



SUNMOON FOOD COMPANY LIMITED

Registration No. 198304656K

UPDATE TO SHAREHOLDERS

UNLESS OTHERWISE DEFINED, CAPITALISED TERMS USED IN THIS ANNOUNCEMENT SHALL BEAR THE SAME MEANINGS ASCRIBED TO THEM IN THE COMPANY'S ANNOUNCEMENT DATED 28 OCTOBER 2020 ENTITLED "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 Announcement").

The Board of Directors of SunMoon Food Company Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") refers the shareholders of the Company ("**Shareholders**") to:

- (a) the Company's announcements dated 12 October 2020, 15 October 2020, 17 October 2020, 28 October 2020, 4 February 2021, 10 February 2021, 10 June 2021, 16 July 2021 and 25 July 2021 on matters relating to the bankruptcy reorganisation of the 3 YG Entities and the steps taken by the Company to improve its prospects, which include the fund-raising efforts of the Company;
- (b) the Company's announcements dated 12 May 2021 and 17 August 2021; and
- (c) the Company's announcement dated 14 July 2021 and 10 August 2021 on extension of time applications ("**EOT Announcements**").

More specifically, the Board refers to the voluntary suspension on 15 October 2020 and wishes to provide an update to Shareholders on the developments, steps that have been taken by the Company to improve its prospects, and the Company's current action plan.

1. Efforts taken by the Board from 15 October 2020 to 19 February 2021

- 1.1 As Shareholders would note from the Company's announcement dated 12 October 2020, prompt steps were taken by the Board to immediately constitute an Executive Committee upon receipt of the news of the bankruptcy reorganisation of the 3 YG Entities (as defined in the 12 October 2020 announcement) as the Board was unable to assess the Company's position as a going concern due to possible issues of collectability of the receivables due and owing from the Yiguo group to SMF Shanmai and SMDT.

For more information, Shareholders may refer to the Company's announcement dated 28 October 2020 which sets out detailed information of the bankruptcy reorganisation of the 3 YG Entities and the Board's assessment of the Company as a going concern at that relevant time.

- 1.2 At the relevant time, *inter alia*, prompt and specific steps were taken by the Executive Committee to conduct a formal inquiry into the bankruptcy reorganisation of the 3 YG Entities and the Board had also formulated an action plan to assess and address the going concern issues relating to the bankruptcy reorganisation of the 3 YG Entities, as elaborated in the 28 Oct Announcement.
- 1.3 As stated in the 28 Oct Announcement, the action plan formulated by the Board includes:
 - *finalise and implement the existing fund-raising options which the Board deems to be appropriate given its existing circumstances to ensure that the Company can operate as a going concern; and (see paragraph 2 of this announcement below)*

- *prepare and present a resumption proposal to the Exchange to lift the voluntary suspension* (see paragraph 3 of this announcement below)

2. Fund-raising efforts

- 2.1 As announced in the 28 Oct Announcement, the Board addressed the *going concern* issues by entering into an interest-free loan (“**Loan Agreement**”) with a lender (“**Lender**”) to address the sum of accounts receivables due and owing from the Yiguo group. The details of the Loan Agreement are set out in the 28 Oct Announcement.
- 2.2 There are various loan repayment scenarios, and one of them, as set out in paragraph 3.6.2 of the 28 Oct Announcement, provides that if the Lender or its designated party is the investor in the reorganisation plan approved by the Chinese Court, the Lender will acquire the equivalent amount of account receivables due and owing from the Yiguo group to SMF Shanmai and SMDT (being “**SMF Shanmai Purchase of AR**” and “**SMDT Purchase of AR**” respectively), and the consideration for the SMF Shanmai Purchase of AR and SMDT Purchase of AR will be the amount of the interest-free loan obtained under the Loan Agreement. The Company will accordingly not be required to re-pay the interest-free loan and ensure the repayment of the receivables due and owing from the Yiguo group.

