

CIRCULAR DATED 15 MAY 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Shares, you should forward this Circular, the Notice of Extraordinary General Meeting and the enclosed Proxy Form immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

Capitalised terms appearing on the cover of this Circular have the same meanings as defined in the section entitled “Definitions”.



CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED HS TRANSACTION, BEING:

- (1) THE PROPOSED ACQUISITION OF ORDINARY SHARES REPRESENTING 12% OF THE TOTAL ISSUED SHARE CAPITAL OF HARVEST SEASON SINGAPORE PTE. LTD. (“SALE SHARES”) FROM MR ZHANG JIANG QUAN, TONY, IN CONSIDERATION FOR THE FULL DISCHARGE BY SUNMOON DISTRIBUTION & TRADING PTE LTD (A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY) (“SMDT”) OF SM-HS RECEIVABLES OWING BY TWO CUSTOMERS OF SMDT, AMOUNTING TO US\$1,032,484; AND**
- (2) THE PROPOSED SETTLEMENT OF THE RE-PURCHASE PRICE IN CONNECTION WITH THE RE-PURCHASE OF FROZEN DURIANS BY SMDT FROM SHANGHAI CHIBIN INTERNATIONAL TRADING CO., LTD, THROUGH THE TRANSFER BY THE COMPANY TO MR ZHANG JIANG QUAN, TONY OF THE RELEVANT NUMBER OF SALE SHARES ON A PRO-RATA BASIS.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	29 May 2017 at 2.00 p.m.
Date and time of Extraordinary General Meeting	:	31 May 2017 at 2.00 p.m.
Place of Extraordinary General Meeting	:	137 Cecil Street, #03-01 Singapore 069537 (Room Tokyo 2)

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires:

- “6 Stores”** : Means the 6 fruit stores operated under the brand name “*Harvest Season*” owned by the Harvest Season Group as at 1 January 2016
- “6 Stores Deadline”** : Means a date no later than 30 June 2016 or such other date as Tony and the Company may agree as provided for in the HS SPA
- “business day”** : Means a day on which commercial banks are open for business in Singapore (excluding Saturdays, Sundays and public holidays)
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 15 May 2017
- “Company” or “SunMoon”** : SunMoon Food Company Limited
- “Declaration of Trust”** : Means the declaration of trust executed by Tony declaring that the rights, benefits, assets, profit and loss, burdens and liabilities in the 6 Stores and the Online Business are held on trust for Harvest Season SG to the extent permitted by applicable laws and regulations as provided for in the HS SPA
- “Directors” or “Board”** : The directors of the Company, including alternate directors of the Company (if any) as at the date of this Circular
- “East China”** : East China Marine Equipment Co., Limited
- “EGM”** : The extraordinary general meeting of the Company to be held on 31 May 2017 at 2.00 p.m., notice of which is set out in the Notice of EGM
- “FAPL”** : First Alverstone Partners Pte Ltd (Registration No. 200507785H), whose shareholders are Mr Gary Loh and Ms Selena Cheng, respectively
- “GLOH Fresh”** : GLOH Fresh Pte Ltd (Business Registration No. 201406466R)
- “GLOH Licence Agreement”** : Means a global licence agreement entered into between SMDT and GLOH Fresh dated 15 May 2014, for more details please refer to Section 5.1.7
- “Group”** : The Company and its subsidiaries

DEFINITIONS

“Harvest Season Group”	:	Harvest Season SG and its wholly-owned subsidiary, Harvest Season China
“Harvest Season China”	:	镇江哈威斯特食品有限公司 (Business Registration No. 91321191MA1MDE7U81), a wholly-owned subsidiary of Harvest Season SG
“Harvest Season SG”	:	Harvest Season Pte. Ltd. (Registration No. 201503745W)
“HS Completion”	:	Means completion of the Proposed HS Acquisition as provided for in the HS SPA
“HS Completion Date”	:	Means the completion date of the HS Completion as provided for in the HS SPA
“HS Conditions Precedent”	:	Means the conditions precedent as provided in the HS SPA, details of which are set out in Section 3.5.1
“HS Deed”	:	The deed dated 11 November 2016 entered into between the Company, Tony, SMDT and Shanghai Chibin in respect of <i>inter alia</i> , the return of the frozen durians and to amend the HS SPA. Details are set out in Section 3.2.13 of this Circular
“HS Initial Long Stop Date”	:	Means 27 May 2016
“HS Purchase Consideration”	:	Means the discharge by SMDT of the payment obligations by East China and Shanghai Chibin in respect of the SM-HS Receivables as consideration for the acquisition by the Company from the Vendor of the Sale Shares constituting 12% of the issued and paid-up share capital of Harvest Season SG
“HS Revised Long Stop Date”	:	Means 29 January 2017
“HS SPA”	:	The conditional sale and purchase agreement dated 10 February 2016 entered into between the Company and the Vendor. The HS SPA was amended by (1) a supplemental deed dated 2 June 2016 which extended the HS Initial Long Stop Date to the HS Revised Long Stop Date; (2) the HS Deed dated 11 November 2016; and (3) a subsequent supplemental deed dated 23 January 2017 which extended the HS Revised Long Stop Date to 31 May 2017
“HS Update Announcement”	:	Means the announcement of the Company on SGX-NET on 23 January 2017

DEFINITIONS

“Latest Practicable Date”	:	11 May 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Main Board listing manual of the SGX-ST, as may be amended or modified from time to time
“market day”	:	A day on which the SGX-ST is open for securities trading
“Mianqing”	:	Zhang Mianqing (Passport No. E10798053) (being Tony’s father)
“Nicole”	:	Li Ping (Passport No. G28657459) (being Tony’s wife)
“Notice of EGM”	:	The Notice of EGM as set out on pages 39 to 40 of this Circular
“Online Business”	:	The online business originally carried on by Tony or his affiliated entities in connection with the retail and wholesale of fruits and fruit related products in the PRC
“Patrick”	:	Mr Ong Yaw Teh
“PRC”	:	People’s Republic of China
“Proposed HS Acquisition”	:	Means the acquisition of such number of ordinary shares in the share capital of Harvest Season SG constituting 12% of the issued and paid-up share capital of Harvest Season SG from the Vendor in consideration for the full discharge by SMDT of SM-HS Receivables owing by two customers of SMDT to SMDT, amounting to US\$1,032,484
“Proposed HS Settlement”	:	Means the settlement of the re-purchase price in connection with the re-purchase of frozen durians by SMDT from Shanghai Chibin, through the transfer by the Company to the Vendor of the relevant number of Sale Shares on a pro-rata basis. Details are set out in Sections 3.2.12 and 3.2.13 of this Circular
“Proposed HS Transaction”	:	Means the Proposed HS Acquisition and the Proposed HS Settlement
“Register of Members”	:	Register of members of the Company
“Relevant Group Company”	:	Means an appropriate company in Harvest Season SG and its subsidiaries who will enter into lease agreements with the lessor for the 6 Stores within the timeline stipulated under Section 3.5.4(c) of this Circular

DEFINITIONS

“RMB”	:	Renminbi, the lawful currency of the People’s Republic of China
“Sale Shares”	:	Means such number of ordinary shares in the share capital of Harvest Season SG constituting 12% of the issued and paid-up share capital of Harvest Season SG
“Shanghai Chibin”	:	Shanghai Chibin International Trading Co., Ltd (Business Registration No. 91310115756982796Y), whose shareholders are Tony, Nicole and Mianqing, respectively
“Securities Account”	:	A securities account maintained by a Depositor with the CDP but not including a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act (Cap 289) of Singapore as may be amended, varied or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members, or where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the issued share capital of the Company
“SLS Atelier”	:	SLS Atelier Pte Ltd (Company Registration No. 201220947E)
“SLS Licence Agreement”	:	Means the licence agreement entered into between SunMoon Retail and SLS Atelier dated 15 May 2014, for more details please refer to Section 5.1.2
“SMDT”	:	SunMoon Distribution & Trading Pte Ltd (Registration No. 200820225M), a wholly-owned subsidiary of the Company
“SM-HS Receivables”	:	Means the total amount of receivables owed by East China and Shanghai Chibin to SMDT is approximately US\$1,032,484 (approximately S\$1,435,153 based on the exchange rate of US\$1 to S\$1.39 on 10 February 2016 (<i>Source: Bloomberg</i>))
“Substantial Shareholder”	:	A person who has an interest directly or indirectly in 5% or more of the total number of Shares
“SunMoon Retail”	:	SunMoon Retail & Franchise Pte Ltd, a wholly-owned subsidiary of the Company

DEFINITIONS

“S\$”	:	The lawful currency of the Republic of Singapore
“Tony SPA”	:	Means the purchase agreement entered into between Tony and Patrick whereby Tony purchased 75% of the then issued ordinary shares in the capital of Harvest Season SG from Patrick
“Vendor” or “Tony”	:	Mr Zhang Jiang Quan, Tony
“%” or “per cent.”	:	Percentage or per centum

The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term “**subsidiary**” has the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the SFA, the Listing Manual or any relevant laws of the Republic of Singapore or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any relevant laws of the Republic of Singapore or any statutory modification thereof as the case may be, unless the context requires otherwise.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Any discrepancies in the tables included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198304656K)

Directors:

Mr Gary Loh Hock Chuan (Executive Chairman)
Dr Tan Eng Liang (Independent Director)
Mr Chee Wai Pong (Independent Director)
Mrs Jessie Peh (Independent Director)
Mr James Prideaux (Independent Director)

Registered Office:

1 Scotts Road
#21-07/08/09, Shaw Centre
Singapore 228208

Date: 15 May 2017

To: The Shareholders of SunMoon Food Company Limited

Dear Sir/Madam

THE PROPOSED HS TRANSACTION, BEING:

- (1) **THE PROPOSED ACQUISITION OF ORDINARY SHARES REPRESENTING 12% OF THE TOTAL ISSUED SHARE CAPITAL OF HARVEST SEASON SINGAPORE PTE. LTD. FROM THE VENDOR, IN CONSIDERATION FOR THE FULL DISCHARGE BY SMDT OF SM-HS RECEIVABLES OWING BY TWO CUSTOMERS OF SMDT AMOUNTING TO US\$1,032,484; AND**
- (2) **THE PROPOSED SETTLEMENT OF THE RE-PURCHASE PRICE IN CONNECTION WITH THE RE-PURCHASE OF FROZEN DURIANS BY SMDT FROM SHANGHAI CHIBIN, THROUGH THE TRANSFER BY THE COMPANY TO THE VENDOR OF THE RELEVANT NUMBER OF SALE SHARES ON A PRO-RATA BASIS.**

1 INTRODUCTION

- 1.1 The Directors proposed to convene an EGM to be held on 31 May 2017 to seek Shareholders' approval for the Proposed HS Transaction, being (1) the proposed acquisition of such number of ordinary shares in the share capital of Harvest Season SG constituting 12% of the issued share capital of Harvest Season SG from the Vendor; and (2) the proposed settlement of the re-purchase price in connection with the re-purchase of frozen durians by SMDT from Shanghai Chibin, through the transfer by the Company to the Vendor of the relevant number of Sale Shares on a pro-rata basis.
- 1.2 The purpose of this Circular is to provide Shareholders with information in respect of the matters set out in Section 1.1 above, and to seek approval of Shareholders at the EGM for the matters set out in the Notice of EGM on pages 39 to 40 of this Circular.
- 1.3 The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

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2 GROUP'S CURRENT BUSINESS STRATEGY

- 2.1 As disclosed in the Company's investor update announcement dated 14 March 2016, the Company's renewed strategic focus will centre on the concept of '**Network x Geography x Product**' so as to shift to a consumer-centric, brand-focused business model.

Network – As the Group aims to be a key global player in the rise in consumer spending, specialising in fruit-related and fresh products, an expansion of the current network of wholesale and modern trade channels will be crucial to sustain the growth of the Group's customer base. Aside from brick-and-mortar stores, it is essential that the Group is able to tap on a rapidly expanding digital sales network.

Geography – The Group will look to bring their quality products to new countries and customers in small yet significant ways, securing the SunMoon brand within the mindshare of the new sophisticated consumer when it comes to health, freshness and natural goodness. The Group will also look to secure products which originate from countries in the Southern Hemisphere which experience reverse seasons.

