Report of the Independent Auditors

To the members of SunMoon Food Company Limited (Incorporated In Singapore) And Its Subsidiaries

We were engaged to audit the accompanying financial statements of **SUNMOON FOOD COMPANY LIMITED** (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Company and the Group as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flow of the Group for the financial period from 1 July 2007 to 31 December 2008, and a summary of significant accounting policies and other explanatory notes as set out on pages 30 to 79.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Basis of Disclaimer of Opinion

1. As fully explained in Note 2 to the accompanying financial statements, one of the subsidiaries within the Sub-group had obtained separate loans from a bank in the People's Republic of China ("PRC"). As at 25 December 2008, the loans outstanding amounted to approximately RMB117 million (approximately $24.86 million). The bank loans are secured by the mortgages of land and buildings belonging to certain subsidiaries of the Sub-group and corporate guarantees executed by other subsidiaries in the Sub-group in favour of the bank. The subsidiary of the Sub-Group which obtained the bank loan had defaulted on the repayment of loans to the bank during the financial period. During the financial period, the bank had obtained a court order judgement in the PRC to seize the assets of all the subsidiaries in the Sub-group to satisfy the debt owed to the bank. The Company believes that the Group's exposure on the liability to the bank is limited to the obligations of the Sub-group and do not extend beyond the Sub-group.

   As at 31 December 2008, the Group has recorded an allowance for impairment for the excess of the carrying amounts of the assets over the related liabilities of the Sub-group that are subject to bank collaterals and guarantees amounting to $11.833 million which has been used to reduce the carrying amount of the property, plant and equipment of a subsidiary in the Sub-group. The total assets of the Sub-group after the impairment allowance of $11.833 million were approximately $35.4 million as at 31 December 2008 (Refer to Note 2 – Table A). The Company believes that there will be no further exposure to the Group or the Company arising from the financial obligations of the Sub-group, which has total liabilities of $35.4 million. Accordingly, the Company is of the view that no further adjustments are required to the carrying amounts of the assets of the Sub-group since the assets of the Sub-group will be used to settle the related liabilities of the Sub-group.

   As of 31 December 2008, certain subsidiaries in the Sub-group have ceased operations and the related assets of the Sub-group are the subject of the court order seizure. These subsidiaries are therefore not considered to be operating as going concerns and as such, these assets should be adjusted to their net realisable values and provisions be made for any liabilities associated with the costs of cessation of the Sub-group. The consolidated financial statements of the Group and financial statements of the Company do not disclose this fact except for the allowance for impairment of $11.833 million as disclosed in the preceding paragraphs.

   We are unable to satisfy ourselves of, or perform alternative audit procedures to ascertain, the recoverability of the carrying value of the assets of the Sub-group amounting to approximately $35.4 million as at 31 December 2008 as these assets of the Sub-group are subject to seizure by the bank. The financial statements of the Sub-group which have been consolidated into the financial statements of the Group have been prepared on a going concern basis notwithstanding the court order seizure and the cessation of operations of certain subsidiaries in the Sub-group which in our judgement, is inappropriate under such circumstances.

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Basis of Disclaimer of Opinion (Cont'd)

2. As mentioned in Note 3 to the accompanying financial statements, the financial statements of the Group and Company have been prepared on a going concern basis notwithstanding the net loss of $49.8 million incurred by the Group for the current financial period, the deficiency in shareholders' equity of $19.8 million and $14.9 million of the Group and Company respectively, and the net current liabilities of $60.6 million and $29.0 million of the Group and Company respectively as of 31 December 2008.

   In analysing the going concern position of the Group and the Company, the directors of the Company have considered the following factors:

   - Any action that may be undertaken by the bank in the PRC or any other creditors is unlikely to significantly affect the operations of the rest of the Group as the exposure to the Group is limited to the net assets of the subsidiaries in the Sub-group. In addition, following a strategic business review during the financial period, the businesses of the Sub-group are no longer significant to the Group;

   - The Company is exploring various strategies to improve its financial position and cash flows, is in discussions with potential investors, and seeking new banking facilities. The successful implementation of these funding strategies is crucial for the going concern of the Company and the Group;

   - The continuing financial support from the current investors of the $60 million convertible loan facility; and

   - The generation of significant positive cash flows from the Group's on-going activities.

   The validity of the going concern assumption on which these financial statements are prepared depends on the favourable outcome of the matters described above. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may be required to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements except for the reclassification of the bank loans amounting to $24.86 million to current liabilities as explained in Note 2.

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Disclaimer of Opinion

Because of the significance of the matters discussed in the Basis of Disclaimer of Opinion paragraph, we are unable to form an opinion as to whether the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008, and of the results, changes in equity and cash flow of the Group for the financial period ended on that date.

However, in our opinion, except for those matters referred to in the preceding paragraph, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The auditors' report dated 27 September 2007 on the consolidated financial statements of the Group and financial statements of the Company for the year ended 30 June 2007 of which we are the auditors were unqualified but contained an emphasis of matter relating to the going concern of the Group and the Company.

MAZARS LLP
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

Singapore: 31 March 2009