SUNMOON FOOD COMPANY LIMITED
Registration No. 198304656K
(the "**Company**")

PROPOSED DISPOSAL OF:

(A) SHARES IN FOOK YONG PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY ("FYPL DISPOSAL"); AND

(B) SHARES IN UNITED AGRO PRODUCE PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY ("UAPL DISPOSAL"),

COLLECTIVELY, THE ("PROPOSED DISPOSALS")

---

*Reference is made to the SunMoon Food Company Limited's (the "**Company**" and together with its subsidiaries, the "**SunMoon Group**") announcements dated 13 May 2016 and 14 November 2016 (the "**Termsheet Announcement**") on the intention to sell certain assets relating to the discontinued dehydrated produce business.*

1. INTRODUCTION

1.1 The board of directors (the "**Board**") is pleased to announce to shareholders of the Company ("**Shareholders**") that the Company and its wholly owned subsidiary, United Agro Produce Pte Ltd ("**UAPL**") have each entered into two separate sale and purchase agreements to divest UAPL and its wholly owned subsidiaries, Fook Yong Pte. Ltd. ("**FYPL**") and Taian FHTK Foodstuffs Co., Ltd. (泰安富华同康食品有限公司) ("**Taian FHTK**"). FYPL has a wholly owned subsidiary, Taian Fook Huat Tong Kee Foodstuff Co., Ltd (泰安复发中记食品有限公司) ("**Old Taian**"). Brief descriptions of the two sale and purchase agreements are:

(a) on 31 December 2016, UAPL as the vendor and the Company as guarantor (collectively, the "**FYPL Warrantors**") have entered into a sale and purchase agreement ("**FYPL SPA**") with Falcon Valley Ventures Limited ("**FYPL Purchaser**") pursuant to which UAPL has agreed to sell 8,791,543 ordinary shares ("**FYPL Sale Shares**") in FYPL, representing 100% of the total number of issued shares in the share capital of FYPL (the "**FYPL Disposal**"). FYPL and its wholly-owned subsidiary Taian Fook Huat Tong Kee Foodstuff Co., Ltd shall be referred to as the "**FYPL Group**";

(b) in addition, on 14 February 2017, the Company has entered into a sale and purchase agreement ("**UAPL SPA**") with Global Food Ingredients Pte Ltd (the "**UAPL Purchaser**"), the holding company of the FYPL Purchaser, pursuant to which the Company has agreed to sell two (2) shares ("**UAPL Sale Shares**") in UAPL, representing 100% of the total number of issued shares in the share capital of UAPL (the "**UAPL Disposal**"). Pursuant to the UAPL SPA, the Company has agreed to divest both UAPL and its wholly-owned subsidiary Taian FHTK Foodstuffs Co., Ltd. ("**Taian FHTK**"). Taian FHTK together with UAPL, shall be referred to as the "**UAPL Group Companies**",

collectively, the "**Proposed Disposals**".

1.2 Pursuant to the FYPL SPA and the UAPL SPA, the FYPL Disposal shall complete first followed by the completion of the UAPL Disposal. Following completion of the FYPL Disposal and the UAPL Disposal, the Company will cease to have an interest in UAPL and its wholly-owned subsidiaries namely, the UAPL Group and the FYPL Group.

2. INFORMATION ON THE PURCHASER

2.1 Information on FYPL Purchaser and the UAPL Purchaser

The FYPL Purchaser, Falcon Valley Ventures Limited, is a company incorporated in the British Virgin Islands and is primarily an investment holding company. It is also a wholly-owned subsidiary of UAPL Purchaser.

The UAPL Purchaser, Global Food Ingredients Pte Ltd, company registration number (201525757C), is a company incorporated in Singapore and is primarily in the business of supplying food ingredients. The shareholder of UAPL Purchaser is Quintegra Ventures Inc. ("**UAPL Purchaser's Shareholder**").

FYPL Purchaser, UAPL Purchaser and the UAPL Purchaser's Shareholder are independent third parties and are not related to the Company, the directors, controlling shareholders and substantial shareholders of the Company.

2.2 Pursuant to a tenancy agreement dated 20 June 2015 ("**Tenancy Agreement**"), Taian Fenghui Tongkai Foods Co., Ltd (泰安丰辉同凯食品有限公司) (the "**Lessee**"), leased from Taian FHTK Foodstuffs Co., Ltd, a wholly owned subsidiary of the Company the plant and production lines for vegetable dehydration located at Fan Town Industrial Park (范镇工业园), Taian City, Shandong Province, People's Republic of China. The Lessee is a wholly-owned subsidiary of the UAPL Purchaser.