Product – The Group has expanded from its traditional offerings of apples and garlic from PRC, to now include citrus fruits, pears, blueberries, avocados, young coconuts, mangos and other fruit related consumer products from other parts of the world. With a sizeable third-party network of physical stores and a growing online presence operated by the Group's customers (wholesalers, distributors, supermarkets, hypermarkets, convenience stores, online retailers, chain stores, fruit services, hotels and airlines), the Group will be able to introduce more quality products to existing markets and customers, and therefore build up a strong product base. The Group also continues to develop its product lines to appeal to various demographics, from children, to working adults and senior citizens, who are becoming more health and diet conscious.

- 2.2 With a shift towards the implementation of the '**Network x Geography x Product**' asset-light business model, the Group seeks to increase its geographic presence, product range, as well as sales network through means such as licensing partnerships, such as the SLS Licence Agreement and GLOH Licence Agreement signed with SLS Atelier and GLOH Fresh respectively in May 2014. Please refer to Section 5 below for more details.

3 THE PROPOSED HS TRANSACTION

- 3.1 The Company has on 10 February 2016 entered into a conditional sale and purchase agreement with the Vendor in relation to the acquisition of such number of ordinary shares in the share capital of Harvest Season SG, constituting 12% of the issued and paid-up share capital of Harvest Season SG from the Vendor, in consideration for the full discharge by SMDT of SM-HS Receivables owing by two customers of SMDT to SMDT, amounting to US\$1,032,484.

On 2 June 2016, the Company announced that pursuant to a supplemental deed dated 2 June 2016, the Company and the Vendor had mutually agreed to extend the HS Initial Long Stop Date to the HS Revised Long Stop Date. On 23 January 2017, the Company announced that pursuant to a subsequent supplement deed dated 23 January 2017, the Company and the Vendor had mutually agreed to further extend the HS Revised Long Stop Date to 31 May 2017.

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On 11 November 2016, the Company announced that the Company, Tony, SMDT and Shanghai Chibin had entered into the HS Deed in respect of *inter alia*, the return of frozen durians and to amend the HS SPA. Please refer to Sections 3.2.12 and 3.2.13 of this Circular for more details.

3.2 **The Proposed HS Transaction**

Background of the Company's transition to the current business strategy

- 3.2.1 The Group was a fully integrated fresh fruit and dehydrated produce company, with two business divisions, "*Fresh*" and "*Produce*". The 'Fresh Division' operates in fruit trading, wholesale distribution and retail & franchising while the 'Produce Division' operated in the processing and distribution of dehydrated produce. Dehydrated produce refers to dehydrated garlic and onion powder.
- 3.2.2 The Group shifted to its current business strategy of the '***Network x Geography x Product***' for a consumer-centric, brand-focused and asset-light business model in 2015. This shift was driven largely by the management's assessment of the Group's cash conversion cycle ("**CCC**"), which is an efficiency ratio that measures the number of days, which a company's cash is tied by in inventories and accounts receivables. The CCC is aimed at assessing how effective a company is at managing its working capital.

For the 'Produce Division', which was driven mainly by the production of dehydrated products, the Group had to utilise cash to purchase the garlic inventories which will be used as raw materials. Following the purchase of raw materials, the actual production cycle of dehydrated garlic will take approximately a year to complete and the prolonged production phase often stretches the Group's CCC for the 'Produce Division' beyond 12 to 14 months. Accordingly, the Company will not have free cash for the '*Fresh Division*' as sale of the dehydrated products will occur only at the end of the production phase. In addition, until the conclusion of the debt restructuring⁽¹⁾, the Group had no ability to increase its production as it had no access to new bank lines and working capital.

Note:

- (1) The Company was embroiled in a lengthy debt restructuring since 2008 and it was only in October 2015 that the Company saw numerous settlements that enabled the Company to focus on the operating business of the Group. Please refer to the Company's announcement on SGX-NET dated 20 October 2015 for more details.

- 3.2.3 Accordingly, the Company made a decision to focus on the '*Fresh Division*' by discontinuing the sale of dehydrated garlic and onions. The Group continues to sell agricultural products (for example, fresh garlic and onions) which were previously under the 'Produce Division' and which are now streamlined into the 'Fresh Division'.
- 3.2.3.1 As stated in the Company's second quarter, third quarter and full year unaudited financial statements, the Group had shifted its focus from dehydrated products by leasing out its dehydrated factory in order to concentrate on staffing and financial resources on the 'Fresh Division' in order to achieve a stronger market share in these sectors; and

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3.2.3.2 As disclosed in the Company's third quarter and full year unaudited financial statements and in line with the decision to focus on the 'Fresh Division' and discontinue dehydrated operations, the Company had (through its wholly-owned subsidiary Taian FHTK Foodstuffs Co Ltd) leased out the dehydrated factory as well as sold⁽¹⁾ the inventories to one independent third party⁽²⁾. The inventories were sold on a 9% mark-up to the actual book value which amounted to approximately RMB26.6 million (approximately S\$5.8 million), payable in 5 instalments from 1 November 2015 to 1 March 2016. The five instalment payments have been fully collected.

Notes:

- (1) Summary of the terms of the lease are *inter alia*:
- (a) the lease is for a duration of five (5) years, commencing on 1 July 2015;
 - (b) as consideration, rent amounting to RMB1,900,000 per annum (approximately S\$408,120, based on the exchange rate of RMB1 to S\$0.2148 on 19 June 2015. *Source: Bloomberg*);
 - (c) the lessee is provided with the usage of all existing production line (i.e. equipment);
 - (d) existing laboratories and equipment in the quality control department are shared which will be managed by the lessee;
 - (e) the existing merchandise inventory and packing materials shall be sold; and
 - (f) the lessee will accept the remaining staff to continue in the performance of the existing employment contracts.
- (2) Shareholders may wish to note that the general manager of Taian FHTK Foodstuffs Co Ltd, managed to secure three prospective parties. After reviewing, the management proposed and the lease was awarded to one independent third party.

Background of the Proposed HS Acquisition

3.2.4 In line with the renewed strategic focus, the Group's immediate objectives were to open new markets and introduce new products into different countries. The Group identified the PRC market as a fast-growth market which is led by rising disposable incomes and increasing consumer focus on food quality.

Tony and the Initial Joint Venture

3.2.5 Sometime in November 2014, the management of the Company was introduced to Tony and his retail operation under the "Harvest Season" brand via Tony's business partner, Patrick. Tony has about twenty years of experience in the logistics business in the PRC. The management of the Company viewed Tony and his retail operation under the *Harvest Season* brand as synergistic and complementary with the Group's strategic focus. As such, the management of the Company decided to collaborate with Tony as a business partner to enable the Group to expand into the PRC.

Accordingly, in January 2015, SMDT, a wholly-owned subsidiary of the Company, started selling and distributing fresh fruits and fruit-related products to Shanghai Chibin, whose shareholders are Tony, Nicole (Tony's wife) and Mianqing (Tony's father). In mid-2015, SMDT started selling fresh fruits and fruit-related products to East China, who was introduced by Tony to assist SMDT with the importation, logistics, distribution and sale of fresh fruits and fruit-related products into the PRC. The aggregate amount of receivables owed by East China and Shanghai Chibin to SMDT is approximately US\$1,032,484⁽¹⁾ ("**SM-HS Receivables**"). The business dealings described above⁽²⁾ with or facilitated by Tony facilitated the Group's entry into the PRC market. The Company believes that

LETTER TO SHAREHOLDERS

working with Tony and his business contacts in the PRC had made it easier for the Group as a new entrant to penetrate the PRC market. Tony and his business contacts in the PRC helped to facilitate with the importation, logistics, distribution and sale of fresh fruits and fruit-related products into the PRC. There are regulatory and procedural steps involved in bringing in new fruit and fruit-related products from a supplier (i.e. the Group) who has not yet supplied to the PRC market. In addition, there are also numerous logistical (for example, warehousing and transport), regulatory and procedural steps to be addressed so as to enable the distribution of the Group's products from its point of entry into the PRC to the wholesalers, retailers and thereafter, to the end-consumers.

Notes:

- (1) Approximately S\$1,435,153 based on the exchange rate of US\$1 to S\$1.39 on 10 February 2016 (Source: Bloomberg). The amount of account receivables due by East China was approximately US\$30,000. The remaining amount of approximately US\$1,000,000 was due from Shanghai Chibin.
- (2) For the avoidance of doubt, in respect of the sale of fruits and fruit-related products into the PRC, the Company is able to sell fruits and fruit-related products to anyone in the PRC and is not restricted to Shanghai Chibin and/or East China only.

3.2.6 As announced on the SGX-NET on 27 April 2015 and 17 June 2015, the Company entered into a non-binding term sheet and a conditional sale and purchase agreement/joint venture agreement with Tony for a 51% stake in Harvest Season SG, respectively ("**Initial Joint Venture**"). The Initial Joint Venture would have provided the Group with certain positive intangibles, such as, Tony's capability either by himself or through his business contacts in the PRC to manage the logistics and regulatory requirements/complications relating to the Group's access into PRC market. The Group could grow by tapping on the synergies of a business partner who wish to expand his wholesale and retail fruit business in the PRC and whose business was also supplemented by an online sales channel. Further, the rationale of the Initial Joint Venture was (as the Company had then intended to acquire 51% equity interest in the Initial Joint Venture) to, *inter alia*, tap on the growing consumption in the PRC and to earmark funds of at least S\$3 million to develop more stores in the PRC.

3.2.7 In anticipation of the consummation of the Initial Joint Venture, the Company and Tony started taking steps in connection with the Initial Joint Venture such as, matters relating to customs clearance of the Group's products imported or to be imported into the PRC, logistics and warehousing infrastructure, the expansion/introduction of the Group's products to reach cities such as Guangzhou and Beijing and the expansion of stores. These preparatory steps were seen by the management of the Company as being in the best interests of the Group to enable the Group to move expeditiously into the new venture in the PRC when the Initial Joint Venture is eventually consummated. The costs of the above said actions were incurred by Tony⁽¹⁾. At the time of the Initial Joint Venture, the Group's then strategy (as the Company had then intended to acquire 51% equity interest in the Initial Joint Venture) was to increase its reach in the PRC by exponentially increasing the number of stores under the *Harvest Season* brand.

Note:

- (1) The Company believes that the SM-HS Receivables had remained outstanding as Tony took the view that the costs incurred should be accounted for by the Company following the lapsing of the Initial Joint Venture.

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3.2.8 Unfortunately, the Company was affected by a series of events, which included the requisition notice to remove Mr Gary Loh Hock Chuan, the Company's Executive Chairman, as a director of the Company (as announced by the Company on 6 August 2015). The Board believed that the news of the requisition notice affected the Group's operations, suppliers, customers and business partners and indubitably the Initial Joint Venture. On 14 September 2015, the Company announced the expiry of Initial Joint Venture as Tony was reluctant to extend the long stop date given the uncertainty as to whether Mr Gary Loh Hock Chuan would remain in the management of the Group's business and operations.

On 18 September 2015, the Company announced that the requisition notice to convene an extraordinary general meeting was withdrawn on 18 September 2015.

Moving on from the Initial Joint Venture

3.2.9 Notwithstanding that the Initial Joint Venture was aborted, the Group continued to maintain its commercial relationship with Tony and the Harvest Season Group. This eventually led to the commencement of discussions to find other means of collaboration sometime from October 2015.

