who have contributed to a successful year. 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 of FY 2002. In addition, I would also like to thank all our customers, bankers, business associates, suppliers and shareholders for all their continuing support.

Joseph Eu
Chairman



Deer's Tail Pills and So Hup Pills

Performance

Over the years Eu Yan Sang has been responsible for the well-being of minds and bodies of children and adults alike. We continue to nourish and nurture the generation of today and tomorrow.



Corporate Data

BOARD OF DIRECTORS

Joseph William Yee Eu

Non-Executive Chairman

Richard Yee Ming Eu

Group CEO

Clifford Yee Fong Eu

Managing Director

Robert James Yee Sang Eu

Non-Executive Director

David Chung Woo Yeh

Independent Director

Dr Jennifer Gek Choo Lee

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

Dr Jennifer Gek Choo Lee

Chairman

David Chung Woo Yeh

Clifford Yee Fong Eu

COMPENSATION COMMITTEE

Dr Jennifer Gek Choo Lee

Chairman

Robert James Yee Sang Eu

Richard Yee Ming Eu

COMPANY SECRETARIES

Clifford Yee Fong Eu

Yvonne Choo, FCIS

Linda Law, FCIS

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

Singapore 049315

Audit Partner-in-charge:

Daniel Chung Hian Soh

Appointment Date: 4 November 1993

PRINCIPAL BANKERS

The Development Bank of Singapore Ltd

6 Shenton Way, DBS Building, Tower One

Singapore 068809

United Overseas Bank Limited

1 Raffles Place, OUB Centre

Singapore 048616

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

Board of Directors



1st column (top to bottom)

Joseph Eu

Clifford Eu

Robert Eu

2nd column (top to bottom)

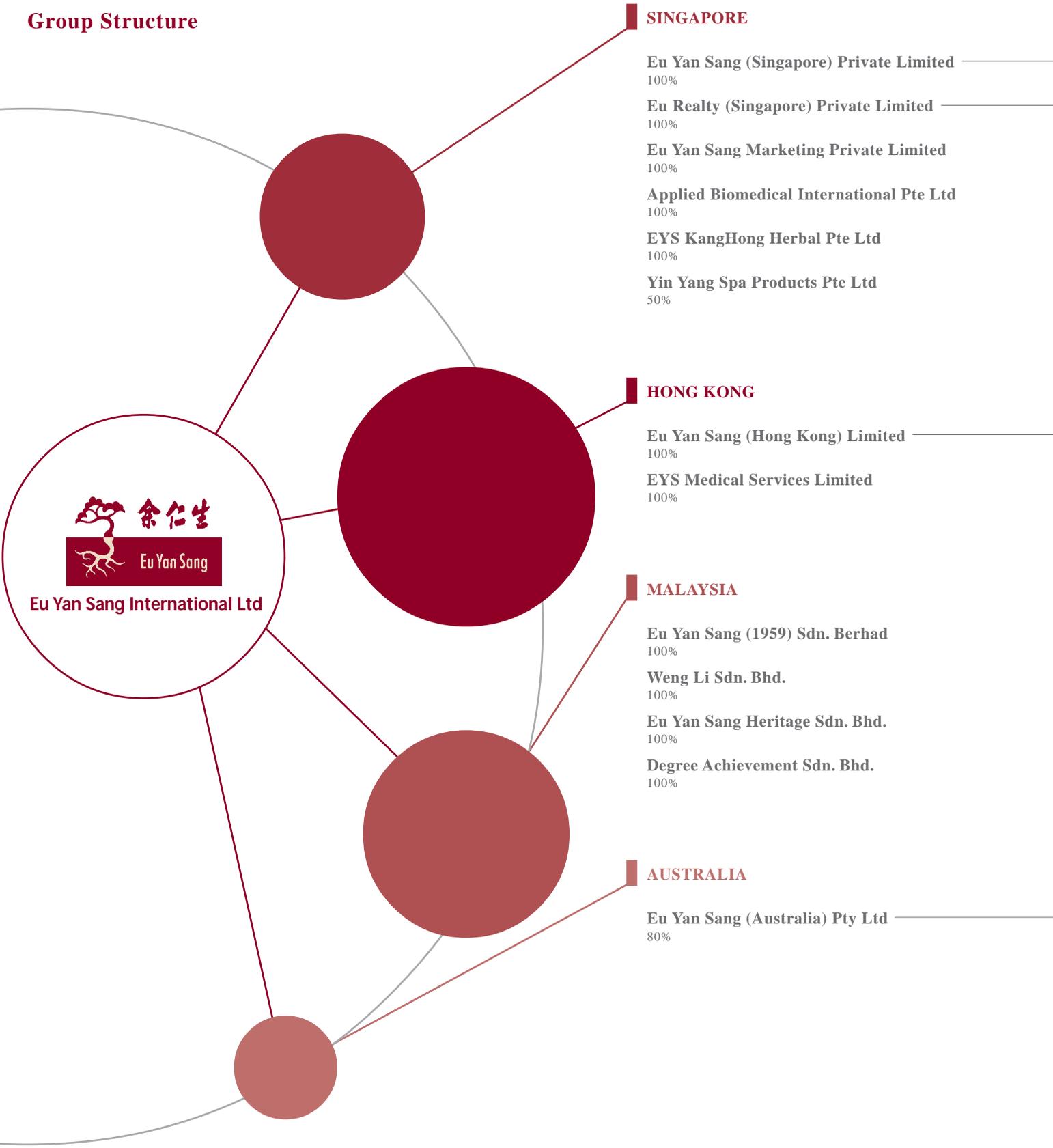
Richard Eu

David Yeh

Dr Jennifer Lee



Group Structure



EYS Ventures Pte Ltd
100%

USA
Botanical Health Resources Inc.
48.5%

PRC
Hua Sheng He Enterprise Co.
50%

Synco (H.K.) Limited
100%

Eu Yan Sang (Properties) Limited
100%

Eu Yan Sang (China Ventures) Limited
100%

Top Lot Limited
100%

Eu Yan Sang (Export) Limited
100%

Aroma Fresh Pty Limited
51%

YourHealth Group Pty Limited
70%

Nutron Health Pty Limited
100%

YourHealth Brisbane Pty Limited
100%

YourHealth Melbourne Pty Limited
100%

YourHealth Edgecliff Pty Limited
100%

YourHealth Manly Pty Limited
90%

Senior Management

HEAD OFFICE

Leslie Mah
Chief Financial Officer, Eu Yan Sang International Ltd

Yin Fah Kam
Chief Technology Officer, Eu Yan Sang International Ltd
Executive Director, Applied Biomedical International Pte Ltd

Angie Pang
Group General Manager (Human Resources), Eu Yan Sang International Ltd

James Xiao
Sr. Manager, Research and Development, Eu Yan Sang International Ltd

Jennifer Leong
Financial Controller, Eu Yan Sang International Ltd

AUSTRALIA

Menno Veeneklaas
Managing Director, Eu Yan Sang (Australia) Pty Ltd

Joachim Fluhrer (Dr)
Medical Director, Eu Yan Sang (Australia) Pty Ltd

HONG KONG

Alice Wong
Managing Director, Eu Yan Sang (Hong Kong) Limited

Jaby Cheng
General Manager, Synco (H.K.) Limited

Yuen Wah Yip (Dr)
Sr. Manager, Quality Assurance, Synco (H.K.) Limited

MALAYSIA

Eng Hock Lok
Managing Director, Eu Yan Sang (1959) Sdn. Berhad

Jasmine Wong
General Manager, Eu Yan Sang Marketing Private Limited

Win Soong Lui
General Manager, Weng Li Sdn. Bhd.

SINGAPORE

Clifford Yee Fong Eu
Managing Director, Eu Yan Sang International Ltd

USA

Jeffrey A. Stein
Chairman, Botanical Health Resources Inc.

Edgar B. Veytia
Chief Executive Officer, Botanical Health Resources Inc.

Steven Piccus
Managing Director, Botanical Health Resources Inc.

Calendar of Events

year 2001

JULY	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<p>Eu Yan Sang Malaysia opened its first TCM clinic above its newly renovated retail outlet in Petaling Jaya SS2, Kuala Lumpur.</p>	<p>Eu Yan Sang International Ltd (EYSI) launched its first charity event in aid of Home Nursing Foundation and raised a sum of \$207,000/- for this programme.</p>	<p>The first YourHealth Integrative Medicine Centre opened in Manly, Sydney, Australia.</p> <p>Mr Mah Bow Tan, Minister of National Development and Advisor to the Singapore Sichuan Trade and Investment Committee (SSTIC) and his Excellency Mr Li DaChang, Vice Governor of Sichuan Province and Co-Chairman of SSTIC and senior management team of Eu Yan Sang witnessed the establishment of Chengdu Hua Sheng He, a joint venture with Huaxi Medical University and Sichuan Xin Yang Technology Company. At the same time, a joint venture agreement was signed with Chengdu Kang Hong Pharmaceutical Co. to form EYS Kang Hong Herbal Pte Ltd.</p>	<p>Eu Yan Sang Malaysia introduced our branded Fa Yien Ready-to-Drink bottled Birds' Nest, which made a strong debut in Malaysia.</p> <p>Applied BioMedical International Pte Ltd (ABMI) has been awarded the ISO/IEC 17025 Certificate of Accreditation for Chemical & Biological Testing.</p>	<p>Eu Yan Sang Hong Kong was awarded the Quality Tourism Service Certification from Hong Kong Tourism Board as a mark of its retail achievement. This certification is an indication to the tourists of the good quality and services obtainable from all our retail shops.</p> <p>Eu Yan Sang Singapore's flagship store in South Bridge Road opened its first clinic within its retail premises.</p> <p>Relaunch of our flagship product Bak Foong Pill in Singapore with a modern communication approach to reach trendy, younger female consumers.</p>

year 2002

JANUARY	FEBRUARY	MAY	JULY	SEPTEMBER
<p>Eu Yan Sang Hong Kong received the highly acclaimed 2001 Hong Kong Top Ten Brand Names Award from the Chinese Manufacturers' Association of Hong Kong.</p> <p>Eu Yan Sang Hong Kong was the first Hong Kong TCM manufacturer to receive the "Certificate of Manufacturing Facility" from the Therapeutic Goods Administration (TGA) of Australia (from raw herbs materials to finished products). The Certificate signifies a worldwide recognition of the excellent manufacturing practices and quality control on the production of herbal pills and powders.</p>	<p>Applied BioMedical International Pte Ltd (ABMI) obtained a second ISO/IEC 17025 Certificate of Accreditation for Environment Testing.</p> <p>Announcement of Interim Results for FY2002.</p>	<p>Eu Yan Sang Malaysia staged the first South East Asian Birds' Nest Exhibition in our new office premises at Shaw Parade, Kuala Lumpur.</p> <p>ZING Spa Products launched its full retail range comprising some 16 different head-to-toe spa treatment products.</p>	<p>Eu Yan Sang Hong Kong attained two Health & Beauty Awards from Mannings subsequent to a joint survey conducted by Cosmopolitan, Mannings and Asia Market Intelligence (AMI) in June 2002. Bak Foong Pill and Bo Ying Compound has successfully won the most popular Chinese Medicine Award and Health Food Supplement Award, respectively.</p>	<p>Eu Yan Sang Singapore's flagship store reopened in South Bridge Road with a refreshing, modern retail store concept.</p> <p>Our US investment with Botanical Health Resources Inc. saw the opening of our second Elixir Store in Hollywood, Los Angeles.</p> <p>Eu Yan Sang Singapore staged the South East Asia Birds' Nest Exhibition at Suntec Convention Centre together with a Public Talk entitled "Birds' Nest and Your Health". At the same time launched the Ready-to-drink Hua Yan Birds' Nest.</p>
	<p>APRIL</p> <p>Bak Foong Pill research findings were shared with the Singaporean public through a Public Talk and in Malaysia through media and trade launches.</p>	<p>JUNE</p> <p>Eu Yan Sang Australia, opened its second YourHealth Integrative Medicine Centre in Edgecliff, Sydney, Australia.</p>	<p>AUGUST</p> <p>Announcement of Full Year Results for FY2002.</p> <p>Eu Yan Sang opened its first YourHealth TCM Centre at The Paragon, Singapore.</p>	



American Wild Ginseng Tea

Experience

Understanding needs comes with experience. For 120 years, Eu Yan Sang through its high quality products have been fulfilling the needs of people, playing a significant role in their lives.



