



SUNMOON FOOD COMPANY LIMITED

Registration No. 198304656K
(the "Company")

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 ADJUSTMENT SHARES

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 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 4 July 2017 granted its approval in-principle for the listing and quotation of 67,607,078 Adjustment Shares to be allotted and issued pursuant to the Proposed Placement.

The listing and quotation of the Adjustment Shares is subject to compliance with the SGX-ST's listing requirements.

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.

Pursuant to the Placement Agreement, in the event that, *inter alia*, the net asset value ("**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 top-up shares (each fully paid) to be issued by the Company to the Placee at no cost, shall be equivalent to the amount of such shortfall in the NAV of the Group divided by the Adjustment Share Price of S\$0.045 for each Adjustment Share.

The NAV of the Group based on its audited financial statements as at 31 December 2016 was S\$7,740,469.36. After adjusting for, *inter alia*, the disposal of United Agro Produce Pte. Ltd. ("**UAPL**") and Taian FHTK Foodstuffs Co., Ltd. ("**New Taian**"), the adjusted NAV of the Group is S\$6,957,681.50. This represents a shortfall of S\$3,042,318.50 from S\$10 million, and accordingly, based on the Adjustment Share Price of S\$0.045, 67,607,078 Adjustment Shares will be issued, each fully paid, at no cost to the Placee pursuant to the Placement Agreement.

In the circular to Shareholders dated 30 May 2017 relating to the Proposed Placement, certain illustration scenarios in relation to the issue of Adjustment Shares had been provided. Such illustration scenarios were based on the Group's financial statements for the period ended 31 December 2016, and did not take into account the value of approximately S\$3,000,000 of intangible

assets purchased from New Taian which was reflected in the Group's unaudited accounts as at 31 March 2017 announced by the Company on 13 May 2017. However, in the eventual computation of Adjustment Shares disclosed above, the abovementioned value of \$3,000,000 of intangible assets purchased from New Taian was taken into account. Please refer to page 19 to 21 of the Company's circular to Shareholders dated 15 May 2017 in relation to the disposal of shares in Fook Yong Pte. Ltd. and United Agro Produce Pte. Ltd., for further details of the aforementioned intangible assets purchased from New Taian.

Save for the 67,607,078 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 the shortfall in the NAV of the Group as at 31 December 2016.

For clarity and completeness, pursuant to the Placement Agreement, Adjustment Shares may also be issued by the Company, at no cost to the Placee, upon the occurrence of any of the following events:

- (1) in the event there are any losses and/or costs arising for the Group from the ownership of and subsequent disposal of the Dormant Subsidiaries and the Dehydrated Produce Business (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 divided by the Adjustment Share Price;
- (2) 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;
- (3) for the period from the date of the Placement Agreement until the date falling three (3) years from the date of Completion, in the event there are any losses and/or costs arising for the Group arising from its transactions with Harvest Season Pte. Ltd., Shanghai Chibin International Trading Co. Ltd., East China Marine Equipment Co. Ltd., Zhang Jian Quan Tony, Ong Yaw Teh Patrick and/or such other businesses or companies as may be owned or controlled by the aforementioned (collectively, "**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 top-up shares to be issued shall be equivalent to such losses and/or costs divided by the Adjustment Share Price;
- (4) for the period from the date of the Placement Agreement until the date falling three (3) years from the date of Completion, in the event there are any losses and/or costs arising for the Group arising from its transactions with PT Fresh Foods Synergy ("**PT Fresh**"), including (i) 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 (ii) the acquisition of equity interest in PT Fresh (if any), the number of top-up shares to be issued shall be equivalent to such losses and/or costs divided by the Adjustment Share Price; and
- (5) in the event there are any losses and/or costs arising for the Group arising from any breach of certain warranties set out in the Placement Agreement, 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 will make the relevant announcements as and when Adjustment Shares (if any) are issued pursuant to the abovementioned provisions.

Further announcements on the completion of the Proposed Placement will be made by the Company in due course.

BY ORDER OF THE BOARD

Gary Loh Hock Chuan
Executive Chairman
4 July 2017