

EU YAN SANG INTERNATIONAL LTD

(Company Registration No. : 199302179H)

Third Quarter Unaudited Financial Statement Announcement

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

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

	Group			Group		
	Third Quarter ended 31 Mar 06	Third Quarter ended 31 Mar 05	%	Year to Date 31 Mar 06	Year to Date 31 Mar 05	%
	S\$'000	S\$'000	Change	S\$'000	S\$'000	Change
Revenue	51,606	46,737	10.4	137,307	123,471	11.2
Cost of sales	(25,617)	(24,254)	5.6	(67,714)	(61,422)	10.2
Gross Profit	25,989	22,483	15.6	69,593	62,049	12.2
Other operating income	176	160	10.0	479	421	13.8
Distribution and selling expenses	(14,492)	(12,164)	19.1	(40,245)	(35,051)	14.8
Administrative expenses	(4,686)	(4,059)	15.4	(13,656)	(12,260)	11.4
Other operating expenses	(63)	(330)	(80.9)	(96)	(502)	(80.9)
Operating profit	6,924	6,090	13.7	16,075	14,657	9.7
Foreign exchange loss	(774)	(129)	NM	(872)	(823)	6.0
Interest income	45	5	NM	166	17	NM
Interest expenses	(264)	(165)	60.0	(689)	(494)	39.5
Impairment of goodwill	(376)	(1,038)	(63.8)	(376)	(1,501)	(75.0)
Share of associated companies' losses	1	(4)	NM	1	(8)	(112.5)
Profit before taxation	5,556	4,759	16.7	14,305	11,847	20.8
Taxation	(1,211)	(1,287)	(5.9)	(3,398)	(3,103)	9.5
Profit after taxation	4,345	3,472	25.1	10,907	8,744	24.7
Minority interest	-	-	-	-	-	-
Profit for the period	4,345	3,472	25.1	10,907	8,744	24.7

Notes:

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

	Group		Group	
	Third Quarter ended 31 Mar 06	Third Quarter ended 31 Mar 05	Year to Date 31 Mar 06	Year to Date 31 Mar 05
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of fixed assets	958	1,336	4,083	3,928
(Profit)/ loss on sale of fixed assets	56	18	72	39
Provision for stock obsolescence	61	205	166	325

(ii) Other operating income comprised mainly of grant received from IE Singapore in respect of brand alignment study undertaken and subcontractor fee received.

(iii) The increase in 'Distribution and selling expenses' was due to higher operating costs for new retail outlets being opened.

- (iv) The increase in 'Administrative expenses' was due mainly to additional management staff hired at corporate office and higher spending on various branding initiatives.
- (v) Higher 'Other operating expenses' in FY2005 due to cost of closure of one of the Elixir's outlets.
- (vi) The Group tax was higher than the amount determined by applying the statutory rate of income tax to the operating profit mainly due to:-
- Tax on profits of certain local subsidiary companies which cannot be offset against losses arising from foreign subsidiary companies; and
 - Higher tax rate in certain foreign subsidiary companies
- (vi) 'NM' – Not Meaningful

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

	Group		Company	
	31 Mar 06 S\$'000	30 Jun 05 S\$'000	31 Mar 06 S\$'000	30 Jun 05 S\$'000
Non-current assets				
Fixed assets	53,828	48,172	736	897
Subsidiary companies	-	-	23,964	23,965
Associated companies	-	-	-	-
Long term investments	1,622	3	-	-
Goodwill	630	656	-	-
Amount due from subsidiary company	-	-	9,199	10,359
Intangible assets	264	233	-	-
	56,344	49,064	33,899	35,221
Current assets				
Stocks	34,474	31,155	-	-
Trade and other debtors	15,950	15,425	584	138
Amounts due from subsidiary companies	-	-	27,626	29,001
Fixed bank deposits	2,383	3,634	-	-
Cash and bank balances	8,303	9,418	293	586
	61,110	59,632	28,503	29,725
Current Liabilities				
Amounts due to bankers	14,540	10,381	11,970	7,890
Trade and other creditors	17,491	17,276	856	694
Hire purchase creditors	208	213	108	95
Provision for tax	3,925	3,925	64	83
	36,164	31,795	12,998	8,762
Net current assets	24,946	27,837	15,505	20,963
Long-term liabilities				
Bank loan, secured	7,517	8,093	6,500	7,000
Long term loans from minority shareholders of subsidiary company	362	376	-	-
Provision for long service	87	89	-	-
Hire purchase creditors	571	664	368	391
Deferred taxation	936	908	18	18
	9,473	10,130	6,886	7,409
Net assets	71,817	66,771	42,518	48,775
Share capital and reserves				
Share capital	34,862	14,330	34,862	14,330

