

# Corporate Presentation

Eu Yan Sang International Ltd.  
18<sup>th</sup> May 2006



# Presentation Outline



- Industry Prospects
- Highlights
- Company Overview
- Twin Approach to Value Creation
- 3Q FY2006 Financial Review
- 3Q FY2006 Operations Review
- Outlook
- Q&A



# Industry Prospects



# Industry Prospects



- Global sales volumes of herbal medicines has exceeded US\$30 billion
- Increasing 10 per cent year-on-year
- Major players include
  - Beijing Tongrentang (SSE)
  - Hai-O (KLSE)
  - Wai Yuen Tong (HKSE)
  - Tung Fong Hung (HKSE)



# Industry Prospects



- China's products only account for 3 to 5 per cent of world sales
- 80 per cent of traditional Chinese medicines traded on the world market are raw materials.
- Major industry growth considerations
  - Lack of standards
    - Ingredients
    - Safety & Efficacy
    - Manufacturing



# Highlights



# Highlights



- Founded in Gopeng, Perak in 1879
- A leading household name in Asia for over 120 years
- FY2001 to FY2005 Revenue CAGR: 23.2%
- FY2001 to FY2005 Operating Profit CAGR: 23.9%
- FY2005 Net Profit up 77.4% to S\$12.4 million



# Company Overview



# Vision, Mission & Values



## Vision

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

## Mission

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

## Values

*Humanity* - Always reflect respect for human life and care for its well being.

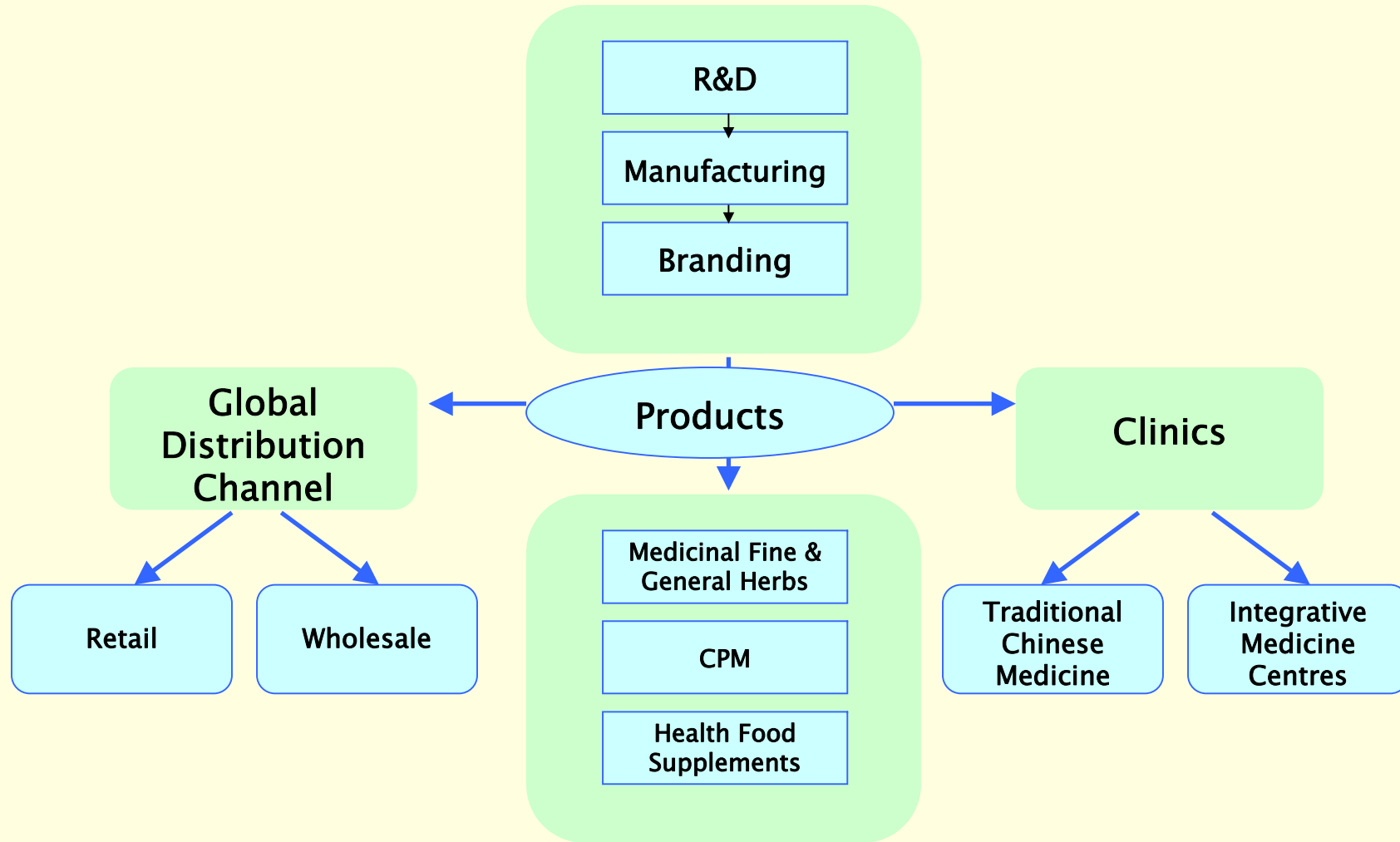
*Quality* - Offers the highest quality standards in the industry.

