

PRESS RELEASE - EU YAN SANG POSTS NET LOSS OF S\$2.7 MILLION FOR 2QFY2012 DUE TO S\$8.8 MILLION IMPAIRMENT; REMAINS PROFITABLE FOR 1HFY2012 * FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT

* Asterisks denote mandatory information

Name of Announcer *	EU YAN SANG INTERNATIONAL LTD
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Announcement is submitted with respect to *	EU YAN SANG INTERNATIONAL LTD
Announcement is submitted by *	Ng Pei Shan
Designation *	Company Secretary
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>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

For the Financial Period Ended *	31-12-2011
Description	Please see attached.
Attachments	 EYS_2Q12_PressRelease.pdf Total size = 175K (2048K size limit recommended)



EU YAN SANG INTERNATIONAL LTD
269A South Bridge Road, Singapore 058818

Tel: (65) 6225 3211

Fax: (65) 6225 8276

For Immediate Release

**Eu Yan Sang posts net loss of S\$2.7 million
for 2QFY2012 due to S\$8.8 million impairment;
remains profitable for 1HFY2012**

- **Group writes off equity investment in Healthzone Limited (HZL); plans to acquire some of its business assets and undertakings for A\$5.0 million (approx. S\$6.7 million)**
- **1HFY2012 revenue up 7% to S\$130.5 million; net profit down 78% to S\$1.8 million. Without impairment, 2QFY2012 net profit would have been S\$6.1 million.**
- **2QFY2012 revenue increases 9% y-o-y to S\$69.8 million**

Singapore, 6 February 2012 – SGX mainboard-listed Eu Yan Sang International Ltd (“EYS”, “the Group” or “余仁生国际企业”), a trusted global integrative healthcare and wellness company with a strong foundation in Traditional Chinese Medicine (TCM), posted a net loss of S\$2.7 million for the three months ended 31 December 2011 (2QFY2012) due to an S\$8.8 million impairment on its equity investment in its ASX-listed associate company, HZL. Without such impairment, 2QFY2012 net profit would have been S\$6.1 million. 1HFY2012 revenue was up 7% to S\$130.5 million while net profit dropped 78% to S\$1.8 million.



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Table 1: Financial Highlights

Financial Highlights (S\$ '000)	2QFY2012 ended 31 Dec 11	2QFY2011 ended 31 Dec 10	% Change	1HFY2012 ended 31 Dec 11	1HFY2011 ended 31 Dec 10	% Change
Revenue	69,764	64,012	9%	130,494	121,633	7%
Gross Profit	35,874	32,998	9%	67,996	63,277	7%
<i>Gross Profit Margin</i>	<i>51.4%</i>	<i>51.5%</i>	-	<i>52.1%</i>	<i>52.0%</i>	-
Operating Profit	7,775	7,697	1%	13,951	13,043	7%
Impairments	8,808	0	-	8,808	0	-
Profit for the period	(2,704)	4,111	NM	1,845	8,247	(78%)

NM: Not Meaningful

Considering an impairment to be prudent, the Group decided to write off S\$8.8 million from its books which represent its equity investment in HZL. Based on HZL's past performance, the Group believes that its operating business is viable, and has entered into a conditional asset sale deed on 2 February 2012 to selectively acquire some of HZL's business assets and undertakings for A\$5.0 million (approx. S\$6.7 million). The acquisition is conditional upon the transfer by HZL's administrator and receiver to EYS of franchise contracts as stipulated in the sale deed.

These business assets and undertakings comprise various goodwill, plant and equipment, contracts, licences, leases, intellectual property, trading stock, business records and employees, including the chain of approximately 100 Healthy Life stores, the largest healthcare product retail chain in Australia, and a distribution business in Australia.



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Financial Performance

The Group's 2QFY2012 revenue continued to grow, increasing 9% y-o-y to S\$69.8 million on broad-based revenue growth from all its main business segments of Retail-TCM, Wholesale-TCM and Clinic-TCM. Maintaining gross margin at 51.4%, gross profit grew a similar 9% to S\$35.9 million. In contrast, 2QFY2012 operating profit increased 1% to S\$7.8 million due to higher distribution, selling and administrative expenses arising from expanding the retail network.

Mr Richard Eu (余义明), Group CEO remarked, "We opened 16 new retail outlets within our second quarter alone, setting a new record in retail outlet opening in a single quarter. While setting up new outlets increases expenses at a faster pace than revenue growth in the short term, we believe these new outlets will contribute to our bottom line in the long run."