Reserves	36,943	52,429	7,656	34,445
Shareholders' funds before minority interest	71,805	66,759	42,518	48,775
Minority Interest	12	12	-	-
Shareholders' funds after minority interest	71,817	66,771	42,518	48,775

Note:

As a result of the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concept of authorised share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to the Company's share capital account in the current period.

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

Amount repayable in one year or less, or on demand

As at 31/03/2006		As at 30/06/2005	
Secured	Unsecured	Secured	Unsecured
S\$5,250,000	S\$9,290,000	S\$3,673,000	S\$6,690,000

Amount repayable after one year

As at 31/03/2006		As at 30/06/2005	
Secured	Unsecured	Secured	Unsecured
S\$7,517,000	-	S\$8,093,000	-

Details of any collateral

The bank borrowings are secured against corporate guarantees from the Company and companies within the Group.

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

	Group		Group	
	Third Quarter ended 31 Mar 06	Third Quarter ended 31 Mar 05	Year to Date 31 Mar 06	Year to Date 31 Mar 05
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Operating income before taxation & minority interest	5,556	4,759	14,305	11,847
Impairment of goodwill	376	1,038	376	1,501
Amortisation of patents etc	10	11	22	33
Depreciation of fixed assets	958	1,336	4,083	3,928
(Gain)/ loss on sale of fixed assts	56	18	72	39
Fixed assets written off	-	246	12	248
Intangible assets written off		50		50
Foreign currency translation realignment	(165)	(381)	(138)	(394)
Interest expense	264	165	689	494
Interest income	(45)	(5)	(166)	(17)
Grant of employee share options	53	-	71	-

Share of associated companies' results	-	4	-	8
Operating income before reinvestment in working capital	7,063	7,241	19,326	17,737
(Increase)/decrease in debtors	263	(1,160)	(524)	(2,969)
(Increase)/decrease in stock	3,467	1,582	(3,319)	(7,616)
Increase/(decrease) in creditors	(4,468)	(3,612)	215	5,360
Cash generated from operations	6,325	4,051	15,698	12,512
Interest received	45	5	166	17
Interest paid	(264)	(165)	(689)	(494)
Income tax paid	(621)	(656)	(3,356)	(2,226)
Net Cash generated from/ (provided by) operating activities	5,485	3,235	11,819	9,809
Cash flows from investing activities				
Purchase of fixed assets	(3,545)	(592)	(10,847)	(11,036)
Proceeds from sale of fixed assets	320	4	399	82
Acquisition of additional share in subsidiary	-	-	(376)	-
(Investment in)/Proceeds from disposal of unquoted shares of a company	57	3	(1,622)	47
Payment of patents and trademark	(41)	(1)	(53)	(9)
Net cash used in investing activities	(3,209)	(586)	(12,499)	(10,916)
Cash flows from financing activities				
(Repayment)/proceeds of short term loans	(2,610)	(400)	4,230	4,020
(Repayment)/proceeds of bank loans	-	(4)	(500)	(623)
Dividends paid	-	-	(5,746)	(3,571)
(Repayment)/proceeds to/from MI	124	41	13	41
Proceeds from share options exercised	46	69	433	135
(Repayment)/proceeds of hire purchase creditors	(20)	155	(98)	266
Net cash provided by financing activities	(2,460)	(139)	(1,668)	268
Net increase/(decrease) in cash and cash equivalent	(184)	2,510	(2,348)	(839)
Cash and cash equivalent as at beginning of the period	10,870	8,244	13,034	11,593
Cash and cash equivalent as at end of the period	10,686	10,754	10,686	10,754

Note to Consolidated Cash Flow Statement:

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

	Group		Group	
	Third Quarter ended 31 Mar 06	Third Quarter ended 31 Mar 05	Year to Date 31 Mar 06	Year to Date 31 Mar 05
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits	2,383	1,376	2,383	1,376
Cash and bank balances	8,345	9,445	8,345	9,445
Bank overdrafts	(42)	(67)	(42)	(67)
	10,686	10,754	10,686	10,754

