EU YAN SANG INTERNATIONAL LTD

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For Immediate Release

Eu Yan Sang posts net loss of S$144,000; pre-tax profit of S$540,000 affected by external factors

- Retail and wholesale environment in Hong Kong and Malaysia remains challenging
- Singapore and Australia continue to show strong growth momentum and this is expected to continue into FY16/17
- Revenues from tax free outlets and online and e-commerce channels register nascent pickup, indicating exponential growth in the near future
- An improvement versus Q4 as a result of rationalisation measures

Singapore, 12 November 2015 – SGX-listed integrative health and wellness company Eu Yan Sang International Ltd ("EYSI", "the Group" or "余仁生国际企业") posted a net loss of S$144,000 and a pre-tax profit of S$540,000 for the first quarter ended 30 September 2015 ("Q1FY2016"). The weak financial performance was largely due to macro factors such as the decreased spending from parallel traders and mainland Chinese visitors in Hong Kong due to travel restrictions imposed by China. The overall weakening of the Malaysian Ringgit and Australian Dollar further exacerbated the Group's financial performance. Despite these challenges, the Group's earnings were partially offset by higher revenue growth in Australia and Singapore.

Financial Highlights

Financial Highlights (S$ '000)	**1QFY2016 ended 30 Sep 2015**	**1QFY2015 ended 30 Sep 2014**	**Change +/(-)%**
Revenue	75,175	83,033	(9)
Gross Profit	36,408	42,796	(15)
Gross Profit Margin	48%	52%	(4)
Operating expenses	(36,753)	(40,098)	(8)
Operating profit	494	3,085	(84)
Profit before tax	540	2,269	(76)
(Loss)/profit to shareholders	(150)	737	n.m.

The Group's revenue dropped by 9% to S$75.18 million year-on-year (y-o-y), primarily due to a decline in revenue from the wholesale segment. Gross margin fell to 48% from 52% in Q1FY2015 due to the impact of product sales mix and promotions.

Lower revenue and gross margin distribution reduced operating profit by 84% to S$494,000 from S$3.09 million for the corresponding period under review.

The Group's retail revenue has decreased marginally by 1% to S$61.98 million. The wholesale segment saw the largest decline, as revenue dropped by 48% to S$7.95 million, mainly from the

slowdown of Chinese tourists' expenditure in Hong Kong. Revenue from the TCM clinic division declined by 4% y-o-y as patient traffic for the clinics in Singapore was affected by the Haze Subsidy Scheme and the Community Health Assist Scheme (CHAS) for Singaporeans during this period.

In announcing the Q1FY2016 earnings, Mr Richard Eu (余义明), Group Chief Executive Officer, said: "The volatile business environments in our key markets like Hong Kong and Malaysia will continue to pose significant challenges for the Group. We do not see a quick recovery in the near future. On the flip side, Australia and Singapore show escalated growth, with Australia on track to register double digit same store sales growth. Singapore has also demonstrated positive revenue growth and the wholesale business is expected to pick up momentum."

"We have started evolving our business in view of the changing consumption and retail landscape. Our TCM and wellness products from various markets are now available at tax free outlets and e-commerce channels, allowing consumers and parallel traders to purchase products previously not available in their countries. We have also taken steps to ensure we have a healthy pipeline of products that answer to the lifestyle and market demands."

Business Updates in Key Markets (quoted in local currency)

Hong Kong reported a drop of 30% in revenue due to a soft economy and the ongoing challenging retail environment. The strong Hong Kong Dollar helped to reduce Hong Kong's revenue decline to 21% when translated to Singapore Dollars. The Group also added one company-operated retail outlet and one integrative medical centre in Hong Kong during the quarter.

Revenue from Singapore has improved by 11%, mainly driven by positive consumer responses and effective promotional campaigns. During the quarter, the Group closed two company-operated retail outlets, but added one general TCM clinic. While Singapore's positive retail performance helped to cushion the declining retail revenue of the Group, clinic revenue from Singapore was affected by various subsidy schemes made available by the government to Singaporeans during the past quarter for treatments at General Practitioners clinics, causing clinic patient traffic to decline.

Revenue from Malaysia saw a marginal decrease of 3% to RM$34.07 million against corresponding quarter last year. However, as a result of the weakening of the Malaysian currency, the revenue from Malaysia in Singapore dollars dropped by 16% y-o-y. During the quarter, the Group rationalised five company-operated retail outlets in Malaysia.

In Australia, revenue surged by 20% 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 a 5% increment in revenue growth when expressed in Singapore currency. Australia added one company-operated retail outlet while four outlets exited the Group's franchise network during the period under review.

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Revenue from "Others", which is largely related to food and beverages, franchise fee and rental income, registered a healthy growth of 16% to S$1.10 million. The higher revenue 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 is expected to be difficult. Political and economic issues and challenges in Hong Kong and Malaysia will continue to persist, which may cause significant impact on the Group's short- to mid-term financial performance. While Hong Kong has recorded a decline in retail and wholesale revenue, online sales channels and tax free outlets have shown promising potentials. Malaysia has been hit hard by weak retail performance and currency devaluation, which the Group is not expecting to see a rebound in the near future.

Operations in Australia are on track to register double digit same-store sales growth, and the Group intends to grow its existing network there. To speed up the turnaround, the Group has announced last week that its wholly-owned subsidiary Healthy Life Group is considering an option to acquire seven health food retail stores owned by Venture Integrity Health, a leading health and wellness retailer in Australia. The proposed merger, scheduled to be completed in 2016-17, is expected to boost the Group's operations in Australia and show positive increments in revenue for the Group with retail stores in high-traffic areas especially in the Greater Sydney area. Opportunities to introduce new labels under Healthy Life will be explored by the Group.

Singapore has also demonstrated positive revenue growth through incremental improvements in its retail and wholesale operations. These markets are expected to help cushion the overall reduction in Group revenues from Hong Kong and Malaysia.

In view of the challenging environment ahead, the Group has also implemented 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. With more emphasis on wholesale and e-commerce channels, the Group expects to mitigate the impact from the negative operating environment and turn the business around.

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About Eu Yan Sang International Ltd (SGX: EYSI)

Listed on the Singapore Exchange, Eu Yan Sang International Ltd (EYSI or the Group) 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 its 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 to the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Cooperation Scheme (PIC/S) Guide to GMP for Medicinal Products.

As at 30 September 2015, Eu Yan Sang has an extensive distribution network comprising 247 company-operated retail outlets in China, Hong Kong, Macau, Malaysia, Singapore and Australia and 21 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 33 TCM Clinics in Singapore and Malaysia, and two Integrative Medical Centres in Hong Kong. The Group also operates four food and beverage (F&B) outlets in China and Malaysia.

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