

EU YAN SANG INTERNATIONAL LTD
(Company Registration No. : 199302179H)

Un-audited Second Quarter and Half-Year 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		
	Second Quarter ended 31 Dec 06	Second Quarter ended 31 Dec 05	%	Half Year ended 31 Dec 06	Half Year ended 31 Dec 05	%
	S\$'000	S\$'000	Change	S\$'000	S\$'000	Change
		*RESTATED			*RESTATED	
Revenue	45,287	42,402	6.8	85,371	80,747	5.7
Cost of sales	(21,776)	(20,580)	5.8	(41,155)	(39,164)	5.1
Gross Profit	23,511	21,822	7.7	44,216	41,583	6.3
Other operating income	4,222	(25)	NM	4,321	243	NM
Distribution and selling expenses	(14,220)	(12,687)	12.1	(26,762)	(24,434)	9.5
Administrative expenses	(6,018)	(4,364)	37.9	(10,487)	(8,110)	29.3
Other operating expenses	(347)	-	NM	(358)	(1)	NM
Operating profit	7,148	4,746	50.6	10,930	9,281	17.8
Foreign exchange loss	(246)	(294)	(16.3)	(500)	(98)	NM
Interest income	136	63	115.9	183	108	69.4
Interest expense	(253)	(138)	83.3	(471)	(244)	93.0
Impairment of goodwill	(624)	-	NM	(624)	-	NM
Share of associated companies' losses	(2)	-	NM	(2)	1	NM
Profit from continuing operations before taxation	6,159	4,377	40.7	9,516	9,048	5.2
Taxation	(1,287)	(1,019)	26.3	(1,864)	(2,074)	(10.1)
Profit from continuing operations after taxation	4,872	3,358	45.1	7,652	6,974	10.0
Loss from discontinued operations	(100)	(214)	(53.3)	(369)	(412)	(10.4)
Profit after discontinued operations for the period	4,772	3,144	51.8	7,283	6,562	11.0
Minority interest	5	-	-	5	-	-
Profit for the period after minority interest	4,777	3,144	51.9	7,288	6,562	11.1
Profit Attributable to:						
Equity holders of the company	4,777	3,144	51.9	7,288	6,562	11.1

*Restated – the quarter and first half results have been restated due to the disposal of Synco (HK) Ltd in June 2006 and the disposal of Elixir's business in October 2006.

Notes:

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

	Group		Group	
	Second Quarter ended 31 Dec 06	Second Quarter ended 31 Dec 05	Half Year ended 31 Dec 06	Half Year ended 31 Dec 05
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of fixed assets	808	1,716	2,056	3,137
(Profit)/ loss on sale of fixed assets	(4,222)	26	(4,321)	16
Provision for stock obsolescence	45	65	45	105

(ii) Other operating income in the current financial period includes profit of S\$2.7m from sale of properties in Hong Kong and the gain of S\$1.4 million on disposal of Elixir's business.

(iii) The increase in 'Distribution and selling expenses' was due to more advertising & promotion expenses incurred in anticipation of Lunar New Year peak and higher operating costs for new retail outlets being opened.

(iv) In line with higher revenue, 'Administrative expenses' were also higher. The higher than expected increase as compared to the revenue growth was due to new project costs being written off as and when it is incurred.

(v) Other operating expenses were mainly in respect of product development cost incurred during the period.

(vi) Impairment of goodwill was in respect of the investment in YourHealth Group Pty Ltd, a subsidiary incorporated in Australia, which has been put into Administration in accordance Section 436A of the Australian Corporations Act 2001 as announced through the SGXNET on 18 January 2007.

(vii) The Group tax rate was lower than the amount determined by applying the statutory rate of income tax to the operating profit mainly due to:-

- a. Profit on both the disposals as mentioned in Note (ii) above was not taxable; and
- b. Lower tax rate in certain foreign subsidiary companies

