

**SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED**  
(Company Registration No. 200706801H)  
(Incorporated in Singapore)

---

**EXCLUSIVE DISTRIBUTION AGREEMENT FOR LONGAN ESSENCE BETWEEN  
PM GROUP COMPANY LIMITED AND  
SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED**

---

**1. INTRODUCTION**

1.1 Sino Grandness Food Industry Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to, in compliance with Rules 905 and 906 of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual (“**Listing Manual**”), announce that the Company has on 26 October 2016 entered into a distribution agreement (the “**Agreement**”) with PM Group Company Limited (“**PM Group**”) to secure the exclusive marketing rights for P80 Longan Health Essence (the “**Product**”) for China and Hong Kong markets.

1.2 As at the date of this announcement, PM Group directly holds 25,398,965 Shares (approximately 3.77%) in the issued share capital of the Company. Mr. Chalermchai Mahagitsiri, a non-executive director of the Company, holds a controlling interest in PM Group. In addition, Soleado Holdings Pte. Ltd. (“**Soleado**”) directly holds 68,275,735 shares (approximately 10.14%) in the issued share capital of the Company. Soleado is a wholly-owned subsidiary of Thoresen Thai Agencies Public Company Limited (“**TTA**”). Mr. Chalermchai Mahagitsiri, holds more than 20% direct and deemed interest in TTA.

1.3 Pursuant to Section 4 of the Securities and Futures Act, Mr. Chalermchai Mahagitsiri is deemed to be interested in any shares in which (i) TTA has an interest, including any shares in which TTA's wholly-owned subsidiaries, Soleado, has an interest; and (ii) PM Group has an interest. Accordingly, Mr. Chalermchai Mahagitsiri is deemed to be interested in the Soleado and the PM Group Shares, and as at the date of this announcement, the total deemed interest comprises 93,674,700 Shares (approximately 13.91%) in the issued share capital of the Company. Accordingly, PM Group is deemed (as defined in the Listing Manual), an associate of Mr Chalermchai Mahagitsiri.

**2. PRINCIPAL TERMS OF THE AGREEMENT**

2.1 The principal terms of the Agreement are as follows :

**Product** : P80 Longan Health Essence

**Owner** : PM Group

**Distributor** : Company

**Effective Date and Term** The Agreement shall commence on date of execution of the Agreement (the “**Effective Date**”) and shall continue in full force and effect until 31 August 2037 (the “**Term**”). In addition, the Agreement sets out procedures to be adopted for the extension of the Agreement, as well as provisions for the termination of the Agreement

upon breach. One of such provision provides the right to the PM Group to forfeit the Deposit in the event of failure by the Company to purchase the Product from the PM Group at the minimum purchase amount specified in the Agreement.

Termination of the Agreement would not affect the liability of the Company to pay for outstanding invoices and/or Products ordered but not invoiced (the “**Outstanding Invoices**”).

<b>Territory</b>	:	People’s Republic of China and Hong Kong
<b>Marketing Rights</b>	:	Sole and exclusive distributor of the Product in the Territory
<b>Conditions Precedent</b>	:	The Company’s purchase of the Product from PM Group pursuant to the Agreement shall be subject to the following conditions

(“**Conditions Precedent**”):

- (a) To the extent required by the China Food and Drug Administration (or equivalent authority) (the “**Relevant Authority**”), the Company securing approval from the Relevant Authority for representation, sale and/or consumption of the Product in the Territory; and
- (b) To the extent that the listing rules of the SGX-ST require the Company to complete certain approvals, in order to complete the transactions in the Agreement, the Company shall comply with those rules and procure that the Company’s principal shareholder, namely Mr. Huang Yupeng, exercises the votes attached to all of his shares in the Company in favour of all resolutions proposed in the shareholders meeting to give effect to completing the transactions in the Agreement (the “**Requisite Approval**”). Where the approval of the Relevant Authority and/or the Requisite Approval is not required or otherwise waived, the respective Condition Precedent shall be deemed to be satisfied.

In the event the Requisite Approval is not satisfied or becomes incapable of satisfaction, and the PM Group forfeits and retains the deposit already paid by the Company as full compensation for the losses it had incurred, Mr Huang Yupeng has given an irremovable undertaking to

reimburse the Company the full amount of the deposit already paid by the Company to PM Group.

