



SUNMOON FOOD COMPANY LIMITED

Registration No. 198304656K
(the "Company")

PROPOSED ISSUE OF:

- (1) 333,333,333 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE PLACEMENT PRICE OF S\$0.045 PER SHARE; AND
- (2) 166,666,667 FREE UNLISTED WARRANTS CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) SHARE EACH IN THE CAPITAL OF THE COMPANY AT THE EXERCISE PRICE OF S\$0.054 PER SHARE

(COLLECTIVELY, THE "PROPOSED PLACEMENT")

*The board of directors ("**Directors**") ("**Board**") of SunMoon Food Company Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 7 October 2016 ("**Term Sheet Announcement**"). Unless otherwise defined, terms used in this announcement will have the same meanings ascribed to them in the Term Sheet Announcement.*

1. INTRODUCTION

The Board is pleased to announce that the Company has on 31 December 2016 entered into a placement agreement (the "**Placement Agreement**") with Shanghai YIGUO E-Commerce Co., Ltd (also known as 易果生鲜) (the "**Placee**"), pursuant to which the Company has agreed to allot and issue to the Placee, and the Placee has agreed to subscribe and pay for:

- (a) 333,333,333 new ordinary shares of the Company (the "**Placement Shares**") at the issue price of S\$0.045 for each Placement Share (the "**Placement Price**"); and
- (b) 166,666,667 free unlisted warrants (the "**Warrants**"), each carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("**Share**") (such new Shares issued pursuant to the exercise of the Warrants, the "**Warrant Shares**") at an exercise price of S\$0.054 for each Share (the "**Exercise Price**"), which may be exercised by the Placee from time to time at the Placee's discretion, for a period of three (3) years from the date of issue of the Warrants,

(the "**Proposed Placement**").

There is no placement agent appointed for the purpose of the Proposed Placement. The Proposed Placement will be made pursuant to the exemption under section 275 of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Placement.

2. INFORMATION ON THE PLACEE

- 2.1 The Placee is a company incorporated in Shanghai, the People's Republic of China ("**PRC**"). It is principally involved in the business of providing delivery of high quality fresh food to

household and business consumers. It was established in 2005 as a pure online fruit retailer, and has since expanded its business to over 3,200 products in seven (7) categories of fresh food, namely, fruit, vegetable, seafood, meat, poultry and eggs, pantry and beverage, and dessert. The Placee has an extensive geographic presence within the PRC covering 18 provinces and 144 cities, with logistics centers in Shanghai, Beijing, Guangzhou, Wuhan, Chengdu, Ji'nan, Fuzhou and Hangzhou. In addition to households, its corporate customers include Fortune 500 companies and domestic institutions providing staff service to foreign employers. In addition, the Placee has entered into a strategic partnership with Alibaba, the largest e-commerce company in the PRC, since 2014.

- 2.2 As stated in the Company's announcement dated 21 April 2016 ("**21 April Announcement**"), SunMoon Distribution & Trading Pte Ltd, a wholly-owned subsidiary of the Company, had in April 2016 entered into several sales orders with the Placee in relation to the supply of certain fruits and vegetables products. The sales orders are in line with the Company's focus on the "*Network x Geography x Product*" model, and will introduce a range of fruits, fruit-related and vegetable products, such as frozen durians, young coconuts and oranges. This will enable the Company and its subsidiaries (the "**Group**") to tap on a rapidly expanding digital sales network and enable the Group to establish and secure the SunMoon brand within the mindshare of the new sophisticated consumer when it comes to health, freshness and natural goodness.
- 2.3 Prior to the 21 April Announcement, the Placee has been an existing customer of the Group since October 2015.
- 2.4 As at the date of this announcement, the Placee does not hold, directly or indirectly, any Shares. None of the Placee, its directors or its substantial shareholders has any connection with any Director or substantial shareholder of the Company.

3. DETAILS OF THE PROPOSED PLACEMENT

3.1 Placement Shares and Warrants

Based on the Placement Agreement, the Placee shall subscribe for (i) 333,333,333 Placement Shares; and (ii) up to 166,666,667 Warrant Shares.

