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

Unaudited Results For The First Quarter Ended 30 September 2015

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated income statement for the period ended 30 September 2015

	Group First Quarter Ended 30 September		
	2015	**2014**	**Change**
	S$'000	**S$'000**	+/(-)%
Revenue	75,175	83,033	**(9)**
Cost of sales	(38,767)	(40,237)	(4)
Gross profit	36,408	42,796	**(15)**
Other operating income	839	387	n.m.
Distribution and selling expenses	(29,636)	(30,601)	(3)
Administrative expenses	(7,117)	(9,497)	(25)
Operating profit	494	3,085	**(84)**
Foreign exchange gain	1,578	509	n.m.
Interest income	19	17	12
Interest expenses	(1,563)	(1,342)	16
Share of results of joint ventures	12	-	n.m.
Profit before taxation	540	2,269	**(76)**
Income tax expense	(684)	(1,534)	(55)
(Loss)/profit for the period, net of tax	(144)	735	**n.m.**
(Loss)/profit attributable to:			
Owners of the Company	(150)	737	n.m.
Non-controlling interests	6	(2)	n.m.
	(144)	735	**n.m.**

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income for the period ended 30 September 2015

	Group First Quarter Ended 30 September		
	2015	**2014**	**Change**
	S$'000	**S$'000**	+/(-)%
(Loss)/profit for the period, net of tax	**(144)**	**735**	**n.m.**
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Revaluation gain of land and buildings, net of tax	-	-	n.m.
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation	4,566	1,344	n.m.
Other comprehensive income for the period, net of tax	**4,566**	**1,344**	**n.m.**
Total comprehensive income for the period	**4,422**	**2,079**	**n.m.**
Total comprehensive income attributable to:			
Owners of the Company	**4,404**	**2,077**	**n.m.**
Non-controlling interests	**18**	**2**	n.m.
	4,422	**2,079**	**n.m.**

Notes:

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

	First Quarter Ended 30 September		
	2015	**2014**	**Change**
	S$'000	**S$'000**	+/(-)%
Depreciation of property, plant and equipment	3,195	2,598	23
Amortisation of intangible assets	338	317	7
Loss on disposal of property, plant and equipment	1	68	(99)
Property, plant and equipment written off	89	5	n.m.
Net write-down/(reversal of write-down) of inventories	34	(7)	n.m.
Inventories written off	329	239	38
Bad debts (trade) written off	106	-	n.m.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30-Sep-15	30-Jun-15	30-Sep-15	30-Jun-15
	S$'000	S$'000	S$'000	S$'000
Non-current assets				
Property, plant and equipment	206,034	200,134	715	568
Investments in subsidiaries	-	-	77,048	77,583
Amounts due from subsidiaries	-	-	60,661	57,342
Other receivables	8,000	8,183	-	-
Investments in joint ventures	909	844	-	-
Long term investments	357	-	357	-
Investment properties	47,255	46,276	-	-
Intangible assets	4,175	4,536	828	971
Prepayments	1,299	1,670	-	-
Deferred tax assets	803	858	102	102
	268,832	**262,501**	**139,711**	**136,566**
Current assets				
Inventories	90,146	87,227	-	-
Trade and other receivables	16,123	15,107	122	117
Prepayments	4,340	2,298	266	88
Amounts due from subsidiaries	-	-	62,459	59,871
Tax recoverable	500	221	-	-
Cash and cash equivalents	22,159	25,068	957	3,482
	133,268	**129,921**	**63,804**	**63,558**
Current liabilities				
Trade and other payables	36,758	36,504	1,458	2,087
Provision for long service payments	79	85	-	-
Interest bearing loans and borrowings	76,697	73,398	53,650	50,500
Hire purchase creditors	136	142	78	78
Provision for restoration costs	776	1,097	-	-
Deferred revenue	3,167	3,377	-	-
Tax payable	5,373	4,716	88	88
Amounts due to a joint venture	533	493	-	-
Derivatives	-	-	-	-
	123,519	**119,812**	**55,274**	**52,753**
Net current assets	**9,749**	**10,109**	**8,530**	**10,805**
Non-current liabilities				
Interest bearing loans and borrowings	807	934	-	-
Notes payable	99,402	98,287	99,402	98,287
Long term loans from non-controlling shareholders of subsidiaries	159	151	-	-
Hire purchase creditors	140	180	100	120
Provision for restoration costs	2,344	2,119	-	-
Provision for long service payments	218	216	-	-
Deferred tax liabilities	10,032	9,823	-	-
Other payables	902	745	-	-
	114,004	**112,455**	**99,502**	**98,407**
Net assets	**164,577**	**160,155**	**48,739**	**48,964**
Equity attributable to owners of the Company				
Share capital	41,490	41,490	41,490	41,490
Reserves	122,886	118,482	7,249	7,474
	164,376	**159,972**	**48,739**	**48,964**
Non-controlling interests	201	183	-	-
Total equity	**164,577**	**160,155**	**48,739**	**48,964**

