

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

ANNOUNCEMENT IN RESPECT OF THE EXECUTION OF TERM SHEET RELATING TO THE CONVERTIBLE LOAN

The Board of Directors of the Company refers to its announcement dated 21 March 2007 (the "**Initial Announcement**") in relation to the Company's execution of a S\$60 million convertible loan (the "**Convertible Loan**") agreement dated 21 March 2007 with FACT 2006 Pte. Ltd. as the agent, FACT 2006 Pte. Ltd. as the security agent (the "**Security Agent**") and FACT 2006 Pte. Ltd. as investor (the "**Original Investor**") (the "**CL Agreement**"). Unless otherwise defined, capitalised terms used in this Announcement shall have the same meanings as defined in the Investment Announcement.

As stated in the Initial Announcement, the Convertible Loan is transferable by the Original Investor to other investors (the "**Investors**"), including the Original Investor) and lenders (the "**Lenders**", being the Investors who have disbursed any part of the Convertible Loan) at its discretion on the terms and conditions of the CL Agreement.

The Convertible Loan (plus any other amount, whether of interest of otherwise outstanding) was due for repayment.

The Board wishes to announce that the Company and the Lenders have entered into a term sheet (the "**Term Sheet**") setting out the principal terms on which the Convertible Loan is proposed to be restructured and revised. The key terms are as follows:-

- (a) The maturity date of the Convertible Loan will be extended for a further 2-year period;
- (b) The Conversion Price of the Conversion Shares will be reduced from S\$0.01 to S\$0.005;
- (c) There will be options granted by the Company to the Lenders to subscribe for new shares in the ordinary share capital of the Company (the "**Option Shares**") on the basis of 1 Option Share for every 10 Conversion Shares. The exercise price shall be S\$0.005 per Option Share; and
- (d) The conditions to be fulfilled before the restructuring of the Convertible Loan include the approval of the Securities Exchange Trading Limited, the Securities Industry Council, and the shareholders of the Company (if applicable) for the restructuring terms of the Convertible Loan.

The Term Sheet is non-binding (with some exceptions) and contemplates that the parties thereto will proceed to prepare and negotiate with the intention to execute definitive and legally binding agreement(s) (the "**Supplemental CL Agreement**") in respect of the restructuring arrangements. Further details will be announced upon the execution of the Supplemental CL Agreement.

Shareholders are advised to refer to the Initial Announcement for further information on the Convertible Loan and the CL Agreement.

By Order of the Board