



focusing on
freshness



2014
ANNUAL REPORT

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Corporate Profile

SunMoon Food Company Limited is a fully integrated fresh fruit and dehydrated produce company well positioned to meet the increasing consumer demand for healthy, safe and premium grade agricultural produce in the globalised economy. The core businesses of SunMoon are Fruit Trading, Distribution and Retail & Franchise, and Dehydrated Produce Processing & Distribution. SunMoon is embarking on its next stage of growth with a renewed strategic focus on value creation capitalising on its strong brand equity to fuel growth in existing and new markets.

FRESH DIVISION – Fruit Trading And Distribution

The SunMoon Fresh Division is an international player in the fresh fruit industry, with an extensive sales and market network spanning five continents.

The Division has implemented improved global procurement strategies. SunMoon now manages a carefully controlled certified supplier program. Fruits from certified plantations comply with the 'SunMoon Quality Assurance' standard, a critical assurance of freshness, quality, safety and traceability as demanded by our discerning customers; a reputation also backed up by internationally recognised accreditations.

SunMoon continues to emphasise aggressive sales channel development by deepening its existing broad customer base. Our customers comprise importers, wholesalers, supermarket chains as well as individual consumers all over the world. The Division also manages a network of franchised SunMoon retail outlets that provide a valuable, direct connection to the end consumer.

SunMoon also develops new products, leveraging on our in-depth understanding of the consumers in

our key markets to bring them fruits and fruit-related products specially developed to suit their preferences in taste and packaging designs. Exciting new ranges of consumer products have been launched in Singapore and Indonesia stores.

PRODUCE DIVISION – Dehydrated Produce Processing and Distribution

SunMoon Produce Division is the largest processor and exporter of dehydrated garlic and onion in China. We serve global food companies in USA, Canada, Australia, Europe, South America, Asia, and the rest of the world. Our valued customers include Unilever, Newly Weds, Givaudan, Kerry, Symrise, MARS and other renowned global companies.

Our state-of-the-art facility and US-imported dehydrating lines in China can produce up to 12,000 MT of dehydrated garlic and onion annually

for export globally. Our products are 100% natural and contain no additives nor preservatives. With emphasis on strong flavour and aroma, they are regarded as direct substitutes to US dehydrated products by the food ingredient industry.

Core to our success is ensuring our operations and quality system are fully accredited and certified to international standards: HACCP; Good Manufacturing Practice (GMP); AIB (Excellent), ISO 22000, Halal and Kosher Certification. Our integrated dehydrating and milling operation, together with our quality assurance and quality control programmes, gives confidence to our customers especially on quality and consistency which are vital in the food ingredient industry. Our products thus command a premium and we remain focused on targeting the top food companies in the world to increase our market share.



Corporate Information

BOARD OF DIRECTORS

Mr. Gary Loh Hock Chuan
(Executive Chairman)
Dr. Tan Eng Liang
Mr. Chee Wai Pong
Mr. Michael John Martin

AUDIT AND RISK COMMITTEE

Mr. Michael John Martin (Chairman)
Dr. Tan Eng Liang
Mr. Chee Wai Pong

REMUNERATION COMMITTEE

Dr. Tan Eng Liang (Chairman)
Mr. Chee Wai Pong
Mr. Michael John Martin

NOMINATING COMMITTEE

Mr. Chee Wai Pong (Chairman)
Dr. Tan Eng Liang
Mr. Michael John Martin

COMPANY SECRETARY

Ms. Chia Lay Beng

REGISTERED OFFICE

1 Scotts Road
#21-07/08/09 Shaw Centre
Singapore 228208
Tel: 6779 5688
Website: www.sunmoonfood.com

COMPANY REGISTRATION NO.

198304656K

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

INDEPENDENT AUDITORS

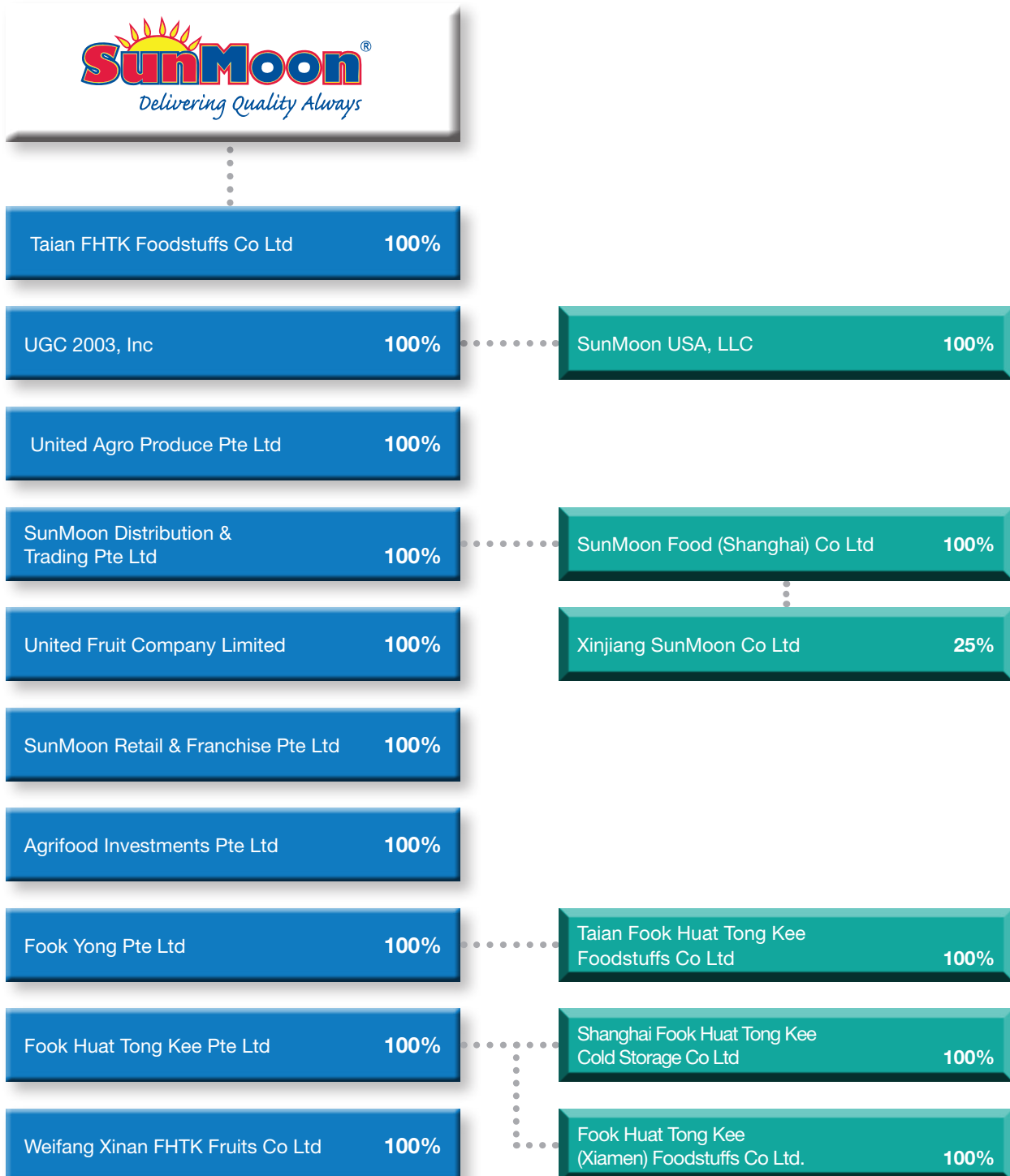
BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road
#05-01
Singapore 058267
Partner-in-charge: Lew Wan Ming
(Appointed since the financial year
ended 31 December 2014)

PRINCIPAL BANKER

DBS Bank Ltd
Cathay Bank, City of Industry Office
Bank of China, Taian Branch
Industrial and Commercial
Bank of China Limited,
Taian Branch



Corporate Structure



Message from the Executive Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present my annual report as Executive Chairman, for the Financial Year 1st January 2014 to 31st December 2014 ("FY14").

STRATEGY:

Rebalancing Resources, Positioning for the Future

SunMoon Group continues to focus on quality and building the SunMoon brand. We are reallocating financial and human resources to high growth areas to position the Group as a Premium Brand company for the future in line with our belief that the growth in our key markets will be driven by consumer spending on premium products that are backed by SunMoon's quality assurance, strong branding and responsive, innovative marketing.

Our SunMoon Brand Strategy focuses on the Brand Purpose to provide Natural Goodness to the modern consumer who faces the problem of selecting quality and safe food choices for their family every day. Our goal is for consumers to equate SunMoon fresh fruits and products with natural goodness that can be enjoyed by the whole family. This will serve as our greatest differentiator.

RESULTS:

Sales Growth amid Asian Slowdown

Group revenue increased 10.0% to \$37.8M in FY14 compared to \$34.4M in FY13. Gross Profit at \$7.8M in



FY14 represents a 22.3% increase compared to Gross Profit of \$6.4M in FY13. Overall Gross Profit Margin improved from 18.5% in FY13 to 20.6% in FY14. The Group's Net Loss for FY14 was \$2.1M compared to a Net Profit of \$11.1M for FY13.

Revenue for Fresh Division was \$15.9M in FY14, an increase of 39.6% compared to revenue of \$11.4M in FY13. The increase in sales was mainly attributed to

aggressive sales and promotions of SunMoon products in Indonesia, and diversification of fresh fruit sources beyond our core China Fuji Apple. With the continuing implementation of import quotas on selected fresh fruits in Indonesia and high apple prices in China, the Division continues its efforts to secure other fresh products from other sources, including North and South American berries and Korean strawberries to mitigate the challenging trading environment.

Produce (Dehydrated Products) Division sales tonnage in FY14 decreased 3.8% compared to FY13 due to limited availability of fresh onion raw material. Sales value correspondingly decreased 4.7% in FY14. Gross profit margin improved 5.3% in FY14 due to lower weighted average production cost of dehydrated garlic. The North American market demand for dehydrated garlic remained strong in line with its improving economy.

In FY14, we continued expanding the range of SunMoon branded consumer products, which now includes Juice Drinks, Mineral Water, Ready-to-eat Corn and an expanded range of Exotic Fruit Cups. A co-branding deal was also secured with DC Comics to incorporate DC Comics Superhero characters into SunMoon packaging.

OUTLOOK:

New Products, New Strategic Focus

The Company is embarking on a strategic shift towards a consumer-centric, brand-focused business model. We aim to be a key Asian player in the growth of consumer spending, specialising in fruit-related and fresh products. Resources will have to be channelled from slow growth areas to this new growth engine.

We are stepping up the speed of new product developments, product launches and implementing aggressive marketing plans to secure the SunMoon brand within the mind-share of the new sophisticated consumer when it comes to health, freshness and natural goodness.

ACKNOWLEDGEMENTS

On behalf of the Company, I would like to welcome Mr Leslie Koh who joined the SunMoon Team as the CFO in July 2014.

On behalf of the Board, I would also like to thank the shareholders and customers of the Group for their strong support to grow SunMoon into a leading fruit brand company in Asia, and to thank fellow directors, management and staff for their contributions and commitment to the success of the SunMoon Group.



Gary Loh
Executive Chairman



Board of Directors



MR. GARY LOH HOCK CHUAN (Executive Chairman)

Mr. Loh was appointed to the Board as a Non-Independent Director on 15 April 2007, as Deputy Chairman of the Board on 22 May 2007 and as Executive Director and Chairman of the Executive Committee on 1 July 2007 which was dissolved on 5 November 2013. He was appointed as Executive Chairman of the Board on 7 October 2013. Mr. Loh is the Executive Chairman of First Alverstone Capital Ltd. He was the Director of Sales in UOB Kay Hian Pte Ltd. Mr. Loh graduated from the National University of Singapore (NUS) with a Bachelor of Arts (Political Science & Economics) and NUS Business School with a Master in Applied Finance. He completed an Executive Program (OPM) at Harvard Business School.



DR. TAN ENG LIANG (Independent Director)

Dr. Tan was appointed to the Board as an Independent Director and as Chairman of Remuneration Committee on 7 October 2013. Dr. Tan held several directorships in private and public companies in Singapore, Hong Kong and Malaysia. He was a Member of Parliament, Singapore from 1972 to 1980. He was also a Chairman of Singapore Quality & Reliability Association, Urban Redevelopment Authority and Singapore Sports Council. He held the position of Senior Minister of State for National Development from 1975 to 1978 and Senior Minister of State for Finance from 1978 to 1979.



MR. MICHAEL JOHN MARTIN (Independent Director)

Mr. Martin was appointed as an Independent Director and Chairman of the Audit and Risk Committee of the Company on 15 April 2007. Mr. Martin was a partner in Cooper Lancaster Brewers, London and a member firm partner in Arthur Andersen, Singapore. He has his own business advisory firm, Michael Martin Business Advisory. He is a Fellow of the Institute of Chartered Accountants in England and Wales.