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

Amount repayable in one year or less, or on demand

As at 30-Sep-15		As at 30-Jun-15	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$298,000	S$76,535,000	S$320,000	S$73,220,000

Amount repayable after one year

As at 30-Sep-15		As at 30-Jun-15	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$947,000	S$99,561,000	S$1,114,000	S$98,438,000

Details of any collateral

Secured borrowings are:

(1) bank loan secured by a charge over the property of a subsidiary; and

(2) finance lease liabilities secured by the rights to the leased assets.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	First Quarter Ended 30 September	
	2015	2014
	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	**540**	**2,269**
Depreciation of property, plant and equipment	3,195	2,598
Amortisation of intangible assets	338	317
Loss on disposal of property, plant and equipment	1	68
Property, plant and equipment written off	89	5
Foreign currency translation realignment	(1,114)	211
Net write-down/(reversal of write-down) of inventories	34	(7)
Inventories written off	329	239
Bad debts (trade) written off	106	-
Interest income	(19)	(17)
Interest expense	1,563	1,342
Share of results of joint ventures	(12)	-
Deferred revenue	11	78
(Decrease)/increase in long service payments	(2)	18
Operating cash flows before changes in working capital	**5,059**	**7,121**
Increase in trade and other receivables	(939)	(2,183)
(Increase)/decrease in prepayments	(1,671)	6,265
Increase in amount due to a joint venture	40	206
Increase in inventories	(3,282)	(5,430)
Increase in trade and other payables	363	3,427
Cash flows (used in)/from operations	**(430)**	**9,406**
Interest received	18	17
Interest paid	(479)	(251)
Income tax refund	-	10
Income taxes paid	(557)	(677)
Net cash flows (used in)/from operating activities	**(1,448)**	**8,505**
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,297)	(17,893)
Purchase of investment property	-	(15,097)
Purchase of intangible assets	(69)	(141)
Proceeds from sale of property, plant and equipment	1	1
Payment for long term investment	(357)	-
Net cash used in investing activities	**(3,722)**	**(33,130)**
Cash flows from financing activities		
Proceeds from interest bearing loans and borrowings	3,500	18,650
Repayment of interest bearing loans and borrowings	(390)	(3,415)
Repayment of hire purchase creditors	(34)	(35)
Proceeds from exercise of employee share options	-	246
Net cash flows generated from financing activities	**3,076**	**15,446**
Net decrease in cash and cash equivalents	(2,094)	(9,179)
Cash and cash equivalents as at beginning of the period	25,068	45,118
Effects of exchange rates changes on cash and cash equivalents	(815)	215
Cash and cash equivalents at end of the financial period	**22,159**	**36,154**

1(c)

	Group	
	First Quarter Ended 30 September	
	2015	2014
	S$'000	S$'000
A. Purchase of property, plant and equipment		
Aggregate cost of property, plant and equipment acquired	3,321	17,938
Less :		
Restoration costs capitalised	(24)	(45)
Cash payments to acquire property, plant and equipment	**3,297**	**17,893**

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	
	First Quarter Ended 30 September	
	2015	2014
	S$'000	S$'000
Cash and bank balances	22,159	36,154
	22,159	**36,154**

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.

