


CHANGE IN CAPITAL :: OTHERS :: PROPOSED ISSUE OF UNSECURED S\$25,000,000 NOTES DUE 2016 AND 22,000,000 WARRANTS

* Asterisks denote mandatory information

Name of Announcer *	EU YAN SANG INTERNATIONAL LTD
Company Registration No.	199302179H
Announcement submitted on behalf of	EU YAN SANG INTERNATIONAL LTD
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 ...

Announcement Title *	PROPOSED ISSUE OF UNSECURED S\$25,000,000 NOTES DUE 2016 AND 22,000,000 WARRANTS
Specific shareholder's approval required? *	No
Description	Please see attached.
Attachments	 Announcement_for_the_signing_of_the_placement_agreement.pdf Total size = 114K (2048K size limit recommended)

EU YAN SANG INTERNATIONAL LTD
(Company Registration No. 199302179H)
(Incorporated in the Republic of Singapore)

**PROPOSED ISSUE OF UNSECURED S\$25,000,000 NOTES DUE 2016 (THE “NOTES”) AND
22,000,000 WARRANTS (THE “WARRANTS”) (THE “PROPOSED ISSUE”)**

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Directors**”) of Eu Yan Sang International Ltd (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to its announcements dated 3 October 2011 and 16 November 2011 in relation to the Proposed Issue.
- 1.2 The Directors wish to announce that the Company has on 22 November 2011 entered into a placement agreement (the “**Placement Agreement**”) with HL Bank, Singapore Branch as arranger and placement agent (the “**Placement Agent**”) in relation to the Proposed Issue. Further to the entry into the Placement Agreement, the Company has on 22 November 2011 also entered into the deed poll constituting the Warrants (the “**Deed Poll**”) and the warrant agency agreement (the “**Warrant Agency Agreement**”) with Boardroom Corporate & Advisory Services Pte. Ltd. (the “**Warrant Agent**”).
- 1.3 Pursuant to the Proposed Issue, the Company proposes to issue S\$25,000,000 Notes, in denominations of S\$200,000 per Note (the “**Proposed Notes Issue**”) and 22,000,000 warrants (the “**Warrants**”), each Warrant carrying the right to subscribe for one (1) new ordinary share (a “**Share**”) in the capital of the Company (the “**New Shares**”)(the “**Proposed Warrants Issue**”). The Company has requested the Placement Agent and the Placement Agent has agreed to subscribe for and/or purchase, or procure subscribers and/or placees for, the Notes and the Warrants, on the terms and subject to the conditions set out in the Placement Agreement.
- 1.4 The Placement Agent shall subscribe for and/or purchase, or procure subscribers and/or placees for, all, and not some only, of the Notes, for an aggregate consideration of S\$24,120,000 pursuant to exemptions under Sections 274 and/or 275 of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”) and the Warrants shall be issued at an issue price of S\$0.04 per Warrant and the exercise price of S\$0.83 for each New Share (the “**Exercise Price**”). The Exercise Price represents a premium of approximately 23.77% to the weighted average price of S\$0.6706 per Share for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the full market day on 22 November 2011, being the date on which the Placement Agreement was signed.
- 1.5 As at the signing of the term sheet in relation to the Proposed Issue on 3 October 2011, it was announced that the exercise price would be determined prior to signing of the Placement Agreement, with an indicative minimum exercise price of S\$0.86 per Share.

The determination of the exercise price was to take into account market conditions. In light of the recent market conditions and the traded prices of the Shares in the Company preceding the signing of the Placement Agreement, the Company and the Placement Agent have agreed to fix the Exercise Price at S\$0.83 per Share, which represents a premium of approximately 18.89% to the five-day weighted average traded price of the Shares on the SGX-ST prior to the signing of the Placement Agreement.