(viii) '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 Dec 06 S\$'000	30 Jun 06 S\$'000	31 Dec 06 S\$'000	30 Jun 06 S\$'000
Non-current assets				
Property, plant and equipment	58,040	51,697	641	887
Investments in subsidiaries	-	-	22,879	21,965
Amount due from subsidiaries	-	-	12,262	12,777
Associated company	15	-	-	-
Long term investments	3,898	1,678	-	-
Investment properties	3,298	6,035	-	-
Goodwill	-	624	-	-
Intangible assets	-	263	-	-
Deferred tax assets	302	259	-	-
	65,553	60,556	35,782	35,629
Current assets				
Inventories	42,028	33,301	-	-
Trade receivables	6,436	7,203	-	-
Other receivables	8,986	8,131	251	153
Amounts due from subsidiaries	-	-	26,120	32,664
Fixed bank deposits	2,105	8,650	-	-
Cash and bank balances	15,695	8,070	57	377
	75,250	65,355	26,428	33,194
Current Liabilities				
Interest bearing loans and borrowings	28,109	21,363	24,810	18,670
Trade payables	19,673	9,662	-	-
Other payables	11,177	9,251	1,244	1,416
Hire purchase creditors	77	213	45	120
Tax payables	2,050	3,880	18	19
	61,086	44,369	26,117	20,225
Net current assets	14,164	20,986	311	12,969
Non-current liabilities				
Long term loans from minority shareholders of subsidiary company	13	183	-	-
Hire purchase creditors	506	622	437	446
Deferred tax liabilities	1,504	1,464	18	18
Provision for long service payments	82	85	-	-
	2,105	2,354	455	464
Net assets	77,612	79,188	35,638	48,134
Equity attributable to equity holders of the company				
Share capital	34,915	34,872	34,915	34,872
Reserves	42,697	44,316	723	13,262
Total equity	77,612	79,188	35,638	48,134
Minority Interest	-	-	-	-
Total equity after minority interest	77,612	79,188	35,638	48,134

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

Amount repayable in one year or less, or on demand

As at 31/12/2006		As at 30/06/2006	
Secured	Unsecured	Secured	Unsecured
S\$8,650,000	S\$19,459,000	S\$13,172,000	S\$8,191,000

Amount repayable after one year

As at 31/12/2006		As at 30/06/2006	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The bank borrowings are secured against corporate guarantees from the Company.

1 (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	
	Second Quarter ended 31 Dec 06	Second Quarter ended 31 Dec 05	Half Year ended 31 Dec 06	Half Year ended 31 Dec 05
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Operating income/(loss) before taxation & minority interest				
- from continuing operations	6,159	4,377	9,516	9,048
- from discontinued operations	(100)	(214)	(369)	(412)
Impairment of goodwill	624	-	624	-
Depreciation of fixed assets	808	1,716	2,056	3,137
(Gain)/ loss on sale of fixed assts	(4,222)	26	(4,321)	16
Fixed assets written off	-	12	7	12
Foreign currency translation realignment	277	54	(49)	140
Interest expense	213	236	471	425
Interest income	(136)	(70)	(183)	(121)
Grant of employee share options	75	18	98	18
Share of associated companies' results	2	-	2	-
Operating income before reinvestment in working capital	3,700	6,155	7,852	12,263
(Increase)/decrease in debtors	1,740	(736)	(87)	(787)
(Increase)/decrease in stock	(5,896)	(2,241)	(9,113)	(6,786)
Increase/(decrease) in creditors	9,308	3,699	11,937	4,683
Cash generated from operations	8,852	6,877	10,589	9,373
Interest received	136	70	183	121
Interest paid	(213)	(236)	(471)	(425)
Income tax paid	(3,398)	(2,375)	(3,694)	(2,735)
Net Cash generated from/ (provided by) operating activities	5,377	4,336	6,607	6,334

Cash flows from investing activities				
Purchase of fixed assets	(6,824)	(6,310)	(10,142)	(7,302)
Proceeds from sale of fixed assets	5,470	66	5,470	79
Investment in associated company	(15)	-	(15)	-
Acquisition of additional share in subsidiary	-	(376)	-	(376)
(Investment in)/Proceeds from disposal of unquoted shares of a company	-	-	-	(1,679)
Loan from related parties	-	-	-	-
Payment of patents and trademark		(2)		(12)
Net cash used in investing activities	(1,369)	(6,622)	(4,687)	(9,290)
Cash flows from financing activities				
Proceeds from short term loans	-	-	131	-
Proceeds of bank loans	9,345	3,740	6,615	6,340
Dividends paid	(7,206)	(5,746)	(7,206)	(5,746)
Repayment to MI	(10)	(20)	(171)	(111)
Proceeds from share options exercised	43	224	43	387
(Repayment)/proceeds of hire purchase creditors	(228)	(103)	(252)	(78)
Net cash provided by financing activities	1,944	(1,905)	(840)	792
Net increase/(decrease) in cash and cash equivalent	5,952	(4,191)	1,080	(2,164)
Cash and cash equivalent as at beginning of the period	11,848	15,061	16,720	13,034
Cash and cash equivalent as at end of the period	17,800	10,870	17,800	10,870