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Asset revaluation reserve	Capital reserve	Premium paid on acquisition of non-controlling interests	Share options reserve	Warrant reserve	Foreign currency translation reserve	Revenue reserve	Total		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group											
At 1 Jul 2015	41,490	30,951	453	(35)	770	437	(16,374)	102,280	159,972	183	160,155
Loss for the period, net of tax	-	-	-	-	-	-	-	(150)	(150)	6	(144)
Other comprehensive income, net of tax	-	-	-	-	-		4,554	-	4,554	12	4,566
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**4,554**	**(150)**	**4,404**	**18**	**4,422**
At 30 Sep 2015	**41,490**	**30,951**	**453**	**(35)**	**770**	**437**	**(11,820)**	**102,130**	**164,376**	**201**	**164,577**

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Asset revaluation reserve	Capital reserve	Premium paid on acquisition of non-controlling interests	Share options reserve	Warrant reserve	Foreign currency translation reserve	Revenue reserve	Total		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group											
At 1 Jul 2014	40,639	27,872	453	(35)	1,258	437	(20,116)	107,130	157,638	169	157,807
Profit for the period, net of tax	-	-	-	-	-	-	-	737	737	(2)	735
Other comprehensive income, net of tax	-	-	-	-	-	-	1,340	-	1,340	4	1,344
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**1,340**	**737**	**2,077**	**2**	**2,079**
Contributions by and distributions to owners											
Shares issued pursuant to the exercise of share options	294	-	-	-	(48)	-	-	-	246	-	246
Share options lapsed	-	-	-	-	(266)	-	-	266	-	-	-
Total contributions by and distributions to owners	**294**	**-**	**-**	**-**	**(314)**	**-**	**-**	**266**	**246**	**-**	**246**
At 30 Sep 2014	**40,933**	**27,872**	**453**	**(35)**	**944**	**437**	**(18,776)**	**108,133**	**159,961**	**171**	**160,132**

	Attributable to owners of the Company				Total equity
	Share capital	Share options reserve	Warrant reserve	Revenue reserve	
	S$'000	S$'000	S$'000	S$'000	S$'000
Company					
At 1 Jul 2015	41,490	770	437	6,267	48,964
Loss for the period, net of tax	-	-	-	(225)	(225)
Total comprehensive income for the period	**-**	**-**	**-**	**(225)**	**(225)**
At 30 Sep 2015	**41,490**	**770**	**437**	**6,042**	**48,739**
At 1 Jul 2014	40,639	1,258	437	15,603	57,937
Loss for the period, net of tax	**-**	**-**	**-**	(2,993)	(2,993)
Total comprehensive income for the period	**-**	**-**	**-**	**(2,993)**	**(2,993)**
Contributions by and distributions to owners					
Shares issued pursuant to the exercise of share options	294	(48)	-	-	246
Share options lapsed	-	(266)	-	110	(156)
Total transactions with owners in their capacity as owners	**294**	**(314)**	**-**	**110**	**90**
At 30 Sep 2014	**40,933**	**944**	**437**	**12,720**	**55,034**

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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.

A) Changes in share capital during the financial period

As at 30 September 2015, the Company's issued and paid up capital, excluding treasury shares comprises 447,281,217 (30 June 2015: 447,281,217) ordinary shares. There is no movement in the number of the Company's issued and paid up capital.

B) Share Options – Eu Yan Sang Employees Share Option Scheme

Between 1 July 2015 and 30 September 2015, the Company has not issued any ordinary shares under the Eu Yan Sang Employees Share Option Scheme 2000 ("the 2000 scheme").

Under the 2000 scheme, options to subscribe for 1,944,000 shares remained outstanding as at 30 September 2015, compared to 2,292,000 as at 30 September 2014. There is no movement in the number of unissued shares of the Company under the 2000 scheme during Q1FY16.

Between 1 July 2015 and 30 September 2015, the Company has not issued any ordinary shares under the Eu Yan Sang Employees Share Option Scheme 2006 ("the 2006 scheme").

Under the 2006 scheme, options to subscribe for 5,911,000 shares remained outstanding as at 30 September 2015, compared to 7,174,000 as at 30 September 2014. There is no movement in the number of unissued shares of the Company under the 2006 scheme during Q1FY16.

C) Performance Share Plan

At the extraordinary general meeting of the Company held on 25 October 2007, the Company's shareholders approved the adoption of the Eu Yan Sang Performance Share Plan ("EYS PSP"). As at 30 September 2015, no shares were granted and outstanding under the EYS PSP (30 September 2014: nil).

