EU YAN SANG INTERNATIONAL LTD

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For Immediate Release

Eu Yan Sang records 2% decrease in 1HFY2015 revenue, 41% drop in profit

- In line with general concerns and slowdown reported by businesses in Hong Kong due to "Occupy Central" movement and soft spending among Chinese consumer
- 2QFY2015 gross margin higher at 51% than previous corresponding period due to favourable product sales mix
- 1HFY2015 profit to shareholders decreased 41% due to higher operating expenses
- Revenue was affected by a short lead-up period to Chinese New Year in core markets
- Expects core business to continue growing as key markets including Australia are still showing resilience

Singapore, 3 February 2015 – SGX mainboard-listed Eu Yan Sang International Ltd ("EYS", "the Group" or "余仁生国际企业") reported a 2% year-on-year decrease in revenue to S$167.7 million for its half year ended 31 December 2014 ("1HFY2015"), mainly on the back of weaker economic conditions in Hong Kong and China due to the impact of Occupy Central movement and a slowdown in Chinese consumer spending, closure of key stores in Hong Kong and lower sales of major products. Effects from a shorter period than usual leading to Chinese New Year in core markets, Hong Kong, Singapore and Malaysia, also contributed to the decline in revenue.

For the second quarter ended 31 December 2014 ("2QFY2015"), the Group's revenue dipped by 8% year-on-year due to lower revenue recorded in both retail and wholesale segments. The decrease in revenue was partially offset by a 25% increase in revenue from Australia due to the Group's wider network of operations.

Gross profit for 1HFY2015 remained steady, although it dipped slightly by 4% year-on-year for 2QFY2015. Gross profit margins rose for both 2QFY2015 and 1HFY2015 to 51.0% and 51.3% respectively, primarily due to a strong and favorable product sales mix.

Profit to shareholders for 1HFY2015 decreased 41% to $2.7 million, following the decline in revenue for the first half of the year.

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<u>Financial Highlights</u>

Financial Highlights (S$ '000)	2QFY2015 ended 31 Dec 14	2QFY2014 ended 31 Dec 13	Change +/(-)%	1HFY2015 ended 31 Dec 14	1HFY2014 ended 31 Dec 13	Change +/(-)%
Revenue	84,692	91,858	(8%)	167,725	171,396	(2%)
Gross Profit	43,228	44,990	(4%)	86,024	85,677	-
Gross Profit Margin	51.0%	49.0%	2.0% pts	51.3%	50.0%	1.3% pts
Operating expenses	39,722	38,840	2%	79,820	75,460	6%
Operating profit	3,891	6,663	(42%)	6,976	11,302	(38%)
Profit before tax	3,294	5,254	(37%)	5,563	8,172	(32%)
Profit to shareholders	1,977	3,210	(38%)	2,714	4,635	(41%)

Commenting on the latest set of financial results, Mr Richard Eu (余义明), Group CEO, said: "Our key markets are relatively strong economies but still fragile especially Hong Kong due to political uncertainty and softening of the retail market. Despite this, our business is operating as usual and we have taken necessary steps to manage these challenges. We are working towards bright spots that we have identified –the rising affluence in our target markets which leads to increased demand, new product development and the extension of our wholesale business."

<u>2QFY2015 Revenue by Geographical Locations</u>

In geographical terms, the revenue contribution from Hong Kong declined by 20%, largely due to the impact from a slowdown in spending by Chinese consumers, a shorter period than usual in the run-up to Chinese New Year, as well as the "Occupy Central" movement, which affected business at retail outlets and wholesale distribution. The Hong Kong government had recognised that this unrest has disrupted economic activities in sectors such as retail and inbound tourism and to negatively impact the local consumption market and economy as a whole[1].

In Singapore and Malaysia, revenue decreased slightly, by 7% and 3% respectively, due to the effects of a shorter lead-up period to Chinese New Year. However, Australia's revenue contribution continued its positive growth momentum to surge 25% year-on-year in 2QFY2015, due to the increased number of company-operated outlets and stronger same-store sales.

[1] "Third Quarter Economic Report 2014", The Government of the Hong Kong Special Administrative Region, 14 November 2014.

2QFY2015 Revenue by Activities

Due to the same external economic conditions in Hong Kong, revenue from the retail and wholesale businesses decreased by 6% and 20% year-on-year respectively. Retail revenue was also negatively impacted by the timing effect of Chinese New Year in Singapore and Malaysia. The lower number of franchise outlets in Australia also caused a decline in wholesale revenue contribution from that market. Revenue from clinic revenue rose marginally by 2% compared to the same period last year.

Group's Retail Outlets and Clinics

The Group continued its retail rationalising strategy in 2QFY2015, adding four company-operated outlets in Australia, one in Hong Kong, and closed one in China. The total number of retail outlets stood at 287 (comprising 256 company-operated outlets and 31 franchise outlets) as at the close of the quarter. The Group opened one new general TCM clinic in Singapore, bringing its total number of clinics to 33. There was no change in the Group's number of integrative medical centres, which remained at two centres.

Going Forward

The Hong Kong government expects its economy to recover steadily, albeit at a slower pace[2] following measures to end Occupy Central movement. The Group has recognised that this, coupled with the protracted economic slowdown in China, is expected to dampen revenue growth. Despite these challenges, the Group sees many future opportunities, notably from the rising affluence of its target market leading to increased demand, new product development and extensions of wholesale channels.

Internally, the Group will continue to prudently manage its operating costs and business risks. Investment in Australia is also expected to continue its positive revenue growth momentum. The Group remains optimistic that its business will continue to be profitable and cash flow positive, with a consistent aim of building long-term shareholder value.

- End -

[2] "Economic and Trade Information on Hong Kong", Hong Kong Trade & Development Council, 26 January 2015.

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About Eu Yan Sang International Ltd (SGX: EYSI)

Listed on the Singapore Exchange, Eu Yan Sang International Ltd (Eu Yan Sang) is a leading international integrative health and wellness company with a unique heritage in Traditional Chinese Medicine (TCM). Caring since 1879 by offering TCM remedies to tin mine coolies in Gopeng, Perak, Malaysia, Eu Yan Sang today is a household name in Asia with an unrivalled reputation in TCM industry.

As an industry leader and one of the largest TCM groups in Southeast Asia, Eu Yan Sang is at the forefront of adopting modern and scientific approach in production and retailing of both TCM and wellness products. Its ability to control the total supply chain – from sourcing of the raw materials to production and distribution of the finished products, as well as the provision of treatments—gives the Group a competitive advantage in the industry.

All manufacturing activities are carried out in its GMP-certified (Good Manufacturing Practices) facilities, where every production process demonstrates full GMP accreditation for high quality assurance to provide safe and efficacious products for customer, thus earning its trusted reputation through generation.

For more information on Eu Yan Sang, please visit: http://www.euyansang.com

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