3. DETAILS OF THE PROPOSED DISPOSALS

3.1 Background of UAPL and its subsidiaries, namely the UAPL Group and the FYPL Group

3.1.1 Prior to 31 December 2015, the Company operated mainly in the two operating segments, namely:

(a) The agricultural products division distributes fresh garlic and manufactures dehydrated garlic and onion products ("**Produce Division**"); and

(b) The fruits division procures and distributes fresh fruits and processed fruits globally ("**Fresh Division**").

3.1.2 The operations and production facilities for the production of dehydrated products (such as dehydrated garlic and onion) are located in Tai'an Shangdong Province (山东省泰安市范镇新兴工业园甲乙 方院内), People's Republic of China.

3.1.3 The SunMoon Group has discontinued the production and sale of dehydrated garlic and onions in the Produce Division since 2015. The SunMoon Group continues to distribute fresh garlic, operations of which, have been moved to the Fresh Division. The business operations in the Produce Division were carried on in Old Taian and Taian FHTK.

3.1.4 In line with the discontinuation of the Produce Division, the SunMoon Group leased out its dehydrated factory located in Tai'an City by way of a Tenancy Agreement (referred to in paragraph 2.2 above) to Taian Fenghui Tongkai Foods Co., Ltd, a wholly-owned subsidiary of the UAPL Purchaser.

3.2 Rationale for the Proposed Disposals

3.2.1 <u>Fulfilling current business strategy</u>

The SunMoon Group's business model is to focus on "*network*", "*geography*" and "*product*". The Proposed Disposals is in line with the SunMoon Group's current business

strategy to focus its resources on the Fresh Division. The Proposed Disposals is also consistent with the business strategy of the Company to streamline its business activities and to shift into an asset-light consumer-centric and brand-focused business model.

3.2.2 Improve financial position for business continuity

The proceeds from the Proposed Disposals will improve cash flow, provide additional working capital and/or funding for other business ventures.

3.2.3 Realise value of the shares and assets of UAPL and its subsidiaries

The Proposed Disposals will also enable the SunMoon Group to realise the value of its assets in UAPL and its subsidiaries. There shall be no impact on the business operations as the SunMoon Group had discontinued the sale of dehydrated garlic and onions and the remaining agricultural products.

3.3 **Salient Details of the FYPL SPA**

3.3.1 Consideration for the FYPL Disposal

The consideration for the purchase of the FYPL Sale Shares shall be the sum of S$2.00 (the "**FYPL Consideration**").

3.3.2 Conditions of the FYPL SPA

Completion of the sale and purchase of the FYPL Sale Shares is conditional upon, *inter alia*, the following conditions having been fulfilled (or waived) to the satisfaction of the FYPL Purchaser:

(a) the Company to obtain the necessary shareholders' approval at the extraordinary general meeting for the sale of the FYPL Sale Shares;

(b) the results of a special review and a due diligence exercise by FYPL Purchaser;

(c) the FYPL Warrantors supplying, or procuring, *inter alia*, each of the FYPL Group to supply to FYPL Purchaser, all of the information requested by the Purchaser in connection with the special audit/review and due diligence exercise referred to in paragraph 3.3.2(b) above;

(d) the receipt by the FYPL Purchaser of such waivers or consents as may be necessary to enable the FYPL Purchaser and/or its nominee(s) to be registered as holder of any and all of the FYPL Sale Shares;

(e) the resignation by the directors, supervisors, legal representative, secretaries, tax agents and/or auditors of the FYPL and Old Taian (as the case may be) ("**FYPL Group Companies' Officers**"), and the full settlement and payment of all outstanding payments and claims of the Group Companies' Officers (if there is any);

(f) the FYPL Warrantors not having committed any breach of any warranties, or any breach of any covenants and undertakings required to be performed or caused to be performed by them under the FYPL SPA on or before the FYPL completion date;

(g) the conditions specified in paragraph 3.4.7 of the UAPL SPA having been fulfilled or waived as the case may be;

(h) all other consents and approvals required under any and all applicable laws for the sale of the FYPL Sale Shares being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to FYPL Purchaser in its sole and absolute discretion;

(i) there being no notice of any injunction or other order, directive or notice restraining or prohibiting the transactions under the FYPL SPA;

(j) the FYPL Warrantors procuring Old Taian and SunMoon Shanghai(1) to enter into a novation agreement with FYPL Purchaser's designated entity pursuant to which SunMoon Shanghai(2) shall assign, transfer and conveys all of its rights, title, obligations and interest in to and under the Tenancy Agreement 2008(2) and the Tenancy Agreement 2014(3) as a tenant to the FYPL Purchaser's designated entity on or before the FYPL Completion;

Footnotes:

*(1) "**SunMoon Shanghai**" means SunMoon Food (Shanghai) Company Limited (膳明食品贸易（上海）有限公司), a subsidiary of the Company*