Operations Review

2QFY2012 Retail-TCM revenue increased 8% to S\$56.0 million demonstrating the continued consumer acceptance and trust of the Group's brand in our markets. Bo Ying Compound, Bottled Bird's Nest, Bak Foong Pills, Lingzhi Cracked Spores Capsules and Essence of Chicken remain the Group's top selling products for the quarter. Wholesale-TCM revenue increased 20% to S\$8.5 million from the greater stock replenishment by wholesalers. Clinic-TCM revenue grew 4% to S\$4.5 million.

In local currency terms, all the Group's three core markets posted revenue growth. Malaysia recorded the highest growth at 16% while Hong Kong and Singapore grew 12% and 4% respectively. The stronger Singapore dollar versus the Hong Kong dollar and Malaysian Ringgit trimmed their growth when viewed in Singapore dollars to 10% and 13% respectively.



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As at 31 December 2011, the Group had 205 retail stores and sub-brand stores and a chain of 23 TCM Clinics in Singapore and Malaysia, and two Integrative Medical Centres in Hong Kong. Mr Eu added, "After some 3 years' experience in China, we have grown more confident to expand our retail network. From 5 stores as at end-September 2011, we now have 16 to-date. We have also broadened our product offering to cater to the Chinese consumers."

Outlook

Notwithstanding the uncertainty in the global financial and economic outlook, the Group is cautiously optimistic to maintain its growth momentum by riding on the increasing affluence in Asia and its trusted "Eu Yan Sang" brand.

The Group believes that the Australian acquisition provides a ready platform for it to expand and broaden its products penetration into Australia in line with its strategic vision to become a global integrative healthcare and wellness company. The Group does not expect this acquisition to have any material impact on its FY2012 P&L. Notwithstanding the setback due to the impairment, the Group believes it will remain profitable for the rest of the current financial year.

- The End -

CORPORATE PROFILE

About Eu Yan Sang International Limited (SGX: EYSI)

Listed on the Singapore Exchange, Eu Yan Sang International Limited (Eu Yan Sang) is a trusted, global leading integrative healthcare and wellness company with a strong foundation in Traditional Chinese Medicine (TCM). Eu Yan Sang is an industry leader, and one of the largest TCM groups in South East Asia. It is at the forefront of adopting a modern and scientific approach in the production and retailing of both TCM and wellness products.



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The Group has come a long way from its humble beginnings offering TCM remedies to tin mine coolies in Gopeng, Perak, Malaysia 132 years ago. Today, Eu Yan Sang is a household name in Asia with an unrivalled reputation as the leader in the TCM industry.

Eu Yan Sang's ability to control the total supply chain – from the sourcing of its raw materials to the production and distribution of its products and the provision of treatments gives the Group an excellent competitive edge in the industry.

To give an added assurance to consumers, the Group developed the world's first certification standard for TCM herbs, called the "Eu Yan Sang Good Agronomic Practices for Herbs (EYSGAP-Herbs) Certification". This certification ensures world-leading standards are maintained at all stages of growing, processing and retailing of TCM herbs.

Eu Yan Sang is also developing a world first integrated online portal to keep track of TCM herbs throughout the whole value chain, known as "integrated Good Agronomic Practices for Traditional Chinese Medicine Electronic System" (iGATES).

Apart from retailing fine quality Chinese herbs and Chinese Proprietary Medicines, Eu Yan Sang also retails health foods and supplements. Currently, the Group offers more than 300 products under the Eu Yan Sang brand name and over 1,000 different types of Chinese herbs and other medicinal products. Manufacturing activities are carried out in two of its GMP-certified (Good Manufacturing Practices) factories located in Hong Kong and Malaysia.

As of 31 December 2011, Eu Yan Sang has an extensive distribution network comprising 205 retail outlets in China, Hong Kong, Macau, Malaysia and Singapore. Its products are available in drugstores, pharmacies, medical halls, supermarkets, convenience stores, hospitals, health clubs and spas worldwide. The Group also operates a chain of 23 TCM Clinics in Singapore and Malaysia, and 2 Integrative Medical Centres in Hong Kong.

<p>Contact Information:</p> <p>Financial PR Pte Ltd Mr El Lee/Ms Kathy Zhang Investor Relations Consultants Tel: 65-6438 2990 / Fax: 65-6438 0064 Email: staff@financialpr.com.sg</p>	<p>Eu Yan Sang International Ltd Ms Joanna Wong General Manager Brand Management & Corporate Communications Eu Yan Sang International Ltd DID: 65-64213213 Fax: 65-6221 1861 Email: joanna.wong@euyansang.com</p>
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