



SUNMOON FOOD COMPANY LIMITED

Registration No. 198304656K

(the "Company")

-
- A. INTERESTED PERSONS TRANSACTIONS ENTERED INTO WITH SHANGHAI YIGUO E-COMMERCE CO., LTD;**
B. CHANGES TO THE BOARD OF DIRECTORS AND THREE COMMITTEES.
-

A. INTERESTED PERSONS TRANSACTIONS ENTERED INTO WITH SHANGHAI YIGUO E-COMMERCE CO., LTD

1. Introduction

- 1.1 The board of directors (the "**Board**") of SunMoon Food Company Limited (the "**Company**", together with its subsidiaries, referred to as the "**Group**") wishes to announce that the Group had entered into several interested person transactions, details of which are set out in paragraph 3 below, with Shanghai YIGUO E-Commerce Co., Ltd ("**YiGuo**") and certain of its companies, subsidiaries, its associated companies and its associates (as defined in the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**") (the "**Yiguo Group**"), which are of a revenue and trading nature.

As of the date of this announcement, on an aggregated basis, such Recurrent IPTs (as defined paragraph 1.4 below) had exceeded 5% of the Group's latest audited net tangible assets ("**NTA**") as at 31 March 2017 of approximately S\$4,380,000 ("**Audited FY2016/17 NTA**").

- 1.2 Pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), transactions between an interested person and a listed issuer are interested person transactions ("**IPTs**"). Accordingly, under the requirements of Chapter 9 of the Listing Manual, the Company is required to make an immediate announcement of any IPT of a value equal to or exceeding 3% of the Group's latest audited NTA and to seek shareholders' approval for all IPTs of a value equal to or exceeding 5% of the Group's latest audited NTA.
- 1.3 The Company had in its extraordinary general meeting held on 16 June 2017 obtained the approval of the shareholders of the Company ("**Shareholders**") to enter into recurrent IPTs with the Yiguo Group pursuant to Chapter 9 of the Listing Manual, provided that they are transacted on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority Shareholders ("**2017 IPT General Mandate**"). Particulars of the 2017 IPT General Mandate were set out in its circular to the Shareholders dated 30 May 2017 ("**2017 Circular**").
- 1.4 The 2017 IPT General Mandate had continued in force until the conclusion of the Company's annual general meeting held on 28 July 2017 ("**2017 AGM**"), where the Company had inadvertently omitted to renew the 2017 IPT General Mandate. Accordingly, the 2017 IPT General Mandate had lapsed and the past IPTs with the Yiguo Group, which have occurred since the expiration of the 2017 IPT General Mandate, were carried out without any Shareholders' mandate. For the reasons explained below, the Board has decided that notwithstanding lapsing of the 2017 IPT General Mandate, the Company will continue to transact with the Yiguo Group in respect of the IPTs that were previously the subject of 2017 IPT General Mandate ("**Recurrent IPTs**"). For more details on the rationale, please refer to paragraph 5 below.
- 1.5 The Company is proposing to convene an extraordinary general meeting ("**EGM**") to seek Shareholders' ratification, confirmation and approval of the Recurrent IPTs which occurred after

the expiration of the 2017 IPT General Mandate and which is still ongoing (the “**Proposed Ratification of Recurrent IPTs**”).

- 1.6 Moving forward, as the Group anticipates that there will be recurrent transactions entered into with the Yiguo Group, which are of a revenue and trading nature, the Company is also seeking the approval for the proposed reinstatement of the 2017 IPT General Mandate from its Shareholders (the “**Proposed Reinstatement IPT General Mandate**”) in the EGM.

2. Details of Interested Person(s)

- 2.1 As set out in the 2017 Circular, YiGuo has been an existing customer of the Group since October 2015.
- 2.2 As at the date of this announcement, YIGUO General Food Pte. Ltd. (being YiGuo’s indirect wholly-owned company) owns 400,940,411 shares of the Company, representing approximately 55.7% of the total issued share capital of the Company. YIGUO General Food Pte. Ltd. is wholly-owned by Shanghai YIGUO Supermarket Co., Ltd., which is in turn wholly-owned by YiGuo. The sole director of YIGUO General Food Pte. Ltd. is Zhang Ye, the chief executive officer of the YiGuo.
- 2.3 Given the above, transactions between the Group and entities within YiGuo are IPTs.

3. Details and value of the Recurrent IPTs

- 3.1 For illustrative purpose only, the Recurrent IPTs entered into by the Group and the Yiguo Group from 29 July 2017 to the date of this announcement (the “**Relevant Period**”) are as follows:

- (a) Sale of fresh fruits from SunMoon Distribution & Trading Pte Ltd (wholly-owned subsidiary of the Company) to ShangHai Yiguo Supermarket Co Ltd

The aggregate value of all such sales to ShangHai Yiguo Supermarket Co Ltd during the Relevant Period is approximately S\$402,000, which is approximately 9.2% of the Group’s latest Audited FY2016/17 NTA. ShangHai Yiguo Supermarket Co Ltd is a wholly-owned subsidiary of YiGuo.