3.2.10 In line with the Company's efforts to secure the best solution forward with Tony and having regard to the rationale of the Proposed HS Acquisition discussed in Sections 3.3.1 to 3.3.6 below, the Company entered into the HS SPA on 10 February 2016. At the relevant time and in line with the Company's strategic focus, the Proposed HS Acquisition was the best option available given the circumstances at the relevant time. The Board had regard to, *inter alia*, the following considerations:

- (a) rationale of the Proposed HS Acquisition in Sections 3.3.1 to 3.3.6 below;
- (b) the costs incurred by Tony prior to the Initial Joint Venture (as described in Section 3.2.7 above) which Tony took the view that the costs incurred should be accounted for by the Company;
- (c) the SM-HS Receivables⁽¹⁾ remained outstanding and owing;
- (d) the opportunity given by Tony to SDMT to invest a 12% shareholding interest in Harvest Season SG and to agree to the discharge by SMDT of the payment obligations in respect of the SM-HS Receivables. With this, the Company has the opportunity to participate in Harvest Season SG as well as resolve the issue of the outstanding SM-HS Receivables;
- (e) Tony not being prepared to re-offer to the Company the terms of the Initial Joint Venture. The Company understands that Tony takes the view that the *Harvest Season* brand since the abortion of the Initial Joint Venture had gained higher market awareness when compared with the market awareness of the *Harvest Season* brand at the time when the Initial Joint Venture was entered into;
- (f) the Vendor is and continues to be valued by the Company as a strategic and valuable business partner in the PRC given the Vendor's business experience and business connections in the PRC. Through the Vendor's assistance and business connections, the Group has entered the PRC market. Please refer to Section 3.3.3 below for more details; and

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- (g) the Board believes that the continued business relationship with the Vendor brings to the Group invaluable and intangible benefit that goes beyond the investment in Harvest Season SG. This is notwithstanding the fact that the Group had gained entry into the PRC, as the continued relationship will enable the Group to continue to effectively tap into the business contacts network as well as logistical and warehousing infrastructure to maintain and expand the Group's presence in the PRC. Please refer to Sections 3.3.3 and 3.3.4 for further elaboration of this consideration.

Note:

- (1) Please refer to Section 3.2.5 above for more details.

Shareholders are to note that if the Proposed HS Acquisition does not proceed, there is a likelihood that the SM-HS Receivables for the reasons explained above may not be recoverable. In that event, the Board will have to consider all its options including the possibility of commencing legal proceedings in the PRC to attempt to recover the SM-HS Receivables.

Synergies with First Alverstone Capital Ltd's (the controlling shareholder of the Company) affiliated companies, GLOH Fresh and SLS Atelier

- 3.2.11 Around the time when the management of the Company was introduced to Tony, GLOH Fresh and SLS Atelier were also introduced to Tony with a view of setting up the online e-commerce platform (through GLOH Fresh) and with a view of introducing "SazzyPets" into the PRC market. In Singapore, GLOH Fresh through the GLOH Licensee Agreement has licensing rights to use *SunMoon* for its online business under the brand "*SunMoonDirect*". The purpose of which is to create greater brand awareness for the Group without the accompanying set-up costs, logistical issues and additional labour costs that come with operating an online e-commerce business. With a view of utilizing an online business to create greater brand awareness in the PRC as what was done in Singapore, GLOH Fresh stepped in to work with Tony to procure the necessary technical team/personnel to set up the GLOH Fresh platform (as defined in Section 5.1.10 below) in the PRC. In relation to "SazzyPets", the Company's rationale was to use a more cost-efficient licensed brand for its *SunMoon* branded products in the PRC. It was for the reasons stated above, that both GLOH Fresh and SLS Atelier were introduced to Tony.

Please see Sections 5.1.7 to 5.1.13 below for more details of GLOH Fresh and the rationale of the GLOH Licence Agreement.

Please see Sections 5.1.1 to 5.1.6 below for more details of SLS Atelier and the rationale of the SLS Licence Agreement.

The Proposed HS Settlement

- 3.2.12 As mentioned in Section 3.2.5 above, SMDT had since January 2015 sold and distributed fresh fruits and fruit-related products to Shanghai Chibin. Such fresh fruits and fruit-related products included frozen durians. Shanghai Chibin discovered that some of the frozen durians supplied by SMDT are damaged and thereafter notified SMDT. This has subsequently been traced to packaging flaws in the packing of the frozen durians. As such, Shanghai Chibin has requested that SMDT re-purchase all unsold frozen durians supplied to Shanghai Chibin. SMDT and the Company have agreed to do so because SMDT, as the supplier of the frozen durians, is responsible for the packaging flaws, and the Company has to protect the integrity of the SunMoon brand.

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As at the Latest Practicable Date, SMDT and Shanghai Chibin are still ascertaining the total amount of frozen durians to be re-purchased by SMDT as the frozen durians have already been distributed by Shanghai Chibin to different locations in China and it is unclear how many frozen durians have already been sold.

The Company and Tony agreed that pending the determination of the amount of frozen durians to be re-purchased by SMDT, they will (subject to the fulfilment of the HS Conditions Precedent) proceed to complete the Proposed HS Acquisition.

3.2.13 On 11 November 2016, the Company entered into the HS Deed with Tony, SMDT and Shanghai Chibin. Pursuant to the HS Deed, SMDT will re-purchase from Shanghai Chibin the unsold frozen durians on such date(s) as shall be ascertained and agreed upon between SMDT and Shanghai Chibin. The re-purchase price of the frozen durians shall be the aggregate of the Cost of Goods and the Administrative Charges. “**Administrative Charges**” refers to the value of administrative charges to be paid by SMDT to Shanghai Chibin, such administrative charges (which include handling, storage and transport costs) incurred by Shanghai Chibin in connection with the supply and return of the frozen durians to be re-purchased by SMDT. “**Cost of Goods**” refers to the actual cost charged by SMDT to Shanghai Chibin in respect of the supply of the frozen durians to be re-purchased by SMDT, which will be computed based on US\$450,000⁽¹⁾ for all the frozen durians supplied to Shanghai Chibin.

Shanghai Chibin has informed SMDT that the aggregate of the Cost of Goods and the Administrative Charges in respect of the unsold frozen durians to be re-purchased by SMDT amounts to US\$488,207.50. SMDT has in-principle agreed to the amount, subject to the relevant supporting documents and evidence produced by Shanghai Chibin to verify the amount to the satisfaction of SMDT and the Company.

Against delivery by Shanghai Chibin to SMDT of the frozen durians to be re-purchased, the Company shall be obliged to transfer to Tony and Tony shall be obliged to accept the relevant number of Sale Shares on a pro-rata basis, and the re-purchase price shall be deemed settled. On the assumption that the frozen durians to be re-purchased by SMDT amounts to US\$488,207.50, the Company shall be obliged to transfer Tony and Tony shall be obliged to accept the relevant number of Sale Shares which represents approximately 5.67%⁽²⁾ of the total issued share capital of Harvest Season SG. Accordingly, the Company will retain such number of Sale Shares amounting to approximately 6.33%⁽³⁾ of the total issued share capital of Harvest Season SG.

To the extent as described in this Section 3.2.13, the HS SPA has been amended by the HS Deed.

Notes:

- (1) The amount of US\$450,000 being the actual cost charged by SMDT to Shanghai Chibin for all the frozen durians supplied to Shanghai Chibin is part of the SM-HS Receivables. Please see Sections 3.2.5 and 3.2.12 above for more details.
- (2) The computation of the relevant number of Sale Shares is based on the following formula of: (assumed re-purchase price/US\$1,032,484.12) x Sale Shares. Accordingly, (US\$488,207.50/US\$1,032,484.12) x 12% = 5.67%.
- (3) This is based on the assumption that the frozen durians to be re-purchased by SMDT amounts to US\$488,207.50.

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3.3 Rationale for the Proposed HS Transaction

Proposed HS Acquisition

3.3.1 Fulfilling current business strategy and best deal forward

The Proposed HS Acquisition will assist the Company in fulfilling its current business strategy (as described in Section 2 above) which aims to, *inter alia*, achieve the value chain of logistics, custom clearance, collection, order fulfilment so as to provide access to the Company in terms of logistics capability, infrastructure, delivery networks and end-to-end solutions to consumers. The Proposed HS Acquisition was the best deal available in the circumstances at the relevant time having regard to the factors as described in Section 3.2.10 above. The Board believes that notwithstanding the Group had gain entry into the PRC (for more details, please see Sections 3.2.5 and 3.2.6), with the assistance of Tony and his business contacts, it is still desirable for the Group to maintain the business relationship with the Vendor so as to continue to effectively tap into the business contacts network as well as logistical and warehousing infrastructure to maintain and expand the Group's presence in the PRC.

3.3.2 Continued *SunMoon* brand awareness in the PRC

The Proposed HS Acquisition is also aligned with the Group's plans to further expand its own brand into the PRC and sell the Group's fruits and fruit-related products into the PRC. The Group's vision is thus aligned with Harvest Season Group's vision. Harvest Season Group has been focusing to build its own brand as well as focusing on the expansion of trading operations in the PRC. At present, the *Harvest Season* brand also has its own range of fruits being apples, coconuts, pineapples, dried fruits and strawberries. As such, the Harvest Season Group will have to continue to purchase from suppliers of such products which currently includes the Group. As a joint venture partner, the Group can continue to sell its fruits and fruit-related products branded under the *SunMoon* brand to the Harvest Season Group and the Group can ride on any expansion of the PRC market created by the Harvest Season Group. The Board believes that such expansion will in turn create greater brand awareness for the *SunMoon* brand in the PRC as more *SunMoon* products are sold in the PRC.

3.3.3 Access to new opportunities in the PRC

The Company believes that the Proposed HS Acquisition will eventually allow the Group to gain access to new contracts, customers and business opportunities, especially in the PRC. As an investor and shareholder of Harvest Season, the Company will be able to gain access by being able to continue to tap on Harvest Season's contacts to grow procurement and sales networks.

3.3.4 Continued business relationship with Vendor

The Vendor is valued by the Company as a strategic and valuable business partner in the PRC given the Vendor's business experience and business connections in the PRC. Through the Vendor's experience and business connections, Tony has helped the Group enter the PRC market. Tony has facilitated or assisted in relation to the import of the Group's products into the PRC market, in the crucial areas of logistics and warehousing capability, infrastructure, delivery networks and most importantly, custom clearance. Prior to January 2015, the Group did not import any products into the PRC market. Tony started assisting and/or facilitating the Group in respect of the introduction of new *SunMoon* products into the PRC. As a result, the Group now sells through wholesalers in the PRC a wider range of fruits and fruit-related *SunMoon* products, which includes but is not limited to, dragon fruits, young coconuts, avocados, citrus and blueberries.

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The Board believes that by continuing and developing the business relationship with the Vendor, it will continue to bring to the Group invaluable and intangible benefits that goes beyond the investment in Harvest Season SG, and such invaluable and intangible benefits includes, being able to continue to effectively tap on Tony and his business contacts network as well as the logistical and warehousing infrastructure to maintain and expand the Group's presence in the PRC. If the Group's ability to continue to tap on Tony and his business contacts network, relationships, logistical and warehousing infrastructure is affected or is terminated, the Group may have to incur time and/or cost to explore and re-establish alternative business contacts network and logistical and warehousing infrastructure so as to enable the Group to continue to enter the PRC market. Further, if the Proposed HS Acquisition does not proceed and the Company resorts to legal proceedings to recover the SM-HS Receivables, the business relationship and connections which the Group has built up with the Vendor and the Harvest Season Group will likely to be irreparably damaged. In that event, the Group's foray into the PRC and the business contacts build up with the help of the Vendor may also likely to be adversely affected.

3.3.5 Investment in Vendor's business without additional cash outlay

As stated in Section 3.6 below, the HS Purchase Consideration is the discharge of the payment obligations. Accordingly, the Proposed HS Acquisition allows the Company to invest in the Vendor's PRC business venture, the Harvest Season Group⁽¹⁾ without having to raise additional finances and/or utilise existing cash.

Note:

(1) Tony has since January 2016 streamlined the 6 Stores, Online Business and warehousing into the Harvest Season Group. Please see Section 3.4 below for more information.

3.3.6 Increase Group's core competency and strengthen Group's asset value and profitability

Since the lapsing of the previous conditional sale and purchase agreement entered into between the Company and Fresh Fresh Pte. Ltd., Tony and Patrick as announced by the Company on 14 September 2015, the Company has seen the Harvest Season Group progressively growing its network of suppliers and distributors. The Company believes therefore, that the Proposed HS Acquisition will provide the Group the opportunity to increase the Group's core competency in its fruit trading, distribution network and supplier base as both the principal activities of the Harvest Season Group and the Group are complementary and synergistic. This is because as a joint venture partner, the Group can continue to sell its fruits and fruit-related products branded under the *SunMoon* brand to the Harvest Season Group and the Group can ride on any expansion of the PRC market created by the Harvest Season Group.

