

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**”.



SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore on 29 September 1983)
(Company Registration Number: 198304656K)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED DISPOSALS, BEING:

- (1) THE DISPOSAL OF SHARES IN FOOK YONG PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY (“FYPL DISPOSAL”) FOR THE SUM OF S\$2.00 TO FALCON VALLEY VENTURES LIMITED (“FYPL PURCHASER”), A RELATED COMPANY OF GLOBAL FOOD INGREDIENTS PTE LTD (“UAPL PURCHASER”); AND**
- (2) THE DISPOSAL OF SHARES IN UNITED AGRO PRODUCE PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY (“UAPL DISPOSAL”) FOR THE SUM OF S\$6,900,000 TO THE UAPL PURCHASER, A RELATED COMPANY OF THE FYPL PURCHASER.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	29 May 2017 at 2.30 p.m.
Date and time of Extraordinary General Meeting	:	31 May 2017 at 2.30 p.m. (or as soon thereafter following the conclusion or adjournment of Extraordinary General Meeting of the Company to be held at 2.00 p.m. on the same day and at the same place)
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:

- “Advance Payments”** : Means advance payments received by the Company from the UAPL Purchaser through two advance payment agreements dated 22 December 2016 and 7 January 2017 for the First Advance Payment and the Second Advance Payment, respectively
- “Agreed Liabilities”** : Refers to the Company and the UAPL Purchaser agreeing on a best efforts basis to reach an agreement on the exact amount of all the payables and all other liabilities (financial and others) of UAPL and Taian FHTK, including but not limited to the other outstanding debts, trade payables and other payables in UAPL and Taian FHTK
- “BOCOM”** : Bank of Communications Co., Ltd., Taian Branch (交通银行股份有限公司泰安分行)
- “BOCOM Mortgage”** : The mortgage of Taian Property in favour of BOCOM as security under the BOCOM Loan
- “BOCOM Loan”** : Means the loan agreement entered into between Taian FHTK and BOCOM which matures on 7 March 2017
- “Bulletin No. 7”** : Means the Bulletin on Several Issues Concerning the Enterprise Income Tax on Indirect Asset Transfer by Non-Resident Enterprises
- “Bulletin No. 24”** : Means the Bulletin on Several Issues Concerning the Administration of Enterprise Income Tax by Non-Resident Enterprises
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 15 May 2017
- “Circular 698”** : Means the Notice Reinforcing the Administration of Enterprise Income Tax on Income Derived From Equity Transfers by Non-resident Enterprises, (Guoshuihan [2009] No. 698)
- “Company” or “SunMoon”** : SunMoon Food Company Limited
- “Companies Act”** : Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
- “Directors” or “Board”** : The directors of the Company, including alternate directors of the Company (if any) as at the date of this Circular

DEFINITIONS

“EGM”	:	The extraordinary general meeting of the Company to be held on 31 May 2017 at 2.30 p.m. (or as soon thereafter following the conclusion or adjournment of Extraordinary General Meeting of the Company to be held at 2.00 p.m. on the same day and at the same place), notice of which is set out in the Notice of EGM
“First Advance Payment”	:	Means the advance payment sum of S\$310,000 received by the Company on 22 December 2016 pursuant to an advance payment agreement dated 22 December 2016
“FYPL”	:	Fook Yong Pte. Ltd., a wholly-owned subsidiary of UAPL
“FYPL Conditions Precedent”	:	Means the conditions precedent as provided in the FYPL SPA, details of which are set out in Section 2.7.2
“FYPL Consideration”	:	Means the sum of S\$2.00
“FYPL Disposal”	:	Means the disposal of 8,791,543 ordinary shares representing the total number of issued shares in the share capital of FYPL to the FYPL Purchaser for the consideration of S\$2
“FYPL Group”	:	Means FYPL and its wholly-owned subsidiary, Old Taian
“FYPL Group Companies’ Officers”	:	Means the directors, supervisors, legal representative, secretaries, tax agents and/or auditors of the FYPL and Old Taian (as the case may be)
“FYPL Long Stop Date”	:	30 June 2017
“FYPL Purchaser”	:	Falcon Valley Ventures Limited
“FYPL Sale Shares”	:	Means the 8,791,543 ordinary shares representing 100% of the total number of issued shares in the share capital of FYPL
“FYPL SPA”	:	The conditional sale and purchase agreement dated 31 December 2016 entered into between the FYPL Warrantors and the FYPL Purchaser
“FYPL Warrantors”	:	Means UAPL (as the vendor) and the Company (as guarantor)
“Guarantor Group”	:	Means the Company, the holding company from time to time of the Company and any subsidiary or associated company from time to time of the Company or such holding company (but excluding the Vendor Group and the FYPL Group)
“SunMoon Group”	:	The Company and its subsidiaries

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
“Notice of EGM”	:	The Notice of EGM as set out on pages 34 to 35 of this Circular
“Old Taian”	:	Taian Fook Huat Tong Kee Foodstuff Co., Ltd (泰安复发中记食品有限公司), a wholly-owned subsidiary of the FYPL
“Old Taian Property”	:	Means the land and buildings owned by Old Taian
“PRC”	:	People’s Republic of China
“Proposed Disposals”	:	Means the FYPL Disposal and the UAPL Disposal
“Register of Members”	:	Register of members of the Company
“RMB”	:	Renminbi, the lawful currency of the People’s Republic of China
“Second Advance Payment”	:	Means the advance payment sum of S\$140,000 received by the Company on 7 January 2017 pursuant to an advance payment agreement dated 7 January 2017
“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

DEFINITIONS

“Shareholder’s Loan”	:	Means all loans from the Company to Taian FHTK as reflected in the audited accounts for the financial year ended 31 December 2016 as inter-company payables and any additional loans and payables from the Company to Taian FHTK prior to the UAPL Completion Date, including but not limited to assets in the amount of RMB37,707,720 (approximately S\$7,696,000 based on the exchange rate of S\$1 to RMB4.8997 as at the Latest Practicable Date) injected into Taian FHTK by the Company by way of shareholder’s loans. As at the Latest Practicable Date, the total amount of Shareholder’s Loan is RMB36,753,892 (approximately S\$7,501,000 based on the exchange rate of S\$1 to RMB4.8997 as at the Latest Practicable Date)
“Shares”	:	Ordinary shares in the issued share capital of the Company
“SMDT”	:	Means SunMoon Distribution & Trading Pte Ltd, a wholly-owned subsidiary of the Company
“Substantial Shareholder”	:	A person who has an interest directly or indirectly in 5% or more of the total number of Shares
“SunMoon Shanghai”	:	Means SunMoon Food (Shanghai) Co., Ltd (膳明食品贸易(上海)有限公司), an indirect wholly-owned subsidiary of the Company
“S\$”	:	The lawful currency of the Republic of Singapore
“Taian FHTK”	:	Taian FHTK Foodstuffs Co., Ltd. (泰安富华同康食品有限公司), a wholly-owned subsidiary of UAPL
“Taian Property”	:	Means the land and buildings owned by Taian FHTK
“Trade Receivables”	:	Means S\$2,800,000, being the aggregate sum of trade receivables of Taian FHTK due from the Company, the holding company from time to time of the Company and any subsidiary or associated company from time to time of the Company or such holding company (but excluding UAPL and Taian FHTK)
“UAPL”	:	United Agro Produce Pte Ltd, a wholly-owned subsidiary of the Company
“UAPL Completion”	:	Means completion of the UAPL Disposal as provided for in the UAPL SPA
“UAPL Completion Date”	:	Means the completion date of the UAPL Completion as provided for in the UAPL SPA