MR. CHEE WAI PONG (Independent Director)

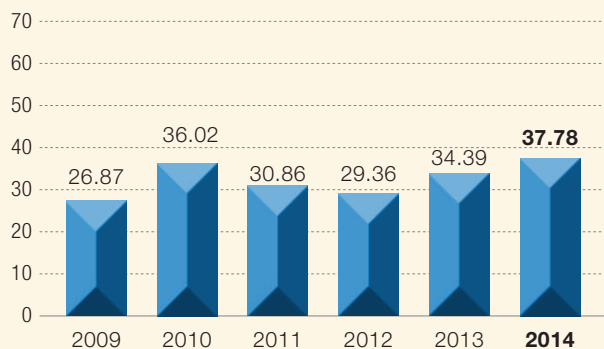
Mr. Chee was appointed to the Board as an Independent Director on 28 February 2005 and as Chairman of the Nominating Committee on 7 October 2013. He joined the Legal Service and was appointed a Deputy Public Prosecutor/State Counsel from 1971 to 1973. He was appointed a Magistrate and then District Judge and the State Coroner between 1973 and 1976. Mr. Chee joined M/s Osborne Jones & Co as a partner from August 1976 to December 1978. He was a partner of M/s Ng Ong & Chee from January 1979 to December 2006. From 1 January 2007 he started his own practice under the name and style of Chee Wai Pong & Co. Mr. Chee is the honorary legal advisor to the Medical Alumni and Ling Kwang Home for the Senior Citizens. He is also a member of the Management Committee of the Students Care Service and a member of the Yishun Centre Advisory Committee of the Students Care Service. Mr. Chee graduated from the University of Singapore with a Bachelor of Law Degree (L.L. B Hons) in 1971.



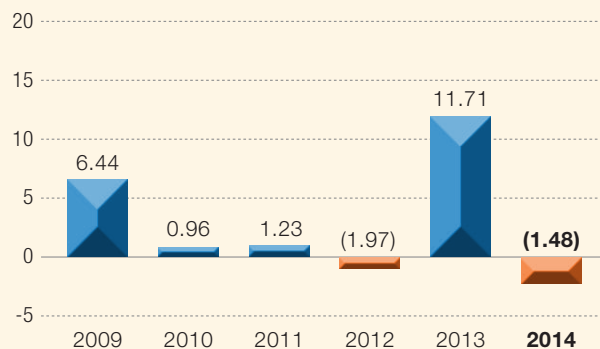
Financial Highlights

	FY2014	FY2013	FY2012	FY2011	FY2010	FY2009
Turnover (\$ Millions)	37.78	34.39	29.36	30.86	36.02	26.87
Profit/(loss) before Income Tax (\$ Millions)	(1.48)	11.71	(1.97)	1.23	0.96	6.44
Shareholders' funds (\$ Millions)	12.67	14.33	(21.20)	(17.60)	(19.27)	(19.30)
Net Tangible Assets per Share (Cents)	3.98	0.04	(0.27)	(0.22)	(0.24)	(0.24)
Net Earning/(Loss) per Share (Cents)	(0.66)	0.07	(0.03)	0.01	0.01	0.08
EBITDA (\$ Millions)	(0.47)	0.18	2.07	4.93	4.57	10.47

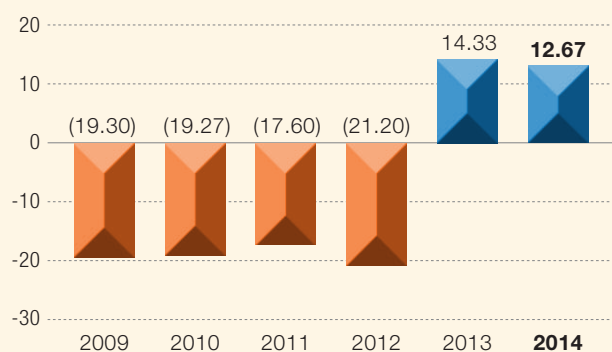
TURNOVER (\$ MILLIONS)



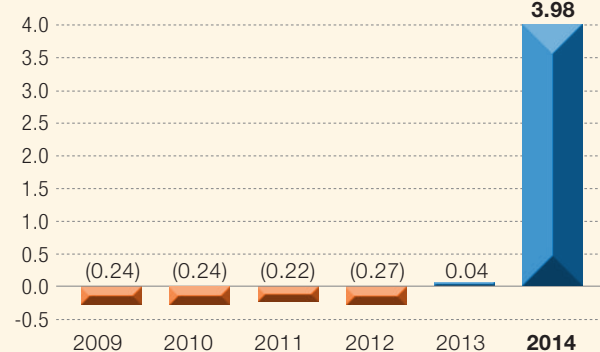
PROFIT/(LOSS) BEFORE INCOME TAX (\$ MILLIONS)



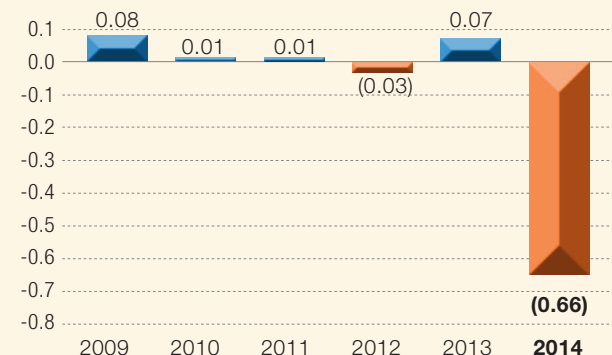
SHAREHOLDERS' FUNDS (\$ MILLIONS)



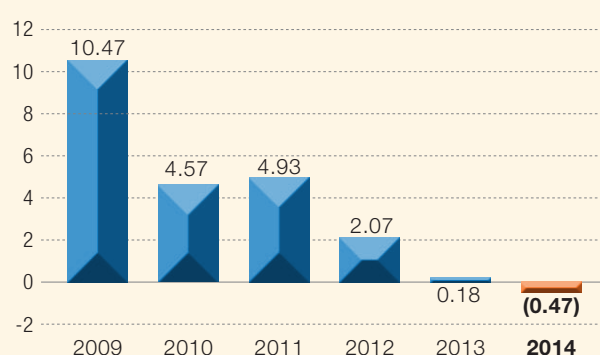
NET TANGIBLE ASSETS PER SHARE (CENTS)



NET EARNING/(LOSS) PER SHARE (CENTS)



EBITDA (\$ MILLIONS)



Key Management

MR. NEO WEI MING *Chief Executive Officer*

Mr. Neo was appointed as the Chief Executive Officer (“CEO”) on 1 August 2009. He joined the Group on 1 October 2007 as Chief Operating Officer. He provides the leadership for the business restructuring and strategic growth, and is responsible for the overall business performance of the Group. He brings with him vast experiences in sales, marketing, procurement, supply chain management and strategic planning from both the public and private sectors. He holds a Bachelor of Arts (Honours) in Engineering Science from Oxford University and an MBA from Insead.

MR. LESLIE KOH KOK HENG *Chief Financial Officer*

Leslie Koh is the Group’s Chief Financial Officer and has more than 20 years’ experience in investment banking and financial management, advising and leading companies listed in Singapore and elsewhere in Asia on primary and secondary markets capital-raising, mergers & acquisitions, as well as on corporate governance. He has also managed a number of initial public offerings on the SGX-ST. As CFO, Leslie leads the Group’s financial management in the areas of financial strategy, governance, accounting and risk management. He was recently Partner and Head of Corporate Finance at Ernst & Young Singapore in charge of all equity investment banking activity including leading the firm’s first initial public offering advisory. His previous roles included senior leadership positions in investment banking at BNP Paribas and UBS. Leslie holds a B. Soc. Sci (Honours) degree in Economics from the National University of Singapore and a Master’s degree in Accounting.

MR. CHNG SAY KIAT *Senior Manager – Produce Division*

Mr. Chng is the Senior Manager with Dehydrated Produce Division. He joined the Group in 2004 as the President of UGC 2003, Inc., a subsidiary responsible for the sales, marketing and distribution of dehydrated products in North America. He oversees a team of sales and marketing staff in the sales and marketing of dehydrated products to North America. Prior to joining the Group, he was the Executive Director of SGX-listed New Wave Technologies Ltd and its subsidiary, Eplus Technologies Pte Ltd. He holds a Bachelor of Engineering degree majoring in Computer Engineering and an MBA (Finance & International Business).

MISS. ROSANNE ONG SIEW LING *Senior Sales Manager – Fresh Product Division*

Ms. Rosanne joined the Group on 21 December 2009 as Sales Executive, and was promoted to Senior Sales Manager of Fresh Division in year 2014. She currently manages the Fresh Products Division covering fresh fruit business in South East Asia, China, Middle East and Europe market. She brings with her a wealth of experience in the food industry, retail business and marketing of consumer goods. She holds a Bachelors Degree with Honours in Mass Communication from University Science of Malaysia(USM), Penang.



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Report on Corporate Governance

The Board of Directors (“Board”) of SunMoon Food Company Limited (the “Company”) recognises that sound corporate governance practices are important to the proper functioning of the Company and its subsidiaries (the “Group”) and enhances the interest of all shareholders.

This report sets out the corporate governance practices that have been adopted by the Company.

BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1: EVERY COMPANY SHOULD BE HEADED BY AN EFFECTIVE BOARD TO LEAD AND CONTROL THE COMPANY. THE BOARD IS COLLECTIVELY RESPONSIBLE FOR THE LONG-TERM SUCCESS OF THE COMPANY. THE BOARD WORKS WITH MANAGEMENT TO ACHIEVE THIS OBJECTIVE AND MANAGEMENT REMAINS ACCOUNTABLE TO THE BOARD.

The Board comprises one executive director and three non-executive directors. All the three non-executive directors are independent directors. Together the Board has the relevant core competencies and diversity of experience which enable them to effectively contribute to the Group.

The Board, in addition to its statutory responsibilities, has the responsibility to protect and enhance long-term shareholders’ value. It sets the overall strategy for the Group and supervises the management of the Company (“Management”). To fulfill this role, the Board is responsible for the overall corporate governance of the Group which includes:

1. Setting and guiding the corporate strategy, directions and financial objectives of the Group, and monitoring the performance of Management towards achieving adequate shareholders’ value;
2. Overseeing the processes related to risk management and internal control, financial reporting and compliance, including the release of financial results and announcements of material transactions;
3. Approving all Board appointments and appointments of key management staff;
4. Approving annual budgets, major funding proposals, investment and divestment proposals;
5. Advising Management on major policy initiatives and significant issues;
6. Overseeing the proper conduct of the Company’s business and assuming responsibility for corporate governance;
7. Identify the key stakeholder groups and recognize that their perceptions affect the company’s reputation; and
8. Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

To assist the Board in the execution of its responsibilities, the Board delegates specific authority to three Board Committees which comprise the Audit and Risk Committee, the Nominating Committee, and the Remuneration Committee. These Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

Report on Corporate Governance

The Board will meet on a quarterly basis and ad-hoc Board meetings will be convened when they are deemed necessary. Apart from physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees. The Company's Articles of Association allow a board meeting to be conducted by way of a tele-conference and video conference, audio visual, or other similar communications equipment. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

The approval of the Board is required for any matters which is likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. Matters requiring the Board's decision and approval include:

1. Major funding proposals, investments, acquisitions and divestments including the Group's commitment in terms of capital and other resources;
2. Corporate and Business plans, the annual budgets and financial plans of the Group;
3. Statutory Reporting including quarterly and full year announcements to SGX, Annual Report, any ad-hoc release to SGX;
4. Internal controls and risk management strategies and execution;
5. Appointment of directors and key management staff, including review of performance and remuneration packages; and
6. The Group has also in place financial authorization limits for matters such as operating and capital expenditure, credit lines and acquisition and disposal of assets and investments, which require the approval of the Board as per limits and Delegation of Authority set by the Board.

The directors, when first appointed, were given an orientation on the Group's business strategies and operations.

Directors also had the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and governance practices. In the event of appointment of a director, the Company will provide a formal letter to the director, setting out the director's duties and obligations. All directors to be appointed will also receive an orientation on the business strategies and operations of the Group and those who have no prior experience as directors of a listed company will undergo briefing on the roles and responsibilities as directors of a listed company.

