

**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 ON 4 APRIL 2012 – UPDATE**

- **REVISED NEW CL AGREEMENT**
  - **REVISED SETTLEMENT AGREEMENT**
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**1. INTRODUCTION**

The Board refers to the Company’s announcement of 4 April 2012 (the “**New CL Announcement**”) and 31 December 2012.

*Unless otherwise stated, terms not otherwise defined in this announcement shall bear the same meanings ascribed to them in the New CL Announcement.*

**2. STATUS OF NEW CL AGREEMENT AND SETTLEMENT AGREEMENT**

The Board wishes to announce that pursuant to negotiations on revision of the terms of the New CL Agreement and Settlement Agreement, the Company has on 18 March 2013 entered into (i) a termination deed with FACT (as agent of the Lenders), the Lenders and FACL to terminate, *inter alia*, the New CL Agreement, Settlement Agreement and Debenture, (ii) a revised new convertible loan agreement (“**Revised New CL Agreement**”) with FACL and (iii) a revised settlement agreement (“**Revised Settlement Agreement**”) with FACT (as agent of the Lenders) and the Lenders. The convertible loan under the Revised New CL Agreement is secured by a debenture granted by the Company in favour of FACL (as security agent) (the abovementioned documents shall hereinafter be collectively referred to as the “**Revised Transaction Documents**”).

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

Revised New CL Agreement and its use

Pursuant to the terms of the Revised New CL Agreement, FACL will disburse S\$12 million (“**Initial Loan**”) to the Company and shall procure the discharge of S\$6 million of debt presently owing by the Company to the Lenders (“**S\$6 Million Discharge**”). Accordingly, the aggregate total of the principal amount owing by the Company to FACL is S\$18 million (“**Revised Loan**”), which shall be in the form of a convertible loan.

#### Revised Settlement Agreement and its use

The Company will (i) direct the proceeds arising from the Initial Loan, together with payment of S\$443,092 from internally generated resources and (ii) issue and allot 6,000,000,000 Shares (representing at the date hereof, approximately 43.23% 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 Revised Settlement Agreement.

#### **4. 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 the date hereof, FACL holds 497,204,258 (approximately 6.31%) 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 Revised New CL Agreement with FACL is an interested person transaction ("**Interested Person Transaction**").

The Group's latest audited net tangible assets (the "**NTA**") as at 31 December 2011 was approximately negative S\$17.599 million and its latest NTA as at 31 December 2012 was approximately negative S\$21.203 million. The aggregate value of the Interested Person Transaction, (i.e., the amount of interest payable on the Revised Loan) based on the terms of the Revised New CL Agreement, and assuming the Revised Loan is only repaid in full on the Maturity Date will be approximately S\$2,476,800 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 does not currently have any transactions with FACL or any other interested person as defined under Chapter 9 of the SGX-ST Listing Manual for the financial year ending 31 December 2013 as of 28 February 2013. The Company had previously obtained consultancy services from FACL as well as another interested person, First Alverstone Partners Management Services (Shanghai) Ltd. for the financial year ended 31 December 2011 and from First Alverstone Partners Management Services (Shanghai) Ltd. for the financial year ended 31 December 2012. The aggregate value of the interested party transaction(s) is approximately S\$24,000 for the financial year ended 31 December 2011 and RMB45,000 for the financial year ended 31 December 2012.

The Audit Committee is obtaining an opinion from the Independent Financial Adviser (as defined below) before forming its view, which will be announced separately.