DEFINITIONS

“UAPL Conditions Precedent”	:	Means the conditions precedent as provided in the UAPL SPA, details of which are set out in Section 2.8.7
“UAPL Consideration”	:	Means the sum of S\$6,900,000 comprising of: (a) S\$3,150,000, being the market value of Taian FHTK; (b) S\$950,000, being the market value of UAPL; and (c) S\$2,800,000, being the aggregate sum of Trade Receivables
“UAPL Disposal”	:	Means the disposal of 2 ordinary shares representing the total number of issued shares in the share capital of UAPL to the UAPL Purchaser for the UAPL Consideration
“UAPL Group Companies”	:	Means UAPL and its wholly-owned subsidiary, Taian FHTK
“UAPL Group Companies’ Officers”	:	Means the directors, supervisors, legal representative, secretaries, tax agents and/or auditors of the Company and Taian FHTK (as the case may be)
“UAPL Long Stop Date”	:	30 June 2017
“UAPL Outgoing Staff”	:	Means the employees of UAPL and Taian FHTK who will not be retained
“UAPL Purchaser”	:	Global Food Ingredients Pte Ltd
“UAPL Purchaser’s Shareholder”	:	Quintegra Ventures Inc.
“UAPL Purchaser’s Loan”	:	Means the amount of RMB4,800,000 which the UAPL Purchaser and/or its designated entity paid on behalf of Taian FHTK to settle in full the outstanding amount of the BOCOM Loan owed by Taian FHTK to BOCOM
“UAPL Sale Shares”	:	Means the 2 ordinary shares representing 100% of the total number of issued shares in the share capital of UAPL
“UAPL SPA”	:	The conditional sale and purchase agreement dated 14 February 2017 entered into between the Company and the UAPL Purchaser
“Valuation Report”	:	Means the valuation report dated 2 November 2016

DEFINITIONS

“Vendor Group” : Means the UAPL, the holding company from time to time of UAPL and any subsidiary or associated company from time to time of UAPL or such holding company (but excluding the FYPL Group)

“%” 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

PROPOSED DISPOSAL OF:

- (1) **SHARES IN FOOK YONG PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY (“FYPL DISPOSAL”) FOR THE SUM OF S\$2.00 TO THE FYPL PURCHASER, A RELATED COMPANY OF THE UAPL PURCHASER; AND**
- (2) **SHARES IN UNITED AGRO PRODUCE PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY (“UAPL DISPOSAL”) FOR THE SUM OF S\$6,900,000 TO THE UAPL PURCHASER, A RELATED COMPANY OF THE FYPL PURCHASER.**

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 Disposals, being:
 - (1) the proposed disposal of 8,791,543 ordinary shares representing the total number of issued shares in the share capital of FYPL to the FYPL Purchaser pursuant to the FYPL SPA entered between UAPL (as the vendor) and the Company (as a guarantor) (collectively, the “**FYPL Warrantors**”) and the FYPL Purchaser (as the purchaser); and
 - (2) the proposed disposal of 2 ordinary shares representing the total number of issued shares in the share capital of UAPL to the UAPL Purchaser pursuant to the UAPL SPA entered between the Company (as the vendor) and the UAPL Purchaser (as the purchaser).
- 1.2 Pursuant to the FYPL SPA and the UAPL SPA, the FYPL Disposal shall complete first followed by the completion of the UAPL Disposal. Following completion of the FYPL Disposal and the UAPL Disposal, the Company will cease to have an interest in UAPL and its wholly-owned subsidiaries namely, the Taian FHTK and the FYPL Group.

LETTER TO SHAREHOLDERS

- 1.3 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 34 to 35 of this Circular.
- 1.4 The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED DISPOSALS

Background of UAPL and its subsidiaries, namely the Taian FHTK and the FYPL Group

- 2.1 Prior to 31 December 2015, the Company operated mainly in the two operating segments, namely:
- (a) The agricultural products division distributes fresh garlic and manufactures dehydrated garlic and onion products (“**Produce Division**”); and
 - (b) The fruits division procures and distributes fresh fruits and processed fruits globally (“**Fresh Division**”).
- 2.2 *Intentionally left blank*
- 2.3 The SunMoon Group has discontinued the production and sale of dehydrated garlic and onions in the Produce Division since 2015. The SunMoon Group continues to distribute fresh garlic, operations of which, have been moved to the Fresh Division.
- 2.4 In line with the discontinuation of the Produce Division, the SunMoon Group leased out its dehydrated factory located in Tai’an City by way of a tenancy agreement⁽¹⁾⁽²⁾ to Taian Fenghui Tongkai Foods Co., Ltd, a wholly-owned subsidiary of the UAPL Purchaser.

Notes:

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

The Company understands that the Lessee is using the production factory for its dehydrated operations.

- (2) Shareholders are to note that the tenancy agreement dated 20 June 2015 is separate and different from the Tenancy Agreement 2008 and Tenancy Agreement 2014. The tenancy agreement dated 20 June 2015 is a lease from Taian FHTK to the Lessee. The Tenancy Agreement 2008 and Tenancy Agreement 2014 between Old Taian and SunMoon Shanghai is an inter-company lease of Nos. 1 to 4 warehouse located at the production factory in Fan Town Industrial Park (范镇工业园), Taian City, Shandong Province, People’s Republic of China. Both Old Taian and SunMoon Shanghai are subsidiaries of the Company as at Latest Practicable Date.

LETTER TO SHAREHOLDERS

2.5 RATIONALE FOR THE PROPOSED DISPOSALS

2.5.1 Fulfilling current business strategy

The SunMoon Group's business model is to focus on "*network*", "*geography*" and "*product*". The Proposed Disposals is in line with the SunMoon Group's current business strategy to focus its resources on the Fresh Division. The Proposed Disposals is also consistent with the business strategy of the Company to streamline its business activities and to shift into an asset-light consumer-centric and brand-focused business model.

2.5.2 Improve financial position for business continuity

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

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

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

2.6 INFORMATION ON FYPL PURCHASER AND THE UAPL PURCHASER

The FYPL Purchaser, Falcon Valley Ventures Limited, is a company incorporated in the British Virgin Islands and is primarily an investment holding company. Quintegra Ventures Inc. is the parent company to both FYPL Purchaser and UAPL Purchaser and accordingly, FYPL Purchaser is a related company (as defined in Section 6 of the Companies Act) to the UAPL Purchaser.

The UAPL Purchaser, Global Food Ingredients Pte Ltd, company registration number (201525757C), is a company incorporated in Singapore and is primarily in the business of supplying food ingredients. The shareholder of UAPL Purchaser is Quintegra Ventures Inc. (the "**UAPL Purchaser's Shareholder**"). The UAPL Purchaser's Shareholder is an investment holding company that primarily makes investments into food-related industries.

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

2.7 SALIENT DETAILS OF THE FYPL SPA

2.7.1 Consideration for the FYPL Disposal

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

On completion, the Company will receive S\$2.

LETTER TO SHAREHOLDERS

2.7.2 Conditions of the FYPL SPA

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

- (a) the Company to obtain the necessary shareholders' approval at the extraordinary general meeting for the sale of the FYPL Sale Shares;
- (b) the results of a special review and a due diligence exercise by FYPL Purchaser;
- (c) the FYPL Warrantors supplying, or procuring, *inter alia*, each of the FYPL Group to supply to FYPL Purchaser, all of the information requested by the Purchaser in connection with the special audit/review and due diligence exercise referred to in Section 2.7.2(b) above;
- (d) the receipt by the FYPL Purchaser of such waivers or consents as may be necessary to enable the FYPL Purchaser and/or its nominee(s) to be registered as holder of any and all of the FYPL Sale Shares;
- (e) the resignation by the FYPL Group Companies' Officers, and the full settlement and payment of all outstanding payments and claims of the FYPL Group Companies' Officers (if there is any);
- (f) the FYPL Warrantors not having committed any breach of any warranties, or any breach of any covenants and undertakings required to be performed or caused to be performed by them under the FYPL SPA on or before the FYPL Completion Date;
- (g) the conditions specified in clause 3.1(g) of the UAPL SPA having been fulfilled or waived as the case may be (such conditions are elaborated in Section 2.8.7 of this Circular below);
- (h) all other consents and approvals required under any and all applicable laws for the sale of the FYPL Sale Shares being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to FYPL Purchaser in its sole and absolute discretion;
- (i) there being no notice of any injunction or other order, directive or notice restraining or prohibiting the transactions under the FYPL SPA;
- (j) the FYPL Warrantors procuring Old Taian and SunMoon Shanghai to enter into a novation agreement with FYPL Purchaser's designated entity pursuant to which SunMoon Shanghai shall assign, transfer and conveys all of its rights, title, obligations and interest in to and under the Tenancy Agreement 2008⁽¹⁾ and the Tenancy Agreement 2014⁽²⁾ as a tenant to the FYPL Purchaser's designated entity on or before the FYPL Completion;