Report on Corporate Governance

DIRECTORS' MEETINGS HELD IN 2014

Details of directors' attendance at the Board and Board committee meetings held for the financial period from 1 January 2014 to 31 December 2014 are summarised in the table below.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	Board	Audit & Risk Committee	Remuneration Committee	Nominating Committee
Number of Meetings held	4	4	1	1
Directors during financial period				
Mr. Gary Loh Hock Chuan	4	–	–	–
Dr. Tan Eng Liang	4	4	1	1
Mr. Chee Wai Pong	4	4	1	1
Mr. Michael John Martin	4	4	1	1

BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: THERE SHOULD BE A STRONG AND INDEPENDENT ELEMENT ON THE BOARD, WHICH IS ABLE TO EXERCISE OBJECTIVE JUDGEMENT ON CORPORATE AFFAIRS INDEPENDENTLY, IN PARTICULAR, FROM MANAGEMENT AND 10% SHAREHOLDERS. NO INDIVIDUAL OR SMALL GROUP OF INDIVIDUALS SHOULD BE ALLOWED TO DOMINATE THE BOARD'S DECISION MAKING.

Presently the Board comprises one executive director and three independent non-executive directors. The present composition of the Board complies with the Code's guidelines that independent directors make up more than one-third of the Board. The participation of the directors in the Board committees is as follows:

Name of Director	Independence	Board	Audit & Risk Committee	Remuneration Committee	Nominating Committee
Mr. Gary Loh Hock Chuan	Executive	C	–	–	–
Dr. Tan Eng Liang	Independent Non-Executive	M	M	C	M
Mr. Chee Wai Pong	Independent Non-Executive	M	M	M	C
Mr. Michael John Martin	Independent Non-Executive	M	C	M	M

C: Chairman
M: Member

Report on Corporate Governance

The Board adopts the Code's definition of what constitutes an independent director in its review. The Board is of the view that the independent non-executive directors of the Company are independent, and further, that no individual or small group of individuals dominate the Board's decision making process. The independence of each director is also reviewed annually by the Nominating Committee.

The size and composition of the Board will be reviewed annually by the Nominating Committee. The review will seek to ensure that the size of the Board is appropriate so as to facilitate effective decision making. The review will also ensure that there is an appropriate mix of expertise and experience, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies. Together, the directors as a group provide core competencies such as accounting and finance, business experience, industry knowledge, strategic planning experience and customer-based experience.

Non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

Key information regarding the directors is set out on pages 6 and 7 of the Annual Report.

ROLES OF EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: THERE SHOULD BE A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND THE EXECUTIVES RESPONSIBLE FOR MANAGING THE COMPANY'S BUSINESS. NO ONE INDIVIDUAL SHOULD REPRESENT A CONSIDERABLE CONCENTRATION OF POWER.

Different individuals assume the roles of the Executive Chairman of the Board and the Chief Executive Officer ("CEO"). The separation of the roles of the Executive Chairman and CEO ensures a balance of power and authority such that no one individual represents a considerable concentration of power. The posts of Executive Chairman and CEO are held by Mr. Gary Loh Hock Chuan and Mr. Neo Wei Ming respectively. The CEO is not a member of the Board.

As the Executive Chairman, Mr. Gary Loh Hock Chuan bears responsibility for the effective working of the Board. He is responsible for amongst others, ensuring that the directors receive accurate, timely and clear information. He sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. In addition to making sure that effective communication is achieved with the shareholders, he acts as facilitator to non-executive directors for them to effectively contribute to the Group. He also encourages constructive relations between the management of the Company and the Board as well as between the executive director and non-executive directors and promotes a culture of openness and debate at the Board.

As the CEO, Mr. Neo Wei Ming is responsible for the day-to-day running of the Group and the execution of the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's business.

The above is not an exhaustive description of the current or future role of the Executive Chairman and CEO. The role of the Executive Chairman and CEO may change in line with developments affecting the Group.

Report on Corporate Governance

BOARD MEMBERSHIP

PRINCIPLE 4: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS TO THE BOARD.

NOMINATING COMMITTEE (“NC”)

The NC, regulated by a set of written terms of reference, comprises three members, all of whom are independent non-executive directors. The Chairman is Mr. Chee Wai Pong, an independent non-executive director, who is not, or who is not directly associated with, a substantial shareholder. The other two members are Dr. Tan Eng Liang and Mr. Michael John Martin, all independent non-executive directors.

The NC is responsible for the following:

- (a) to make recommendations to the Board on all Board appointments, including re-nominations, having regard to the directors' contribution and performance including, if applicable, as an independent director, and the review of board succession plan for directors and for the CEO;
- (b) to determine annually, on a discretionary basis, whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (c) in respect of a director who has multiple board representations on various companies, to decide whether or not such director is able to and has been adequately carrying out his duties as director, having regard to the competing time commitments that are faced when serving on multiple boards. The Board determines ten (10) as the maximum number of listed company board representations which any director may hold subject to any special circumstances that may be applicable to any particular director;
- (d) to determine the process for selection and appointment of new directors to the Board, including disclosure on the search and nomination process; and

In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the research process. Interviews are set up with potential candidates for Nomination Committee members to assess them, before a decision is reached. The NC also oversees the re-appointment of directors as and when their tenure of appointment is due. In assessing the directors for reappointment, the Nomination Committee evaluates several criteria including, qualifications, contributions and independence of the directors.

- (e) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value.

Report on Corporate Governance

All the directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Article 102 of the Articles of Association of the Company requires one-third of the Board (other than the Managing Director) to retire by rotation at every Annual General Meeting (“AGM”).

The NC recommended to the Board the re-nomination of Dr. Tan Eng Liang and Mr. Chee Wai Pong for re-election as directors of the Company at the forthcoming AGM.

BOARD PERFORMANCE

PRINCIPLE 5: THERE SHOULD BE A FORMAL ANNUAL ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD AS A WHOLE AND ITS BOARD COMMITTEE AND THE CONTRIBUTION BY EACH DIRECTOR TO THE EFFECTIVENESS OF THE BOARD.

The Company acknowledges the importance of a formal assessment of Board performance and has adopted a formal system of evaluating Board performance as a whole. An evaluation of Board performance will be conducted annually to identify areas of improvement and as a form of good Board management practice.

The NC had assessed the effectiveness of the Board as a whole and its Board Committees and contribution by each director on each of the following:

- Board composition;
- Information to the board;
- Board procedure;
- Board accountability;
- CEO/Management; and
- Standard of conduct.

ACCESS TO INFORMATION

PRINCIPLE 6: IN ORDER TO FULFILL THEIR RESPONSIBILITIES, DIRECTORS SHOULD BE PROVIDED WITH COMPLETE, ADEQUATE AND TIMELY INFORMATION PRIOR TO BOARD MEETINGS AND ON AN ON-GOING BASIS SO AS TO ENABLE THEM TO MAKE INFORMED DECISIONS TO DISCHARGE THEIR DUTIES AND RESPONSIBILITIES.

Management is required to provide complete, adequate and timely information to the Board on the Board’s affairs and issues that require the Board’s decision. Information provided included background of explanatory information and copies of disclosure documents.

The CEO keeps the Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. All directors have separate and independent access to the Management and the Company Secretary at all times.

Report on Corporate Governance

The Company Secretary attends all Board meetings and assists the Board in ensuring that Board procedures and all other rules and regulations applicable to the Company are complied with. The Company Secretary also follows the direction of the Chairman to ensure that good information flows within the Board and its committees and between senior management and non-executive directors, to advise the Board on all governance matters, as well as to facilitate orientation and assist with professional development when required to do so. The appointment and removal of the Company Secretary is subject to approval by the Board.

The Company has in place the procedure to enable the directors, whether as a group or individually, to obtain independent professional advice as and when necessary in furtherance of their duties at the Company's expense.

The appointment of such independent professional advisor is subject to approval by the Board.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICY ON EXECUTIVE REMUNERATION AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS. NO DIRECTOR SHOULD BE INVOLVED IN DECIDING HIS OWN REMUNERATION.

Remuneration Committee ("RC")

The RC ensures the appropriateness, transparency and accountability to shareholders on issues of remuneration of the directors and Management.

The RC, regulated by a set of written terms of reference, comprises three members, who are all independent non-executive directors. The Chairman of the RC is Dr. Tan Eng Liang, an independent non-executive director. The members are Mr. Chee Wai Pong and Mr. Michael John Martin, all independent non-executive directors.

The RC is responsible for the following:

- (a) to recommend to the Board a framework of remuneration for the Board and key executives;
- (b) to recommend specific remuneration packages and terms of employment for each executive director and key management personnel;
- (c) to recommend the remuneration of the non-executive directors, taking into account factors such as their effort and time spent, and their responsibilities;
- (d) in the case of service contracts, to consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;
- (e) to review the remuneration of senior management; and
- (f) to recommend to the Board long term incentive schemes which may be set up from time to time.

Report on Corporate Governance

The recommendation of the RC for the remuneration of directors would be submitted for endorsement by the Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind. No director or member of the RC is involved in deciding his own remuneration.

If required, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: THE LEVEL AND STRUCTURE OF REMUNERATION SHOULD BE ALIGNED WITH THE LONG-TERM INTERESTS AND RISK POLICIES OF THE COMPANY, AND SHOULD BE APPROPRIATE TO ATTRACT, RETAIN AND MOTIVATE (A) THE DIRECTORS TO PROVIDE GOOD STEWARDSHIP OF THE COMPANY, AND (B) KEY MANAGEMENT PERSONNEL TO SUCCESSFULLY MANAGE THE COMPANY. HOWEVER, COMPANIES SHOULD AVOID PAYING MORE THAN IS NECESSARY FOR THIS PURPOSE.

The remuneration packages are set such that the directors and key management personnel are adequately but not excessively remunerated as compared to other comparable companies in the industry in view of present market conditions. The remuneration policy adopted takes into account the individual's and the Company's performance.

The remuneration of the Executive Chairman of Mr. Gary Loh Hock Chuan, as set out in the renewable 3-year service agreement which commenced on 1 July 2014, consists of a fixed monthly salary. The service agreement may be terminated during such term either as provided in the service agreement or by either party giving to the other not less than 3 months written notice. There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of Executive Chairman.

The current remuneration of the non-executive directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Except for directors' fees, which have to be approved by Shareholders at every annual general meeting ("AGM"), the non-executive directors do not receive any other forms of remuneration from the Company.

DISCLOSURE ON REMUNERATION

PRINCIPLE 9: EACH COMPANY SHOULD PROVIDE CLEAR DISCLOSURE OF ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, AND THE PROCEDURE FOR SETTING REMUNERATION IN THE COMPANY'S ANNUAL REPORT. IT SHOULD PROVIDE DISCLOSURE IN RELATION TO ITS REMUNERATION POLICIES TO ENABLE INVESTORS TO UNDERSTAND THE LINK BETWEEN REMUNERATION PAID TO DIRECTORS AND KEY MANAGEMENT PERSONNEL, AND PERFORMANCE.

Report on Corporate Governance

Directors

The fees payable and remuneration paid to each of the directors of the Company for the financial period from 1 January 2014 to 31 December 2014 are below \$250,000 per annum for three independent directors and below \$500,000 for one executive director. A breakdown of the level and mix of the remuneration of the directors is as follows:

	Fees ⁽¹⁾ %	Salary ⁽²⁾ %	Bonus and Benefits in Kind %	Total (S\$'000)
S\$250,000 to Below S\$500,000				
Mr. Gary Loh Hock Chuan	10%	69%	21%	452
Below S\$250,000				
Dr. Tan Eng Liang	100%	–	–	29
Mr. Chee Wai Pong	100%	–	–	38
Mr. Michael John Martin	100%	–	–	43

(1) Director fees are subject to shareholder's approval as a lump sum at the Annual General Meeting to be held on 28 April 2015.

Key Executives

The remuneration for the CEO, Mr. Neo Wei Ming and the top five key management personnel (who are not directors or the CEO), for the financial period from 1 January 2014 to 31 December 2014 is tabled with a breakdown of the level and mix of the remuneration as follows:

	Fixed Salary ⁽²⁾ %	Variable Bonus %	Benefits in Kind %	Total (S\$'000)
S\$250,000 to Below S\$500,000				
Mr. Neo Wei Ming	86%	7%	7%	450
Below S\$250,000				
Mr. Koh Kok Heng, Leslie	100%	0%	0%	668
Mr. Chng Say Kiat	90%	10%	0%	
Mr. Ivan Chua Kim Boon	82%	11%	7%	
Mr. Bobby Chew	92%	0%	0%	
Mr. Robert Tice	81%	19%	0%	

(2) Fixed Salary includes all social contribution paid by employer.

There are no employees of the Group who are immediate family members of a director or the CEO.

Report on Corporate Governance

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

PRINCIPLE 10: THE BOARD SHOULD PRESENT A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECTS.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The Management currently provides the Board with Management accounts of the Group's performance, position and prospects on a monthly basis.