The Directors are also of the view that such potential growth will allow the Group to strengthen the Group's asset value and profitability could be enhanced and this will be to the benefit of the Shareholders. The basis of the Directors view is primarily premised on the following factors:

(1) the Call Option which allows approximately a 10% gain based on Option Price should the Vendor choose to exercise the Call Option to repurchase the 12% interests in Harvest Season SG (please refer to Section 3.5.6 for more details);

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- (2) assuming Call Option is not exercised by the Vendor, the Directors' assessment of the Proposed HS Acquisition of the 12% shareholding stake, may include, dividend gains and/or fair value gains on the 12% shareholding stake based on the expected profitability of the 6 Stores; and
- (3) the benefits and growth potential of the Company's 'Fresh Division' business which is complementary to the business of the 6 Stores. The 'Fresh Division' business operates in fruit trading, wholesale distribution and retail & franchising. As a joint venture partner, the Group can continue to sell its fruits and fruit-related products branded under the *SunMoon* brand to the Harvest Season Group and the Group can ride on any expansion of the PRC market created by the Harvest Season Group.

Proposed HS Settlement

- 3.3.7 As mentioned in Section 3.2.12, SMDT and the Company have agreed to re-purchase the frozen durians because SMDT, as the supplier of the frozen durians, is responsible for the packaging flaws, and the Company has to protect the integrity of the SunMoon brand.

Re-purchasing the frozen durians using the pro-rata number of Sale Shares will allow SMDT and the Company to re-purchase the frozen durians without having to utilise existing cash and/or raise additional finances.

3.4 Information on Harvest Season⁽¹⁾

- 3.4.1 Harvest Season SG is a company incorporated on 6 February 2015 in the Republic of Singapore as a limited exempt private company.

As at the Latest Practicable Date, Harvest Season SG has an issued and paid up capital of S\$100 represented by 100 ordinary shares⁽³⁾ owned by Patrick (30 ordinary shares), Edward Lee Keem Sheng (5 ordinary shares) and Tony (65 ordinary shares). As at the Latest Practicable Date, the directors of Harvest Season SG are Mr Chan Hock Eng, Mr He Zhao Ju @Ho Danny (alternate director to Mr Chan), Patrick and Tony. Patrick and Tony are business partners. Mr Chan Hock Eng and Mr He Zhao Ju @Ho Danny are directors nominated to the board of Harvest Season SG by the Private Equity Investor (as defined below).

The Company understands that Harvest Season SG was incorporated as the vehicle for the Initial Joint Venture and that Tony wishes to use Harvest Season SG for the current transaction with the Company namely the Proposed HS Acquisition. The Company understands that Harvest Season SG does not have any business operations prior to the lapsing of the Initial Joint Venture.

As at the date of the HS SPA, Patrick was the sole shareholder of Harvest Season SG. In connection with the Proposed HS Acquisition⁽⁵⁾, Tony entered into the Tony SPA whereby Tony purchased 75% of the total issued ordinary shares in the capital of Harvest Season SG such that on completion, the percentage shareholding of Tony and Patrick in the said company is 75%:25%. The Company understands that Tony paid Patrick S\$1.00 for the transfer of the 75% shareholding. The Company does not have and Tony has no obligations to disclose to the Company the details of the business relationship between Tony and Patrick in general or in relation to Harvest Season SG. The Board's

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consideration and rationale for undertaking the Proposed HS Acquisition is set out in Sections 3.3 and 3.7 and the Board does not deem it relevant to have regard to the business relationship between Patrick and Tony.

The Company has been informed by Tony that Harvest Season SG had, subsequent to the execution of the HS SPA, entered into a convertible loan agreement with a private equity investor (“**Private Equity Investor**”), which would allow the Private Equity Investor to convert its loan into ordinary shares of Harvest Season SG. In that event, Shareholders are to note that the 12% of the issued and paid-up share capital of Harvest Season SG will be diluted. The Board views the investment by a private equity investor in Harvest Season SG as a positive reinforcement of Harvest Season SG’s value and growth potential.

- 3.4.2 Harvest Season China⁽⁴⁾ is a wholly owned subsidiary of Harvest Season SG. The Company understands that Tony streamlined into the Harvest Season Group, the 6 Stores, the Online Business and the wholesale business as at 1 January 2016⁽¹⁾.

The 6 Stores operates under the “**Harvest Season**” brand. The Company understands that the 6 Stores were established around mid-2014 to around early 2015 under the sole proprietorship of Tony. The 6 Stores sells fruits, juices and other foods. With effect on 1 January 2016, the financial performance of the 6 Stores is reflected in the accounts of Harvest Season China. Please refer to Section 3.4.3 below for the financial details of the 6 Stores.

The 6 Stores⁽²⁾ are located in Zhenjiang and Nanjing in Jiangsu province. The province is home to a population size of more than 70 million and is one of the fastest growing middle income regions in China.

The Company understands that the Online Business was originally carried on by Tony or his affiliated entities in connection with the retail and wholesale of fruits and fruit-related products in the PRC around April 2015. With effect from 1 January 2016, the financial performance of the Online Business is reflected in the accounts of Harvest Season China.

The Company understands that Tony and/or his affiliates have been operating, *inter alia*, a wholesale business of fruits and fruit-related products in the PRC and around January 2016, Tony streamlined the wholesale business into the Harvest Season Group through Harvest Season SG. As at the Latest Practicable Date, the Company understands that Harvest Season SG’s principal customer is Harvest Season China.

The Company is informed by Tony that the current business strategy and focus is to create greater brand awareness of the “**Harvest Season**” brand by expanding its consumer reach in the PRC. Accordingly, Tony had as described above, streamlined into the Harvest season Group, the 6 Stores, the Online Business and the wholesale business as of January 2016. Shareholders are also to note that it is provided in the HS SPA that the Vendor has covenanted with the Company that after HS Completion, the Vendor shall operate, develop and expand the wholesale and retail business of fruits and fruit-related products and the Online Business in the PRC through the Harvest Season SG and its subsidiaries.

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Notes:

- (1) **Shareholders are to note that the information on Harvest Season, the 6 Stores, Online Business and the wholesale business disclosed in Section 3.4 of this circular is obtained from the Vendor and/or the Vendor's representatives. However, given that the Company proposes to acquire only a 12% shareholding interest in Harvest Season SG, the Company has difficulty in obtaining full co-operation from the Vendor to assist in the updating and/or verification of the information furnished to the Company. Accordingly, the information provided in the circular is presented in the circular after making reasonable enquiries even though the Company cannot warrant that such information is true, accurate and complete or if any fact has been omitted that would render such information false or misleading.**

In respect of due diligence, the Company has (i) made reasonable enquiries (to the extent possible) between the Company and Tony and his representatives; (ii) made BizFile, insolvency and civil litigation searches in Singapore on Harvest Season SG and bankruptcy and civil litigation searches in Singapore on Tony and Patrick as at the Latest Practicable Date; and (iii) made internet due diligence checks, through (a) governmental websites in the PRC and Hong Kong (being Jiangsu Province Administration for Industry (江苏省工商行政管理局) (around 12 May 2017), Shanghai Administration for Industry & Commerce (上海市工商行政管理局) (around 12 May 2017), and Integrated Companies Registry Information System (ICRIS) (<https://www.icris.cr.gov.hk/csci/>) (around 12 May 2017)), and (b) web-based search engines (being Yahoo! Singapore (around 12 May 2017), Google Singapore (around 12 May 2017) and Weibo, Baidu, and Tian Yan Chan (天眼查) around (12 May 2017), on Tony, Patrick, Harvest Season China, Shanghai Chibin and East China.

- (2) The Company believes that around late 2015 and early 2016, 5 retail fruit stores (out of the 6 Stores) have been operated by third parties in return for service fees paid to Harvest Season China. As such, the revenues of the 5 retail fruit stores (out of the 6 Stores) were no longer recognised as revenue in the accounts of Harvest Season China. Instead, the service fees paid are recognised as the revenue in the accounts of Harvest Season China. The Company is informed by Tony that the intention is to focus on licensing of the "Harvest Season" brand instead of directly operating the retail stores.
- (3) Based on a BizFile search undertaken by the Company on 12 May 2017 at approximately 5.30 p.m..
- (4) Harvest Season China was incorporated in 28 December 2015 in the PRC. The registered address of Harvest Season China is 镇江市新区大港兴港西路109号6幢. Harvest Season China has a registered capital (注册资本) of US\$1,500,000.
- (5) It is also a condition precedent in the HS SPA that on HS Completion, Tony ensures that he is the legal and beneficial owner of such number of shares in Harvest Season SG such that the percentage shareholding ratio between Tony and Patrick is 75%:25%.

3.4.3 Financial information relating to the Vendor⁽¹⁾

- (1) income statements⁽²⁾ of the 6 Stores and the Online Business for the financial periods of 1 June 2014 to 31 December 2014 and of 1 January 2015 to 31 December 2015;
- (2) consolidated income statements and balance sheet of Harvest Season SG⁽³⁾ comprising Harvest Season China, the 6 Stores and the Online Business for the financial period of 1 January 2016 to 30 September 2016.

Notes:

- (1) The financial information of the 6 Stores, Online Business and the Harvest Season Group are furnished by the Vendor's representatives save for the income statement of Harvest Season China for the financial period 1 January 2016 to 30 September 2016, for the reasons explained in footnote (3) of the paragraph entitled "Harvest Season China – Income Statement". Further, reasonable enquiries (to the extent possible) were made between the Company and Tony and his representatives. The Company has taken reasonable care in compiling, extracting and reproducing such information. However, given that the Company proposes to acquire only a 12% shareholding interest in Harvest Season SG, the Company has difficulty in obtaining full co-operation from the Vendor to assist in the verification of the information furnished to the Company. **Accordingly, the information provided in the circular regarding the Harvest Season Group is presented in the circular after making reasonable enquiries even though the Company cannot warrant that such information is true, accurate and complete or if any fact has been omitted that would render such information false or misleading.**

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In respect of due diligence, the Company has (i) made reasonable enquiries (to the extent possible) between the Company and Tony and his representatives; (ii) made BizFile, insolvency and civil litigation searches in Singapore on Harvest Season SG and bankruptcy and civil litigation searches in Singapore on Tony and Patrick as at the Latest Practicable Date; and (iii) made internet due diligence checks, through (a) governmental websites in the PRC and Hong Kong (being Jiangsu Province Administration for Industry (江苏省工商行政管理局) (around 12 May 2017), Shanghai Administration for Industry & Commerce (上海市工商行政管理局) (around 12 May 2017), and Integrated Companies Registry Information System (ICRIS) (<https://www.icris.cr.gov.hk/csci/>) (around 12 May 2017)), and (b) web-based search engines (being Yahoo! Singapore (around 12 July 2016)), Google Singapore (around 12 May 2017) and Weibo, Baidu, and Tian Yan Chan (天眼查) around (12 May 2017), on Tony, Patrick, Harvest Season China, Shanghai Chibin and East China.

- (2) Prior to January 2016, only income statements for the 6 Stores and the Online Business were available. Further, prior to January 2016, Harvest Season China did not reflect the financial information of the 6 Stores and the Online Business as the 6 Stores and the Online Business were only transferred to Harvest Season China in January 2016.
- (3) With effect on 1 January 2016, the financial information of the 6 Stores and Online Business (both information on the assets and liabilities and the profit and loss position of the 6 Stores and Online Business) were reflected in the accounts of Harvest Season China.

1. 6 Stores and Online Business⁽¹⁾

	For the financial period 1 June 2014 to 31 December 2014⁽²⁾	
	RMB (<i>approx.</i>)	S\$⁽³⁾ (<i>approx.</i>)
Revenue	4,125,202	866,293
Cost of goods sold	(3,394,879)	(712,925)
Gross Profit	730,323	153,368
Operating expenses	(1,341,088)	(281,629)
Net loss	(610,765)	(128,261)

Notes:

- (1) With effect from 1 January 2016, the financial information of the 6 Stores and Online Business (both information on the assets and liabilities and the profit and loss position of the 6 Stores and Online Business) were reflected in the accounts of Harvest Season China.
- (2) The 6 Stores commenced operations around June 2014 and the Online Business commenced operations in April 2015. **Shareholders to note as follows: The Company believes that around late 2015 and early 2016, 5 retail fruit stores (out of the 6 Stores) have been operated by third parties in return for service fees paid to Harvest Season China. As such, the revenues of the 5 retail fruit stores (out of the 6 Stores) were no longer recognised as revenue in the accounts of Harvest Season China. Instead, the service fees paid are recognised as the revenue in the accounts of Harvest Season China.**
- (3) Based on the exchange rate of RMB1 to S\$0.21 on 10 February 2016 (Source: Bloomberg).