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Share Premium	Asset Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	Revenue Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group - for the quarter ended 31 Mar 2006							
Balance as at 1 January 2006	18,002	16,813	3,152	471	(3,323)	32,963	68,078
Profit for the period						4,345	4,345
Dividends paid							
Share options exercised	41	6					47
Grant of Share options				53			53
Capitalization of Share premium	16,819	(16,819)					-
Net movement					(718)		(718)
Balance as at 31 March 2006	34,862	-	3,152	524	(4,041)	37,308	71,805
Group - for the quarter ended 31 Mar 2005							
Balance as at 1 January 2005	14,296	19,951	3,596	453	(3,625)	23,814	58,485
Profit for the period						3,472	3,472
Dividends paid							
Share options exercised	13	56					69
Net movement					(522)		(522)
Balance as at 31 March 2005	14,309	20,007	3,596	453	(4,147)	27,286	61,504
Company - for the quarter ended 31 Mar 2006							
Balance as at 1 January 2006	18,002	16,813	-	18	-	8,199	43,032
Loss for the period						(614)	(614)
Dividends paid							
Share options exercised	41	6					47
Grant of Share options				53			53
Capitalization of Share premium	16,819	(16,819)					-
Net movement							
Balance as at 31 March 2006	34,862	-	-	71	-	7,585	42,518
Company - for the quarter ended 31 Mar 2005							
Balance as at 1 January 2005	14,296	19,951	-	-	-	3,587	37,834
Profit for the period						217	217
Dividends paid							
Share options exercised	13	56					69
Balance as at 31 March 2005	14,309	20,007	-	-	-	3,804	38,120

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Since 31 December 2005, the Company's share capital has increased as follows:-

		<u>No. of shares</u>	<u>S\$</u>
01/01/2006	Balance brought forward	360,032,688	18,001,634.40
3Q FY2006	Options exercised	216,250	41,390.00
31/3/2006	Transfer from Share Premium*	-	16,818,805.33
		-----	-----
		360,248,938	34,861,829.73
		=====	=====

*As mentioned in the Note under item 1(b)(i) above, the share premium account has been transferred to the Company's share capital account in the current period.

As at 31 March 2006, there were 4,682,500 unexercised share options. (31 March 2005: 2,776,000)

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

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

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

NA

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

This financial statement has been prepared based on the accounting policies and methods of computation consistent with those adopted in the most recent audited financial statement for the year ended 30 June 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

NA

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

		Group		Group	
		Third Quarter ended 31 Mar 06	Third Quarter ended 31 Mar 05	Year to Date 31 Mar 06	Year to Date 31 Mar 05
	Earnings per ordinary share of the Group based on net profit attributable to shareholders:				
(i)	Based on the weighted average number of ordinary shares	1.21 cents	0.97 cents	3.03 cents	2.44 cents
(ii)	On a fully diluted basis	1.20 cents	0.97 cents	3.02 cents	2.44 cents

Note : The corresponding period EPS, including on a fully diluted basis, has also been adjusted for bonus issue made on 21st November 2005.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	31 Mar 06	30 Jun 05
Net asset value per ordinary share based on issued share capital		
For the Group	19.8 cents	18.6 cents
For the Company	11.8 cents	13.6 cents

Note: Net assets refers to shareholders' funds. The corresponding period net asset value per ordinary share for the Company and the Group has also been adjusted for the bonus issue made on 21st November 2005.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the financial period reported on.

Overview

For the nine months ended 31 March 2006, the Group benefited from the buoyant economies across the region. The Group revenue rose 11% to \$137.3 million as compared to FY2005. This enabled the profit before tax to grow by 21% to S\$14.3 million as compared to the corresponding period for FY2005.

Revenue

Compared to 3Q FY2005, group revenue rose 10% to \$51.6 million in 3Q FY2006. Against year to date 31 March 2005, group revenue increased 11% to \$137.3 million in year to date 31 March 2006. All core business activities and key markets registered revenue growth in 3Q and year to date 31 March 2006.