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK. THE BOARD SHOULD ENSURE THAT MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS TO SAFEGUARD THE SHAREHOLDERS' INTERESTS AND THE COMPANY'S ASSETS, AND SHOULD DETERMINE THE NATURE AND EXTENT OF THE SIGNIFICANT RISKS WHICH THE BOARD IS WILLING TO TAKE IN ACHIEVING ITS STRATEGIC OBJECTIVES.

The Board acknowledges that it is responsible for the overall internal control framework and maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets. The Audit and Risk Committee ("ARC") reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management.

The ARC conducts a review to ensure the adequacy of the internal audit function at least annually. The system of internal controls currently implemented by the Group provides reasonable assurance against financial misstatements or loss.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board and ARC get assurance based on all works performed as listed below:-

1. Internal controls established and maintained by the Group as documented and reviewed as necessary in the matrix of risk register, group policies, and Standard Operating Procedures;
2. Work performed by the internal auditors;
3. Work performed by the external auditors;
4. ARC discussions and reviews by the ARC and the Board;
5. Reviews performed by the management;

Report on Corporate Governance

6. Execution of the Group Whistle Blowing Policy;
7. Work performed by Workplace Safety Committee; and
8. Other reviews performed by other committees.

The Board, with the concurrence of the ARC, holds the opinion that, the system of internal controls for financial, operational, and compliance risks maintained by the Group's management throughout the financial period from 1 January 2014 to 31 December 2014 up to the date of this report is adequate to meet the needs of the Group in its current business environment. The Board has received assurance from the CEO and the CFO:

- (a) That the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) Regarding the effectiveness of the company's risk management and internal control systems.

AUDIT AND RISK COMMITTEE ("ARC")

The ARC, regulated by a set of written terms of reference, comprises three independent non-executive directors namely, Dr. Tan Eng Liang, Mr. Michael John Martin, and Mr. Chee Wai Pong. The Chairman of the ARC is Mr. Michael John Martin.

The Board is of the view that the members of the ARC are appropriately qualified, having the necessary accounting or related management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The ARC meets periodically to discuss and review the following where applicable:

Audit

- (a) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) review and report to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- (c) review the effectiveness of the company's internal audit function;

Report on Corporate Governance

- (d) review the scope and results of the external audit, and the independence and objectivity of the external auditors and review and discuss with the external auditors:-
- the audit plan, their evaluation of the system of internal controls, their audit report, their letter to Management and Management's response;
 - the quarterly, half yearly, and annual financial statements, balance sheet and profit and loss accounts before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
 - the internal controls and procedures and ensure co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (e) Review and discuss with external auditors and internal auditors about any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;
- (f) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the company, the ARC review the nature and extent of such services, seeking to maintain objectivity;
- (g) Meet with both external auditors and internal auditors, in each case without the presence of Management, at least once annually;
- (h) Review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken;
- (i) Conduct an annual review of the whistleblowing arrangements to ensure effective implementation. Where necessary, the arrangements should be amended;
- (j) Review transactions falling within the scope of Chapter 9 of the Listing Manual and potential conflicts of interests, if any;
- (k) Undertake such other reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of ARC; and

Report on Corporate Governance

- (l) Generally undertake such other functions and duties as may be required by statute and the Listing Manual, and by such amendments made thereto from time to time.

Risk

Assist the Board in carrying out responsibilities of overseeing the company's risk management framework and policies:

- (a) Identify, assess, monitor and manage risks associated with the operations of the Group, and examine any other matters relating to risks that are referred to it by the Board;
- (b) Build consensus among the Board members and Management on acceptable risk levels (in terms of risk likelihood and its impact) and monitor current risk levels;
- (c) Assess whether the risk management framework is appropriate and adequate;
- (d) Monitor Management accountability for risk management processes and compliance with risk policies;
- (e) Review and make recommendations to the Board in relation to risk management;
- (f) Consider, and make recommendations to the Board in connection with, the compliance by the Group with its risk management framework and policies;
- (g) Report to the Board on any material changes to the risk profile of the Group;
- (h) Monitor and refer to the Board any instances involving material breaches or potential breaches of the Group's risk management policies; and
- (i) Engage such independent professional advice as it considers necessary in fulfilling its duties.

The ARC has the explicit powers to conduct or authorise investigations into any of the abovementioned matters. The ARC has full access to and co-operation by Management and also full discretion to invite any director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

The ARC meets with the Group's external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group and review any change of accounting standards and issues which have a direct impact on financial statements. The ARC meets with the external auditors, without the presence of Management, at least once a year. The Company complies with SGX listing Rules 712 and Rule 715 in relation to auditing firm.

The ARC has conducted an annual review of the volume of non-audit services, if any, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The ARC had recommended the re-appointment of BDO LLP as external auditors at the forthcoming AGM.

Report on Corporate Governance

The fees for both audit and non-audit services are listed below:

	BDO LLP Singapore \$'000	Overseas BDO Affiliates \$'000	Other auditor Singapore & overseas \$'000	Total \$'000
Statutory Audit for the year ended 31 December 2014	90	33	14	137
Total	90	33	14	137

The Whistle-Blowing Policy is in place within the Group and Code of Business Ethics and Conduct and Conflict of Interests declaration are in practice within the Group.

INTERNAL AUDIT

PRINCIPLE 13: THE COMPANY SHOULD ESTABLISH AN EFFECTIVE INTERNAL AUDIT FUNCTION THAT IS ADEQUATELY RESOURCED AND INDEPENDENT OF THE ACTIVITIES IT AUDITS.

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests.

The Company had appointed an internationally reputable accounting firm to perform internal audit. The ARC meets with the internal auditors regularly to review the Company's operations and to plan for appropriate internal audit program. Reports are prepared by the internal auditors for review by the ARC and approval by the Board.

SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS, AND CONDUCT OF SHAREHOLDER MEETINGS

PRINCIPLE 14: COMPANIES SHOULD TREAT ALL SHAREHOLDERS FAIRLY AND EQUITABLY, AND SHOULD RECOGNISE, PROTECT AND FACILITATE THE EXERCISE OF SHAREHOLDERS' RIGHTS, AND CONTINUALLY REVIEW AND UPDATE SUCH GOVERNANCE ARRANGEMENTS.

PRINCIPLE 15: COMPANIES SHOULD ACTIVELY ENGAGE THEIR SHAREHOLDERS AND PUT IN PLACE AN INVESTOR RELATIONS POLICY TO PROMOTE REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS.

PRINCIPLE 16: COMPANIES SHOULD ENCOURAGE GREATER SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS OF SHAREHOLDERS, AND ALLOW SHAREHOLDERS THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

In line with continuous disclosure obligations of the Company and pursuant to the SGX-ST's Listing Manual, the Board's policy is that shareholders are informed of all major developments that impact the Group. And an investor relations policy is also in place to regularly convey pertinent information to shareholders.

Report on Corporate Governance

Information is communicated to shareholders on a timely basis. Communication is made through annual reports that are prepared and issued to all shareholders as well as quarterly announcements, notice of annual general meetings and extraordinary general meetings, other announcements and press releases are issued via SGXNET. The dividend information is stated and disclosed in quarterly announcements.

In addition, shareholders are encouraged to attend the general meetings of shareholders to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders may vote in person or in absentia by way of proxies deposited, in person or by mail, at the registered address of the Company. Currently the Board has not implemented any voting methods to allow shareholders to vote by way of electronic mail or facsimile. Pursuant to Article 82(1) of the Articles of Association of the Company, a shareholder may appoint any number of proxies to attend and vote at the same general meeting.

The general meeting of shareholders is the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the general meetings of shareholders. The Board solicits and understands the views of the shareholders through the dialogue. The notice of the general meetings of shareholders is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting for ordinary resolutions and 21 days before the meeting for special resolutions. There are separate resolutions on each substantially separate issue. All directors attend general meetings of shareholders. The Chairmen of the ARC, NC and RC will normally be available at the shareholders' meetings to answer those questions relating to the work of these committees. The external auditors of the Company will also normally be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Dealing in Securities

The Company has adopted internal codes pursuant to the SGX-ST Listing Manual's guidelines applicable to all its officers in relation to dealings in the Company's securities. Its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year, and during the period commencing one month before the announcement of the financial statements for the financial year, and ending on the date of announcement of the relevant results.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested-person transactions.

Report of the Directors

The Directors of the Company present their report to the members together with the audited financial statements of SunMoon Food Company Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1. DIRECTORS

The Directors of the Company in office at the date of this report are:

Gary Loh Hock Chuan (Executive Chairman)
Dr. Tan Eng Liang
Chee Wai Pong
Michael John Martin

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the “Act”), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as detailed below:

	Number of ordinary shares					
	Shareholdings registered in the name of Director			Shareholdings in which Director is deemed to have an interest		
	Balance at 1 January 2014	Balance at 31 December 2014	Balance at 21 January 2015	Balance at 1 January 2014	Balance at 31 December 2014	Balance at 21 January 2015
The Company						
Gary Loh Hock Chuan	–	–	–	12,474,482,258	125,629,822*	114,998,572

Pursuant to Section 7 of the Act, Mr. Gary Loh Hock Chuan is deemed to have an interest in the 12,474,482,258 and 125,629,822 shares of the Company held by First Alverstone Capital Limited at the beginning and end of the financial year respectively.

* On 4 July 2014, the Company completed a shares consolidation of 100 existing issued ordinary shares into one ordinary share.

Report of the Directors

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited (SGX-ST), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Director's interests as at 21 January 2015 in the shares of the Company have changed from those disclosed as at 31 December 2014 for Mr. Gary Loh Hock Chuan whose deemed interests in the Company have reduced to 114,998,572 ordinary shares.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements.

5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or of its subsidiaries under options as at the end of the financial year.

SunMoon Share Option Scheme

The Company has implemented an employee share option scheme known as SunMoon Share Option Scheme (the "Option Scheme"). The Option Scheme was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 30 April 2012. No share options have been granted or awarded pursuant to the Option Scheme.

Report of the Directors

6. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (“ARC”), regulated by a set of written terms of reference, comprises three Independent Non-Executive Directors. The members of the ARC during the year and at the date of this report are:

Michael John Martin (Chairman)
Dr. Tan Eng Liang
Chee Wai Pong

The ARC performs the functions specified in Section 201B of the Singapore Companies Act, the SGX Listing Manual and the Code of Corporate Governance.

The ARC has held 4 meetings since the last report of the directors. In performing its functions, the ARC met with the Company’s external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company’s internal accounting control system.

The ARC also reviewed the following:

- (i) assistance provided by the Company’s officers to the external and internal auditors;
- (ii) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- (iii) quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption.

The ARC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director and Executive Officer to attend its meetings. The ARC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The ARC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, BDO LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Report of the Directors

7. ADDITIONAL DISCLOSURE REQUIREMENTS OF THE LISTING MANUAL OF THE SGX-ST

The auditors of the subsidiaries and associates of the Company are disclosed in Notes 11 and 12 to the financial statements. In the opinion of the Board of Directors and Audit and Risk Committee, Rule 712 and 715 of the Listing Manual of the SGX-ST has been compiled with.

On behalf of the Board of Directors

Gary Loh Hock Chuan

Director

Michael John Martin

Director

Singapore

27 March 2015

Statement by Directors

In the opinion of the Board of Directors,

- (a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 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 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Gary Loh Hock Chuan

Director

Michael John Martin

Director

Singapore

27 March 2015

Independent Auditor's 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") as set out on pages 33 to 99, which comprise the statements of financial position of the Group and of the Company as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

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 about 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 control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. 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.