As Shareholders may be aware, the Company announced on 4 February 2021 that it had received a formal notice dated 2 February 2021 (“**2 Feb Notice**”) from the Shanghai No.3 Intermediate People’s Court (“**Chinese Court**”) that, *inter alia*, the reorganisation plan has been approved by the Chinese Court and that the Lender’s designated party, SSMY (as defined in the announcement dated 4 February 2021) is the investor in the reorganisation plan approved by the Chinese Court. The Company was not required to repay the amount of the interest-free loan. Accordingly, the Company entered into the respective agreements in relation to the SMF Shanmai Purchase of AR and SMDT Purchase of AR (as announced in the Company’s announcement dated 10 February 2021) and largely resolved the potential issue regarding the collectability of the account receivables due and owing from the Yiguo group, thereby improving the Company’s prospects to operate as a going concern.

- 2.4 In relation to the SMF Shanmai Purchase of AR, as announced by the Company on 25 July 2021, SMF Shanmai had received the tranche repayment amount of RMB1,500,000. **Accordingly, the sum of RMB 8,283,795 receivables which were due and owing by the Yiguo group to SMF Shanmai has been collected in full.** There is no change to the clause in relation to the purchase of account receivables of RMB 11,928,944, which will be paid to SMF Shanmai within ten (10) working days from the date of Total Aug 2020 Repayment (as defined in the Company’s announcement dated 10 February 2021).

In relation to the SMDT Purchase of AR, as announced by the Company on 10 June 2021, the payment will be made by 31 March 2022. When such payment is made, the full sum of receivables due and owing by the Yiguo group to SMDT will be collected in full. Shareholders can refer to the Company’s announcement 10 June 2021 for more details.

3. Resumption Proposal

- 3.1 In light of the strides of progress made by the Company to resolve the issues regarding the collectability of the receivables due and owing from the Yiguo group to SMF Shanmai and SMDT, the Company had in its announcement dated 3 February 2021 indicated its intention to submit resumption proposal to the SGX-ST with a view to resume trade in its securities.
- 3.2 The Board is pleased to update Shareholders that the Company had submitted on 19 June 2021 a resumption proposal application to SGX-ST with a view of resuming trade in its securities. The Company will update Shareholders as and when there are material developments on its resumption proposal application.

4. Business updates and next steps

4.1 In addition to its efforts in addressing *going concern* issues, the Company wishes to highlight to Shareholders that the Company is also working hard to expand its product offering in line with the Group's business objectives, with a view to establishing new revenue streams and further diversifying the Company's business, to further improve the Company's prospects.

4.2 In line with the business objective to increase revenue stream, the Company had announced the entry into a joint venture with Thanh Vinh Le. Pursuant to the terms and conditions of the joint venture agreement, Shanghai Jiangshan International Trade Co., Ltd. was established and incorporated in Shanghai ("**JV Company**").

The Company is pleased to update that the JV Company had since obtained in June 2021 (i) an incorporation of business license from 工商局 (the Administration for Industry and Commerce); and (ii) a permit to trade food-related products in the People's Republic of China from 上海市长宁市场监督管理局 (Shanghai Changning Administration for Market Regulation). For more details on the joint venture, Shareholders can refer to the Company's announcement dated 12 May 2021.

4.3 The Board is also pleased to update that the Company has obtained an exclusive distribution right to distribute New Zealand whole sheep milk powder in China. Management team is currently in the midst of working and collaborating with local distributors with the intent to enter into local distributorship agreements so as to include and expand its customer base through a business-to-business arrangement.

4.4 The Board will update Shareholders on the steps taken and to be taken in due course. The Board will continue to take all necessary actions to safeguard the interests of Shareholders and the Group.

Shareholders and potential investors are advised to exercise caution in trading their shares. The Company will make further announcements as appropriate or when there are further developments. Shareholders and noteholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

James Prideaux
Chairman and Lead Independent Director

27 August 2021