Operations Review



Paragon, Singapore



Yuen Long, Hong Kong



Puchong, Malaysia

Retail

Eu Yan Sang retail outlets in Hong Kong, Malaysia and Singapore are an important component of the Group's distribution network for TCM products. We are constantly on the look out for suitable locations to site new outlets in the three key markets. Having opened five outlets in FY 2001, we added a further nine outlets in FY 2002: three in Hong Kong, five in Malaysia and one in Singapore to bring the total number of Eu Yan Sang outlets in the Group to 64. We expect to add another six to eight new retail outlets to the Group in the current financial year.

In FY2002, Group TCM retail turnover rose 16% to \$67.5 million. In spite of the competitive retail environment, retail turnover growth was achieved through higher same outlet sales as well as additional sales from the new outlets. All three key markets recorded higher retail turnover, with Hong Kong, Malaysia and Singapore registering 16%, 19% and 11% growth respectively.

Group retail turnover continues to benefit from the introduction of high value branded items like Bottled Birds' Nests and Lingzhi Cracked Spores Capsules in the last two years. Efforts to consistently advertise and promote branded CPM and Health Foods products, together with the introduction of new TCM products and the addition of new retail outlets, will continue to drive group retail turnover growth in the current financial year.

Wholesale

Group turnover for TCM wholesale rose 14% to \$19.3 million for the period under review. Hong Kong and Singapore recorded good turnover growth, but Malaysian wholesale turnover registered a decline. Under Synco (HK) Ltd, the Group undertakes the wholesaling of Western generic drugs to medical practitioners and Hong Kong hospitals on a contract basis. As more contracts were secured during the year, Synco's turnover rose 18% to \$7.7 million.

During the year, the National Healthcare Group was secured as a key wholesale account in Singapore. Eu Yan Sang TCM products are now available in selected polyclinics under the Group. In Hong Kong, we were selected to supply TCM medicinal herbs to a TCM clinic within the Tung Wah Group of Hospitals. This appointment by the Tung Wah Group is a strong public endorsement of the high quality of our medicinal herbs. We believe we were chosen for the high standard of our Good Manufacturing Practice-certified Hong Kong factory that processes the raw medicinal herbs from China. We are currently under discussions with the Tung Wah Group to renew our existing one-year supply contract for another three years and to finalise the supply of our TCM medicinal herbs to their second TCM clinic that was recently established in Hong Kong.

The Group is active in exploring outlet-in-store opportunities. Shortly after the financial year end, the Group entered into a Memorandum of Understanding to appoint Yee Lee Corporation Berhad ("Yee Lee"), a public company listed on the Main Board of the Kuala Lumpur Stock Exchange as an authorised non-exclusive distributor of selected Eu Yan Sang products in Malaysia. The Yee Lee Group is one of the largest manufacturers and distributors of consumer products in Malaysia. For an initial period of two years, we will work with Yee Lee to select suitable retailers to carry Eu Yan Sang products through designated counters. Within the next three years, Eu Yan Sang products are expected to be available in about 500 retailers under this network.



A Range of Herbal Candies



Special Counter, Malaysia



Wanchai Counter, Hong Kong

Operations Review



Ready-to-Drink Fa Yien Birds' Nest

New Products

The Group has been selling raw birds' nests for many years. In recent years, our younger generation of customers have expressed a strong preference for Health Foods, such as birds' nests, in a processed form. Our bottled birds' nests, introduced about two years ago, have been well received by consumers. In May 2001, a Premium Concentrated Bottled Birds' Nests was successfully launched in Hong Kong. This premium product was also well received when it was introduced in Malaysia and Singapore in late 2001. The early success of our bottled birds' nests encouraged us to deploy additional resources to develop this unique Health Foods product. This development has led to the first-time branding of Eu Yan Sang's birds' nests bottled under Fa Yien (花燕) in Malaysia which was launched in November 2001 and Hua Yan (花燕) in Singapore, launched in September 2002.

The Hua Yan (花燕) is distinctive in its source of raw material and processing method. Its high quality birds' nests are harvested from mature caves in Borneo. The birds' nests are double-boiled before being sealed in glass bottles and contain no additives. We are confident of the success of Hua Yan, and believe that our bottled birds' nests have good growth potential in the market. Since the launch of bottled birds' nests two years ago, this group of products is now our second best selling item.

Following our research collaboration with the Chinese University of Hong Kong on the bio-active ingredients of Bak Foong Pills, we are excited that new Eu Yan Sang branded CPM products will soon be launched in the market.



Ready-to-Drink Hua Yan Birds' Nest

From our US associate Botanical Health Resources Inc., we have Elixir, a range of TCM based herbal tonics that are popular in California. New variants will be added to the existing range of tonics. Steps have also been taken to register Elixir tonics as a TCM in order for them to be marketed in Singapore. September 2002, saw our second Elixir outlet opened in Hollywood and Highland Center.

Our Zing spa products are now sold in reputable spa chains in Singapore, Malaysia, Indonesia and China. In May 2002, the full retail range of head-to-toe spa treatment products was launched.

Aroma Fresh, our skin, body and bath products are available at some 600 distribution points such as supermarkets, discount stores, pharmacies and selected gift shops throughout Australia.



A Range of Elixir tonics



YourHealth Clinic, Manly

Integrative Medicine Centres & TCM clinics

We have increased our stake in the Australian subsidiary, Eu Yan Sang Australia Pty Ltd (“EYSA”) to 80% during the year. On 30 July 2002, EYSA raised its stake in YourHealth Group Pty Ltd (“YHG”) to 70%. YHG operates the Group’s YourHealth Integrative Medicine Centres (IMCs) in Australia. Integrative medicine combines the best practices of Western medicine with TCM and other natural therapies. Here, the focus is on illness prevention. Treatment would include natural medicine, Western medicine, nutrition, stress and toxicity management through lifestyle and diet adjustments. Each IMC would have a group of specialists, and in addition to doctors trained in Western medicine, there will also be an Osteopath, Clinical Nutritionist, TCM Herbalist and Acupuncturist, Massage Therapist, Naturopath, Biological Dentist and Homeopath.

At the end of the financial year, we have opened two IMCs in Sydney. We have also signed the leases for the third IMC in Brisbane and the fourth in Melbourne, and they should be operational by end 2002. Through YourHealth branded IMCs, we have raised the profile of integrative medicine by being able to offer a full range of medical services under one centre. By freeing the specialists from administrative duties, patients are assured of quality healthcare services from these IMCs. A comprehensive range of herbal products and nutritional supplements are being developed to support YourHealth IMCs and other smaller existing integrative medicine centres in Australia.

In Malaysia, a new TCM clinic was established in Shaw Parade, Kuala Lumpur, during the year. In Singapore, we added a new TCM clinic within our Eu Yan Sang outlet at Marine Parade. The space allocated to TCM clinic at our South Bridge Road outlet was expanded during the mid year refurbishment. In August 2002, we opened our specialist TCM Centre under the brand name of YourHealth at The Paragon. Through our clinics, we are able to broaden our TCM services to our customers.



A Range of Zing Spa products

In our relationship
with our customers, **trust**
is fundamental. They view us
as a health partner they can
trust. It is who we are and
what we are about.



Corporate Governance

The Group is committed to maintaining a high standard of corporate governance in order to protect the interest of its shareholders and has put the following in place:

BOARD OF DIRECTORS

The Board comprises:

Mr Joseph William Yee Eu	(Non-Executive Chairman)
Mr Richard Yee Ming Eu (Alternate: Dr David Yee Tat Eu)	(Group CEO)
Mr Clifford Yee Fong Eu (Alternate: Mr Laurence Yee Lye Eu)	(Managing Director)
Mr Robert James Yee Sang Eu (Alternate: Mr Billy Wah Yan Ma)	(Non-Executive)
Mr David Chung Woo Yeh	(Independent)
Dr Jennifer Gek Choo Lee	(Independent)

The Board reviews and approves the Group's key strategic operational and business expansion plans, major investments, funding decisions, the Group's financial performance and internal controls, and ensures that the principal risks of the Group are identified and properly managed. It also reviews and approves the announcement of the half-year and full-year results of the Company and the Group.

During the financial year, the Board met four times. With the exception of two directors, full attendance for the meetings was recorded for all other directors.

The Board is also responsible for establishing a healthy corporate environment conducive to maintaining and promoting good corporate governance within the Group.

The duties of the Board are carried out directly or indirectly through various committees of the Board or through key management personnel.

- **Audit Committee**

The Audit Committee comprises:

Dr Jennifer Gek Choo Lee	(Chairman) (Independent)
Mr David Chung Woo Yeh	(Independent)
Mr Clifford Yee Fong Eu	(Non-Independent)

The Committee is governed and regulated by the policies set out in a Corporate Governance Policies Manual that was approved by the Board during the financial year. This comprehensive manual sets out the charters for the Board and various committees (including the Audit Committee), the conduct of meetings, procedures for assessing the performance of the Board and committees, etc.

- **Audit Committee (cont'd)**

During the financial year, the Committee met twice. It reviewed the overall scope of the external audit and internal audit plans, the reports of the external and internal auditors and the assistance given by Management to the external and internal auditors, the findings and recommendations of the internal auditors and the announcements of the half-year and full-year results of the Company and the Group.

The Committee has recommended the re-appointment of Messrs Ernst & Young as Auditors of the Company at the forthcoming Annual General Meeting.

In the opinion of the Board, the Company has complied with the Best Practices Guide in respect to audit committees issued by the Singapore Exchange Securities Trading Limited (“SGX-ST”).

- **Securities Transactions**

The Group has issued a policy on securities dealings by officers of the Company and its subsidiaries and adopted a Code of Best Practices on Securities Dealings (“the Code”) to govern and regulate such transactions. The Code was based on the Best Practices Guide issued by the SGX-ST and has been circulated to all relevant parties.

- **Compensation Committee**

A Compensation Committee had been established to review the remuneration of Group employees, executive directors and employees who are related to the executive directors or controlling shareholders, and the promotion of key executives. It also functions as the committee referred to under the Eu Yan Sang Employee Share Option Scheme (“Scheme”) and has the powers set out under the Scheme.

During the financial year, the Committee met once to review the promotion of key executives, to recommend rates of bonus for FY2001 for employees of the Group for Board approval and to grant options to employees under the Scheme.

The members of the Committee are Dr Jennifer Lee Geok Choo (Chairman), Mr Robert James Yee Sang Eu and Mr Richard Yee Ming Eu.