*Progress* - Seeks opportunities to produce new consumer healthcare products and services.

*Leadership* - Stays ahead in every aspect of the TCM industry.



# Business Model



# Retail



- Over 250 quality Chinese Proprietary Medicines and Health Foods under EYS brand name
- Over 1,000 types of TCM herbs
- Over 100 retail outlets across Hong Kong, Malaysia, Singapore & United States



# Wholesale

- Over 7,000 major wholesalers, medical halls, pharmacies, hospitals, supermarkets, etc.



# TCM & IM Clinics



- TCM clinics are staffed by trusted professionals and provide a wide range of general and specialized treatments
- Integrative Medicine Centres combine the best practices of conventional medicine, TCM and other natural therapies.



# Products



## 3 Categories

### 1. Medicinal Fine & General Herbs

- Ginseng
- Cordyceps
- Raw Birds' Nests

### 2. Chinese Proprietary Medicine

- Bak Foong Pills
- Bo Ying Compound

### 3. Health Food Supplements

- Bottled Birds' Nests
- Lingzhi Cracked Spores Capsules



# Twin Approach to Value Creation



# Scientific Approach



- *The Science Behind EYS*
  - GMP-certified factories
  - Extensive R&D collaboration and product development with various academic institutions
  - Raw herbs through to finished product are fingerprinted for its authenticity and quality through extensive lab tests

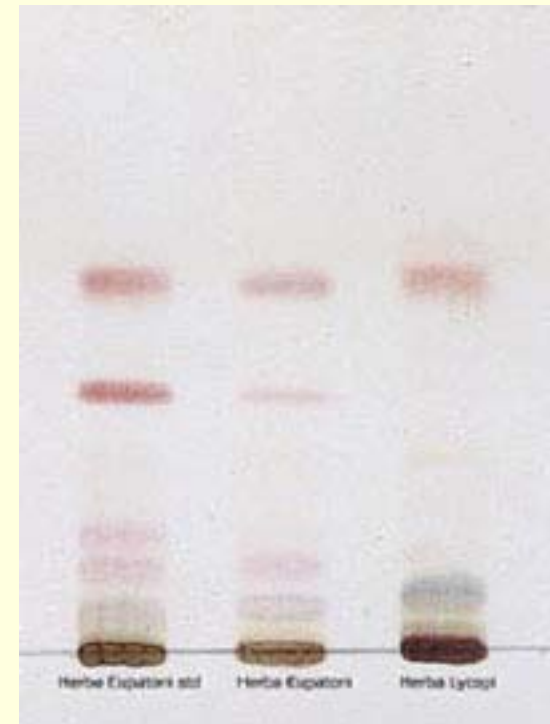


# Scientific Approach

An example:

## 5 Stages of scientific verification

- 1) Identification of Physical Characteristics
- 2) Microscopic Identification
- 3) Purity Analysis
- 4) Qualitative Analysis using Thin Layer Chromatography (TLC)
- 5) Quantitative Analysis using High Performance Liquid Chromatograph (HPLC)



Identification of herbs with similar physical appearance by TLC



# Branding Approach



- Creation of trusted brand name over 120 years
- Association with premium quality and strong ethics
- Won “Most Valuable Singapore Brands” award for 4 consecutive years, conferred by IE Singapore
- 2003
  - Design for Asia Awards
  - Distinguished Design from China’s “Total Branding Solution”
- 2005
  - Nomination by Guangzhou Daily's readers for “Hong Kong Quality and Trustworthy Retailer 2005 - TCM category”
  - Hong Kong's Top Ten Most Preferred Brands' Award
- 2006
  - Hong Kong Top Brand Award and Top Service Brand Award
  - Capital Outstanding Biochemistry Technology Award, Hong Kong



# Branding Approach

## Awards Achieved



# Financial Review



# FY2005 Financial Highlights



	12 months ended		% + / (-)
	30/06/2005 S\$'000	30/06/2004 S\$'000	
<b>Revenue</b>	<b>165,889</b>	<b>135,261</b>	<b>22.6</b>
<b>Gross Profit</b>	<b>81,827</b>	<b>68,728</b>	<b>19.1</b>
<b>Operating Profit</b>	<b>18,467</b>	<b>15,296</b>	<b>20.7</b>
<b>Profit Before Tax</b>	<b>16,460</b>	<b>12,236</b>	<b>34.5</b>
<b>Profit After Tax</b>	<b>12,409</b>	<b>6,692</b>	<b>85.4</b>
<b>Net Profit</b>	<b>12,438</b>	<b>7,011</b>	<b>77.4</b>
<b>EPS (cents)</b>	<b>4.34</b>	<b>2.45</b>	<b>77.1</b>
<b>Dividend*</b>	<b>2.0</b>	<b>1.25</b>	<b>60.0</b>
<b>Net Operating Cash Flow</b>	<b>12,080</b>	<b>13,413</b>	<b>(10)</b>

\* FY2005 dividend comprises 1.0 cents final and 1.0 cents special  
 FY2004 dividend comprises 0.75 cents final and 0.5 cents special



# 3Q FY2006 Financial Highlights



	Nine months ended		% + / (-)
	31/03/2006 S\$'000	31/03/2005 S\$'000	
Revenue	137,307	123,471	11
Gross Profit	69,593	62,049	12
Operating Profit	16,075	14,657	10
Profit Before Tax	14,305	11,847	21
Net Profit	10,907	8,744	25
EPS (cents)	3.03	2.44	24