- (b) Sale of fresh fruits from ShangHai Shan Mai Supplier Chain Management Co Ltd (indirect wholly-owned subsidiary of the Company) to ShangHai E-Commerce Co Ltd

The aggregate value of all such sales from during the Relevant Period is approximately S\$3,315,000, which is approximately 75.7% of the Group’s latest Audited FY2016/17 NTA. ShangHai E-Commerce Co Ltd is a wholly-owned subsidiary of YiGuo.

As seen from above, on an aggregated basis, the Recurrent IPTs with the Yiguo Group during the Relevant Period, being approximately S\$3,717,000, had exceeded 5% of the Group’s latest Audited FY2016/17 NTA, and the Company will need to seek Shareholders’ ratification for the Recurrent IPTs with the Yiguo Group.

- 3.2 For illustrative purposes, the IPTs entered into by the Group and the Yiguo Group from 1 April 2017 (being the commencement of the financial year ended 31 March 2018) to 28 July 2017 (being the date of the 2017 AGM) is the sale of fresh fruits from SunMoon Distribution & Trading Pte Ltd to ShangHai Yiguo Supermarket Co Ltd. The aggregate value of all such sales to ShangHai Yiguo Supermarket Co Ltd during 1 April 2017 to 28 July 2017 is approximately S\$3,966,000, which is approximately 90.5% of the Group’s latest Audited FY2016/17 NTA.

For Shareholders’ information only, on an aggregated basis, the total value of all IPTs with Yiguo Group from 1 April 2017 to the date of this announcement is approximately S\$7,683,000.

4. Proposed Reinstatement IPT General Mandate

- 4.1 It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between companies in the Group and Yiguo Group are likely to occur on a recurrent basis, and is necessary for the Group's operations. Accordingly, the Company intends to seek Shareholders' approval for the Proposed Reinstatement IPT General Mandate for future IPTs with Yiguo Group, provided such IPTs are carried on normal commercial terms and will not be prejudicial to the Company and/or its minority Shareholders.
- 4.2 The Proposed Reinstatement IPT General Mandate will, *inter alia*, give the Group the flexibility to enter into future IPTs with Yiguo Group in the ordinary course of the Group's business without the need to seek Shareholders' approval each time.
- 4.3 The Proposed Reinstatement IPT General Mandate will also enhance the Group's ability to pursue business opportunities of a revenue or trading nature which are time-sensitive, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such transactions. This will thereby reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

5. Rationale for continuance of the Recurrent IPTs

- 5.1 As mentioned above, the failure to seek Shareholders' approval for renewal of the 2017 IPT General Mandate at its 2017 AGM was a genuine, inadvertent oversight on the part of the Company. As a result, the Recurrent IPTs, which have occurred since the expiration of the 2017 IPT General Mandate, were carried out without any Shareholders' mandate.
- 5.2 In addition, in the Group's ordinary course of business, transactions with the Yiguo Group constitute a core component of the Group's business and operations and occur on a regular basis. The Recurrent IPTs are therefore of a recurring nature necessary to the day-to-day operations of the Group.
- 5.3 The Board has deliberated on whether it should cease the Recurrent IPTs for the time being while the Company takes the necessary steps to convene the extraordinary general meeting to seek Shareholders' approval for the Proposed Reinstatement IPT General Mandate. The Board had seriously considered the fact that such Recurrent IPTs undertaken and to be undertaken by the Group is not in compliance with the Listing Manual. Notwithstanding the above, the Board took the view that it will not be in the best commercial interest of the Group to abruptly cease dealings with the Yiguo Group pending Shareholders' approval of the Proposed Reinstatement IPT General Mandate.

The Recurrent IPTs relate to the sale by the Group to the Yiguo Group of fresh and frozen fruits to meet the online demand for such products generated from the Yiguo Group's online platform offering *inter alia*, the said products to its online customers. As provided in paragraph 3 above, the volume of the Recurrent IPTs from the date of lapsing of the 2017 IPT General Mandate to the date of announcement is significant and very encouraging from the Group's perspective. This also indicates that the Yiguo Group's growing reliance on the Group to meet its online demand for such products. The Board strongly believes that any abrupt cessation of supply (even temporarily) will severely prejudice the reputation of the Group as a reliable supplier to meet such growing online demand for products which the Group supplies. The Board further believes that such abrupt cessation (even temporarily) may impact the Yiguo Group's ability to satisfy the online demand from its online platform and this may adversely affect the commercial relationship between the Group and the Yiguo Group (notwithstanding that the Company is a subsidiary of the Yiguo Group). This may thereby adversely affect the willingness and confidence of the Yiguo Group to continue to rely on the Group to meet its online demand and therefore, raises doubt as to the ability of the Group to resume the supply of products (or resume the supply in such significant volumes) in the event that Shareholders' approval for the Proposed Reinstatement IPT General Mandate is obtained.