*(2) "**Tenancy Agreement 2008**" means the tenancy agreement entered into between Old Taian and SunMoon Shanghai on 1 November 2008 pursuant to which SunMoon Shanghai rented from Old Taian certain buildings in the land and the buildings. SunMoon Shanghai used the leased premises as warehouses. The annual rental fee is RMB20,000.00 (approximately S$4,111 based on the exchange rate of S$1 to RMB4.8641 as at the date of this announcement **Source**: Bloomberg) for a rental period of 10 years beginning from 1 November 2008.*

*(3) "**Tenancy Agreement 2014**" means the tenancy agreement entered into between Old Taian and SunMoon Shanghai on 25 June 2014 pursuant to which SunMoon Shanghai rented from Old Taian certain buildings in the land and the buildings. SunMoon Shanghai used the said buildings as warehouses. The annual rental fee is RMB60,000.00 (approximately S$12,335 based on the exchange rate of S$1 to RMB4.8641 as at the date of this announcement) for a rental period of 5 years beginning from 31 October 2018.*

(k) there being no intra-group indebtedness owing at FYPL Completion from any FYPL Group company to any member of the Guarantor Group (as defined below) and that all intra-group guarantees have been fully and completely discharged as at FYPL Completion; and

(l) there being no compulsory notices, orders or resolutions affecting the land and buildings owned by Taian FHTK ("**Taian Property**") or notice of intended compulsory acquisition affecting the Taian Property,

(the "**FYPL Conditions Precedent**").

*"**Guarantor Group**" means the SunMoon Food Company Limited, the holding company from time to time of SunMoon Food Company Limited and any subsidiary or associated company from time to time of the SunMoon Food Company Limited or such holding company (but excluding the Vendor Group and the FYPL Group)*

*"**Vendor Group**" means the UAPL, the holding company from time to time of UAPL and any subsidiary or associated company from time to time of UAPL or such holding company (but excluding the FYPL Group)*

3.3.3 The FYPL Purchaser and FYPL Warrantors shall use their respective reasonable best efforts and will cooperate constructively to procure the fulfilment of the FYPL Conditions Precedent by 30 June 2017 or such other date as the parties may agree ("**FYPL Long Stop Date**"). Unless specifically waived by the FYPL Purchaser (in respect of those conditions precedent which can be waived), if any of the FYPL Conditions Precedent is not satisfied by FYPL Long Stop Date, the FYPL SPA (save for the surviving clauses) shall *ipso facto* cease and determine and neither the FYPL Warrantors nor the FYPL Purchaser shall have any claim against the other for costs, damages, compensation or

otherwise, save for any claim by the FYPL Purchaser against the FYPL Warrantors arising from, *inter alia*, an antecedent breach of the terms in the FYPL SPA.

3.3.4 Pursuant to the FYPL SPA, the FYPL Warrantors have, *inter alia*, provided an indemnification to the FYPL Purchaser against any claim, demand, action, damage, loss, liability, proceeding, cost, expense or outgoing (including all expenses of investigation and enforcement of these indemnities and all legal fees and expenses on a full indemnity basis) which they (either jointly or severally) pays, suffers, incurs or is liable for in respect of or in connection with, *inter alia*, the following (collectively, the "**FYPL Specific Indemnities**"):

(a) any actions, claims, penalties, losses and damages arising from or resulting from any failure to pay and discharge, or cause to be paid and discharged, all its intra-group indebtedness and intra-group guarantees;

(b) any taxation claims arising out of or in connection with the land and the buildings owned, leased or occupied by Old Taian in respect any transaction effected or deemed to have been effected on or before FYPL Completion;

(c) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the FYPL Group Companies' Officers prior to or on FYPL Completion in respect of matters arising on or before FYPL Completion;

(d) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the acquisition, development and construction on or before FYPL Completion of the land and the buildings owned, leased or occupied by Old Taian;

(e) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with any employment disputes;

(f) any claim arising out of or in connection with any unfulfilled FYPL Conditions Precedent, or any unsatisfied obligations of the FYPL Warrantors as at the FYPL Completion Date, which the FYPL Purchaser has waived for the purposes of proceeding with FYPL Completion;

(g) save for the law suits and the enforcement of the respective judgments being fully disclosed to the FYPL Purchaser, any other claim arising out of or in connection with any action, dispute, claim, demand or legal proceeding against any FYPL Group in respect of any act, omission, event or circumstance arising or occurring prior to or on FYPL Completion.

3.4 Salient Details of the UAPL SPA

3.4.1 Consideration for the UAPL Disposal

The total consideration for the purchase of the UAPL Sale Shares shall be S$6.9 million which comprises the following components (the "**UAPL Consideration**"):

(a) S$3,150,000, being the market value of Taian FHTK;

(b) S$950,000, being the market value of UAPL; and

(c) S$2,800,000, being the aggregate sum of trade receivables of Taian FHTK due from the Company, the holding company from time to time of the Company and any subsidiary or associated company from time to time of the Company or such holding company (but excluding UAPL and Taian FHTK) ("**Trade Receivables**").