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	
	Second Quarter ended 31 Dec 06	Second Quarter ended 31 Dec 05	Half Year ended 31 Dec 06	Half Year ended 31 Dec 05
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits	2,105	2,277	2,105	2,277
Cash and bank balances	15,695	8,593	15,695	8,593
Bank overdrafts	-	-	-	-
	17,800	10,870	17,800	10,870

- 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	Share Options Reserve	Foreign Currency Translation Reserve	Revenue Reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000
Group								
Balance as at 1 October 2006	34,872	-	7,258	453	123	(5,306)	43,480	80,880
Profit for the period	-	-	-	-	-	-	4,777	4,777
Dividends paid	-	-	-	-	-	-	(7,206)	(7,206)
Share options exercised	43	-	-	-	-	-	-	43
Grant of Share options	-	-	-	-	75	-	-	75
Net movement	-	-	(63)	-	-	(893)	(1)	(957)
Balance as at 31 Dec 2006	34,915	-	7,195	453	198	(6199)	41,050	77,612
Company								
Balance as at 1 October 2006	34,872	-	-	-	123	-	12,553	47,548
Loss for the period	-	-	-	-	-	-	(4,822)	(4,822)
Dividends paid	-	-	-	-	-	-	(7,206)	(7,206)
Share options exercised	43	-	-	-	-	-	-	43
Grant of Share options	-	-	-	-	75	-	-	75
Balance as at 31 Dec 2006	34,915	-	-	-	198	-	525	35,638
Balance as at 1 October 2005	14,360	20,231	-	-	-	-	14,440	49,031
Loss for the period	-	-	-	-	-	-	(495)	(495)
Dividends paid	-	-	-	-	-	-	(5,746)	(5,746)
Share options exercised	51	173	-	-	-	-	-	224
Grant of Share options	-	-	-	-	18	-	-	18
Bonus issue	3,591	(3,591)	-	-	-	-	-	-
Balance as at 31 Dec 2005	18,002	16,813	-	-	18	-	8,199	43,032

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 30 September 2006, the Company's share capital has increased as follows:-

	No. of shares	S\$
01/10/2006 Balance brought forward	360,298,938	34,872,429.73
15/12/2006 Options exercised	80,000	42,720.00
	-----	-----
	360,378,938	34,915,149.73
	=====	=====

As at 31 December 2006, there were 7,202,500 unexercised share options (31 December 2005: 4,898,750).

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 2006.

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	
	Second Quarter ended 31 Dec 06	Second Quarter ended 31 Dec 05	Half Year ended 31 Dec 06	Half Year ended 31 Dec 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	1.33 cents	0.87 cents	2.02 cents	1.82 cents
(ii) On a fully diluted basis	1.32 cents	0.87cents	2.02 cents	1.82 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 Dec 06	30 Jun 06
Net asset value per ordinary share based on issued share capital		
For the Group	21.5 cents	22.0 cents
For the Company	9.9 cents	13.4 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. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overview

For the six months ended 31 December 2006, the Group benefited from the buoyant economies across the region. The Group revenue rose 6% to \$85.4 million as compared to 1H FY2006. This enabled the gross profit to grow by 6% to S\$44.2 million as compared to the corresponding period for FY2006. With the sale of properties in Hong Kong and the Elixir's business in USA, the operating profit grew by 18% to S\$10.9 million. The Group suffered an exchange loss of S\$0.5 million during the period under review.

Revenue

Compared to 2Q FY2006, group revenue rose 7% to \$45.3 million in 2Q FY2007. Against 1H FY2006, group revenue increased 6% to \$85.4 million in 1H FY2007. All key markets and core business activities, with the exception of Wholesale-TCM, registered revenue growth in 2Q and 1H FY2007.

Revenue by Activities:

Activities	1H FY2007 Revenue		1H FY2006 Revenue		Change
	S\$m	%	S\$m	%	%
Retail – TCM*	61.3	72	55.8	69	+10
Wholesale – TCM	13.3	16	14.3	18	-7
Clinics – TCM/IMC	10.6	12	10.1	13	+5
Others	0.2	-	0.5	-	-60
Total	\$85.4m	100	\$80.7m	100	+6

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

Retail-TCM spearheaded revenue growth, rising 10% to \$61.3 million in 1H FY2007. The improvement came from higher sales at existing retail outlets and contributions from 6 (net) new outlets opened during the first half under review. Retail activities were buoyant at the outlets, aided by improving consumer sentiments and the beginning of pre-Lunar New Year shopping in December 2006. The Group's flagship products such as Bottled Bird's Nest and Bo Ying Compound continued to deliver strong contributions.

