

ACQUISITIONS AND DISPOSALS :: DISCLOSEABLE TRANSACTION :: PROPOSED ACQUISITION OF PROPERTY

* Asterisks denote mandatory information

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| 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 * | Danny Heng Hang Siong |
| Designation * | Chief Financial Officer & Company Secretary |
| Date & Time of Broadcast | 10-Aug-2011 17:07:11 |
| Announcement No. | 00057 |

>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

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|-----------------------------|--|
| Announcement Title * | PROPOSED ACQUISITION OF PROPERTY |
| Description | Please see attached. |
| Attachments |  Proposed_acquisition_of_property.pdf Total size = 81K (2048K size limit recommended) |

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

PROPOSED ACQUISITION OF PROPERTY

1. INTRODUCTION

The Board of Directors ("**Board**") of Eu Yan Sang International Ltd (the "**Company**") wishes to announce that its wholly-owned subsidiary, Pronature (Hong Kong) Limited ("**PHKL**" or the "**Purchaser**"), has on 22 July 2011 entered into a provisional agreement for the sale and purchase (the "**Provisional Sale Agreement**") of the property located at Shops 1, 2 and 3 on the ground floor including the flat roof/yard thereof and the mezzanine floor, Shum Tower, No. 268 Des Voeux Road Central, Sheung Wan, Hong Kong (the "**Property**") from Honfield Investment (Hong Kong) Limited (the "**Vendor**"), through Midland Realty (Shops) Ltd. as the agent (the "**Proposed Acquisition**").

2. THE PROPERTY

The Property is a commercial leasehold property with a lease term of 999 years from 26 December 1866 (with a remaining lease term of 854 years) that comprises all three retail units on the ground floor including the flat roof/yard thereof and the mezzanine floor of Shum Tower, No. 268 Des Voeux Road Central, in Central, Hong Kong.

The ground floor units and mezzanine floor are currently leased to Hang Seng Bank Limited up to 19 June 2012. The Property has an approximate total gross floor area of 537.71 square metres.

3. VALUATION

Based on an independent valuation of the Property commissioned by Eu Yan Sang (Hong Kong) Limited, the immediate holding company of the Purchaser, and undertaken by Jones Lang LaSalle Limited, the market value of the Property as at 25 July 2011, assuming the sale subject to the existing tenancies, was HK\$152,000,000.

4. PURCHASE CONSIDERATION AND SOURCE OF FUNDS

The purchase consideration for the Property is HK\$149,800,000 ("**Purchase Consideration**"), and was arrived at following arms' length negotiation between PHKL and the Vendor, on a "willing buyer, willing seller" basis, taking into account, among other factors, the market conditions for commercial properties in Hong Kong, the location of the Property and the remaining terms of the lease.

The payment schedule of the Purchase Consideration is as follows:-

- (i) An initial deposit of HK\$4,000,000 was paid on signing of the Provisional Sale Agreement;
- (ii) A further deposit in the sum of HK\$10,980,000 is payable on or before 15 August 2011; and
- (iii) The balance HK\$134,820,000 will be payable upon completion on or before 27 October 2011.

The Purchase Consideration and related transaction costs will be funded through internal resources within the Group.

5. OTHER MATERIAL TERMS

The Property shall be sold to the Purchaser free from encumbrances, but subject to the existing tenancies. The Purchaser will be acquiring the Property on an “as is” basis.

It is intended that a formal agreement for sale and purchase of the Property will be entered into on or before 15 August 2011.

No directors will be appointed to the Board in connection with the Proposed Acquisition, and accordingly, no new service contract will be entered into with any Director in connection therewith.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The rental market for commercial shop units in Hong Kong has increased significantly in the past four quarters and the Group believes that it will face increasing difficulties in renewing the tenancies of its street level shops in Hong Kong. The Board considers the Proposed Acquisition to be strategic for the Group as it believes that acquiring a suitable shop unit may mitigate against the risks of substantial rental increases in the future and would also secure the Group’s presence at a prime location. The Property is situated close to the Group’s existing store in Central, Hong Kong, the lease for which will expire in January 2013. The Group intends to house a flagship store at the Property, which will include a retail shop and an integrated medical centre. With a centralised location, the Board believes that the Group will be able to further promote its branding and consolidate its customer base.