Notes:

- (1) "**Tenancy Agreement 2008**" means the tenancy agreement entered into between Old Taian and SunMoon Shanghai on 1 November 2008 pursuant to which SunMoon Shanghai rented from Old Taian certain buildings in the land and the buildings. SunMoon Shanghai used the leased premises

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as warehouses. The annual rental fee is RMB20,000.00 (approximately S\$4,082 based on the exchange rate of S\$1 to RMB4.8997 as at Latest Practicable Date **Source: Bloomberg**) for a rental period of 10 years beginning from 1 November 2008.

- (2) **“Tenancy Agreement 2014”** means the tenancy agreement entered into between Old Taian and SunMoon Shanghai on 25 June 2014 pursuant to which SunMoon Shanghai rented from Old Taian certain buildings in the land and the buildings. SunMoon Shanghai used the said buildings as warehouses. The annual rental fee is RMB60,000.00 (approximately S\$12,246 based on the exchange rate of S\$1 to RMB4.8997 as at Latest Practicable Date) for a rental period of 5 years beginning from 31 October 2018.

The premises (i.e. the Nos. 1 to 4 warehouses located at the production factory in Fan Town Industrial Park (范镇工业园), Taian City, Shandong Province, People’s Republic of China) in which SunMoon Shanghai is using in respect of the Tenancy Agreement 2008 and the Tenancy Agreement 2014 are both the same.

- (k) there being no intra-group indebtedness owing at FYPL Completion from any FYPL Group company to any member of the Guarantor Group (as defined below) and that all intra-group guarantees have been fully and completely discharged as at FYPL Completion; and
- (l) there being no compulsory notices, orders or resolutions affecting the Old Taian Property or notice of intended compulsory acquisition affecting the Old Taian Property,

(the **“FYPL Conditions Precedent”**).

“Guarantor Group” means the SunMoon Food Company Limited, the holding company from time to time of SunMoon Food Company Limited and any subsidiary or associated company from time to time of the SunMoon Food Company Limited or such holding company (but excluding the Vendor Group (as defined below) and the FYPL Group)

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

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

Other terms of the FYPL SPA

- 2.7.4 In consideration of the FYPL Purchaser agreeing to enter into the FYPL SPA, the Company (as a guarantor) has guaranteed and undertook to the FYPL Purchaser as primary obligor the performance by UAPL of all the undertakings, covenants, agreements and obligations as set out in the FYPL SPA and the due and punctual payment to the FYPL Purchaser and/or its nominee(s) of all sums which are payable to the FYPL Purchaser and/or its nominee(s) under the FYPL SPA, and in the event that UAPL is unable to perform any of its undertakings, covenants, agreements and obligations as set out in the FYPL SPA, the Company (as the guarantor) shall forthwith perform such undertakings, covenants, agreements and obligations.

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2.7.5 Pursuant to the FYPL SPA, each of the FYPL Warrantors irrevocably jointly and severally undertakes to, *inter alia*, keep the FYPL Purchaser, fully and effectively indemnified against any and all losses, costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever (including but not limited to all legal costs or attorney's fees on a full indemnity basis) that any of them may incur or suffer in connection with or arising from any breach (actual or alleged) or inaccuracies of any of the warranties and/or default by any of the FYPL Warrantors of its obligations under the FYPL SPA.

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

- (a) any actions, claims, penalties, losses and damages arising from or resulting from any failure to pay and discharge, or cause to be paid and discharged, all its intra-group indebtedness and intra-group guarantees;
- (b) any taxation claims arising out of or in connection with the land and the buildings owned, leased or occupied by Old Taian in respect any transaction effected or deemed to have been effected on or before FYPL Completion;
- (c) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the FYPL Group Companies' Officers prior to or on FYPL Completion in respect of matters arising on or before FYPL Completion;
- (d) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the acquisition, development and construction on or before FYPL Completion of the land and the buildings owned, leased or occupied by Old Taian;
- (e) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with any employment disputes;
- (f) any claim arising out of or in connection with any unfulfilled FYPL Conditions Precedent, or any unsatisfied obligations of the FYPL Warrantors as at the FYPL Completion Date, which the FYPL Purchaser has waived for the purposes of proceeding with FYPL Completion;

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

2.7.7 In the event of default by any of the FYPL Warrantors in the payment on demand of any sum due under the FYPL SPA determined by agreement or pursuant to an order of court, the liability of the FYPL Warrantors shall be increased to include interest on such sum from the due date of payment of such sum by the FYPL Warrantors towards satisfaction of any liability of the FYPL Warrantors under or pursuant to the FYPL SPA to the date of actual payment by the FYPL Warrantors (as well after as before judgment) at a rate per annum being 10% above the prime lending rate for Singapore Dollars as quoted by DBS Bank in Singapore (or any successor entity thereof) from time to time.

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- 2.7.8 Where any of the FYPL Warrantors is required by law to make any deductions or withholding from any sum payable by it to the FYPL Purchaser under the FYPL SPA, such FYPL Warrantors shall forthwith pay to the FYPL Purchaser such additional amount or amounts so as to ensure that the net amount received by the FYPL Purchaser shall be equal to the full amount which it would have received had no such deduction or withholding been made or required to be made.
- 2.7.9 The FYPL Purchaser may by written notice given to the other parties at any time prior to FYPL Completion terminate the FYPL SPA (save for the surviving clauses) upon the occurrence of, *inter alia*, any of the following:
- (i) a material breach of the warranties;
 - (ii) a material breach of any covenants, obligations and agreements required to be performed or caused to be performed by the FYPL Warrantors under the FYPL SPA;
 - (iii) a material default by FYPL and/or Old Taian in any of its obligations by which FYPL and/or Old Taian is or may become bound;
 - (iv) the issuance of any received notice of any injunction or other order, directive or notice by any entity body with competent jurisdiction restraining or prohibiting the consummation of any transactions contemplated by the FYPL SPA or notice that any of the foregoing is pending or threatened;
 - (v) a material adverse change in the business, affairs, operations, assets, financial condition or prospects of FYPL and/or Old Taian or to the Old Taian Property since the date of signing of the FYPL SPA;
 - (vi) a change (or any development including a prospective change) in the national or international monetary, financial, economic or political conditions or currency exchange rates or foreign exchange controls that would have a material adverse effect on the business, operations, assets, profits, financial condition or prospects of FYPL and/or Old Taian or to the Old Taian Property since the date of signing of the FYPL SPA;
 - (vii) the FYPL or the FYPL Warrantors having taken or threatened to take any action as a result of or in anticipation of any transaction that would be materially inconsistent with any of the warranties; or
 - (viii) the relevant authorities having enacted or proposed any legislation (including any subordinate legislation) which would prohibit, materially restrict or materially delay the implementation of any transaction or the operations of FYPL and/or Old Taian,

in which case neither party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the FYPL Purchaser against the FYPL Warrantors or any of the FYPL Warrantors against the FYPL Purchaser arising from an antecedent breach of the terms including the undertakings contained in the FYPL SPA.