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	For the financial period 1 January 2015 to 31 December 2015 ⁽¹⁾⁽²⁾	
	RMB (<i>approx.</i>)	S\$ ⁽³⁾ (<i>approx.</i>)
Revenue	25,587,308	5,373,335
Cost of goods sold	(21,593,054)	(4,534,541)
Gross Profit	3,994,254	838,794
Operating expenses	(8,208,595)	(1,723,805)
Net loss	(4,214,341)	(885,011)

Notes:

- (1) With effect from 1 January 2016, the financial information of the 6 Stores and Online Business (both information on the assets and liabilities and the profit and loss position of the 6 Stores and Online Business) were reflected in the accounts of Harvest Season China.
- (2) The 6 Stores commenced operations around June 2014 and the Online Business commenced operations in April 2015. **Shareholders to note as follows: The Company believes that around late 2015 and early 2016, 5 retail fruit stores (out of the 6 Stores) have been operated by third parties in return for service fees paid to Harvest Season China. As such, the revenues of the 5 retail fruit stores (out of the 6 Stores) were no longer recognised as revenue in the accounts of Harvest Season China. Instead, the service fees paid are recognised as the revenue in the accounts of Harvest Season China.**
- (3) Based on the exchange rate of RMB1 to S\$0.21 on 10 February 2016 (Source: Bloomberg).

2. Harvest Season SG

Shareholders to note that the financial information of Harvest Season SG is prepared on a consolidated basis.

Income Statement

	For the financial period 1 January 2016 to 30 September 2016 ⁽¹⁾⁽²⁾⁽³⁾	
	RMB (<i>approx.</i>)	S\$ ⁽⁴⁾ (<i>approx.</i>)
Revenue	10,945,691	2,235,110
Cost of goods sold	(11,147,327)	(2,276,284)
Gross Loss	(201,636)	(41,174)
Operating expenses	(5,357,843)	(1,094,072)
Net Loss	(5,559,479)	(1,135,246)

Notes:

- (1) With effect from 1 January 2016, the financial information of the 6 Stores and Online Business (both information on the assets and liabilities and the profit and loss position of the 6 Stores and Online Business) were reflected in the accounts of Harvest Season China.
- (2) The 6 Stores commenced operations around June 2014 and the Online Business commenced operations in April 2015. **Shareholders to note as follows: The Company believes that around late 2015 and early 2016, 5 retail fruit stores (out of the 6 Stores) have been operated by third parties in return for service fees paid to Harvest Season China. As such, the revenues of the**

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5 retail fruit stores (out of the 6 Stores) were no longer recognised as revenue in the accounts of Harvest Season China. Instead, the service fees paid are recognised as the revenue in the accounts of Harvest Season China.

- (3) In respect of the income statement for the financial period 1 January 2016 to 30 September 2016 of Harvest Season SG, the Company understands that the income statement provided by the Vendor's representatives included the financial numbers of November and December 2015 in the income statement for the financial period 1 January 2016 to 31 January 2016 of Harvest Season China. As the Vendor's representative was unable to provide the Company with a revised income statement for the financial period 1 January 2016 to 30 September 2016, the Company had recomputed the numbers provided by the Vendor's representatives to remove the financial numbers of November and December 2015 from the income statement for the financial period 1 January 2016 to 30 September 2016 of Harvest Season SG. Accordingly, the Company cannot confirm if the adjusted financial information is accurate and not misleading.
- (4) Based on the exchange rate of RMB1 to S\$0.2042 on 30 September 2016 (Source: Bloomberg).

Balance Sheet⁽¹⁾

	As at 30 September 2016	
	RMB (<i>approx.</i>)	S\$ ⁽²⁾ (<i>approx.</i>)
Fixed Assets	1,010,235	206,290
Current assets	16,714,502	3,413,101
Total Assets	17,724,737	3,619,391
Non-current liabilities	(22,141,800)	(4,521,356)
Current liabilities	(2,973,871)	(607,265)
Total Liabilities	(25,115,671)	(5,128,621)
Total Owner's Equity	(7,390,934)	(1,509,230)

Notes:

- (1) Shareholders are to note that it is provided in the HS SPA (for more details please refer to Section 3.5 below); that as at HS Completion Date, the investment cost of the 6 Stores shall be S\$600,000 (or equivalent to RMB2,766,000 based on an exchange rate of S\$1 to RMB4.61 on 3 July 2015 (Source: Bloomberg)). The due diligence undertaken by the professionals appointed by the Company ("Company DD Professionals") in 2015 in relation to the Initial Joint Venture (for more details please refer to Sections 3.2.5 to 3.2.7 above) had confirmed that the investment cost of the 6 Stores is S\$600,000. However, the Company was informed by the Vendor's representatives that Harvest Season China only reflected those investment cost for which invoices were furnished to Harvest Season China. The Company understands that Tony as a sole proprietor had not required invoices for the purpose of his sole proprietorship business and as such, there were no complete invoices for the total investment cost incurred. Notwithstanding the lack of complete invoices for the total investment cost incurred, the Company DD Professionals looked at other supporting documents, such as, renovation contracts, purchase agreements, receipts, bank transfer slips, and bank payment slips and undertook, *inter alia*, reconciliations against the available supporting documents to confirm the investment cost of the 6 Stores is S\$600,000.
- (2) Based on the exchange rate of RMB1 to S\$0.2042 on 30 September 2016 (Source: Bloomberg).

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3.5 Salient Details of the Proposed HS Transaction

HS Conditions Precedent of the Proposed HS Acquisition

3.5.1 Pursuant to the HS SPA, completion of the Proposed HS Acquisition is conditional upon the occurrence of the following:

- (i) the results of the Company's due diligence exercise of Harvest Season SG, the Online Business, and the 6 Stores being satisfactory to the Company;
- (ii) each of the Vendor's warranties in the HS SPA remaining true and not misleading in all material respects at HS Completion, as if repeated at HS Completion and at all times between the date of the HS SPA and HS Completion;
- (iii) execution and delivery to the Company of a declaration of trust executed by Tony declaring that the rights, benefits, assets, profit and loss, burdens and liabilities in the 6 Stores and the Online Business are held on trust for Harvest Season SG to the extent permitted by applicable laws and regulations;
- (iv) all necessary approvals in connection with the Proposed HS Acquisition including approval of the Shareholders having been obtained;
- (v) completion of the Tony SPA such that Tony is the legal and beneficial owner of such number of shares in Harvest Season SG such that the percentage shareholding ratio between Tony and Patrick is 75% : 25%;
- (vi) the delivery to the Company of, *inter alia*, the unaudited balance sheet and profit and loss statements of the 6 Stores.

3.5.2 If any of the HS Conditions Precedent above is not satisfied (or waived with respect to certain conditions precedent) by HS Initial Long Stop Date or such other date as the parties to the HS SPA may agree in writing, the HS SPA will cease and terminate without prejudice to any rights in respect of any prior breach under the HS SPA. As stated in the Company's announcement dated 23 January 2017, the Company and Tony have mutually agreed to extend the HS Revised Long Stop Date of the SPA to 31 May 2017. A copy of the HS Update Announcement is available on the website of the SGX-ST at www.sgx.com.

The HS SPA further provides that Tony shall procure the consent of Patrick for the transfer of the Sale Shares to the Company.

HS Completion

3.5.3 Completion of the Proposed HS Acquisition shall take place on the completion date, defined as the date falling three (3) business days after the fulfilment of conditions precedent referred to in Section 3.5.1 above (other than the conditions precedent set out in Sections 3.5.1 (i), (ii), (iii) and (vi) above) or such other date as the parties to the HS SPA may agree.

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Post-completion covenants

- 3.5.4 The Vendor covenants with the Company that after HS Completion the Vendor shall:–
- (a) operate, develop and expand the wholesale and retail business of fruits and fruits related products and the Online Business in the PRC through the Harvest Season SG and its subsidiaries;
 - (b) no later than the 6 Stores Deadline transfer the legal and beneficial interest of all assets in the 6 Stores free from any and all encumbrances to the Harvest Season SG and its subsidiaries;
 - (c) ensure that an appropriate company in the Harvest Season SG and its subsidiaries enters into legally binding and enforceable leases with a residual lease term of at least 12 months so that the Relevant Group Company takes over the leases and the operations of the 6 Stores by the 6 Stores Deadline;
 - (d) account to the Harvest Season SG and its subsidiaries the rights, benefits, assets and liabilities of the 6 Stores and the Online Business from and on the date of the Declaration of Trust up to and including the date on which the Relevant Group Company commences operations of the 6 Stores and the Online Business for its own account;
 - (e) to the extent permitted by the relevant PRC laws, regulations and bye-laws, transfer to the Relevant Group Company the legal and beneficial interest in the intellectual property free from any and all encumbrances by the 6 Stores Deadline. If the transfer is not permitted or restricted by applicable PRC laws, regulations and bye-laws, the Vendor shall procure the irrevocable grant of a royalty-free, perpetual, sole and exclusive use of the intellectual property to the Harvest Season SG and its subsidiaries by the 6 Stores Deadline. If the applicable PRC laws, regulations and bye-laws subsequently permit the transfer of the intellectual property, the Vendor shall, without delay and promptly procure the transfer to the Relevant Group Company, the legal and beneficial interest in the intellectual property free from any and all encumbrances as soon as practicable;
 - (f) transfers to the Relevant Group Company the legal and beneficial interest to the Online Business free from encumbrances by the 6 Stores Deadline.
- 3.5.5 The Vendor further warrants and undertakes to and with the Purchaser and its successors in title, *inter alia*, that as at HS Completion Date, the investment cost of the renovations, fixtures and fittings of the 6 Stores is not less than S\$0.6 million (or equivalent to RMB2,766,000 based on an exchange rate of S\$1 to RMB4.61 as at 3 July 2015 (Source: Bloomberg)).

Call Option

- 3.5.6 As provided in the HS SPA, the Vendor shall have the option to call Option Shares (as defined below). For the purposes of this Section 3.5.6,

“Call Option” means the right for the Vendor to purchase from the Company on the terms and subject to the conditions contained in this Section 3.5.6, the Option Shares, at a consideration of the Option Price for each Option Share.

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“**Call Option Notice**” means the Call Option notice substantially in the form as set out in Schedule 1 of the HS SPA.

“**Option Completion**” means completion of an exercise of a Call Option pursuant to this Section 3.5.6 on the Option Completion Date.

“**Option Completion Date**” means the date falling five (5) business days after the service of a Call Option Notice.

“**Option Period**” means a period of two (2) years commencing from the HS Completion Date unless the initial two year period is extended for a further period of two (2) years by the Company in its sole discretion pursuant to a written request from the Vendor to the Company.

“**Option Price**” =
$$\frac{\text{US\$1,135,732.53}}{A}$$

where:

A = the actual number of Sale Shares purchased by the Company from the Vendor under the HS SPA at HS Completion

“**Option Shares**” means such number of shares not exceeding the total number of Sale Shares purchased by the Company from the Vendor under the HS SPA legally and beneficially owned by the Company at the time of the exercise of the Call Option.

(a) Call Option

The Company hereby irrevocably grants to the Vendor during the Option Period, the Call Option to require the Company to sell to the Vendor on the Option Completion Date, the Option Shares, at a consideration of the Option Price for each Option Share.

The Call Option may be exercised by the Vendor at any time in respect of all and not some of the Option Shares during the Option Period, by serving on the Company the Call Option Notice.

(b) If the Company receives an offer from a buyer(s) to purchase some or all of its Sale Shares (“**Sale Proposal**”), the Company shall serve on the Vendor a written notice informing the Vendor of the Sale Proposal and of the Company’s intention to sell to the buyer(s) in the Sale Proposal (“**Disposal Notice**”). If a Call Option Notice is not served on the Company within ten (10) business days after service of the Disposal Notice, the Company may sell some or all of the Sale Shares to the buyer(s) in the Sale Proposal.

Proposed HS Settlement

3.5.7 Pursuant to the HS Deed which amends the HS SPA, SMDT will re-purchase from Shanghai Chibin the unsold frozen durians on such date(s) as shall be ascertained and agreed upon between SMDT and Shanghai Chibin. The re-purchase price of the frozen durians shall be the aggregate of the Cost of Goods and the Administrative Charges.

