

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

---

- (1) **PROPOSED DISPOSAL BY RED WHITE & PURE PTE. LTD. ("RWP"), A WHOLLY-OWNED SUBSIDIARY OF EU YAN SANG INTERNATIONAL LTD (THE "COMPANY"), OF ITS BUSINESS AND ASSETS**
  - (2) **PROPOSED SUBSCRIPTION OF 12.86 PERCENT OF THE ENLARGED ISSUED SHARE CAPITAL OF SANCTUARY SPA GROUP PTE. LTD. ("SSG")**
- 

**1. INTRODUCTION**

The board of directors (the "**Directors**") of the Company wishes to announce that RWP had, on 8 May 2008, entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with Sanctuary Spa Group Pte. Ltd. ("**SSG**"), in relation to, *inter alia*:

- (i) the proposed disposal by RWP of its business and assets in relation to its lifestyle concept store incorporating the business of healthy-eating restaurant, tonic bar, wellness centre, lifestyle TCM clinic and a health products concept shop for a consideration of S\$500,000 to be satisfied by way of an allotment and issue of 19,339 new ordinary shares in the capital of SSG ("**SSG Shares**"), amounting to 7.14% of the enlarged issued share capital of SSG (the "**Disposal**"); and
- (ii) the proposed subscription by RWP of an aggregate of 34,831 SSG Shares, amounting to 12.86% of the enlarged issued share capital of SSG, for a subscription consideration of S\$900,000 in cash (the "**Subscription**").

**Information on TWG and SSG**

SSG is engaged in the business of providing beauty care and day spa services and its entire issued and paid-up share capital of S\$250,020 consisting of 216,680 ordinary shares is legally and beneficially held by The Wellness Group Pte. Ltd. ("**TWG**"). TWG is a company engaged in the business of the manufacture, retail and wholesale distribution of wellness related brands, products and services, management and consulting of spas, wellness media and conferences, specialists in the blending and creation of tea brands and the creation and operation of food and beverage concepts and outlets.

**2. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

Under the Sale and Purchase Agreement, it is provided, *inter alia*, that RWP shall sell, assign, novate or transfer to SSG and SSG, will purchase, acquire and assume from RWP with effect from 8 May 2008 (the "**Effective Date**") the business of operating a lifestyle concept store incorporating the business of healthy-eating restaurant, tonic bar, wellness centre, lifestyle TCM clinic and a health products concept shop (the "**Business**") and the following sale assets as at 1 November 2008 ("the **Completion Date**"):

- (a) the equipment, office equipment, fittings and furnishings and other chattels owned by RWP in relation to the Business;

- (b) all goods, stocks and materials, supplies used or owned by RWP insofar as they relate to the Business;
- (c) the lease entered into by RWP in relation to the leasehold property occupied by RWP for the purposes of the Business located at #02-141 and #03-09, Vivocity, 1 Harbourfront Walk, Singapore 098585 (the "**Property**"); and
- (d) all intellectual property rights referable to the Business and which may include without limitation (i) all intellectual property rights in and referable to the "Red White & Pure" logo in stylised form and such other trade marks and logos in connection with the Business; (ii) the website contents (<http://redwhitepure.com/>) owned by RWP and (iii) all marketing materials, design files and visual image files relating to the Business, which intellectual property rights belong to RWP.

In addition, pursuant to the Sale and Purchase Agreement, RWP shall subscribe for and SSG shall allot and issue to RWP and/or such entity as it may direct, 34,831 SSG Shares.

The aggregate subscription consideration payable by RWP for the Subscription shall be the cash sum of S\$900,000. SSG shall utilise the said subscription consideration for working capital purposes, of which, a maximum of S\$250,000 may be applied towards the renovation costs of the Property. At the request of SSG, RWP has agreed to disburse S\$250,000 of the said subscription consideration to SSG within sixty (60) days from 8 May 2008 (or such other date prior to the Completion Date as may be mutually agreed between the Parties) as an advance payment.