2.7.10 It is further provided in the FYPL SPA that the FYPL Warrantors shall:

- (a) make all tax (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation) filings, submit all documentation and provide such information, in each case within the applicable time limits, as is required or requested by applicable governmental entities under applicable law arising from or in connection with the sale of the FYPL Sale Shares and any transaction contemplated by the FYPL SPA, including all such filings and returns required under

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the PRC laws, namely Circular 698, the Bulletin No. 24 and the Bulletin No. 7 arising from or in connection with the sale of the FYPL Sale Shares and any transactions contemplated by the FYPL SPA;

- (b) settle all taxes (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation), within the applicable time limits, levied or demanded or otherwise payable arising from or in connection with the sale of the FYPL Sale Shares and any transactions contemplated by the FYPL SPA, including payment of all taxes (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation) required in the PRC within the required time limits in accordance with applicable PRC laws and regulations;
- (c) provide such information with respect to the FYPL Warrantors' compliance with this provision as reasonably requested by the FYPL Purchaser; and
- (d) indemnify the FYPL Purchaser against all taxation (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation) payable by any of the FYPL Purchaser, FYPL and/or Old Taian pursuant to Circular 698, Bulletin No. 24 and/or Bulletin No. 7 arising from or in connection with the sale of the FYPL Sale Shares and any transactions contemplated by the FYPL SPA.

The Company confirms that there are no significant tax filings and/or payables as at Latest Practicable Date.

2.8 SALIENT DETAILS OF THE UAPL SPA

Consideration for the UAPL Disposal

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

- (a) S\$3,150,000, being the market value of Taian FHTK;
- (b) S\$950,000, being the market value of UAPL; and
- (c) S\$2,800,000, being the aggregate sum of the Trade Receivables⁽¹⁾.

Note:

(1) *The Trade Receivables were in respect of the sale of fresh garlic, ginger, carrots etc. from Taian FHTK to SMDT.*

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

- (a) the amount equivalent to the UAPL Purchaser's Loan⁽¹⁾ (i.e. RMB6,000,000 approximately S\$1,229,709.78) (as described in Section 2.8.7(e)(i) below) in Singapore Dollars by offsetting such UAPL Purchaser's Loan;
- (b) the First Advance Payment (i.e. S\$310,000) (as described in Section 2.8.3(a) below);
- (c) the Second Advance Payment (i.e. S\$140,000) (as described in Section 2.8.3(a) below);

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- (d) any further advance payment paid to the Company and/or the Company, the holding company from time to time of the Company⁽²⁾ and any subsidiary or associated company from time to time of the Company or such holding company⁽²⁾ (but excluding UAPL and Taian FHTK) by the UAPL Purchaser and/or its designated entity (if there is any) before UAPL Completion. Save as disclosed in Sections 2.8.2(b) and (c) above, the Company confirms that there are no further advance payments as at Latest Practicable Date; and
- (e) the amount equivalent to the Trade Receivables (i.e. S\$2,800,000) which has been assigned to the UAPL Purchaser by Taian FHTK by offsetting such Trade Receivables. Please refer to Section 2.8.3(b) below for an elaboration of the aforesaid assignment.

Notes:

- (1) *Shareholders are to note that the UAPL Purchaser had paid on behalf of the Company RMB6,000,000 (being S\$1,229,709.78 based on the median rate of the RMB4.8792 to Singapore Dollar 1 exchange rate as quoted by the People's Bank of China as at 3 March 2017) instead of RMB4,800,000 and thus, the UAPL Purchaser's Loan should be RMB6,000,000. For more details of the UAPL Purchaser's Loan, Shareholders should refer to Section 2.8.7(e)(i) below.*
- (2) *As at LPD, there is no holding company of the Company. Based on the register of shareholder as set out in Section 4.3, the largest shareholder is First Alverstone Capital Ltd and it owns approximately 25.32%.*

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

Note:

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

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

- 2.8.4 The remaining balance of the UAPL Consideration after offsetting the items set out in Section 2.8.2 (the "**Balance Consideration**") shall be satisfied by the UAPL Purchaser in four (4) tranches as follows:

- (a) on the completion date of the UAPL Disposal ("**UAPL Completion Date**"), the UAPL Purchaser shall pay or shall cause to be paid the first payment (after offsetting the Agreed Liabilities) to the Company;
- (b) on the second payment date (being a date falling 30 days after the UAPL Completion Date), the UAPL Purchaser shall pay or shall cause to be paid the second payment to the Company;
- (c) on the third payment date (being a date falling 30 days after the second payment date), the UAPL Purchaser shall pay or shall cause to be paid the third payment to the Company; and

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

Illustration

Assuming completion of the UAPL SPA as at LPD, an illustration of the amount to be payable to the Company being the Balance Consideration is set out as follow:

- (i) The following items would be deemed paid and would accordingly be deducted/offset from the UAPL Consideration (of S\$6,900,000):
- (a) UAPL Purchaser's Loan of RMB 6,000,000⁽¹⁾ (being approximately S\$1,229,709.78) (as described in Section 2.8.7(e)(i) below);
 - (b) First Advance Payment of S\$310,000;
 - (c) Second Advance Payment of S\$140,000; and
 - (d) Trade Receivables of S\$2,800,000.

Note:

- (1) Shareholders are to note that the UAPL Purchaser had paid on behalf of the Company RMB6,000,000 (being S\$1,229,709.78 based on the median rate of the RMB4.8792 to Singapore Dollar 1 exchange rate as quoted by the People's Bank of China as at 3 March 2017) instead of RMB4,800,000 and thus, the UAPL Purchaser's Loan should be RMB6,000,000. For more details of the UAPL Purchaser's Loan, Shareholders should refer to Section 2.8.7(e)(i) below.

Accordingly, the illustrated Balance Consideration would be S\$2,420,290.22 ("**Illustrated Balance Consideration**").

- (ii) The Illustrated Balance Consideration would be paid to the Company in four (4) tranches of S\$605,072.56 in respect of each tranche subject to the deductions that may be made in respect of the first tranche.
- (iii) The first tranche of the Balance Consideration of S\$605,072.56 will be subjected to a further deduction of an Agreed Liabilities sum. As at LPD, there is no Agreed Liabilities and as such, there is no further deduction as a result of Agreed Liabilities. Accordingly, the Board believes that there will be no Agreed Liabilities as at UAPL Completion.
- 2.8.5 If the Company and the UAPL Purchaser is unable to agree on the amount of Agreed Liabilities, it shall be determined by an expert to be appointed by agreement between the Company and the UAPL Purchaser.
- 2.8.6 If there are any new liabilities of the UAPL and/or Taian FHTK which is caused by the Company or any existing liabilities of the Company and/or Taian FHTK incurred before UAPL Completion but only discovered between the UAPL Completion Date and the final payment date (as described in Section 2.8.4(d) above), such liabilities shall be deducted from the amounts of the second payment, the third payment and/or the final payment (as the case may be).

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Conditions of the UAPL SPA

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

- (a) the Company to obtain the necessary shareholders' approval at the extraordinary general meeting for the sale of the UAPL Sale Shares;
- (b) the results of a special review and a due diligence exercise by UAPL Purchaser;
- (c) the Company supplying, or procuring each of the UAPL Group Companies to supply to the UAPL Purchaser, all of the information (in such detail as may be satisfactory to the UAPL Purchaser) before the UAPL Completion Date;
- (d) the receipt by the UAPL Purchaser of such waivers or consents as may be necessary to enable the UAPL Purchaser and/or its nominee(s) to be registered as holder of any and all of the UAPL Sale Shares;
- (e) in relation to the loan agreement ("**BOCOM Loan Agreement**") entered into between Taian FHTK and Bank of Communications Co., Ltd., Taian Branch (交通银行股份有限公司泰安分行) ("**BOCOM**") which matures on 7 March 2017 ("**BOCOM Loan**"), before the maturity date of the BOCOM Loan:
 - (i) the remaining outstanding amount of RMB4,800,000 (being S\$983,767.83 based on the median rate of the RMB4.8792 to Singapore Dollar 1 exchange rate as quoted by the People's Bank of China as at 3 March 2017)⁽¹⁾ owed to BOCOM under the BOCOM Loan have been fully repaid by the UAPL Purchaser and/or its designated entity on behalf of Taian FHTK ("**UAPL Purchaser's Loan**");

