

**SUNMOON FOOD COMPANY LIMITED (“the Company”)
Company Registration No. 198304656K**

ANNOUNCEMENT IN RESPECT OF THE AUDIT OPINION

The Board of Directors (the “Board”) of SunMoon Food Company Limited (the “Company”) wishes to announce that the Company’s Auditors, Mazars LLP (the “External Auditors”), had issued an audit opinion on the Company’s financial statements for the financial year ended 31 December 2012 which contains an emphasis of matter.

A copy of the Auditors’ Report is attached hereto for information.

By Order of the Board

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED

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 2012, the statements of comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year ended 31 December 2012, and a summary of significant accounting policies and other explanatory notes.

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.

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, 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 2012 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.



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Emphasis of Matter

Going concern

Without qualifying our opinion, we draw your attention to Note 2 to the accompanying financial statements. The Group and Company reported deficiencies in shareholders' equity and net current liabilities positions as of 31 December 2012, amounting to \$21.2 million and \$26.9 million for the Group and \$21.1 million and \$39.3 million for the Company respectively. The Group also incurred loss of \$2.5 million and generated negative operating cash flows of \$1.0 million for the financial year ended 31 December 2012.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern.

Notwithstanding the above, the financial statements of the Group and Company have been prepared on a going concern basis. The use of the going concern assumption in the preparation of the Group's and Company's financial statements is dependent on the following factors:

- the successful completion of the loan restructuring exercise to settle the current loan owing to the investors of \$24.4 million, through cash and issuance of ordinary shares, and the concurrent waiver of all corresponding accrued interest, as described in Notes 26 and 34; and
- the generation of positive cash flows from the Group's operations.

Management has prepared a 1-year cash flow forecast for the financial year ended 31 December after taking into consideration of all available information existing as of the date of the financial statements to support the going concern of the Group and the Company. One of the key assumptions made by the management is the successful completion of the loan restructuring exercise which will eventually reduce the loan amount, result in the waiver of the corresponding accrued interest, and consequently, the finance costs substantially. The cash flow forecast shows that the Group will have adequate working capital from its operations.

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.



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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
25 March 2013