3.4.2 Under the UAPL SPA, the following amounts shall be deemed to have been paid by the UAPL Purchaser as part of the UAPL Consideration:

(a) the amount equivalent to the UAPL Purchaser's Loan (as described in paragraph 3.4.7(e)(i) below) in Singapore Dollars(1) by offsetting such UAPL Purchaser's Loan;

(b) the First Advance Payment (as described in paragraph 3.4.3(a) below);

(c) the Second Advance Payment (as described in paragraph 3.4.3(a) below);;

(d) any further advance payment paid to the Company and/or the Company, the holding company from time to time of the Company and any subsidiary or associated company from time to time of the Company or such holding company (but excluding UAPL and Taian FHTK) by the UAPL Purchaser and/or it's designated entity (if there is any) before UAPL Completion; and

(e) the amount equivalent to the Trade Receivables which has been assigned to the UAPL Purchaser by Taian FHTK by offsetting such Trade Receivables. Please refer to paragraph 3.4.3(b) below for an elaboration of the aforesaid assignment.

***Footnote**:*
(1) Shareholders are to note that under the UAPL SPA, the exchange rate to be adopted for the UAPL Purchaser's Loan shall be determined based on the middle rate of the RMB to Singapore Dollar exchange rate as quoted by the People's Bank of China on 1 March 2017.

3.4.3 (a) The UAPL Purchaser had advanced to the Company through two advance payment agreements dated 22 December 2016 and 7 January 2017 ("**Advance Agreements**") the sum of S$310,000 on 22 December 2016 ("**First Advance Payment**") and a sum of S$140,000 on 7 January 2017 ("**Second Advance Payment**"). The Company has charged to the UAPL Purchaser the UAPL Sale Shares as security for repayment of the aforesaid advances by way of a share charge dated on 22 December 2016 and supplemented by a supplemental deed dated 6 January 2017(1).

***Footnote**:*
(1) Shareholders are to note that the abovesaid share charge will be discharged on UAPL Completion.

(b) On UAPL Completion Date, the Company shall deliver to the UAPL Purchaser a duly executed Assignment of Trade Receivables evidencing the assignment of Trade Receivables by Taian FHTK to the UAPL Purchaser.

3.4.4 The remaining balance of the UAPL Consideration after offsetting the items set out in paragraph 3.4.2 (the "**Balance Consideration**") shall be satisfied by the UAPL Purchaser in four (4) tranches as follows:

(a) on the completion date of the UAPL Disposal ("**UAPL Completion Date**"), the UAPL Purchaser shall pay or shall cause to be paid the first payment (after offsetting the Agreed Liabilities (as defined below)) to the Company;

(b) on the second payment date (being a date falling 30 days after the UAPL Completion Date), the UAPL Purchaser shall pay or shall cause to be paid the second payment to the Company;

(c) on the third payment date (being a date falling 30 days after the second payment date), the UAPL Purchaser shall pay or shall cause to be paid the third payment to the Company; and

(d) on the final payment date (being a date falling 30 days after the third payment date), the UAPL Purchaser shall pay or shall cause to be paid the final payment to the Company.

*"**Agreed Liabilities**" is provided for in the UAPL SPA and the term refers to the Company and the UAPL Purchaser agreeing on a best efforts basis to reach an agreement on the exact amount of all the payables and all other liabilities (financial and others) of UAPL and Taian FHTK, including but not limited to the other outstanding debts, trade payables and other payables in UAPL and Taian FHTK.*

3.4.5 If the Company and the UAPL Purchaser is unable to agree on the amount of Agreed Liabilities, it shall be determined by an expert to be appointed by agreement between the Company and the UAPL Purchaser.

3.4.6 If there are any new liabilities of the UAPL and/or Taian FHTK which is caused by the Company or any existing liabilities of the Company and/or Taian FHTK incurred before UAPL Completion but only discovered between the UAPL Completion Date and the final payment date (as described in paragraph 3.4.4(d) above), such liabilities shall be deducted from the amounts of the second payment, the third payment and/or the final payment (as the case may be).

