



**SUNMOON FOOD COMPANY LIMITED**  
(Incorporated in the Republic of Singapore on 29 September 1983)  
Registration No. 198304656K  
(the "Company")

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**MEMORANDUM OF UNDERSTANDING FOR THE ACQUISITION OF A 51% STAKE IN THE  
BUSINESS OF BAN FRESH PTE LTD**

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**1. INTRODUCTION**

The board of directors of the Company (the "**Board**") wishes to announce that the Company had on 4 September 2014 entered into a non-binding memorandum of understanding (the "**MOU**") with Mr. Gary Loh Hock Chuan ("**Gary Loh**"), Ban Fresh Pte Ltd ("**Ban Fresh**"), Mr. Tan Chin Hian ("**TCH**"), Mr. Vincent Pang Kay Joo ("**PKJ**") and Mr. Tan Kok Tiong ("**Sam Tan**") (TCH, PKJ and Sam Tan collectively known as the "**Ban Fresh Shareholders**") to acquire a 51% stake in the business of Ban Fresh.

The MOU is non-binding (save for certain exceptions) and contemplate that the parties thereto will proceed to prepare and negotiate, with the intention to execute a definitive and legally binding sale and purchase agreement in respect of the MOU (the "**SPA**").

Further details will be announced upon the execution of the SPA.

**2. INFORMATION ON THE BAN FRESH GROUP**

**2.1 Information on the Business of Ban Fresh**

Ban Fresh is in the business of the worldwide procurement of fresh fruits and vegetables and sales of the same in Singapore and other countries in Asia (the "**Business**").

The customer base of Ban Fresh in Singapore consists of domestic wholesalers and supermarket chains whilst its supplier base includes growers and packers from countries such as Australia, Argentina, China, France, New Zealand, Spain, Malaysia, Thailand and South Africa. Drawing from its wide network of suppliers, Ban Fresh also re-exports fruits and vegetables to various countries including Malaysia, Thailand, Vietnam and China.

The management of Ban Fresh includes, *inter alios*, Sam Tan and PKJ.

Sam Tan is the General Manager of Ban Fresh and has been in the fresh fruits business for the past 20 years, with extensive experience in the import, re-export, wholesale and retail of fresh fruits and vegetables.

TCH is a major shareholder of Ban Fresh and is also the managing director and controlling shareholder of Ban Choon Marketing Pte Ltd ("**Ban Choon**"), which has established itself as a key player in the fresh produce industry. Since its establishment, Ban Choon has expanded its business into three major divisions, namely fresh produce, natural and organic products and food service. With its expertise in sourcing premium products at competitive prices, Ban Choon achieved sales of S\$47 million in 2013 and

is the leading distributor for major supermarket chains, five-star hotels and a host of top restaurants.

## 2.2 **Value of the Newco Shares**

The Company intends to acquire the 51% stake in the business of Ban Fresh in the manner set out in Paragraph 4.1.

In this regard, as at 30 June 2014, the pro forma book value and net tangible asset value of the Newco Shares (as defined below) after the Business Transfer (as defined below) and after capitalization of the Newco (see Paragraph 4.1(a)) by Ban Fresh Shareholders but before the Subscription (as defined below), and based on the financial information provided by the Ban Fresh Shareholders to the Company, is approximately \$600,000.

## 2.3 **Net Profits of the Newco Shares**

The proforma net profits attributable to the Newco Shares (as defined below) after the Business Transfer (as defined below) for the 12-month period ended 30 June 2014 is approximately \$271,629.29.

Such net profits were a result of a loss of \$414,189.18 for the six-month period from 1 July 2013 to 31 December 2013 and a profit of \$685,818.00 for the six-month period from 1 January 2014 to 30 June 2014, as Ban Fresh increased its sales volume and profitability as part of its overall business growth and development.

## 3. **RATIONALE AND BENEFITS OF THE TRANSACTION**

3.1 The Board is of the view that the Transaction (as defined below) is in the interest of the Company and:

- (a) is in line with the Company's strategy to enhance shareholder value by growing the market share, sales and profitability of the Company's fresh fruits business;
- (b) provides a natural strategic fit between the Business and the Company's existing businesses and a means to unlock synergies and strengths in the form of branding, product positioning and market positioning vis-à-vis suppliers and customers;
- (c) will expand the current suite of products and services, range of fruits offered, ability to better serve customers and overall opportunity to increase the scope and scale of the Company's and its subsidiaries' (the "**Group**") core businesses; and
- (d) as Ban Fresh is an established and profitable operation, the benefits and enhancements to the Group are envisaged to be expedient. The Group expects to leverage on Ban Fresh's already extensive network of customers and suppliers, the experience of Sam Tan and TCH and together with the Company's wide connections, the parties have the confidence to grow the business to reach further heights.

