



SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)

Registration No. 198304656K

NON-BINDING TERM SHEET IN RELATION TO CONVERTIBLE BONDS

Reference is made to the announcement made by the Company on 8 January 2024 ("**8 January Announcement**"). Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings given to them in the 8 January Announcement.

1. INTRODUCTION

The board of directors (the "**Directors**" or collectively, the "**Board**") of SunMoon Food Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce to shareholders of the Company ("**Shareholders**") that the Company had on 26 March 2024, entered into a non-binding term sheet ("**Term Sheet**") with Beijing Mai Yourui Technology Development Co., Limited (北京麦优瑞科技发展有限公司) (Company Registration No. 91110400MACTK892XF) ("**BMYPD**" or "**Subscriber**") of the proposed issuance of unsecured non-transferable zero coupon convertible notes ("**Convertible Bonds**") of up to S\$4 million (approximately RMB 22 million) (the "**Proposed Issuance**").

Save for confidentiality and governing law provisions, the Term Sheet is not intended to be legally binding between the Parties and does not create any legally enforceable obligations between the Company and BMYPD at this time. It is intended to be a basis for further negotiations between the Parties in relation to the Proposed Issuance. **The Company will make further announcements as and when there are material updates to the Proposed Issuance, including the entry into definitive agreements.**

2. INFORMATION ON BMYPD

2.1 BMYPD is a wholly-owned subsidiary of Xiaomai International Holdings Group Co Ltd (晓麦国际控股集团有限公司) ("**XIH**"). For more details of XIH, please refer to the Company's announcement dated 10 September 2023.

2.2 BMYPD is an investment company of XIH.

2.3 The allotment and issuance of the Conversion Shares (as defined below) will not result in a transfer of controlling interests in the Company.

3. RATIONALE AND USE OF PROCEEDS OF THE PROPOSED ISSUANCE

The rationale for the Proposed Issuance is to allow the Company to raise gross proceeds of up to S\$4 million (approximately RMB22 million).

It is expected that the proceeds from the Proposed Issuance will be used for daily operation and business development.

4. PRINCIPAL TERMS OF THE TERM SHEET

The following are the material terms of the Term Sheet:

4.1 Issue Size

The Convertible Bonds will be at a principal amount of up to S\$4 million (approximately RMB22 million).

4.2 Disbursement of principal amount

The disbursements of the principal amount will be subject to the fulfilment of customary conditions precedent for a transaction of this nature, which includes but is not limited to the following:

- (i) the receipt of approval in-principle from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) pursuant to the Company’s additional listing application for the Conversion Shares (as defined below);
- (ii) the receipt of relevant approval from Chinese authorities, including but not limited to, approvals from China Commission of Commerce and National Development and Reform Commission pursuant to XIH’s outbound direct investment;
- (iii) the entry into of a strategic business co-operation agreement; and
- (iv) any other regulatory and/or shareholders’ approval (if required).

4.3 Interest Payable

No interest shall accrue on the Convertible Bonds.

4.4 Conversion Price, Conversion Period and Number of Conversion Shares

The Convertible Bonds may be converted to ordinary shares in the capital of the Company (the “**Shares**”) at the conversion price, which is agreed to be the higher of (a) S\$0.03 (the “**Fixed Price**”); and (b) the volume-weighted average price of the Company’s Shares traded on SGX-ST on the relevant conversion date (the “**Floating Price**”). The Fixed Price and the Floating Price are referred to in the Term Sheet as the “**Conversion Price**”.

It is proposed that the Subscriber may elect to convert (all but not some) on a date falling between the 7th to 24th calendar month the date of issue of the Convertible Bonds.

The number of ordinary shares to be issued (“**Conversion Shares**”) will be determined based on the then outstanding principal amount of the Convertible Bonds divided by the Conversion Price.

Based on the maximum Proposed Issuance of S\$4 million, and the minimum Conversion Price of S\$0.03, the maximum number of Conversion Shares that may be subject to be allotted and issued to the Investor is 133,333,333 Conversion Shares, which is approximately 12.86% of the enlarged issued share capital of the Company after taking into account the issuance of the Conversion Shares.

4.5 Maturity, Redemption and Mandatory Conversion

The Convertible Bonds shall mature on the date falling two (2) years from the date of issue of the Convertible Bonds (“**Maturity Date**”). On Maturity Date, the Convertible Bonds shall mature and if the Subscriber has not converted the Convertible Bonds, the Convertible Bonds (all but not some) shall be automatically converted into Shares upon Maturity Date.

4.6 Board Seat

It is proposed that as long as the Convertible Bonds is outstanding or as long as the Subscriber holds 10% of the Company's enlarged share capital at any relevant time in respect of the Conversion Shares, the Subscriber is entitled to appoint one (1) director provided that director satisfies SGX-ST's listing manual on directorship requirements as well as subject to the Company's Nomination Committee's and Board approval.

4.7 Expenses

It is provided that each party shall bear its own costs incurred in connection with the Proposed Issuance.

4.8 Governing Law and Jurisdiction

The Term Sheet shall be governed by and construed in accordance with the laws of the Republic of Singapore.

Shareholders are to note that the terms of the Proposed Issuance will be subjected to further discussion between both Parties to establish definitive agreement(s) and the Company will provide further details in subsequent announcement(s) in accordance with the listing rules of the the SGX-ST at the appropriate junctures.

5. **GENERAL MANDATE AND STATUS OF CONVERSION SHARES**

The Conversion Shares will be allocated and issued pursuant to the general share issue mandate ("**General Mandate**") granted by the shareholders of the Company to the Directors at the last annual general meeting of the Company held on 31 July 2023 (the "**2023 AGM**"). As at the 2023 AGM, the issued and paid-up share capital of the Company (excluding treasury shares) (the "**Previous Share Capital**") comprised 903,272,573 ordinary shares ("**Shares**"). According to the terms of the General Mandate, the aggregate number of Shares that may be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed such number of Shares representing 20% of the Previous Share Capital, which is 180,654,515 Shares.

As set out above, the maximum number of Conversion Shares subject to be allotted and issued to the Investor is 133,333,333 Shares, which is within the limits of the General Mandate, given that the Company has not issued any Shares under the General Mandate since its 2023 AGM, and assuming that there being no other share issuances for the duration between the date hereof and the date of the next AGM of the Company.

The Company currently has 6,362,798 treasury shares.

The Company will make the necessary announcement upon receipt of the approval from the SGX-ST for the listing and quotation of the Conversion Shares.

6. **NO PROSPECTUS OR OFFER INFORMATION STATEMENT**

The Convertible Bonds will be undertaken by way of private placement in Singapore in accordance with Section 272B of the Securities and Futures Act 2001. As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the Convertible Bonds.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their respective shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company) in the Convertible Bonds and/or Proposed Issuance.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Convertible Bonds, Proposed Issuance, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. CAUTION IN TRADING

The Company will provide further details in subsequent announcements in accordance with the listing rules of the SGX-ST at the appropriate junctures. In the meantime, the Board wishes to advise shareholders of the Company and potential investors to exercise caution in their dealings in shares of the Company, and where in doubt as to the action they should take, they should consult their financial, tax and other advisers.

BY ORDER OF THE BOARD

Mr James Prideaux
Chairman and Lead Independent Director

26 March 2024