3.4.7 Conditions of the UAPL SPA

Completion of the sale and purchase of the UAPL Sale Shares is conditional upon, *inter alia*, the following conditions having been fulfilled (or waived) to the satisfaction of the UAPL Purchaser:

(a) the Company to obtain the necessary shareholders' approval at the extraordinary general meeting for the sale of the UAPL Sale Shares;

(b) the results of a special review and a due diligence exercise by UAPL Purchaser;

(c) the Company supplying, or procuring each of the UAPL Group Companies to supply to the UAPL Purchaser, all of the information (in such detail as may be satisfactory to the UAPL Purchaser) before the UAPL Completion Date;

(d) the receipt by the UAPL Purchaser of such waivers or consents as may be necessary to enable the UAPL Purchaser and/or its nominee(s) to be registered as holder of any and all of the UAPL Sale Shares;

(e) in relation to the loan agreement ("**BOCOM Loan Agreement**") entered into between Taian FHTK and Bank of Communications Co., Ltd., Taian Branch (交通银行股份有限公司泰安分行) ("**BOCOM**") which matures on 7 March 2017 ("**BOCOM Loan**"), before the maturity date of the BOCOM Loan:

(i) the remaining outstanding amount of RMB4,800,000 (approximately S$992,782 based on the median rate of the RMB 4.8349 to Singapore Dollar 1 exchange rate as quoted by the People's Bank of China as at 14 February 2017)(1) owed to BOCOM under the BOCOM Loan have has been fully repaid by the UAPL Purchaser and/or it's designated entity on behalf of Taian FHTK ("**UAPL Purchaser's Loan**");

***Footnote**:*
(1) Shareholders are to note that under the UAPL SPA, the exchange rate as described above will be determined on 1 March 2017 or any other day the parties may mutually agree in writing.

(ii) the mortgage of Taian Property in favour of BOCOM as security under the BOCOM Loan ("**BOCOM Mortgage**") has been duly terminated, released

and discharged in accordance with PRC laws and regulations, and the relevant discharge documents; and

(iii) the relevant original documents in respect of the discharge of the BOCOM Mortgage updated have been delivered to the UAPL Purchaser by 5 March 2017;

(f) the resignation of the directors, supervisors, legal representative, secretaries, tax agents and/or auditors of the Company and Taian FHTK (as the case may be) ("**UAPL Group Companies' Officers**") and employees of UAPL and Taian FHTK who will not be retained ("**UAPL Outgoing Staff**"), and full settlement and payment of all outstanding payments and claims of the UAPL Group Companies' Officers and UAPL Outgoing Staff in accordance with the relevant employment legislation and on the terms as set out in the UAPL SPA;

(g) all representations, warranties and undertakings given by the Company remain true, accurate and effective as of the UAPL Completion Date, and the Company not having committed any material breach of any warranties, or any breach of any covenants and undertakings required to be performed or caused to be performed by the Company under the UAPL SPA on or before the UAPL Completion Date;

(h) the completion of FYPL Disposal;

(i) all other consents and approvals required under any and all applicable laws for the sale of the UAPL Sale Shares;

(j) all other consents and approvals required under any instrument, contract, document or agreement to which the Company or a UAPL Group Company is a party;

(k) there being no notice of any injunction or other order, directive or notice restraining or prohibiting the UAPL SPA;

(l) there being no compulsory notices, orders or resolutions (including but not limited to compulsory acquisition) affecting the land and buildings owned by Taian FHTK ("**Taian Property**") or notice of intended compulsory acquisition affecting the Taian Property; and

(m) the Shareholder's Loans have been assigned to UAPL by the Company and there being no intra-group indebtedness owing at UAPL Completion by UAPL Group to any member of the SunMoon Group (but excluding UAPL Group) and that all intra-group guarantees have been fully and completely discharged as at UAPL Completion. "**Shareholder's Loans**" means all loans from the Company to Taian FHTK as reflected in the audited accounts for the financial year ended 31 December 2016 as inter-company payables and any additional loans and payables from the Company to Taian FHTK prior to the UAPL Completion Date, including but not limited to assets in the amount of RMB 37,707,720 (approximately S$7,752,250 based on the exchange rate of S$1 to RMB4.8641 as at the date of this announcement) injected into Taian FHTK by the Company by way of shareholder's loans,

(the "**UAPL Conditions Precedent**")

3.4.8 The Company and UAPL Purchaser shall, before UAPL Completion, use their best efforts to reach an agreement on the exact amount of all the payables and all other liabilities (financial and others) of the Company and Taian FHTK, including but not limited to the other outstanding debts, trade payables and other payables in the Company and Taian FHTK ("**Agreed Liabilities**"), if there is any.

3.4.9 The Company and UAPL Purchaser shall use their respective reasonable best efforts and will cooperate constructively to procure fulfilment of the UAPL Conditions Precedent by the UAPL Long Stop Date (as defined below). If any of the UAPL Conditions Precedent above is not satisfied by 30 June 2017 or such other date as the Company and UAPL Purchaser may agree ("**UAPL Long Stop Date**") and unless specifically waived by the UAPL Purchaser or the Company as the case may be (in respect of those conditions precedent which can be waived), the UAPL SPA (save for the surviving clauses) shall *ipso facto* cease and determine and neither the Company nor UAPL Purchaser shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the UAPL Purchaser against the Company arising from, *inter alia*, an antecedent breach of the terms in the UAPL SPA.

