



SUNMOON FOOD COMPANY LIMITED

Registration No. 198304656K
(the "Company")

EXPLANATORY ANNOUNCEMENT ON THE RESTATEMENT OF THE COMPANY'S AUDITED FINANCIAL STATEMENTS OF THE FINANCIAL YEAR ENDED 31 MARCH 2017

1. The Board of Directors ("**Board**") of SunMoon Food Company Limited (the "Company" and together with its subsidiaries, the "Group") refers to the announcement on the unaudited full year financial statements for the financial year ended 31 March 2018 ("**FY2018**") dated 28 May 2018 ("**FY2018 Results Announcement**").
2. The Board wishes to update shareholders of the Company ("**Shareholders**") that the Company has restated its audited full year financial statements for the financial year ended 31 March 2017 ("**FY2017**").

In view of the restatement of the Company's audited financial statements of FY2017, Shareholders are to note that the Company will record pre-tax losses for FY2017. For the detailed restated financial statements of FY2017 ("**Restated FY2017**"), Shareholders can refer to the FY2018 Results Announcement which sets out the comparative financial statements for FY2018 and the Restated FY2017.

3. The Taian Disposals (as defined below) and Intangible Assets Acquisition (as defined below) are set out as follows:
 - (i) The Company refers to earlier announcements made on 13 May 2016, 14 November 2016, 14 February 2017, 19 June 2017 and 22 June 2017 relating to the disposal of subsidiaries ("**Taian Disposals**").

The Company had previously based on the Taian Disposals agreement dated 14 February 2017 accounted for the financial effects in the audited financial statements of FY2017.

The Company understands that the financial effects of the Taian Disposals should instead be accounted for in the current financial year (i.e. FY2018).

- (ii) The Company refers to the acquisition of the intangible assets relating to the Taian FHTK Foodstuffs Co., Ltd's network of suppliers and packers in the garlic, onion and ginger business ("**Intangible Asset Acquisition**") for a consideration of S\$3 million⁽¹⁾.

The Company had accounted for the Intangible Asset Acquisition as an *intangible asset* in the audited financial statements of FY2017 as the management had taken the view that **(a)** the Intangible Asset Acquisition was a separate transaction from the Taian Disposal; and **(b)** that there are underlying future economic benefits from the Intangible Asset Acquisition.

As a result of paragraph 3(i), the Intangible Asset Acquisition is deemed as an internally generated asset and is not accounted for in the Restated FY2017 financial statements.

Note:

- (1) Shareholders are to note that the S\$3 million was settled through **(a)** an offset of S\$2.7 million against an amount due from United Agro Produce Pte Ltd to the Company; and **(b)** a waiver given by United Agro Produce Pte Ltd for the remaining S\$0.3 million.

Impact of the Restated FY2017

4. The impact of the restatement are set out as follows:

(i) 3 years' losses

Rule 1311 of the Main Board listing manual of the SGX ("**Listing Manual**") sets out the financial entry criteria ("**Financial Entry Criteria**") as follows:

"Records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months."

Pursuant to the Restated FY2017, the Company would have recorded a pre-tax loss of S\$7.86 million for FY2017 and accordingly, the Company would have recorded pre-tax losses for the last three (3) most recently completed financial years.

The Company had consulted the Singapore Exchange Securities Trading Limited ("**SGX**") and was informed that SGX will not retrospectively review the Financial Entry Criteria as set out in Rule 1311 of the Main Board listing manual of the SGX ("**Listing Manual**").

Shareholders are to note that SGX conducts half-yearly review which will take place on the first market day of June and December of each year and accordingly, should the average daily market capitalisation of the Company fall below S\$40 million (for the last 6 months prior to December 2018) by the next SGX review which will take place on the first market day of December 2018, the Company will be placed on the watch-list pursuant to Rule 1311 of the Listing Manual.

(ii) Placement to Shanghai YIGUO E-commerce Co. Ltd ("**YG**")

The Company refers to earlier announcements dated 7 October 2016, 3 January 2017, 14 May 2017, 16 June 2017, 30 June 2017, 4 July 2017 and 5 July 2017 relating to the placement of new ordinary shares of the Company to YG ("**YG Placement Agreement**").

As provided in the terms of the YG Placement Agreement, the Company is required to provide additional new ordinary shares of the Company ("**Top-Up Shares**") based on the audited net asset value of the Group as at 31 December 2016.

In view of the Restated FY2017, the Company had approached YG to clarify on the terms of the adjustment clauses and the impact (if any) on the Top-Up Shares. The effect of which has not been taken into account in the announcement of the Group's results for the financial year ended 31 March 2018.

Concerning these restatements, discussions have been ongoing between the Company and YG on potential Top-Up Shares, where YG has indicated that it would reserve its rights in accordance with the YG Placement Agreement.

The Company will update the Shareholders as and when there are any material developments.

BY ORDER OF THE BOARD

Gary Loh Hock Chuan
Deputy Chairman
28 May 2018