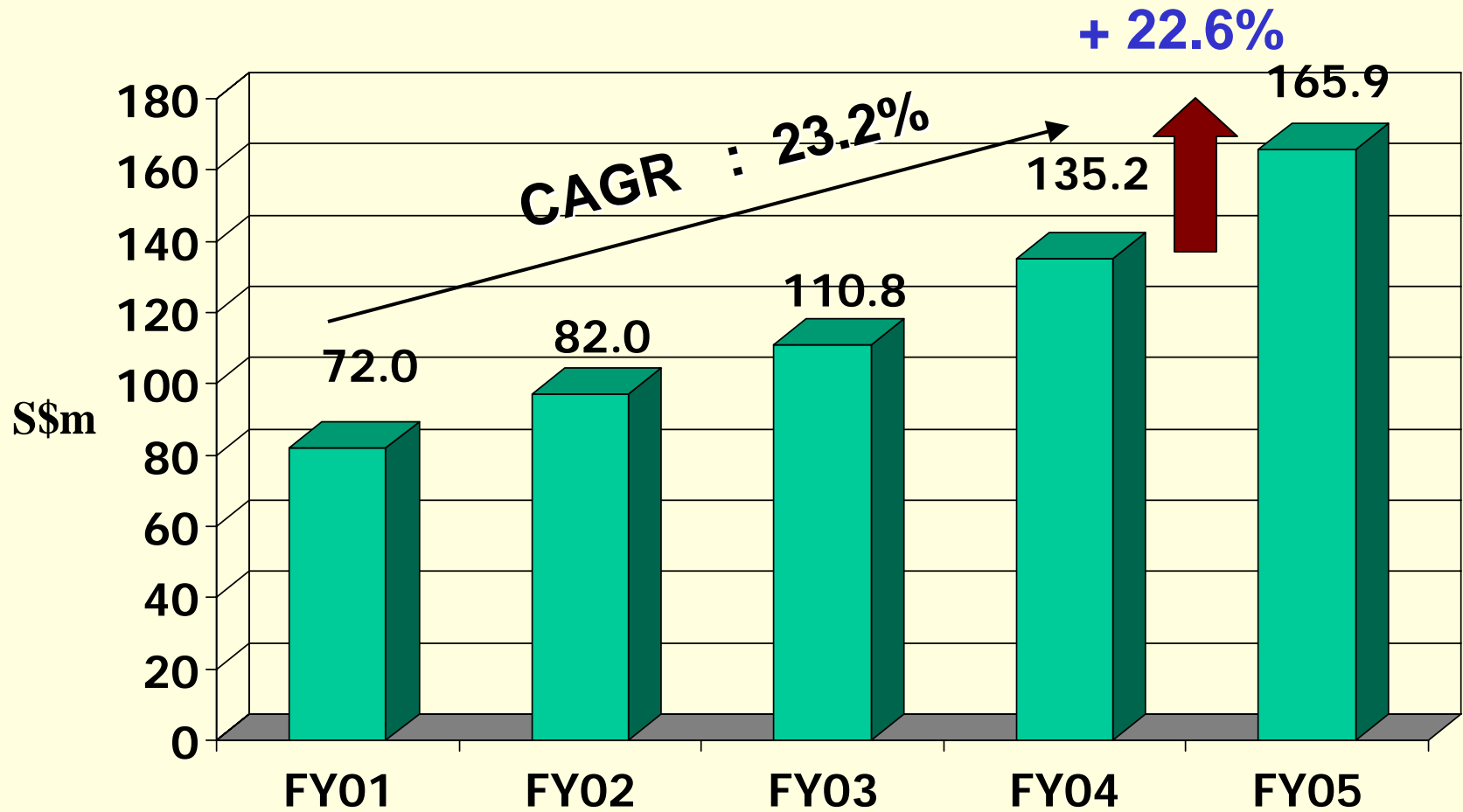


# Key Financial Ratios

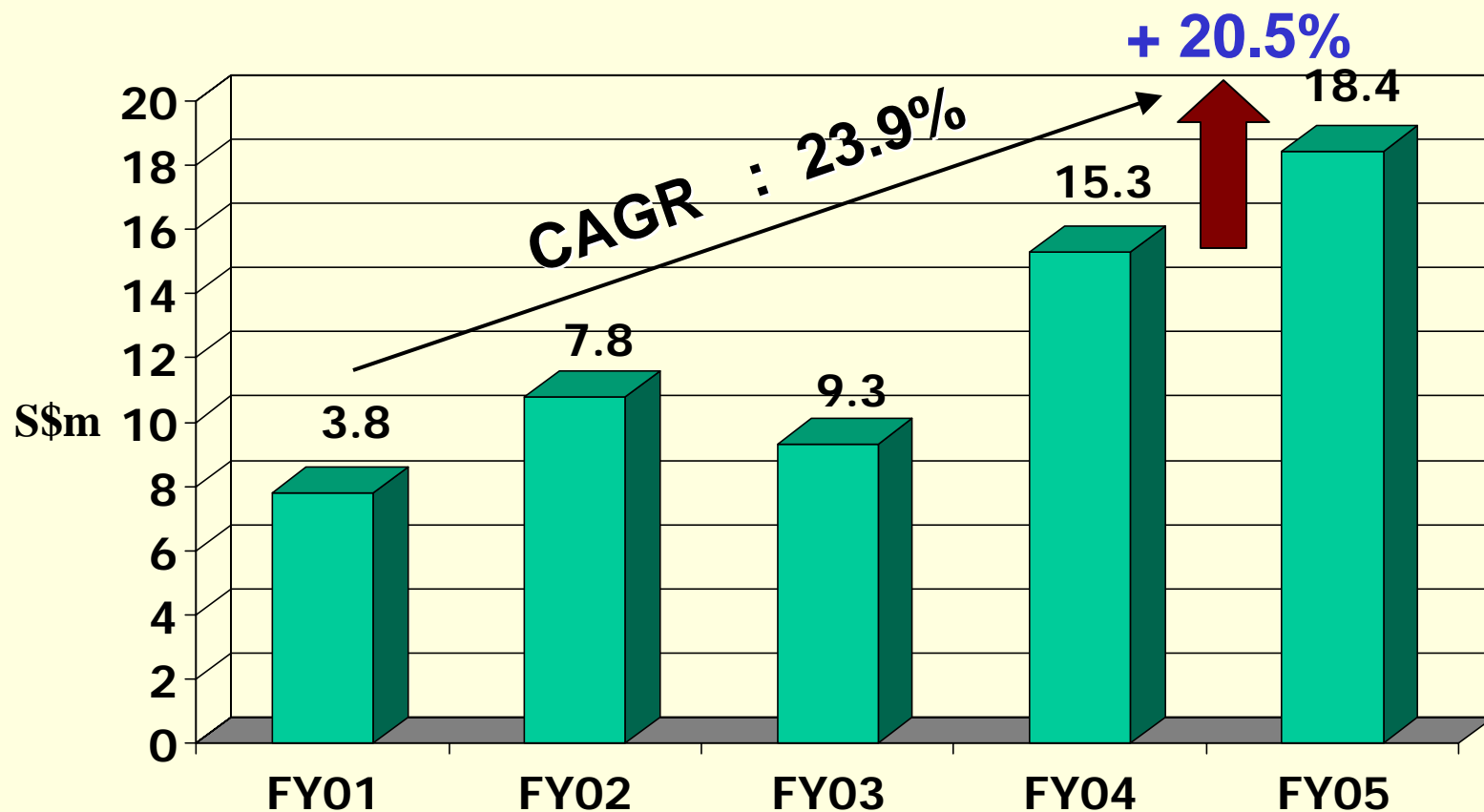
<b>Profitability</b>	<b>Year to Date 31 Mar 06</b>	<b>FY2005</b>	<b>FY2004</b>
Gross margin (%)	50.7	49.3	50.8
Operating margin (%)	11.7	11.1	11.3
Net margin (%)	8	7.4	5.2
<b>Efficiency</b>			
Inventory days	133 (annualized)	135	121
<b>Liquidity</b>			
Current ratio (times)	1.7	1.88	2.03
Quick ratio (times)	0.7	0.90	1.07
Debt to equity ratio (times)	0.3	0.08	0.08



# Track Record: Revenue



# Track Record: Operating Profit



# Financial Review



- Improvement in turnover due to
  - Buoyant regional economies
  - Strong demand
  - Effective A&P
  - Better same store sales
  - More retail outlets
  - Better same clinic sales
- Improvement in net profit due to
  - Higher sales
  - Operating Margins maintained at 12%