2. SALIENT TERMS OF THE NOTES AND WARRANTS

2.1 The terms and conditions of the Notes will be set out in the trust deed constituting the Notes (the “**Trust Deed**”) to be entered into by the Company with The Trust Company (Asia) Limited (the “**Trustee**”) on closing of the issue of the Notes. A summary of the salient terms of the Notes is set out below:-

The Notes

Principal Amount	:	S\$25,000,000
Trustee	:	The Trust Company (Asia) Limited
Paying Agent	:	Standard Chartered Bank, Singapore Branch
Listing	:	Not listed
Notes Denomination	:	S\$200,000 per Note
Issue Price	:	96.48% of the principal amount of the Notes
Maturity Date	:	The date falling sixty (60) months from the issue date.
Coupon	:	The coupon shall accrue on the Notes (except for Notes which are tendered for exercise of Warrants) and shall be payable on a semi-annual basis (based on a 365-day calendar year) (each such payment date, a “ Coupon Payment Date ”) on the following terms:- 3.00% per annum - for the first three (3) years from the issue date (the date falling three (3) years from the issue date, the “ Step Up Date ”); and 4.50% per annum - for the next two (2) years from the Step Up Date.
Redemption	:	All outstanding Notes shall be repaid in full on the maturity date.

Put option : Noteholders have the option to put the Notes at par to the Company on the third (3rd) anniversary of the Notes.

Tender of Notes for Exercise of Warrants : Noteholders 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. For the avoidance of doubt, Noteholders may only tender each Note for the exercise of Warrants in full pursuant to this clause.

No payment shall be made for any coupon in respect of a Note tendered pursuant to this clause which otherwise would have accrued since the last Coupon Payment Date preceding the date on which the relevant Note is tendered.

Financial Covenant : So long as any of the Notes remain outstanding, the Company covenants that its financial condition shall be such that the gearing ratio (being ratio of total gross borrowings of the Company and its subsidiaries to Tangible Net Worth (as defined in the Trust Deed) will not exceed 2 to 1 at any time.

Negative Covenants : The Company will provide various negative covenants to the Trustee under the terms of the Trust Deed.

In particular, the Company has covenanted that it shall not without the prior consent in writing of the Trustee (which consent shall not be unreasonably withheld or delayed) or the approval of the Noteholders by way of an extraordinary resolution, permit or allow (to the extent within its control):-

- (i) any change in the shareholding of the Company that results in Robert James Yee Sang Eu, Richard Yee Ming Eu and Clifford Yee Fong Eu being beneficially entitled to in aggregate less than 30% of the total number of issued shares in the capital of the Company; or
- (ii) any change that results in any two of Robert James Yee Sang Eu, Richard Yee Ming Eu and Clifford Yee Fong Eu ceasing to be directors or employees of the Company.

In the event of a breach by the Company of, *inter alia*, the foregoing covenant, the Trustee at its discretion may, and

if so requested in writing by Noteholders holding not less than 66⅔ per cent. in principal amount of the Notes then outstanding or if so directed by an extraordinary resolution of the Noteholders shall, give notice to the Company that the Notes are, and they shall immediately become, due and payable at their principal amount together with accrued interest as provided in the Trust Deed.

Ranking : The Notes constitute senior unsecured, direct, unconditional and unsubordinated obligations of the Company and will rank *pari passu* and without preference or priority among themselves.

2.2 The terms and conditions of the Warrants are set out in the Deed Poll. A summary of the salient terms of the Warrants is set out below:-

The Warrants

Issue Type : American style warrants.

Issue Size : 22,000,000 Warrants.

Issue Price : S\$0.04 per Warrant.

Exercise Price : S\$0.83 per Share.

Listing : To be listed and quoted on the Main Board of the SGX-ST (subject to approval by the SGX-ST and compliance with the requisite spread requirements).

Exercise Period : The Warrants are exercisable any time before the expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such a date is a date on which the Register of Members of the Company is closed or is not a market day, in which event the Warrants shall expire on the date prior to closure of the Register of Members of the Company or on the immediately preceding market day, as the case may be, subject to terms and conditions of the Warrants set out in the Deed Poll. The rights to exercise the Warrants will not be extended beyond the exercise period.

Adjustments : The exercise price and/or the number of Warrants to be held by each Warrant holder will, after their issue, be subject to adjustments under certain circumstances set out in the Deed Poll.