The issue of the Warrants to the Placee is subject to and in accordance with the terms and conditions set out in a deed poll constituting the Warrants (the "**Deed Poll**"), including, *inter alia*, the following:

- (a) **Exercise Period.** The Warrants will be exercisable from the date of their issue until 5.00 p.m. in Singapore on the Market Day (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**")) immediately preceding the third (3rd) anniversary of the date of the issue of the Warrants unless such date is a date on which the register of members is closed or is not a Market Day, in which event the Warrants shall expire on the date prior to the closure of the register of members or the immediately preceding Market Day, as the case may be (the "**Expiration Date**").
- (b) **Adjustments.** The Exercise Price and the number of Warrants are subject to adjustment in the event of, *inter alia*, rights, bonus or other capitalisation issues. Any such adjustments shall (unless otherwise provided under the Listing Manual from time to time) be announced by the Company.
- (c) **Transferability.** The Warrants shall be transferable in accordance with terms and conditions of the Deed Poll.

- (d) **Expiry.** The expiry of the Warrants will be announced by the Company, and the notice of the Expiration Date will be sent to the Placee at least one (1) month before the Expiration Date.
- (e) **Alterations.** Any material alteration to the terms of the Warrants to the advantage of the Placee shall be approved by the shareholders of the Company in a general meeting, except where the alterations are made pursuant to the terms and conditions set out in the Placement Agreement.

The Company shall allot and issue the Warrant Shares within 10 business days after the exercise of any of the Warrants by the Placee in accordance with the terms of the Deed Poll.

3.2 **Status of the Placement Shares, Warrant Shares and Adjustment Shares**

The Placement Shares, the Warrant Shares and the Adjustment Shares (as defined below) (if any) will be issued free from all claims, pledges, mortgages, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares of the Company, except that they will not rank for any dividend, right, allotment or other distribution, the record date for which falls on or before (i) the relevant completion date of the Placement Agreement, (ii) the relevant date of exercise of the Warrants, or (iii) the relevant date of allotment and issue of the Adjustment Shares, as the case may be.

The Placement Shares, when allotted and issued in full, will represent approximately 104.56% of the Company's existing share capital of 318,784,382 Shares ("**Existing Share Capital**"), and approximately 51.12% of the enlarged issued and paid-up share capital of 652,117,715 Shares ("**Enlarged Share Capital**") immediately after completion of the Proposed Placement (assuming that no further Shares are issued on or prior to the completion of the Proposed Placement).

The Warrant Shares, when allotted and issued in full, will represent approximately 52.28% of the Company's Existing Share Capital, and approximately 20.36% of the enlarged issued and paid-up share capital of 818,784,382 Shares ("**Subsequent Enlarged Share Capital**") immediately after completion of the Proposed Placement and the full exercise of the Warrants into Warrant Shares (assuming that no further Shares are issued on or prior to the completion of the Proposed Placement and the full exercise of Warrants into Warrant Shares).

The Placement Shares and Warrant Shares, when allotted and issued in full, will represent approximately 156.85% of the Company's Existing Share Capital, and approximately 61.07% of the Subsequent Enlarged Share Capital after completion of the Proposed Placement and the full exercise of the Warrants into Warrant Shares (assuming that no further Shares are issued on or prior to the completion of the Proposed Placement and the full exercise of Warrants into Warrant Shares).

The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares, the Warrant Shares and the Adjustment Shares on the Mainboard of the SGX-ST. For the avoidance of doubt, the Warrants will not be listed on the SGX-ST. The Company will make the necessary announcement(s) upon the receipt of approval-in-principle from the SGX-ST for the listing and quotation of the Placement Shares, the Warrant Shares and the Adjustment Shares on the Mainboard of the SGX-ST.

3.3 **Adjustments to Placement Price and Exercise Price**

In the event:

- (a) the Company issues new Shares at an issue price lower than the Placement Price during the period commencing from the date of the Term Sheet until the date of completion of the Placement Agreement (the "**Completion Date**"), the Placement Price shall be adjusted to such lower price accordingly; and
- (b) of any sub-division or consolidation of the Shares or bonus issue of Shares on a *pro rata* basis which occurs on or prior to the Completion Date, the Placement Price shall be adjusted immediately in the manner set out below:

$$\text{NCP} = \text{OCP} \times (\text{A} \div \text{B})$$

where:-

NCP is the Placement Price expressed in S\$ in force after such alteration

OCP is the Placement Price expressed in S\$ in force immediately before such alteration

A the number of Shares immediately before such alteration

B the number of Shares immediately after such alteration

Pursuant to the Placement Agreement and the Deed Poll, in the event the Company issues equity derivatives at an exercise price or conversion price lower than the Exercise Price (the "**Lower Price**"), at any time prior to the Expiration Date, the Exercise Price shall be reduced to a sum equal to the Lower Price.

