



SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198304656K)

UPDATES TO SHAREHOLDERS

Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings ascribed to them in the announcement dated 28 October 2020 and titled “1. FURTHER BACKGROUND UPDATES TO SHAREHOLDERS 2. BOARD’S ACTION PLAN TO ASSESS GOING CONCERN 3. ENTRY INTO LOAN AGREEMENT 4. ENTRY INTO PLACEMENT AGREEMENT 5. ENFORCEMENT ORDER (WHICH IS RESOLVED) AGAINST WHOLLY-OWNED SUBSIDIARY, SHANGHAI SUNMOON SUPPLY CHAIN MANAGEMENT CO., LTD 6. UPDATES ON BUSINESS OPERATIONS” (“28 Oct Update Announcement”) and the update announcement dated 4 February 2021 (“4 Feb Update Announcement”).

The Board of Directors (the “**Board**”) of SunMoon Food Company Limited (the “**Company**” and its subsidiaries, the “**Group**”) refers to (i) the Company’s annual report for the financial year ended 31 March 2020 (“**FY2019/20 Annual Report**”), (ii) the two announcements made by the Company dated 28 October 2020, namely the 28 Oct Update Announcement as well as the Company’s announcement which sets out its response to SGX queries (“**28 Oct Response Announcement**”) and (iii) the 4 Feb Update Announcement. For a more complete background, Shareholders may wish to also refer to the Company’s announcements dated 12 October, 15 October and 17 October 2020.

The Board wishes to provide an interim update to the shareholders of the Company (“**Shareholders**”) on the following matters:

1. Share pledge

Reference is made to the Company’s FY2019/20 Annual Report at Note 2.1 on page 45, where the Company disclosed the following in relation to the grant of a share pledge by one of the 3 YG Entities, Shanghai WinChain Supply Chain Management Co. Ltd (“**WinChain**”) to one of the subsidiaries of the Company, Shanghai SunMoon Supply Chain Management Co., Ltd (“**SMF Shanmai**”) to secure the Yiguo group’s obligations to repay all the outstanding account receivables due from the 3 YG Entities to SMF Shanmai (“**Share Pledge**”):

- “(iii) *In July 2020, Shanghai WinChain Supply Chain Management Co.Ltd, a subsidiary of the controlling shareholder of the Group, Shanghai Yiguo E-Commerce Co., Ltd. (“Shanghai Yiguo”), has pledged 100 percent of its shareholding (“the shares”) in another subsidiary, Shanghai Yiguo Food Retails Co. Ltd (“Yiguo Food”), to Shanghai Shanmai Supply Chain Management Co Ltd (“Shanmai”), a wholly owned subsidiary of the Company, as collateral in the Repayment Plans described in (ii). Yiguo Food holds a 3.66% equity interest in an investee company of which a similar stake of 3.66% has been divested to a third party in February 2020 for a consideration of RMB75,000,000 (approximately \$15,000,000). Under the supplemental agreement of share pledge, in the event Yiguo Group were unable to settle the said balances due as of 30 June 2020 of approximately RMB46,000,000 (or \$9,000,000) by 31 March 2021, the shares will be transferred to Shanmai for no consideration;”*

The Board would like to provide an update that the Administrator of the bankruptcy reorganisation proceedings of the 3 YG Entities has made a determination that the Share Pledge granted by WinChain to SMF Shanmai is void under Article 31 of the PRC Enterprise Bankruptcy Law.

Notwithstanding the above, the Board is of the opinion that the voidance of the Share Pledge will have no material effect on the collectability of the account receivables owing from the 3 YG Entities to SMF Shanmai, as SMF Shanmai will be proceeding with the Purchase of AR as provided under the terms of the Loan Agreement (please read paragraph 3 of this announcement below for more details of the Purchase of AR).