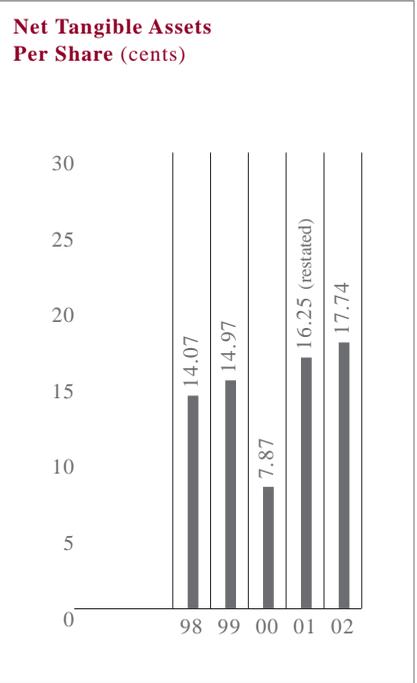
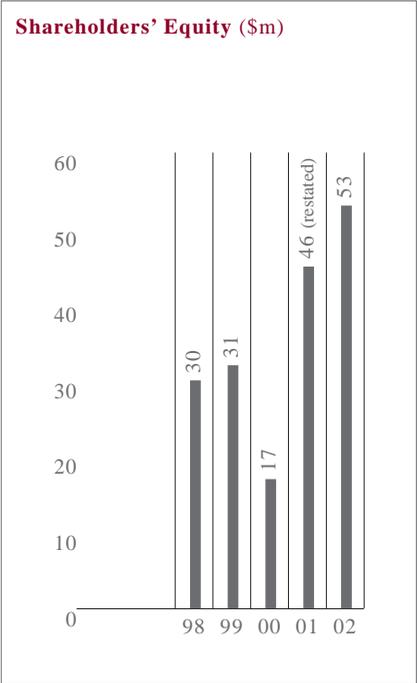
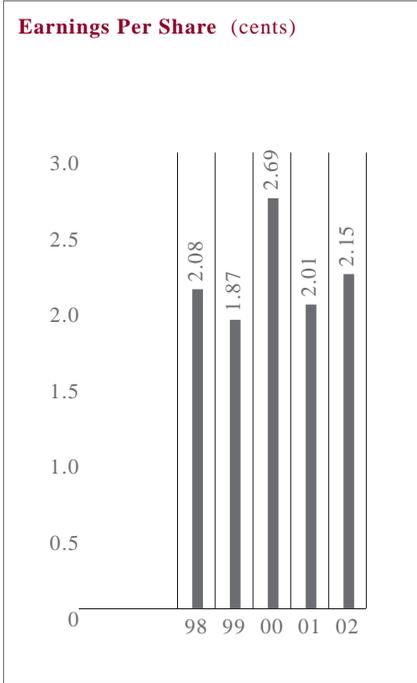
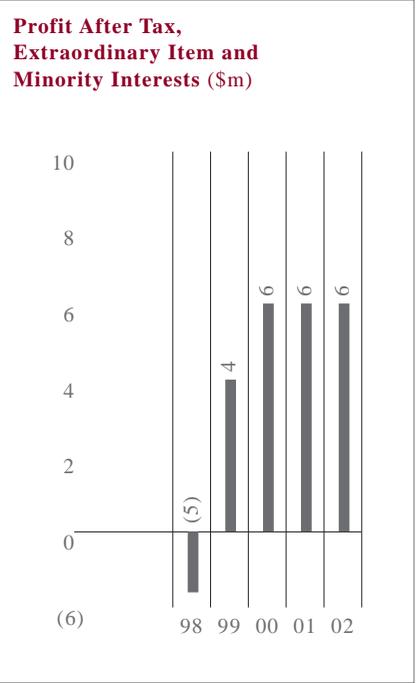
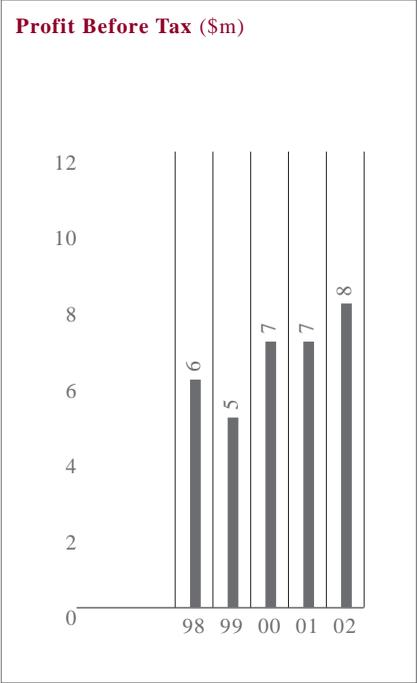
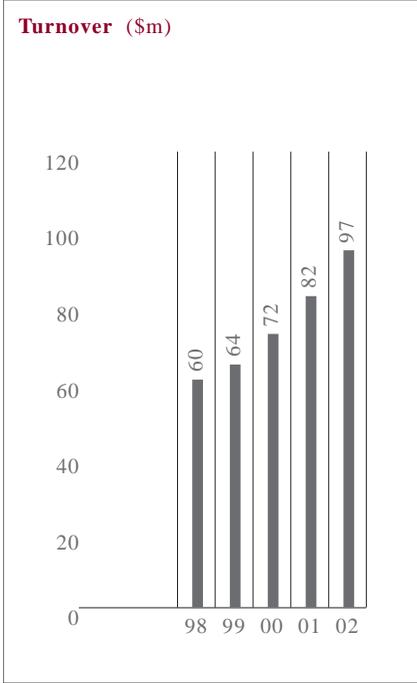
- **Management Committee**

The senior executives of the Group, including the Executive Directors and the Group General Manager meet regularly to review the Group’s operational performance, brainstorm business strategies, and analyse and evaluate new projects and growth opportunities.

- **Group Procedures**

The Group has adopted a code of conduct covering pertinent operational, financial and administrative aspects of the Group’s business, including the setting of authority limits and guidelines for all employees. This code is encapsulated in a Group Procedures and Authorities (GPA) manual. The GPA is reviewed and updated from time to time by the Board to ensure that they meet the needs of the Group and are in compliance with prevailing laws and regulations.

Financial Highlights



Financial Statements

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Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

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) investment in properties; and
- (4) provision of laboratory testing services.

During the financial year, the subsidiary companies also commenced the provision of integrative medical services through specialised, private billing primary care medical centres.

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

RESULTS FOR THE FINANCIAL YEAR

	Group \$'000	Company \$'000
Net profit for the year	6,137	2,733
Dividends paid, less tax	(1,132)	(1,132)
Retained profit transferred to revenue reserve	5,005	1,601

In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been affected by any item, transaction or event of a material and unusual nature except for the changes in accounting policies as disclosed in the notes to the financial statements.

MATERIAL MOVEMENTS IN RESERVES AND PROVISIONS

Detailed movements in reserves are shown in statements of changes in equity.

Apart from these movements, there have been no material transfers to and from reserves or provisions except for normal amounts set aside for such items as depreciation of fixed assets, provision for doubtful debts, stock obsolescence and income tax as disclosed in the financial statements.

Report of the Directors

DIVIDEND

During the year a final dividend of 10.5%, less tax of 24.5%, amounting to \$1,132,337 in respect of the previous year as proposed in the Report of the Directors of that year was paid.

The Directors propose a first and final dividend at 12%, less tax of 22% amounting to \$1,336,950 in respect of the financial year under review.

SHARE CAPITAL

No shares were issued by the Company during the year.

During the financial year, shares were issued by the following subsidiary companies :

- (a) Eu Realty (Singapore) Pte Ltd issued 450,000 ordinary shares of \$10.00 each at par for cash to invest in and loan to an associated company;
- (b) Eu Yan Sang Australia Pty Ltd issued 500,000 ordinary shares for A\$133,333 (S\$131,000) cash to provide working capital;
- (c) YourHealth Group Pty Limited issued 289,500 ordinary shares for A\$1,000,000 (S\$944,000) cash to provide working capital; and
- (d) Aroma Fresh Pty Limited issued 998 ordinary shares for A\$70,000 (S\$65,000) cash to provide working capital.

ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year, the Company acquired the following subsidiary companies :

Name of subsidiary companies	Group's interest therein %	Attributable net tangible assets at acquisition		Consideration	
		A\$	S\$	A\$	S\$
YourHealth Group Pty Limited	50	11,000	10,000	1,000,000	944,000
Aroma Fresh Pty Limited	41	24,000	22,000	130,000	122,000

During the financial year, the following subsidiary companies were incorporated :

Name of subsidiary companies	Paid up capital		Cost of investment		Interest held %
	A\$	S\$	A\$	S\$	
YourHealth Manly Pty Limited	1,000	995	900	850	45
YourHealth Edgecliff Pty Limited	1,000	995	1,000	983	50
Nutron Health Pty Limited	20	20	–	–	50

There were no disposal of subsidiary companies during the financial year.

Report of the Directors

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	
David Chung Woo Yeh	
Dr Jennifer Gek Choo Lee	
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)

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 Companies Act, Cap. 50, an interest in shares of the Company, as stated below :-

Name of director	Shares of \$0.05 each					
	Held in the name of director			Deemed interest		
	At 1.7.2001	At 30.6.2002	At 21.7.2002	At 1.7.2001	At 30.6.2002	At 21.7.2002
Richard Yee Ming Eu	–	–	293,953	72,322,249	72,322,249	62,004,435
Joseph William Yee Eu	10,859,964	10,859,964	10,859,964	–	–	–
Clifford Yee Fong Eu	2,595	2,595	2,595	72,741,414	72,741,414	72,741,414
Dr David Yee Tat Eu	–	–	4,864,954	44,992,180	44,992,180	27,816,364
Laurence Yee Lye Eu	–	–	–	65,991,414	65,991,414	65,991,414
Robert James Yee Sang Eu	–	–	–	21,970,828	21,970,828	21,970,828
David Chung Woo Yeh	–	–	–	5,665,526	5,665,526	5,665,526
Dr Jennifer Gek Choo Lee	100,000	100,000	100,000	–	–	–
Billy Wah Yan Ma	–	–	–	24,949,686	24,949,686	24,949,686

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 Companies Act, Cap. 50, Richard Yee Ming Eu, Clifford Yee Fong Eu and Laurence Yee Lye Eu are deemed to have interest in the subsidiary companies of the Company.

Since the previous financial year, no Director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Cap. 50 except those disclosed in the financial statements.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee comprises three members, two of whom are independent non-executive directors. The members of the Audit Committee at the date of this report are :

Dr Jennifer Gek Choo Lee (Chairman; Independent Director)

David Chung Woo Yeh (Independent Director)

Clifford Yee Fong Eu

The Audit Committee carried out its function in accordance with the Companies Act, Cap. 50. 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.

The Committee has recommended to the Board of Directors the nomination of Ernst & Young for re-appointment as auditors of the Company at the forth coming Annual General Meeting.

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.

The ESOS is administered by a committee comprising Richard Yee Ming Eu, Dr Jennifer Gek Choo Lee 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 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.

Under the ESOS, options to subscribe for 756,000 unissued shares of \$0.05 each in the Company were outstanding as at 30 June 2002 :

Date of grant	Balance at date of grant	Number of unissued ordinary shares of \$0.05 each			Balance at 30.6.2002	Exercise Price	Expiry date
		Options not accepted	Options cancelled	Exercised			
18.3.2002	826,000	70,000	–	–	756,000	\$0.28	17.3.2012

Report of the Directors

EMPLOYEES SHARE OPTION SCHEME (Cont'd)

No options have been granted to Directors of the Company, controlling shareholders of the Company or their associates.

The information on employees (not being Directors) who receive 5 percent or more of the total number of options available under the Scheme is as follows :

Name	Number of shares comprised in options granted during the financial year	Aggregate number of shares comprised in options granted since commencement of the Scheme to the end of the financial year	Aggregate number of shares comprised in options exercised since commencement of the Scheme to the end of the financial year	Aggregate number of shares comprised in options outstandings as at the end of the financial year
Alice Suet Ying Wong	180,000	180,000	–	180,000
Angie Siew Yoon Pang	120,000	120,000	–	120,000
Eng Hock Lok	120,000	120,000	–	120,000
Jaby Hon Hing Cheng	108,000	108,000	–	108,000
Jennifer Wai Ying Leong	120,000	120,000	–	120,000
Win Soong Lui	108,000	108,000	–	108,000
	756,000	756,000	–	756,000

ASSET VALUES

Before the profit and loss account and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that :-

- (a) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) any current assets which were unlikely to realise their book value in the ordinary course of business were written down to their estimated realisable values or adequate provision had been made for the difference between those values.

At the date of this report, the Directors are not aware of any circumstances which would render :-

- (a) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent; and
- (b) the values attributed to current assets in the financial statements of the Group misleading.

Report of the Directors

CHARGES AND CONTINGENT LIABILITIES

Since the end of the financial year, no charge on the assets of the Company or any company in the Group has arisen which secures the liabilities of any other person.

Since the end of the financial year, no contingent liability of the Company or any company in the Group has arisen, other than those disclosed in the notes to the financial statements.

No contingent or other liability of the Company or any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the financial statements of the Company and the Group misleading.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

INFORMATION REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

During the financial year, there were no interested person transactions for the Group.

No material contracts to which the Company or any related company is a party and which involve Directors' or controlling shareholders' interests subsisted at, or have been entered into since the end of the financial year.

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

23 September 2002

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, profit and loss accounts, statements of changes in equity and consolidated statement of cash flow together with the notes thereto, set out on pages 37 to 75 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 2002 and of the results of the business, and changes in equity of the Company and of the Group and cash flow 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

23 September 2002

Auditor's Report to the Members

of Eu Yan Sang International Ltd

We have audited the financial statements of Eu Yan Sang International Ltd and the consolidated financial statements of the Group set out on pages 37 to 75, comprising the balance sheets of the Company and of the Group as at 30 June 2002, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and statement of cash flow of the Group for the year ended 30 June 2002, and notes thereto. 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 financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of :
 - (i) the state of affairs of the Company and of the Group as at 30 June 2002, the results and changes in equity of the Company and of the Group and cash flow of the Group for the year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers 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.