## 4. **PRINCIPAL TERMS OF THE TRANSACTION**

### 4.1 **Acquisition of the 51% stake in the Business of Ban Fresh**

Pursuant to the MOU:

- (a) the Ban Fresh Shareholders will incorporate a company in Singapore with a paid-up capital of \$600,000 divided into 600,000 shares of \$1 each (the "**Newco**");
- (b) upon capitalization of Newco, the Ban Fresh Shareholders will procure Ban Fresh to transfer, free of consideration, the Business to Newco by way of, *inter alia*, novation of certain assets and contracts (the "**Relevant Assets**") for the purposes of carrying on the Business (the "**Business Transfer**");
- (c) upon completion of the Business Transfer, the Company will acquire from the Ban Fresh Shareholders 296,000 shares in the capital of Newco, representing approximately 49% of the then issued and paid-up share capital of Newco (the "**Newco Shares**") (the "**Acquisition**"); and
- (d) concurrent with the Acquisition, the Company will subscribe for 21,143 shares in the capital of Newco at an aggregate issue price of \$400,000, representing approximately 2% of the issued and paid-up share capital of Newco (the "**Newco Issue Shares**") (the "**Subscription**"),

(the incorporation of Newco, Business Transfer, Acquisition and Subscription are collectively referred to as the "**Transaction**").

Following the Transaction, the Company will own approximately 51% of Newco and Newco will become a subsidiary of the Company.

#### 4.2 **Purchase Consideration**

The purchase consideration of \$5,600,000 for the Newco Shares (the "**Purchase Consideration**") will be paid in the following manner:

- (a) \$1,100,000 in cash at the time of the completion of the SPA;
- (b) \$3,000,000 to be satisfied by way of the issue of new ordinary shares in the issued share capital of the Company (the "**SunMoon Issue Shares**") at the time of the completion of the SPA (the "**SunMoon Share Issue**"), each share to be issued at a price equivalent to a 10% discount to the volume weighted average share price of SunMoon shares based on a full day of trading at the time of the execution of the SPA (the "**SunMoon Issue Price**"); and
- (c) \$1,500,000 in cash 6 months after the completion of the SPA.

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis and took into account the following factors:

- (a) historical performance and track record of Ban Fresh and the Relevant Assets in terms of sales, profitability, income, cash flow and Ban Fresh's balance sheet;
- (b) for reasons set out in Paragraph 3.1, the consequent contribution of such sales, profitability, income, cash flow and balance sheet items to the Group as a result of its growing sales and profits;
- (c) extensive network of both Ban Fresh and TCH as well as the network, third-party business opportunities and opportunities for cross-marketing arising from the partnership with TCH and Ban Choon; and
- (d) quality of key management as well as the ability of the Business to integrate with the Group's existing fresh fruits trading business.

#### 4.3 **Other Key Terms of the MOU**

##### 4.3.1 **Conditions Precedent**

The transactions contemplated in the MOU are:

- (a) conditional upon the results of the due diligence exercise to be conducted on:
  - (i) the business of Ban Fresh;
  - (ii) the prospect and viability of its business; and
  - (iii) the Newco being satisfactory to the Company, and
- (b) subject to any regulatory (including the SGX's) and shareholders' approval (if required).

#### 4.3.2 **Business Transfer**

The Relevant Assets to be novated from Ban Fresh to Newco include, *inter alia*, management, employment and lease contracts but do not include inventories on hand, existing trade receivables and trade payables of Ban Fresh. However, the Newco will be granted an option to purchase such inventories at cost.

Following the completion of the SPA, Ban Fresh shall not undertake any new Business and the Ban Fresh Shareholders will develop and grow the sales and business of Newco.

#### 4.3.3 **Management Contracts**

Ban Fresh Shareholders who are key management, in particular Sam Tan, shall be required to sign a management contract with Newco for a term of not less than 3 years on terms and conditions to be mutually agreed.