Notes:

- (1) *Shareholders are to note that the UAPL Purchaser had paid on behalf of the Company RMB6,000,000 (being S\$1,229,709.78 based on the median rate of the RMB4.8792 to Singapore Dollar 1 exchange rate as quoted by the People's Bank of China as at 3 March 2017) instead of RMB4,800,000 and thus, the UAPL Purchaser's Loan should be RMB6,000,000.*
 - (2) *Shareholders are to note that under the UAPL SPA, the exchange rate as described above will be determined on 1 March 2017 or any other day the parties may mutually agree in writing. As the BOCOM Loan was paid for and discharged on 3 March 2017, parties have mutually agreed on the exchange rate dated 3 March 2017.*
- (ii) the BOCOM Mortgage has been duly terminated, released and discharged in accordance with PRC laws and regulations, and the relevant discharge documents; and
 - (iii) the relevant original documents in respect of the discharge of the BOCOM Mortgage updated have been delivered to the UAPL Purchaser by 5 March 2017;

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- (f) the resignation of the UAPL Group Companies' Officers and the UAPL Outgoing Staff, and full settlement and payment of all outstanding payments and claims of the UAPL Group Companies' Officers and UAPL Outgoing Staff in accordance with the relevant employment legislation and on the terms as set out in the UAPL SPA;
- (g) all representations, warranties and undertakings given by the Company remain true, accurate and effective as of the UAPL Completion Date, and the Company not having committed any material breach of any warranties, or any breach of any covenants and undertakings required to be performed or caused to be performed by the Company under the UAPL SPA on or before the UAPL Completion Date;
- (h) the completion of FYPL Disposal;
- (i) all other consents and approvals required under any and all applicable laws for the sale of the UAPL Sale Shares;
- (j) all other consents and approvals required under any instrument, contract, document or agreement to which the Company or a UAPL Group Company is a party;
- (k) there being no notice of any injunction or other order, directive or notice restraining or prohibiting the UAPL SPA;
- (l) there being no compulsory notices, orders or resolutions (including but not limited to compulsory acquisition) affecting the land and buildings owned by Taian FHTK ("**Taian Property**") or notice of intended compulsory acquisition affecting the Taian Property; and
- (m) the Shareholder's Loans have been assigned to UAPL by the Company and there being no intra-group indebtedness owing at UAPL Completion by UAPL Group to any member of the SunMoon Group (but excluding UAPL Group) and that all intra-group guarantees have been fully and completely discharged as at UAPL Completion.⁽¹⁾ "**Shareholder's Loans**" means (i) all loans from the Company to Taian FHTK as reflected in the audited accounts for the financial year ended 31 December 2016 as inter-company payables (ii) any additional loans and payables from the Company to Taian FHTK prior to the UAPL Completion Date, including but not limited to (iii) assets in the amount of RMB37,707,720⁽¹⁾ injected into Taian FHTK by the Company by way of shareholder's loans. As at LPD, the Shareholder's Loans is RMB36,753,892⁽²⁾.

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

Notes:

- (1) Shareholders are to note that as part of the SunMoon Group's internal restructuring, and with the agreement of the UAPL Purchaser, the Shareholder's Loans, being the intra-group receivable sum of RMB36,753,892 (approximately S\$7,501,000 based on the exchange rate as at Latest Practicable Date) owed from Taian FHTK to the Company, will be assigned from the Company to UAPL such that the intra-group receivable will be owed by Taian FHTK to UAPL. Thereafter, UAPL will through an internal restructuring assign the intra-group receivable to SMDT such that the intra-group receivable will be owed by Taian FHTK to SMDT.

In addition, the Company (through SMDT) intends to purchase from Taian FHTK the business of sourcing and procurement of Fresh produce which includes Taian FHTK's network of suppliers and packers ("**Fresh agriculture business**") at the consideration of S\$3,000,000 and is currently in discussions with the auditors on the possibility of attributing a business value of S\$3,000,000 for the Fresh agriculture

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business. Pursuant to the acquisition of the Fresh agriculture business from Taian FHTK, SMDT will offset the sum of S\$3,000,000 (which is payable from SMDT to Taian FHTK) from the RMB36,753,892, approximately S\$7,501,000 (which is payable from Taian FHTK to SMDT).

Thereafter, the Company will write-off the balance sum of inter-company debts which amounts to approximately S\$4,000,000. The balance sum of inter-company debts which amounts to approximately S\$4,000,000 has been factored into relevant computations of the gain/loss on disposal and net asset value of UAPL Group, as set out in Section 3.1.2. The above internal restructuring will be completed prior to the UAPL Completion.

(2) RMB36,753,892 (approximately S\$7,501,000 based on the exchange rate of S\$1 to RMB4.8997 as at Latest Practicable Date).

2.8.8 The Company and UAPL Purchaser shall, before UAPL Completion, use their best efforts to reach an agreement on the exact amount of all the payables and all other liabilities (financial and others) of the Company and Taian FHTK, including but not limited to the other outstanding debts, trade payables and other payables in the Company and Taian FHTK being the Agreed Liabilities, if there is any. The Company confirms that there are no Agreed Liabilities as at the Latest Practicable Date.

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

Other terms of the UAPL SPA

2.8.10 On UAPL Completion, the Company shall, *inter alia*, deliver to or procure the delivery to the UAPL Purchaser of all of the following:

- (a) an acknowledgement substantially in the form set out in the UAPL SPA signed by a director of the Company confirming:
 - (i) any payment liabilities owing from UAPL to the Company in respect of the consideration being the sum of USD\$2,000,000^(A) payable to the Company by 30 June 2017 pursuant to the transfer of all equity interest in Taian FHTK from the Company to UAPL pursuant to the sale and purchase agreement (股权转让协议书)^(B) entered into between the Company and UAPL dated 1 July 2016 has been fully settled and/or released and/or waived as at UAPL Completion;

Notes:

(A) The sum of USD\$2,000,000 (approximately S\$2,685,000) payable from UAPL to the Company will be waived and has been factored into relevant computations of the gain/loss on disposal and net asset value of UAPL Group, as set out in Section 3.1.2.

(B) The sale and purchase agreement (股权转让协议书) dated 1 July 2016 relates to the transfer of the Company's investment in Taian FHTK to UAPL for the consideration sum of USD\$2,000,000 (approximately S\$2,685,000).

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- (ii) the Company has assigned and transferred all of its present and future rights, title and interest in and to, and all benefits accrued and to accrue to the Company under the Shareholder's Loans (as defined in Section 2.8.7(m)) (including all moneys now due or in the future paid or payable thereunder) to UAPL on and with effect from the UAPL Completion Date upon UAPL Completion at the consideration of S\$1.00 ("**Assignment of Shareholder's Loans**"),⁽¹⁾ and the Company further confirms that (A) the UAPL Group Companies will not be subject to any corresponding payment obligations and liabilities to the Company arising from and in connection with such Assignment of Shareholder's Loans; (B) there is no any profit gain of the UAPL Group Companies arising from this Assignment of Shareholder's Loans; and (C) upon assignment pursuant to the Assignment of Shareholder's Loans, such Shareholder Loan has been reflected and recorded under the share premium account in the shareholders' equity portion of the balance sheet of UAPL; and

Note:

- (1) *Shareholders are to note that as part of the SunMoon Group's internal restructuring, and with the agreement of the UAPL Purchaser, the Shareholder's Loans, being the intra-group receivable sum of RMB36,753,892 (approximately S\$7,501,000 based on the exchange rate as at Latest Practicable Date) owed from Taian FHTK to the Company, will be assigned from the Company to UAPL such that the intra-group receivable will be owed by Taian FHTK to UAPL. Thereafter, UAPL will through an internal restructuring assign the intra-group receivable to SMDT such that the intra-group receivable will be owed by Taian FHTK to SMDT.*

*In addition, the Company (through SMDT) intends to purchase from Taian FHTK the business of sourcing and procurement of Fresh produce which includes Taian FHTK's network of suppliers and packers ("**Fresh agriculture business**") at the consideration of S\$3,000,000 and is currently in discussions with the auditors on the possibility of attributing a business value of S\$3,000,000 for the Fresh agriculture business. Pursuant to the acquisition of the Fresh agriculture business from Taian FHTK, SMDT will offset the sum of S\$3,000,000 (which is payable from SMDT to Taian FHTK) from the RMB36,753,892, approximately S\$7,501,000 (which is payable from Taian FHTK to SMDT).*

Thereafter, the Company will write-off the balance sum of inter-company debts which amounts to approximately S\$4,000,000. The balance sum of inter-company debts which amounts to approximately S\$4,000,000 has been factored into relevant computations of the gain/loss on disposal and net asset value of UAPL Group, as set out in Section 3.1.2. The above internal restructuring will be completed prior to the UAPL Completion.