3.4 Adjustment Shares

Upon the occurrence of any of the following events, the Company shall, at no cost to the Placee, top-up the number of new Shares (each fully paid) to be issued to the Placee:

- (a) in the event there are any losses and/or costs arising for the Group from the ownership of and subsequent disposal of the Dormant Subsidiaries (as defined below) and the Dehydrated Produce Business (as defined below) (other than the amounts fully provided for or written off as reflected in the available accounts of the Group), the number of top-up shares to be issued shall be equivalent to such losses divided by S\$0.045;
- (b) in the event the net asset value ("**NAV**") of the Group as at 31 December 2016 (on the basis of the audited accounts of the Group) falls 10% or more below S\$10 million, the number of top-up shares to be issued shall be equivalent to the amount of such shortfall in the NAV of the Group divided by S\$0.045.

(By way of illustration, if the NAV of the Group falls to S\$8 million, the shortfall in NAV of the Group to be adjusted for will be S\$2 million, and the number of top-up shares to be issued shall be equivalent to S\$2 million divided by S\$0.045);

- (c) in the event there are any losses and/or costs arising for the Group from the ownership of and subsequent winding up and/or liquidation and/or disposal of any of its subsidiaries (including but not limited to the Dormant Subsidiaries (as defined below)) (other than the amounts fully provided for or written off as reflected in the available accounts of the Group), the number of top-up shares to be issued shall be equivalent to such losses and/or costs divided by S\$0.045;
- (d) for the period from the date of the Placement Agreement until the date falling three (3) years from the date of Completion, in the event there are any losses and/or costs arising for the Group arising from its transactions with Harvest Season Pte Ltd, Shanghai Chibin International Trading Co. Ltd., East China Marine Equipment Co. Ltd., Zhang Jian Quan Tony, Ong Yaw Teh Patrick, and/or such other businesses or

companies as may be owned or controlled by the aforementioned (collectively, "**HS Affiliates**"), including the writing off of any receivables due from the HS Affiliates, and/or the acquisition of equity interest in Harvest Season Pte Ltd., the number of top-up shares to be issued shall be equivalent to such losses and/or costs divided by S\$0.045;

- (e) for the period from the date of the Placement Agreement until the date falling three (3) years from the date of Completion, in the event there are any losses and/or costs arising for the Group arising from its transactions with PT Fresh Foods Synergy ("**PT Fresh**"), including (i) the writing off of any receivables due from PT Fresh which have accrued on the date of the Placement Agreement and additional receivables which may accrue up to Completion, and (ii) the acquisition of equity interest in PT Fresh (if any), the number of top-up shares to be issued shall be equivalent to such losses and/or costs divided by S\$0.045; and
- (f) in the event there are any losses and/or costs arising for the Group arising from any breach of certain warranties set out in the Placement Agreement, the number of top-up shares to be issued shall be equivalent to such losses and/or costs divided by S\$0.045.

Any new Shares to be issued to the Placee pursuant to the adjustments set out above shall be referred to as the "**Adjustment Shares**". For the avoidance of doubt, the losses and/or costs set out in paragraphs (a), (c), (d) and (e) above may be aggregated and set off against gains (if any, over the net book value of the relevant businesses and subsidiaries as at 30 September 2016) arising from the disposal of or liquidation of the assets and businesses pursuant to paragraphs (a) and (c).

3.5 **Shareholders' Approval**

Pursuant to Rule 805 of the Listing Manual an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares.

The allotment and issue of the Placement Shares will result in the Placee obtaining a controlling and majority shareholding interest in the Company, and the allotment and issue of the Warrant Shares and the Adjustment Shares (if any) thereafter will result in the Placee further increasing its controlling and majority shareholding interest in the Company.

