

Independent Auditors' Report to the members of SunMoon Food Company Limited and its subsidiaries

Report on the Financial Statements

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 2010, 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 2010, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 86.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for 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.

Auditor's 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 auditor's 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 auditor considers 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, 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 2010 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

Going concern

We draw your attention to Note 2 of the accompanying financial statements. The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding the deficiency in shareholders' equity of \$19.3 million and \$16.9 million of the Group and the Company respectively as at 31 December 2010, and net current liabilities of \$26.9 million and \$36.7 million of the Group and Company respectively as of 31 December 2010.

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

- The generation of significant positive cash flows from the Group's on-going activities; and
- The Company is exploring various strategies to improve its financial position and cash flows, is in discussion with a potential investor (see below) and seeking new banking facilities. The successful implementation of these restructuring plans is crucial for the going concern of the Group and the Company.
 - Subject to approvals by the Singapore Exchange ("SGX") and shareholders of the Company, and the completion of the terms and conditions of the convertible loan facility, it is proposed that the new investor will repay the current convertible loan holders with the option to convert the loan to shares before maturity of the convertible loan and provide a \$60 million convertible loan facility (refer to Note 26).

Management has prepared a cash flow forecast for the year ending 31 December 2011 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 proposed new investor will repay the current convertible loan holders and convert the loan to shares before maturity of the convertible loan.

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 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 2010. Our opinion is not qualified in respect of this matter.

Report on Regulatory and Other Legal Requirements

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.

MAZARS LLP
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

Singapore
23 March 2011