Independent Auditor's Report

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED

Report on the financial statements (Continued)

Opinion

In our opinion, the accompanying 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 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
27 March 2015

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Revenue	4	37,776	34,390
Cost of sales		(29,985)	(28,020)
Gross profit		7,791	6,370
Other item of income			
Other income	5	329	13,563
Other items of expense			
Selling and distribution expenses		(2,766)	(2,219)
Administrative expenses		(6,238)	(5,343)
Other expenses		(513)	(578)
Finance costs	6	(86)	(81)
(Loss)/Profit before income tax	7	(1,483)	11,712
Income tax expense	8	(623)	(651)
(Loss)/Profit for the financial year		(2,106)	11,061
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		448	558
Income tax relating to items that may be reclassified		-	-
		448	558
Items that will not be reclassified subsequently to profit or loss:			
Deficit on revaluation of property, plant and equipment		-	(86)
Income tax relating to items that will not be reclassified		-	-
		448	472
Other comprehensive income for the financial year, net of tax		448	472
Total comprehensive income for the financial year		(1,658)	11,533
(Loss)/Profit attributable to owners of the parent		(2,106)	11,061
Total comprehensive income attributable to owners of the parent		(1,658)	11,533
(Loss)/Earnings per share			
	9		
- Basic		(0.661) cents	7.225 cents
- Diluted		(0.661) cents	7.225 cents

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Non-current assets					
Property, plant and equipment	10	4,416	5,089	6	24
Subsidiaries	11	-	-	18,930	17,831
Investment in associate	12	-	-	-	-
Available-for-sale financial asset	13	-	17	-	17
		<u>4,416</u>	<u>5,106</u>	<u>18,936</u>	<u>17,872</u>
Current assets					
Inventories	14	13,431	11,447	-	-
Trade and other receivables	15	7,272	4,468	8	34
Held-for-trading financial asset	16	242	-	-	-
Prepayments		77	63	25	23
Cash and bank balances	17	2,703	2,387	498	222
Current income tax recoverable		-	1	-	-
		<u>23,725</u>	<u>18,366</u>	<u>531</u>	<u>279</u>
Less:					
Current liabilities					
Trade and other payables	18	12,811	8,084	3,976	2,927
Bank borrowings	19	2,658	1,045	-	-
Current income tax payable		-	13	-	-
		<u>15,469</u>	<u>9,142</u>	<u>3,976</u>	<u>2,927</u>
Net current assets/(liabilities)		<u>8,256</u>	<u>9,224</u>	<u>(3,445)</u>	<u>(2,648)</u>
		<u>12,672</u>	<u>14,330</u>	<u>15,491</u>	<u>15,224</u>
Capital and reserves					
Share capital	20	124,508	124,508	124,508	124,508
Other reserves	21	26,010	25,562	18,384	18,384
Accumulated losses		<u>(137,846)</u>	<u>(135,740)</u>	<u>(127,401)</u>	<u>(127,668)</u>
Total equity attributable to owners of the parent		<u>12,672</u>	<u>14,330</u>	<u>15,491</u>	<u>15,224</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Note	Share capital \$'000	Capital reserve \$'000	Capital reduction reserve \$'000	Asset revaluation reserve \$'000	General reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the parent \$'000
Balance at 1 January 2014	124,508	944	18,384	2,510	2,201	1,523	(135,740)	14,330
Loss for the financial year	-	-	-	-	-	-	(2,106)	(2,106)
Other comprehensive income for the financial year								
Foreign currency translation	-	-	-	-	-	448	-	448
Total comprehensive income for the financial year	-	-	-	-	-	448	(2,106)	(1,658)
Balance at 31 December 2014	<u>124,508</u>	<u>944</u>	<u>18,384</u>	<u>2,510</u>	<u>2,201</u>	<u>1,971</u>	<u>(137,846)</u>	<u>12,672</u>
Balance at 1 January 2013	100,508	944	18,384	2,596	2,201	965	(146,801)	(21,203)
Profit for the financial year	-	-	-	-	-	-	11,061	11,061
Other comprehensive income for the financial year								
Foreign currency translation	-	-	-	-	-	558	-	558
Deficit on revaluation of property, plant and equipment	-	-	-	(86)	-	-	-	(86)
Total comprehensive income for the financial year	-	-	-	(86)	-	558	11,061	11,533
Contributions by owners of the parent:								
Issuance of shares pursuant to conversion of loan	24,000	-	-	-	-	-	-	24,000
Total transactions with owners of the parent	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Balance at 31 December 2013	<u>124,508</u>	<u>944</u>	<u>18,384</u>	<u>2,510</u>	<u>2,201</u>	<u>1,523</u>	<u>(135,740)</u>	<u>14,330</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Operating activities			
(Loss)/Profit before income tax		(1,483)	11,712
Adjustments for:			
Interest expense		86	81
Write back of convertible loan interest		-	(12,577)
Interest income		(2)	(4)
Dividend income		(65)	(102)
Write back of allowance for inventory obsolescence		(16)	(399)
Depreciation of property, plant and equipment		927	940
Loss on disposal of property, plant and equipment		-	59
Property, plant and equipment written off		-	8
Write back of long overdue payables		(50)	(330)
Available-for-sale financial asset written off		17	-
Fair value loss arising from held-for-trading financial asset		85	-
Inventories written off		8	119
Other receivables written off		10	182
Allowance for impairment loss on third parties trade and other receivables		769	97
Allowance for slow moving inventories		254	227
Operating cash flows before working capital changes		540	13
Working capital changes:			
Inventories		(2,230)	1,424
Trade and other receivables		(3,583)	(1,677)
Prepayments		(14)	22
Trade and other payables		4,777	443
Cash (used in)/generated from operations		(510)	225
Income tax paid		(635)	(360)
Net cash used in operating activities		(1,145)	(135)
Investing activities			
Interest received		2	4
Dividend received		65	102
Purchase of property, plant and equipment		(187)	(150)
Proceeds from disposal of property, plant and equipment		-	5
Purchase of held-for-trading financial asset		(330)	-
Net cash used in investing activities		(450)	(39)
Financing activities			
Interest paid		(86)	(81)
Proceeds from bank borrowings		3,648	-
Repayments of bank borrowings		(2,035)	-
Issuance of share capital		-	24,000
Settlement of convertible loan		-	(24,424)
Net cash from/(used in) financing activities		1,527	(505)
Net change in cash and bank balances		(68)	(679)
Cash and bank balances at beginning of financial year		2,387	2,765
Exchange difference on cash and bank balances		384	301
Cash and bank balances at end of financial year	17	2,703	2,387

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL CORPORATE INFORMATION

SunMoon Food Company Limited (the "Company") is a public limited liability company, incorporated and domiciled in the Republic of Singapore with its registered office address at 1 Scotts Road, #21-07/08/09 Shaw Centre, Singapore 228202 and principal place of business at 21 Bukit Batok Crescent, #10-75 WCEGA Tower, Singapore 658065. The Company's registration number is 198304656K. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014 were authorised for issue in accordance with a Directors' resolution dated 27 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below and on a going concern basis.

As at 31 December 2014, the Company's current liabilities exceeded its current assets by approximately \$3,445,000. The Directors are of the view that it is appropriate for the financial statements to be prepared on a going concern basis which contemplates the realisation of assets and liquidation of liabilities in the ordinary course of business.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("S\$"), which is the functional currency of the Company. All values are rounded to the nearest thousand (S\$'000) except when otherwise indicated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years, except as detailed below.

FRS 110 – Consolidated Financial Statements and FRS 27 (Revised) – Separate Financial Statements

FRS 110 introduces a single new control model, as the basis for determining which entities are consolidated in the Group's financial statements. Under FRS 110, control exists when the Group has:

- power over an investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power over an investee to affect the Group's returns from the investee.

The Group has applied FRS 110 retrospectively, in accordance with the transitional provisions of FRS 110 and changed its accounting policy for determining whether it has control over an entity and whether it is required to consolidate that interest. The adoption of FRS 110 did not result in any changes to the control conclusions reached by the Group in respect of its involvement with other entities as at the date of initial adoption on 1 January 2014. The adoption of FRS 27 (Revised) did not result in any material changes to the Group's or the Company's financial statements.

FRS 112 – Disclosure of Interests in Other Entities

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance. Certain new disclosures are included in these financial statements following adoption of FRS 112 on 1 January 2014.

Amendments to FRS 36 – Recoverable Amount Disclosures for Non-financial Assets

The amendments to FRS 36 were issued to remove the requirement to disclose the recoverable amount of any cash-generating unit for which the carrying amount of goodwill or intangible assets with an indefinite useful life is significant compared to the total carrying amount of goodwill or intangible assets with an indefinite useful life, and instead require disclosure about recoverable amount only when there is a significant impairment or reversal of an impairment, as well as to require additional disclosures when recoverable amount is based on fair value less costs of disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Amendments to FRS 36 – Recoverable Amount Disclosures for Non-financial Assets (Continued)

The Group has adopted the amendments to FRS 36 from 1 January 2014, and reflected the relevant amended disclosure requirements in these financial statements. There is no impact on the Group's financial position or financial performance.

FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41 (Amendments)	: Agriculture: Bearer Plants	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 110, FRS 112 and FRS 28 (Amendments)	: Investment Entities – Applying the Consolidation Exception	1 January 2016
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 114	: Regulatory Deferral Accounts	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

	Effective date (annual periods beginning on or after)
Improvements to FRSs (January 2014)	
– FRS 16 (Amendments) : Property, Plant and Equipment	1 July 2014
– FRS 24 (Amendments) : Related Party Disclosures	1 July 2014
– FRS 103 (Amendments) : Business Combinations	1 July 2014
– FRS 108 (Amendments) : Operating Segments	1 July 2014
Improvements to FRSs (February 2014)	
– FRS 40 (Amendments) : Investment Property	1 July 2014
– FRS 103 (Amendments) : Business Combinations	1 July 2014
– FRS 113 (Amendments) : Fair Value Measurement	1 July 2014
Improvements to FRSs (November 2014)	
– FRS 105 (Amendments) : Non-current Assets Held for sale and Discontinued Operations	1 January 2016
– FRS 107 (Amendments) : Financial Instruments: Disclosures	1 January 2016

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS in future periods, if applicable, will not have a material impact on the financial statements of the Group and the Company in the period of initial adoption, except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 – Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available for sale and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 – Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2017 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by to the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries and associates are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is re-measured subsequently to fair value through profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in an associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investment in associate (Continued)

In applying the equity method of accounting, the Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an associate.

The financial statements of the associate is prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Leasehold properties and certain plant and equipment are subsequently stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Leasehold properties and certain plant and equipment are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Any revaluation increase arising from the revaluation of such leasehold properties and certain plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such leasehold properties and certain plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Plant and machinery	6 – 10
Furniture, fixtures and fittings	5 – 10
Office equipment	3 – 10
Motor vehicles	2 – 5

Leasehold properties are depreciated over lease period of 10 to 50 years.

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss, unless it reverses a previous revaluation, credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a “weighted average” basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, costs include cost of material, direct labour and an appropriate portion of manufacturing overheads.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs of completion and costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of those inventories to the lower of cost and net realisable value.

2.8 Financial assets

The Group and the Company classify their financial assets as loans and receivables, available-for-sale financial assets and held-for-trading financial assets. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within “trade and other receivables” and “cash and bank balances” on the statements of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial asset is non-derivative that is either designated as available-for-sale or not classified in any of the other categories. It is included in non-current assets unless the management intends to dispose of the asset within 12 months after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(iii) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument. The Group has not designated any financial assets as FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Recognition and derecognition

Financial assets are recognised on statements of financial position when, and only when, the Group and the Company become parties to contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss. Any cumulative gain or loss in the fair value reserve relating to the asset is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Initial and subsequent measurement

Financial assets are initially recognised at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

After initial recognition, available-for-sale financial asset is re-measured at fair value with gains or losses from changes in fair value of the financial asset is recognised in other comprehensive income except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment when the available-for-sale financial asset is derecognised.

Gains or losses arising from changes in fair value of the “financial assets at fair value through profit or loss” are recognised in profit or loss in the financial year in which the changes in fair value arise.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Impairment

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

Impairment (Continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash with bank. For the purpose of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and cash at bank.

2.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. The Group and the Company have not designated any financial liabilities as fair value through profit or loss upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities (Continued)

(ii) Bank borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.11 Leases

When the Group is the lessee of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

When the Group is the lessee of a finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

2.12 Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Interest income is recognised on a time-apportionment basis using the effective interest method.

Dividend income from investment is recognised when the shareholders' right to receive payment has been established.

2.15 Employee benefits

Defined contribution plan

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as expenses in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.17 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income tax is recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Taxes (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Foreign currency transactions and translation

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purposes of presenting consolidated financial statements, the results and financial positions of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rate at the reporting date;
- (ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation disposed of.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

The Group recognises the amounts received at their fair values as other income in the month of receipt of these grants from the government.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors and the Chief Executive Officer who make strategic decisions.

2.21 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical judgements made in applying the accounting policies

In the process of applying the accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments in subsidiaries

The Group and the Company follow the guidance of FRS 36 on determining whether investments are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair values of investments are less than their cost and the financial health of and near-term business outlook for the investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(ii) Allowance for impairment of trade and other receivables

The policy for impairment of receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expenses within the next financial year, are discussed below.

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 2 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2014 were approximately \$4,416,000 (2013: \$5,089,000) and \$6,000 (2013: \$24,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the “weighted average” method. The management estimates the net realisable value of inventories based on assessment of receipt of committed sales prices and provides for excess inventories based on historical usage and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2014 was approximately \$13,431,000 (2013: \$11,447,000).

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. The Group and the Company recognise expected assets and liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made.