Pursuant to Rule 803 of the Listing Manual, prior approval of shareholders is required for the issue of securities which transfers a controlling interest. Accordingly, approval for the allotment and issue of the Placement Shares, Warrant Shares and Adjustment Shares (if any) will be sought at the extraordinary general meeting ("**EGM**") of shareholders of the Company ("**Shareholders**") to be held in connection with the Proposed Placement. A circular to Shareholders containing details of the Proposed Placement and the notice of EGM will be despatched in due course.

3.6 **Placement Price of the Placement Shares and the Exercise Price of the Warrants**

The Placement Price of S\$0.045 represents a discount of approximately 55% to the volume weighted average price of S\$0.10 for trades done on the SGX-ST on 30 December 2016 (being the last trading day prior to the date of signing of the Placement Agreement).

The Exercise Price of S\$0.054 represents a discount of approximately 46% to the volume weighted average price of S\$0.10 for trades done on the SGX-ST on 30 December 2016 (being the last trading day prior to the date of signing of the Placement Agreement).

As the Placement Shares and the Warrant Shares will be issued at a discount exceeding 10%, under Rule 811(1) read with 811(3) of the Listing Manual, the Proposed Placement is subject to the approval of Shareholders at an EGM to be convened. A circular to Shareholders containing details of the Proposed Placement and the notice of EGM will be despatched in due course.

3.7 Conditions Precedent

The completion of the Proposed Placement is subject to certain conditions set out in the Placement Agreement, including, without limitation:

- (a) the listing and quotation notice from the SGX-ST for the listing and quotation of the Placement Shares, the Warrant Shares and the Adjustment Shares (if any) on the Mainboard being obtained from the SGX-ST and not having been revoked or amended and, where such notice is subject to conditions, such conditions to be reasonably acceptable to the Placee and to the extent that any conditions for the listing and quotation of the Placement Shares, the Warrant Shares and the Adjustment Shares (if any) on the Mainboard are required to be fulfilled on or before the Completion Date, they are so fulfilled ("**SGX-ST Approval**");
- (b) the Proposed Placement and the issue of the Warrants (the "**Warrants Issue**") not being prohibited by any statute, order, rule or regulation promulgated after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company;
- (c) approval from Shareholders for (i) the issue and allotment of the Placement Shares, the issuance of the Warrants, the issue and allotment of the Warrant Shares and the issue and allotment of the Adjustment Shares (if any), (ii) waiver of their rights to receive a general offer from the Placee and its concert parties under Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**"), and (iii) interested person transactions between the Placee's group of companies and the Group being obtained;
- (d) the Whitewash Waiver (as defined below) having been obtained on such terms as are reasonably acceptable to the Placee, and not being revoked or amended;
- (e) all authorisations, approvals, waivers or permits, if any, of any governmental authority or other person that are required in connection with the transactions contemplated by the Placement Agreement including but not limited to all necessary authorisations, approvals, waiver or permits required by the Placee for the funding of and for all the transactions contemplated by the Placement Agreement, having been duly obtained and effective on terms reasonably satisfactory to the Placee;
- (f) the Placee being satisfied, at its sole discretion, with the outcome of the legal and financial due diligence on the Group;
- (g) no material adverse effect having occurred subsequent to the date of the Placement Agreement;
- (h) a natural person or persons nominated by the Placee having been appointed to be a director or directors of each of the members of the Group, and the Company having executed and delivered to the Placee a director or directors indemnification agreement in favour of such Placee and the director or directors nominated by such Placee in a form reasonably satisfactory to the Placee;
- (i) each of the individuals/key employees identified by the Placee (including Gary Loh

Hock Chuan, Roger Chua Kiang Tat and Ong Siew Ling) having entered into an employment, confidentiality and non-competition agreement, in form and substance satisfactory to the Placee;