2. 31 August 2020 repayment to SMF Shanmai

Further reference is made to Note 2.1 of the Company’s FY2019/20 Annual Report at page 45 in relation to the repayment plans that were entered into with the Yiguo group, where the Company had disclosed the following:

“(ii) *The Group has entered into Repayment Plans with monthly payment (the “Repayment Plans”) with the Yiguo Group in July 2020 for the repayment of balances comprising trade receivables, unfulfilled advances for purchases of goods (should the Group decide not to take delivery) and deposits totalling \$12,184,000 as at 30 June 2020. According to the Repayment Plans, these outstanding balances will be fully repaid by 31 March 2021.*”

To provide some background, there were two repayment plans that were entered into, of which one of them was entered into between SMF Shanmai and the Yiguo group in July 2020 (“**SMF Shanmai Repayment Plan**”). Under the SMF Shanmai Repayment Plan, the Yiguo group was required to make monthly repayments from July 2020 to 31 March 2021 to repay the outstanding account receivables owing from the 3 YG Entities to SMF Shanmai.

Pursuant to the SMF Shanmai Repayment Plan, a total of two repayments were made by the Yiguo group to SMF Shanmai, the first on 31 July 2020, and the second on 31 August 2020. In relation to the second repayment on 31 August 2020, the Yiguo group made the payment to SMF Shanmai as follows:

Repayment Date	Amount Received & Items
31 August 2020	RMB 6,323,708 in cash
	RMB 2,466,709 in crab vouchers
	RMB 3,109,024 in inventories
Total amount received: RMB 11,899,441 (approximately S\$2,448,030) (the “August 2020 Repayment”)	

The Board wishes to update that the Administrator of the bankruptcy reorganisation proceedings of the 3 YG Entities has made a determination that the August 2020 Repayment is void under Article 16 of the PRC Enterprise Bankruptcy Law, and SMF Shanmai will be required to return the August 2020 Repayment (and including value-added taxes of RMB 29,503) (“**Total Aug 2020 Repayment**”) to the 3 YG Entities.

The return of the Total Aug 2020 Repayment will have to be made by December 2021 and it is intended that this will be done by returning the combination of cash, crab vouchers and inventories that SMF Shanmai had received back to the 3 YG Entities.

Once the Total Aug 2020 Repayment is repaid to the 3 YG Entities, the amount of RMB 11,928,944 (approximately S\$2,454,917) will once again become an account receivable of SMF Shanmai.

Notwithstanding the above events, there will not be a significant impact in the going concern issues of the Group as SSMY (as defined in paragraph 3 below) had, on 9 February 2021, entered into the SMF Shanmai Purchase of AR Agreement (as defined in paragraph 3 below) to purchase, amongst other Group receivables, the RMB 11,928,944 receivables. Please refer to paragraph 3 below for further details.

3. Further updates on the Loan Agreement

Reference is made to the Company's 28 Oct Update Announcement and 4 Feb Update Announcement. Shareholders are advised to read both the 28 Oct Update Announcement and 4 Feb Update Announcement for a more complete background and context for the developments discussed below in relation to the Loan Agreement.

Further to the Company's 4 Feb Update Announcement, in relation to the Purchase of AR under Scenario B of the Loan Agreement, the Board is pleased to announce that an agreement was entered into on 9 February 2021 between SMF Shanmai and the designated party under the Loan Agreement, 晟世鸣义（上海）企业管理有限公司 Sheng Shi Mingyi (Shanghai) Management Co. Ltd ("**SSMY**") ("**SMF Shanmai Purchase of AR Agreement**").

Under the SMF Shanmai Purchase of AR Agreement, SSMY will:

- (i) purchase from SMF Shanmai all the account receivables of RMB 34,893,795 that are owing from the 3 YG Entities to SMF Shanmai ("**SMF Shanmai Purchase of AR**"); and
- (ii) purchase the account receivables of RMB 11,928,944 (an amount which is equivalent to the Total Aug 2020 Repayment) and the amount of RMB 11,928,944 will be paid to SMF Shanmai within ten (10) working days from the date of Total Aug 2020 Repayment.