#### 4.3.4 **Moratorium on SunMoon Issue Shares**

Each of the Ban Fresh Shareholders shall agree to (i) a moratorium on the sale or transfer of all their SunMoon Issue Shares for a period of one year following the SunMoon Share Issue and (ii) a moratorium on 50% of such SunMoon Issue Shares for the subsequent year.

At the expiration of the said two-year period, each Ban Fresh Shareholder shall be at liberty to sell or transfer any or all of his SunMoon Issue Shares.

#### 4.3.5 **Options on SunMoon Issue Shares**

TCH and PKJ shall be issued the SunMoon Issue Shares pursuant to the SunMoon Share Issue in equal proportions and shall hold on trust for Sam Tan, at Sam Tan's option, an aggregate of up to approximately 33.33% of the SunMoon Issue Shares.

At the expiration of the two-year period referred to in Paragraph 4.3.4 and for a period of two weeks after such date:

- (a) TCH and PKJ shall have the right to sell their SunMoon Issue Shares to Gary Loh at a price that is 50% less than the SunMoon Issue Price;
- (b) Sam Tan shall have the right to sell such SunMoon Issue Shares to which he has beneficial interest, to Gary Loh at the SunMoon Issue Price; and

- (c) Gary Loh shall have the right to purchase from either or both TCH and PKJ the SunMoon Issue Shares at a price that is 50% above the SunMoon Issue Price.

#### 4.3.6 **Exclusivity**

The parties have agreed to an exclusivity period of 6 months commencing from the date of the MOU to negotiate on matters contemplated in the MOU and shall not (and shall not cause any of its affiliates to) enter into discussions or negotiations with any third party for any business purposes substantially the same as those described in the MOU.

#### 4.3.7 **Definitive Agreement(s)**

The MOU is non-binding (save for certain exceptions) and contemplate that the parties thereto will proceed to prepare and negotiate, with the intention to execute a definitive and legally binding SPA.

#### 4.3.8 **Termination**

The term of the MOU shall be for a period of 6 months commencing on the date of the MOU and shall automatically terminate on the earlier of (i) the lapse of such period; or (ii) the signing of the definitive SPA or such similar agreement.

## 5. **FINANCIAL EFFECTS AND SOURCE OF FUNDS**

### 5.1 **Assumptions**

The proforma financial effects of the Acquisition on (i) the consolidated net tangible assets ("**NTA**") per share of the Company and (ii) the consolidated earnings per share of the Company ("**EPS**") set out below, are prepared purely for illustration only and do not reflect the future financial performance and condition of the Company and/or the Group after the Acquisition.

### 5.2 **Financial Statements**

The proforma financial effects in Paragraphs 5.3 and 5.4 of this Announcement have been prepared based on the latest announced unaudited consolidated financial statements of the Company for its financial year ended 31 December 2013.

### 5.3 **NTA per Share**

Purely for illustrative purposes only and assuming that the Acquisition had been completed on 31 December 2013, the proforma financial effects of the Acquisition on the Group's NTA per share as at 31 December 2013 are as follows:

	<u>Before Acquisition</u>	<u>After Acquisition</u>
NTA per share (Singapore cents)	4.5 <sup>(1)(2)</sup>	3.7 <sup>(1)(2)(3)</sup>

Notes:

- (1) Based on 318,784,411 shares in the capital of SunMoon outstanding as at 31 December 2013 after adjusting for the share consolidation effected on 4 July 2014.
- (2) Ban Fresh's financial year end is 31 January. For the purposes of computation of the financial effects of the Acquisition on the Group's NTA per share as set out above, such financial effects are calculated based on the unaudited pro forma accounts of Ban Fresh as at 31 December 2013.

- (3) Based on the Purchase Consideration of \$5,600,000 and the issue of 25,641,025 shares in the capital of SunMoon (calculated based on a 10% discount to the volume weighted average price of SunMoon shares on 3 September 2014).

