

CHANGE IN CAPITAL :: OTHERS :: NON-BINDING TERM SHEET FOR - ISSUE OF UNSECURED S\$25,000,000 NOTES DUE 2016 AND 22,000,000 WARRANTS

* 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 | 03-Oct-2011 19:01:38 |
| Announcement No. | 00196 |

>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

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| Announcement Title * | NON-BINDING TERM SHEET FOR - 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 |  Appendix.pdf Total size = 25K (2048K size limit recommended) |

EU YAN SANG INTERNATIONAL LTD

(Company Registration No. 199302179H)
(Incorporated in the Republic of Singapore)

SIGNING OF NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED ISSUE OF UNSECURED S\$25,000,000 NOTES DUE 2016 AND 22,000,000 WARRANTS

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Directors**”) of Eu Yan Sang International Ltd (the “**Company**” or the “**Issuer**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today signed a non-binding term sheet (“**Term Sheet**”) with HL Bank, Singapore Branch (“**HL Bank**”) as arranger and placement agent, in relation to the proposed issue by the Company of S\$25,000,000 principal amount of notes due 2016 (the “**Notes**”) and 22,000,000 warrants (the “**Warrants**”) each carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (“**Share**”) at an exercise price to be determined (the “**Proposed Issue**”).
- 1.2 The Term Sheet contains the key commercial terms of the Proposed Issue and will form the basis of the definitive agreements and documents to be entered into between the Company, HL Bank and/or other relevant parties (“**Definitive Agreements**”). The Company will make further announcements upon the execution of the Definitive Agreements.

2. SUMMARY OF THE KEY TERMS OF THE PROPOSED ISSUE

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| Arranger and Placement Agent | : | HL Bank will subscribe and/or procure subscription for the Notes pursuant to exemptions under Sections 274 and 275 of the Securities and Futures Act Cap. 289 of Singapore (“ SFA ”), and subscribe and/or procure subscription for the Warrants pursuant to an exemption under Section 277 of the SFA. The Company will issue an offer information statement for the purposes of the Warrants issue. |
| Issue proceeds | : | The gross proceeds from the Proposed Issue will be S\$25,000,000, and there will be deducted therefrom the arrangement and placement fee of 3% payable to HL Bank and other issue expenses. |
| Notes | | |
| Status | : | The Notes will be constituted by a trust deed to be entered into between the Company and a trustee to be appointed for the holders of the Notes. The Notes will be issued in bearer form in denominations of S\$200,000 each and constitute senior unsecured, direct, unconditional and unsubordinated obligations of the Company, ranking <i>pari passu</i> and without preference or priority among themselves. |

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| Principal amount | : | S\$25,000,000. |
| Maturity date | : | Sixty (60) months from issue. |
| Issue price | : | The Notes will be issued at a discount to their face value. |
| Interest | : | The Notes will bear interest, payable semi-annually in arrear, as follows:- (a) 3.0% per annum in respect of the period up to the third (3 rd) anniversary of the issue of the Notes; and (b) thereafter, 4.5% per annum in respect of the interest period up to the maturity date of the Notes. |
| Put option | : | Noteholders will have an option to require the Company to redeem the Notes at par on the third (3 rd) anniversary of the issue of the Notes. |
| Financial covenants | : | The terms and conditions of the Notes will contain financial covenants and negative pledge provisions on terms to be agreed. |
| Transferability | : | The Notes will be cleared through the Central Depository (Pte) Limited. |
| Listing | : | The Notes will not be listed on any stock exchange. |
| Option to tender Notes | : | Noteholders will have an option to tender the Notes at par <i>in lieu</i> of cash payment for the exercise of the Warrants. |
| Warrants | | |
| Exercise period | : | Five (5) years from the issue of the Warrants. |
| Issue price | : | To be determined prior to signing of the placement agreement with HL Bank. |
| Exercise price | : | To be determined prior to signing of the placement agreement with HL Bank, subject to a minimum of S\$0.86 per Share, which represents a premium of approximately 18% to the weighted average price of the Shares of S\$0.73 traded on the SGX-ST on 3 October 2011, being the full market day on the date of signing of the Term Sheet. The determination of the exercise price will take into consideration market conditions. |
| General mandate | : | The new Shares to be issued upon exercise of the Warrants will be allotted and issued pursuant to a general mandate to be obtained by the Company pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, at its forthcoming annual general meeting to be convened on or about 27 October 2011. |

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| Status of new Shares upon exercise of Warrants | : | The new Shares arising from the exercise of the Warrants will, upon issue and allotment, rank <i>pari passu</i> in all respects with the then existing ordinary shares of the Company and with each other except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions the record date of which falls before the date of issue of the new Shares. |
| Adjustment | : | The terms of the Warrants will provide for adjustment of the exercise price and the issue of additional warrants under certain circumstances. |
| Listing | : | Application will be made by the Company for the listing and quotation of the Warrants as well as the new Shares arising from the exercise of the Warrants on the Main Board of the SGX-ST. |

3. PROCEEDS OF THE PROPOSED ISSUE AND PROPOSED UTILISATION OF PROCEEDS

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;
- (b) to fund acquisitions of, or investments in, commercial real estate related to the Group's operations – S\$10 million; and
- (c) for working capital and general business purposes – balance.

4. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

To the best of the knowledge of the Directors of the Company, none of the Directors of the Company nor (in so far as the Directors of the Company are aware) any substantial shareholder of the Company or their respective associates has any interest, whether direct or indirect, in the Proposed Issue.

5. TRADING CAUTION

Shareholders are advised to exercise caution in trading of their Shares. The Proposed Issue is subject to the Company entering into the Definitive Agreements with HL Bank and other parties on mutually acceptable terms. There is no assurance that any transaction will materialise from the Term Sheet or that the Definitive Agreements will be entered into in relation to the Proposed Issue. 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

Richard Eu
Group CEO
3 October 2011