We have considered the financial statements and auditors' reports of all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiary companies audited by our associated firms are stated in Note 11.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

ERNST & YOUNG

Certified Public Accountants

Singapore

23 September 2002

Profit and Loss Accounts

for the year ended 30 June 2002 (In Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue	3	97,189	82,340	10,372	3,951
Cost of sales		(46,961)	(39,962)	–	–
Gross profit		50,228	42,378	10,372	3,951
Other operating income		101	188	5	4
Distribution and selling expenses		(27,472)	(24,122)	–	–
Administrative expenses		(11,699)	(10,235)	(3,478)	(3,029)
Other operating expenses		(392)	(385)	–	–
Operating profit	4	10,766	7,824	6,899	926
Foreign exchange (loss)/gain, net		(610)	702	(490)	678
Interest income	5	183	258	219	320
Interest expense	6	(628)	(951)	(508)	(580)
Amortisation of goodwill		(492)	–	–	–
Provision for diminution in value of investment		(1,380)	–	(1,380)	–
Profit on disposal of associated company		645	–	–	–
Deficit on revaluation of land and buildings		(420)	(68)	–	–
Share of associated companies' losses		(550)	(334)	–	–
Profit before taxation		7,514	7,431	4,740	1,344
Taxation	7	(2,128)	(1,674)	(2,007)	(318)
Profit after taxation		5,386	5,757	2,733	1,026
Minority interest		751	–	–	–
Net profit for the year		6,137	5,757	2,733	1,026
Basic earnings per share (cents)	9	2.15	2.01		
Diluted earnings per share (cents)		2.15	N.A.		

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

Balance Sheets

as at 30 June 2002 (In Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Non-current assets					
Fixed assets	10	38,618	35,295	625	402
Deferred expenditure		–	4	–	–
Subsidiary companies	11	–	–	22,899	18,268
Associated companies	12	74	1,749	50	4,350
Long term investments	13	3,063	43	3,063	43
Goodwill	14	2,490	–	–	–
Loan to an associated company	15	3,213	–	–	–
		47,458	37,091	26,637	23,063
Current assets					
Stocks	16	16,664	15,059	–	–
Trade debtors	17	5,878	4,907	–	–
Other debtors	18	4,721	3,764	203	193
Amounts due from subsidiary companies	19	–	–	24,854	20,919
Amounts due from associated companies	20	194	11	119	7
Fixed banks deposits		5,904	6,854	926	5,110
Cash and bank balances		4,838	4,659	402	1,206
		38,199	35,254	26,504	27,435
Deduct : Current liabilities					
Amounts due to bankers	21	16,550	14,254	15,000	12,250
Trade creditors		7,014	5,386	–	–
Other creditors	22	5,721	3,381	567	542
Hire purchase creditors	23	162	89	72	53
Amount due to a subsidiary company	24	–	–	–	1,888
Amount due to an associated company	25	51	–	–	–
Provision for taxation		1,469	1,587	214	131
		30,967	24,697	15,853	14,864
Net current assets		7,232	10,557	10,651	12,571

Balance Sheets

as at 30 June 2002 (In Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Long-term liabilities					
Bank loan, secured	26	128	239	–	–
Long term loans from minority shareholders of subsidiary companies	27	62	–	–	–
Hire purchase creditors	23	540	369	269	216
Deferred taxation	28	178	146	18	18
		(908)	(754)	(287)	(234)
		53,782	46,894	37,001	35,400
Equity					
Share capital	29	14,284	14,284	14,284	14,284
Reserves	30	38,877	32,138	22,717	21,116
		53,161	46,422	37,001	35,400
Minority interest		621	472	–	–
		53,782	46,894	37,001	35,400

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

Statements of Changes in Equity

for the year ended 30 June 2002 (In Singapore dollars)

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Share capital				
Balance at beginning of the year	14,284	10,429	14,284	10,429
Issuance of 2,798,570 ordinary shares of \$0.10 each at par pursuant to the acquisition of Essence Holdings Limited	–	280	–	280
Issuance of 71,500,000 ordinary shares of \$0.05 each at a premium of \$0.30 per share pursuant to the initial public offering	–	3,575	–	3,575
Balance at end of the year	14,284	14,284	14,284	14,284
Share premium reserve				
Balance at beginning of the year	19,897	519	19,897	519
Issuance of 71,500,000 ordinary shares of \$0.05 each at a premium of \$0.30 per share pursuant to the initial public offering	–	21,450	–	21,450
Initial public offering expenses	–	(2,072)	–	(2,072)
Balance at end of the year	19,897	19,897	19,897	19,897
Asset revaluation reserve				
Balance at beginning of the year	4,632	3,915	–	–
Surplus on revaluation	–	717	–	–
Balance at end of the year	4,632	4,632	–	–
Capital reserve				
Balance at beginning of the year	453	–	–	–
Arising from the acquisition of Essence Holdings Limited	–	453	–	–
Balance at end of the year	453	453	–	–
Foreign currencies translation reserve				
Balance at beginning of the year	(1,297)	(1,868)	–	–
Net movement	(629)	571	–	–
Balance at end of the year	(1,926)	(1,297)	–	–

Statements of Changes in Equity

for the year ended 30 June 2002 (In Singapore dollars)

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue reserve				
Balance at beginning of the year				
- as previously reported	7,321	3,218	1,141	543
- effect of adopting SAS 10	1,132	1,117	78	767
- as restated	8,453	4,335	1,219	1,310
Net profit for the year	6,137	5,757	2,733	1,026
Goodwill arising on acquisition of subsidiary company written off	–	(522)	–	–
Transfer of goodwill arising on acquisition of an associated company to profit and loss account upon disposal of the associated company	2,363	–	–	–
	16,953	9,570	3,952	2,336
Dividends, net (note 8)	(1,132)	(1,117)	(1,132)	(1,117)
Balance at end of the year	15,821	8,453	2,820	1,219
Total equity	53,161	46,422	37,001	35,400

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

Consolidated Statement of Cash Flow

for the year ended 30 June 2002 (In Singapore dollars)

	2002 \$'000	2001 \$'000
Cash flows from operating activities :		
Profit before taxation	7,514	7,431
Adjustments for :		
Amortisation of deferred expenditure	4	79
Depreciation of fixed assets	2,987	3,101
Loss/(profit) on sale of fixed assets	75	(1)
Foreign currency translation adjustments	(192)	(248)
Fixed assets written off	8	1
Interest expense	628	951
Interest income	(183)	(258)
Share of associated companies' losses	550	334
Amortisation of goodwill	492	–
Provision for diminution in value of investment, net	735	–
Deficit on revaluation of land and buildings	420	68
Operating income before reinvestment in working capital	13,038	11,458
Increase in debtors	(1,371)	(1,322)
Increase/(decrease) in creditors	3,712	(613)
Increase in stocks	(1,549)	(290)
Cash generated from operations	13,830	9,233
Interest received	183	258
Interest paid	(628)	(951)
Income taxes paid	(2,702)	(1,361)
Net cash provided by operating activities	10,683	7,179
Cash flows from investing activities :		
Proceeds from sale of fixed assets	146	16
Purchase of fixed assets	(7,390)	(4,313)
Investment in associated companies	(1,060)	(146)
Investment in unquoted shares of a company	(100)	(43)
Increase in amounts due from associated companies (net)	(132)	(2,161)
Acquisition of subsidiary companies, net of cash and cash equivalent acquired	(1,064)	(1,020)
Payment of deferred expenditure	–	(11)
Loan to associated company	(3,213)	–
Net cash used in investing activities	(12,813)	(7,678)

Consolidated Statement of Cash Flow

for the year ended 30 June 2002 (In Singapore dollars)

	2002 \$'000	2001 \$'000
Cash flows from financing activities :		
Proceed from/(repayment of) short-term loans	2,764	(12,538)
Repayment of bank loan	(308)	(52)
Dividends paid	(1,132)	(1,117)
Proceeds from hire purchase creditors	244	98
Proceeds from issuance of shares pursuant to the initial public offerings	–	22,953
Proceeds from long term loan	62	–
Net cash provided by financing activities	1,630	9,344
Net (decrease)/increase in cash and cash equivalents	(500)	8,845
Cash and cash equivalents at beginning of the year (note 32)	11,089	2,244
Cash and cash equivalents at end of the year (note 32)	10,589	11,089

The acquisition of YourHealth Group Pty Limited and Aroma Fresh Pty Limited have 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	28
Stocks	56
Cash at bank	2
Debtors	69
Creditors	(83)
Amounts due to related parties	(6)
	66
Minority interest	(34)
Goodwill arising on acquisition of YourHealth Group Pty Limited	934
Goodwill arising on acquisition of Aroma Fresh Pty Limited	100
Total consideration	1,066
Less : Cash and cash equivalents acquired	(2)
Net cash and cash equivalent movement arising from acquisition of subsidiary companies	1,064

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

Notes to the Financial Statements

– 30 June 2002 (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 2002 were authorised for issue in accordance with a resolution of the Directors on 23 September 2002.

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) investment in properties; and
- (4) provision of laboratory testing services.

During the financial year, the subsidiary companies also commenced the provision of integrative medical services through specialised, private billing primary care medical centres. 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 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 prepared in accordance with Singapore Statements of Accounting Standard (“SAS”) and applicable provisions of the Companies Act.

The accounting policies have been consistently applied by the Company and, except for the changes in accounting policies described in (b), are consistent with those used in the previous financial year.

(b) *Changes in accounting policies*

During the financial year, the Company and the Group complied with the revised/new SAS which were effective from 1 July 2001, and modified certain accounting policies. The effects of these changes on the financial statements were:

SAS 10 (revised 2000): Events After the Balance Sheet Date

Under SAS 10 (revised 2000), dividends proposed or declared after the balance sheet date are no longer recognised as a liability as at the balance sheet date.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) *Changes in accounting policies (cont'd)*

SAS 22 (revised 2000): Business Combination

Under SAS 22 (revised 2000), goodwill arising from business combinations on or after 1 April 2001 is capitalised and amortised using a straight-line method over a useful period not exceeding 20 years. Such goodwill was previously written off directly to reserves in the year of acquisition. As SAS 22 (revised 2000) has been applied on prospective basis, the gain or loss arising from the disposal of a subsidiary or associated company will include the attributable goodwill that was previously written off directly to reserves.

Further information on the effects of adopting the new and revised SAS is disclosed in the statement of changes in shareholders' equity.

(c) *Basis of consolidation*

The accounting year of the Company and all its subsidiary companies ends on 30 June and the consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies. The name and principal activities of the subsidiary companies are indicated in note 11.

The results of subsidiary companies acquired or disposed of during the year are included or excluded from the respective dates of acquisition or disposal, as applicable. When subsidiary companies are acquired, any excess/(deficit) of the consideration over the net assets at the date of acquisition is capitalised as goodwill and amortised using the straight line method over a period not exceeding 20 years.

Assets, liabilities and results of overseas subsidiary companies are translated into Singapore dollars on the basis outlined in paragraph (r) below.

(d) *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.

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. Medical centre and laboratory service income are recognised upon the rendering of services. Interest income is accrued on a day-to-day basis.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) *Fixed assets*

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to a working condition for its intended use including interests capitalised. Expenditure for additions, improvements and renewals are capitalised, and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account. Any surpluses held in asset revaluation reserves in respect of previous revaluations of fixed assets disposed of during the year are regarded as having become realised and are transferred to the revenue reserve.

Revaluation surpluses arising on valuations of the Group's properties are credited direct to asset revaluation reserves. Revaluation deficits are taken to the profit and loss account in the absence of or to the extent that they exceed any surpluses held in reserves relating to previous revaluations. Investment properties are revalued annually by the Directors. An independent professional valuation is conducted periodically based on an open market value basis.

(f) *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 :

	2002	2001
Freehold and leasehold buildings	50 years	50 years
Furniture, fittings and equipment	3 - 10 years	3 - 5 years
Motor vehicles	5 years	5 years
Renovations	3 - 10 years	3 - 5 years
Plant and machineries	10 years	2 - 5 years

No depreciation is provided for construction in progress.

During the year, the estimated useful lives have been revised, which resulted in a reduced depreciation expense. The reduction in depreciation charges of the Group and the Company arising from the change in estimated useful lives amounted to approximately \$831,000 and \$16,000 respectively.

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.

(g) *Subsidiary companies*

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

Investments in subsidiary companies are stated at cost. Provision is made for any impairment in value.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) *Associated companies*

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

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.

(i) *Investments in unquoted shares*

Investment in unquoted shares held on a long term basis are stated at cost. Provision is made for any diminution in value which is considered to be permanent.

(j) *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.

(k) *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 estimate 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.

(l) *Loans and borrowings*

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the loans and borrowings.

(m) *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.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) *Provisions*

Provisions are recognised when the Group have 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.

(o) *Employee benefits*

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.

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 31 to the financial statements.

(p) *Leases*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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 benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss accounts on a straight-line basis over the lease term.

(q) *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 associates, 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.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) *Deferred taxation (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

(r) *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, 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.

(s) *Cash and cash equivalents*

Cash and cash equivalents consist of fixed bank deposits, cash and bank balances less bank overdrafts.

