Eu Yan Sang International Ltd
Eu Yan Sang Centre
21 Tai Seng Drive
Singapore 535223
Tel: (65) 6225 3211 Fax: (65) 6225 8276

For Immediate Release

Eu Yan Sang reports drop in FY15 net profit due to macro factors in Hong Kong and Malaysia; declares half cent dividend per share

- Net profit for FY15 at S$4.6 million and revenue of S$350 million
- Results affected by political standoffs in key markets, new travel limits to Hong Kong by China, currency devaluation and a lack of momentum in the retail sector
- Business environment in key markets is expected to remain clouded by macroeconomic and political uncertainties
- Cost reduction initiatives are implemented and the Group is working on partnerships to ensure long term growth initiatives in China and Australia
- The Group has started to tweak its business model, including an expansion in wholesale and digital channels across all markets

Singapore, 26 August 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 year-on-year ("y-o-y") net profit of S$4.56 million for the financial year ended 30 June 2015 ("FY2015"). The weak financial performance was due to factors beyond the Group's control such as the ongoing political standoffs in Malaysia and Hong Kong, new travel restrictions to Hong Kong imposed by China has affected spending by mainland Chinese tourists and parallel traders, currency devaluation in Malaysia and Australia, and a soft retail sector on low consumer confidence stemming from continuing economic uncertainty. Despite these challenging macro environments in key markets, the Group's earnings were partially offset by improving revenue growth in Singapore and Australia.

Financial Highlights

Financial Highlights (S$ '000)	4QFY2015 ended 30 Jun 15	4QFY2014 ended 30 Jun 14	Change +/(-)%	FY2015 ended 30 Jun 15	FY2014 ended 30 Jun 14	Change +/(-)%
Revenue	72,251	84,587	(15)	350,408	366,267	(4)
Gross Profit	35,375	44,064	(20)	173,108	184,272	(6)
Gross Profit Margin	49%	52%	(3)	49%	50%	(1)
Operating expenses	(40,435)	(42,006)	(4)	(164,935)	(160,748)	3
Operating (loss)/profit	(3,891)	2,672	n.m.	10,746	26,301	(59)
(Loss)/profit before tax	(472)	3,379	n.m.	12,367	22,737	(46)
(Loss)/profit to shareholders	(3,599)	1,607	n.m.	4,563	15,033	(70)

Revenue reduced to $350.41 million y-o-y, largely contributed by reduction in retail and wholesale segments. Gross margin fell to 49% from 50% due to the impact of product sales mix and promotions.

Lower revenue and higher distribution and selling expenses trimmed operating profit by 59% to $10.75 million from $26.30 million for the corresponding period under review last year.

The Group has proposed a first and final dividend of half cent per share, maintaining its dividend payout to shareholders.

In announcing the fourth quarter and full year earnings, Mr Richard Eu (余义明), Group Chief Executive Officer, said: "The fragile political and business environments in our key markets particularly Hong Kong and Malaysia will continue to pose operating challenges for the Group in the next 12 months. Meanwhile, Singapore and Australia are showing sustainable improvements, translating to revenue growth upside, which helps to cushion the overall reduction in revenues. We expect the business environment in the next twelve months to be difficult as overall revenue will be subdued against rising operating costs.

"In recognising business uncertainty, we have started to tweak our business model. We have started to build on our existing wholesale channels by working to make Hong Kong-made products available through cross border e-commerce initiatives encouraged by the Chinese government. This new initiative allows Chinese consumers and parallel traders to purchase products currently not readily available in China through online and offline marketing platforms. Our brand is well-perceived among Chinese consumers and business owners. Because of this, we have taken concrete steps to expand our business revenue channels and to differentiate ourselves from others by capitalising on scientific research, innovations, and the 136-years of trust on our brand. The continuing demand from mainland Chinese customers and parallel traders will be met by our Hong Kong manufacturing facility."

"We are also expanding into the online channels to increase our presence in untapped markets and to drive sales from a mobile, borderless generation of customers as we evolve our products and services pipeline that moves with the lifestyle and market demand," Mr Eu added.

FY2015 Revenue by Activities

Retail revenue for the review period dropped 2% to S$284.11 million, largely as a result of challenging macro environment in Hong Kong and Malaysia, which affected retail performance. The wholesale segment also saw a decline, as revenue dipped by 21% to S$44.60 million, mainly due to lower contribution from Hong Kong and Australia.

Hong Kong's performance was affected due to the decline in mainland tourists' and parallel traders spending, while the implementation of GST and the decrease in franchise outlets affected Malaysia and Australia respectively. Revenue from clinics remained flat, while the revenue from "Others" largely relating to food and beverage (F&B) and rental income reported a higher growth of 22% to S$4.80 million.

Mr Eu added: "Our long-term partnerships with hospitals, drugstores and wholesale distributors remain strong and these are strategic channels to expand our reach to a wider market. Such growth opportunities are expected to extend trust of our products and increase our presence in different channels and touch points."

FY2015 Revenue by Geographical Locations

In geographical and local currency terms, Hong Kong reported a drop of 18% in revenue due to challenges faced in Hong Kong's macro environment and the drop in spending by mainland tourists. Malaysia saw a marginal decline of 1% largely due to softer retail demand following the GST implementation in April 2015.

Australia surged 27% as a result of an increase in the number of company-operated outlets and the increase in same-store sales. Revenue in Singapore improved by 4%, mainly driven by sales of new products and effective marketing campaigns.

Group's Retail Outlets and Clinics

The Group added eight company-operated outlets in Australia, four in Malaysia and one in Hong Kong. Meanwhile, four outlets were closed in Singapore, three in China and one in Macau. The total number of retail outlets dropped to 277 which comprised 252 company-operated outlets and 25 franchise outlets.

During the year, one clinic was launched in Malaysia while there was a net closure of one clinic in Singapore, resulting in 30 General TCM clinics. There was a closure of one Integrative Medical Centre (IMC) while another IMC remained open. The number of Premier TCM clinics remains unchanged at two. As at 30 June 2015, the Group has a total of 32 General and Premier TCM clinics and one IMC.

Going Forward

The Group remains cautious on its business outlook as macro-environmental issues and challenges in Hong Kong and Malaysia will continue to persist, which may cause significant impact on the Group's future performance. Store rationalisation will continue in China as the Group focuses on online and wholesale channels. While the travel restrictions to Hong Kong imposed on mainland Chinese have affected parallel traders coming to Hong Kong to purchase Eu Yan San products, it has encouraged sales of our products at online sales platforms and at cross border, tax free outlets.

Operations in Australia are on track to show a turnaround by FY16 through double digit same store sales growth. To accelerate the turnaround in Australia, the Group intends to acquire existing businesses to strengthen its existing network in Australia. Singapore will continue to demonstrate incremental improvements and provide positive revenue growth. This will help 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 minimise impact from the negative operating environment.

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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 June 2015, Eu Yan Sang has an extensive distribution network comprising 252 company-operated retail outlets in China, Hong Kong, Macau, Malaysia, Singapore and Australia and 25 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 32 TCM Clinics in Singapore and Malaysia, and one Integrative Medical Centres in Hong Kong. During the same period, the Group added three food and beverage (F&B) outlets in Shanghai, bringing the total number of F&B outlets to five.

For more information on Eu Yan Sang, please contact:

Weber Shandwick
Karen Yap
T: +65 6825 8068
M: + 65 9738 6291
E: kyap@webershandwick.com

Eu Yan Sang International Ltd
Cecilia Soh
T: +65 6704 9626
M: +65 9027 5455
E: cecilia.soh@euyansang.com