As at 31 December 2014, the Group had unutilised tax losses of approximately \$129,477,000 (2013: \$132,001,000) and unabsorbed capital allowance of approximately \$841,000 (2013: \$841,000) available for set-off against future taxable profits subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates. The deferred tax assets of approximately \$22,374,000 have not been recognised due to unpredictability of future revenue streams. Accordingly, the deferred tax assets have not been recognised in accordance with the accounting policy as set out in Note 2.17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4. REVENUE

	Group	
	2014	2013
	\$'000	\$'000
Sale of agricultural products	21,915	23,004
Sale of fresh fruits and processed fruits	15,860	11,374
Others	1	12
	37,776	34,390

5. OTHER INCOME

	Group	
	2014	2013
	\$'000	\$'000
Interest income	2	4
Dividend income	65	102
Write back of allowance for inventory obsolescence	16	399
Write back of long overdue payables	50	330
Write back of convertible loan interest	–	12,577
Government grant	10	102
Foreign exchange gain, net	130	–
Others	56	49
	329	13,563

6. FINANCE COSTS

	Group	
	2014	2013
	\$'000	\$'000
Interest expenses		
– bank borrowings	86	81
	86	81

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7. (LOSS)/PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	2014	2013
	\$'000	\$'000
<i>Cost of goods sold</i>		
Employee benefits expense:		
– salaries, bonus and other benefits	730	689
Inventories written off	8	119
Depreciation of property, plant and equipment	725	825
<i>Selling & distribution expenses</i>		
Operating lease expense	3	6
Warehouse storage expense	186	126
Transportation and port charges	512	471
Advertisement & promotion	121	59
Commission	160	119
Employee benefits expense:		
– salaries, bonus and other benefits	1,002	765
– defined contribution plans	92	62
<i>Administrative expenses</i>		
Audit fees		
– auditors of the Company	90	129
– other auditors	47	34
Depreciation of property, plant and equipment	202	115
Allowance for impairment loss on third parties trade and other receivables	769	97
Property tax	303	234
One off expenses in relation to convertible loan settlement	–	653
Operating lease expense	119	121
Directors' fees	156	186
Director's remuneration	406	399
Employee benefits expense:		
– salaries, bonus and other benefits	1,993	1,568
– defined contribution plans	364	308
<i>Other expenses</i>		
Loss on disposal of property, plant and equipment	–	59
Allowance for slow moving inventory	254	227
Other receivables written off	10	182
Property, plant and equipment written off	–	8
Fair value loss on held-for-trading financial asset	85	–
Available-for-sale financial asset written off	17	–
Foreign exchange loss, net	–	91

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7. (LOSS)/PROFIT BEFORE INCOME TAX (CONTINUED)

The employee benefits expense is recognised in the following line items of the Group's profit or loss:

	Group	
	2014	2013
	\$'000	\$'000
Cost of goods sold	730	689
Selling & distribution expenses	1,094	827
Administrative expenses	2,357	1,876
	4,181	3,392

The employee benefits expense include the remuneration of Directors and other key management personnel as disclosed in Note 24 to the financial statements.

8. INCOME TAX EXPENSE

	Group	
	2014	2013
	\$'000	\$'000
Current income tax		
– current financial year	536	631
– under provision in prior financial years	87	20
	623	651

Reconciliation of effective income tax rate

	Group	
	2014	2013
	\$'000	\$'000
(Loss)/Profit before income tax	(1,483)	11,712
Income tax calculated at Singapore's statutory tax rate of 17%	(252)	1,991
Effect of different tax rates in other countries	177	293
Tax effect of income not subject for tax purposes	(81)	(184)
Tax effect of expenses not deductible for income tax purposes	221	378
Tax effect of double deduction expenses	(13)	(5)
Tax effect of tax incentive	(145)	–
Under provision of current income tax in prior financial years	87	20
Deferred tax assets not recognised in profit or loss	628	235
Utilisation of deferred tax assets previously not recognised	(19)	(2,070)
Others	20	(7)
	623	651

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

	Group	
	2014	2013
	\$'000	\$'000
Balance at beginning of financial year	22,662	24,495
Amount not recognised in profit or loss	628	235
Utilisation of deferred tax assets not recognised previously	(19)	(2,070)
Unutilised tax losses expired	(46)	–
Unrecognised deferred tax asset overstated	(856)*	–
Currency translation differences	5	2
Balance at end of financial year	22,374	22,662

* During the financial year, the tax authorities have finalised the unutilised tax losses, therefore the unrecognised tax losses has been reduced from approximately \$16,091,000 in year 2013 to \$11,106,000 in year 2014

Unrecognised deferred tax assets are attributable to:

	Group	
	2014	2013
	\$'000	\$'000
Unutilised tax losses	22,164	22,514
Unabsorbed capital allowances	143	143
Others	67	5
	22,374	22,662

The above deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with the accounting policy in Note 2.17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets are attributable to: (Continued)

As at 31 December 2014, the Group has unutilised tax losses of approximately \$129,477,000 (2013: \$132,001,000) respectively available for offset against future taxable profits subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates. The expiry dates for these unutilised tax losses are as follows:

	Group	
	2014	2013
	\$'000	\$'000
2014	–	184
2015	87	87
2016	273	273
2017	298	298
2018	96	96
2019	1,277	–
	2,031	938

Unrecognised deferred tax liabilities

As at the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately \$Nil (2013: \$51,000). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

9. (LOSS)/EARNINGS PER SHARE

The calculations for (loss)/earnings per share are based on:

	Group	
	2014	2013
(Loss)/Profit after income tax attributable to owners of the parent (\$'000)	(2,106)	11,061
Actual number/Weighted average of ordinary shares during the financial year applicable to basic (loss)/earnings per share ('000)	318,784	153,086
Basic (loss)/earnings per share	(0.661) cents	7.225 cents
Diluted (loss)/earnings per share	(0.661) cents	7.225 cents

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9. (LOSS)/EARNINGS PER SHARE (CONTINUED)

Basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit after income tax attributable to owners of the parent by the actual number/weighted average of ordinary shares during the financial year.

On 4 July 2014, the Company completed a share consolidation of 100 existing issued ordinary share into 1 ordinary share of the Company and the weighted average number of ordinary shares used for the calculation of earnings per share for 2013 had been adjusted for the effect of the share consolidation.

As the Group has no dilutive potential ordinary shares, the diluted (loss)/earnings per share is equivalent to basic (loss)/earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties \$'000	Plant and machinery \$'000	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
Group						
Cost or valuation						
Balance at 1 January 2014	9,342	7,180	440	360	299	17,621
Additions	-	164	-	23	-	187
Currency translation realignment	228	185	3	4	10	430
Balance at 31 December 2014	<u>9,570</u>	<u>7,529</u>	<u>443</u>	<u>387</u>	<u>309</u>	<u>18,238</u>
Representing:						
At cost	6,201	5,983	443	387	309	13,323
At valuation	<u>3,369</u>	<u>1,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,915</u>
	<u>9,570</u>	<u>7,529</u>	<u>443</u>	<u>387</u>	<u>309</u>	<u>18,238</u>
Accumulated depreciation and impairment loss						
Balance at 1 January 2014	6,038	5,664	241	290	299	12,532
Depreciation for the financial year	420	462	18	27	-	927
Currency translation realignment	173	172	3	5	10	363
Balance at 31 December 2014	<u>6,631</u>	<u>6,298</u>	<u>262</u>	<u>322</u>	<u>309</u>	<u>13,822</u>
Carrying amount						
Balance at 31 December 2014	<u>2,939</u>	<u>1,231</u>	<u>181</u>	<u>65</u>	<u>-</u>	<u>4,416</u>
Representing:						
At cost	-	153	181	65	-	399
At valuation	<u>2,939</u>	<u>1,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,017</u>
	<u>2,939</u>	<u>1,231</u>	<u>181</u>	<u>65</u>	<u>-</u>	<u>4,416</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties \$'000	Plant and machinery \$'000	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
Group						
Cost or valuation						
Balance at 1 January 2013	11,208	10,282	433	341	282	22,546
Additions	99	32	–	19	–	150
Revaluation surplus/(deficit)	28	(114)	–	–	–	(86)
Elimination of accumulated depreciation on revaluation	(2,100)	(3,424)	–	–	–	(5,524)
Disposal	(114)	–	–	–	–	(114)
Written off	(362)	–	–	(9)	–	(371)
Currency translation realignment	583	404	7	9	17	1,020
Balance at 31 December 2013	<u>9,342</u>	<u>7,180</u>	<u>440</u>	<u>360</u>	<u>299</u>	<u>17,621</u>
Representing:						
At cost	6,038	5,664	440	360	299	12,801
At valuation	<u>3,304</u>	<u>1,516</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,820</u>
	<u>9,342</u>	<u>7,180</u>	<u>440</u>	<u>360</u>	<u>299</u>	<u>17,621</u>
Accumulated depreciation and impairment loss						
Balance at 1 January 2013	7,810	8,283	211	244	282	16,830
Depreciation for the financial year	404	491	24	21	–	940
Elimination of accumulated depreciation on revaluation	(2,100)	(3,424)	–	–	–	(5,524)
Disposal	(50)	–	–	–	–	(50)
Written off	(362)	–	–	(1)	–	(363)
Currency translation realignment	336	314	6	26	17	699
Balance at 31 December 2013	<u>6,038</u>	<u>5,664</u>	<u>241</u>	<u>290</u>	<u>299</u>	<u>12,532</u>
Carrying amount						
Balance at 31 December 2013	<u>3,304</u>	<u>1,516</u>	<u>199</u>	<u>70</u>	<u>–</u>	<u>5,089</u>
Representing:						
At cost	–	–	199	70	–	269
At valuation	<u>3,304</u>	<u>1,516</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,820</u>
	<u>3,304</u>	<u>1,516</u>	<u>199</u>	<u>70</u>	<u>–</u>	<u>5,089</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties \$'000	Furniture, fixtures and fittings \$'000	Total \$'000
Company			
Cost			
Balance at 1 January 2014 and 31 December 2014	–	129	129
Accumulated depreciation and impairment losses			
Balance at 1 January 2014	–	105	105
Depreciation for the financial year	–	18	18
Balance at 31 December 2014	–	123	123
Carrying amount			
Balance at 31 December 2014	–	6	6
Company			
Cost			
Balance at 1 January 2013	141	129	270
Written off	(141)	–	(141)
Balance at 31 December 2013	–	129	129
Accumulated depreciation and impairment losses			
Balance at 1 January 2013	141	83	224
Depreciation for the financial year	–	22	22
Written off	(141)	–	(141)
Balance at 31 December 2013	–	105	105
Carrying amount			
Balance at 31 December 2013	–	24	24

As at the end of the reporting period, the leasehold properties of the Group with carrying amount of approximately \$2,143,000 (2013: \$2,650,000) has been pledged to secure bank borrowings as referred to Note 19 to the financial statements.

The leasehold properties as at 31 December 2014 comprise leasehold land and building located in Taian, Shandong Province, People's Republic of China of 161,933 square meters for lease periods ranging from 10 to 50 years from 1998, 1999 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold properties and plant and machinery of the Group were valued as at 31 December 2013 by Taian Tian Cheng, an independent professional valuation firm using the cost replacement approach. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of leasehold properties and plant and machinery are considered as level 3 recurring fair value measurements. A description of the valuation technique and the valuation process of the Group are provided in Note 25.5. Had the assets being carried at cost, the carrying amount of these assets would be \$1,769,000 (2013: \$2,310,000) as at 31 December 2014.

Cost of registering land use right

The Group has a land with a carrying amount of \$211,000 as at 31 December 2014 (2013: \$213,000) located in the People's Republic of China for which the land use right to the land has not yet been transferred from the Sub-group. The Group estimates that the cost necessary to register the land use right with the Group is approximately \$639,000 as at 31 December 2014 (2013: \$627,000).

11. SUBSIDIARIES

	Company	
	2014	2013
	\$'000	\$'000
Unquoted equity shares, at cost	258,000	258,000
Allowance for impairment loss	(255,314)	(255,314)
	2,686	2,686
Amount due from subsidiaries (non-trade)	138,117	137,276
Allowance for impairment loss on receivables	(121,873)	(122,131)
	16,244	15,145
	18,930	17,831

There was no movement in allowance for impairment loss of investments in subsidiaries during the financial year. During the financial year, the Company carried out a review of the investments in subsidiaries, having regards for indications of impairment on investments in subsidiaries based on the existing performance of the relevant subsidiaries. No additional impairment loss resulted from the review. The recoverable amount of the investment has been determined on the basis of its value in use. The discount rate used in measuring value in use was 8% (2013: 8%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. SUBSIDIARIES (CONTINUED)

The amount due from subsidiaries represents management fee income and advances made which are unsecured and non-interest bearing. It has no fixed term of repayment and is repayable only when cash flows of the subsidiaries permit. Accordingly, the fair value of these amount is not determinable as the timing of the future cash flows arising from these amount cannot be estimated reliably.