Modification of the Rights of Warrant holders : The Company may, without the consent of the Warrant holders but in accordance with the terms of the Deed Poll, effect any modification to the terms of the Deed Poll including the terms and conditions of the Warrants which, in the opinion of the Company is:-

- (i) not materially prejudicial to the interests of the Warrant holders;
- (ii) of a formal, technical or minor nature;
- (iii) to correct a manifest error or to comply with mandatory provisions of Singapore law; or
- (iv) to vary or replace provisions relating to the transfer or exercise of the Warrants including the issue of new Shares arising from the exercise thereof or meetings of the Warrant holders in order to facilitate trading in or the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the Main Board of the SGX-ST.

Transfer and Transmission : The Warrants shall be transferable in lots entitling Warrant holders to subscribe for whole number of new Shares, in a manner prescribed in the terms and conditions of the Warrants set out in the Deed Poll.

Warrant Agent : Boardroom Corporate & Advisory Services Pte. Ltd.

3. SALIENT TERMS OF THE PLACEMENT AGREEMENT

3.1 The obligations of the Placement Agent under the Placement Agreement are conditional upon, *inter alia*:-

- (a) all representations and warranties and other statements of the Company in the Placement Agreement remaining, at the date thereof and as of the date of the issue of the Notes and Warrants (the "**Closing Date**"), true and correct;
- (b) the execution of the Trust Deed and Deed Poll;
- (c) the Company having performed its obligations under the Placement Agreement;
- (d) the Company having obtained the approval in-principle of the SGX-ST for the

listing and quotation of the Warrants and the New Shares on the SGX-ST, such approval in-principle remaining in full force and effect, and there not having occurred any withdrawal, revocation or material modification to such approval in-principle;

- (e) the offer information statement to be issued by the Company in connection with the Proposed Warrants Issue having been lodged with the Monetary Authority of Singapore;
- (f) the information memorandum (as defined under Section 275(2) of the SFA) to be prepared and issued by the Company in connection with the issue of the Notes, having been issued by the Company; and
- (g) there not having occurred any material adverse change, or any development reasonably likely to involve a prospective material adverse change, in the Company's condition (financial or otherwise) or business, whether or not arising from transactions in the ordinary course of business, subsequent to the date of the Placement Agreement which is or, in the reasonable opinion of the Placement Agent, is likely to have a material adverse effect on the performance of the Placement Agreement, the issue and sale of the Notes and Warrants or the consummation of any of the transactions contemplated by the Placement Agreement, in the context of the placement of the Notes and Warrants or, in the reasonable opinion of the Placement Agent, is likely to prejudice materially the success of the placement of the Notes and Warrants or dealings in the Notes and Warrants in the secondary market.

3.2 In respect of the condition precedent set out in paragraph 3.1(d) above, the Company has had on 16 November 2011 announced that it had received approval in-principle of the SGX-ST for the listing and quotation of the Warrants and the New Shares on the SGX-ST. The in-principle approval granted from the SGX-ST is not to be taken as an indication of the merits of the Proposed Issue, the Warrants, the New Shares, the Company and/or its subsidiaries.

3.3 Pursuant to the Placement Agreement, the Placement Agent will be required to comply with the selling restrictions set out below in respect of the issue and offering of the Notes and Warrants:-

- (a) the Placement Agent shall not offer the Notes and/or Warrants for sale to or procure subscriptions or purchases from any director or substantial shareholder of the Company or other related parties (as defined in Rule 812 of the listing manual of the SGX-ST, as amended, modified or supplemented from time to time (the "**Listing Manual**") unless such subscription or purchase is otherwise agreed to by the SGX-ST;
- (b) the Notes and/or Warrants may not be offered or sold, whether by invitation or otherwise, in any jurisdiction or under any circumstances in which such offer or sale is unlawful or unauthorised. Without prejudice to the foregoing, the

Placement Agent shall observe all applicable laws and regulations in any jurisdiction in which it may offer or sell the Notes and/or Warrants;

- (c) the Notes shall only be placed and sold to:-
- (i) institutional investors (as defined in the SFA) pursuant to the exemption under Section 274 of the SFA;
 - (ii) relevant persons (as defined in the SFA) pursuant to the exemption under Section 275 of the SFA; and
 - (iii) persons acquiring the Notes as principal pursuant to an exemption under Section 275(1A) of the SFA,
- and subject to the restrictions set out in Section 276 of the SFA; and
- (d) the Placement Agent shall use its best endeavours to ensure that the issue of the Warrants will not cause a transfer of a controlling interest in the Company in contravention of Rule 803 of the Listing Manual.