- (iii) confirming there is no intra-group indebtedness owing at UAPL Completion by the UAPL Group Companies to any member of the SunMoon Group and that all intra-group guarantees have been fully and completely discharged as at UAPL Completion.
- (b) a deed of discharge and release in the agreed form duly executed by the Company and the UAPL Purchaser to release the share charge and supplemental share charge (as described in Section 2.8.3(a));

2.8.11 Pursuant to the UAPL SPA, the Company irrevocably undertakes to, *inter alia*, keep the UAPL Purchaser, fully and effectively indemnified against any and all losses, costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever (including but not limited to all legal costs or attorney's fees on a full indemnity basis) that the UAPL Purchaser may incur or suffer in connection with or arising from any breach (actual or alleged) or inaccuracies of any of the warranties and/or the deed of indemnity and/or default by any of the FYPL Warrantors of its obligations under the FYPL SPA and for the conduct of the business of the UAPL Group Companies prior to UAPL Completion.

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

- (i) any claim by a third party, including any relevant authorities (whether or not governmental or regulatory) of whatsoever nature in connection with the change in ownership of the UAPL pursuant to the UAPL SPA;
- (ii) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the transfer or transfers of all or any shares of any UAPL Group Company on or before UAPL Completion by and among past shareholders of any UAPL Group Company but excluding the transfer of UAPL Sale Shares from the Company to the UAPL Purchaser and/or its nominees pursuant to the UAPL SPA;
- (iii) any taxation claims arising out of or in connection with the land and buildings owned by Taian FHTK on or before UAPL Completion or any transaction effected or deemed to have been effected on or before UAPL Completion;
- (iv) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with, the UAPL Group Companies' Officers, UAPL Outgoing Staff and employees retained on and after UAPL Completion, prior to or on UAPL Completion;
- (v) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with the acquisition, development and construction on or before UAPL Completion of the land and buildings owned by Taian FHTK;
- (vi) any actions, claims, penalties, losses and damages arising from or resulting from or in connection with any employment disputes;
- (vii) any claim arising out of or in connection with any unfulfilled UAPL Conditions Precedent, or any unsatisfied obligations of the Company as at UAPL Completion Date, which the UAPL Purchaser has waived for the purposes of proceeding with UAPL Completion;
- (viii) any claim arising out of or in connection with any action, dispute, claim, demand or legal proceeding against any UAPL Group Company in respect of any act, omission, event or circumstance arising or occurring prior to or on UAPL Completion.

2.8.13 The UAPL Purchaser may by written notice given to the Company at any time prior to UAPL Completion terminate the UAPL SPA (save for surviving clauses) upon the occurrence of, *inter alia*, any of the following:

- (i) a breach of the warranties;
- (ii) a breach of any covenants, obligations and agreements required to be performed or caused to be performed by the Company under the UAPL SPA;
- (iii) a default by each UAPL Group Companies in any of its obligations by which any UAPL Group Companies is or may become bound;

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- (iv) the issuance of any received notice of any injunction or other order, directive or notice by any entity body with competent jurisdiction restraining or prohibiting the consummation of any transactions contemplated by the UAPL SPA or notice that any of the foregoing is pending or threatened;
- (v) a material adverse change in the business, affairs, operations, assets, financial condition or prospects of any UAPL Group Companies or to the Taian Property since the date of signing of the UAPL SPA;
- (vi) a change (or any development including a prospective change) in the national or international monetary, financial, economic or political conditions or currency exchange rates or foreign exchange controls that would have (i) a material adverse effect on the business, operations, assets, profits, financial condition or prospects of any UAPL Group Companies or to the Taian Property since the date of signing of the UAPL SPA or (ii) adversely affect any financing under the BOCOM Loan before its maturity date;
- (vii) the UAPL or the Company having taken or threatened to take any action as a result of or in anticipation of any transaction that would be materially inconsistent with any of the warranties; or
- (viii) the relevant authorities having enacted or proposed any legislation (including any subordinate legislation) which would prohibit, materially restrict or materially delay the implementation of any transaction or the operations of the UAPL Group Companies; or (ii) adversely affect any financing under the BOCOM Loan before its maturity date,

in which case neither party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the UAPL Purchaser against the Company arising from an antecedent breach of the terms including the undertakings contained in the UAPL SPA.

2.8.14 It is further provided in the UAPL SPA that the Company shall:

- (a) make all tax (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation) filings, submit all documentation and provide such information, in each case within the applicable time limits, as is required or requested by applicable governmental entities under applicable law arising from or in connection with the sale of the UAPL Sale Shares and any transaction contemplated by the UAPL SPA, including all such filings and returns required under the PRC laws, namely the Circular 698, the Bulletin No. 24 and the Bulletin No. 7 arising from or in connection with the sale of the UAPL Sale Shares and any transactions contemplated by the UAPL SPA;
- (b) settle all taxes (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation), within the applicable time limits, levied or demanded or otherwise payable arising from or in connection with the sale of the UAPL Sale Shares and any transactions contemplated by the UAPL SPA, including payment of all taxes (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation) required in the PRC within the required time limits in accordance with applicable PRC laws and regulations;

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- (c) provide such information with respect to the Company's compliance with this provision as reasonably requested by the UAPL Purchaser; and
- (d) indemnify the UAPL Purchaser against all taxation (means, *inter alia*, all forms of taxation whether of Singapore, PRC or elsewhere including all state or local taxation) payable by any of the UAPL Purchaser, UAPL and/or Taian FHTK pursuant to Circular 698, Bulletin No. 24 and/or Bulletin No. 7 arising from or in connection with the sale of the UAPL Sale Shares and any transactions contemplated by the UAPL SPA.

2.9 Valuation and basis for the UAPL Consideration and FYPL Consideration

Valuation

- 2.9.1 The Company had commissioned Ardent Business Advisory Pte Ltd as the independent valuer in respect of, *inter alia*, the shares and assets of the UAPL, Taian FHTK, FYPL, Old Taian and the dehydrated business in the SunMoon Group. Ardent Business Advisory Pte Ltd is certified as a Chartered Valuer and Appraiser by the Institute of Valuers and Appraisers of Singapore.
- 2.9.2 As set out in the Valuation Report, the independent valuer had placed an estimate on UAPL, Taian FHTK and the dehydrated business in the SunMoon Group, a range of values of between S\$3,500,000 and S\$4,700,000 with a mid-point of S\$4,100,000 in recording the fair market value as at 30 June 2016. The above valuation was conducted based on the discounted cash flow method.

In addition, the independent valuer had also placed an estimated fair market value of S\$4,000,000 on the property, plant and equipment and the land use rights (of Taian FHTK and Old Taian) which is intended to be transferred pursuant to, *inter alia*, the FYPL Disposal and the UAPL Disposal. Shareholders are to note that the estimated fair market value of S\$4,000,000 on the property, plant and equipment and the land use rights (of Taian FHTK and Old Taian) is included in the independent valuer's estimate of S\$4,100,000 (being the mid-point of the range of values between S\$3,500,000 and S\$4,700,000).