- (j) at or before completion of the Proposed Placement ("**Completion**"), the Company having obtained or renewed all trademarks and/or copyrights necessary for its business operations in each country where it has market presence;
- (k) at or before Completion, the Group having obtained, renewed or completed all necessary permits, licences and filings required by applicable laws to conduct the respective business of each Group member;
- (l) the Dormant Subsidiaries (as defined below) having been disposed of at a nominal consideration or higher, struck off, wound up and/or liquidated, as the case may be, and with no recourse by the purchaser(s) of such Dormant Subsidiaries against any member of the Group;
- (m) approval from Shareholders for the disposal of the Dormant Subsidiaries being obtained, if such approval is required pursuant to the provisions of the Listing Manual;
- (n) the sale of the Dehydrated Produce Business (as defined below) having been completed, on terms satisfactory to the Placee, and with no recourse by the purchaser(s) of such business against any member of the Group;
- (o) approval from Shareholders for the sale of the Dehydrated Produce Business (as defined below) being obtained, if such approval is required pursuant to the provisions of the Listing Manual;
- (p) the issuance of the Adjustment Shares having been completed;
- (q) any conditions attached to the SGX-ST Approval or the Whitewash Waiver (as defined below) which is/are required to be fulfilled on or before the Completion Date, having been fulfilled on or before that date to the satisfaction of the SGX-ST or the Securities Industry Council ("**SIC**") (as the case may be) unless waived by the SGX-ST or the SIC (as the case may be);
- (r) the Placee having obtained the necessary corporate approval and approval from all relevant authorities in the PRC to subscribe for the Placement Shares and the Adjustment Shares (if any) in accordance with the terms of the Placement Agreement;
- (s) there having been, as at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any material respect any of the warranties contained in the Placement Agreement if they were made on and as at the date of the Placement Agreement and repeated on and as of the Completion Date;
- (t) the delivery of the completion certificate substantially in the form and content prescribed in the Placement Agreement by the Company to the Placee on the Completion Date;
- (u) the execution of the Deed Poll;
- (v) the Placement Agreement constituting legal, valid and binding obligations of the Placee enforceable by the Company in accordance with its terms;
- (w) the execution by the Placee of the Placement Agreement being duly authorised and such authorisation being in full force and effect;

- (x) each Party having performed and complied in all material respects with all covenants, agreements, obligations and conditions contained in the Placement Agreement and the Deed Poll that are required to be performed or complied with by it; and
- (y) the entry into new agreements with respect to the arrangements between the Group and each of GLOH Fresh Pte. Ltd. and SLS Atelier Pte. Ltd., on terms satisfactory to the Placee.

For the purposes of this announcement,

"Dehydrated Produce Business" means the discontinued dehydrated produce business related to the processing, sale and distribution of dehydrated products under the produce division of the Company.

"Dormant Subsidiaries" means, collectively,

- (i) United Agro Produce Pte Ltd, Fook Yong Pte Ltd, Taian Fook Huat Tong Kee Foodstuffs Co Ltd and Taian FHTK Foodstuffs Co Ltd, which are to be disposed of, and in respect of which a term sheet for the said disposal has been signed;
- (ii) Weifang Xinan FHTK Fruits Co., Ltd, United Fruit Company Limited, Agrifood Investments Pte. Ltd. and Xinjiang SunMoon Co Ltd, which are to be liquidated or struck off;
- (iii) Fook Huat Tong Kee Pte Ltd, Fook Huat Tong Kee (Xiamen) Foodstuffs Co., Ltd and Shanghai Fook Huat Tong Kee Cold Storage Co., Ltd, which are to be disposed of, and in respect of which the Company is finalising the details for the said disposal

"Whitewash Waiver" means the waiver to be granted by the SIC of the requirement for the Placee and its concert parties to make a general offer for the Shares under Rule 14 of the Code should their aggregate voting rights in the Company increase to 30% or more based on the enlarged issued capital of the Company as a result of the completion of the Placement and the exercise of the Warrants, and all obligations contemplated pursuant and/or in connection with the same.

The Company shall use its best endeavours to ensure the satisfaction of the conditions set out in paragraphs (a) to (c), (i) to (p), (t) and (y) above. The Placee shall use its best endeavours to ensure the satisfaction of the conditions set out in paragraphs (r) and (w) above. The Company and the Placee shall use their respective best endeavours to ensure the satisfaction of the conditions set out in paragraphs (d), (e), (h), (q), (u) and (x) above, in each case as soon as possible.

If any of the conditions set forth in paragraphs (a) to (y) above for which a party is to use its best endeavours to ensure the satisfaction thereof are not satisfied (or waived by the other party in its sole discretion) on or before the date falling six (6) months from the date of the Placement Agreement, or such other date as the parties may elect, the Placement Agreement shall ipso facto cease and none of the parties shall have any claim against any other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Placement (except for the liability of the Company for the payment of expenses provided in the Placement Agreement).

