

**SUNMOON FOOD COMPANY LIMITED**  
(Incorporated in the Republic of Singapore on 29 September 1983)  
Registration No. 198304656K  
(the “**Company**”)

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**CONVERTIBLE LOAN AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND AN INTERESTED PARTY, FIRST ALVERSTONE CAPITAL LIMITED, AND SETTLEMENT AGREEMENT ENTERED INTO BETWEEN THE COMPANY, FACT 2006 PTE LTD AND OTHER PARTIES ON 4 APRIL 2012 AND OTHER MATTERS**

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**1. INTRODUCTION**

The Board refers to the Company’s announcement of 21 March 2007, whereby the Company and FACT 2006 Pte. Ltd. (“**FACT**”) had entered into a S\$60 million convertible loan agreement (the “**CL Agreement**”) with FACT as the original investor, agent and security agent. Pursuant to the CL Agreement, the Company had also entered into certain agreements designated as finance documents under the CL Agreement and granted a debenture to FACT as the original investor to charge all of the Company’s assets by way of a fixed and floating charge (the CL Agreement, finance document and debenture, are hereinafter referred to as “**FACT Agreements**”). According to the terms of the CL Agreement, FACT, as the original investor, had since transferred all its rights and obligations under the CL Agreement to other investors (collectively, the “**Lenders**”).

Pursuant to the CL Agreement, the Company had drawn down on the convertible loan facility and as at the date hereof, there remains an outstanding convertible loan amounting to S\$24,443,092 in principal and approximately S\$9.846 million in premium accrued as at 31 December 2011 owing by the Company to the Lenders.

The Board wishes to announce that the Company has on 4 April 2012 entered into (i) a new convertible loan agreement (“**New CL Agreement**”) with First Alverstone Capital Limited (“**FACL**”) as the agent, security agent and investor for a convertible loan amounting to S\$12 million (“**New Loan**”) and (ii) a settlement agreement (“**Settlement Agreement**”) with FACT (as agent of the Lenders) and the Lenders. The New Loan is secured by a debenture granted by the Company in favour of FACL (as security agent) to charge all of the Company’s assets by way of a fixed and floating charge (“**Debenture**”).

**2. AMOUNT OF PROCEEDS RAISED FROM THE NEW CL AGREEMENT AND THE SETTLEMENT AGREEMENT AND ITS USE**

The Company will direct all proceeds of the New Loan from the New CL Agreement, together with payment of S\$443,092 from internally generated resources and the issue and allotment of 12,000,000,000 shares in the issued share capital of the Company (“**Shares**”) (representing at the date hereof, approximately 60.37% of the issued share capital of the Company on an enlarged issued share capital basis) at the Issue Price (as defined below) to the Lenders, for the full and final settlement of the obligations of the Company under the FACT Agreements on the terms of the Settlement Agreement.

**3. INTERESTED PERSON TRANSACTION**

FACL is an investment holding company incorporated in the British Virgin Islands. FACL's issued and paid-up share capital is held in equal proportions by Mr Gary Loh Hock Chuan and Ms Selena Cheng Koh Min, who are both directors of FACL. As at 16 March 2012, FACL holds 497,204,258 (approximately 6.31%) shares in the capital of the Company ("**Shares**"). In view that Mr Gary Loh Hock Chuan is also the Deputy Chairman and an Executive Director of the Company, FACL is an interested person as defined under Chapter 9 of the SGX-ST Listing Manual and the entry by the Company into the New CL Agreement with FACL is an interested person transaction ("**Interested Person Transaction**").

The Group's audited net tangible assets (the "**NTA**") as at 31 December 2011 was approximately negative S\$17.599 million. The aggregate value of the Interested Person Transaction, (i.e., the amount of interest payable on the New Loan) based on the terms of the New CL Agreement, and assuming the New Loan is only repaid in full on Maturity Date will be approximately S\$1,996,800 and on this basis, it is not possible to derive a meaningful comparison of the value of the Interested Person Transaction and the NTA of the Company. However, for good order, the Company is making this announcement on the Interested Person Transaction and the Interested Person Transaction is subject to shareholder approval.

Save for the Interested Person Transaction, the Company had obtained consultancy services from an interested person, First Alverstone Partners (Shanghai) since the beginning of the current financial year ending 31 December 2012. The aggregate value of this interested party transaction is approximately RMB15,000.

The Audit Committee of the Company is of the view that the Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

#### 4. **WHITEWASH RESOLUTION**

Under Rule 14.1 of the Singapore Code on Take-overs and Mergers ("**Take-over Code**"), except with the Securities Industry Council of Singapore's ("**SIC**") consent, any person who:

- (a) acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held by or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or
- (b) together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights,

is required to make a mandatory general offer for all the shares in the company which he does not already own or control.