D) Treasury shares

No treasury shares were held by the Company as at 30 September 2015 and 30 September 2014.

E) Warrants

During FY12, the Company issued 22,000,000 Warrants in conjunction with the issuance of interest bearing notes at par of $25,000,000. The Warrants were issued at an issue price of S$0.04 per Warrant and each Warrant carried the right to subscribe for 1 ordinary share in the capital of the Company at an exercise price of $0.83 for each new share.

The Warrants are exercisable any time during a period of 5 years from the issue date of the Warrants. Noteholders of the S$25,000,000 Notes have the option to tender the notes at par in lieu of cash payment for the exercise of the Warrants at the exercise price at any time before the maturity date.

Between 1 July 2015 and 30 September 2015, no convertible warrants have been exercised.

As at 30 September 2015, there were 22,000,000 (30 September 2014: 22,000,000) outstanding convertible warrants with exercise price at $0.83 (30 September 2014: $0.83) for each ordinary share.

1(d)(iii) To show the total number of issued shares excluding treasury shares at the end of the current financial period and as at the end of the immediately preceding year.

The number of issued shares as at 30 September 2015 is 447,281,217 (30 June 2015: 447,281,217) ordinary shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those of the audited financial statements for the year ended 30 June 2015.

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.

During the current financial year, the group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 First Quarter Ended 30 September	
	2015	**2014**
Earnings per ordinary share of the Group based on net (loss)/profit attributable to shareholders:	**cents**	**cents**
(i) Based on the weighted average number of ordinary shares	**(0.03)**	**0.17**
Weighted average number of shares ('000)	447,281	446,040
(ii) On a fully diluted basis	**(0.03)**	**0.16**
Weighted average number of shares ('000)	447,653	448,903

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year.

	30-Sep-2015	**30-Jun-2015**
Net asset value per ordinary share based on issued share capital	**cents**	**cents**
For the Group	36.8	35.8
For the Company	10.9	10.9

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) 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; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

The Group saw a 9% decline in revenue for the 1st quarter, primarily due to lower revenue generated from Hong Kong but partially offset by higher revenue from Singapore and Australia. The Group's revenue was also impacted by the weakening Malaysian Ringgit ("MYR") and Australian Dollar ("AUD").

Gross margin of 48% for the 1st quarter was 4% below that of the previous corresponding quarter, largely due to the impact of product sales mix and promotions.

The Group's operating profit for the 1st quarter was below last year, primarily due to the decline in revenue and gross margin contribution. The impact was partially cushioned by lower operating expenses largely from savings in personnel-related expenses.

The decline in operating profit consequently led to the lower profit before tax ("PBT") and loss after tax for the Group. The decline in the Group's PAT was partially cushioned by higher foreign exchange gain as a result of the translation of Hong Kong dollar ("HKD") denominated balances.

(A) Revenue

The Group's revenue for the 1st quarter went down by 9% against the previous corresponding quarter. In terms of segment performance, the decline in revenue was primarily from the wholesale segment. In terms of geographical performance, the lower revenue was primarily due to the dip in revenue from Hong Kong and Malaysia but partially offset by revenue growth in Australia and Singapore.

Revenue by Activities

	Group First Quarter Ended 30 September		
	2015	**2014**	**Change**
Activities	**S$'000**	**S$'000**	+/(-)%
Retail (TCM & non TCM)	61,976	62,353	**(1)**
Wholesale (TCM & non TCM)	7,950	15,383	**(48)**
Clinic - TCM	4,168	4,362	**(4)**
Others	1,081	935	**16**
	75,175	**83,033**	**(9)**

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

Retail – Retail revenue for the 1st quarter decreased marginally by 1% against the previous corresponding quarter. Hong Kong's retail revenue continued to be affected by challenges in its retail environment while stronger retail performance was noted in both Australia and Singapore. The Group's retail revenue was also impacted by the weakening Ringgit and AUD.

Wholesale – Wholesale revenue for the 1st quarter fell by 48% against the previous corresponding quarter. Hong Kong's wholesale revenue continued to be impacted by the slowdown in mainland tourists' spending while Australia's wholesale revenue was affected by the weakening AUD.