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“**Administrative Charges**” refers to the value of administrative charges to be paid by SMDT to Shanghai Chibin, such administrative charges (which include handling, storage and transport costs) incurred by Shanghai Chibin in connection with the supply and return of the frozen durians to be re-purchased by SMDT. “**Cost of Goods**” refers to the actual cost charged by SMDT to Shanghai Chibin in respect of the supply of the frozen durians to be re-purchased by SMDT, which will be computed based on US\$450,000⁽¹⁾ for all the frozen durians supplied to Shanghai Chibin.

Shanghai Chibin has informed SMDT that the aggregate of the Cost of Goods and the Administrative Charges in respect of the unsold frozen durians to be re-purchased by SMDT amounts to US\$488,207.50. SMDT has in-principle agreed to the amount, subject to the relevant supporting documents and evidence produced by Shanghai Chibin to verify the amount to the satisfaction of SMDT and the Company.

Against delivery by Shanghai Chibin to SMDT of the frozen durians to be re-purchased, the Company shall be obliged to transfer to Tony and Tony shall be obliged to accept the relevant number of Sale Shares on a pro-rata basis, and the re-purchase price shall be deemed settled. On the assumption that the frozen durians to be re-purchased by SMDT amounts to US\$488,207.50, the Company shall be obliged to transfer Tony and Tony shall be obliged to accept the relevant number of Sale Shares which represents approximately 5.67%⁽²⁾ of the total issued share capital of Harvest Season SG. Accordingly, the Company will retain such number of Sale Shares amounting to approximately 6.33%⁽³⁾ of the total issued share capital of Harvest Season SG.

To the extent as described in this Section 3.5.7, the HS SPA has been amended by the HS Deed.

For more information on the Proposed HS Settlement, please refer to Sections 3.2.12 and 3.2.13 above.

Notes:

- (1) The amount of US\$450,000 being the actual cost charged by SMDT to Shanghai Chibin for all the frozen durians supplied to Shanghai Chibin is part of the SM-HS Receivables. Please see Sections 3.2.5 and 3.2.12 above for more details.
- (2) The computation of the relevant number of Sale Shares is based on the following formula of: (assumed re-purchase price/US\$1,032,484.12) x Sale Shares. Accordingly, US\$488,207.50/US\$1,032,484.12) x 12% = 5.67%.
- (3) This is based on the assumption that the frozen durians to be re-purchased by SMDT amounts to US\$488,207.50.

3.6 Consideration for the Proposed HS Acquisition

- 3.6.1 The Company through its wholly-owned subsidiary, SMDT is a supplier of, *inter alia*, fresh fruits, frozen fruits, processed fruit cups and processed sweet corn and distributes them through various distributors in the PRC. SMDT’s distribution network in the PRC includes East China and Shanghai Chibin.

The total amount of receivables owed by East China and Shanghai Chibin to SMDT is approximately US\$1,032,484 (approximately S\$1,435,153 based on the exchange rate of US\$1 to S\$1.39 on 10 February 2016 (Source: Bloomberg)).

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- 3.6.2 The consideration for the Sale Shares is the discharge by SMDT of the payment obligations by East China and Shanghai Chibin in respect of the SM-HS Receivables⁽¹⁾. For the avoidance of doubt, the Company has no other payment obligation in respect of the purchase of the Sale Shares other than as described above.

Note:

- (1) For more details, please see Section 3.2.5 above.

3.7 Basis for the Consideration for the Proposed HS Acquisition

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

- (a) the potential growth and market of the fruit wholesale and retail business in PRC;
- (b) the HS Purchase Consideration represents approximately US\$1,032,484 (approximately S\$1,435,153 based on the exchange rate of US\$1 to S\$1.39 on 10 February 2016 (*Source: Bloomberg*)). The Sale Shares represent a stake of 12% of Harvest Season SG, and the net tangible assets attributable to the Sale Shares is approximately S\$(27,581)⁽¹⁾. The HS Purchase Consideration paid by the Company in excess of the net tangible assets attributable to the Sale Shares (approximately S\$1,462,734) represents the goodwill associated with the strong growth potential in this sector in the foreseeable future⁽²⁾. The Board believes that the strong growth potential for the Group is based on the continued benefit associated with a continued business relationship with the Vendor thereby enabling the Group to continue to tap on the business contacts and logistical and warehousing infrastructure, and thereby enabling the Group to sell more *SunMoon* products in the PRC through the Harvest Season Group. Please see Sections 3.3.3 and 3.3.4 for more details;
- (c) the Proposed HS Acquisition provides an investment opportunity for the Company. The Option Price for the Option Shares (assuming that the Vendor purchases from the Company all the Sale Shares) is approximately US\$1,135,733 (approximately S\$1,578,668 based on the exchange rate of US\$1 to S\$1.39 on 10 February 2016 (*Source: Bloomberg*)) which will represent a 10% gain on the HS Purchase Consideration;
- (d) further to the background information and developments that occurred, details of which are described in Sections 3.2.4 to 3.2.8, the Proposed HS Acquisition was, the best deal available in the circumstances at the relevant time having regard to the factors as described in Section 3.2.10 above; and
- (e) the rationale as elaborated in Sections 3.3.1 to 3.3.6 above.

Notes:

- (1) Shareholders are also to note that in section 3.3.1(b) of the Company's announcement dated 10 February 2016, it was disclosed that the net tangible assets attributable to the Sale Shares is approximately S\$72,000 based on the investment costs of the 6 Stores. Please refer to footnote 2 below for an elaboration of this matter. The disclosure was based on the information provided at that point of time. Further to the financial statements received by the Vendor (please refer to Section 3.4.3 for more details), the Company have disclosed the revised net tangible assets amount as at 29 February 2016.

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- (2) Shareholders are to note that it is provided in the HS SPA (for more details please refer to Section 3.5 above), that as at the Completion Date, the investment cost of the 6 Stores shall be S\$600,000 (or equivalent to RMB2,766,000 based on an exchange rate of S\$1 to RMB4.61 on 3 July 2015 (Source: Bloomberg)). The due diligence undertaken by the professionals appointed by the Company (“**Company DD Professionals**”) in 2015 in relation to the Initial Joint Venture (for more details please refer to Sections 3.2.5 to 3.2.7 above) had confirmed that the investment cost of the 6 Stores is S\$600,000. However, the Company was informed by the Vendor’s representatives that Harvest Season China only reflected those investment costs for which invoices were furnished to Harvest Season China. The Company understands that Tony as a sole proprietor had not required invoices for the purpose of his sole proprietorship business and as such, there are no complete invoices for the total investment cost incurred. Notwithstanding the lack of complete invoices for the total investment cost incurred, the Company DD Professionals looked at other supporting documents, such as, renovation contracts, purchase agreements, receipts, bank transfer slips, and bank payment slips and undertook, *inter alia*, reconciliations against the available supporting documents to confirm the investment cost of the 6 Stores is S\$600,000.

3.8 Relative Figures under Rule 1006 of the Listing Manual in respect of the Proposed HS Acquisition

- 3.8.1 For the purposes of Chapter 10 of the Listing Manual and based on the latest announced consolidated financial statement for the Company and its subsidiaries (the “**Group**”), the relative figures for the Proposed HS Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual with reference to the Proposed HS Acquisition are as follows:–

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as this is an acquisition
Rule 1006(b)	Net loss attributable to the Proposed HS Acquisition compared with the Group’s net loss	4.69% ⁽¹⁾
Rule 1006(c)	Aggregate value of the consideration given for the Proposed HS Acquisition, compared with the market capitalisation of the Company	10.98% ⁽²⁾⁽³⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the Proposed HS Acquisition, 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 Group’s probable and proved reserves	Not applicable

Notes:

- (1) The unaudited net loss before income tax, minority interest and extraordinary items of the 6 Stores and the Online Business attributable to the Sale Shares for the nine months ended 30 September 2015 is approximately S\$75,595, based on the exchange rate of RMB1 to S\$0.21 on 10 February 2016 (Source: Bloomberg). The unaudited net loss before income tax, minority interest and extraordinary items of the Group for the nine months ended 30 September 2015 is S\$1,612,000. The HS SPA was executed on 10 February 2016. Hence, the latest announced consolidated results of the Group at the date of execution of the HS SPA will be the financial statements for the financial period from 1 January 2015 to 30 September 2015 announced on 5 November 2015.

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For the purposes of providing more information to the Shareholders, the Company has also provided the following information:

- (i) The Group's audited net loss before income tax, minority interest and extraordinary items for the financial year ended 31 December 2015 derived from its audited accounts for the financial year ended 31 December 2015 is S\$2,101,000. The unaudited net loss before income tax, minority interest and extraordinary items of the 6 Stores and the Online Business attributable to the Sale Shares for the financial period 1 January 2015 to 31 December 2015 is RMB505,720.91 (approximately S\$106,201.39, based on the exchange rate of RMB1 to S\$0.21 on 10 February 2016 (Source: Bloomberg)) and the relative figure computation for Rule 1006(b) based on these comparative figures would be 5.05%.
- (2) The Company weighted average share price of S\$0.041 as at 10 February 2016 being the market day preceding the date of the HS SPA. (Source: Bloomberg) The total number of ordinary shares issued by the Company was 318,784,382. The market capitalisation of the Company is S\$13,070,159.66.
- (3) The HS Purchase Consideration for the Sale Shares amounts to US\$1,032,484.12 (approximately S\$1,435,152.93).

3.8.2 Based on the above, the relative figure pursuant to Rule 1006(b) is 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 is seeking Shareholders' approval in respect of the Proposed HS Acquisition.

3.8.3 Based on the unaudited consolidated balance sheet of Harvest Season SG as at 29 February 2016⁽¹⁾, the book value and the net tangible assets attributable to the Sale Shares is S\$(27,581). The net loss attributable to the Sales Shares being acquired based on the unaudited consolidated income statement of Harvest Season SG for the financial period 1 January 2016 to 29 February 2016⁽¹⁾ is S\$114,199.

Note:

- (1) The Harvest Season Group does not have the consolidated balance sheet and income statement for the financial year ended 31 December 2015. The reason is that prior to 31 December 2015, the 6 Stores and the Online Business were operated by Tony as a sole proprietor and he did not require the preparation of any balance sheet for the purposes of his sole proprietorship business.

3.9 Financial Effects of the Proposed HS Acquisition

3.9.1 For purposes of illustration, the financial effects of the Proposed HS Acquisition are based on, *inter alia*, the following assumptions:—

- (a) the financial effects of the Proposed HS Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed HS Acquisition nor a projection of the future financial performance or position of the Group after HS Completion;
- (b) pursuant to Rule 1010(9) of the Listing Manual, for the purpose of computing the financial effects of the Proposed HS Acquisition on the earnings of the Group, the Proposed HS Acquisition is assumed to have been effected on 1 January 2014 (for the financial year 2014) and on 1 January 2015 (for the financial year 2015)⁽¹⁾;
- (c) pursuant to Rule 1010(8) of the Listing Manual, for the purpose of computing the financial effects of the Proposed HS Acquisition on the NTA of the Group, the Proposed HS Acquisition is assumed to have been effected on 31 December 2014 (for the financial year 2014) and on 31 December 2015 (for the financial year 2015)⁽¹⁾;

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- (d) the financial effects of the Proposed HS Acquisition are based on the Group's audited financial statements for the financial years ended 31 December 2014 and 31 December 2015⁽¹⁾; and
- (e) in respect of Harvest Season SG, the financial information is based on the unaudited income statements of the 6 Stores (commenced in June 2014) and Online Business (commenced in April 2015) for the financial period of 1 June 2014 (date of commencement of operations of first of the 6 Stores) to 31 December 2014 and 1 January 2015 to 31 December 2015, respectively.

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.

3.9.2 Net Tangible Assets

	As at 31 December 2014	
	Before the Proposed HS Acquisition	After the Proposed HS Acquisition⁽¹⁾⁽²⁾⁽³⁾
NTA	S\$13,201,000	S\$13,201,000
No. of Shares	318,784,382	318,784,382
NTA per share (Singapore cents)	4.141	4.141

Notes:

- (1) The Proposed HS Acquisition of a minority interest has no impact on the NTA of the Company.
- (2) The presented numbers are to show the financial effects based on the Proposed HS Acquisition transaction. As described in Section 3.3.6 above, the Proposed HS Acquisition of a 12% shareholding interest may in future include, *inter alia*, dividend gains and/or fair value gains on the 12% shareholding interest based on the expected profitability of the 6 Stores.
- (3) Shareholders are to note that the financial effects presented are based only on the unaudited income statements of the 6 Stores and the Online Business. For more financial information of the Harvest Season China and Harvest Season SG, please refer to Section 3.4.3 above.