**Pricing and Deposit**

- (a) The Agreement specifies the recommended selling price of the Product for sale by the Company in the Territory (the **“Recommended Selling Price”**), as well as procedures for revision to the Recommended Selling Price.
- (b) The Agreement sets out the formula for determining the Company’s purchase of the Product from the PM Group. The Agreement envisages that the Company’s initial purchase price of the Product will be THB400 for each bottle (the **“Supply Price”**).
- (c) As security for the performance by the Company of its obligations under the Agreement, the Company shall place with PM Group a deposit in the sum of USD 2,000,000 (the **“Deposit”**) in instalments as follows:-
  - (1) 1<sup>st</sup> Instalment - The sum of USD500,000 shall be placed to PM Group on the Effective Date.
  - (2) 2<sup>nd</sup> Instalment - The sum of USD500,000 shall be placed with the PM Group by telegraphic transfer to the PM Group’s nominated bank account within ninety (90) days from the Effective Date.
  - (3) 3<sup>rd</sup> Instalment - The sum of USD1,000,000 shall be placed with the PM Group by telegraphic transfer to the PM Group’s nominated bank account on or before the First Shipment Date (as defined below).

In the event that the Conditions Precedent are not satisfied or becomes incapable of satisfaction, PM Group shall forfeit and retain the deposit received as full compensation for the losses it had incurred.

PM Group shall be entitled to forfeit and retain the deposit received as compensation for the losses to PM Group in the event of termination of the Agreement attributable to breach committed by the Company.

- (d) The Agreement further specifies minimum order quantities, as well as order and delivery procedures, for the Product.

**Other terms and conditions**

- (a) During the Term of the Agreement and each and every extension thereof, the Company shall purchase the Product from PM Group at the minimum purchase amount as follows:

Order Schedule	Minimum Purchase Quantity /annum
Within 12 months from the First Shipment Date	2,000,000 (two million) bottles
During months 13-24 from the First Shipment Date	3,000,000 (three million) bottles
During months 25-36 from the First Shipment Date and for every subsequent annum thereafter	5,000,000 (five million) bottles

- (b) The Agreement sets out a profit share mechanism in the event the Company sells any Product for a price above the Recommended Selling Price, (the “**Profit Sharing Commission**”).
- (c) During the Term of the Agreement, the PM Group will be entitled to appoint sub-distributor(s) to perform any of the Company’s obligations under the Agreement in the Territory, provided that (i) any compensation and/or benefits payable to the sub-distributor(s) shall be determined and responsible by the Company, (ii) the PM Group’s recommended sub-distributor(s) shall not be unreasonably rejected by the Company, and (iii) the appointment of any sub-distributor(s) by the Company does not deprive the PM Group of any rights to which it is entitled to under the Agreement.
- (d) The Agreement imposes obligations on the Company not to sell competing longan-based product in the Territory nor invest in competing businesses or assets.

**Undertaking to vote in favour**

The Company shall, within seven (7) days from the Effective Date, submit to the PM Group an irrevocable undertaking from the Company’s principal shareholder, namely Mr. Huang Yupeng, to exercise all the votes attached to his shares in the Company in favour of all resolutions proposed in the shareholders meeting (“**EGM**”) to give effect

to completing the transactions in the Agreement in a form acceptable to the PM Group.

**Governing Law**

The Agreement shall be governed by and construed in accordance with the laws of Singapore.

**3. RATIONALE AND BENEFITS OF THE AGREEMENT**

The rationale for and benefits of the Agreement are, *inter alia*, as follows:

- (i) the Agreement is in the ordinary course of the Company’s business and will be complementary and ancillary to the Group’s existing core business; and
- (ii) in line with the Group’s business strategy to expand its product line.

**4. INTERESTED PERSON TRANSACTIONS**

4.1 Pursuant to the Listing Manual, an interested person transaction (“**IPT**”) is defined as a transaction between an entity at risk and an interested person. PM Group is deemed (as defined in the Listing Manual), an associate of Mr Chalermchai Mahagitsiri. Accordingly, PM Group is deemed an interested person within the meaning of Chapter 9 of the Listing Manual.

4.2 With respect to the Company’s obligations under the Agreement, the transaction constitutes an IPT pursuant to Chapter 9 of the Listing Manual. The entity at risk is the Company.

