

ACQUISITIONS AND DISPOSALS :: DISCLOSEABLE TRANSACTION :: PROPOSED ACQUISITION OF BUSINESS ASSETS AND UNDERTAKINGS

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* 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 ACQUISITION OF BUSINESS ASSETS AND UNDERTAKINGS
Description	Please see attached.
Attachments	 EYSI_SGX_Announcement_3_Feb_2012.pdf Total size = 67K (2048K size limit recommended)

PROPOSED ACQUISITION OF BUSINESS ASSETS AND UNDERTAKINGS

I. INTRODUCTION

The Company (as guarantor) and its wholly-owned subsidiary, Eu Yan Sang Australia Pty Limited (as purchaser) ("**Purchaser**") have on 2 February 2012 entered into a conditional asset sale deed ("**Deed**") with Healthzone Limited (Administrators Appointed) (Receivers and Managers Appointed) ("**Vendor**"), and Philip Carter and Christopher Hill (in their capacity as Receivers and Managers of the Vendor) for the purchase of selected business assets and undertakings from the Vendor and its subsidiaries ("**Vendor Group**") ("**Acquisition**").

The Vendor is an associated company of the Company, and is a distributor, retailer, franchise retailer and brand owner of health, beauty and natural health products, with franchise retail networks in Australia. Voluntary administrators and receivers and managers had previously been appointed in respect of the Vendor Group.

II. ACQUISITION

Business Assets and Undertakings

Pursuant to the Deed, the Subsidiary will acquire selected business assets and undertakings of the Vendor Group, including various goodwill, plant and equipment, contracts, licences, leasehold premises, intellectual property, trading stock, business records and employees (collectively "**Business Assets and Undertakings**").

Condition Precedent

Completion of the Acquisition is conditional upon the transfer by the Vendor Group to the Purchaser of such franchise contracts accounting for not less than a stipulated percentage of gross sales for the period from 1 July 2010 to 30 June 2011. In the event the condition precedent is not satisfied on or prior to 17 February 2012 (or such other date as the parties may agree in writing), either party may terminate the Deed.

Consideration

The purchase consideration for the Business Assets and Undertakings is approximately A\$5,000,000 (equivalent to about S\$6,686,100¹) ("**Consideration**"), and was arrived at following arms' length negotiation between the Company and the Vendor, on a "willing buyer, willing seller" basis, taking into account, *inter alia*, the track record of the Vendor Group, its customers and suppliers base and relationship, its financial statements and position, the results of due diligence undertaken by the Company, the Company's assessment of the business and prospects of the Vendor Group (including synergy with the existing businesses of the Company and its subsidiaries ("**Group**")) and the independent valuation carried out by Ivory Capital Asia as commissioned by the Company ("**Valuation Report**").

¹ The A\$ to S\$ conversion rate of 1.33722 has been applied for the purposes of this Announcement, where applicable.

III. **RATIONALE**

The Acquisition provides a ready platform for the Group to expand and broaden its products penetration into the Australian markets, with their growing demand, and will visibly strengthen the Group's strategic positioning as a regional and global integrative healthcare products player.

IV. **RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE LISTING MANUAL**

The Acquisition constitutes a discloseable transaction under Rule 1010 of the Listing Manual as the relative figure computed on the base set out in Rule 1006(b) exceeds 5%, as set out below:

- (i) Net Asset Value Base under Rule 1006(a). Not applicable as the Acquisition is an acquisition and not a disposal of assets.
- (ii) Net Profits Base under Rule 1006(b). Based on the audited accounts of the Vendor for the financial year ended 30 June 2011, the net profits after tax ("**NPAT**") of the Vendor amount to approximately 15.58% of the NPAT of the Group for the financial year ended 30 June 2011. As the Purchaser is acquiring selective business assets and undertakings of the Vendor Group, it is impractical to attribute a net profit to the Business Assets and Undertakings. Instead, for purposes of making this disclosure, the Company has computed the threshold under Rule 1006(b) based on the audited NPAT of the Vendor.
- (iii) Consideration Value Base under Rule 1006(c). The Consideration amounts to approximately 2.26% of the Company's market capitalisation of S\$296.2 million as at the date hereof, based on the closing price of the Company's shares ("**Shares**").
- (iv) Equity Securities Issued Based under Rule 1006(d). Not applicable as no equity securities will be issued as consideration.

V. **FINANCIAL EFFECTS**

As the Acquisition will be funded entirely through the Group's internal resources, there is no impact to the earnings per Share, net asset value per Share or gearing of the Group.

VI. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save for Mr Ian Wayne Spence who is a non-executive director of the Vendor (and Mr Richard Yee Ming Eu who is his alternate), none of the directors or substantial shareholders of the Company have any interest, direct or indirect, in the Acquisition.

VII. **DOCUMENTS FOR INSPECTION**

In the meantime, a copy each of the Deed and Valuation Report are 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 commencing from the date of this announcement.

VIII. UPDATES

The Company will provide further material updates to shareholders of the Company as and when necessary.

BY ORDER OF THE BOARD

Submitted by Ng Pei Shan, Company Secretary, on 3 February 2012 to the SGX