EU YAN SANG INTERNATIONAL LTD

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For Immediate Release

Eu Yan Sang shows marginal improvement in 2QFY16 revenue to S$85.61 million, operating profit at S$3.64 million

- Business environment in Hong Kong and Malaysia remain challenging but has shown traction and improvement
- Australia and Singapore continue to show revenue growth, cushioning against revenue reduction in other markets
- Encouraging outlook in China due to a series of strategic joint ventures that bring skill sets and resources to spur Chinese operations
- EYSI recorded a net profit of S$0.49 million in 2QFY2016

Singapore, 12 February 2016 – SGX-listed integrative health and wellness company Eu Yan Sang International Ltd ("EYSI", "the Group" or "余仁生国际企业") posted revenue of S$85.61 million for the second quarter ended 31 December 2015 ("2QFY2016"). The marginal increase of 1% was contributed by higher sales from Singapore and Australia.

For its half year ended 31 December 2015 ("1HFY2016"), the Group's revenue dipped by 4% year-on-year due to lower revenue from the wholesale segment in Hong Kong and the overall weakening of the Malaysian Ringgit.

Gross profit for 1HFY2016 has dipped by 8% year-on-year and 2% for 2QFY2016. Gross profit margins dipped to 49% for both 2QFY2016 and 1HFY2016, primarily due to the impact of product sales mix and promotions.

Profit to shareholders for 1HFY2016 decreased 87% to S$348,000, following the decline in revenue for the first half of the year.

Financial Highlights

Financial Highlights (S$ '000)	**2QFY2016 ended 31 Dec 2015**	**2QFY2015 ended 31 Dec 2014**	**Change +/(-)%**	**1HFY2016 ended 31 Dec 2015**	**1HFY2015 ended 31 Dec 2014**	**Change +/(-)%**
Revenue	85,607	84,692	1	160,782	167,725	(4)
Gross Profit	42,348	43,228	(2)	78,756	86,024	(8)
Gross Profit Margin	49%	51%	(2)	49%	51%	(2)
Operating expenses	(39,324)	(39,722)	(1)	(76,077)	(79,820)	(5)

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Operating profit	3,636	3,891	(7)	4,130	6,976	(41)
Profit before tax	1,828	3,294	(45)	2,368	5,563	(57)
Profit to shareholders	498	1,977	(75)	348	2,714	(87)

In announcing the latest set of financial results, Mr Richard Eu (余义明), Group Chief Executive Officer, said: "Despite the challenging business environments in key markets of Hong Kong and Malaysia, we are glad that Hong Kong's rate of decline is showing signs of moderation and an improvement in Malaysia. Singapore and Australia have continued to show positive growth and added resilience to our Group's results. We are looking to expand the retail network within Australia and Malaysia, and wholesale network in Singapore to continue on this revenue rejuvenation journey for the Group."

"In addition, we have also embarked on a series of joint ventures in China with strategic partners including Sichuan Neautus Traditional Medicine, Shanghai University of Traditional Chinese Medicine, and HCare Investments Holding Limited. I am optimistic that these collaborations will provide the synergy of skills, expertise and resources that will offer an added momentum to our business operations there. We see this cooperation as a means of accelerating our business growth in China and aim to further raise our profile and presence there."

Business Updates in Key Markets (quoted in local currency)

Hong Kong reported a drop of 13% and 22% of revenue for 2QFY2016 and 1HFY2016 respectively, due to a decline in spending in mainland tourists and the ongoing challenging retail environment. The strong Hong Kong Dollar helped to reduce Hong Kong's revenue decline to 5% in 2QFY2016 and 14% in 1HFY2016 when translated to Singapore Dollars. The Group also added one company-operated retail outlet in Hong Kong during the quarter.

Revenue from Singapore has improved by 13% this quarter and 12% in 1HFY2016, mainly driven by effective promotional campaigns and launch of new products. During the quarter, the Group closed two general TCM clinics. With Singapore's positive retail performance helping to boost the increasing retail revenue of the Group, it is also extending its wholesale network to continue rejuvenating its revenue.

Revenue from Malaysia saw an increase of 14% to RM$57.69 million against corresponding quarter last year, and an increase of 7% to RM$91.76 million against the corresponding first half, due to higher sales from Eu Yan Sang members' promotion. However, as a result of the weakening of the Malaysian currency, the revenue from

Malaysia, when translated into Singapore dollars, dropped by 8% year-on-year. During the quarter, the Group added three company-operated retail outlets in Malaysia.

In Australia, revenue surged by 18% in the last quarter and 19% in the first half of FY2016 as a result of an increase in the number of company-operated outlets and the rise in same-store sales. However, the appreciation of the Singapore Dollar against the Australian currency has resulted in only an 8% increment for 2QFY2016 and 7% increment in 1HFY2016 in revenue growth, when expressed in Singapore currency. Australia added two company-operated retail outlets and reduced one franchise outlet during the period under review.