Accordingly, the Board believes that temporarily ceasing such Recurrent IPTs pending the obtaining of Shareholders' approval for the Proposed Reinstatement IPT General Mandate will be highly prejudicial to the interest of the Company, and will not be in the best interest of the Shareholders. In the circumstances, the Group will continue with the Recurrent IPTs and will seek a ratification of all Recurrent IPTs from the date of the lapsing of the 2017 IPT General Mandate up to and including the time when Shareholders' approve the Proposed Ratification of Recurrent IPTs at the EGM to be convened.

- 5.4 In view of the above, the Board also proposes the Proposed Reinstatement IPT Mandate which is intended to facilitate the Recurrent IPTs, provided that they are carried out on normal commercial terms and are not prejudicial to the Company and its minority Shareholders. The Board is of the view that the Group will be able to benefit from such transactions with the Yiguo Group and will benefit from having access to competitive quotes from, or transacting with, the Yiguo Group in respect of services and products procured. The Proposed Reinstatement IPT Mandate will also allow the Group to enjoy economies of scale in the procurement of services and products as the Company would be able to procure services and products from the Yiguo Group on a larger scale without the restrictive thresholds in terms of values imposed by Chapter 9 of the Listing Manual. By acquiring products and services on a larger scale, it would be able to achieve better terms including better and more competitive pricing through economies of scale.

6. **Audit Committee and Independent Financial Adviser**

In respect of the **Proposed Ratification of Recurrent IPTs**, the Audit Committee of the Company will review the Recurrent IPTs based on the established guidelines and review procedures as set out in the 2017 Circular to advise the non-interested, independent directors on whether the terms of the Recurrent IPTs had been carried out on normal commercial terms and were not prejudicial to the interests of the Company and/or its minority Shareholders.

In respect of the **Proposed Reinstatement IPT General Mandate**, the Company has appointed Provenance Capital Pte. Ltd. as the independent financial adviser ("**IFA**") with the view of the IFA issuing a letter to advise the non-interested directors in respect of the IPT mandate on whether the methods and procedures for determining the transaction prices are sufficient to ensure that the future IPTs with Yiguo Group will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its minority Shareholders.

Shareholders are to note that the IFA letter only relates to resolution relating to the Proposed Reinstatement IPT General Mandate and not the resolution relating to the Proposed Ratification of Recurrent IPTs.

7. **Shareholders' Approval**

- 7.1. The Company therefore intends to convene an EGM to obtain the approval of the Shareholders for, *inter alia*, the following resolutions:

- (a) the Proposed Ratification of the Recurrent IPTs; and
- (b) the reinstatement of the Proposed Reinstatement IPT General Mandate.

- 7.2 The Company will make the necessary announcements in connection with the date and timing of the EGM subsequently.

8. **Circular**

A circular containing further details of, *inter alia*, the Proposed Ratification of the Recurrent IPTs, the Proposed Reinstatement IPT General Mandate, the opinion of the IFA (pursuant to the letter

dated 30 May 2017) and enclosing the notice of the EGM to be convened in connection therewith will be dispatched by the Company to the Shareholders in due course.

B. CHANGES TO THE BOARD AND THREE COMMITTEES

The Company wishes to announce the following changes to the Board and three Committees: -

1) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board of Directors has approved the appointment of Ms Ng Bie Tjin @Djuniarti Intan as Independent Non-Executive Director with effect from 31 August 2017.

2) APPOINTMENT OF CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors has approved the appointment of Mr James Prideaux as the Chairman of the Board of Directors in place of Mr Gary Loh Hock Chuan, with effect from 31 August 2017.

3) APPOINTMENT OF DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors has approved the appointment of Mr Gary Loh Hock Chuan as the Deputy Chairman of the Board of Directors with effect from 31 August 2017.

4) APPOINTMENT OF LEAD INDEPENDENT DIRECTOR

The Board of Directors has approved the appointment of Mr James Prideaux as the Lead Independent Director with effect from 31 August 2017.

5) REORGANISATION OF COMMITTEES

- **NOMINATING COMMITTEE**
- **REMUNERATION COMMITTEE**
- **AUDIT AND RISK COMMITTEE**

The Board of Directors has reorganized the three Committees and the Chairman and members of the Nominating Committee, Remuneration Committee and Audit and Risk Committee with effect from 31 August 2017 are as follows:-

Nominating Committee

Mr James Prideaux – Chairman
Ms Ng Bie Tjin @Djuniarti Intan – Member
Mr Wang Yaobin – Member

Remuneration Committee

Mr James Prideaux – Chairman
Ms Ng Bie Tjin @Djuniarti Intan – Member
Mr Wang Yaobin – Member

Audit and Risk Committee

Ms Ng Bie Tjin @Djuniarti Intan – Chairman
Mr James Prideaux – Member
Mr Wang Yaobin – Member

BY ORDER OF THE BOARD

Chia Lay Beng
1 September 2017