report of the independent auditors

to the member of sunmoon food company limited and its subsidiaries

We have audited the accompanying financial statements of **SUNMOON FOOD COMPANY LIMITED** (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2009, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes as set out on pages 31 to 87.

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 profit and loss accounts 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion:–

(a) the consolidated financial statements of the Group and the statement of financial position of the Company 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 Group and of the Company as at 31 December 2009 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) 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.

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EMPHASIS OF MATTER

(1) Going concern

Without qualifying our opinion, we would like to draw your attention to Note 2 of the accompanying financial statements. The financial statements of the Group and Company have been prepared on a going concern basis notwithstanding the deficiency in shareholders' equity of $19.3 million and $17.6 million of the Group and Company respectively as at 31 December 2009, net current liabilities of $28.5 million and $34.1 million of the Group and Company respectively as of 31 December 2009, and cash outflows from operating activities of $2.5 million of the Group for the year then ended.

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

- The Company is exploring various strategies to improve its financial position and cash flows;

- The continuing financial support from the current investors of the $60 million convertible loan facility of which $24.4 million were drawn down and not yet been converted and another $15.5 million were drawn down and converted into shares during the last financial period (Refer to Note 27); and

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

Management has prepared a profit and cash flow forecast for the year ending 31 December 2010 to support the going concern of the Group and the Company. The cash flow forecast showed that the Group will have adequate working capital out of its operations but before the repayment of the convertible loans to investors. One of the key assumptions made by management in the preparation of the cash flow forecast for the next one year is that the investors will be renewing the convertible loan in due course.

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 statements of financial position. In addition, the Group and the Company may have to reclassify certain non-current assets as current assets. No such adjustments have been made to these financial statements as at 31 December 2009.

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to the member of sunmoon food company limited and its subsidiaries

EMPHASIS OF MATTER (CONT'D)

(2) Matters that give rise to our disclaimer of opinion in respect of the financial statements for the financial period ended 31 December 2008 which have been dealt with in the current financial year.

(a) Recoverability of carrying value of the assets of $35.4 million of the Sub-group as at 31 December 2008

As stated in Note 34 to the accompanying financial statements, the assets of the Sub-group amounting to $35.4 million which are subject to seizure by the bank were consolidated into the financial statements of the Group as of 31 December 2008 but were not impaired. We were unable to satisfy ourselves of, nor perform alternative audit procedures to ascertain, the recoverability of the carrying value of such assets as at 31 December 2008.

Pursuant to the sale and purchase agreement dated 26 December 2008, and a first supplemental deed and second supplementary deed dated 8 July 2009 and 18 September 2009 respectively and subject to the terms and conditions stated therein, the Group executed the sale of two subsidiaries of the Sub-group, Dongguan Fook Huat Tong Kee Refrigeration & Foodstuffs Co., Ltd (the "Borrowing Subsidiary") and Longkou Fook Huat Tong Kee Refrigeration Co., Ltd (the "Collateral Subsidiary") to a third party, PT. Indocitra Manunggal for $1.00 each.

On 17 July 2009, the Company announced that the Singapore Exchange Securities Trading Limited has approved the Company's application for waiver to seek shareholders' prior approval for the disposal of the aforesaid subsidiaries to PT. Indocitra Manunggal. Upon completion of the sale and purchase agreement, the assets of the two subsidiaries in the Sub-group that were previously not impaired along with the related liabilities were disposed of with no further claims against the Group. The remaining assets of $3.5 million of the three subsidiaries in the Sub-group that are still subject to bank collateral and guarantee had been fully impaired during the financial year ended 31 December 2009. The non-impairment of the assets of the Sub-group of $35.4 million noted in the last financial period has been fully resolved following the disposal of the two aforesaid subsidiaries and the impairment of the remaining assets of $3.5 million of the three other subsidiaries in the Sub-group during the financial year ended 31 December 2009.

(b) Going concern assumption

There were uncertainties regarding the ability of the Group and the Company to continue as going concerns and to meet their liabilities as and when they fall due. Further reference to this matter is made in the Emphasis of Matter paragraph (1) above.

MAZARS LLP
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

Singapore: 25 March 2010