Revenue from “Others”, which is largely related to food and beverages, franchise fee and rental income, registered a 9% decline to S$1.05m for the last quarter due to the decline in revenue from Malaysia but showed marginal increments of 2% in 1HFY2016 to S$2.13 million. The higher revenue in the first half was primarily due to higher revenue contribution from the food and beverage operations in Shanghai.

Business Outlook

The Group remains cautious on its business outlook as the macro environment in Hong Kong and Malaysia is expected to be challenging. Operations in Australia are on track to register double-digit same-store sales growth, and the Group intends to grow its existing network there organically and through acquisitions. Singapore has also demonstrated positive revenue growth in its retail operations and will be further expanding its wholesale operations. These two markets are expected to bolster Group revenues against the reductions from Hong Kong and Malaysia.

The proposed acquisition of Venture Integrity Health (VIH), a chain of health food retail stores in Australia by Healthy Life Group (HLG), a wholly-owned subsidiary of EYSI, is targeted to close during 3QFY2016. This merger is expected to fast track the improvement of the Australian operations. This acquisition is part of HLG’s continued efforts to expand its network in Australia, increasing its company-operated outlets to 54, of which 33 are located in the Greater Sydney area. VIH’s stores are located in well-known, high traffic areas of Sydney such as Haymarket, Ashfield, Wynard and The Corso at Manly.

To speed up the momentum in China, the Group has announced last month that it has entered into an agreement with HCare Investments Holding Limited (“HC”), an investment vehicle managed by CareCapital Advisors, a leading investment and business consulting firm with deep expertise in the healthcare industry in China. The Group will receive a significant injection of capital and management expertise in China to expand

Eu Yan Sang's brand reputation and heritage and build up a scalable traditional Chinese medicine (TCM) business in China.

For illustrative purposes, based on the assumption that the transaction with HC was completed on 1 July 2015, the pro forma financial effects on the consolidated earnings of EYSI for 1QFY2016,2QFY2016 and 1H FY2016 are as follows:

	1QFY2016		2QFY2016		1HFY2016	
	Before transaction	**After transaction**	**Before transaction**	**After transaction**	**Before transaction**	**After transaction**
Revenue (S$'000)	75,175	74,450	85,607	85,134	160,782	159,584
Operating profit (S$'000)	494	1,063	3,636	4,302	4,130	5,365
Profit before tax (S$'000)	540	4,264	1,828	2,258	2,368	6,522
Profit to shareholders (S$'000)	(150)	3,574	498	928	348	4,502
Earnings per share (Singapore cents)	(0.03)	0.80	0.11	0.21	0.08	1.01

For illustrative purposes only

In view of the subdued business environment ahead, the Group will take a cautious approach and continue to drive performance improvement and implementation of cost reduction initiatives through rationalisation of weak performing retail outlets while continuing to focus on improving efficiency at back office operations through the usage of technology. The Group also intends to review its cash flow requirements and adequacy of its bank borrowings structure to ensure the Group's balance sheet is able to support the revenue growth moving forward. With this, the Group expects to mitigate the impact from the impact of the negative operating environment and drive a turnaround.

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About EYSI

Listed on the Singapore Exchange, EYSI is a leading integrative health and wellness company with a unique heritage in Traditional Chinese Medicine (TCM). As one of the largest TCM groups in Southeast Asia, EYSI drives the industry forward with scientific and innovative approaches in the production and retail of its TCM and wellness products.

From the sourcing of raw materials to manufacturing and distribution of the finished products, as well as the provision of treatments—the Group is able to control the total supply chain, giving it a competitive advantage in the industry.

Manufacturing activities are carried out in two of its GMP-certified (Good Manufacturing Practices) factories located in Hong Kong and Malaysia. Every production process demonstrates full GMP accreditation for unmatched quality assurance. The factory in Hong Kong has also earned a certification by the Therapeutic Goods Administration (TGA) of Australia, in accordance with the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Cooperation Scheme (PIC/S) Guide to GMP for Medicinal Products.

As at 31 December 2015, EYSI has an extensive distribution network comprising 252 company-operated retail outlets in China, Hong Kong, Macau, Malaysia, Singapore and Australia and 20 franchises in Australia. Its products are available online at www.EuYanSang.com, as well as in drugstores, pharmacies, medical halls, supermarkets, convenience stores, hospitals, health clubs and spas worldwide. The Group also operates a chain of 31 TCM Clinics in Singapore and Malaysia and two Integrative Medical Centres in Hong Kong. The Group also operates four food and beverage outlets in China and Malaysia.

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