The Placee may at any time to the extent permissible by law, agree to waive, in whole or in part, any of the conditions set forth in paragraphs (a) to (y) above (other than paragraphs (r) and (w)).

3.8 **Completion of the Proposed Placement**

Completion of the Proposed Placement is to take place on the date falling three (3) clear Market Days after the date on which all the conditions set out above are satisfied or otherwise waived in writing by the relevant parties.

3.9 **Appointment of Directors nominated by the Placee**

Pursuant to the Placement Agreement, the Placee is entitled to nominate and appoint three (3) non-independent Directors and nominate and appoint two (2) independent Directors, such that at Completion, the Board shall comprise six (6) Directors comprising three (3) non-independent Directors, one (1) executive Director and two (2) independent Directors.

3.10 **Placee's Undertaking**

The Placee has undertaken to the Company that it will not sell or transfer (a) any of the Placement Shares for a period of six (6) months following Completion; and (b) any of the Adjustment Shares (if any) and Warrant Shares for a period of six (6) months following the respective dates of issuance of such Adjustment Shares (if any) and Warrant Shares.

3.11 **Indemnity**

The Company has agreed to indemnify the Placee from and against:

- (a) all indemnifiable loss, arising out of or resulting from: (i) the breach of any warranty made by the Company contained in the Placement Agreement and/or the Deed Poll, (ii) the breach of any covenant or agreement by the Company contained in the Placement Agreement and/or the Deed Poll (provided that the total amount of the Company's liability in respect of claims contemplated thereto is subject to a maximum of the consideration to be paid by the Placee for the Placement Shares); and
- (b) any and all indemnifiable losses suffered by the Placee directly as a result of, or based upon or arising from (a) any action in connection with any failure to pay social insurance contribution by any of the Company and its subsidiaries ("**Group Company**") prior to Completion; (b) any Group Company's failure to timely obtain any consent from any competent governmental authority in accordance with applicable laws; (c) any dispute or infringement claim in connection with the ownership of any intellectual property necessary and sufficient to conduct the business as currently conducted by any Group Company and/or the use of any intellectual property by any Group Company; (d) any tax liability of any Group Company accrued prior to Completion.

4. **RATIONALE FOR THE PROPOSED PLACEMENT**

- 4.1 The Company requires funds for its working capital. As announced on 11 August 2016, the Group is aiming to step up its marketing and sales efforts for its range of processed fruit products in Singapore, China and Indonesia, and as announced on 13 May 2016, the Company intends to sell property, plant and equipment relating to its now-discontinued dehydrated produce business, and make a strategic shift towards an asset-light consumer-centric, brand-focused business model. The proceeds from the Proposed Placement would thus provide the Company with sufficient working capital to ensure business continuity. In the longer term, the Proposed Placement is being carried out to enable the Company to augment its cash flow and improve working capital for expansion purposes.

- 4.2 The Placee has a well-established presence in the PRC (details of which are set out in paragraph 2.1 of this announcement). The Company believes that there is synergy between the business of the Company and the Placee, and that the Placee's investment in the Company will provide much-needed working capital for the Company's needs, and strengthen the strategic and mutually beneficial cooperation between the Company and the Placee.

As stated in the 21 April Announcement, the sales orders entered into between the Company and the Placee are in line with the Company's focus on its "Network x Geography x Product" model, which represents a shift in business strategy from previous years where the Company was embroiled in a lengthy debt restructuring since 2008 and could only focus on keeping its business operations going.

5. USE OF PROCEEDS

- 5.1 Based on the Placement Agreement:

- (a) the estimated amount of gross proceeds from the allotment and issuance of Placement Shares is approximately S\$15.0 million (the "**Placement Proceeds**"); and
- (b) assuming the Warrants are fully exercised into Warrant Shares, the estimated amount of additional gross proceeds that may be raised (the "**Warrant Proceeds**") is approximately S\$9.0 million.

- 5.2 The aggregate amount of net Proceeds from the Proposed Placement (assuming the Warrants are fully exercised into Warrant Shares), after deducting the estimated fees and expenses incurred in connection with the allotment and issuance of the Placement Shares, Warrants and Warrant Shares of S\$150,000, is approximately S\$23.70 million (the "**Net Proceeds**").