#### 5.4 EPS

Purely for illustrative purposes only and assuming that the Acquisition had been completed on 1 January 2013, the pro forma financial effects of the Acquisition on the Group's EPS for the financial year ended 31 December 2013 are as follows:

	<u>Before Acquisition</u>	<u>After Acquisition</u>
EPS (Singapore cents)	3.5 <sup>(1)(2)</sup>	3.3 <sup>(2)(3)</sup>

Notes:

- (1) Based on 318,784,411 shares in the capital of SunMoon outstanding as at 31 December 2013 after adjusting for the share consolidation effected on 4 July 2014.
- (2) Ban Fresh's financial year end is 31 January. For the purposes of computation of the financial effects of the Acquisition on the Group's EPS as set out above, such financial effects are calculated based on the unaudited pro forma net profit after tax of Ban Fresh for the period from 1 July 2013 to 30 June 2014, whereas in the case of the Group, the audited consolidated net profit after tax of the Group for the financial year ended 31 December 2013.
- (3) Based on the Purchase Consideration of \$5,600,000 and the issue of 25,641,025 shares in the capital of SunMoon (calculated based on a 10% discount to the volume weighted average price of SunMoon shares on 3 September 2014).

#### 5.5 Source of Funds

The Purchase Consideration will be funded by internal funds.

### 6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

- 6.1 The relative figures computed under Rule 1006 of the listing manual of the SGX-ST (the "Listing Manual") exceed 5% but do not exceed 20%. In this regard, the Acquisition would be classified as a discloseable transaction under Rule 1010 of the Listing Manual.

The relative figures computed under Rule 1006 of the Listing Manual are:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	Net profits <sup>(1)</sup> attributable to the assets acquired <sup>(2)</sup> , compared with the Group's net profits <sup>(3)</sup> .	2%
(c)	Aggregate value of the Purchase Consideration given, compared with the Company's market capitalization <sup>(4)</sup> based on the total number of issued shares excluding treasury shares.	14%
(d)	Number of equity securities issued by the Company as consideration for the Acquisition compared with the number of equity securities previously in issue <sup>(5)</sup> .	8%

(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable
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Notes:

- (1) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the unaudited pro forma net profits of Ban Fresh for the period from 1 July 2013 to 30 June 2014, the net profit is attributable to the Newco Shares was \$271,629.29 which were a result of a loss of \$414,189.18 for the six-month period from 1 July 2013 to 31 December 2013 and a profit of \$685,818.00 for the six-month period from 1 January 2014 to 30 June 2014 as Ban Fresh increased its sales volume and profitability as part of overall business growth and development.
- (3) Based on the unaudited consolidated pro forma net profits of the Group for the period from 1 July 2013 to 30 June 2014 of \$12,359,466.
- (4) The market capitalization of the Company of \$41,441,973 is determined by multiplying 318,784,411 shares in the Company in issue as at 3 September 2014 (being the market day preceding the date of the MOU) by the weighted average share price of such shares of \$0.13 transacted on such date.
- (5) Based on 318,784,411 shares in the capital of SunMoon outstanding as at 31 December 2013 after adjusting for the share consolidation effected on 4 July 2014. The SunMoon Issue Shares are issued based on the illustrative market price of S\$0.13 per share as of 3 September 2014. Upon the application of the 10% discount, the issue price is an illustrative S\$0.117 per SunMoon Issue Share. Therefore, the SunMoon Issue Shares equate to 25,641,025 ordinary shares and the total number of shares after the Acquisition will be 344,425,436.

## **7. SERVICE CONTRACTS**

Subject to prevailing regulatory requirements, the Company is pleased to offer TCH a seat on the Board.

## **8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed in Paragraph 4.3.5 in respect of Gary Loh's option over the SunMoon Issue Shares, none of the directors of the Company (the "**Directors**") has any interest, direct or indirect, in the Transaction and as far as the Directors are aware, no controlling shareholder has any interest, direct or indirect, in the Transaction.

## **9. FURTHER ANNOUNCEMENTS**

- 9.1 As at the date of this announcement, no definitive agreement or documentation has been executed in relation to the Acquisition and accordingly, there can be no assurance that the Acquisition will materialize.
- 9.2 The Company will provide further details in subsequent announcements in accordance with the Listing Manual at appropriate junctures. In the meantime, shareholders of the Company are advised to exercise caution in trading their shares in the Company and to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests and to exercise caution when dealing with shares in the Company. In the event that shareholders of the Company wish to deal in the shares of

the Company, they are advised to seek their own professional advice and/or consult their stockbrokers, bank managers, solicitors or other professional advisers.

**10. DOCUMENTS FOR INSPECTION**

A copy of the MOU is available for inspection during normal business hours at the Company's registered office at 1 Scotts Road #21-07/08/09 Shaw Centre Singapore 228208 for 3 months from the date of this Announcement.

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

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

**BY ORDER OF THE BOARD**

Mr Gary Loh Hock Chuan  
Executive Chairman

4 September 2014