3. REVENUE

Revenue for the Company represents dividends and management fees received from subsidiary and associated companies.

Revenue for the Group represents sales of goods at invoiced value less returns and trade discounts, remittance commission, management fees, rental income, medical centre income and laboratory service income. It excludes intra-group transactions.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

3. REVENUE (Cont'd)

Revenue is analysed as follows :

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Dividend income from subsidiary companies	–	–	6,318	478
Management fees from subsidiary companies	–	3	4,054	3,473
Rental income	389	304	–	–
Remittance commission	48	61	–	–
Sales of goods	94,492	81,972	–	–
Medical centre income	2,203	–	–	–
Laboratory service income	57	–	–	–
	97,189	82,340	10,372	3,951

4. OPERATING PROFIT

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating profit is stated after charging/(crediting) :				
Amortisation of deferred expenditure	4	79	–	–
Depreciation of fixed assets	2,987	3,101	178	143
Loss/(profit) on sale of fixed assets	75	(1)	–	–
Fixed assets written off	8	1	1	–
Directors' emoluments:				
- Directors of Company	681	757	681	757
- Other Directors of subsidiary companies	1,192	–	–	–
Auditors' remuneration :				
- Auditors of Company				
• audit fees	85	64	42	42
• non-audit fees	111	40	111	40
• prior year under provision of audit fees	–	24	–	27
- Other auditors				
• audit fees	132	115	–	–
Provision/(writeback of provision) for doubtful debts	1	(13)	–	–
Bad debts written off	20	25	–	–
Stock written off	36	34	–	–
Provision/(writeback of provision) for stock obsolescence	59	(287)	–	–

Notes to the Financial Statements

– 30 June 2002 (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

	2002	2001
\$500,000 and above	–	–
\$250,000 to \$499,999	2	1
Below \$250,000	4	6
Total	6	7

5. INTEREST INCOME

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest earned from subsidiary companies	–	–	176	198
Interest earned from fixed bank deposits	92	200	43	122
Interest earned from current account	41	58	–	–
Interest earned from an associated company	50	–	–	–
	183	258	219	320

6. INTEREST EXPENSE

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest on bank loan	17	106	–	–
Interest on bank overdrafts	53	37	–	–
Interest on hire purchase	22	14	12	11
Interest on short term loan	536	794	496	569
	628	951	508	580

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

7. TAXATION

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision for taxation in respect of profit for the year :				
Current taxation				
- Singapore	325	261	287	169
- Malaysia	903	440	1,720	131
- Hong Kong	987	1,003	–	–
Deferred taxation	32	107	–	18
Overprovision in respect of previous year	(119)	(137)	–	–
	2,128	1,674	2,007	318

The current year's taxation charge for the Group and the Company is computed after taking into account non-taxable income and non-deductible expenses, and therefore differs from the amounts determined by applying the statutory tax rate to the financial year's profit before taxation.

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		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit before taxation for the year	7,514	7,431	4,740	1,344
Taxation on profit before taxation for the year at 22% (2001 : 24.5%)	1,653	1,821	1,043	329
Adjustments:				
Permanent differences/expenses not deductible for tax purposes	1,541	592	564	18
Investment allowance	(14)	(173)	–	–
Changes in statutory tax rate	8	–	10	–
Difference in effective tax rate in other countries	(355)	(442)	352	8
Utilisation of previous years' tax losses and unabsorbed capital allowances	(861)	(349)	–	–
Others	275	362	38	(37)
	2,247	1,811	2,007	318
Comprising :				
Current taxation	2,215	1,704	2,007	300
Deferred taxation	32	107	–	18
	2,247	1,811	2,007	318

As at 30 June 2002, certain subsidiary companies have unutilised tax losses and unabsorbed capital allowances amounting to approximately \$1,314,000 (2001 : \$958,000) and \$213,000 (2001 : \$360,000) 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 2002 (In Singapore dollars)

8. DIVIDEND

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Final dividend of 10.5% or 0.525 cents per share less tax of 24.5% (2001 : 25.5%)	1,132	1,117	1,132	1,117

The Directors propose that a final dividend of 12% or 0.6 cents per share, less tax of 22%, amounting to \$1,336,950, be paid for the financial year ended 30 June 2002.

9. EARNINGS PER SHARE

	Group	
	2002 \$'000	2001 \$'000
Earnings after taxation	6,137	5,757
	'000	'000
Weighted average number of ordinary shares for computing of basic earnings per share	285,673	285,673
Adjustment for share options	50	–
Weighted average number of ordinary shares on issue used for computing diluted earnings per share	285,673	285,673
	Cents	Cents
Basic earnings per share	2.15	2.01
Diluted earnings per share	2.15	N.A.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

10. FIXED ASSETS

	Land and buildings Freehold \$'000	Long-term leasehold \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Renovations \$'000	Construction -in- progress \$'000	Plant and machineries \$'000	Total \$'000
Group								
Cost and valuation								
At 1 July 2001	5,894	22,703	16,655	1,537	1,636	–	1,809	50,234
Additions	–	613	3,657	503	1,123	1,462	32	7,390
Disposals	–	–	(974)	(289)	(143)	–	(12)	(1,418)
Fixed assets of subsidiary companies	–	–	28	–	–	–	–	28
Deficit on valuation	–	(546)	–	–	–	–	–	(546)
Foreign currency translation adjustment	(172)	(182)	(395)	(17)	(13)	–	(53)	(832)
At 30 June 2002	5,722	22,588	18,971	1,734	2,603	1,462	1,776	54,856
Representing -								
Cost	–	–	18,971	1,734	2,603	1,462	1,776	26,546
Valuation	5,722	22,588	–	–	–	–	–	28,310
	5,722	22,588	18,971	1,734	2,603	1,462	1,776	54,856
Accumulated depreciation								
At 1 July 2001	–	–	11,777	850	882	–	1,430	14,939
Charge for the year	47	190	2,020	277	394	–	59	2,987
Disposals	–	–	(893)	(144)	(143)	–	(9)	(1,189)
Adjustment for deficit on valuation	–	(126)	–	–	–	–	–	(126)
Foreign currency translation adjustment	(1)	–	(305)	(16)	(8)	–	(43)	(373)
At 30 June 2002	46	64	12,599	967	1,125	–	1,437	16,238
Charge for 2001	34	277	1,952	208	291	–	339	3,101
Net book value								
At 30 June 2002	5,676	22,524	6,372	767	1,478	1,462	339	38,618
At 30 June 2001	5,894	22,703	4,878	687	754	–	379	35,295

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

10. FIXED ASSETS (Cont'd)

	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Renovations \$'000	Total \$'000
Company				
Cost				
At 1 July 2001	531	381	–	912
Additions	189	136	82	407
Disposals	–	(153)	–	(153)
Transfers to subsidiary company	–	(14)	–	(14)
At 30 June 2002	720	350	82	1,152
Accumulated depreciation				
At 1 July 2001	212	298	–	510
Charge for the year	119	53	6	178
Disposals	–	(150)	–	(150)
Transfers to subsidiary company	–	(11)	–	(11)
At 30 June 2002	331	190	6	527
Charge for 2001	106	37	–	143
Net book value				
At 30 June 2002	389	160	76	625
At 30 June 2001	319	83	–	402

- (a) Included under long-term leasehold land and building is investment properties stated at valuation with a net book value of \$9.6 million (2001 : \$9.7 million). The market value of investment properties in Singapore was determined based on independent professional valuation carried out by Jones Lang LaSalle on 27 June 2001 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 2001 on the basis of an open market value for existing use. The Directors are of the opinion that these values have not changed materially as at 30 June 2002.
- (b) Included under freehold land and building is an investment property stated at valuation with a net book value of \$0.23 million (2001 : \$0.24 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 2001 on the basis of an open market value for existing use. The Directors are of the opinion that this value has not changed materially as at 30 June 2002.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

10. FIXED ASSETS (Cont'd)

- (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 Jones Lang LaSalle respectively on 27 June 2001 and 30 June 2001. The leasehold land and buildings in Hong Kong were revalued on 30 June 2002 by Prudential Surveyors International Limited, 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 \$26.3 million (2001 : \$26.8 million) have been mortgaged to secure bank credit facilities (notes 21 and 26).

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(e) Net book value of fixed assets				
under hire purchase	814	396	389	319

11. SUBSIDIARY COMPANIES

	Company	
	2002 \$'000	2001 \$'000
Unquoted shares, at cost	22,899	18,268

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

11. SUBSIDIARY COMPANIES (Cont'd)

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	
			2002 \$'000	2001 \$'000	2002 %	2001 %
# 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	7,866	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
# 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	2,019	1,888	80	75
# EYS Kanghong Herbal Pte Ltd	Singapore	Dormant	@	@	100	100
# Applied Biomedical International Pte Ltd	Singapore	Provision of laboratory testing services	100	100	100	100
** Degree Achievement Sdn Bhd	Malaysia	Property investment	@	@	100	100

Notes to the Financial Statements

– 30 June 2002 (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	
			2002 \$'000	2001 \$'000	2002 %	2001 %
<i>Held by subsidiary companies</i>						
# 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 Limited	Australia	Manufacture, sell and distribute natural soap and skincare products	–	–	41	–
## YourHealth Group Pty Limited (formerly known as Natural Health Therapies Pty Limited)	Australia	Investment holding and provision of management services	–	–	50	–
## YourHealth Manly Pty Limited	Australia	Provision of integrative medical services	–	–	45	–
## YourHealth Edgecliff Pty Limited	Australia	Provision of integrative medical services	–	–	50	–
## Nutron Health Pty Limited	Australia	Dormant	–	–	50	–

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

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

12. ASSOCIATED COMPANIES

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unquoted shares, at cost	1,206	4,446	50	4,350
Goodwill paid on subscription of shares in an associated company	(1,060)	(2,363)	–	–
	146	2,083	50	4,350
Share of post-acquisition losses of associated companies	(72)	(334)	–	–
	74	1,749	50	4,350

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	
			2002	2001	2002	2001
			\$'000	\$'000	%	%
## Oxford Natural Products Asia Private Limited	Singapore	Conduct laboratories and research in health and related products	–	4,300	–	45
* Yin Yang Spa Products Pte Ltd (formerly known as Yin Yang Spa Pte Ltd)	Singapore	Development, manufacturing and distribution of Spa products and services	50	50	50	50
** 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 Ernst & Young, Singapore

** Audited by other firms

Not required to be audited under the laws of its country of incorporation

The 45% equity stake in the company was disposed off during the year

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

13. LONG TERM INVESTMENTS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unquoted shares, at cost	4,443	43	4,443	43
Provision for impairment	(1,380)	–	(1,380)	–
	3,063	43	3,063	43

14. GOODWILL

	Group	
	2002 \$'000	2001 \$'000
At cost		
Balance at beginning of the year	–	–
Goodwill arising on acquisition of an associated company	1,060	–
Goodwill arising on acquisition of subsidiary companies	1,034	–
Goodwill arising on acquisition of medical centres	905	–
Balance at end of the year	2,999	–
Accumulated amortisation		
Balance at beginning of the year	–	–
Charge for the year	(492)	–
Foreign currency translation adjustment	(17)	–
Balance at end of the year	(509)	–
Net book value at end of the year	2,490	–

15. LOAN TO AN ASSOCIATED COMPANY

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

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

16. STOCKS

	Group	
	2002 \$'000	2001 \$'000
Raw materials	1,481	1,745
Work-in-progress	457	597
Finished goods	14,708	12,607
Packaging materials	460	503
	17,106	15,452
Provision for stocks obsolescence	(442)	(393)
	16,664	15,059
Analysis of provision for stock obsolescence :		
Balance at beginning of the year	393	297
Charge/(writeback) to profit and loss	59	(287)
Arising from acquisition of subsidiary companies	–	356
Foreign currency translation adjustment	(10)	27
Balance at end of the year	442	393

17. TRADE DEBTORS

	Group	
	2002 \$'000	2001 \$'000
Trade debtors are stated after deducting provision for doubtful debts of	616	632
Analysis of provision for doubtful debts :		
Balance at beginning of the year	632	114
Charge/(writeback) to profit and loss account	1	(13)
Arising from acquisition of subsidiary companies	–	505
Foreign currency translation adjustment	(17)	26
Balance at end of the year	616	632
Bad debts written off directly to profit and loss account	20	25

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

18. OTHER DEBTORS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Sundry deposits	2,916	2,322	8	1
Prepaid expenses	881	1,157	11	35
Tax recoverable	605	117	106	106
Sundry debtors	312	168	71	49
Staff loans and advances	7	–	7	2
	4,721	3,764	203	193

19. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	Company	
	2002 \$'000	2001 \$'000
Amounts owing by subsidiary companies	19,988	16,681
Loans to subsidiary companies	5,134	4,506
	25,122	21,187
Provision for amount owing by a subsidiary company	(268)	(268)
	24,854	20,919

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

Included in the loans to subsidiary companies is an unsecured loan of \$540,000 which is interest-free in the first year and bears interest rate at 4% per annum in the subsequent years. This loan is repayable over 4 years commencing March 2006. The remaining unsecured loans bear interest between 2.26% to 4.62% (2001 : 3.99% to 4.60%) per annum and have no fixed terms of repayment.