- 5.3 The Company intends to utilise the entirety of the Net Proceeds for general working capital requirements, and in accordance with the purposes mentioned in paragraph 4.1 of this announcement.

- 5.4 As and when the Warrants are exercised, the Company will utilise the proceeds thereof (after deducting any further fees and expenses incurred in connection with the Warrants) for working capital requirements.

- 5.5 The Company will make periodic announcements on the utilisation of the proceeds from the Proposed Placement as and when such proceeds are materially disbursed and subsequently provide a status report on the specific use of such proceeds and any material deviations therefrom in its annual report.

6. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

The financial effects of the Proposed Placement as presented herein are purely for illustrative purposes only and are not projections of the actual future financial performance or financial position of the Group after the Proposed Placement and are based on the audited financial statements of the Group for the financial year ended 31 December 2015.

6.1 Share Capital

	Date of this announcement	After the issue of the Placement	After the issue of the Placement	After the issue of the Placement

		Shares at the Placement Price	Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants and that no Adjustment Shares are issued)	Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants) and the issue of Adjustment Shares⁽¹⁾
Share capital (S\$)	124,508,483	139,508,483	148,508,483	148,508,483
Number of issued and paid-up Shares	318,784,382	652,117,715	818,784,382	863,228,826

Note:

- (1) On the assumption that, following from the illustration in paragraph 3.4(b) of this announcement, if the audited NAV of the Group as at 31 December 2016 falls to S\$8 million, the number of Adjustment Shares to be issued, credited as fully paid, shall be equivalent to S\$2 million divided by S\$0.045, being approximately 44,444,444 shares.

6.2 Net asset value ("NAV")

	As at 31 December 2015	After the issue of the Placement Shares at the Placement Price	After the issue of the Placement Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants and that no Adjustment Shares are issued)	After the issue of the Placement Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants) and the issue of Adjustment Shares⁽²⁾
NAV (S\$'000) ⁽¹⁾	11,193	26,193	35,193	33,193
Number of issued and paid-up Shares	318,784,382	652,117,715	818,784,382	863,228,826
NAV per Share (Singapore cents)	3.5112	4.0166	4.2982	3.8452

Notes:

- (1) NAV is computed based on net assets attributable to owners of the Company.
- (2) On the assumption that, following from the illustration in paragraph 3.4(b) of this announcement, if the audited NAV of the Group as at 31 December 2016 falls to S\$8 million,

the number of Adjustment Shares to be issued, credited as fully paid, shall be equivalent to S\$2 million divided by S\$0.045, being approximately 44,444,444 shares.

6.3 Losses

	As at 31 December 2015	After the issue of the Placement Shares at the Placement Price	After the issue of the Placement Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants and that no Adjustment Shares are issued)	After the issue of the Placement Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants) and the issue of Adjustment Shares⁽¹⁾
Earnings/(Losses) net of tax (S\$'000)	(2,101)	(2,101)	(2,101)	(4,101)
Number of issued and paid-up Shares	318,784,382	652,117,715	818,784,382	863,228,826
Earnings/(Losses) per Share (Singapore cents)	(0.6591)	(0.3222)	(0.2566)	(0.4751) ⁽²⁾

Note:

- (1) On the assumption that, following from the illustration in paragraph 3.4(b) of this announcement, if the audited NAV of the Group as at 31 December 2016 falls to S\$8 million, the number of Adjustment Shares to be issued, credited as fully paid, shall be equivalent to S\$2 million divided by S\$0.045, being approximately 44,444,444 shares.
- (2) On the assumption that, following from Note (1) above, the difference in NAV of S\$2 million is translated into an additional loss of S\$2 million.

6.4 Gearing

	As at 30 June 2016	After the issue of the Placement Shares at the Placement Price	After the issue of the Placement Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants and that no Adjustment Shares are	After the issue of the Placement Shares at the Placement Price and the issue of Warrant Shares at the Exercise Price (assuming full exercise of the Warrants) and the issue of Adjustment
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			issued)	Shares⁽²⁾
Net debt (S\$'000)	3,350	(11,650)	(20,650)	(20,650)
Total equity (S\$'000)	8,378	23,378	32,378	30,378
Net gearing ⁽¹⁾	28.56%	Not meaningful	Not meaningful	Not meaningful

Notes:

- (1) Net gearing is computed by net debt divided by total capital plus net debt, where net debt refers to obligations under finance leases, trade and other payables, less cash and bank balance and total capital refers to equity attributable to the owners of the Company.
- (2) On the assumption that, following from the illustration in paragraph 3.4(b) of this announcement, if the audited NAV of the Group as at 31 December 2016 falls to S\$8 million, the number of Adjustment Shares to be issued, credited as fully paid, shall be equivalent to S\$2 million divided by S\$0.045, being approximately 44,444,444 shares.

