



SUNMOON FOOD COMPANY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198304656K)

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the “**Board**”) of SunMoon Food Company Limited (the “**Company**” and its subsidiaries, the “**Group**”) would like to respond to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 22 October 2020 (“**SGX Queries**”) in relation to the announcements dated 12 October 2020 (“**12 October Announcement**”) and 17 October 2020 (“**17 October Announcement**”). The Company sets out below its responses to the queries of the SGX-ST:

Question 1:

It is stated in the 17 October Announcement that:-

“The Board had been advised by its Chinese counsel that the 3 YG Entities were placed into involuntary bankruptcy reorganization (破产重组) by creditors.”

- (a) Please clarify what is meant by involuntary bankruptcy reorganization?
- (b) How does the involuntary bankruptcy reorganization affect the controlling shareholder, Yiguo General Food Pte Ltd?
- (c) How does the involuntary bankruptcy reorganization affect the Company?

SM Response:

- (a) As advised by its Chinese counsel, the “involuntary bankruptcy reorganisation” means that creditors of the 3 YG Entities filed an application against each of the 3 YG Entities with the relevant court in the People’s Republic of China (“**PRC**”) to place each of the 3 YG Entities under bankruptcy reorganisation. Accordingly, pursuant to such applications made by their creditors, the 3 YG entities were placed under bankruptcy reorganisation proceedings overseen by the relevant PRC court.

The Company would also like to take this opportunity to highlight that according to the orders of the relevant PRC court, the 3 YG Entities are currently placed under “bankruptcy reorganisation” proceedings pursuant to Article 70 of the PRC Enterprise Bankruptcy Law (“**PRC Law**”), and not “bankruptcy liquidation” pursuant to Article 8 of the PRC Law.

- (b) Yiguo General Food Pte Ltd’s shareholder is Shanghai Win-Chain Commerce Management Co., Ltd., and as disclosed by the Company in its 12 October 2020 announcement, its ultimate holding company is Shanghai Yiguo E-Commerce Co., Ltd., which is one of the 3 YG Entities placed into involuntary bankruptcy reorganisation. The effect of the involuntary bankruptcy reorganisation on Yiguo General Food Pte Ltd will depend on the outcome of the bankruptcy reorganisation proceedings. Based on a notice issued by the relevant PRC court, currently, the outcome of the 3 YG Entities’ bankruptcy reorganisation proceedings is expected to be determined sometime around January 2021.
- (c) As announced by the Company in its announcement dated 28 October 2020, the Company, through its wholly owned subsidiary, Shanghai SunMoon Supply Chain Management Co., Ltd. (“**SMF Shanmai**”) has on 27 October 2020 entered into an interest-free loan agreement (“**Loan Agreement**”) with Jiangzhong Shiliao (Hubei) Technology Co., Ltd. (“**Lender**”), and in connection with this, the Company has on 27 October 2020 entered into a placement agreement with the Lender (“**Placement Agreement**”). Please refer to paragraphs 3 and 4 of the Company’s

announcement dated 28 October 2020 for more information on the Loan Agreement and Placement Agreement.

The bankruptcy reorganisation's effect on the Company ties in with the terms of the Loan Agreement, as under the terms of the Loan Agreement, if the relevant PRC court approves the bankruptcy reorganisation plan and the Lender or its designated party is the investor in the reorganisation plan approved by the relevant PRC court, the Lender will acquire the equivalent amount of account receivables due from the 3 YG Entities to SMF Shanmai and the total amount owing that is due and payable by SMF Shanmai (pursuant to the Loan Agreement) will be used to set off the consideration payable by the Lender for such purchase of the account receivables. Therefore, if the bankruptcy reorganisation is successful (as described above), in connection with the Loan Agreement, the Company will be in a net positive equity position.

However, as provided under the terms of the Loan Agreement, if the relevant PRC court approves the bankruptcy reorganisation plan but the Lender or its designated party is not the investor in the reorganisation plan approved by the relevant PRC court, or if the bankruptcy reorganisation fails and the relevant PRC court orders the bankruptcy liquidation of the 3 YG Entities, the Company may, at its option, elect to repay the loan due and owing by way of an issuance of new ordinary shares to the Lender or its designated party on terms as provided in the Placement Agreement. Even if the bankruptcy reorganisation is not successful (as described above), in connection with the Loan Agreement, the Company will still be in a net positive equity position.