20. AMOUNTS DUE FROM ASSOCIATED COMPANIES

Amounts due from associated companies are non-trade related, unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

21. AMOUNTS DUE TO BANKERS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bank loan, secured (note 26)	47	244	–	–
Bank overdraft, secured	153	424	–	–
Short term loans				
- secured	11,750	12,086	10,400	10,750
- unsecured	4,600	1,500	4,600	1,500
	16,550	14,254	15,000	12,250

The amounts due to bankers bear interest between 2.38% to 8.55% (2001 : 3.45% to 10.0%) per annum, and are secured by certain properties of the Group (Note 10).

22. OTHER CREDITORS

Accrued expenses	3,190	1,367	291	324
Sundry provisions	1,824	1,644	261	209
Sundry creditors	540	370	15	9
Provision for contingent losses	167	–	–	–
	5,721	3,381	567	542

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

23. HIRE PURCHASE CREDITORS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Repayable within one year	162	89	72	53
Repayable after one year	540	369	269	216
	702	458	341	269
	Minimum payments 2002 \$'000	Present value of payments 2002 \$'000	Minimum payments 2001 \$'000	Present value of payments 2001 \$'000
<i>Group</i>				
Within one year	187	162	107	89
After one year but not more than five years	589	514	437	369
More than five years	31	26	–	–
Total minimum lease payments	807	702	544	458
Less : Amounts representing finance charges	(105)	–	(86)	–
Present value of minimum lease payments	702	702	458	458
<i>Company</i>				
Within one year	86	72	64	53
After one year but not more than five years	307	258	258	216
More than five years	13	11	–	–
Total minimum lease payments	406	341	322	269
Less : Amounts representing finance charges	(65)	–	(53)	–
Present value of minimum lease payments	341	341	269	269

The average discount rate implicit in the Group's and the Company's hire purchases ranges from 2% to 6.704% (2001 : 5.394% to 6.166%) and 5.107% to 5.584% (2001 : 5.394% to 5.584%) per annum respectively.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

24. AMOUNT DUE TO A SUBSIDIARY COMPANY

Amount due to a subsidiary company relates to monies payable to a subsidiary company for the application of the subsidiary company's ordinary shares.

25. AMOUNT DUE TO AN ASSOCIATED COMPANY

The amount due to an associated company is trade related, unsecured, interest-free and has no fixed term of repayment.

26. BANK LOANS, SECURED

	Group	
	2002 \$'000	2001 \$'000
Repayable within 12 months (note 21)	47	244
Repayable after 12 months	128	239
	175	483

The bank loans which are secured by certain properties of the Group bear interest at 1.75% (2001 : 1.75%) per annum above prevailing prime rate and are repayable over a period of 5 years by 60 monthly instalments.

27. 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.

28. DEFERRED TAXATION

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of the year	146	39	18	–
Provided during the year	32	107	–	18
Balance at end of the year	178	146	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 2002 (In Singapore dollars)

29. SHARE CAPITAL

	Group and Company			
	2002		2001	
	No. of shares	\$'000	No. of shares	\$'000
	\$'000	\$'000	\$'000	\$'000
Authorised :				
Balance at beginning of the year				
Ordinary shares of \$0.05 (2001 : \$0.10) each	1,600,000	80,000	400,000	40,000
Creation of nil (2001 : 400,000,000)				
ordinary shares of \$0.10 each	–	–	400,000	40,000
	1,600,000	80,000	800,000	80,000
Sub-division of each of the ordinary shares of \$0.10 each into 2 ordinary shares of \$0.05 each	–	–	1,600,000	80,000
Balance at end of the year ordinary shares of \$0.05 each	1,600,000	80,000	1,600,000	80,000
Issued and fully paid :				
Balance at beginning of the year				
Ordinary shares of \$0.05 (2001 : \$0.10) each	285,673	14,284	104,288	10,429
Issuance of new shares of \$0.10 each pursuant to the acquisition of Essence Holdings Limited	–	–	2,798	280
	285,673	14,284	107,086	10,709
Sub-division of each of the ordinary shares of \$0.10 each into 2 ordinary shares of \$0.05 each	–	–	214,173	10,709
Issuance of new shares of \$0.05 for cash at a premium of \$0.30 each pursuant to an initial public offering	–	–	71,500	3,575
Balance at end of the year ordinary shares of \$0.05 each	285,673	14,284	285,673	14,284

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

30. RESERVES

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Share premium reserve	19,897	19,897	19,897	19,897
Asset revaluation reserve	4,632	4,632	–	–
Capital reserve	453	453	–	–
Foreign currency translation reserve	(1,926)	(1,297)	–	–
Revenue reserve	15,821	8,453	2,820	1,219
Total reserve	38,877	32,138	22,717	21,116
Made up of :				
Distributable reserve	13,895	7,156	2,820	1,219
Non-distributable reserves	24,982	24,982	19,897	19,897
	38,877	32,138	22,717	21,116

31. EMPLOYEE BENEFITS

	Group		Company	
	2002	2001	2002	2001
Number of employees at end of the year	692	641	15	13
Staff cost (including executive directors)				
- salaries, bonuses and other costs	18,188	16,117	1,571	1,599
- Staff Provident Fund	425	326	90	79
	18,613	16,443	1,661	1,678

Under the Eu Yan Sang Employees Share Option Scheme, options to subscribe for 756,000 unissued shares of \$0.05 each in the Company were outstanding as at 30 June 2002 :

Date of grant	Balance at date of grant	Number of unissued ordinary shares of \$0.05 each			Balance at 30.6.2002	Exercise Price	Expiry date
		Options not accepted	Options cancelled	Exercised			
18.3.2002	826,000	70,000	–	–	756,000	\$0.28	17.3.2012

No options have been granted to Directors of the Company, controlling shareholders of the Company or their associates.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

31. EMPLOYEE BENEFITS (Cont'd)

The information on employees (not being Directors) who receive 5 percent or more of the total number of options available under the Scheme is as follows :

Name	Number of shares comprised in options granted during the financial year	Aggregate number of shares comprised in options granted since commencement of the Scheme to the end of the financial year	Aggregate number of shares comprised in options exercised since commencement of the Scheme to the end of the financial year	Aggregate number of shares comprised in options outstanding as at the end of the financial year
Alice Suet Ying Wong	180,000	180,000	–	180,000
Angie Siew Yoon Pang	120,000	120,000	–	120,000
Eng Hock Lok	120,000	120,000	–	120,000
Jaby Hon Hing Cheng	108,000	108,000	–	108,000
Jennifer Wai Ying Leong	120,000	120,000	–	120,000
Win Soong Lui	108,000	108,000	–	108,000
	756,000	756,000	–	756,000

Information with respect to the number of options granted under the Plan is as follows :

	Group and Company 2002	Company 2001
Granted	826,000	–
Options not accepted	(70,000)	–
Outstanding at end of the year	756,000	–
Exercisable at end of the year	nil	–

Details of share options granted during the financial year.

Expiry date	17.3.2012	–
Exercise price	\$0.28	–

No share options were exercised during the year

Terms of share options outstanding as at 30 June 2002 :

Exercise period	Exercise price	Number outstanding	Number exercisable
18.3.2003 to 17.3.2012	\$0.28	756,000	–

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

32. CASH AND CASH EQUIVALENTS

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

	Group	
	2002 \$'000	2001 \$'000
Cash and bank balances	4,838	4,659
Bank overdrafts (note 21)	(153)	(424)
Fixed bank deposits	5,904	6,854
	10,589	11,089

33. LEASE COMMITMENTS

Rental expense for retail outlets of the Group was \$8,311,000 (2001 : \$7,531,628) for the year. Future minimum lease rental under non-cancellable leases as of 30 June are as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Within one year	7,199	2,095	–	–
After one year but not more than 5 years	6,887	4,730	–	–
	14,086	6,825	–	–

34. CAPITAL COMMITMENTS

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

	Group	
	2002 \$'000	2001 \$'000
Authorised and contracted for	1,282	395

(b) On 18 May 2001, the Company signed a subscription agreement to subscribe for 42,857 ordinary shares of \$1.00 each at a premium of \$14 per share, representing 30% of the paid up share capital of Herose Pharma International Pte Ltd (“HPI”), a company incorporated in Singapore. Under the subscription agreement, the Company will progressively subscribe for the 42,857 new ordinary shares of HPI. As at 30 June 2002, the Company holds 9,524 ordinary shares of HPI representing 8.7% interest in HPI. The consideration for the subscription of the remaining 33,333 ordinary shares of HPI will amount to \$499,995.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

35. 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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Dividend income from subsidiary companies	–	–	(6,318)	(478)
Interest received from subsidiary companies	–	–	(176)	(198)
Management fee received from subsidiary companies	–	–	(4,054)	(3,470)
Management fee received from a associated company	–	(3)	–	(3)
Interest received from an associated company	(50)	–	–	–
Advertising and promotion allowance paid to an associated company	50	–	–	–
Rental paid to a subsidiary company	–	–	169	89

36. CONTINGENT LIABILITIES

	Company	
	2002 \$'000	2001 \$'000
Contingent liabilities not provided in the financial statements :		
Corporate guarantees given to bankers for credit facilities granted to subsidiary companies	5,696	3,500

As at 30 June 2002, \$1,395,689 (2001 : \$1,250,000) of the credit facilities were utilised by the subsidiary companies.

37. 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 whilst Ethical Drugs relates to the manufacturing and sales of Western pharmaceutical products. The other segment includes the provision of rental of premises, laboratory testing services, remittance services, management services and integrative medical 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 2002 (In Singapore dollars)

37. 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 2001 and 30 June 2002 and certain asset and liability information regarding the Group's industry segment as at 30 June 2001 and 30 June 2002 :

	TCM \$'000	Ethical Drugs \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
Business segments					
2002					
Revenue and expenses					
Sales to external customers	86,772	7,721	2,696	–	97,189
Inter-segment sales	11,698	–	–	(11,698)	–
Total sales	98,470	7,721	2,696	(11,698)	97,189
Segment results	14,687	1,993	5,048	(10,962)	10,766
Foreign exchange loss, net					(610)
Interest income					183
Interest expense					(628)
Amortisation of goodwill					(492)
Provision for diminution in value of investment					(1,380)
Gain on disposal of an associated company					645
Deficit on revaluation of land and building					(420)
Share of associated companies' results					(550)
Net profit before taxation					7,514
Taxation					(2,128)
Profit after taxation					5,386
Minority interests					751
Profit for the year					6,137
Assets and liabilities					
Segment assets	45,950	9,711	29,996	–	85,657
Segment liabilities	10,227	1,261	18,740	–	30,228

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

37. SEGMENT REPORTING (Cont'd)

	TCM \$'000	Ethical Drugs \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
<i>Other segment information :</i>					
Capital expenditure	3,749	2,015	1,626	–	7,390
Depreciation of fixed assets	2,246	143	598	–	2,987
Amortisation of deferred expenditure	4	–	–	–	4
Amortisation of goodwill	–	–	492	–	492
2001					
Revenue and expenses					
Sales to external customers	75,441	6,531	368	–	82,340
Inter-segment sales	7,649	–	–	(7,649)	–
Total sales	83,090	6,531	368	(7,649)	82,340
Segment results	9,023	1,121	2,292	(4,612)	7,824
Foreign exchange gain, net	–	–	–	–	702
Interest income	–	–	–	–	258
Interest expense	–	–	–	–	(951)
Share of associated companies' results	–	–	–	–	(334)
Deficit on revaluation of land and building	–	–	–	–	(68)
Net profit before taxation	–	–	–	–	7,431
Taxation	–	–	–	–	(1,674)
Profit for the year	–	–	–	–	5,757
Assets and liabilities					
Segment assets	41,262	6,218	24,865	–	72,345
Segment liabilities	8,166	556	14,996	–	23,718
<i>Other segment information :</i>					
Capital expenditure	3,766	168	379	–	4,313
Depreciation of fixed assets	2,448	349	304	–	3,101
Amortisation of deferred expenditure	79	–	–	–	79

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

37. SEGMENT REPORTING (Cont'd)

	Singapore \$'000	Malaysia \$'000	Hong Kong \$'000	Australia \$'000	Eliminations \$'000	Consolidated \$'000
<i>Geographical segments</i>						
2002						
External sales	19,733	20,299	54,954	2,203	–	97,189
Inter-segment sales	6,366	4,887	445	–	(11,698)	–
Total sales	26,099	25,186	55,399	2,203	(11,698)	97,189
Segment assets	36,173	16,139	31,031	2,314	–	85,657
Capital expenditure	1,906	912	3,916	656	–	7,390

	Singapore \$'000	Malaysia \$'000	Hong Kong \$'000	Eliminations \$'000	Consolidated \$'000	
2001						
External sales		17,286	18,159	46,895	–	82,340
Inter-segment sales		2,932	4,158	559	(7,649)	–
Total sales		20,218	22,317	47,454	(7,649)	82,340
Segment assets		31,834	16,145	24,366	–	72,345
Capital expenditure		1,262	851	2,200	–	4,313

38. 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.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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, loans to subsidiary and associated companies, and its interest expense on the bank borrowings.