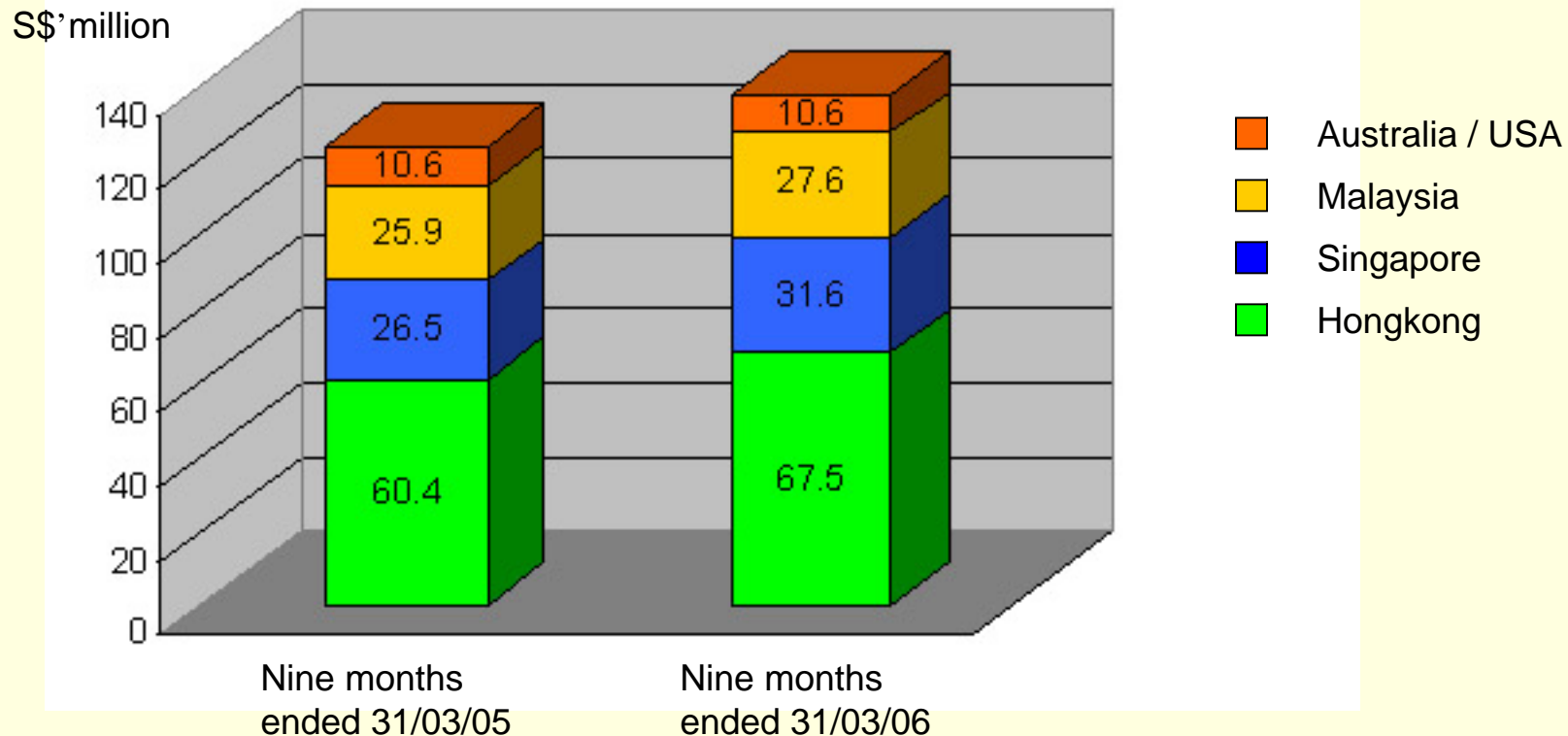


# 3Q FY2006 Operations Review



# Revenue by Geographical Operations

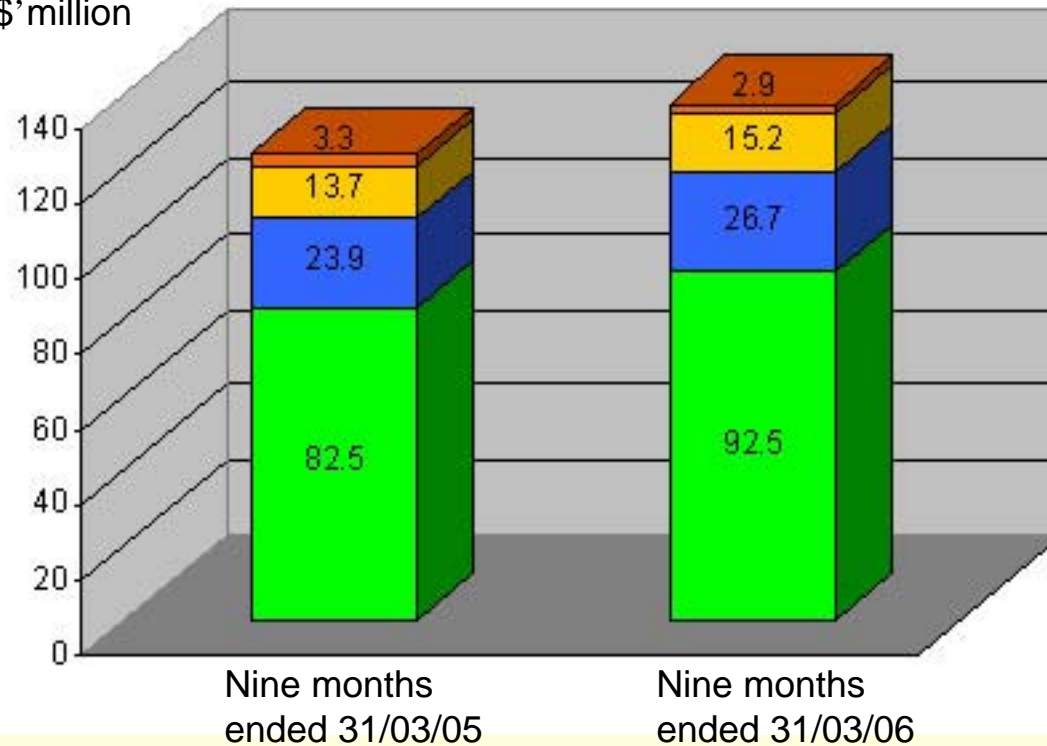
- Hong Kong and Singapore markets shown strong revenue growth of 12% and 19% respectively



# Revenue by Business Segment

- Retail, Wholesale and Clinics