#### **5. PRINCIPAL TERMS OF THE REVISED NEW CL AGREEMENT**

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

- (a) The Initial Loan may only be used to repay the amounts owing by the Company to the Lenders in accordance with the terms of the Revised Settlement Agreement.
- (b) Subject to the terms and conditions set out in the Revised New CL Agreement, the Initial 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 Revised New CL Agreement, and (ii) the date of the extraordinary general meeting of the Company proposed to be convened for the purposes of approving, *inter alia*, the transactions contemplated in the Revised New CL Agreement (if such date falls on a non business day, the business day immediately following it) (the "**Utilisation Date**").
- (c) FACL shall procure the S\$6 Million Discharge with effect from the Settlement Date (as defined below) and in consideration for FACL procuring the S\$6 Million Discharge, the sum of S\$6 million shall together with the Initial Loan form the Revised Loan.
- (d) The Revised Loan shall bear interest at the rate of 5½% per annum for the first year commencing from the Utilisation Date, and thereafter at a compounded rate of 8% per annum ("**Interest**"), and subject to the terms of the Revised New CL Agreement, upon demand by FACL, the Interest shall be payable (within 10 business days) after the end of every twelve calendar month period commencing from the Utilisation Date.
- (e) The maturity date of the Revised 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**").
- (f) Prior to the Maturity Date, FACL may exercise its conversion right to convert the Revised Loan into Shares at S\$0.001 per Share ("**Conversion Price**") in respect of the whole or any part of the amount of Revised Loan owing to it plus all outstanding Interest accrued from the Utilisation Date, provided that the amount of the Revised Loan so converted shall be for a minimum sum of S\$1 million (each Share so issued, hereinafter referred to as "**Conversion Share**").
- (g) The Conversion Price per Share represents a discount of 60.08% to the weighted average price of the Shares at S\$0.002505 for trades of the Shares done on the SGX-ST on 15 March 2013, being the preceding market day up to the time the Revised New CL Agreement is signed.
- (h) For further reference, the Conversion Price per Share represents a discount of 64.33% to the weighted average price of the Shares at S\$0.002803 for trades of the Shares done on the SGX-ST for the time period from 14 September 2012 to 14 March 2013, being the last 6 calendar months prior to the date on which the Revised New CL Agreement is signed.
- (i) In addition, the Conversion Price per Share represents a discount of 57.86% to the weighted average price of the Shares at S\$0.002373 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 on which the New CL Agreement is signed.
- (j) Subject to the terms of the Revised New CL Agreement, FACL may at any time transfer (including by way of novation) its rights and obligations under the Revised New CL Agreement to any other person.

## 6. PRINCIPAL TERMS OF THE SETTLEMENT AGREEMENT

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

- (a) Subject to the terms and conditions of the Revised Settlement Agreement and upon the fulfilment or waiver (where possible) of the conditions precedent in the Revised Settlement Agreement, the Company shall make payment of S\$12,443,092 in cash to FACT (as agent of the Lenders) within 3 business days of such fulfilment or waiver.
- (b) Subject to the terms and conditions of the Revised Settlement Agreement and upon the fulfilment or waiver (where possible) of the conditions precedent in the Revised Settlement Agreement, the Company shall issue and allot 6,000,000,000 Shares ("**Settlement Shares**"), fully paid at the issue price of S\$0.001 per Settlement Share ("**Issue Price**") to the Lenders, 7 calendar days of such fulfilment or waiver (if such date falls on a non business day, the business day immediately following it) or such other date as may be agreed between the Company, the Lenders and FACT (as agent to the Lenders) in writing.
- (c) The FACT Agreements shall, as from the later of (i) the date of payment of S\$12,443,092 by the Company and (ii) the date of completion of the issue and allotment of the Settlement Shares at the Issue Price, and subscription of such Shares by the Lenders, be terminated without the need for any further action on the part of any of the Company, the Lenders and FACT (as agent to the Lenders) ("**Settlement Date**").
- (d) The Issue Price represents a discount of 60.08% to the weighted average price of the Shares at S\$0.002505 for trades of the Shares done on the SGX-ST on 15 March 2013, being the preceding market day up to the time the Revised Settlement Agreement is signed.
- (e) For further reference, the Issue Price represents a discount of 64.33% to the weighted average price of the Shares at S\$0.002803 for trades of the Shares done on the SGX-ST for the time period from 14 September 2012 to 14 March 2013, being the last 6 calendar months prior to the date on which the Revised Settlement Agreement is signed.
- (f) In addition, the Issue Price per Share represents a discount of 57.86% to the weighted average price of the Shares at S\$0.002373 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 on which the Settlement Agreement is signed.

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

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

- (a) independent shareholders of the Company (the "**Shareholders**") approving, *inter alia*:-

- (i) the transactions contemplated in the Revised 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 Revised 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-over Code from having to make a mandatory general offer under each of Rule 14.1(a) and Rule 14.1(b) of the Take-over Code as may arise in connection with the issue of Conversion Shares to FACL from the conversion (in whole or in part) of the Revised Loan by FACL pursuant to the Revised New CL Agreement (“**Whitewash Resolution**”);
- (b) 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 the fulfillment of other relevant terms and conditions (if any) of the said approval by the SGX-ST; and
- (c) the lodgment of an offer information statement under section 277 of the Securities and Futures Act, Chapter 289 of Singapore, with the Monetary Authority of Singapore.

## 8. BACKGROUND AND RATIONALE

As mentioned previously in the New CL Announcement, the purpose of the New CL Agreement and the Settlement Agreement entered into by the Company on 4 April 2012 was to pursue the full and final settlement of the Company’s obligations under the FACT Agreements, which, from the Company’s point of view, will allow the Company to rehabilitate itself once the completion of the New CL Agreement and the Settlement Agreement is effected.