As mentioned above, as at 16 March 2012, FACL holds approximately 6.31% of the issued share capital of the Company. FACL may, on the assumption as set out in footnote (1) of paragraph 10 (Financial Effects), acquire up to 39.20% of the issued share capital of the Company pursuant to the issue of Conversion Shares (as defined below) to FACL upon the exercise by FACL of its conversion rights under the New CL Agreement and accordingly, FACL may be required under Rule 14 of the Take-over Code to make a mandatory general offer for the Shares not already or controlled by it, unless such obligation is waived by the SIC on such terms and conditions it may impose ("**Whitewash Waiver**").

An application will be made in due course to the SIC for the Whitewash Waiver. Should the Whitewash Waiver be granted by the SIC, independent shareholders of the Company will be

asked to vote, on a poll, a whitewash resolution to waive their rights to receive a general offer from FACL for the Shares not already owned or controlled by it pursuant to Rule 14 of the Code ("**Whitewash Resolution**").

## 5. PRINCIPAL TERMS OF THE NEW CL AGREEMENT

The terms of the New CL Agreement are arrived at on an arm's length basis and the principal terms of the New CL Agreement are as follows:-

- (a) The New Loan may only be used to repay the amounts owing by the Company to the Lenders in accordance with the terms of the Settlement Agreement.
- (b) The New Loan shall be made to the Company in full in one tranche of S\$12 million no later than 7 calendar days upon the later of the (i) date of fulfillment of all the conditions precedent referred to in the New CL Agreement, and (ii) the date of the extraordinary general meeting (the "**Utilisation Date**") of the Company proposed to be convened for the purposes of approving, *inter alia*, the transactions contemplated in the New CL Agreement.
- (c) The New Loan shall bear interest at a compounded rate of 8% per annum ("**Interest**"), and upon demand by FACL, be payable (within 10 business days) in regular and equal installments after the end of every twelve calendar month period commencing from the Utilisation Date.
- (d) The maturity date of the New Loan shall be the second anniversary of the Utilisation Date, and if such date is not a business day, the business day immediately prior to such date (the "**Maturity Date**").
- (e) Prior to the Maturity Date, FACL may exercise its conversion right to convert the New Loan into Shares at S\$0.001 per Share ("**Conversion Price**") in respect of the whole or any part of the amount of New Loan owing to it plus all outstanding Interest accrued from the Utilisation Date, provided that the amount of the New Loan so converted shall be in integral multiples of S\$1 million.
- (f) The Conversion Price per Share represents a discount of 66.67% to the weighted average price of the Shares at S\$0.0030 for trades of the Shares done on the SGX-ST on 4 April 2012, being the full market day on which the New CL Agreement is signed.
- (g) For further reference, the Conversion Price per Share represents a discount of 44.44% to the weighted average price of the Shares at S\$0.0018 for trades of the Shares done on the SGX-ST for the time period from 3 October 2011 to 3 April 2012, being the last 6 calendar months prior to the date of this Announcement.
- (h) Converted Shares ("**Conversion Shares**") held by FACL (if the New Loan is converted) are subject to a moratorium period of 1 year from the allotment and issue of Settlement Shares (as defined below) and shall not be transferred or otherwise disposed by FACL save where all (but not some of) the Shares are transferred or disposed to one beneficiary and in such event FACL will procure that the beneficiary undertakes to comply with the moratorium period.
- (i) FACL shall be entitled to nominate up to 3 directors to the board of the Company.
- (j) FACL may at any time transfer (including by way of novation) its rights and obligations under the New CL Agreement to any other person.

## 6. PRINCIPAL TERMS OF THE SETTLEMENT AGREEMENT

The terms of the Settlement Agreement are arrived at on an arm's length basis and the principal terms of the Settlement Agreement are as follows:

- (a) The Company shall make payment of S\$12,443,092 and an allotment and issue of 12,000,000,000 Shares ("**Settlement Shares**"), fully paid at the issue price of S\$0.001 ("**Issue Price**") to FACT (on behalf of the Lenders) for the final settlement of the obligations of the Company under the Agreements.
- (b) The issue price per Settlement Share represents a discount of 66.67% to the weighted average price of the Shares at S\$0.0030 for trades of the Shares done on the SGX-ST on 4 April 2012, being the full market day on which the Settlement Agreement is signed.
- (c) For further reference, the Issue Price per Share represents a discount of 44.44% to the weighted average price of the Shares at S\$0.0018 for trades of the Shares done on the SGX-ST for the time period from 3 October 2011 to 3 April 2012, being the last 6 calendar months prior to the date of this Announcement.
- (d) The Settlement Shares issued are subject to a moratorium period of 1 year from the allotment and issuance of Settlement Shares and shall not be transferred or otherwise disposed by FACT (on behalf of the Lenders) or any Lender save where all (but not some of) the Shares are transferred or disposed to one beneficiary and in such event FACT will procure that the beneficiary undertakes to comply with the moratorium period.
- (e) For a period up to 2 years from the completion date of the Settlement Agreement (i.e. 7 calendar days after the date on which the conditions precedent under the Settlement Agreement are satisfied or, where possible, waived or such other date as may be agreed between the parties in writing) for so long as the Lenders collectively holds 25% or more of the Settlement Shares (save for any transfer where all (but not some) of the Settlement Shares are transferred or disposed to one beneficiary), the Lenders are collectively entitled to nominate up to 2 directors to the board of the Company.

## 7. CONDITIONS PRECEDENT OF THE NEW CL AGREEMENT AND SETTLEMENT AGREEMENT

The New CL Agreement and the Settlement Agreement are conditional upon the fulfillment of conditions precedent, **including but not limited to**, the following:

- (a) independent shareholders of the Company approving, *inter alia*:
  - (i) the transactions contemplated in the New CL Agreement, including the issue and allotment of the Conversion Shares and the listing and quotation of the Conversion Shares on the SGX-ST upon their issuance and allotment;
  - (ii) the transactions contemplated in the Settlement Agreement, including the issue and allotment of the Settlement Shares and the listing and quotation of the Settlement Shares on the SGX-ST upon their issuance and allotment; and
  - (iii) the whitewash resolution to waive their rights to receive a general offer from FACL and its concert parties (if any) under the Take-overs Code from having to make a mandatory general offer under each of Rule 14.1(a) and Rule 14.1(b) of the Code as may arise in connection with the issue of Conversion Shares to

FACL from the conversion (in whole or in part) of the New Loan by FACL pursuant to the New CL Agreement;

- (b) a whitewash waiver, on terms and conditions satisfactory to FACL, from the obligation by FACL to make a mandatory general offer under each of Rule 14.1(a) and Rule 14(b) of the Code as may arise in connection with the issue of Conversion Shares to FACL from the conversion (in whole or in part) of the New Loan by FACL pursuant to the New CL Agreement, to be granted by the SIC and the fulfillment of other relevant terms and conditions (if any) of the said ruling of the SIC;
- (c) the Company obtaining the approval in-principle of the SGX-ST for the listing and quotation on the Official List of the SGX-ST of the Settlement Shares and Conversion Shares; and
- (d) the Lenders entering into the Settlement Agreement for the full and final settlement of the obligations of the Company under the FACT Agreements on the terms of the Settlement Agreement.

## **8. BACKGROUND AND RATIONALE**

As described above, the primary purpose of the New CL Agreement and the Settlement Agreement is to pursue the full and final settlement of the Company's obligations under the FACT Agreements in the form of part cash and part Shares payment.

The Company was previously in need of funds urgently to fund its working capital and to make certain critical payments, which led to the Company entering the CL Agreement with FACT in March 2007. The CL Agreement had expired on 21 March 2009 but the Lenders have displayed their considerable financial support for the Company by not enforcing their strict contractual rights and calling on the outstanding loan under the CL Agreement. The amount of total assets of the Company and its subsidiaries (the "**Group**"), based on the latest consolidated accounts of the Group for the financial period ended 31 December 2011, is approximately S\$27.594 million, which is S\$6.7 million less than the outstanding convertible loan amounting to S\$24,443,092 in principal plus approximately S\$9.846 million in premium accrued as at 31 December 2011 owing by the Company to the Lenders.

From the Company's point of view, it is not possible for the Company to achieve positive equity and increased profits without restructuring the loan under the CL Agreement. The Lenders not converting, in itself, is the determinative reason for the Company remaining in negative equity (a hypothetical full conversion of the outstanding loan under the CL Agreement and premium accruing today by every Lender would approximately improve the equity of the Group from approximately negative S\$17.599 million to positive S\$16.247 million immediately).

The New CL Agreement, when entered into in conjunction with the Settlement Agreement, will allow the Company to rehabilitate itself and upon the completion of the New CL Agreement and the Settlement Agreement, the Company's net tangible asset will change from approximately negative S\$17.599 million as at 31 December 2011 to positive S\$4.247 million immediately post completion and on the assumption that the New Loan is fully converted, to positive S\$16.247 million, as shown in the financial effects illustrated below.