Clinic – Clinic revenue declined by 4% against the previous corresponding quarter. Patient traffic for the clinics in Singapore was affected by the Haze Subsidy Scheme, which was made available to Singaporeans during the haze period.

Revenue under "Others" mainly related to food and beverages ("F&B") income, rental income and franchise fee income. The higher revenue under "Others" for the 1st quarter was primarily due to higher revenue contribution from the F&B operations in Shanghai.

Turnover by Geographical Locations:

Core Countries		First Quarter Ended 30 September 2015 '000	2014 '000	Change +/(-)%
Hong Kong*	**SGD**	30,256	38,533	(21)
	HKD	167,162	237,860	(30)
Singapore	**SGD**	20,582	18,534	11
Malaysia	**SGD**	11,585	13,827	(16)
	MYR	34,074	35,275	(3)
Australia	**SGD**	12,752	12,139	5
	AUD	12,723	10,577	20
Total	**SGD**	**75,175**	**83,033**	(9)

** Include Macau and China.*

Hong Kong's revenue for the 1st quarter, in terms of local currency, fell by 30% against last year, primarily due to the continual challenges faced in Hong Kong's macro environment and decline in spending of mainland tourists. The stronger HKD helped to reduce Hong Kong's revenue decline in SGD.

Singapore's revenue for the 1st quarter went up by 11% against the previous corresponding quarter, mainly driven by favorable consumer response to various promotion campaigns.

In local currency terms, Malaysia's revenue for the 1st quarter decreased by 3% against last year. As a result of the weakening MYR, Malaysia's revenue in SGD dropped by 16% against last year.

In terms of local currency, Australia's revenue for the 1st quarter grew by 20% as compared to last year, largely due to the increase in company-operated outlets and the increase in same-store sales. However, the growth in SGD was reduced to 5% as a result of the weakening AUD.

(B) FY16 Q1 Outlets & Clinics

Countries	Retail						General TCM Clinics		Premier TCM Clinics		Integrative Medical Centre		F&B outlets	
	Company-operated outlets		Franchise outlets		Total									
	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total	Added / (Closed)	Total
Australia	1	45	(4)	21	(3)	66	-	-	-	-	-	-	-	-
Malaysia	(5)	85	-	-	(5)	85	-	6	-	-	-	-	-	2
Hong Kong	1	60	-	-	1	60	-	-	-	-	1	2	-	-
Singapore	(2)	44	-	-	(2)	44	1	25	-	2	-	-	-	-
China	-	11	-	-	-	11	-	-	-	-	-	-	(1)	2
Macau	-	2	-	-	-	2	-	-	-	-	-	-	-	-
Total	**(5)**	**247**	**(4)**	**21**	**(9)**	**268**	**1**	**31**	**-**	**2**	**1**	**2**	**(1)**	**4**

The Group's retail network consisted of 247 company-operated outlets and 21 franchise outlets as at 30 September 2015. During the 1st quarter, a net total of 2 company-operated outlets was added in Australia and Hong Kong. 7 company-operated outlets were closed in Malaysia and Singapore while there was a net reduction of 4 franchise outlets in Australia.

There was an addition of 1 clinic in Singapore, resulting in 33 TCM clinics as at 30 September 2015. For Integrative Medical Centre ("IMC"), 1 clinic was opened in Hong Kong during the 1st quarter, resulting in 2 IMC as at 30 September 2015.

During the 1st quarter, 1 F&B outlet was closed in Shanghai. The total number of F&B outlets for the Group stood at 4 as at 30 September 2015.

(C) Profitability

The Group's operating profit for the 1st quarter was below the previous corresponding quarter, primarily due to the decline in revenue and gross margin contribution. The lower operating profit consequently led to the lower PBT and loss after tax for the Group. The lower profit for the Group was partially cushioned by higher foreign exchange gain as a result of the translation of HKD-denominated balances.

(D) Distribution and selling expenses

The Group's D&S expenses for the 1st quarter were 3% below last year, largely due to savings in personnel-related expenses. The decline in D&S expenses was partially offset by higher operating costs from the increase in company-operated outlets in Australia and the F&B operations in Shanghai. Higher advertising and promotion expenses were also incurred in Singapore to support various promotion campaigns.