Following the entry by the Company into, *inter alia*, the New CL Agreement and the Settlement Agreement, the Company had submitted an application to the SIC on behalf of FACL to seek the Whitewash Waiver and based on feedback by the SIC, the Company, FACL, FACT and the Lenders re-negotiated the terms of the proposed extension of convertible loan by FACL to the Company. This led to the entry by the parties into the Revised Transaction Documents.

The terms of the Revised New CL Agreement and the Revised Settlement Agreement are materially similar to the New CL Agreement and the Settlement Agreement, save that (i) the aggregate of the principal amount of the Revised Loan is now S\$18 million (inclusive of the S\$6 million in consideration for the S\$6 Million Discharge) under the Revised New CL Agreement and (ii) the Company shall issue and allot 6,000,000,000 Settlement Shares fully paid at the Issue Price for each Settlement Share and pay the Lenders S\$12,443,092 in cash for the full and final settlement of the obligations of the Company under the FACT Agreements. Upon completion of the Revised New CL Agreement and the Revised Settlement Agreement, the Company’s NTA will change from approximately negative S\$21.203 million as at 31 December 2012 to negative S\$2.607 million immediately post completion and on the assumption that the Revised Loan is fully converted on the Maturity Date, to positive S\$15.393 million, as shown in the financial effects illustrated below.

As a condition to the Lenders agreeing to the S\$6 Million Discharge, the Lenders had also required FACL to enter into an agreement with FACT (as agent to the Lenders) and the Lenders (“**FACL-Lenders Agreement**”) concurrently with the Revised Transaction Documents. Under the FACL-Lenders Agreement, FACL has undertaken to, on the first anniversary of the Settlement Date, either (i) pay S\$6 million to FACT (as agent to the Lender), or (ii) transfer 6,000,000,000 Shares to FACT (as agent to the Lender), the Lenders or such other person(s) as FACT may otherwise direct.

## 9. 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 persons acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights of a company,

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 the date hereof, FACL holds approximately 6.31% of the issued share capital of the Company. FACL may, on the assumption that the Initial Loan is fully disbursed on the Utilisation Date (as defined below), acquire up to 58.02% of the issued share capital of the Company on an enlarged issued share capital basis (on the assumption that 6,000,000,000 Shares has been issued and allotted to the Lenders) upon the exercise by FACL of its conversion right for the entire Revised Loan under the Revised New CL Agreement immediately on the Utilisation Date 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 owned or controlled by it, unless such obligation is waived by the SIC on such terms and conditions it may impose (“**Whitewash Waiver**”).

The Company had on behalf of FACL submitted to the SIC a revised application to seek the Whitewash Waiver based on the terms of the Revised New CL Agreement and the Revised Settlement Agreement on 27 December 2012 and the SIC has on 4 January 2013 granted the Whitewash Waiver, subject to the fulfillment of the following conditions:

- (a) a majority of the Shareholders approve at a general meeting, before the issue of the Initial Loan to FACL, the Whitewash Resolution;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) FACL and its concert parties and parties not independent of them, abstain from voting on the Whitewash Resolution;
- (d) FACL and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the

Conversion Shares which have been disclosed in the circular to be dispatched to Shareholders):-

- (i) during the period between the announcement of the Revised New CL Agreement and the date Shareholders' approval is obtained for the Whitewash Resolution; and
  - (ii) in the 6 months prior to the announcement of the Revised New CL Agreement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Revised New CL Agreement and the issue of the Conversion Shares;
- (e) the Company appoints an independent financial adviser to advise its independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in its circular to Shareholders:-
- (i) details of the proposed issue of the Revised Loan and the Conversion Shares;
  - (ii) the dilution effect to existing Shareholders by the issue of the Conversion Shares;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and option in respect of Shares held by FACL and its concert parties as at the latest practicable date;
  - (iv) the number and percentage of voting rights represented by the Conversion Shares to be acquired by FACL and its concert parties;
  - (v) that the acquisition of the Conversion Shares by FACL and its concert parties upon the conversion of the Revised Loan could result in FACL and its concert parties holding more than 49% of the voting rights of the Company, and FACL and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 to make a general offer;
  - (vi) that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from FACL and its concert parties at the highest price paid by FACL and its concert parties for the Shares in the past 6 months preceding the commencement of the offer;
  - (vii) that Shareholders, by voting for the Whitewash Resolution, could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Revised Loan;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by SIC to FACL and its concert parties from the requirement to make a general offer under Rule 14 is subject to the conditions stated at (a) to (f) above;
- (h) FACL and its concert parties obtains SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and

- (i) to rely on the Whitewash Resolution, the acquisition of the Revised Loan by FACL and its concert parties must be completed within 3 months of the approval of the Whitewash Resolution. The acquisition of the Conversion Shares by FACL upon the conversion of the Revised Loan must be completed within 5 years of the date of issue of the Revised Loan.