The Valuation Report will be made available for inspection at the Company's registered office.

- 2.9.3 The Company did not commissioned separate valuations for the FYPL Disposal and for the UAPL Disposal as the Board had viewed the Proposed Disposals as one transaction at the time when it commissioned the valuation by Ardent Business Advisory Pte Ltd. In addition, the FYPL Group is a dormant group as it does not have any ongoing business activities and insolvent.

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Basis for the UAPL Consideration and FYPL Consideration

- 2.9.4 The UAPL Consideration and FYPL Consideration was arrived at pursuant to arms' length negotiations between the Company and UAPL Purchaser and between the Company and FYPL Purchaser on a willing-buyer willing-seller basis, after taking into account the following factors:
- (a) value of the FYPL Group;
 - (b) value of the UAPL Group Companies;
 - (c) the Valuation Report;
 - (d) the gain/loss on disposal and net asset value of the FYPL Group and UAPL Group as elaborated in Section 3.1.2 below;
 - (e) the waiver of the net intra-group receivables of approximately S\$5,650,000 and approximately S\$2,643,000 from UAPL Group and FYPL Group, respectively; and
 - (f) the rationale as elaborated in Section 2.5 above.

3. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

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

- (i) FYPL Disposal

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with SunMoon Group's net asset value	(33.69)% ⁽¹⁾
Rule 1006(b)	Net profit attributable to the FYPL Disposal compared with the SunMoon Group's net profit	(14.38)% ⁽²⁾
Rule 1006(c)	Aggregate value of the consideration given for the FYPL Disposal, compared with the market capitalisation of the Company	Not meaningful ⁽³⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the FYPL Disposal, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with SunMoon Group's probable and proved reserves	Not applicable

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Notes:

- (1) *The net asset value of the FYPL Group as at 31 December 2016 is approximately S\$(3,146,000). The SunMoon Group's net asset value as at 31 December 2016 approximately S\$9,339,000. Accordingly, the relative figure for Rule 1006(a) is (33.69)% being the derivative of the net asset value of the FYPL Group divide by the net asset value of the SunMoon Group.*
- (2) *The unaudited net loss before income tax, minority interest and extraordinary items of the FYPL Group for the period ended 31 December 2016 is S\$188,000. The unaudited net profit before income tax, minority interest and extraordinary items of the SunMoon Group for the period ended 31 December 2016 is S\$1,310,000. Accordingly, the relative figure for Rule 1006(b) is (14.38)% being the derivative of the net loss attributable to the FYPL Disposal divide by SunMoon Group's net profit for the financial year ended 31 December 2016.*
- (3) *Not meaningful as the FYPL Consideration is S\$2.*

(ii) UAPL Disposal

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with SunMoon Group's net asset value	3.06%
Rule 1006(b)	Net profit attributable to the UAPL Disposal compared with the SunMoon Group's net profit	(37.73)% ⁽²⁾
Rule 1006(c)	Aggregate value of the consideration given for the UAPL Disposal, compared with the market capitalisation of the Company	20.62% ⁽³⁾⁽⁴⁾⁽⁵⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the UAPL Disposal, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with SunMoon Group's probable and proved reserves	Not applicable

Notes:

- (1) *The net asset value of the UAPL Group as at 31 December 2016 is approximately S\$286,000. The SunMoon Group's net asset value as at 31 December 2016 approximately S\$9,339,000. Accordingly, the relative figure for Rule 1006(a) is 3.06% being the derivative of the net asset value of the UAPL Group divide by the net asset value of the SunMoon Group.*
- (2) *The unaudited net loss before income tax, minority interest and extraordinary items of the UAPL Companies for the period ended 31 December 2016 is S\$494,000. The unaudited net profit before income tax, minority interest and extraordinary items of the SunMoon Group for the period ended 31 December 2016 is S\$1,310,000. Accordingly, the relative figure for Rule 1006(b) is (37.73)% being the derivative of the net loss attributable to the UAPL Disposal divide by SunMoon Group's net profit for the financial year ended 31 December 2016.*
- (3) *The UAPL Consideration (as described in Section 2.8.1 above) amounts to S\$6,900,000. For more details on the UAPL Consideration, please refer to Sections 2.8.1 to 2.8.6 above.*
- (4) *The Company weighted average share price is S\$0.11 as at 13 February 2017. Being the market day preceding the date of the UAPL SPA. Source: Bloomberg*
- (5) *The number of issued shares of the Company is 318,784,382 and accordingly, the market capitalisation of the Company is S\$33,470,000 being the derivative of the weighted average price of S\$0.11 multiplied by 318,784,382 ordinary shares of the Company.*

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(iii) Proposed Disposals

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

Notes:

- (1) *The net asset value of the FYPL Group and UAPL Group as at 31 December 2016 is approximately S\$(3,146,000) and S\$286,000 respectively. The SunMoon Group's net asset value as at 31 December 2016 approximately S\$9,339,000. Accordingly, the relative figure for Rule 1006(a) is (30.62)% being the derivative of the total net asset value of FYPL Group and UAPL Group divide by the net asset value of the SunMoon Group.*
- (2) *The unaudited net loss before income tax, minority interest and extraordinary items of the FYPL Group for the period ended 31 December 2016 is S\$188,000. The unaudited net loss before income tax, minority interest and extraordinary items of the UAPL Companies for the period ended 31 December 2016 is S\$494,000. The unaudited net profit before income tax, minority interest and extraordinary items of the SunMoon Group for the period ended 31 December 2016 is S\$1,310,000. Accordingly, the relative figure for Rule 1006(b) is (52.11)% being the derivative of the net loss attributable to the FYPL Disposal and UAPL Disposal divide by SunMoon Group's net profit for the financial year ended 31 December 2016.*
- (3) *The FYPL Consideration and UAPL Consideration amounts to S\$6,900,002.*
- (4) *The Company weighted average share price is S\$0.11 as at 13 February 2017, being the market day preceding the date of the UAPL SPA. **Source:** Bloomberg.*
- (5) *The number of issued shares of the Company is 318,784,382 and accordingly, the market capitalisation of the Company is S\$33,470,000 being the derivative of the weighted average price of S\$0.11 multiplied by 318,784,382 ordinary shares of the Company.*

3.1.1 As the relative figures computed under Rule 1006(c) of the Listing Manual for the Proposed Disposals exceed 20%, the Company is required to obtain Shareholders' approval for the Proposed Disposals under Rule 1014 of the Listing Manual.

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- 3.1.2 The FYPL Disposal at the FYPL Consideration will give rise to a gain on disposal of approximately S\$3,056,000. The gain on disposal of approximately S\$3,056,000 is due to FYPL's negative net asset value of approximately S\$502,000⁽¹⁾, the reversal of foreign currency translation reserves and other reserves of approximately S\$2,553,000. The UAPL Disposal will give rise to a loss on disposal of approximately S\$1,854,000. The loss on disposal is due to the UAPL's net asset value of approximately S\$8,911,000⁽²⁾ and the reversal of foreign currency translation reserves of approximately S\$157,000.