#### **Conditions Precedent**

The obligations of RWP and SSG under the Sale and Purchase Agreement are conditional upon, *inter alia*:-

- (a) no person having commenced or threatened to commence any proceedings or investigation for the purpose of prohibiting or otherwise challenging or interfering with the proposed subscription of the SSG Shares by RWP and/or such entity as it may direct;
- (b) all approvals and consents as may be necessary from any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated under the Sale and Purchase Agreement or to the entry into and completion of the Sale and Purchase Agreement by the parties, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the parties;
- (c) the Company obtaining the approval of its shareholders at an extraordinary general meeting for the transactions contemplated on the terms and conditions set out in the Sale and Purchase Agreement and the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") in respect of the circular to the shareholders of EYS, if necessary;
- (d) all management financial statements of SSG for the financial year 2007, prepared in accordance with generally accepted international accounting principles consistently applied for the periods covered thereby and which fairly present the financial position of SSG as at its financial year end and the results of

operations of SSG for such period, have been delivered to RWP, and the content of such management financial statements being acceptable to RWP; and

- (e) the waiver of any and all rights of pre-emption or rights of first refusal which TWG may have with respect to the subscription of the SSG Shares by RWP and/or such entity as it may direct, whether pursuant to the articles of association of SSG, by contract or otherwise, if necessary.

The completion of the Disposal and the Subscription will be simultaneous.

### 3. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The net asset/(liability) value and the net profits/(losses) attributable to (i) the Business and sale assets of RWP to be disposed, (ii) that of the Company and its subsidiaries (the “Group”) and (iii) 12.86% of the enlarged issued share capital of SSG are as set out below:

	Based on full year audited financial statements for financial year ended 30 June 2007 of RWP and the Group and the full year audited financial statements for financial year ended 31 December 2006 of SSG		Based on full year audited financial statements for financial year ended 30 June 2007 of RWP and the Group and the full year unaudited financial statements for financial year ended 31 December 2007 of SSG	
	Net asset/ (liability) value	Net profits/ (loss)	Net asset/ (liability) value	Net profits/ (loss)
(i) RWP <sup>(1)</sup>	S\$(3,978,000)	S\$(3,859,000)	S\$(3,978,000)	S\$(3,859,000)
(ii) Group	S\$91,221,000	S\$14,711,000	S\$91,221,000	S\$14,711,000
(iii) 12.86% of SSG	S\$40,061	S\$(140,767)	S\$14,870 <sup>(2)</sup>	S\$(26,637) <sup>(2)</sup>

Note:

- (1) These figures include the results of its wholly-owned subsidiary, RWP Food Services Pte Ltd.
- (2) These are unaudited figures.

## The Disposal

The relative figures for the Disposal computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual are as follows:

	<b>Based on full year audited financial statements for financial year ended 30 June 2007 of RWP and the Group and the full year audited financial statements for financial year ended 31 December 2006 of SSG</b>	<b>Based on full year audited financial statements for financial year ended 30 June 2007 of RWP and the Group and the full year unaudited financial statements for financial year ended 31 December 2007 of SSG</b>
(i) Rule 1006(a) - Net asset / (liability) value of the assets to be disposed of, compared with the Group's net asset value	Negative 4.4 %	Negative 4.4 %
(ii) Rule 1006(b) – Net profits / (losses) attributable to the assets disposed of, compared with the Group's net profits	Negative 26.2%	Negative 26.2%
(iii) Rule 1006(c) – Consideration Test	0.25 <sup>(1)</sup> % of the Company's market capitalization of approximately S\$201.8 million as at 7 May 2008 (the market day preceding the date the Sale and Purchase Agreement is executed)	[0.25] <sup>(1)</sup> % of the Company's market capitalization of approximately S\$201.8 million as at 7 May 2008 (the market day preceding the date the Sale and Purchase Agreement is executed)
(iv) Rule 1006(d) – Securities in issue test	Not applicable to a disposal of assets	Not applicable to a disposal of assets

Note:

- (1) Calculated based on the consideration of S\$500,000, which was determined based on a willing seller and willing buyer basis as set out in the Sale and Purchase Agreement. Should this be calculated based on the net asset value of the relevant number of SSG Shares, the relative figure would be approximately nil.

Rule 1007 of the Listing Manual provides that if any of the relative figures is a negative figure, the provisions of Chapter 10 may still be applicable to the transaction at the discretion of the SGX-ST. As the relative figures under Rules 1006(a) and 1006(b) above are negative figures, the Company will be making an application to the SGX-ST requesting a waiver of the requirement of Rule 1014 (in light of Rule 1007) to obtain the Company's shareholders' approval for the Disposal.

