

SUNMOON FOOD COMPANY LIMITED
(Company Registration No.: 198304656K)

ANNOUNCEMENT

DISPOSAL OF PRC ENTITIES

1. Introduction

The Board of Directors of SunMoon Food Company Limited (the "**Company**") wishes to announce that its wholly-owned subsidiary, Fook Huat Tong Kee Pte. Ltd. ("**FHTKPL**"), has on 26th December 2008 entered into two Sale and Purchase Agreements ("**S&P Agreements**") for the disposal of its entire interest in Longkou Fook Huat Tong Kee Refrigeration Co., Ltd (the "**Longkou Entity**") and in Dongguan Fook Huat Tong Kee Refrigeration & Foodstuffs Co., Ltd (the "**Dongguan Entity**") (together, the "**PRC Entities**") to PT. Indocitra Manunggal (the "**Purchaser**") (the "**Proposed Disposals**").

2. Information on the PRC Entities

(a) Longkou Entity

The Longkou Entity is a wholly-owned subsidiary of FHTKPL and a Limited Liability Company established and existing under the laws of the People's Republic of China (the "**PRC**"). It is principally engaged in planting, sourcing, processing, refrigeration and packing of fruits, vegetables and other agricultural products.

Based on the latest consolidated accounts of the Longkou Entity (for the financial period ended 30 September 2008), the net tangible asset value ("**NTA**") of the Longkou Entity was negative S\$91,508,109.

(b) Dongguan Entity

The Dongguan Entity is also a wholly-owned subsidiary of FHTKPL and a Limited Liability Company established and existing under the laws of the People's Republic of China (the "**PRC**"). It is also principally engaged in sourcing, processing, refrigeration, packing and distribution of fruits, vegetables and other agricultural products.

Based on the latest accounts of the Dongguan Entity (for the financial period ended 30 September 2008), the net tangible asset value ("**NTA**") of the Dongguan Entity was negative S\$20,764,605.

3. Rationale for the Proposed Disposals

3.1 Loss-making

The PRC Entities have been loss-making and are not profitable assets to the Company given that they have ceased operations. Based on the latest accounts of each PRC Entity, the net loss attributable to (a) the Dongguan Entity is S\$1,273,881 and (b) Longkou Entity is S\$11,618,493, respectively. Even though the PRC Entities have ceased operations, they continue to incur overheads which could result in further losses to the Group. The Proposed Disposals would thus allow the Group to better apply its financial resources in line with the strategic review of its operations. Further details of this strategic review are set out in paragraph 3.2 below.

3.2 **Strategic Review**

On 12 December 2008, the Company announced that it is undertaking a strategic review of the operations of the Group to ensure its continued competitiveness in the current market condition. As part of its strategic review, it has identified non-core assets within the Group for disposal and these non-core assets include the PRC Entities. The Company is moving away from an asset-intensive business and focus on trading, retailing and product and sales channel development capitalising on its strong branding in the fruit industry. The PRC Entities are mainly involved in the processing, packaging and cold storage of food products, which do not contribute to and participate in the business of the Group nor support the Group's main focus areas. As such, the Proposed Disposals will not affect the nature of the Company's main business but would allow the Group to better apply its resources towards its main focus areas.

4. **Information on the Purchaser**

The Purchaser, PT. Indocitra Manunggal, is an investment holding company incorporated in Indonesia.

5. **Key terms of the Proposed Disposals**

The terms of the Proposed Disposals are set out in the S&P Agreements. A summary of the key terms of the Proposed Disposals is set out in this section.

(i) **Consideration**

The consideration payable by the Purchaser to FHTKPL is S\$1.00 for each of the PRC Entities (the "**Consideration**"). The Consideration was arrived at on the basis that the Net Tangible Asset value of the PRC Entities is negative in both cases.

(ii) **Conditions**

The Proposed Disposals are subject, inter alia, to the following conditions respectively:-

- (a) the approval of the shareholder's of the Company for the Proposed Disposals unless such a requirement is waived by the SGX-ST; and
- (b) all other regulatory approvals, if necessary, having been obtained for the transactions contemplated in the S&P Agreements.

The S&P Agreements and the Consideration were negotiated on an arm's length basis and on normal commercial terms.

6. **Financial Effects of the Proposed Disposals**

For illustrative purposes only, based on the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the most recently completed financial year ended 30 June 2007, the financial effects of the Proposed Disposals on the Group are estimated as follows:

(a) NTA

	<u>As at 30 June 2007</u>	<u>After the Proposed Disposals¹</u>
NTA (S\$)	13,204,577	9,815,515
NTA per share (cents)	0.21	0.16

(b) Earnings per share ("EPS")

	<u>FY07</u>	<u>After the Proposed Disposals²</u>
EPS (cents)	(0.79)	(0.83)

7. Rule 1006 Computations

(i) Rule 1006(a) – Net asset comparison

Net Asset Value of the Longkou Entity	= –S\$91,508,109
Net Asset Value of the Dongguan Entity	= –S\$20,674,605
Total Net Asset Value of the PRC Entities	= –S\$112,182,714
Group's Net Asset Value (as at 30 September 2008)	= –S\$2,258,791
Relative figure	= –S\$112,182,714/–S\$2,258,791 = 4966%

(ii) Rule 1006(b) – Net profit comparison

Net loss attributable to the Longkou Entity	= –S\$11,618,493
Net loss attributable to the Dongguan Entity	= –S\$1,273,881
Total Net loss attributable to the PRC Entities	= –S\$12,892,374
Net loss attributable to the Group	= –S\$27,324,428
Relative figure	= –S\$12,892,374/–S\$27,324,428 = 47%

(iii) Rule 1006(c) – Consideration comparison

Consideration for the PRC Entities	= S\$2.00
Market Capitalisation (as at 24 th December 2008)	= S\$39,392,206
Relative figure	= S\$2/S\$39,392,206 = 0%

¹ Assuming that the Proposed Disposals had been completed on 30 June 2007 and considering only the financial effects of the Proposed Disposals.

² Assuming that the Proposed Disposals had been completed on 30 June 2007 and considering only the financial effects of the Proposed Disposals.

(iv) Rule 1006(d) – Equities in issue comparison

Not applicable to a disposal.

8. Interest of Directors

None of the Directors or controlling shareholder of the Company has any interest in the Proposed Disposals.

9. Miscellaneous

The Proposed Divestment is considered as a Major Transaction under Rule 1013 of the Listing Manual which must be made conditional upon approval by shareholders in general meeting unless such a requirement is waived by the SGX-ST. In this connection, the Company will be writing to the SGX-ST for a waiver from the requirement to seek shareholders' approval for the Proposed Disposals and will make an appropriate announcement on the outcome of its application in due course.

Copies of the S&P Agreements are available for inspection during normal business hours at the registered office of the Company at 1 Scotts Road #21-07/08/09 Shaw Centre Singapore 228208, for a period of three months from the date of this Announcement.

By Order of the Board