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

ANNOUNCEMENT IN RELATION TO THE ARTICLE PUBLISHED IN THE STRAITS TIMES DATED 25 AUGUST 2015

The Board of Directors (the "Board") of SunMoon Food Company Limited (the "Company", and together with its subsidiaries, the "Group") refers to the article published in The Straits Times dated 25 August 2015 written by Jeremy Koh (the "Article").

The Board wish to add certain clarifications to the Article, which appears to skew the financial performance of the Group.

Improvement of the Group's Balance Sheet Pursuant to the Debt Restructuring Exercise

Prior to the Group completing its debt restructuring exercise during FY2013 ("Debt Restructuring"), the Company was in technical insolvency, with the Group having a negative net tangible asset of more than S$21.4 million. The key reason for the weak balance sheet of the Group then was the outstanding convertible loan of S$24.414 million in principal, and accrued interest on the convertible loan of approximately S$13.3 million, which was owed to the then lenders (the "Lenders") and which remained unconverted into shares of the Company. Interest continued to accrue at the rate of $1.95 million a year then.

Of the $60 million loan facility, approximately S$38.92 million was drawn down, and of this, First Alverstone Capital Limited (a company wholly owned by Gary Loh and his wife) and its associates (collectively, "FACL") injected approximately S$14.48 million. In 2008, FACL converted the S$14.48 million loan and outstanding interest of approximately S$1 million into the Company's shares, which improved the balance sheet of the Group correspondingly.

It is further noted that the Debt Restructuring was completed and was made possible by, *inter alia*, the injection of fresh convertible loans amounting to S$12 million by FACL (which was applied by the Company towards the settlement of the S$24.414 million loan owing to the Lenders), and FACL procuring the Lenders to forgive S$6 million of the then outstanding debt, and in consideration thereof, the Company owed FACL a convertible loan amounting S$18 million.

Upon completion of the Debt Restructuring, to improve the balance sheet of the Group, FACL immediately converted all S$18 million of the convertible loan.

For completeness, the Debt Restructuring also involved the settlement of $6 million of the convertible loan owing to the Lenders by way of issue of the Company's shares, and the forgiveness of the interest accrued amounting to approximately S$13.3 million.

Accordingly, through the course of the conversion of convertible loans and the Debt Restructuring, the balance sheet of the Group improved by an aggregate of approximately S$52.78 million between 2007 through to the completion of the Debt Restructuring. Net profit of the Group also improved by S$1.95 million a year for reason that there no longer was an interest expense payable to the Lenders after the Debt Restructuring.

The Board notes that without the fresh funds injection to complete the Debt Restructuring, the Company would likely have remained technically insolvent, if not already insolvent, with interest expense continuing to accrue at approximately S$1.95 million per year, payable to the Lenders.

The EBITDA of the Group was already positive since FY2009 based on the operational changes made in 2007 and 2008, though the interest expense due to the Lenders from FY2009 through to the completion of the Debt Restructuring affected the net profit of the Group during that period. The Group will continue building towards a consumer-centric, brand-focused business model.

BY ORDER OF THE BOARD

Mr Gary Loh Hock Chuan
Executive Director

31 August 2015