	As at 31 December 2015	
	Before the Proposed HS Acquisition	After the Proposed HS Acquisition⁽¹⁾⁽²⁾⁽³⁾
NTA	S\$11,193,000	S\$11,193,000
No. of Shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511	3.511

Notes:

- (1) The Proposed HS Acquisition of a minority interest has no impact on the NTA of the Company.
- (2) The presented numbers are to show the financial effects based on the Proposed HS Acquisition transaction. As described in Section 3.3.6 above, the Proposed HS Acquisition of a 12% shareholding interest may in future include, *inter alia*, dividend gains and/or fair value gains on the 12% shareholding interest based on the expected profitability of the 6 Stores.

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- (3) Shareholders are to note that the financial effects presented are based only on the unaudited income statement of the 6 Stores and the Online Business. For more financial information of the Harvest Season China and Harvest Season SG, please refer to Section 3.4.3 above.

3.9.3 Loss per Share (“LPS”)

	For the financial year ended 31 December 2014	
	Before the Proposed HS Acquisition	After the Proposed HS Acquisition⁽¹⁾⁽²⁾⁽³⁾
Net profit/(loss) attributable to Shareholders	S\$(2,106,000)	S\$(2,106,000)
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	(0.66)	(0.66)

Notes:

- (1) The Proposed HS Acquisition of a minority interest has no impact on the net profit or loss of the Company.
- (2) The presented numbers are to show the financial effects based on the Proposed HS Acquisition transaction. As described in Section 3.3.6 above, the Proposed HS Acquisition of a 12% shareholding interest may in future include, *inter alia*, dividend gains and/or fair value gains on the 12% shareholding interest based on the expected profitability of the 6 Stores.
- (3) Shareholders are to note that the financial effects presented are based only on the unaudited income statement of the 6 Stores and the Online Business. For more financial information of the Harvest Season China and Harvest Season SG, please refer to Section 3.4.3 above.

	For the financial year ended 31 December 2015	
	Before the Proposed HS Acquisition	After the Proposed HS Acquisition⁽¹⁾⁽²⁾⁽³⁾
Net profit/(loss) attributable to Shareholders	S\$(4,150,000) ⁽⁴⁾	S\$(4,150,000) ⁽⁴⁾
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	(1.303)	(1.303)

Notes:

- (1) The Proposed HS Acquisition of a minority interest has no impact on the net profit or loss of the Company.
- (2) The presented numbers are to show the financial effects based on the Proposed HS Acquisition transaction. As described in Section 3.3.6 above, the Proposed HS Acquisition of a 12% shareholding interest may in future include, *inter alia*, dividend gains and/or fair value gains on the 12% shareholding interest based on the expected profitability of the Harvest Season Group.
- (3) Shareholders are to note that the financial effects presented are based only on the unaudited income statement of the 6 Stores and the Online Business. For more financial information of the Harvest Season China and Harvest Season SG, please refer to Section 3.4.3 above.
- (4) Shareholders are to note that the net loss attributable to Shareholders provided in this table represents the amount attributable to ‘continuing operations’. The net loss attributable to Shareholders including ‘discontinued operations’ is S\$(2,101,000). The ‘discontinued operations’ refers to the lease of its factory and manufacturing facilities located in the PRC which was previously used for manufacturing of the Company’s agricultural products. For more information, please refer to pages 64 to 65 and pages 80 to 82 of the Company’s annual report for the financial year ended 31 December 2015.

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4 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Save as described in Section 5.1.10 below and other than through their respective shareholdings in the Company, none of the Directors or substantial shareholder(s) of the Company has any interest, direct or indirect in the Proposed HS Transaction.

4.2 Directors' interests

The shareholdings of the Directors, as extracted from the register of Directors' Shareholdings, as at the Latest Practicable Date are as follows:

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Gary Loh Hock Chuan	Nil	Nil	80,712,772	25.32%	80,712,772	25.32%
Dr Tan Eng Liang	Nil	Nil	Nil	Nil	Nil	Nil
Chee Wai Pong	Nil	Nil	Nil	Nil	Nil	Nil
Mrs Jessie Peh	Nil	Nil	Nil	Nil	Nil	Nil
Mr James Prideaux	Nil	Nil	Nil	Nil	Nil	Nil

Note:

(1) Based on 318,784,382 Shares as at the Latest Practicable Date.

4.3 Substantial Shareholders' interests

The shareholdings of the Substantial Shareholders, as extracted from the register of Substantial Shareholders, as at the Latest Practicable Date are as follows:

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
First Alverstone Capital Ltd	80,712,772	25.32%	Nil	Nil	80,712,772	25.32%
Selena Cheng Koh Min	Nil	Nil	80,712,772	25.32%	80,712,772	25.32%
Gary Loh Hock Chuan	Nil	Nil	80,712,772	25.32%	80,712,772	25.32%

Note:

(1) Based on 318,784,382 Shares as at the Latest Practicable Date.

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5 SLS ATELIER AND GLOH FRESH

5.1 Details of SLS Atelier and GLOH Fresh

SLS Atelier

- 5.1.1 SLS Atelier is a media company owned by First Alverstone Partners Pte Ltd (“**FAPL**”), whose shareholders are Mr Gary Loh and Ms Selena Cheng (Mr Gary Loh’s wife), respectively. SLS Atelier has developed a Cartoon Series titled “*SazzyPets*” (“**SazzyPets**”) TV animation series.
- 5.1.2 On 15 May 2014, SunMoon Retail, a wholly-owned subsidiary of the Company entered into a licensee agreement (“**SLS Licence Agreement**”) with SLS Atelier to give the Group the right to use SazzyPets on the Group’s fruit cups, fruit crisps and fruit juices (“**SP Products**”)⁽¹⁾. The duration of the SLS Licence Agreement is for 3 years with an option to renew for another 3 years. There is no restrictions on the territories in which the *SazzyPets* brand can be used and the licensing is on a non-exclusive basis. The Group pays SLS Atelier a licensing fee of S\$2,000 per month.
- 5.1.3 **Rationale of the Company to enter into SLS Licence Agreement** – In order for the Company to differentiate its products, the Company had to adopt creative marketing strategies. As such, by entering into the SLS Licence Agreement, it grants the Group with the rights to use SazzyPets on SP Products which is a cost-efficient and effective marketing tool to promote and market the Company’s products.
- 5.1.4 On the part of SLS Atelier, the Company understands that the current costs incurred to develop the SazzyPets are approximately S\$2.4 million (which comprises of costs relating to developmental, animation and script writing of the SazzyPets cartoon series). As mentioned in Section 5.1.2 above, the licensing fee payable by the Group is S\$2,000 per month.
- 5.1.5 It was disclosed in the Company’s announcement dated 19 February 2016 that SLS Atelier is currently in discussions with Tony to explore the use of certain intellectual property rights belonging to SLS Atelier and that the discussions had not been finalised. The Company understands that the discussions between SLS Atelier and Tony (which also included third parties introduced by Tony) will only progress when SLS Atelier produces a Chinese version of SazzyPets. To date, the Company understands that SLS Atelier has not produced a Chinese version as it is focusing on a Korean version of the SazzyPets Cartoon series. The Company further understands that the discussion between SLS Atelier and Tony was only to introduce SLS Atelier to a media company based in Beijing.
- 5.1.6 The Board believes and takes the view that the SLS Licence Agreement is not on normal commercial terms but is beneficial to the Group for the following reasons: (1) the licence fee of S\$2,000 per month payable is not reflective of the actual costs incurred by SLS Atelier in developing the *SazzyPets* brand, (2) It is a fixed monthly fee regardless of the number of products in which the Group affixes the *SazzyPets* brand. This can be contrasted with a licensing agreement which the Group has entered into with a third party licensor in respect of the licensing of certain known cartoon characters. In that contract, the licensing fee is an annual

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fixed fee and a percentage of sales value of those products on which the licensed cartoon characters are used. In addition, the licensing rights is only in respect of one country. On the other hand, SLS Licence Agreement does not restrict the use of SazzyPets to one country. (3) The considerations in Sections 5.1.3 and 5.1.4 above.

Note:

- (1) The SP Products are currently sold in retail stores in Singapore. Some of these retail stores have been licensed by the Group to use the *SunMoon* brand as the name of the shop. SP Products are currently sold by the Group into Indonesia and the PRC and moving forward, the Group intends to sell into Korea as well as the United States of America.

GLOH Fresh

5.1.7 GLOH Fresh, a company also owned by FAPL, is a regional online e-commerce platform company of fresh produce. On 15th May 2014, SMDT, a wholly-owned subsidiary of the Company, granted GLOH Fresh a master global licence to *inter alia*:

- (i) have commercial operation of the online e-commerce under the name of “*SunMoonDirect*” and the licensing rights of which, started with immediate effect, in Singapore, Indonesia and Korea. Under the Licence Agreement, any sub-licence agreement for any other country will still be subjected to SMDT’s consultation;
- (ii) the rights to GLOH Fresh to manage the Group’s vending machine operations on a global basis and any granting of sub-licence would be subjected to SMDT’s consultation⁽²⁾;
- (iii) the rights to GLOH Fresh to use SunMoon Fresh name for GLOH Fresh’s retail and kiosk outlets⁽³⁾ in Singapore subject to SMDT franchise guidelines; and
- (iv) work with GLOH Fresh to expand the Group’s wholesale operation in Singapore⁽⁴⁾.

For the avoidance of doubt, the Group does not have any vending machine operations and does not intend to undertake vending machine operations in the foreseeable future.

5.1.8 Under the GLOH Licence Agreement, GLOH Fresh provided the Company the first right of refusal for joint ventures with GLOH Fresh for future collaborations. Further, under the GLOH Licence Agreement, the Company will also provide support to GLOH Fresh with design, corporation services and equipment leases as expected from a brand owner. The duration of the GLOH Licence Agreement is for 3 years with an option to renew for another 3 years. GLOH Fresh pays SMDT a licensing fee of S\$2,000 per month.

5.1.9 **Rationale of the Company for entering into GLOH Licence Agreement** – The Company had taken the view that the current business strategy of the Company was to focus on the “*Fresh Division*” and the operations relating to an online business was not something the Group wanted to undertake for the time being.

LETTER TO SHAREHOLDERS

The Board deliberated on considerations such as its current business strategy, the savings on set-up costs, the logistical issues and the additional labour costs. Hence, the Group entered into the GLOH Licence Agreement with GLOH Fresh so as to assist with creating brand awareness for “*SunMoonDirect*” and/or the *SunMoon* brand. Accordingly, by granting GLOH Fresh the licence to operate commercially the online e-commerce “*SunMoonDirect*” platform, it creates brand awareness for the Group without the accompanying set-up costs, logistical issues and additional labour costs that come with operating an online e-commerce business.

- 5.1.10 The Group currently is able to create brand awareness in Singapore through the online platform of “*SunMoonDirect*” without incurring the costs. In view of the costs in setting up and maintaining an online business portal in the PRC and in view of the current business strategy of the Group, which is to focus on the ‘Fresh division’⁽¹⁾, the Group does not want to incur the costs of setting up an online business portal in the PRC. On the other hand, the management of the Company felt that it was beneficial for the Group to create brand awareness in the PRC. Accordingly, GLOH Fresh stepped in to work with Tony to procure the necessary technical team/personnel to set up an e-commerce platform (the “**GLOH Fresh platform**”) in the PRC. The estimated initial set-up cost to build the GLOH Fresh platform was approximately US\$500,000 and Tony had asked GLOH Fresh to provide a deposit payment so as to procure such technical personnel. Accordingly, GLOH Fresh transferred US\$225,000 to Tony’s wife in early January and February 2015, respectively as deposits for the initial set-up costs.
- 5.1.11 The Company understands that the costs incurred by GLOH Fresh to develop the “*SunMoonDirect*” online platform in the PRC is approximately S\$1.5 million⁽⁵⁾. As mentioned in Section 5.1.8 above, the licensing fee payable by GLOH Fresh to the Group is S\$2,000 per month.
- 5.1.12 In addition, Shareholders are to note that the Group’s ‘Fresh Division’ operates at a much higher volume (i.e. container load levels) as compared to the “*SunMoonDirect*” online platform which targets specifically at the retail consumers at a much smaller volume⁽¹⁾.
- 5.1.13 The Board believes and takes the view that the GLOH Licence Agreement is not on normal commercial terms but is beneficial to the Group for the following reasons: (1) The licence fee of S\$2,000 per month paid by GLOH Fresh to the Group is reasonable and beneficial⁽⁶⁾ to the Group given that the Group has the benefit of an online platform to create greater market awareness of the *SunMoon* brand without having to incur any costs in getting up and maintaining the online portal, and (2) the current business strategy of the Group is to focus on the ‘Fresh’ division and not the operations relating to the online business which is currently targeted at retail consumers⁽¹⁾.