## The Subscription

The relative figures for the Subscription computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual are as follows:

	<b>Based on full year audited financial statements for financial year ended 30 June 2007 of RWP and the Group and the full year audited financial statements for financial year ended 31 December 2006 of SSG</b>	<b>Based on full year audited financial statements for financial year ended 30 June 2007 of RWP and the Group and the full year unaudited financial statements for financial year ended 31 December 2007 of SSG</b>
(i) Rule 1006(a) - Net asset / (liability) value of the assets to be disposed of, compared with the Group's net asset value	Not applicable to an acquisition	Not applicable to an acquisition
(ii) Rule 1006(b) – Net profits / (losses) attributable to the assets acquired, compared with the Group's net profits	Negative 1.0%	Negative 0.2%
(iii) Rule 1006(c) – Consideration Test	0.5 <sup>(1)</sup> % of the Company's market capitalization of approximately S\$201.8 million as at 7 May 2008 (the market day preceding the date the Sale and Purchase Agreement is executed)	0.5 <sup>(1)</sup> % of the Company's market capitalization of approximately S\$201.8 million as at 7 May 2008 (the market day preceding the date the Sale and Purchase Agreement is executed)
(iv) Rule 1006(d) – Securities in issue test	Not applicable	Not applicable

As the relative figure under Rules 1006(b) above is a negative figure, the Company will be making an application to the SGX-ST requesting a waiver of the requirement of Rule 1014 (in light of Rule 1007) to obtain the Company's shareholders' approval for the Subscription.

#### **4. RATIONALE FOR THE DISPOSAL AND THE SUBSCRIPTION**

The pilot red white & pure™ store was officially launched at Vivocity in Singapore on 27 January 2007. Since then, RWP had recorded net losses for the financial year ended 30 June 2007 and the six month period ended 31 December 2007, and had a negative net asset value as at 30 June 2007 and 31 December 2007. Arising from the disposal, RWP is expected to write-off approximately S\$3.0 million worth of assets at the end of the current financial year. Following the departure of several management staff at RWP, the Company has engaged the sole shareholder of SSG, TWG, to manage and run the Business since 11 May 2007 due to its relevant expertise and experience. As such, the board of Directors of the Company is of the view that it is in the best interest of the Company to undertake the Disposal as RWP has historically reported losses and the

Company has not been able to successfully turnaround its financial performance. Further, the board of Directors of the Company is of the view that the Disposal and the corresponding Subscription should be carried out expeditiously, as it believes that the management should focus on the Group's Traditional Chinese Medicine ("TCM") business segment while being able to participate in any future upside from the RWP business through the Subscription. Delay in the disposal of the Business and the sale assets of RWP will necessarily divert the management's attention and resources from its TCM business segment.

## 5. **FINANCIAL EFFECTS**

The proforma financial effects of the Disposal and the Subscription on the share capital, earnings, net tangible assets ("NTA"), and gearing of the Group have been prepared based on the latest audited financial statement for the financial year ended 30 June 2007 of the Company. For the purpose of illustrating the financial effects of the Disposal and the Subscription, the financial effects are based on, *inter alia*, the following assumptions:-

- (a) the losses for the twelve (12) months ended on 30 June 2007 was S\$3.859 million; and
- (b) the fixed assets written off upon disposal is S\$3.253 million.

### 5.1 **Share Capital**

There is no resulting change to the share capital of the Company following the Disposal and the Subscription.

### 5.2 **Earnings**

Assuming that the transaction had been affected at the beginning of financial year 2007:

S\$ million	Before the Disposal and the Subscription (audited accounts as at 30 June 2007)	After the Disposal and the Subscription
(Loss)/ Profit attributable to Shareholders	S\$14,711,000	S\$15,317,000
Number of shares	360,378,938	360,378,938
(Loss)/ Profit per Share (cents)	4.08	4.25

### 5.3 **NTA**

Assuming that the transaction had been effected at the end of the financial year 2007:

S\$ million	Before the Disposal and the Subscription (audited accounts as at 30 June 2007)	After the Disposal and the Subscription
NTA	S\$91,221,000	S\$91,827,000
Number of shares	360,378,938	360,378,938
NTA per share (cents)	25.3	25.5

### 5.4 **Gearing**

Assuming that the transaction had been effected at the end of the financial year 2007:

<b>S\$ million</b>	<b>Before the Disposal and the Subscription (audited accounts as at 30 June 2007)</b>	<b>After the Disposal and the Subscription</b>
Total borrowings	S\$25,138,000	S\$25,138,000
Shareholders' funds	S\$91,221,000	S\$91,327,000
Gross gearing (times)	0.28	0.29

**6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER**

As at the date of this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal and the Subscription.

**7. DOCUMENTS FOR INSPECTION**

A copy of the Sale and Purchase Agreement is available for inspection during normal business hours from 9am to 5 pm at the Company's registered office at 269A South Bridge Road, Singapore 058818 for a period of 3 months from the date of this Announcement.

**BY ORDER OF THE BOARD**

**Submitted by Tan Kang Fun @ KF Tan, Chief Financial Officer & Company Secretary on 8 May 2008**