Independent shareholders of the Company will be asked to vote, on a poll, the Whitewash Resolution.

## 10. FINANCIAL EFFECTS

The financial effects of the Revised New CL Agreement and Revised Settlement Agreement are set out below purely for illustrative purposes only.

In S\$'000 except for per Share data	Based on financial statements for the financial year ended 31 December 2012	After Initial Loan, and full and final settlement of Company's obligations under the FACT Agreements <sup>(1)(2)</sup>	After Initial Loan, full and final settlement of Company's obligations under the FACT Agreements and immediate full conversion of the Revised Loan by FACL <sup>(1)(2)</sup>	After Initial Loan, full and final settlement of Company's obligations under the FACT Agreements and full conversion of the Revised Loan and Interest accrued by FACL on the Maturity Date <sup>(1)(2)</sup>
<b>(a) Share Capital</b>				
Issued Share Capital (no. of shares)	7,878,441,114	13,878,441,114	31,878,441,114	34,355,241,114
Percentage of existing Shareholders' shareholding less FACL's percentage shareholding	93.69%	96.42% <sup>(3)</sup>	41.98% <sup>(4)</sup>	38.95% <sup>(5)</sup>
Percentage of FACL's shareholding	6.31%	3.58% <sup>(3)</sup>	58.02% <sup>(4)</sup>	61.05% <sup>(5)</sup>



<b>(b) Net tangible asset<sup>(6)</sup> (“NTA”)</b>				
NTA	-21.203	-2,607	15,393	15,393
No. of Shares	7,878,441,114	13,878,441,114	31,878,441,114	34,355,241,114
NTA per Share (in cents)	-0.27	-0.02	0.05	0.04
<b>(c) Gearing<sup>(6)</sup></b>				
Total borrowings (defined as total liabilities)	45,953	26,914	8,914	8,914
Shareholders' Equity	-21,203	-2,607	15,393	15,393
Gearing ratio	-0.46	-0.10	1.73	1.73
<b>(d) Earnings per Share<sup>(6)(7)</sup></b>				
Net (loss)/profit after tax	-2,536	10,060 <sup>(8)</sup>	10,060 <sup>(8)</sup>	10,060 <sup>(8)</sup>
Earnings per Share (in cents)	-0.032	0.072 <sup>(8)</sup>	0.032 <sup>(8)</sup>	0.029 <sup>(8)</sup>

**Notes:**

- (1) On the assumption that the Initial 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\$12.596 million as at 31 December 2012)).
- (3) There is a further 43.23% which will be owned by the Lenders pursuant to the issue of Settlement Shares under the Revised Settlement Agreement.
- (4) There is a further 18.82% which will be owned by the Lenders pursuant to the issue of Settlement Shares under the Revised Settlement Agreement.
- (5) There is a further 17.46% which will be owned by the Lenders pursuant to the issue of Settlement Shares under the Revised Settlement Agreement.
- (6) These figures are based on the financial position of the Group.
- (7) The earnings are based on the Group's aggregate earnings set out in its financial statements for the financial year ended 31 December 2012.

- (8) The earnings include the interests under the CL Agreement (approximately \$12.596 million as at 31 December 2012) 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 Revised New CL Agreement or Revised Settlement Agreement would be fulfilled, and when fulfilled, completion thereof. Meanwhile, Shareholders should exercise due caution in the 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 Revised Transaction Documents, 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 each of the Revised Transaction Documents 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 Revised Transaction Documents, save through their shareholdings in the Company (if any).

**15. INDEPENDENT FINANCIAL ADVISER**

Provenance Capital Pte. Ltd. ("**Independent Financial Adviser**") has been appointed as the independent financial adviser to Shareholders in relation to the Interested Person Transaction and the Whitewash Resolution. The opinion of the Independent Financial Adviser will be set out in the circular to Shareholders.

**16. CIRCULAR TO SHAREHOLDERS**

A circular containing, inter alia, the rationale and information relating to the Revised Transaction Documents, 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

Mr Michael John Martin  
Director  
18 March 2013