Notes:

- (1) Shareholders are to note that the Group’s ‘Fresh Division’ operates at a container load level and is targeted at wholesalers, distributors, supermarkets, hypermarkets, convenience stores, online retailers, chain stores, fruit services, hotels and airlines. On the contrary, the targeted customers of the “*SunMoonDirect*” online platform is to retail consumers. As a matter of comparison, the ‘Fresh Division’ exports approximately 50 container load of fruit and/or fruit-related products to one wholesale partner and the entire “*SunMoonDirect*” platform achieves about 1 quarter container load.

LETTER TO SHAREHOLDERS

- (2) By way of background to Shareholders, the Company used to run vending machine operations. Pursuant to the GLOH Licence Agreement, the intention was to grant GLOH Fresh the rights to manage the Company's vending machine operations. Subsequently, due to manpower issues, the Company ceased the vending machine operations.
- (3) The Company understands that GLOH Fresh has no plans to open retail and kiosk outlets in the foreseeable future.
- (4) The term "wholesale operation" is incorrectly used in the GLOH Licence Agreement. The parties of the GLOH Licence Agreement (i.e. GLOH Fresh and SMDT) acknowledge that the term "wholesale operation" should mean Retail Consumer Business (as defined below). GLOH Fresh, being an online e-commerce platform company, operates by selling fresh fruits and fruit-related products to retail consumers through the online platform of "SunMoonDirect" (the "**Retail Consumer Business**"). The Group does not engage in the Retail Consumer Business. However, if the Group decides to expand into the Retail Consumer Business, it has the option to work with GLOH Fresh pursuant to the GLOH Licence Agreement.
- (5) The cost incurred by GLOH Fresh of approximately S\$1.5 million includes the estimated initial set-up cost to build the GLOH Fresh platform of US\$500,000 referred to in Section 5.1.10.
- (6) As at the date of response, the Group had granted to one (1) unrelated third party for, *inter alia*, the use of the "SunMoon" brand at its retail outlets and retail-related activities (such as road shows and exhibitions). The business name of the retail outlets include the name "SunMoon" as part of its business name. In addition, the licensee also has the flexibility of purchasing its fruits and fruit-related products from other suppliers. The licensee pays a licensing fee of S\$2,000 per month to SMDT and accordingly, the licensing fee of S\$2,000 per month payable by GLOH Fresh to SMDT is not more favourable to GLOH Fresh than the licensing fee paid by the other third party licensees for the use of the SunMoon brand.

5.2 Aggregate value of SLS Licence Agreement and GLOH Fresh Licence Agreement

In respect of the SLS Licence Agreement (entered between SLS Atelier and SunMoon Retail) and the GLOH Fresh Licence Agreement (entered between GLOH Fresh and SMDT), the aggregate value of the transactions for each financial year, commencing from year 2014 (being the financial year in which the SLS Licence Agreement and GLOH Licence Agreement were signed) are below S\$100,000 and accordingly, not subject to the requirements under Rules 905 and 906 of the Listing Manual.

6 **SERVICE AGREEMENT(S)**

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

7 **DIRECTORS' RECOMMENDATION**

7.1 **Abstention from Recommendation and Voting**

Abstention from Recommendation

Mr Gary Loh Hock Chuan has informed the Board that he will abstain from making any recommendations to Shareholders in relation to the Proposed HS Transaction.

Abstention from Voting

In addition, Mr Loh has volunteered to abstain from voting his holdings of Shares (if any), and has also volunteered to ensure that his respective associates will abstain from voting their respective holdings of Shares (if any) in relation to the Proposed HS Transaction.

LETTER TO SHAREHOLDERS

7.2 Board's Recommendation

Having considered the rationale and benefits of the Proposed HS Transaction, save for Mr Loh who has abstained from making any recommendation in respect of the Proposed HS Transaction, the Directors are of the opinion that the Proposed HS Transaction is in the best interests of the Company⁽¹⁾. Accordingly, the Directors recommend that the Shareholders vote in favour of the ordinary resolution in respect of the Proposed HS Transaction at the EGM.

Note:

(1) Shareholders are to note that the Proposed HS Acquisition is subjected to the results of the Company's due diligence exercise of Harvest Season SG, the Online Business, and the 6 Stores being satisfactory to the Company.

7.3 Shareholders are to note that in the event that Shareholders' approval is not obtained for the Ordinary Resolution relating to the Proposed HS Transaction, the condition precedent as described in Section 3.5.1(iv) of the Proposed HS Acquisition will not be fulfilled. In the event of a non-fulfilment of a condition precedent, the HS SPA will terminate and the Proposed HS Acquisition will not proceed. In that event, either party may if it so wishes sue each other for any breaches of the HS SPA arising prior to the termination (including the failure to use best endeavours to procure the fulfilment of any unfulfilled conditions precedent). In respect of the Proposed HS Settlement, it will also not proceed. In that event, SMDT and Shanghai Chibin will have to renegotiate the settlement terms for the return of the frozen durians.

7.4 Further, Shareholders are to note that if Shareholders' approval is not obtained for the Ordinary Resolution relating to the Proposed HS Transaction, the Company has to re-evaluate its legal options, which may include but is not limited to, seeking legal action to recover the SM-HS Receivables.

8 EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held on 31 May 2017 for the purpose of considering and, if thought fit, passing with or without modifications the resolution set out therein.

9 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon and as soon as possible and, in any event, so as to arrive at the registered office of the Company at 1 Scotts Road, #21-07/08/09 Shaw Centre, Singapore 228208 not less than forty-eight (48) hours before the time set for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so, in place of his proxy.

As mentioned in Section 7.1 above, Mr Gary has volunteered to abstain from voting his holdings of Shares (if any), and has also volunteered to ensure that his respective associates will abstain from voting their respective holdings of Shares (if any) in relation to the Proposed HS Transaction.

LETTER TO SHAREHOLDERS

10 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed HS Transaction, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

11 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 1 Scotts Road, #21-07/08/09 Shaw Centre, Singapore 228208 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the EGM:

- (a) the HS SPA;
- (b) the two supplemental deeds dated 2 June 2016 and 23 January 2017 which extended the HS Initial Long Stop Date and the HS Revised Long Stop Date, respectively;
- (c) the HS Deed;
- (d) the Memorandum and Articles of Association of the Company; and
- (e) the Annual Report for the year ended 31 December 2015.

Yours faithfully

For and on behalf of the Board of Directors of
SunMoon Food Company Limited

Dr Tan Eng Liang
Independent Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198304656K)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “EGM”) of the shareholders (the “Shareholders”) of SunMoon Food Company Limited (the “Company”) will be held at 137 Cecil Street, #03-01, Singapore 069537 (Room Tokyo 2) on 31 May 2017 at 2.00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution which will be proposed as Ordinary Resolution:

Please note that unless otherwise defined, all capitalised terms used in this Notice bear the same meanings as ascribed to them in the Company’s circular to Shareholders (copies of which have been dispatched to Shareholders) dated 15 May 2017 (the “Circular”).

ORDINARY RESOLUTION

PROPOSED HS TRANSACTION, BEING:

- (1) THE PROPOSED HS ACQUISITION OF ORDINARY SHARES REPRESENTING 12% OF THE TOTAL ISSUED SHARE CAPITAL OF HARVEST SEASON SINGAPORE PTE. LTD.; AND**
- (2) THE PROPOSED HS SETTLEMENT OF THE RE-PURCHASE PRICE IN CONNECTION WITH THE RE-PURCHASE OF FROZEN DURIANS BY SMDT FROM SHANGHAI CHIBIN, THROUGH THE TRANSFER BY THE COMPANY TO THE VENDOR OF THE RELEVANT NUMBER OF SALE SHARES ON A PRO-RATA BASIS**

THAT:–

- (a) approval be and is hereby given for the entry by the Company into the Proposed HS Transaction, pursuant to the terms and conditions of the conditional sale and purchase agreement dated 10 February 2016 between the Company and the Vendor, as amended by (1) the supplemental deed dated 2 June 2016; (2) the HS Deed dated 11 November 2016; and (3) subsequently by the supplemental deed dated 23 January 2017 (as may be amended, modified and/or supplemented from time to time as the Directors deem desirable, necessary or appropriate) (the “HS SPA”);
- (b) approval be and is hereby given for the Company to enter into the HS SPA and the execution of the HS SPA by the Company be and is hereby ratified, confirmed and approved;
- (c) the Directors and each of them be and are hereby authorised to from time to time amend, modify and/or supplement the terms of the Proposed HS Transaction and/or the HS SPA as the Directors may deem appropriate; and
- (d) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution and implement any of the foregoing as they think fit and in the interests of the Company.

By Order of the Board of Directors

Ms Chia Lay Beng
Company Secretary

15 May 2017

IMPORTANT: PLEASE READ NOTES

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A Shareholder entitled to attend and vote at the EGM is entitled to appoint any number of proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder.
2. Where a Shareholder appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second/other named proxy/proxies shall be deemed to be an alternate to the first named.
3. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM in accordance with Section 179 of the Companies Act.
4. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), duly executed, must be deposited at the registered office of the Company at 1 Scotts Road, #21-07/08/09, Shaw Centre, Singapore 228208 not less than 48 hours before the time appointed for holding the EGM or any postponement or adjournment thereof.
5. The instrument appointing a proxy or proxies must be signed by the appointer or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
6. A Depositor's name must appear on the Depository Register maintained by the CDP at least 72 hours before the time appointed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198304656K)

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of SunMoon Food Company Limited, this PROXY FORM is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM EXTRAORDINARY GENERAL MEETING

I/We, _____ NRIC/Passport No. _____

of _____

being *a member/members of **SUNMOON FOOD COMPANY LIMITED** (the “Company”), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholding (%)

And/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholding (%)

or failing him/her or both of the persons mentioned above, the Chairman of the Meeting, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary to demand a poll, at the Extraordinary General Meeting of the Company to be held at 137 Cecil Street, #03-01, Singapore 069537 (Room Tokyo 2) on 31 May 2017 at 2.00 p.m..

(Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be cast for or against the ordinary resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, your proxy/proxies will vote or abstain from voting as he/she/they may think fit at his/her/their discretion, as he/she/they will on any other matters arising at the Extraordinary General Meeting and any adjournment thereof.)

Resolutions	Number of Votes For**	Number of Votes Against**
Ordinary Resolution To approve the Proposed HS Transaction		

** If you wish to exercise all your votes “For” or “Against”, please indicate an “X” within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total Number of Shares held

Signature of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of ordinary shares in the issued share capital of the Company (the “**Shares**”) held by you. If you have Shares entered against your name in the Depository Register (maintained by the Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the register of members of the Company (the “**Register of Members**”), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the extraordinary general meeting (the “**EGM**”) is entitled to appoint any number of proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
3. Where a Shareholder appoints more than one proxy, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second/other named proxy/proxies shall be deemed to be an alternate to the first named.
4. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.
5. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), duly executed, must be deposited at the registered office of the Company at 1 Scotts Road, #21-07/08/09, Shaw Centre, Singapore 228208 not less than 48 hours before the time appointed for holding the EGM or any postponement or adjournment thereof.
6. The instrument appointing a proxy or proxies must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The submission of an instrument or form appointing a proxy by a Shareholder does not preclude him/her from attending and voting in person at the EGM if he/she so wishes.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register maintained by the CDP at least 72 hours before the time appointed for holding the EGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (a) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”);
- (b) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.