shown strong revenue growth of 12%, 12% and 11% respectively

S\$'million



- Others
- Clinics – TCM / IMC
- Wholesale – TCM / OTC
- Retail -- TCM



# Retail



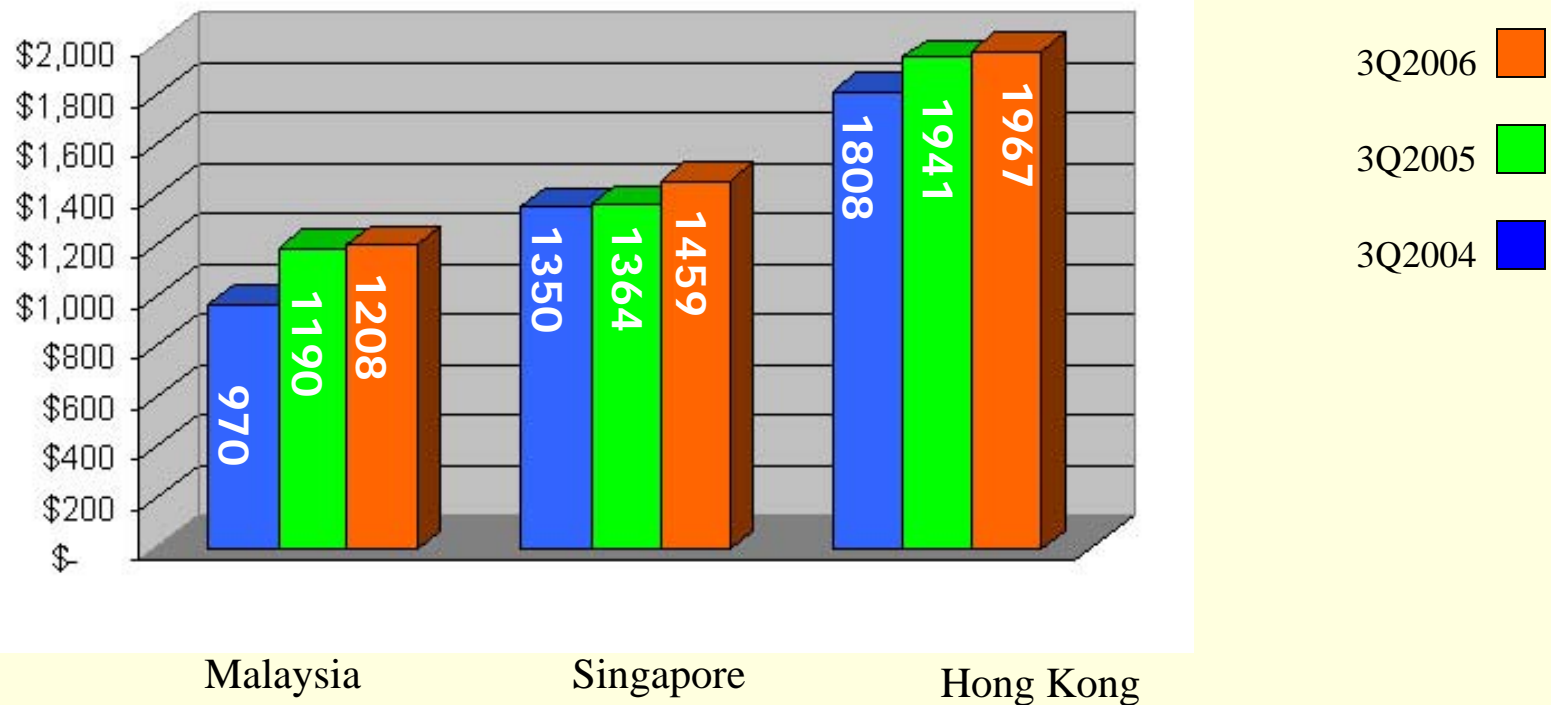
- Largest contributor
- Expanding retail network to 109 stores
- Interim same store sales up 8% to S\$89.1 m