## **9. OTHER MATTERS**

Under the terms of the Settlement Agreement, the Company shall make an allotment and issue of 12,000,000,000 Settlement Shares fully paid to the Lenders. Pursuant to the terms of the Settlement Agreement, it is contemplated that there will be an issue of Shares to QAP Capital

Pte. Ltd., an associate of a substantial shareholder of the company. In the event any Lender (including QAP Capital Pte. Ltd.) and its associates will collectively acquire a controlling interest in the Company pursuant to the allotment and issue of Shares under the Settlement Agreement, specific shareholder approval will be sought pursuant to Rule 803 of the SGX-ST Listing Manual.

## 10. FINANCIAL EFFECTS

The financial effects of the New Loan are set out below purely for illustrative purposes only.

In S\$'000 except for per Share data	Based on Financial Statements for the period ended 31 December 2011	After New Loan, and full and final settlement of Company's obligations under the FACT Agreements <sup>(1)(2)</sup>	After New Loan, full and final settlement of Company's obligations under the FACT Agreements and full conversion of the New Loan <sup>(1)(2)(3)</sup>
<b>(a) Share Capital</b>			
Issued Share Capital	7,878,441,114	19,878,441,114	31,878,441,114
Existing Shareholders' percentage shareholding of Shares less FACL's percentage shareholding of Shares	93.69%	37.13% <sup>(4)</sup>	23.15% <sup>(4)</sup>
FACL's percentage shareholding of Shares	6.31%	2.5%	39.20%
<b>(b) Net tangible asset<sup>(5)</sup> ("NTA")</b>			
NTA	-17,599	4,247	16,247
No. of Shares	7,878,441,114	19,878,441,114	31,878,441,114
NTA per Share (in cents)	-0.22	0.02	0.05
<b>(c) Gearing<sup>(5)</sup></b>			
Total borrowings (defined as total liabilities)	45,193	22,904	10,904
Shareholders' Equity	-17,599	4,247	16,247
Gearing ratio	-2.57	5.39	0.67
<b>(d) Earnings per Share<sup>(5)(6)</sup></b>			

Net (loss)/profit after tax	770	10,616 <sup>(1)</sup>	10,616 <sup>(1)</sup>
Earnings per Share (in cents)	0.010	0.053 <sup>(7)</sup>	0.033 <sup>(7)</sup>

**Notes:**

- (1) On the assumption that the New Loan is fully disbursed on the Utilisation Date
- (2) On the assumption that the full and final settlement of the Company's obligations under the FACT Agreements has taken place (including the deemed settlement of all accrued interests under the CL Agreement (approximately S\$9.846 million as at 31 December 2011)).
- (3) On the assumption that FACL elects to convert the entire outstanding principal amount of the New Loan into Conversion Shares immediately at the Conversion Price.
- (4) There is a further 37.64% which will be owned by the Lenders pursuant to the issue of Settlement Shares under the Settlement Agreement.
- (5) These figures are based on the financial position of the Group.
- (6) The earnings are based on the Group's aggregate earnings set out in its audited consolidated financial statements for the financial year ended 31 December 2011.
- (7) The earnings include the interests under the CL Agreement (approximately S\$9.846 million as at 31 December 2011) deemed to be settled.

**11. CAUTION TO BE EXERCISED IN THE TRADING OF SHARES**

The Directors wish to caution Shareholders that at the present moment, there is no certainty that the conditions precedent to the completion of the New CL Agreement or Settlement Agreement would be fulfilled, and when fulfilled, completion thereof. Meanwhile, Shareholders should exercise due caution in trading of the Shares.

**12. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Announcement (save for information relating to FACL) and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the New CL Agreement, Settlement Agreement, Interested Person Transaction and Whitewash Resolution, the Company and its subsidiaries, and the Directors are not aware of any facts, the omission of which would make any statement in this Announcement misleading.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the New CL Agreement, Settlement Agreement and Debenture will be available for inspection during normal business hours at 1 Scotts Road, #21-07/08/09 Shaw Centre, Singapore 228202 for three months from the date hereof.

**14. INTERESTS OF DIRECTORS OR CONTROLLING SHAREHOLDERS**

Save as disclosed above, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the New CL Agreement, Settlement Agreement and Debenture, save through their shareholdings in the Company (if any).

**15. CIRCULAR TO SHAREHOLDERS**

A circular containing, inter alia, the rationale and information relating to the New CL Agreement, Settlement Agreement, Interested Person Transaction and Whitewash Resolution, together with the notice of the EGM, will be despatched to the Shareholders by the Company in due course.

By Order of the Board

Dr Tan Eng Liang  
Chairman & Director  
4 April 2012