3.4.10 Pursuant to the UAPL SPA, the Company have, *inter alia*, provided an indemnification to the UAPL Purchaser against any claim, demand, action, damage, loss, liability, proceeding, cost, expense or outgoing (including all expenses of investigation and enforcement of these indemnities and all legal fees and expenses on a full indemnity basis) which it pays, suffers, incurs or is liable for in respect of or in connection with the following (collectively, the "**UAPL Specific Indemnities**"):

(a) any claim by a third party, including any relevant authorities (whether or not governmental or regulatory) of whatsoever nature in connection with the change in ownership of the UAPL pursuant to the UAPL SPA;

(b) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the transfer or transfers of all or any shares of any UAPL Group Company on or before UAPL Completion by and among past shareholders of any UAPL Group Company but excluding the transfer of UAPL Sale Shares from the Company to the UAPL Purchaser and/or its nominees pursuant to the UAPL SPA;

(c) any taxation claims arising out of or in connection with the land and buildings owned by Taian FHTK on or before UAPL Completion or any transaction effected or deemed to have been effected on or before UAPL Completion;

(d) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with, the UAPL Group Companies' Officers, UAPL Outgoing Staff and employees retained on and after UAPL Completion, prior to or on UAPL Completion;

(e) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the acquisition, development and construction on or before UAPL Completion of the land and buildings owned by Taian FHTK;

(f) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with any employment disputes;

(g) any claim arising out of or in connection with any unfulfilled UAPL Conditions Precedent, or any unsatisfied obligations of the Company as at UAPL Completion Date, which the UAPL Purchaser has waived for the purposes of proceeding with UAPL Completion;

(h) any claim arising out of or in connection with any action, dispute, claim, demand or legal proceeding against any UAPL Group Company in respect of any act, omission, event or circumstance arising or occurring prior to or on UAPL Completion.

3.5 **Basis for the UAPL Consideration and FYPL Consideration**

3.5.1 The UAPL Consideration and FYPL Consideration was arrived at pursuant to arms' length negotiations between the Company and UAPL Purchaser and between the Company and FYPL Purchaser on a willing-buyer willing-seller basis, after taking into account the following factors:

(a) value of the FYPL Group;

(b) value of the UAPL Group Companies; and

(c) the rationale as elaborated in paragraph 3.2 above.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANAUL

4.1 For the purposes of Chapter 10 of the Listing Manual and based on the latest announced unaudited financial statements for the SunMoon Group for the financial period ended 31 December 2016, the relative figures for the respective transactions are computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual and are as follows:-

(i) FYPL Disposal[1]

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the SunMoon Group's net asset value	(33.69)%
Rule 1006(b)	Net loss attributable to the FYPL Disposal compared with the SunMoon Group's net profit	14.38%[2]
Rule 1006(c)	Aggregate value of the consideration given for the FYPL Disposal, compared with the market capitalisation of the Company	Not meaningful[3]
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the FYPL Disposal, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the SunMoon Group's probable and proved reserves	Not applicable

Notes:

(1) For the purposes of computing the relative values, it is assumed that the FYPL Disposal will complete first before the completion of the UAPL Disposal

(2) The unaudited net loss before income tax, minority interest and extraordinary items of the FYPL Group as at 31 December 2016 is S$188,000.The unaudited net profit before income tax, minority interest and extraordinary items of the SunMoon Group as at 31 December 2016 is S$1,310,000.

(3) Not meaningful as the FYPL Consideration is S$2.

(ii) UAPL Disposal[1]

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the SunMoon Group's net asset value	3.06%
Rule 1006(b)	Net loss attributable to the UAPL Disposal compared with the SunMoon Group's net profit	37.73%[2]

Rule 1006(c)	Aggregate value of the consideration given for the UAPL Disposal, compared with the market capitalisation of the Company	20.62%[3][4][5]
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the UAPL Disposal, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the SunMoon Group's probable and proved reserves	Not applicable

Notes:

(1) For the purposes of computing the relative values, it is assumed that the FYPL Disposal will complete first before the completion of the UAPL Disposal

(2) The unaudited net loss before income tax, minority interest and extraordinary items of the UAPL Companies as at 31 December 2016 is S$494,000. The unaudited net profit before income tax, minority interest and extraordinary items of the SunMoon Group as at 31 December 2016 is S$1,310,000.

(3) The UAPL Consideration (as described in paragraph 3.4.1 above) amounts to S$6,900,000. For more details on the UAPL Consideration, please refer to paragraphs 3.4.1 to 3.4.6 above.