Movements in allowance for impairment loss on receivables were as follows:

	Company	
	2014	2013
	\$'000	\$'000
Balance at beginning of financial year	122,131	122,475
Allowance made during the financial year	-	93
Allowance written back during the financial year	(294)	(375)
Currency translation differences	36	(62)
Balance at end of financial year	121,873	122,131

Write-back of allowance for impairment loss on receivables of approximately \$294,000 (2013: \$375,000) was due to the recovery of the related receivables.

The currency profiles of amount due from subsidiaries as at end of the reporting period are as follows:

	Company	
	2014	2013
	\$'000	\$'000
Singapore Dollar	5,033	4,712
Chinese Renminbi	473	464
United States Dollar	10,738	9,969
	16,244	15,145

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. SUBSIDIARIES (CONTINUED)

The particulars of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held	
		2014 %	2013 %
<i>Held by the Company</i>			
Fook Huat Tong Kee Pte Ltd ⁽⁵⁾ (Singapore)	Investment holding	100	100
United Fruit Company Limited ⁽⁴⁾ (Hong Kong)	Importer, exporter, wholesaler, retailer and commission agent of fruits	100	100
Weifang Xinan FHTK Fruits Co., Ltd ⁽⁶⁾ (People's Republic of China)	Dormant	100	100
UGC 2003, Inc. ⁽²⁾ (USA)	Distributor of dehydrated garlic and onion	100	100
AgriFood Investments Pte Ltd ⁽⁵⁾ (Singapore)	Dormant	100	100
Fook Yong Pte Ltd ⁽⁵⁾ (Singapore)	Investment holding	100	100
SunMoon Retail & Franchise Pte Ltd ⁽⁵⁾ (Singapore)	To own, operate and manage as principal franchisor and/or agent of all kinds of fruits	100	100
SunMoon Distribution & Trading Pte Ltd ⁽¹⁾ (Singapore)	Importer, exporter, wholesaler, retailer and commission agent of fruits	100	100
United Agro Produce Pte Ltd ⁽⁵⁾ (Singapore)	Distributor of dehydrated garlic and onion	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. SUBSIDIARIES (CONTINUED)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held	
		2014 %	2013 %
Held by the Company (Continued)			
Taian FHTK Foodstuffs Co., Ltd ⁽³⁾ (People's Republic of China)	To process, market and sell dehydrated garlic and onion	100	100
Held by Fook Huat Tong Kee Pte Ltd			
Fook Huat Tong Kee (Xiamen) Foodstuffs Co., Ltd ⁽⁶⁾ (People's Republic of China)	Dormant	100	100
Shanghai Fook Huat Tong Kee Cold Storage Co., Ltd ⁽⁶⁾ (People's Republic of China)	Dormant	100	100
Held by Fook Yong Pte Ltd			
Taian Fook Huat Tong Kee Foodstuffs Co., Ltd ⁽³⁾ (People's Republic of China)	To market and sell dehydrated garlic and onion	100	100
Held by SunMoon Distribution & Trading Pte Ltd			
SunMoon Food (Shanghai) Co., Ltd ⁽³⁾ (People's Republic of China)	Headquarter for China operations, sales and other marketing and distribution	100	100
Held by UGC 2003, Inc.			
SunMoon USA, LLC ⁽²⁾ (USA)	To trade, distribute and market branded processed consumer food in USA	100	100

(1) Audited by BDO LLP, Singapore.

(2) Audited by BDO LLP, Singapore for consolidation purposes.

(3) Audited by BDO China Shu Lun Pan, Shanghai for consolidation purposes.

(4) Audited by Dominic K.F. Chan & Co., Hong Kong.

(5) Audited by YWL & Co., Singapore.

(6) The Company's business license has not been renewed and remained dormant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and bank balances of \$208,020 (2013: \$351,303) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends.

12. INVESTMENT IN ASSOCIATE

	Group	
	2014 \$'000	2013 \$'000
Unquoted equity investment		
Balance at beginning of financial year	107	107
Allowance for impairment loss	(107)	(107)
Balance at end of financial year	-	-

There was no movement in allowance for impairment loss of investment in associate during the financial year. The allowance for impairment loss was made in previous years due to the adverse financial conditions of the associate.

The particulars of the associate are as follows:

Name of company (Country of incorporation)	Principal activities	Effective equity interest held	
		2014 %	2013 %
Held by SunMoon Food (Shanghai) Co Ltd			
Xin Jiang SunMoon Co. Ltd (People's Republic of China)*	Dormant	25	25

* The Company's business license has not been renewed and remained dormant.

The management considered that the investment in associate is immaterial. The summarised financial information of the associate as at the end of the reporting period, adjusted for the percentage of effective equity held by the Group, is as follows:

	Group	
	2014 \$'000	2013 \$'000
Loss from continuing operations, representing total comprehensive income	(10)	(24)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2014	2013
	\$'000	\$'000
Unquoted equity investment, at cost	17	17
Amount written off during the financial year	(17)	–
	–	17

The fair value of unquoted equity investment that is carried at cost has not been disclosed because it is not practicable to determine the fair value due to the lack of quoted market prices and the assumptions used in valuation models to value this instrument cannot be reliably measured.

The unquoted equity investment was written off as the investee has ceased operation during the financial year. The available-for-sale financial asset written off has been included in the “other expenses” line item in consolidated statement of comprehensive income for the financial year.

Available-for-sale financial asset was denominated in Singapore dollar.

14. INVENTORIES

	Group	
	2014	2013
	\$'000	\$'000
Fruits and agricultural products	13,298	11,140
Packing materials	133	307
	13,431	11,447

The cost of inventories recognised as an expense and included in “cost of sales” line item in the Group’s profit or loss amounted to approximately \$25,277,000 (2013: \$22,537,000).

As at 31 December 2014, the Group carried out a review for slow moving inventory and the review led to the recognition of an allowance for slow moving inventory and inventories written off of approximately \$254,000 and \$8,000 (2013: \$227,000 and \$119,000) respectively that have been included in “other expenses” and “cost of goods sold” line item in consolidated statement of comprehensive income.

The Group has recognised a reversal of \$16,000 (2013: \$399,000), being part of an allowance made for slow moving inventories in the previous financial years, as the inventories were sold above the carrying amounts in 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables – third parties	10,508	7,013	–	–
Allowance for impairment loss on third parties trade receivables	(3,962)	(3,100)	–	–
	6,546	3,913	–	–
Other receivables	103,652	100,283	1,966	1,991
Allowance for impairment loss on other receivables	(103,584)	(100,178)	(1,960)	(1,960)
	68	105	6	31
VAT refundable	465	–	–	–
Advances to suppliers	168	417	–	–
Deposits	25	33	2	3
	7,272	4,468	8	34

Trade receivables are unsecured, non-interest bearing and generally on 15 to 60 (2013: 15 to 60) days' terms.

Other receivables mainly comprised amount due from former subsidiaries as disclosed in Note 26 to the financial statements, are unsecured, non-interest bearing and repayable on demand.

Other receivables amounting to approximately \$10,000 (2013: \$182,000) were written off subsequent to a debt recovery assessment performed during the year.

Movements in allowance for impairment loss on third parties trade receivables are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at beginning of financial year	3,100	3,268	–	–
Allowance for impairment loss made during the financial year	769	94	–	–
Amounts written off during the financial year	–	(426)	–	–
Currency translation realignment	93	164	–	–
Balance at end of financial year	3,962	3,100	–	–

The Group's allowance for impairment loss on third parties trade receivables of approximately \$769,000 (2013: \$94,000) and write-off of allowance for impairment loss on third parties trade receivables of \$Nil (2013: \$426,000) were recognised subsequent to a debt recovery assessment performed during the financial year. Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for impairment loss on other receivables are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at beginning of financial year	100,178	96,800	1,960	1,960
Allowance for impairment loss made during the financial year	-	3	-	-
Currency translation realignment	3,406	3,375	-	-
Balance at end of financial year	103,584	100,178	1,960	1,960

The Group's allowance for impairment loss on other receivables amounting to \$Nil (2013: \$3,000) was recognised subsequent to a debt recovery assessment performed during the financial year. The allowance for impairment loss as at end of financial year mainly derived from amount due from former subsidiaries, which are dormant and have difficulty in settling their debts.

The currency profiles of trade and other receivables as at end of the reporting period are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Singapore Dollar	126	114	6	32
Chinese Renminbi	923	812	2	2
United States Dollar	6,223	3,535	-	-
Hong Kong Dollar	-	7	-	-
	7,272	4,468	8	34

16. HELD-FOR-TRADING FINANCIAL ASSET

	Group	
	2014 \$'000	2013 \$'000
Quoted equity security, at fair value	242	-

The fair value of the security is based on closing quoted market price on the last market day of the financial year. During the financial year, the Group has recognised a fair value loss of \$85,000 (2013: \$Nil) for this quoted equity security as there was decline in the fair value of this investment.

The quoted equity security is denominated in United States Dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17. CASH AND BANK BALANCES

The currency profiles of cash and bank balances as at end of the reporting period are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Singapore Dollar	411	276	243	157
Chinese Renminbi	177	314	-	-
United States Dollar	2,105	1,774	255	65
Hong Kong Dollar	9	22	-	-
Euro	1	1	-	-
	2,703	2,387	498	222

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables – third parties	6,941	2,599	-	-
Other payables				
– third parties	904	1,330	99	256
– subsidiary	-	-	1,304	-
	904	1,330	1,403	256
Loan from a Director	529	-	-	-
Business tax payable	73	353	-	-
Accrued operating expenses	3,549	3,036	2,573	2,671
Accrued property, plant and equipment registration expenses	639	627	-	-
Advances from customers	176	139	-	-
	12,811	8,084	3,976	2,927

Trade payables are unsecured, non-interest bearing and normally settled between 7 to 60 (2013: 7 to 60) days' terms.

Loan from a Director is non-trade in nature, unsecured, non-interest bearing and repayable after 6 months from 29 September 2014 in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18. TRADE AND OTHER PAYABLES (CONTINUED)

The currency profiles of trade and other payables as at end of the reporting period are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Singapore Dollar	3,257	3,489	3,658	2,927
Chinese Renminbi	5,656	3,559	-	-
United States Dollar	3,895	1,029	318	-
Hong Kong Dollar	3	7	-	-
	12,811	8,084	3,976	2,927

19. BANK BORROWINGS

	Group	
	2014 \$'000	2013 \$'000
Secured		
Term loan I	-	1,045
Term loan II	1,278	-
Term loan III	1,380	-
	2,658	1,045
	Group	
	2014 %	2013 %
Effective interest rates per annum		
Term loan I	-	8.10
Term loan II	7.2	-
Term loan III	4.5	-

Term loan I from a bank was rolled over in August 2013 and fully settled during the financial year.

Term loan II from a bank is repayable in August 2015. Term loan II is secured by legal mortgage on the Group's leasehold properties which are located in the People's Republic of China (Note 10) and floating charge over the machineries and inventories of a subsidiary. The interest is computed based on 20% above the prevailing prime lending rate set by People's Bank of China.

Term loan III from a bank is a short term revolving credit repayable in June 2015. Term loan III is secured by floating charge over the assets of a subsidiary and corporate guarantee provided by the Company. The interest is computed based on 0.75% above the prime rate published in the Wall Street Journal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19. BANK BORROWINGS (CONTINUED)

The currency profiles of bank borrowings as at end of the reporting period are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Chinese Renminbi	1,278	1,045
United States Dollar	1,380	–
	2,658	1,045

As at the end of the reporting period, the Group had been granted and utilised banking facilities as follows:

	Group	
	2014	2013
	\$'000	\$'000
Facilities granted	4,112	1,045
Facilities utilised	2,658	1,045

20. SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	'000	'000	\$'000	\$'000
	Number of ordinary shares			
Issued and fully paid:				
Balance at beginning of financial year	31,878,441	7,878,441	124,508	100,508
Issuance of shares pursuant to conversion of loan	–	24,000,000	–	24,000
Shares consolidation	(31,559,657)	–	–	–
Balance at end of financial year	318,784	31,878,441	124,508	124,508

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

On 10 September 2013, the Company issued 6,000,000,000 ordinary shares (“Settlement Shares”) at \$0.001 per share amounting to \$6,000,000 by the way of full and final settlement of the outstanding convertible loan to the investors in accordance with the terms of the Revised Settlement Agreement dated 18 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. SHARE CAPITAL (CONTINUED)

On 10 September 2013, the Company also issued 18,000,000,000 ordinary shares (“Conversion Shares”) at \$0.001 per share amounting to \$18,000,000 to First Alverstone Capital Limited by way of converting the entire convertible loan into ordinary share capital in accordance with the terms of the Revised New Convertible Loan Agreement dated 18 March 2013.