(E) Administrative expenses

Administrative expenses for the 1st quarter were 25% below last year, primarily due to lower personnel-related expenses across most markets and lower spending on branding and corporate communication activities.

(F) Interest expenses

Interest expenses for the 1st quarter were S$1.6 million, higher than that of the previous corresponding quarter, mainly due to the higher short-term loans and borrowings taken up by the Group.

(G) Income tax expense

The lower tax expense for the 1st quarter was largely due to lower taxable profits for some subsidiaries within the Group. The higher effective tax rate was primarily due to the changes in the composition of profit or loss positions of the subsidiaries within the Group.

(H) Property, plant and equipment

The increase in property, plant and equipment ("PPE") was partly due to construction-in-progress arising from factory construction in Hong Kong and capital expenditure on new and existing retail outlets. Part of the increase in the Group's PPE was also attributed to the stronger HKD.

(I) Inventories

The higher inventories were largely due to the building up of inventories for upcoming promotions.

(J) Prepayments

The increase in prepayments was mainly due to advance payment for inventories and prepayment for services.

(K) Cash and cash equivalents

The decline in cash and cash equivalents was attributed to capital expenditure, interest and income taxes paid during the 1st quarter.

(L) Interest bearing loans and borrowings

The higher loans and borrowings were largely due to short-term borrowings taken up for working capital purposes.

(M) Cash flows

Net cash used in operating activities for the 1st quarter was S$1.4 million while net cash of S$8.5 million was generated for the previous corresponding quarter. The net decline in cash generated from operating activities for the Group was primarily due to the lower operating profit during the 1st quarter.

Net cash used in investing activities for the 1st quarter was S$3.7 million, largely arising from capital expenditure on new and existing outlets and factory construction in Hong Kong. The cash outflow in the 1st quarter was lower than that of last year as last year's cashflow included the acquisition of properties in Hong Kong and Macau.

Net cash generated from financing activities for the 1st quarter was below last year by S$12.4 million, mainly due to lower short-term borrowings taken up by the Group.

The Group's cash and cash equivalents stood at S$22.2 million as at 30 September 2015 compared to S$36.2 million as at 30 September 2014.

The Group’s gearing ratio was 94.4% as at 30 September 2015.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The results for the period are in line with the prospect statement contained in the FY2015 full year announcement made on 26 August 2015.

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.

The Group expects macro-environmental issues in Hong Kong and Malaysia to persist, which may cause significant impact on the Group’s future performance in these markets. Whilst Hong Kong have recorded a significant decline in revenues on both retail and wholesale compared to same quarter in the previous financial year due to general reduction in tourists from mainland China, revenues from online sales platforms and at cross border, tax free outlets have shown traction although nascent at this stage. For Malaysia, the weak retail performance has been exacerbated by depreciation of its currency and the Group does not see a rebound in the near future.

Meanwhile, on a positive note, operations in Australia are on track with double digit same store sales growth, and the Group intends to continue to grow its existing network in Australia. Singapore has also demonstrated positive revenue growth through incremental improvements in its retail operations and is expected to grow its wholesale business. These markets are expected to cushion the overall reduction in group revenues from Hong Kong and Malaysia.

Overall, the Group expects the business environment in the next twelve months to be difficult. In view of this, the Group has also implemented cost reduction initiatives through the rationalisation of weak performing retail outlets while continuing to focus on improving efficiency of back office operations through the use of technology. With more emphasis on the wholesale and e-commerce channels to furthering growth opportunities, the Group expects to mitigate the impact from the negative operating environment and move towards a turnaround.

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.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Interested Persons Transactions for the financial period ended 30 September 2015

Interested Person Transaction Transactions with:-	**Aggregate value of all interested person transactions (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)** **S$'000**	**Aggregate value of all interested person transactions conducted under shareholders' mandate (excluding transactions less than S$100,000 pursuant to Rule 920)** **S$'000**
(a) XAct Solutions Pty. Ltd	1	-

14. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year 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 first quarter unaudited financial statements for the period ended 30 September 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lam Chee Weng
Chief Financial Officer
12 November 2015