*(4) The Company weighted average share price is S$0.11 as at 13 February 2017. Being the market day preceding the date of the UAPL SPA. **Source**: Bloomberg*

(5) The number of issued shares of the Company is 318,784,382 and accordingly, the market capitalisation of the Company is S$33,470,000 being the derivative of the weighted average price of S$0.11 multiplied by 318,784,382 ordinary shares of the Company.

(iii) Proposed Disposals[1]

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the SunMoon Group's net asset value	(30.62)%
Rule 1006(b)	Net loss attributable to the Proposed Disposals compared with the SunMoon Group's net profit	52.11%[2]
Rule 1006(c)	Aggregate value of the consideration given for the Proposed Disposals, compared with the market capitalisation of the Company	20.62%[3][4][5]
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the Proposed Disposals, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the SunMoon Group's probable and proved reserves	Not applicable

Notes:

(1) It is assumed that both the FYPL Disposal and the UAPL Disposal have duly completed.

(2) The unaudited net loss before income tax, minority interest and extraordinary items of the FYPL Group as at 31 December 2016 is S$188,000. The unaudited net loss before income tax, minority interest and extraordinary items of the UAPL Companies as at 31 December 2016 is S$494,000.The unaudited net profit before income tax, minority interest and extraordinary items of the SunMoon Group as at 31 December 2016 is S$1,310,000.

(3) The FYPL Consideration and FYPL Consideration amounts to S$6,900,002.

*(4) The Company weighted average share price is S$0.11 as at 13 February 2017, being the market day preceding the date of the UAPL SPA. **Source**: Bloomberg.*

(5) The number of issued shares of the Company is 318,784,382 and accordingly, the market capitalisation of the Company is S$33,470,000 being the derivative of the weighted average price of S$0.11 multiplied by 318,784,382 ordinary shares of the Company.

4.2 Based on the above, the relative figures computed in paragraph 4.1(i), (ii) and (iii), pursuant to Rule 1006(b) are negative. Rule 1007 provides that Chapter 10 of the Listing Manual may still be applicable at the Exchange's discretion. In this regard, the Company will be seeking Shareholders' approval in respect of the Proposed Disposals.

4.3 The FYPL Disposal at the FYPL Consideration will give rise to a gain on disposal of S$5,717,000 based on FYPL's negative net asset value of S$3,146,000 and the reversal of foreign currency translation reserves and other reserves of S$2,553,000 as at 31 December 2016. The UAPL Disposal at the UAPL Consideration will give rise to a gain on disposal of S$3,810,000 based on UAPL's net asset value of S$286,000 as at 31 December 2016.

4.4 The net book value of the FYPL Group is negative S$3,146,000 as at 31 December 2016. The FYPL Consideration represents an excess over the net book value of the FYPL Group of S$5,717,000 as at 31 December 2016. The net book value of the UAPL Group Companies is S$286,000 as at 31 December 2016. The UAPL Consideration represents an excess over the net book value of the UAPL Group Companies of S$3,810,000.

5. Financial Effects of the Proposed Disposals

5.1 For purposes of illustration, the financial effects of the FYPL Disposal and UAPL Disposal are based on, *inter alia*, the following assumptions:-

(a) the financial effects of the FYPL Disposal, UAPL Disposal and the Proposed Disposals are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the SunMoon Group following the Proposed Disposals nor a projection of the future financial performance or position of the SunMoon Group following completion of the Proposed Disposals;

(b) for the purpose of computing the financial effects of the FYPL Disposal, UAPL Disposal and the Proposed Disposals on the earnings per share of the SunMoon Group, the FYPL Disposal, UAPL Disposal and the Proposed Disposals is assumed to have been effected on 1 January 2015[(1)];

(c) for the purpose of computing the financial effects of the FYPL Disposal, UAPL Disposal and the Proposed Disposals on the net tangible assets per share of the SunMoon Group, the FYPL Disposal, UAPL Disposal and the Proposed Disposals is assumed to have been effected on 31 December 2015; and

(d) the financial effects of presented below are based on SunMoon Group's unaudited financial statements for the financial period ended 31 December 2016 and the Group's audited financial statement for the financial year ended 31 December 2015 (as the case may be).

***Note**:*

(1) Shareholders are to note that the Company had by way of an announcement dated 23 January 2017, announced the change of the Company's financial year end from 31 December to 31 March. Accordingly, the new financial period will be from 1 January 2016 to 31 March 2017.

