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PETRA FOODS LIMITED
(the "Company")
Registration No. 198403096C
(Incorporated in the Republic of Singapore)

PLACEMENT OF UP TO 65,741,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY SUBJECT TO UPSIZE OPTION ("PLACEMENT")

The board of directors (the "**Directors**") of the Company wishes to announce that the Company has entered into a placement agreement dated 9 June 2010 (the "**Placement Agreement**") with DBS Bank Ltd (the "**Placement Agent**").

Details of the Placement

In accordance with and subject to the terms and conditions of the Placement Agreement, the Company proposes to issue up to 65,741,000 new ordinary shares in the capital of the Company ("**Shares**") ("**Base Offering**") subject to an Upsize Option (defined below) (together with new Shares to be issued pursuant to the Base Offering, the "**Placement Shares**") by way of a placement to institutional and other investors pursuant to Section 272B of the Securities and Futures Act, Chapter 289 of Singapore, and to apply to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the admission of all the Placement Shares to the Official List of the SGX-ST and for the listing of and quotation for all the Placement Shares on the Main Board of the SGX-ST. Under the Placement Agreement, the Placement Agent had been granted an option by the Company, exercisable in full or in part to require up to 13,139,000 additional new Shares to be allotted and issued ("**Upsize Option**").

The Placement will be made through the Placement Agent upon the terms and subject to the conditions of the Placement Agreement, and the Placement Agent has agreed to use its best efforts to procure subscribers, purchasers and payment for the Placement Shares at a price to be determined by the Placement Agent, with the agreement of the Company, following a book-building process ("**Placement Price**"). The Placement Price shall be at a discount of not more than 10% to the volume weighted average price ("**VWAP**") of S\$1.20 for trades done on the Shares on the SGX-ST on 9 June 2010, being the full market day on which the Placement Agreement was signed.

The Placement Shares, when issued and delivered, shall rank *pari passu* with and shall carry all rights similar to the existing Shares except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of the Placement Shares.

Share Lending

In connection with, and to facilitate the Placement, a share lending agreement dated 9 June 2010 (the "**Share Lending Agreement**") was entered into between the Placement Agent and Springbright Investments Limited (the "**Lender**"). The ultimate holding corporation of the Lender is Aerodrome International Limited, which is a corporation incorporated in the British Virgin Islands and wholly-owned by Mdm Lim Mee Len. Mdm Lim is the wife of Mr Chuang Tiong Choon, the managing director and chief executive officer of the Company.

Upon the terms and subject to the conditions of the Share Lending Agreement, the Lender has agreed to lend the Placement Agent 78,880,000 Shares (the "**Loan Securities**"), for delivery to the end-placers by the Placement Agent.

The Placement Agent shall, on not more than five business days after the date of completion of the issue of the Placement Shares pursuant to the Placement Agreement, or such other date as may be agreed, return such number of Shares equivalent to the number of Loan Securities to the Lender, upon the terms and subject to the conditions of the Share Lending Agreement. The Lender will not derive any financial benefit, whether directly or indirectly, from the Share Lending Agreement.

Use of Proceeds

Assuming the Upsize Option is exercised in full, a total of 78,880,000 Placement Shares is expected to be issued and allotted. The estimated amount of net proceeds from the Placement, assuming an indicative Placement Price of S\$1.08 per Placement Share (representing a discount of 10% to the VWAP on 9 June 2010), would be up to approximately S\$83.91 million ("**Net Proceeds**"), after deducting the commission payable to the Placement Agent of up to approximately S\$0.57 million and estimated expenses of approximately S\$0.71 million incurred in connection with the Placement.

The Net Proceeds raised from the Placement is intended to provide the Company and its subsidiaries (the "**Group**") with greater financial capacity to pursue strategic growth opportunities and increase its financial resources for current operations. Approximately 50% of the Net Proceeds will be used to pursue strategic alliances, mergers and acquisitions, joint ventures and investments as and when they may arise. The balance of the Net Proceeds will be used for working capital and general corporate purposes of the Group.

Pending the deployment of the Net Proceeds for the abovementioned purposes, the Net Proceeds may be deposited with banks and/or financial institutions, used to discharge, reduce or retire any indebtedness and/or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interest of the Group.

The Company will announce the use of the Net Proceeds periodically as and when the Net Proceeds are materially disbursed. It will also include a status report in its annual report regarding the use of the Net Proceeds.