Revenue by Activities:

Activities	9 months to 31/3/2006 Revenue		9 months to 31/3/2005 Revenue		Change
	S\$m	%	S\$m	%	%
Retail – TCM*	92.5	68	82.5	67	+12
Wholesale – TCM & Prescription/OTC	26.7	19	23.9	19	+12
Clinics – TCM/IMC	15.2	11	13.7	11	+11
Others	2.9	2	3.3	3	-12
Total	\$137.3m	100	\$123.4m	100	+11

* Traditional Chinese Medicine - comprising Chinese Proprietary Medicine (“CPM”), Health Foods and Medicinal Herbs

Retail-TCM spearheaded revenue growth, rising 12% to \$92.5 million in the nine months ended 2006. The improvement came from higher sales at existing retail outlets and contributions from 11 (net) new outlets opened during the nine months under review. Retail activities were buoyant at the outlets, aided by improving consumer sentiments and Lunar New Year shopping from December 2005 to February 2006. The Group’s flagship products such as Bottled Bird’s Nest, Bak Foong Pills and Bo Ying Compound continued to deliver strong contributions.

Wholesale-TCM & Prescription/OTC revenue grew 12% in the nine months ended 31 March 2006, with Hong Kong and Singapore contributing to the growth.

Revenue from Clinics showed a growth of 11% to \$15.2 million in the nine months ended 31 March 2006 due to greater awareness of integrative medicine and the recent TV programmes on Traditional Chinese Medicine. Revenue under Others was mainly contributed by the Elixir Teas and Tonics business in USA and the skincare products in Australia.

Revenue by Geographical Operations

Countries	9 months to 31/3/2006 Revenue		9 months to 31/3/2005 Revenue		Change
	S\$m	%	S\$m	%	%
Hong Kong	67.5	49	60.4	49	+12
Singapore	31.6	23	26.5	21	+19
Malaysia	27.6	20	25.9	21	+7
Australia/USA	10.6	8	10.6	9	-
Total	\$137.3	100	\$123.4	100	+11

Boosted by strong performances from all core activities, the Group continued to achieve revenue growth across all key geographical markets. Hong Kong, Singapore and Malaysia markets continued to benefit from growth in Retail operations. The addition of new retail outlets expanded the distribution network. Since the beginning of the financial year, the number of retail outlets within the Group had increased from 98 to 109.

The number of TCM clinics had also increased from 14 to 15 during the period under review. Although the number of Integrative Medicine Centres (IMCs) in Australia remained at 4 since last financial year, better awareness of complementary medicine and higher business activities resulted in higher revenue.

Profitability

In line with the higher revenue, 3Q FY2006 gross profit rose 16% to \$26 million. For the nine months ended 31 March 2006, gross profit rose 12% to \$69.6 million. The gross profit margin for the 9 months ended 31 March 2006 was marginally higher at 50.7% as compared to last year of 50.3%.

Although distribution and selling expenses were higher in the nine months ended 31 March 2006 due to the expanded network of retail outlets, operating margin was maintained at 12%. Operating profit improved by 9.7% to \$16.1 million as compared to the nine months ended 31 March 2005. Net profit increased by 25% to \$10.9 million.

An impairment test was carried out on the goodwill on consolidation amounting to \$376k arising from our investment in Botanical Health Resources, Inc. It was determined that this amount is to be written off in order to comply with the Singapore Financial Reporting Standard 36 on Impairment of Assets.

Balance Sheet & Cash Flow

The higher volume of business, as a result of more outlets being opened during the period under review contributed to the increase in stocks and amounts due to bankers. Bank deposits had gone down and short-term bank borrowings had gone up due to higher working capital requirements and progress payments for the new factory in Hong Kong.

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

The current announced results are in line with the prospect statement previously disclosed to shareholders in the results announcement for the half-year ended 31 December 2005.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Business conditions for the Group should continue to improve for the rest of FY2006 as it is well-positioned to capitalise on the improving consumer sentiments in Hong Kong, Singapore and Malaysia.

To sustain growth, the Group will continue to expand its core business activities. New retail outlets will be strategically added in all key markets to further expand the distribution network. To take full advantage of its wide and growing network, the Group will continue to progressively roll out an active pipeline of new TCM products for the rest of the financial year and into FY 2007. While there are plans to continue extending the Group's network of clinics, emphasis will be placed to further improve revenue from the existing clinics.

Barring unforeseen circumstances, the Group expects FY2006 revenue and operating profit to exceed those achieved in FY2005.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? **None**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **None**

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended for the third quarter ended 31 March 2006

BY ORDER OF THE BOARD

Tan Kang Fun
Chief Financial Officer & Company Secretary

10 May 2006