Question 2:

It is stated in the 12 October Announcement that:-

*"On or around late Friday evening (9 October 2020), Mr James Prideaux, Mr Gary Loh Hock Chuan, Ms Ng Bie Tjin@Djuniarti Intan and Mr Yang Guang, became aware that Shanghai Yiguo E-Commerce Co., Ltd, Shanghai Winchain Supply Chain Management Co. Ltd and Shanghai Exfresh Logistic Co Ltd ("**3 YG Entities**") were placed into voluntary bankruptcy reorganisation ("**Bankruptcy Reorganisation**") under Chinese law on 30 July 2020.*

.....Additionally, the Board understands that the deadline to file the creditors' proof of debt in respect of the Bankruptcy Reorganisation is on 19 October 2020."

It is also stated in the 17 October 2020 Announcement:- *"...would like to make a clarification to the 12 October 2020 announcement. The Board had been advised by its Chinese counsel that the 3 YG Entities were placed into involuntary bankruptcy reorganization (破产重组) by creditors."*

- (a) Please clarify the difference between voluntary bankruptcy reorganisation and involuntary bankruptcy reorganization.
- (b) The 12 October 2020 Announcement, mentioned that the deadline to file the creditors' proof of debt in relation to the voluntary bankruptcy reorganisation is on 19 October 2020. The 17 October 2020 Announcement then clarified that the 3 YG Entities were placed into involuntary bankruptcy reorganization.

In this regard, please clarify and elaborate as to whether the 19 October 2020 deadline is still relevant. If it is still relevant, please provide an update in this regard.

SM Response:

- (a) As advised by its Chinese Counsel, a "voluntary bankruptcy reorganisation" means that it is a bankruptcy reorganisation that is initiated by a debtor by way of filing an application with the relevant PRC court to place itself under bankruptcy reorganisation, while an "involuntary bankruptcy reorganisation" means that it is a bankruptcy reorganisation that is initiated by a creditor by way of filing an application with the relevant PRC court to place a particular debtor under bankruptcy reorganisation.
- (b) The 19 October 2020 deadline is no longer relevant. As disclosed in the Company's announcement dated 28 October 2020, the Company is still compiling the necessary supporting documents to submit the necessary creditors' proof of debt filings to the joint trustee in respect of

the bankruptcy reorganisation of the Yiguo Group. Notwithstanding that the deadline for such submission is 19 October 2020 as disclosed in the previous announcements, the Company has been advised by its Chinese counsel that the proof of debt can be filed after the deadline, and that such filings are still valid.

Question 3:

It is stated in the 12 October Announcement that:-

“...the Board has constituted an Executive Committee comprising of Mr James Prideaux, Mr Gary Loh Hock Chuan, Ms Ng Bie Tjin @Djuniarti Intan and Mr Yang Guang. The Executive Committee will, with immediate effect take over the day-to-day management and operations of the Group from the management team.

The management team will with immediate effect, take direct instructions from the Executive Committee.”

It is noted that the Executive Committee includes Mr James Prideaux, Mr Yang Guang and Ms Ng Bie Tjin @Djuniarti Intan who are independent directors (“**3 IDs**”). In this regard, please provide the Nominating Committee and the Board’s views and bases on the independence of the 3 IDs, noting that they are in the constituted Executive Committee.

SM Response:

The Board and the Nominating Committee (“**NC**”) adopt the Code of Corporate Governance’s definition of what constitutes an independent director. In its review, the Board and the NC are of the view that 3 IDs are independent even while constituted in the Executive Committee. The main purpose of the Executive Committee is to tighten the internal control measures of the Group. This is in line with the role of the 3 IDs as independent directors to safeguard the interests of the minority shareholders, and the Board and NC are of the view that the 3 IDs will continue to exercise their independent business judgment in the best interests of the Company.

**BY ORDER OF THE BOARD
SUNMOON FOOD COMPANY LIMITED**

Mr. James Prideaux

Chairman and Lead Independent Director
28 October 2020