The weaker Wholesale-TCM revenue was due to timing of promotions. However, the Group's export to China has picked up compared to 1Q FY2007 and 4Q FY2006, and accounted an encouraging 22% of the Wholesale-TCM revenue.

Revenue from Clinics showed a growth of 5% to \$10.6 million in 1H FY2007 due to greater awareness of integrative medicine and the recent TV programmes on Traditional Chinese Medicine.

The Group currently has a total of 13 TCM clinics, 3 Specialist TCM clinics and 4 Integrative Medicine Centres. Revenue under Others was mainly in respect of rentals received.

Revenue by Geographical Operations

Countries	1H FY2007 Revenue		1H FY2006 Revenue		Change
	S\$m	%	S\$m	%	%
Hong Kong – converted to S\$	40.3	47	41.1	51	-2
- local currency (HK\$)	HK\$199.9m		HK\$188.9m		+6
Singapore	24.0	28	18.8	23	+28
Malaysia – converted to S\$	16.0	19	15.2	19	+5
- local currency (RM)	RM37.2m		RM34.1m		+9
Australia – converted to S\$	5.1	6	5.6	7	-9
- local currency (A\$)	A\$4.2m		A\$4.5m		-7
Total	\$85.4	100	\$80.7	100	+6

Boosted by the Retail segment's strong performance, the Group continued to achieve revenue growth across all key geographical markets in their respective countries' currencies except for Australia. The addition of new retail outlets expanded the Group's distribution networks in Hong Kong, Malaysia and Singapore markets. Since the beginning of the financial year, the number of retail outlets within the Group had increased from 112 to 118. Singapore spearheaded growth with turnover rising 28% to \$24.0 million.

Operations in Australia had been affected by management differences with the local partners resulted in the business being put into Administration in accordance Section 436A of the Australian Corporations Act 2001 as announced through the SGXNET on 18 January 2007.

Profitability

In line with the higher revenue, 2Q FY2007 gross profit rose 8% to \$23.5 million. For 1H FY2007, gross profit rose 6% to \$44.2 million. The gross profit margin for the current period at 51.8% was slightly better than the corresponding period of 51.4%.

Although the administrative, distribution and selling expenses were higher in 1H FY2007 due to the expanded network of retail outlets and the additional costs incurred in respect of new projects undertaken, operating margin was higher at 12.8% against 11.5%. Operating profit improved by 18% to \$10.9 million as compared to 1H FY 2006. Net profit increased by 11% to \$7.3 million. The better performance was largely contributed by profit from sale of properties in Hong Kong and gain on disposal of Elixir's business in USA.

Balance Sheet & Cash Flow

The increase in stocks and creditors are in line with the higher business volume, as more outlets are opened and stocks are increased in preparation for Lunar New Year sale.

The Group's gearing stood at a reasonable 36% with the \$6.7 million increase in borrowings was as a result of dividends paid in November 2006. With the strong net cash generated from operating

activities of \$6.6 million, the Group will pay down its bank loans and continue to expand its core business through internal resources.

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 first quarter ended 30 September 2006.

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 FY2007. With consumer sentiments expected to remain optimistic in the Group's key markets, namely Hong Kong, Malaysia and Singapore, the Group is well positioned to deliver further growth from its core TCM operations.

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 in 2H FY2007. The Group will place emphasis on improving revenue from the existing clinics while looking for opportunities to add new clinics. With the Group's export to China expected to increase further, prospects for the Wholesale segment are optimistic as well.

Barring unforeseen circumstances and subject to currency fluctuations in our countries of operation, the Directors expect group turnover and operating profit from continuing operations in FY2007 to be better than those achieved in FY 2006.

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 half year ended 31 December 2006.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**
- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**
- 15. A breakdown of sales**
- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary	0	0
Preference	0	0
Total:		

17. Board negative assurance confirmation for 2Q and 1H FY2007 results

The Board of Eu Yan Sang International Ltd does hereby confirm that to the best of its knowledge, nothing has come to the attention of the Board which may render the second quarter and first half un-audited financial statements for the period ended 31 December 2006 to be false or misleading.

BY ORDER OF THE BOARD

Tan Kang Fun @ KF Tan
Chief Financial Officer & Company Secretary

13 February 2007