Net Tangible Assets ("**NTA**")

FYPL Disposal

As at 31 December 2015

	Before the FYPL Disposal	After the FYPL Disposal
NTA	S$11,194,000	S$14,286,000
No. of shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511[(1)]	4.481[(2)]

***Notes**:*

(1) NTA per share (before FYPL Disposal) was calculated by dividing the SunMoon Group's net tangible asset value as at 31 December 2015 of S$11,194,000 by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

(2) NTA per share (after FYPL Disposal) was calculated by dividing, the total of the SunMoon Group's net tangible asset value as at 31 December 2015 of S$11,194,000 less the negative NTA of the FYPL Group of S$3,092,000 plus the FYPL Consideration, by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

UAPL Disposal

	As at 31 December 2015	
	Before the UAPL Disposal	**After the UAPL Disposal**
NTA	S$11,194,000	S$12,126,000
No. of shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511[(1)]	3.804[(2)]

***Notes**:*

(1) NTA per share (before UAPL Disposal) was calculated by dividing the SunMoon Group's net tangible asset value as at 31 December 2015 of S$11,194,000 by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

(2) NTA per share (after UAPL Disposal) was calculated by dividing, the total of the SunMoon Group's net tangible asset value as at 31 December 2015 of S$11,194,000 less the NTA of the UAPL Group Companies of S$3,618,000 and plus the UAPL Consideration, by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

Proposed Disposals

	As at 31 December 2015	
	Before the Proposed Disposals	**After the Proposed Disposals**
NTA	S$11,194,000	S$8,584,000
No. of shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511[(1)]	2.693[(2)]

***Notes**:*

(1) NTA per share (before the Proposed Disposals) was calculated by dividing the SunMoon Group's net tangible asset value as at 31 December 2015 of S$11,194,000 by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

(2) NTA per share (after Proposed Disposals) was calculated by dividing, the total of the SunMoon Group's net tangible asset value as at 31 December 2015 of S$11,194,000 the negative NTA of the FYPL Group of S$3,092,000 and the NTA of the UAPL Group Companies of S$3,618,000 and plus the FYPL Consideration and the UAPL Consideration, by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

Loss per Share ("**LPS**")

FYPL Disposal

	For financial year ended 31 December 2015	
	Before the FYPL Disposal	**After the FYPL Disposal**
Net loss attributable to Shareholders	S$2,101,000	S$1,886,000
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	0.659(1)	0.592(2)

***Notes**:*

(1) Loss per share (before FYPL Disposal) was calculated by dividing the SunMoon Group's net loss for the financial year ended 31 December 2015 of S$(2,101,000) by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

(2) Loss per share (after FYPL Disposal) was calculated by dividing the total of the SunMoon Group's net loss for the financial year ended 31 December 2015 less FYPL Group's net profit after tax for the financial year ended 31 December 2015 by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

UAPL Disposal

	For financial year ended 31 December 2015	
	Before the UAPL Disposal	**After the UAPL Disposal**
Net loss attributable to Shareholders	S$2,101,000	S$4,474,000
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	0.659	1.403

***Notes**:*

(1) Loss per share (before UAPL Disposal) was calculated by dividing the SunMoon Group's net loss for the financial year ended 31 December 2015 of S$(2,101,000) by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

(2) Loss per share (after UAPL Disposal) was calculated by dividing the total of the SunMoon Group's net loss for the financial year ended 31 December 2015 less UAPL Group Companies net profit after tax for the financial year ended 31 December 2015 by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

Proposed Disposals

	For financial year ended 31 December 2015	
	Before the Proposed Disposals	**After the Proposed Disposals**
Net loss attributable to Shareholders	S$2,101,000	S$4,229,000
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	0.659	1.329

***Notes**:*

(1) Loss per share (before Proposed Disposals) was calculated by dividing the SunMoon Group's net loss for the financial year ended 31 December 2015 of S$(2,101,000) by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

(2) Loss per share (after Proposed Disposals) was calculated by dividing the total of the SunMoon Group's net loss for the financial year ended 31 December 2015 less FYPL Group and UAPL Group Companies net profit after tax for the financial year ended 31 December 2015 by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Other than through their respective shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Disposals.

7. SERVICE AGREEMENT(S)

No person is proposed to be appointed to the Board in connection with the Proposed Disposals and accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the FYPL SPA and the UAPL SPA will be made available for inspection during normal business hours at the Company's registered office at 1 Scotts Road, #21-07/08, Singapore 228208 for a period of three (3) months commencing from the date of this announcement.

9. SHAREHOLDERS' APPROVAL

As mentioned at paragraph 4.2 above, the Company will be seeking the approval of the Shareholders at an extraordinary general meeting ("**EGM**") to be convened with regard to the FYPL Disposal and the UAPL Disposal. A circular setting out, *inter alia*, the details of and other relevant information pertaining to the Proposed Disposals, together with the notice of EGM, will be despatched to the Shareholders in due course.

10. FOLLOW UP ANNOUNCEMENT / FURTHER INFORMATION

The Company will make the necessary follow-up announcement(s) as and when required and/or material developments arise in respect of the Proposed Disposals.

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 Gary Loh Hock Chuan
Director

14 February 2017