4.3 The amount at risk to the Company is the aggregate amounts payable under the Agreement in the table set out below:

<p>In the event the Conditions Precedent are not satisfied or becomes incapable of satisfaction, and assuming only USD1,000,000 of the Deposit has been paid by the Company to the PM Group</p>	<p>Forfeiture by the PM Group of the instalments of USD1,000,000 of the Deposit as full compensation for the losses the PM Group had incurred, of the which represents approximately 0.37% of the NTA of the Group for FY2015 <sup>(1)</sup></p>
<p>In the event the Conditions Precedent are satisfied and assuming the full USD2,000,000 of the Deposit has been paid by the Company to the PM Group, and if the termination of the Agreement is attributable to the breach committed by the Company</p>	<p>Forfeiture by the PM Group of the instalments of USD2,000,000 of the Deposit as full compensation for the losses the PM Group had incurred, of the which represents approximately 0.74% of the NTA of the Group for FY2015 <sup>(2)</sup></p>
<p><b>Notes :</b></p> <p>(1) The Agreement stipulates that in the event that the Conditions Precedent are not satisfied or becomes incapable of satisfaction, PM Group shall forfeit and retain the deposit that has been paid by the Company as full compensation for the losses that the PM Group had incurred.</p> <p>(2) The Agreement stipulates that the PM Group shall have no right to claim for any damages or losses from the Company in relation to the Company’s failure to purchase the Product from the</p>	

PM Group at the minimum purchase amount specified in the Agreement.

- 4.4 Save for the transactions mentioned in sub-paragraphs (a) to (b) below, the Group which, for the purposes of Chapter 9 of the Listing Manual, are considered to be “entities at risk”, have not entered into transactions with the Company’s interested persons or their associates since 1 January 2016 up to the date of this announcement:
- (a) the Agreement (which is the subject matter of this announcement);
  - (b) the Convertible Loan with Soleado (as announced by the Company on the SGXNET on 13 April 2016); and
  - (b) transactions of less than S\$100,000 in value.
- 4.5 The Company expects, barring unforeseen circumstances, to order the quantity of Product that may exceed 5% of the Group's NTA for FY2015. For illustrative purposes only, and assuming that the Group orders 2 million bottles of the Product at the Supply Price of THB400 per bottle, the aggregate amount payable by the Group will be approximately THB800 million (approximately USD22.79 million based on exchange rate of USD1=THB35.1), and will constitute approximately 8.44% of the Group's NTA for FY2015. Accordingly, the Company intends to obtain the approval of independent shareholders for the Agreement to enable the Company to enter into transactions to purchase the Products from the PM Group pursuant to and during the Term of the Agreement. Soleado, TTA, PM Group and Mr Chalermchai Mahagitsri are not independent for the purpose of the Agreement and will abstain from voting on the resolutions approving, ratifying and authorising the Agreement.

## 5. INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 921(4)(a) of the Listing Rules, the Circular shall provide an opinion, in the form of a separate letter, from an independent financial adviser who is acceptable to the SGX-ST (“**IFA**”), stating whether the Agreement (i) is on normal commercial terms; and (ii) is not prejudicial to the interest of the Company and its independent shareholders. In this respect, the Company will be engaging an IFA in due course to provide an opinion to the Directors (other than Mr. Chalermchai Mahagitsiri) (the “**Non-Interested Directors**”) on whether the Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its independent shareholders (“**IFA Opinion**”).

The IFA Opinion will be included in the circular (“**Circular**”) to be despatched in due course to the shareholders in connection with the Agreement and to convene the EGM to approve the resolutions in connection with the Agreement.

## 6. STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee will form its view as to whether the Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its independent shareholders after considering the IFA Opinion referred to above (“**AC Opinion**”). The AC Opinion will be set out in the Circular.

## **7. FINANCIAL EFFECTS**

The Agreement is not expected to have any material financial impact on the consolidated net tangible assets per share and consolidated earnings per share of the Company and the Group for the current financial year ending 31 December 2016.

## **8. SHAREHOLDERS' APPROVAL AND CIRCULAR TO SHAREHOLDERS**

The Company will be convening an EGM to seek specific approval of shareholders for the Agreement pursuant to Chapter 9 of the Listing Manual.

A circular containing information in connection therewith will be despatched to the shareholders in due course. As there is no assurance that the aforementioned transactions will be completed, shareholders are advised to refrain from taking any action which may be prejudicial to their interests before seeking advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers (as appropriate).

## **9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed herein, none of the Directors or controlling shareholders have any direct or indirect interest in the Agreement other than through their respective shareholdings in the Company, if any.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Agreement may be inspected at 6 Battery Road #10-01 Singapore 049909 during normal office hours for a period of three (3) months from the date of this announcement.

### **By Order of the Board**

Huang Yupeng  
Chairman and CEO  
26 October 2016

---

*Note: Unless otherwise expressly stated, all USD\$ denominated amounts or figures stated in this announcement are computed based on the exchange rates of USD\$1: RMB6.70.*