4. MANDATE FOR THE PROPOSED WARRANTS ISSUE

- 4.1 The Warrants and New Shares will be issued pursuant to the general mandate given by the shareholders of the Company at the annual general meeting of the Company held on 27 October 2011 (the “**2011 AGM**”) for the Company to issue shares and convertible securities (the “**2011 Share Issue Mandate**”).
- 4.2 Based on the issued share capital of the Company of 441,763,217 Shares as at the date of the 2011 AGM (being the date of approval of the 2011 Share Issue Mandate), the 22,000,000 Warrants to be issued will be equivalent to 4.98% of such issued share capital of the Company.
- 4.3 Approval of shareholders is not required for the Proposed Notes Issue.

5. FINANCIAL EFFECTS

- 5.1 As at the date of this Announcement, the issued and paid up capital of the Company is S\$38,298,752.13 comprising 441,829,217 Shares. When the New Shares are allotted and issued in full, the existing issued and paid-up share capital of the Company will be increased to S\$56,558,752.13 comprising 463,829,217 Shares.
- 5.2 The earnings per Share (“**EPS**”) and the net asset value (“**NAV**”) per Share of the Group based on the audited accounts of the Group as at 30 June 2011, after adjusting for the exercises of the Eu Yan Sang Employee Share Option Scheme 2000 and the Eu Yan Sang Employee Share Option Scheme 2006, as announced by the Company from time

to time, and the bonus issue announced by the Company on 26 August 2010, were S\$0.0561 and S\$0.2720 respectively.

5.3 The EPS and the NAV per Share of the Group for the financial year ended 30 June 2011, after adjusting for the Proposed Warrants Issue, will be:-

(i) S\$0.0511 and S\$0.3000 respectively, assuming that all Warrants were exercised on 30 June 2011; and

(ii) S\$0.0536 and S\$0.2740 respectively, assuming that no Warrants were exercised on 30 June 2011.

Note: Based on the assumption that the Proposed Issue had been completed on 1 July 2010.

6. USE OF PROCEEDS

6.1 The Company is expected to receive the net amount of approximately S\$23,900,000 from the Proposed Issue, after deducting estimated expenses incurred in connection with the Proposed Issue. The Placement Agent shall on completion pay the net proceeds of the Proposed Issue to such bank account as may be notified by the Company.

6.2 The Company intends to use the net proceeds from the Proposed Issue for the following purposes:-

(a) to fund business expansion into China and other countries in the region – S\$10 million (40% of the gross proceeds from the Proposed Issue);

(b) to fund (whether in whole or in part) the acquisition of, or investment in, commercial real estate related to the Group's operations – S\$10 million (40% of the gross proceeds from the Proposed Issue); and

(c) for working capital and general business purposes – the balance.

6.3 Pending the eventual utilisation of the proceeds from the Proposed Issue for the purposes listed above, the proceeds from the Proposed Issue may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

6.4 The proceeds to be received by the Company from the exercise of the Warrants (if any) shall be utilised for working capital and general business purposes.

7. DIRECTORS' INTERESTS

None of the Directors of the Company have any interest, direct or indirect in the Proposed Issue other than through their shareholdings in the Company. The Directors are not aware of any substantial shareholder of the Company having any interest, direct or indirect, in the Proposed Issue and has not received any notification of any interest in this transaction from any substantial shareholder.

8. TRADING CAUTION

Shareholders are advised to exercise caution in trading of their Shares. The Proposed Issue is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Issue will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcement by the Company carefully. Shareholders should consult their financial, legal, tax or other advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Ng Pei Shan
Company Secretary
23 November 2011