7. RELATIVE FIGURES PURSUANT TO RULE 1006

Based on the unaudited consolidated financial statements of the Company for the nine months ended 31 March 2011 which was announced by the Company on 12 May 2011, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) are as follows:

| | |
|--------------|--|
| Rule 1006(a) | Not applicable to an acquisition of assets |
| Rule 1006(b) | The net profit attributable to the Property for the 9 months period ended 31 March 2011 of HK\$1,990,904 ⁽¹⁾ (or S\$322,675 ⁽²⁾) constitutes approximately 1.7% of net profits of the Group for the 9 months period ended 31 March 2011 of approximately S\$19,398,000. |
| Rule 1006(c) | The Purchase Consideration of HK\$149,800,000 (or S\$23,347,880 ⁽³⁾) constitutes approximately 6.7% of the Group’s market capitalisation of approximately S\$350,925,097 as at 21 July 2011, being the market day preceding the date of the Provisional Sale Agreement. |
| Rule 1006(d) | The basis of comparison set out in Rule 1006(d) of the Listing Manual is not applicable as Rule 1006(d) only applies where equity securities are issued as consideration. |

Notes:

- (1) The net profits attributable to the Property is determined by reference to the rental yield based on the existing tenancies less government rent and income tax.
- (2) Based on an exchange rate of S\$1.00 to HK\$6.17 as at 31 March 2011.
- (3) Based on an exchange rate of S\$1.00 to HK\$6.416 as at 21 July 2011.

Since the relative figure computed on the bases set out in Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a discloseable transaction pursuant to Rule 1010 of the Listing Manual.

8. FINANCIAL EFFECTS

The financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per share and earnings per share of the Group have been prepared based on the audited consolidated financial statements of the Company for the financial year ended 30 June 2010 (“FY2010”) and the unaudited consolidated financial statements of the Company for the 9 months period ended 31 March 2011.

For the purpose of illustrating the financial effects of the Proposed Acquisition, the financial effects are based on, *inter alia*, the following assumptions: -

- (a) The net profits attributable to the Property for the 12 months period ended 30 June 2010 was HK\$2,654,538 (or S\$477,006⁽⁴⁾) and the net profits attributable to the Property for the 9 months period ended 31 March 2011 was HK\$1,990,904 (or S\$322,675⁽⁵⁾). Such figures were determined by reference to the rental yield based on the existing tenancies less government rent and income tax;
- (b) The financial effects of the Proposed Acquisition on the NTA per share of the Group for FY2010 is computed on the assumption that the Proposed Acquisition was completed on 30 June 2010, and for the 9 months period ended 31 March 2011 is computed on the assumption that the Proposed Acquisition was completed on 31 March 2011; and
- (c) The financial effects of the Proposed Acquisition on the earnings per share of the Group for FY2010 is computed on the assumption that the Proposed Acquisition was completed on 1 July 2009, and for the 9 months period ended 31 March 2011 is computed on the assumption that the Proposed Acquisition was completed on 1 July 2010.

Notes:

- (4) Based on an exchange rate of S\$1.00 to HK\$5.565 as at 30 June 2010.
- (5) Based on an exchange rate of S\$1.00 to HK\$6.17 as at 31 March 2011.

The financial effects presented below are only for illustrative purposes and do not necessarily reflect the exact future financial position and performance of the Group.

NTA per share

| | As at 30 June 2010 | After the Proposed Acquisition |
|---------------------------------|--------------------|--------------------------------|
| NTA (S\$) | 107,232,000 | 107,232,000 |
| Number of shares | 362,105,188 | 362,105,188 |
| NTA per share (Singapore cents) | 29.6 | 29.6 |

| | As at 31 March 2011 | After the Proposed Acquisition |
|---------------------------------|---------------------|--------------------------------|
| NTA (S\$) | 113,054,000 | 113,054,000 |
| Number of shares | 441,047,217 | 441,047,217 |
| NTA per share (Singapore cents) | 25.6 | 25.6 |

Earnings per share

| | FY2010 | After the Proposed Acquisition |
|---|-------------|--------------------------------|
| Profit attributable to Shareholders (S\$) | 19,207,000 | 19,684,006 |
| Number of shares (weighted average) | 360,806,037 | 360,806,037 |
| Profit per share (Singapore cents) | 5.32 | 5.46 |

| | 9 months ended 31 March 2011 | After the Proposed Acquisition |
|---|------------------------------|--------------------------------|
| Profit attributable to Shareholders (S\$) | 19,398,000 | 19,720,675 |
| Number of shares (weighted average) | 389,419,631 | 389,419,631 |
| Profit per share (Singapore cents) | 4.98 | 5.06 |

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than through their shareholdings and share options in the Company). As far as the Directors are aware, no controlling shareholder of the Company has an interest, direct or indirect, in the Proposed Acquisition (other than through its/his shareholdings and share options (if any) in the Company) and the directors of the Company have not received any notification of any interest in the Proposed Acquisition from any controlling shareholder of the Company or any of their associates.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Provisional Sale Agreement and the valuation report issued by Jones Lang LaSalle Limited is available for inspection during normal business hours at the registered office of the Company at 269A South Bridge Road, Singapore 058818, for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD

Danny Heng Hang Siong
Chief Financial Officer & Company Secretary
10 August 2011