Counterparty risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 30 June 2002 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.

Liquidity risk

As at 30 June 2002, the Group had at its disposal, cash and short-term deposits amounting to \$10,742,000 (2001 : \$11,513,000) 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.

Notes to the Financial Statements

– 30 June 2002 (In Singapore dollars)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assets				
Loan to an associated company	3,213	–	3,168	–

The carrying values of unquoted shares held as long term investments are stated at cost of \$4,443,000 (2001 : \$43,000) less provision for impairment of \$1,380,000 (2001 : nil). The fair values of these investments are expected to be above their carrying values.

39. SUBSEQUENT EVENTS

- (a) On 30 July 2002, the Company entered into a loan agreement with its subsidiary company, Eu Yan Sang Australia Pty Ltd. The loan agreement of A\$1,000,000 (S\$990,120) has taken effect on 30 July 2002, the date on which the loan moneys have been remitted from Eu Yan Sang International Ltd to Eu Yan Sang Australia Pty Ltd.
- (b) On 30 July 2002, Eu Yan Sang Australia Pty Ltd entered into an agreement with the existing shareholders of its subsidiary company, YourHealth Group Pty Limited (“YHG”), to subscribe for 343,900 new shares in the share capital of YHG, representing an increase of equity stake in YHG from 62% to 70% at a consideration of A\$1,000,000 (S\$990,120).

40. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to provide a proper comparison with the current year's presentation. The comparatives have been extended to take into account the requirements of the revised Singapore Statements of Accounting Standard.

Portfolio of Properties

Properties/ Location	Tenure	Floor Area (sq ft)	Usage
Properties occupied by the Group			
<u>Singapore</u>			
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
<u>Malaysia</u>			
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	5,100	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 Lebu 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
<u>Hong Kong</u>			
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			
<u>Singapore</u>			
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
<u>Malaysia</u>			
No 2 Periaran 1/118C, Desa Tun Razak Industrial Park II Cheras	99 years lease expiring on 20/3/2085	7,200	Factory
Lot B1-36 Lower Ground floor, Skudai Parade Johor Bahru	Freehold	415	Shop

Shareholders' Information

as at 16 September 2002

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

SIZE OF SHAREHOLDINGS

	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.03	564	0.00
1,000 - 10,000	5,500	88.88	11,244,328	3.94
10,001 - 1,000,000	655	10.59	47,007,143	16.45
1,000,001 and above	31	0.50	227,421,123	79.61
Total	6,188	100.00	285,673,158	100.00

SUBSTANTIAL SHAREHOLDERS

as at 16 September 2002 (as recorded in the Register of Substantial Shareholders)

	No. of Shares of \$0.05 Each Fully Paid			
	Direct Interest	%	Deemed Interest	%
Euco Investments Pte Ltd	32,266,814	11.30	32,000,000	11.20
Ridalege Investments Pte Ltd	20,116,363	7.04	7,700,001	2.70
Bestand Development Corporation	-	-	21,970,828	7.69
Richard Yee Ming Eu	293,953	0.10	62,004,435	21.70
Clifford Yee Fong Eu	2,595	*	72,741,414	25.46
Laurence Yee Lye Eu	-	-	65,991,414	23.10
Dr David Yee Tat Eu	4,864,954	1.70	27,816,364	9.74
Geoffrey Yee Kwong Eu	293,953	0.10	30,668,510	10.74
Helena Eu	4,864,954	1.70	27,816,364	9.74

* *Insignificant*

Notes:

- Overseas Union Bank Nominees (Pte) Ltd holds an aggregate of 63,632,216 shares in trust for Euco Investment Pte Ltd ("Euco"), Ridalege Investments Pte Ltd, Richard Yee Ming Eu, Clifford Yee Fong Eu and Geoffrey Yee Kwong 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. The deemed interest of Bestand Development Corporation relates to shares held in trust by United Overseas Bank Nominees (Pte) Ltd.
- 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.
- Richard Yee Ming Eu, Geoffrey Yee Kwong Eu, Dr David Yee Tat Eu and Helena Eu are deemed interested in the shares held by Ridalege Investments Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50.
- Richard Yee Ming Eu's deemed interest also includes 6,858,002 shares held in trust by Bermuda Trust (Singapore) Ltd.

Shareholders' Information

as at 16 September 2002

TWENTY LARGEST SHAREHOLDERS

as at 16 September 2002

No.	Name	No. of Shares	%
1	Euco Investments Pte Ltd	32,266,814	11.30
2	Overseas Union Bank Nominees Pte Ltd	31,228,056	10.93
3	United Overseas Bank Nominees Pte Ltd	25,939,018	9.08
4	HL Bank Nominees (S) Pte Ltd	19,000,000	6.65
5	Southern Nominees (S) Sdn Bhd	13,000,000	4.55
6	David Eu Yee Tat	11,819,045	4.14
7	Eu Mei Ying Helena Mrs Helena Ho	11,819,045	4.14
8	Eu Joseph William Yee	10,859,964	3.80
9	Hong Leong Finance Nominees Pte Ltd	10,706,113	3.75
10	HSBC (Singapore) Nominees Pte Ltd	7,221,612	2.53
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	7,165,526	2.51
12	Bermuda Trust (Singapore) Limited	6,858,002	2.40
13	DBS Nominees Pte Ltd	6,260,000	2.19
14	Eu Yee Kwong Geoffrey	6,202,134	2.17
15	G K Goh Stockbrokers Pte Ltd	3,643,000	1.28
16	Eu Keng Iu Roy And Eu Yan Wai Hing Virginia	2,471,434	0.87
17	Lee Mui Gek Pauline	2,000,000	0.70
18	Great Expectations Investments Inc	1,873,848	0.66
19	William R Hambrecht	1,873,848	0.66
20	Woldseth Corporation Inc	1,724,600	0.60
	Total	213,932,059	74.91

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 30% 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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Equinox Private Dining Rooms, Equinox Complex Level 69, 2 Stamford Road, Swissotel, The Stamford, Singapore 178882 on 31 October 2002 at 3.00 p.m. 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 2002 together with the Auditors' Reports thereon. **(Resolution 1)**
2. To declare a first and final dividend of 12% (or 0.6 cents per share) less tax at 22% for the year ended 30 June 2002 (2001:10.5% or 0.525 cents per share). **(Resolution 2)**
3. To re-elect Mr Robert James Yee Sang Eu, a Director retiring by rotation pursuant to Article 109 of the Company's Articles of Association. **(Resolution 3)**
4. To consider and if thought fit, to pass the following resolutions pursuant to Section 153(6) of the Companies Act, Chapter 50:
 - (a) That pursuant to Section 153(6) of the Companies Act, Chapter 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 4)**
 - (b) That pursuant to Section 153(6) of the Companies Act, Chapter 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 5)**

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.
5. To approve the payment of Directors' fees of S\$76,000 for the year ended 30 June 2002 (2001: \$76,000). **(Resolution 6)**
6. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
7. To transact any other business that may 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 modifications:

8. **Authority to allot and issue shares up to 50 per centum (50%) of issued capital**
That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors be empowered to allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the

Notice of Annual General Meeting

Eu Yan Sang International Ltd

Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the maximum potential issued share capital of the Company at the time of the passing of this resolution (“the Maximum Share Capital”), of which the aggregate number of shares 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 Maximum Share Capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force 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 the earlier. *[See Explanatory Note (ii)]* **(Resolution 8)**

9. **Authority to allot and issue shares under the Eu Yan Sang Employee 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 Employee 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 9)**

10. **Grant of option under the Scheme to Mr Richard Yee Ming Eu, an Executive Director and a Controlling Shareholder**

That, contingent upon the passing of Resolution 9 above, the proposed grant to Mr Richard Yee Ming Eu, an Executive Director and a controlling shareholder of the Company, of an option pursuant to the Scheme of up to 200,000 ordinary shares of \$0.05 each in the share capital of the Company at the Exercise Price (as hereinafter defined) and for the Option Period (as hereinafter defined), be approved.

“Option Period” shall mean a period commencing 12 months from the date the offer (“Offer Date”) of the option is made to a grantee under the Scheme and expiring 120 months from the Offer Date.

“Exercise Price” shall mean a price equal to the average of the last dealt prices for the Company’s shares on the SGX-ST for the 10 consecutive market days immediately preceding the relevant date of grant of the option for which there was trading in the shares of the Company (“Market Price”). However in relation to the grant of options to directors of the Company, the Exercise Price may be a price higher than the Market Price as determined by the committee appointed to administer the Scheme.

[See Explanatory Note (iv)]

(Resolution 10)

11. **Grant of option under the Scheme to Mr Clifford Yee Fong Eu, an Executive Director and a Controlling Shareholder**

That, contingent upon the passing of Resolution 9 above, the proposed grant to Mr Clifford Yee Fong Eu, an Executive Director and a controlling shareholder of the Company, of an option pursuant to the Scheme of up to 200,000 ordinary shares of \$0.05 each in the share capital of the Company at the Exercise Price and for the Option Period, be approved. *[See Explanatory Note (iv)]* **(Resolution 11)**

Notice of Annual General Meeting

Eu Yan Sang International Ltd

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

12. Alteration of Memorandum of Association

That the Memorandum of Association of the Company (the “Memorandum”) be amended as follows:

- (a) By inserting the phrase “ *and to guarantee the obligations and contracts of its subsidiaries, associated companies and others and to make advances to its subsidiaries, associated companies and others with or without security and upon such terms as the Company may approve.*” at the end of existing Clause 3(e) of the Memorandum such that it reads as follows:

“To borrow or raise or secure the payment of money for the purpose of or in connection with the Company’s business and for this purpose or any other purpose to mortgage and charge the undertaking and all or any of the real and personal property and assets, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue at par or at a premium or discount, and for such consideration and with and subject to such rights, powers, privileges and conditions as may be thought fit, debentures or debentures stock either permanent or redeemable or repayable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance and to guarantee the obligations and contracts of its subsidiaries, associated companies and others and to make advances to its subsidiaries, associated companies and others with or without security and upon such terms as the Company may approve.”

- (b) By inserting the following new paragraph as Clause 3(n) of the Memorandum:

“To apply for, purchase or otherwise acquire any trademarks, copyrights, patents, process or any other intellectual property rights, licences, concessions and the like, conferring any exclusive or non-exclusive or limited right to use or any secret or other information as to any invention or preparation which may seem capable of being used for any of the purposes of the Company or the acquisition of which may seem calculated directly or indirectly to benefit the company and to use, exercise, develop or grant licences in respect of or otherwise turn to account the property rights or information so required.”

- (c) By renumbering existing Clauses 3(n) and 3(o) of the Memorandum as Clauses 3(o) and 3(p) respectively.

- (d) By inserting the phrase “*To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, trustees, sub-contractors or otherwise, and to...*” at the beginning of the renumbered Clause 3(p) such that it reads as follows:

“To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, trustees, sub-contractors or otherwise, and to do all such other things as are incidental or the Board of Directors may think conducive to the attainment of the above objects or any of them.”

[See Explanatory Note (v)]

(Resolution 12)

BY ORDER OF THE BOARD

Clifford Yee Fong Eu

Yvonne Choo

Company Secretaries

Singapore, 7 October 2002

Notice of Annual General Meeting

Eu Yan Sang International Ltd

EXPLANATORY NOTES:

(i) The effect of the Ordinary Resolutions 4 and 5 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 Resolutions to be passed by a majority of not less than three-fourths of shareholders present (in person or by proxy) and voting at the Annual General Meeting of the Company.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the Maximum Share Capital of the Company as at the time of the passing of this resolution. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be allotted and issued shall not exceed twenty per centum (20%) of the Maximum Share Capital of the Company.