Countries	Added (net)	Total
Hong Kong	4	36
Singapore	3	26
Malaysia	4	47
<b>Total</b>	<b>11</b>	<b>109</b>



# Retail

- Increasing Sales Per Square Foot



# Wholesale



- Revenue increased by 12% to S\$26.7 m with Singapore, Malaysia and Hong Kong contributing to the growth
- Increased distribution to hospitals & clinics in China
- Regional expansion plans
  - Thailand (via GNC master franchisee)
  - Currently looking at Middle East and Indonesia
- Continuing exports to China, Australia & USA
  - Export division restructured



# Clinics



- Revenue increased by 11% to S\$15.2 m
- Greater awareness of integrative medicine and recent TV programmes on Traditional Chinese Medicine
- Added 1 in Singapore, bringing total to 19 clinics
- Increasing same clinics sales

4.7 7.7 7.9



# Top 5 Product Groups By Revenue



Product Name	Purpose	Nine Months ended 31 Mar 2006	Nine Months ended 31 Mar 2005	% Change
Bottled Bird's Nest	General health maintenance	\$14.6m	\$13.3m	+ 10%
Bak Foong Pills	Women's health, nourishes blood and Qi	\$10.3m	\$9.9m	+ 4%
Bo Ying Compound	Infants' health	\$10.3m	\$8.9m	+ 16%
Lingzhi Cracked Spores	Improves immunity	\$7.8m	\$5.6m	+ 39%
Hou Ning	Cough and phlegm	\$3.7m	\$3.4m	+ 9%
<b>Total</b>		<b>\$46.7m</b>	<b>\$41.1m</b>	<b>+ 14%</b>



# Outlook



# Company Outlook



- Business conditions for the Group should continue to improve for the rest of FY2006
- Well positioned to capitalise on the improving consumer sentiments in the key regional markets
- Already exceeded the projected 8-10 new retail outlets for FY2006
- On track to open 2-4 clinics for FY2006



# Company Outlook



- An active pipeline of new TCM products will be progressively rolled out in 4Q FY2006 and FY2007
- Building on export expansion into non-traditional geographical markets
- Regional clinic expansion
- Expects better revenue and operating profit for FY2006 compared to FY2005



# Our progress so far...

	Total for FY2005	Target for FY2006	Nine Months ended 31 Mar 2006
Retail Outlets	98 stores	8-10 new (net)	11
Clinics	18	2-4	1
Brand value*	\$44m	\$50m	Achieved
Revenue	\$166m	>10%	11%

\* Valuation done by IE Singapore & Interbrand



# Thank You!

## Question & Answer Session

