

## SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198304656K)

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### 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")

### - APPROVAL IN-PRINCIPLE FOR THE 2019 ADJUSTMENT SHARES

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The board of directors ("**Directors**") ("**Board**") of the Company refers to its announcements dated 7 October 2016, 3 January 2017, 14 May 2017, 16 June 2017 and 30 June 2017, 4 July 2017 and 5 July 2017 relating to the Proposed Placement (the "**Announcements**"). Capitalised terms not defined herein shall bear the same meanings ascribed to them in the Announcements.

The Board wishes to announce that the SGX-ST has on 8 July 2019 granted its approval in-principle for the listing and quotation of an aggregate of 64,910,578 Adjustment Shares (the "**2019 Adjustment Shares**") to be allotted and issued pursuant to the Placement Agreement.

The 2019 Adjustment Shares are to be issued and allotted pursuant to the following clauses of the Placement Agreement:

- (i) as stated in clause 2.8(b) of the Placement Agreement, in the event the 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 Adjustment shares to be issued shall be equivalent to the amount of such shortfall in NAV of the Group divided by the Adjustment Share Price;
- (ii) as stated in clause 2.8(d) of the Placement Agreement, for the period from 31 December 2016 (being the date of the original Placement Agreement) until 5 July 2020, being the date falling 3 years from the date of Completion, in the event there are any losses and/or costs for the Group arising from its transactions with 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 Adjustment Shares to be issued shall be equivalent to such losses and/or costs divided by the Adjustment Share Price; and
- (iii) as stated in clause 2.8(e) of the Placement Agreement, for the period from 31 December 2016 (being the date of the original Placement Agreement) until 5 July 2020, being the date falling 3 years from the date of Completion, in the event there are any losses and/or costs for the Group arising from its transactions with PT Fresh, including (a) 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 (b) the acquisition of PT Fresh (if any), the number of Adjustment Shares to be issued shall be equivalent to such losses and/or costs divided by the Adjustment Share Price.

Due to the occurrence of the events stated in the clauses 2.8(b), 2.8(d) and 2.8(e) of the Placement Agreement, the 2019 Adjustment Shares will be issued and allotted to the Placée on the following bases:

- (a) Clause 2.8(b) of the Placement Agreement: An item amounting to S\$3,000,000 in relation to the value of the Group's fresh garlic and ginger business ("**Additional Line Item**") had been included in the NAV of the Group in its accounts as at 31 December 2016, prior to the issue of the 2016 Adjustment Shares. The 2016 Adjustment Shares were therefore issued on the basis that the Additional Line Item had been accounted for in the NAV of the Group as at 31 December 2016. Subsequently, the auditors of the Company confirmed that the Additional Line Item should be excluded from NAV of the Group in its audited accounts as at 31 December 2016, as stated in the Notes to the Financial Statements for the Financial Year Ended 31 March 2018 of the annual report of the Group for the years 2017 to 2018 ("**2017/18 Annual Report**"). The removal of the Additional Line Item from the NAV of the Group in its audited accounts as at 31 December 2016 thereby results in a shortfall of S\$3,000,000 in the NAV of the Group as at 31 December 2016. Accordingly, the Company is required to allot and issue 66,666,667 Adjustment Shares to the Placee in respect of the shortfall in NAV of S\$3,000,000, in accordance with Clause 2.8(b) of the Placement Agreement;
- (b) Clause 2.8(d) of the Placement Agreement: The Group had incurred losses and costs arising from its transaction with HS Affiliates, consisting of investments in Harvest Seasons Pte. Ltd. amounting to \$753,000, which have been fully impaired as at 31 March 2018, as stated in the 2017/18 Annual Report and the full year financial statements for the financial year ended 31 March 2019. Accordingly, the Company is required to allot and issue 16,733,333 Adjustment Shares to the Placee in respect of the foregoing losses, in accordance with Clause 2.8(d) of the Placement Agreement; and
- (c) Clause 2.8(e) of the Placement Agreement: The Group had incurred losses and costs arising from its transaction with PT Fresh, consisting of trade receivables of \$1,322,929 due from PT Fresh which have been written off, as stated in the financial statements for the period ended 31 March 2019. Accordingly, the Company is required allot and issue 29,398,422 Adjustment Shares to the Placee in respect of the foregoing losses, in accordance with Clause 2.8(e) of the Placement Agreement.
- (d) The total number of Adjustment Shares required to be issued as stated in sub-paragraphs (i), (ii) and (iii) above will be deducted by such number of shares as follows:
- (1) The 2016 Adjustment Shares were issued to account for the shortfall of S\$3,042,418.50 in NAV based on its audited financial statements as at 31 December 2016, pursuant to Clause 2.8(b) of the Placement Agreement. Notwithstanding the foregoing, out of the accounts receivables of S\$1,561,000, as stated in the circular to Shareholders dated 30 May 2017, S\$611,000 has been received as at 31 March 2019. Such amounts had been reviewed by the auditors of the Company and the accounts had been adjusted accordingly in the full year financial statements for the financial year ended 31 March 2019. Accordingly, the Company will deduct 13,577,778 Adjustment Shares, amounting to S\$611,000, from the total number of Adjustment Shares required to be issued as set out in sub-paragraphs (a) to (c) above; and
- (2) Clause 2.8(c) of the Placement Agreement states that 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) (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 the Adjustment Share Price. The Company has recorded a gain on disposal of S\$1,543,953 as at 31 March 2019, as set out in the full year financial statements for the financial year ended 31 March 2019, due to the reclassification of foreign currency translation reserves from balance sheet to income statement upon the de-registration of the overseas subsidiaries. The Company has received written confirmation from the Placee that the gain from disposal will be off-set against the amount for which the Adjustment Shares are required to be issued as stated in sub-paragraphs (a) to (c) above. Accordingly, the Company will deduct 34,310,066 Adjustment Shares, amounting to S\$1,543,953, from the total number of Adjustment Shares required to be issued as set out in sub-paragraphs (a) to (c) above.

Accordingly, the Company will issue and allot 64,910,578 Adjustment Shares to the Placee. Save for the 2019 Adjustment Shares which are the subject of the approval in-principle of the SGX-ST, there will be no further issue of Adjustment Shares arising from Placement Agreement. The Placee has executed a deed of waiver on 11 June 2019 (the "**Deed**"), pursuant to which:

- (i) the Placee acknowledges and confirms that upon the completion of the allotment and issue of the 2019 Adjustment Shares, the Company shall have fulfilled all its obligations in respect of the allotment and issuance of Adjustment Shares, arising from the date of the Placement Agreement and up to the date of the Deed; and
- (ii) the Placee irrevocably and unconditionally waives any and all of its rights arising from the Placement Agreement in respect of the allotment and issuance of any additional Adjustment Shares by the Company arising on and after the date of this Deed, including but not limited to any right to additional Adjustment Shares arising from (a) any additional losses and costs suffered by the Group in connection with the Group's transactions with the HS Affiliates from the date of the Deed to 5 July 2020, under clause 2.8(d) of the Placement Agreements, and (b) any additional losses and costs suffered in connection with the Group's transaction with PT Fresh from the date of the Deed to 4 July 2020, under clause 2.8(e) of the Placement Agreement.

The listing and quotation of the Adjustment Shares is subject to the following:

- (i) compliance with the SGX-ST's listing requirements;
- (ii) submission of a written confirmation from the Company's external auditors that the proposed issue of the 2019 Adjustment Shares is in accordance with the terms of the Placement Agreement; and
- (iii) issuance of the annual report by the Company for the financial year ended 31 March 2019 for the purpose of validating the computations by the Company.

The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Adjustment Shares, the Company and/or its subsidiaries.

#### **BY ORDER OF THE BOARD**

Zhang Ye  
Chief Executive Officer