Financial Effects of the Placement

As at the date of this announcement, the Company has an issued share capital of 532,277,000 Shares. When the Placement is completed, and assuming the Upsize Option is exercised in full, the Company will have an enlarged share capital of 611,157,000 Shares. In such an event, the Placement Shares will

represent approximately 14.82% of the issued share capital of the Company as at the date of this announcement and approximately 12.91% of the enlarged share capital of the Company after the Placement.

Assuming that the Upsize Option is exercised in full and the Placement Shares are issued and allotted at the indicative Placement Price of S\$1.08, the changes to the key financial figures after the Placement is completed would be as follows:

Key Financial Figures¹	Before the Placement	After the Placement
Earnings Per Share (in US cents) ^{2,3}	4.63	4.03
Net Asset Value (US\$'000)	210,409	269,502
Net Debt to Equity (times) ⁴	2.35	1.62
Adjusted Net Debt to Equity (times) ⁵	0.62	0.26

Notes

1. Computations in the table above are based on an assumed exchange rate of US\$1: S\$1.42.
2. Earnings per Share before the Placement for the full year ended 31 December 2009 is computed based on 532,277,000 Shares as per the latest audited accounts of the Company.
3. The Earnings per Share after Placement has been computed to illustrate the dilutive effect of the Placement Shares issued and have not incorporated the financial benefit of the Net Proceeds. Earnings per Share after the Placement is computed based on 611,157,000 Shares.
4. The Net Debt to Equity ratio before the Placement is computed based on total net debt of US\$494.6 million and a total equity of US\$210.4 million, as per the latest unaudited accounts for the first quarter of the financial year ended 31 March 2010.
5. The Adjusted Net Debt to Equity ratio is computed by adjusting for banking facilities (excluding trade finance and the medium term note programme) which are used to fund cocoa beans/ raw material inventory.

Authority to Issue New Shares

Pursuant to Rule 806 of the Listing Manual, the Placement Shares will be issued pursuant to the general share issue mandate granted by shareholders of the Company to the Directors pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, at its annual general meeting on 28 April 2010. The aggregate number of Placement Shares to be issued will not exceed 20% of the total number of the issued share capital of the Company (excluding treasury shares) as at 28 April 2010.

Completion of the Placement

Completion of the Placement is conditional upon, *inter alia*:

- (a) in-principle approval for the additional listing application being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Placement Agent and, to the extent that any conditions for the listing and quotation of the Placement Shares on the SGX-ST are required to be fulfilled on or before the completion date, they are so fulfilled. In the event the in-principle approval from the SGX-ST is not obtained by the Company within one month from the date of the application to the SGX-ST, the proceeds arising from the Placement shall be paid to the Lender in accordance with the terms of the Share Lending Agreement;
- (b) the Share Lending Agreement being duly executed by the Lender and the Placement Agent, being in full force and effect, there not having been any breach or non-compliance by the Lender of any of its obligations thereunder, and the Share Loan (as defined in the Share Lending Agreement) not having been terminated; and

- (c) the representations and warranties of the Company under the Placement Agreement being true and accurate as of the date hereof and as of the Completion Date (as defined in the Placement Agreement), with reference to the then existing circumstances and the Company having performed all of its undertakings and obligations hereunder to be performed on or before the Completion Date.

The Placement Shares will not be placed to any persons set out as restricted persons under Rule 812 of the Listing Manual of the SGX-ST, except that the Company may do so if such persons fall within the exemptions under Rule 812(3) of the Listing Manual.

The Company will make an announcement of the Placement Price and the number of new Shares to be issued pursuant to the Upsize Option once it is determined and the approval in-principle for the listing of and quotation for the Placement Shares has been obtained from SGX-ST.

BY ORDER OF THE BOARD

Lian Kim Seng/ Chuang Yok Hoa
Company Secretaries
9 June 2010

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Placement Shares.

The value of the Placement Shares and the income derived from them may fall as well as rise. Placement Shares are not obligations of, deposits in, or guaranteed by, the Company or any of their respective affiliates. An investment in the Placement Shares is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request that the Company redeem or purchase their Placement Shares while the Placement Shares are listed. It is intended that the holders of Placement Shares may only deal in their Placement Shares through trading on the SGX-ST. Listing of Placement Shares on the SGX-ST does not guarantee a liquid market for the Placement Shares.