In relation to point (i) above, Shareholders are to note that SMF Shanmai had already paid an amount of RMB 26,610,000 (approximately S\$5,476,204) pursuant to Loan Agreement. The remaining amount of RMB 8,283,795 will be paid as follows:

Date of repayment	Amount (RMB)
By 31 March 2021	2,283,795
By 30 April 2021	1,500,000
By 31 May 2021	1,500,000
By 30 June 2021	1,500,000
By 31 July 2021	1,500,000

Once SSMY makes full payment of the SMF Shanmai's receivables as described above, the outstanding account receivables due and owing from the 3 YG Entities to SMF Shanmai as at 30 July 2020 (i.e. filing date of the bankruptcy reorganisation), will be fully settled⁽¹⁾.

Note (1): As disclosed in Note 8(21)(b) of the Company's latest financial results for the period ended 31 December 2020, 99 percent of the accounts receivables arising from sales between 31 July 2020 to 31 December 2020 (being the period immediately after the filing of the bankruptcy reorganisation) with related parties⁽²⁾ had been fully collected as at date of the Company's third quarter results announcement.

Note (2): The term 'related parties' refers to the Yiguo group (which includes the 3 YG Entities).

For more details, Shareholders can refer to the details of the reorganisation plan of the 3 YG Entities (approved by the Chinese Court on 2 February 2021) at < <https://pccz.court.gov.cn/pcajxxw/pcws/wsxq?id=713010F72F6E5920EE9147B8A43462D6> >.

Termination of the Executive Committee

Pursuant to the SMF Shanmai Purchase of AR Agreement, it is further provided that the Executive Committee shall be dissolved within ten (10) working days from 9 February 2021 (being the date of the SMF Shanmai Purchase of AR Agreement).

Accordingly, effective from 19 February 2021, the management team will return to the day-to-day management and operations of the Group with direct supervision from the Board.

4. Purchase of account receivables owing from the 3 YG Entities to SunMoon Distribution & Trading Pte Ltd

In addition to the above, the Board is also pleased to announce that a subsidiary of the Company, SunMoon Distribution & Trading Pte Ltd (“SMDT”) had, on 9 February 2021 entered into an agreement with SSMY and one of the 3 YG Entities, WinChain, for the sale and purchase of all the account receivables owing from the 3 YG Entities to SMDT (“SMDT Purchase of AR Agreement”).

Under the SMDT Purchase of AR Agreement, SSMY will purchase from SMDT all the account receivables of USD 2,035,776 (approximately S\$2,699,133) that are owing from the 3 YG Entities to SMDT (“SMDT Purchase of AR”).

SSMY will pay the amount of USD 2,035,776 (approximately S\$2,699,133) three (3) months after the completion of the WinChain bankruptcy reorganisation plan (as approved by the Chinese Court on 2 February 2021). The completion of the WinChain bankruptcy reorganisation is expected to take about ten (10) months.

Upon completion of the SMDT Purchase of AR, the outstanding account receivables due and owing from the 3 YG Entities to SMDT, as at 30 July 2020 (i.e. filing date of the bankruptcy reorganisation), will be fully settled⁽¹⁾.

Note (1): As disclosed in Note 8(21)(b) of the Company’s latest financial results for the period ended 31 December 2020, 99 percent of the accounts receivables arising from sales between 31 July 2020 to 31 December 2020 (being the period immediately after the filing of the bankruptcy reorganisation) with related parties⁽¹⁾ had been fully collected as at date of the Company’s third quarter results announcement.

Note (2): The term ‘related parties’ refers to the Yiguo group (which includes the 3 YG Entities).

For more details, Shareholders can refer to the details of the reorganisation plan of the 3 YG Entities (approved by the Chinese Court on 2 February 2021) at < <https://pccz.court.gov.cn/pcajxxw/pcws/wsxq?id=713010F72F6E5920EE9147B8A43462D6> >.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. The Company will make the necessary announcements as and when there are material developments on this matter. Shareholders of the Company and potential investors are advised to read all announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

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

James Prideaux
Chairman and Lead Independent Director

10 February 2021