7. WHITEWASH WAIVER

- 7.1 Under Rule 14 of the Code, where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, 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 any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.
- 7.2 As the Placee will acquire Shares carrying more than 30% of the voting rights of the Company (and in this case, more than 49% of the voting rights of the Company) pursuant to the allotment of the Placement Shares and subsequently, a higher percentage (and in that case, also more than 49% of the voting rights of the Company) pursuant to the allotment and issue of the Warrant Shares and the Adjustment Shares (if any), the Placee and its concert parties would be obliged to make a general offer for the Company under Rule 14 of the Code unless otherwise exempt.
- 7.3 The SIC had on 29 December 2016 granted a waiver of the requirement for the Placee and its concert parties to make a mandatory offer for the Company in the event the Placee acquires more than 30% of the total voting rights in the Company based on the enlarged share capital of the Company as a result of the Placee acquiring the Placement Shares, subject to the following conditions:
- a majority of holders of voting rights of the Company approve at a general meeting, before the issue of Placement Shares, a resolution (the "**Whitewash Resolution**") by way of a poll to waive their rights to receive a general offer from the Placee and its concert parties;
 - the Whitewash Resolution is separate from other resolutions;
 - the Placee, its concert parties as well as parties not independent of them abstain from voting on the Whitewash Resolution;

- (d) the Placee and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in the circular):
 - (i) during the period between the announcement of the Proposed Placement and the date shareholders' approval is obtained for the Whitewash Resolution; and
 - (ii) in the 6 months prior to the first announcement of the Proposed Placement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of Company in relation to the Proposed Placement;
- (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 its shareholders:
 - (i) details of the proposed issuance of Placement Shares, under the Proposed Placement, the Proposed Warrants Issue and the Adjustment Shares;
 - (ii) the dilution effect to existing holders of voting rights upon the issue to the Placee of (A) the Placement Shares, (B) the Adjustment Shares and (C) the Warrant Shares upon the exercise of the Warrants;
 - (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 options in respect of shares in the Company held by the Placee and its concert parties as at the latest practicable date;
 - (iv) the number and percentage of voting rights to be acquired by the Placee and its concert parties as a result of the Placee's acquisition of (A) the Placement Shares, (B) the Adjustment Shares and (C) the Warrant Shares upon the exercise of the Warrants;
 - (v) specific and prominent reference to the fact that the issue of Placement Shares will result in the Placee and its concert parties holding shares carrying over 49% of the voting rights of Company and to the fact that the Placee will be free to acquire further shares (including but not limited to the Adjustment Shares and the Warrant Shares) without incurring any obligation under Rule 14 to make a general offer;
 - (vi) specific and prominent reference to the fact that the shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Placee at the highest price paid by the Placee and parties acting in concert with it for the Company shares in the past 6 months preceding the commencement of the offer;
- (g) the circular by the Company to its shareholders states that the waiver granted by Council to the Placee and its concert parties from the requirement to make a general offer under Rule 14 is subject to the conditions stated at paragraph (a) to (f) above;
- (h) the Company obtains Council'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 Placement Shares by the Placee under the Proposed Placement must be completed within 3 months of the date of the approval of the Whitewash Resolution.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Placement (other than through their respective shareholdings in the Company, if any).

9. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Proposed Placement is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Placement will be completed (in particular, whether the relevant regulatory approvals may be obtained in the PRC) or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Placement Agreement and Deed Poll may be inspected at the registered office of the Company at 1 Scotts Road #21-07/08 Shaw Centre Singapore 228208 during normal office hours for a period of three (3) months from the date of this announcement.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement 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 Proposed Placement, 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.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Gary Loh Hock Chuan
Executive Chairman
3 January 2017