The Maximum Share Capital is the maximum potential share capital of the Company at the date the proposed Ordinary Resolution is passed (taking into account the conversion or exercise of any convertible securities and employee share options on issue at the time this proposed Ordinary Resolution is passed, which were issued pursuant to previous shareholders' approval).

(iii) The Ordinary Resolution 9 proposed in item 9 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.

(iv) Contingent to the passing of Ordinary Resolution 9 proposed in item 9 above, the Ordinary Resolutions 10 and 11 proposed in items 10 and 11 above, if passed, will authorise and empower the Directors to grant an option pursuant to the Scheme of up to 200,000 ordinary shares of \$0.05 each in the share capital of the Company to each of Mr Richard Yee Ming Eu ("Mr Richard Eu") and Mr Clifford Yee Fong Eu ("Mr Clifford Eu"), are both Executive Directors and Controlling Shareholders of the Company.

Mr Richard Eu, the Chief Executive Officer of the Company, joined the group in 1989 and has since, been instrumental in the re-branding of certain Eu Yan Sang products which have contributed to increased sales and profits for the Group. He led the Company to its initial public offering in July 2000 and was pivotal in spearheading the expansion of the Group's network of Integrative Medicine Centres in Australia and the Group's venture into herbal tonic drinks in the United States of America. For this past financial year, Mr Richard Eu's remuneration package was not more than \$350,000 and he was not entitled to any profit sharing. He is entitled to the use of a company car and a personal driver. The Company is of the view that the proposed grant of options commensurate with Mr Richard Eu's past and continuing contributions to the Group.

Mr Clifford Eu was appointed as Executive Director in 1994. He was responsible for the reorganisation of the Company's subsidiary, Eu Yan Sang Singapore Pte Ltd. Through his efforts, the Company had entered into a joint venture with parties in the People's Republic of China to develop cures for certain skin ailments and he was also responsible for the upgrading of the Group's factories in Malaysia and Hong Kong. For this past financial year, Mr Clifford Eu's remuneration package was not more than \$270,000 and he was not entitled to any profit sharing. He is also entitled to the use of a company car. The Company is of the view that the proposed grant of options commensurate with Mr Clifford Eu's past and continuing contributions to the Company.

(v) The effect of the Special Resolution proposed in item 12 above, if passed, is to amend the Memorandum of Association of the Company to expressly set out that the Company is authorised by its Memorandum to *inter alia* act as guarantors for the obligations and contracts of its subsidiaries and associated companies and others; and to apply for or otherwise acquire intellectual property rights. Section 33(1) of the Companies Act, Chapter 50 requires that amendments to Company's objects in the Memorandum be passed by Special Resolution.

Notice of Annual General Meeting

Eu Yan Sang International Ltd

DIRECTORS' RECOMMENDATION

1. Resolutions 10 and 11

For the reasons set out in Explanatory Note (iv) above, the Directors of the Company (save for Mr Richard Eu and Mr Clifford Eu) recommend that Mr Richard Eu and Mr Clifford Eu be each offered an option under the Scheme of up to 200,000 ordinary shares of \$0.05 each in the share capital of the Company.

2. Resolution 12

For the reasons set out in Explanatory Note (v) above, the Directors are of the view that the proposed amendments to the Memorandum of Association of the Company is in the interest of the Company and recommend that shareholders vote in favour of the same.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statements in this notice misleading.

SGX-ST DISCLAIMER

The Company has obtained the approval of the SGX-ST in respect of the amendments to its Memorandum of Association pursuant to Rules 729 and 1203 of the SGX-ST Listing Manual. Notwithstanding such approval the SGX-ST assumes no responsibility for the correctness of all statements made or opinions expressed in this notice and the approval shall not be taken as an indication of the merits of any of the Resolutions proposed.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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 Common Seal or by its attorney or by an officer duly authorised.
3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 269A South Bridge Road, Singapore 058818 at least 48 hours before the time fixed for the Meeting.

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Proxy Form

Eu Yan Sang International Ltd (Incorporated in the Republic of Singapore)

(Please see notes overleaf before completing this Form)

I/We, _____
of _____
being a member/members of Eu Yan Sang International Ltd (the "Company"), hereby appoint _____
of _____
or, failing him/her, _____
of _____
or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 31 October 2002 at 3.00 p.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Ordinary Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2002		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Robert James Yee Sang Eu as a Director		
4	Re-election of Mr Joseph William Yee Eu as a Director		
5	Re-election of Mr David Chung Woo Yeh as a Director		
6	Approval of Directors' fees amounting to S\$76,000		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Authority to allot and issue new shares		
9	Authority to allot and issue shares under the Eu Yan Sang Employee Share Option Scheme		
10	Authority to grant options and issue shares to Mr Richard Yee Ming Eu		
11	Authority to grant options and issue shares to Mr Clifford Yee Fong Eu		
No.	Special Resolution relating to:	For	Against
12	Alteration of the Memorandum of Association of the Company		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this _____ day of _____ 2002

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

To be valid, this form must be lodged at the Company's Registered Office at 269A South Bridge Road, Singapore 058818 not less than 48 hours before the time appointed for the Annual General Meeting.

Proxy Form

Eu Yan Sang International Ltd (Incorporated in the Republic of Singapore)

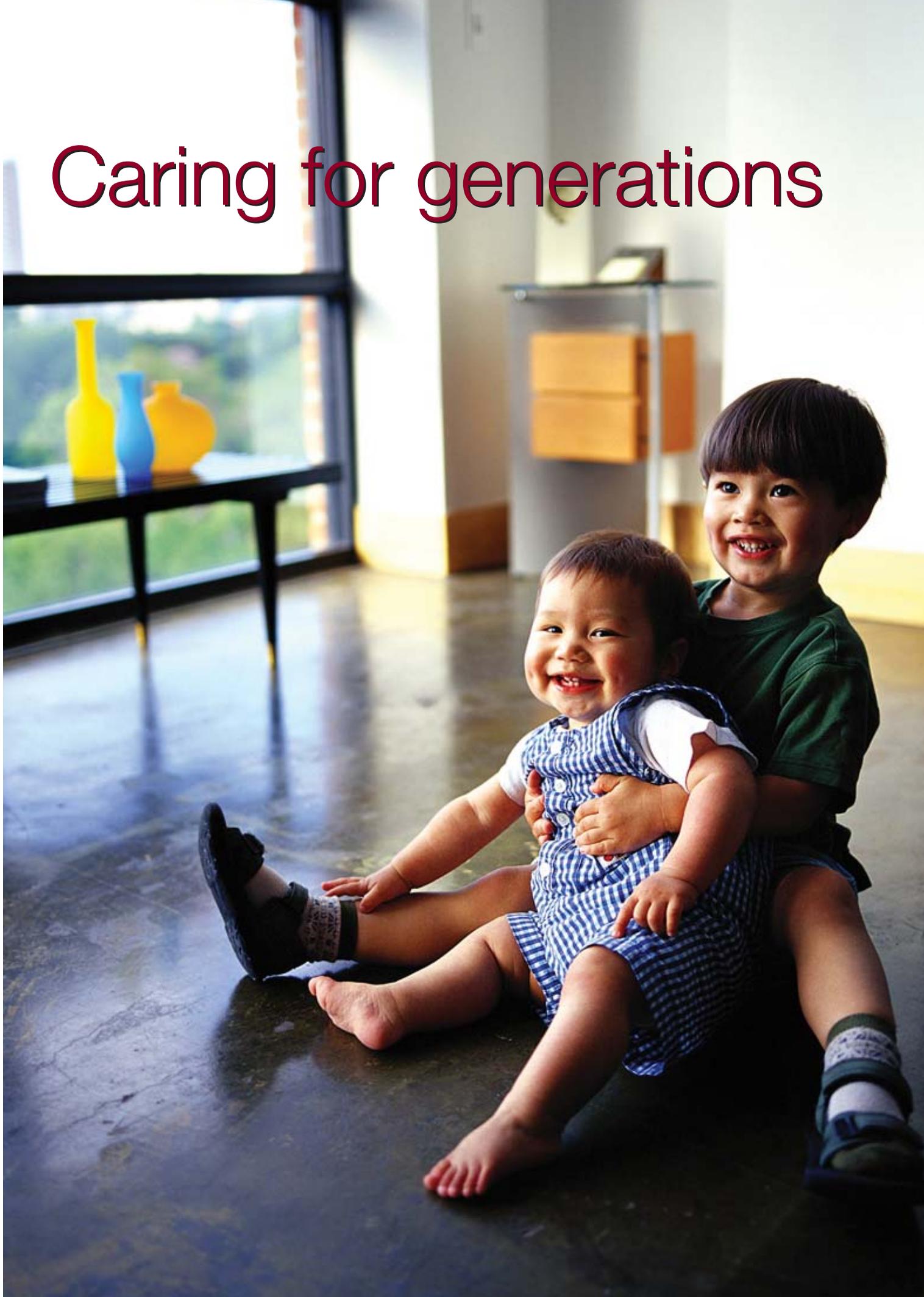
Notes :

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 the Meeting is entitled to appoint a proxy (not more than two) to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholdings (expressed as a percentage of the whole) to be represented by each proxy, failing which the first named proxy shall be treated as representing 100 per cent of the shareholdings and the second named proxy shall be alternate to the first named 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/her 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 Common Seal or by its attorney or by an officer duly authorised.
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.

Caring for generations



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 (*from mid Oct'02*)
- Lot 1 Shopper's Mall
- Marine Parade Central*
- Paragon**
- South Bridge Road*
- Sun Plaza
- Tampines Mall
- Tiong Bahru Plaza
- Toa Payoh Central
- West Mall

Hong Kong

- Central
- Kornhill
- Causeway Bay
- Wanchai Counter
- Tsimshatsui
- Shamshuipo
- Telford
- Plaza Hollywood
- Mongkok
- Grand Century Place
- Taipo Counter
- Shatin
- Sheung Shui
- Tsuen Wan
- Tseung Kwan O
- Tuen Mun
- Tsuen Kam Counter
- Ma On Shan Counter
- Yuen Long
- Tsing Yi

ELIXIR'S RETAIL OUTLETS

USA

- Melrose Avenue, Los Angeles
- Hollywood and Highland Center

* *Outlets with clinic*

** *Clinic at Paragon Medical Building*

Malaysia

Klang Valley

- Kuala Lumpur, Jalan Petaling*
- Cheras, Leisure Mall
- Taman Maluri, Jaya Jusco
- Wangsa Maju, Jaya Jusco - Alpha Angle Shopping Complex
- Jalan Ipoh, Mutiara Complex
- Pandan Indah, Mid Point
- Puchong, 101 Mall
- Puchong, Tesco
- Seri Petaling, Endah Parade
- Sungai Wang Plaza
- Petaling Jaya, SS 2*
- Bandar Utama, Jaya Jusco
- Klang, Bukit Raja Shopping Centre
- Selayang, Selayang Mall
- Subang USJ, The Summit USJ

Genting

- Genting Skyway Complex

Johor

- Johor Baru Carrefour
- Johor Baru Century Garden

N Sembilan

- Seremban*

Pahang

- Kuantan

Perak

- Ipoh
- Kampar

Pulau Pinang

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

Sarawak

- Sarawak Kuching

Melaka

- Melaka, Tesco (*from mid Oct'02*)

YOURHEALTH INTEGRATIVE MEDICINE CENTRES

Australia

- Manly, Sydney
- Edgecliff, Sydney

Eu Yan Sang Group

Corporate

Eu Yan Sang International Ltd

269A South Bridge Road Singapore 058818
telephone : (65) 6225 3211
facsimile : (65) 6225 8276
email : info.hq@euyansang.com.sg

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facsimile : (852) 2850 6785
email : info@euyansang.com.hk

Synco (H.K.) Limited

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facsimile : (852) 2897 2582
email : info@synco.com.hk

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email : info@euyansang.com.my

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email : info@wengli.com.my

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facsimile : (603) 7880 8692
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facsimile : (65) 6352 4858
email : enquiry@biomedical.com.sg
website : www.biomedical.com.sg

USA

Botanical Health Resources Inc.

8612 Melrose Avenue, Los Angeles, CA, 90069-5011 USA
telephone : (310) 657 9300
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website : www.elixir.net

visit our website/cybershop

<http://www.euyansang.com>