Notes:

- (1) *The net inter-company debts owing by Old Taian to the Company, Taian FHTK, SunMoon Shanghai, UGC 2003 Inc. and Shanghai Fook Huat Tong Kee Cold Storage Co. Ltd. as at 31 December 2016 is approximately S\$2,643,000. Shareholders are to note that the negative net asset value of approximately S\$502,000 has taken into account the waiver of the net inter-company debts of approximately S\$2,643,000. The waiver of inter-company debts has not occurred and will only be effected immediately prior to the FYPL Completion.*
- (2) *The net asset value includes the waiver of the net inter-company debts, being (i) the Company's investment in Taian FHTK; and (ii) the owings between Taian FHTK, SMDT, UAPL, Old Taian, SunMoon Shanghai and the Company as at 31 December 2016. The net inter-company debts amount to approximately S\$8,600,000 (which includes the sum of Company's investment in Taian FHTK of USD\$2,000,000 (approximately S\$2,685,000)). Shareholders are to note that the waiver of the net inter-company debts will only be effected immediately prior to the UAPL Completion.*

3.2 Financial Effects of the Proposed Disposals

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

- (a) the financial effects of the FYPL Disposal, UAPL Disposal and the Proposed Disposals are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the SunMoon Group following the Proposed Disposals nor a projection of the future financial performance or position of the SunMoon Group following completion of the Proposed Disposals;
- (b) for the purpose of computing the financial effects of the FYPL Disposal, UAPL Disposal and the Proposed Disposals on the earnings per share of the SunMoon Group, the FYPL Disposal, UAPL Disposal and the Proposed Disposals is assumed to have been effected on 1 January 2015⁽¹⁾;
- (c) for the purpose of computing the financial effects of the FYPL Disposal, UAPL Disposal and the Proposed Disposals on the net tangible assets per share of the SunMoon Group, the FYPL Disposal, UAPL Disposal and the Proposed Disposals is assumed to have been effected on 31 December 2015; and
- (d) the financial effects of presented below are based on SunMoon Group's audited financial statement for the financial year ended 31 December 2015.

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.*

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3.2.2 Net Tangible Assets

FYPL Disposal

	As at 31 December 2015	
	Before the FYPL Disposal	After the FYPL Disposal
NTA	S\$11,193,000	S\$11,540,000
No. of shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511 ⁽¹⁾	3.620 ⁽²⁾

Notes:

- (1) NTA per share (before FYPL Disposal) was calculated by dividing the SunMoon Group's net tangible asset value as at 31 December 2015 of S\$11,193,000 by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.
- (2) NTA per share (after FYPL Disposal) was calculated by dividing, the total of the SunMoon Group's net tangible asset value as at 31 December 2015 of S\$11,193,000 less the negative NTA of the FYPL Group of S\$347,000 plus the FYPL Consideration, by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

UAPL Disposal

	As at 31 December 2015	
	Before the UAPL Disposal	After the UAPL Disposal
NTA	S\$11,193,000	S\$8,584,000
No. of shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511 ⁽¹⁾	2.693 ⁽²⁾

Notes:

- (1) NTA per share (before UAPL Disposal) was calculated by dividing the SunMoon Group's net tangible asset value as at 31 December 2015 of S\$11,193,000 by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.
- (2) NTA per share (after UAPL Disposal) was calculated by dividing, the total of the SunMoon Group's net tangible asset value as at 31 December 2015 of S\$11,193,000 less the NTA of the UAPL Group Companies of S\$9,509,000 and plus the UAPL Consideration, by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

Proposed Disposals

	As at 31 December 2015	
	Before the Proposed Disposals	After the Proposed Disposals
NTA	S\$11,193,000	S\$8,931,000
No. of shares	318,784,382	318,784,382
NTA per share (Singapore cents)	3.511 ⁽¹⁾	2.802 ⁽²⁾

Notes:

- (1) NTA per share (before the Proposed Disposals) was calculated by dividing the SunMoon Group's net tangible asset value as at 31 December 2015 of S\$11,193,000 by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

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- (2) NTA per share (after Proposed Disposals) was calculated by dividing, the total of the SunMoon Group's net tangible asset value as at 31 December 2015 of S\$11,193,000 the negative NTA of the FYPL Group of S\$347,000 and the NTA of the UAPL Group Companies of S\$9,509,000 and plus the FYPL Consideration and the UAPL Consideration, by the number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.

3.2.3 Loss per Share ("LPS")

FYPL Disposal

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

Notes:

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

UAPL Disposal

	For financial year ended 31 December 2015	
	Before the UAPL Disposal	After the UAPL Disposal
Net loss attributable to Shareholders	S\$2,101,000	S\$4,444,000
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	0.659	1.394

Notes:

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

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Proposed Disposals

	For financial year ended 31 December 2015	
	Before the Proposed Disposals	After the Proposed Disposals
Net loss attributable to Shareholders	S\$2,101,000	S\$4,229,000
Weighted average number of shares used	318,784,382	318,784,382
Basic LPS (Singapore cents)	0.659	1.327

Notes:

- (1) *Loss per share (before Proposed Disposals) was calculated by dividing the SunMoon Group's net loss for the financial year ended 31 December 2015 of S\$(2,101,000) by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.*
- (2) *Loss per share (after Proposed Disposals) was calculated by dividing the total of the SunMoon Group's net loss for the financial year ended 31 December 2015 less FYPL Group and UAPL Group Companies net profit after tax for the financial year ended 31 December 2015 by the weighted average number of ordinary shares of the Company as at 31 December 2015 of 318,784,382.*

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 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 Disposals.

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:

	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.*

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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.

5. SERVICE AGREEMENT(S)

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

6. DIRECTORS' RECOMMENDATION

Having considered the rationale and benefits of the Proposed Disposals, the Directors are of the opinion that the Proposed Disposals are in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the ordinary resolution in respect of the Proposed Disposals at the EGM.

7. 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.

8. 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.

LETTER TO SHAREHOLDERS

9. 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 Disposals, 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.

10. 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 FYPL SPA;
- (b) the UAPL SPA;
- (c) the Valuation Report; and
- (d) the Memorandum and Articles of Association of the Company.

Yours faithfully

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

Mr Gary Loh Hock Chuan
Executive Chairman

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 2.30 p.m. (or as soon thereafter following the conclusion or adjournment of Extraordinary General Meeting of the Company to be held at 2.00 p.m. on the same day and at the same place) 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

THE PROPOSED DISPOSALS, BEING

- (1) **SHARES IN FOOK YONG PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY FOR THE SUM OF S\$2.00 TO FALCON VALLEY VENTURES LIMITED, A RELATED COMPANY OF GLOBAL FOOD INGREDIENTS PTE LTD (“FYPL DISPOSAL”); AND**
- (2) **SHARES IN UNITED AGRO PRODUCE PTE. LTD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY FOR THE SUM OF S\$6,900,000 TO GLOBAL FOOD INGREDIENTS PTE LTD, A RELATED COMPANY OF FALCON VALLEY VENTURES LIMITED (“UAPL DISPOSAL”),**

(COLLECTIVELY, THE “PROPOSED DISPOSALS”)

THAT:–

- (a) approval be and is hereby given for the Company and UAPL to enter into the Proposed Disposals being (1) the entry by the Company and UAPL into the FYPL Disposal, pursuant to the terms and conditions of the sale and purchase agreement dated 31 December 2016 between the UAPL, as the vendor, the Company as guarantor and FYPL Purchaser as the purchaser (as may be amended, modified and/or supplemented from time to time as the Directors deem desirable, necessary or appropriate) (the “**FYPL SPA**”); and (2) the entry by the Company into the UAPL Disposal, pursuant to the terms and conditions of the sale and purchase agreement dated 14 February 2017 between the Company as vendor and UAPL Purchaser as the purchaser (as may be amended, modified and/or supplemented from time to time as the Directors deem desirable, necessary or appropriate) (the “**UAPL SPA**”);
- (b) approval be and is hereby given for (1) the Company and UAPL to enter into the FYPL SPA and the Company to enter into the UAPL SPA; and (2) the execution of the FYPL SPA by the Company and UAPL and the UAPL SPA by the Company, be and are hereby ratified, confirmed and approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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 Disposals and/or the FYPL SPA and/or the UAPL 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

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.

PROXY FROM

SUNMOON FOOD COMPANY LIMITED

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

PROXY FORM EXTRAORDINARY GENERAL MEETING

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.

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 2.30 p.m. (or as soon thereafter following the conclusion or adjournment of Extraordinary General Meeting of the Company to be held at 2.00 p.m. on the same day and at the same place).

(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.)

Resolution	Number of Votes For**	Number of Votes Against**
Ordinary Resolution To approve the Proposed Disposals		

** 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.

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