On 4 July 2014, the Company completed a shares consolidation of 100 existing issued ordinary shares into 1 ordinary share. As a result, the number of issued shares of approximately 31,878,441,000 has been reduced to approximately 318,784,000 as at 31 December 2014.

21. OTHER RESERVES

Reserves comprise the following:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Capital reserve	944	944	-	-
Capital reduction reserve	18,384	18,384	18,384	18,384
Asset revaluation reserve	2,510	2,510	-	-
General reserve	2,201	2,201	-	-
Foreign currency translation reserve	1,971	1,523	-	-
	26,010	25,562	18,384	18,384

21.1 Capital reserve

The capital reserve arose on consolidation of foreign operations since 1997. The capital reserve is a non-distributable reserve.

21.2 Capital reduction reserve

A capital reduction reserve application was made and completed on 13 June 2005 to reduce the par value of each ordinary share in the capital of the Company from \$0.05 to \$0.005. The effect of the capital reduction exercise was that an aggregate amount of \$55,390,000 of the issued and paid-up share capital of the Company was cancelled, of which \$37,010,000 represented issued and paid-up share capital which had been lost or was unrepresented by available assets as at 31 December 2004 and was applied towards the writing off of the accumulated losses of the Company, and the balance amount of \$18,380,000 was credited to a capital reduction reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21. OTHER RESERVES (CONTINUED)

21.3 Asset revaluation reserve

The asset revaluation reserve arises on the revaluation surpluses of leasehold properties and certain plant and machinery and is non-distributable.

21.4 General reserve

The general reserve relates to those transferred from accumulated losses since 1997.

21.5. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and is non-distributable.

22. OPERATING LEASE COMMITMENTS

Group as lessee

As at the end of the reporting period, there were operating lease commitments for office rental payable in subsequent accounting periods as follows:

	Group	
	2014	2013
	\$'000	\$'000
Within one financial year	65	77
After one financial year but within five financial years	24	16
	89	93

The above operating lease commitments are based on existing rental rates. The lease agreements provide for periodic revision of such rates in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has two reportable segments namely:

- (i) The agricultural products division distributes fresh garlic and manufactures dehydrated garlic and onion products. The production facilities are located in China while the products are distributed globally.
- (ii) The fruits division procures and distributes fresh fruits and processed fruits globally.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfer if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets consist primarily of property, plant and equipment, available-for-sale financial asset, inventories, trade and other receivables, prepayments, held-for-trading financial asset and cash and bank balances. Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. SEGMENT INFORMATION (CONTINUED)

	Agricultural products \$'000	Fruits \$'000	Unallocated \$'000	Elimination \$'000	Consolidated \$'000
2014					
Revenue					
External revenue	21,915	15,860	1	-	37,776
Inter-segment revenue	9,520	11	-	(9,531)	-
	<u>31,435</u>	<u>15,871</u>	<u>1</u>	<u>(9,531)</u>	<u>37,776</u>
Results					
Segment results	633	(1,750)	287	(569)	(1,399)
Interest income	2	-	-	-	2
Finance costs	(86)	-	-	-	(86)
Profit/(Loss) before income tax	<u>549</u>	<u>(1,750)</u>	<u>287</u>	<u>(569)</u>	<u>(1,483)</u>
Income tax expense					(623)
Loss for the financial year					<u>(2,106)</u>
Non-cash items					
Depreciation of property, plant and equipment	(887)	(18)	(22)	-	(927)
Allowance for slow moving inventory	(254)	-	-	-	(254)
Inventories written off	-	(8)	-	-	(8)
Other receivables written off	(10)	-	-	-	(10)
Impairment loss on trade and other receivable	-	(769)	-	-	(769)
Written back of allowance for inventory obsolescence	16	-	-	-	16
Fair value loss on held-for-trading financial asset	(85)	-	-	-	(85)
Available-for-sale financial asset written off	-	-	(17)	-	(17)
Write back of long overdue payables	-	-	50	-	50
	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Capital expenditure					
Property, plant and equipment	172	15	-	-	187
Assets and liabilities					
Segment assets	28,205	4,196	20,639	(24,899)	28,141
Segment liabilities	30,558	17,801	131,552	(164,442)	15,469

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. SEGMENT INFORMATION (CONTINUED)

	Agricultural products \$'000	Fruits \$'000	Unallocated \$'000	Elimination \$'000	Consolidated \$'000
2013					
Revenue					
External revenue	23,004	11,374	12	–	34,390
Inter-segment revenue	9,048	–	–	(9,048)	–
	<u>32,052</u>	<u>11,374</u>	<u>12</u>	<u>(9,048)</u>	<u>34,390</u>
Results					
Segment results	1,739	(1,088)	12,519	(1,381)	11,789
Interest income	4	–	–	–	4
Finance costs	(81)	–	–	–	(81)
Profit/(Loss) before income tax	<u>1,662</u>	<u>(1,088)</u>	<u>12,519</u>	<u>(1,381)</u>	11,712
Income tax expense					(651)
Profit for the financial year					<u>11,061</u>
Non-cash items					
Depreciation of property, plant and equipment	(898)	(11)	(31)	–	(940)
Allowance for slow moving inventory	(227)	–	–	–	(227)
Inventories written off	–	(119)	–	–	(119)
Other receivables written off	(56)	(119)	(7)	–	(182)
Written back of allowance for inventory obsolescence	399	–	–	–	399
Impairment loss on trade and other receivable	–	(88)	(9)	–	(97)
Write back of long overdue payables	<u>258</u>	<u>–</u>	<u>73</u>	<u>–</u>	<u>331</u>
Capital expenditure					
Property, plant and equipment	<u>132</u>	<u>18</u>	<u>–</u>	<u>–</u>	<u>150</u>
Assets and liabilities					
Segment assets	27,676	1,289	19,305	(24,799)	23,471
Current income tax recoverable	–	–	–	–	1
					<u>23,472</u>
Segment liabilities	29,910	12,757	130,465	(164,003)	9,129
Current income tax payable	–	–	–	–	13
					<u>9,142</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's business segments operate in several geographical areas, namely, ASEAN, Asia Pacific (less ASEAN), America & Europe and others. Revenue is based on the region in which the customer is located. Non-current assets comprise primarily of property, plant and equipment and investment in associate as presented in the statement of financial position of the Group. Non-current assets are shown by the geographical area in which the assets are located.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
ASEAN	17,476	14,047	51	93
Asia Pacific (less ASEAN)	3,557	7,072	4,365	4,996
America & Europe	12,855	11,935	-	-
Others	3,888	1,336	-	-
	37,776	34,390	4,416	5,089

Revenue of approximately \$9,289,000 (2013: \$10,994,000) are derived from one (2013: two) external customers. These revenues are attributable to agricultural products segment of \$9,289,000 (2013: agricultural products and fruits segment of \$7,842,000 and \$3,152,000 respectively).

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) An entity is related to the Group and the Company if any of the following conditions apply:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint venture of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial year, in addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the parties during the financial year:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Related company				
Issue and conversion of convertible loans	–	18,000	–	18,000
Related party				
Loans from a Director	529	–	–	–
Subsidiaries				
Management fee income	–	–	1,094	1,311
Loans to a subsidiary	–	–	380	–
Advances to subsidiaries	–	–	1,829	–
Advances from subsidiaries	–	–	571	1,354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of Directors and other key management personnel of the Group during the financial year are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Directors' fees	156	186
Short-term benefits	1,630	1,507
Post-employment benefits	79	72
	1,865	1,765

The above includes the following remuneration to the Directors of the Company:

	Group	
	2014	2013
	\$'000	\$'000
<i>Directors of the Company</i>		
Directors' fees	156	186
Short-term benefits	393	389
Post-employment benefits	14	10
	563	585

Other key management comprises the Chief Executive Officer, Chief Financial Officer, Managing Director of Fresh Division, Senior Sales Manager and General Manager.

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose them to credit risks, market risks (including foreign currency risks and interest rates risks) and liquidity risks. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. Management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the risk is managed and measured. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

25.1 Credit risks

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group has significant concentration of credit risk. The top 5 customers accounted for approximately 54% (2013: 57%) of the total trade receivables as at 31 December 2014. The Company has no significant concentration of credit risk.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, represents the Group's and Company's maximum exposure to credit risks. The Group and Company do not hold any collateral.

The Group's major classes of financial assets are cash and bank balances, trade and other receivables and held-for-trading financial asset. The Company's major classes of financial assets are cash and bank balances.

Cash and bank balances are placed with banks and financial institutions which are regulated.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company. The Group's and the Company's historical experience in the collection of receivables falls within the credit terms granted.

The age analysis of trade receivables as at the end of the reporting period that are past due but not impaired is as follows:

	Group	
	2014	2013
	\$'000	\$'000
Past due 0 to 30 days	2,373	798
Past due 31 to 60 days	1,144	396
Past due 61 to 90 days	364	27
Past due over 90 days	703	315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.2 Market risks

(i) Foreign currency risks

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of entities within the Group. The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk mainly from United States dollar.

As at the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entity's functional currency are as follows:

	Group			
	Assets		Liabilities	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
United States Dollar	5,344	2,429	3,621	784

The Company has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Exposure to foreign currency risk is monitored on an ongoing basis in accordance with the Group's risk management policies to ensure that the net exposure is at an acceptable level.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) change in Singapore dollar against the United States Dollar. The sensitivity analysis assumes an instantaneous 5% (2013: 5%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in United States Dollar are included in the analysis.

	Profit or Loss	
	2014	2013
	\$'000	\$'000
Group		
<i>United States Dollar</i>		
Strengthens against Singapore Dollar	86	82
Weakens against Singapore Dollar	(86)	(82)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.2 Market risks (Continued)

(ii) Interest rate risks

The Group's exposure to market risks for changes in interest rates relates primarily to interest-bearing bank borrowings as shown in Note 19 to the financial statements. The Company has no exposure to market risk for changes in interest rates as it does not have interest-bearing borrowings.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from interest-bearing bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 0.5% change in the interest rates from the end of the reporting period, with all variables held constant.

If the interest rate increases or decreases by 0.5%, the Group's profit or loss, will increase or decrease by:

	Profit or loss	
	2014	2013
	\$'000	\$'000
Bank borrowings	13	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.2 Market risks (Continued)

(iii) Equity price risks

The Group are exposed to equity price risk arising from quoted equity security classified as held-for-trading financial asset. The quoted equity security is held for trading purposes. Further details of this quoted equity security are set out in Note 16 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

The sensitivity analysis assumes an instantaneous 20% increase or decrease in the equity prices from the end of the reporting period, with all variables held constant, the Group's profit or loss will, increase or decrease by:

	Profit or loss	
	2014	2013
	\$'000	\$'000
Held-for-trading financial asset	48	–
	48	–

25.3 Liquidity risks

Liquidity risks refer to the risks in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of the overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.3 Liquidity risks (Continued)

Contractual maturity analysis

	Within one financial year \$'000
Group	
2014	
<u>Financial liabilities</u>	
Trade and other payables	11,923
Bank borrowings	2,751
As at 31 December 2014	14,674
2013	
<u>Financial liabilities</u>	
Trade and other payables	6,965
Bank borrowings	1,101
As at 31 December 2013	8,066
Company	
2014	
<u>Financial liabilities</u>	
Trade and other payables	3,976
Corporate guarantee issued	1,380
As at 31 December 2014	5,356
2013	
<u>Financial liabilities</u>	
Trade and other payables	2,927
As at 31 December 2013	2,927

The Group's operations are financed mainly through equity and bank borrowings. The Company's operations are financed mainly through equity. Adequate lines of credit are maintained to ensure the necessary liquidity is available when required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder's value.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2013.

Management monitors capital based on gearing ratio. A banking facility granted to a subsidiary required the subsidiary to adhere to certain capital requirements by maintaining certain level of tangible net worth and debt/worth ratios within specific financial thresholds.

The gearing ratio is calculated as net debt divided by total equity plus debt. Net debt is calculated as bank borrowings plus trade and other payables less cash and bank balances. Equity consists of total equity attributable to the owners of the parent.

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade and other payables	12,811	8,084	3,976	2,927
Bank borrowings	2,658	1,045	-	-
Less: Cash and bank balances	(2,703)	(2,387)	(498)	(222)
Net debt	12,766	6,742	3,478	2,705
Equity attributable to owners of the parent	12,672	14,330	15,491	15,224
Total capital	25,438	21,072	18,969	17,929
Gearing ratio	50.2%	32.0%	18.3%	15.1%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.5 Fair value of assets and liabilities

The carrying amounts of the Group's and the Company's current financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Fair value measurements using			Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group					
2014					
Assets					
Held-for-trading financial asset	16	242	-	-	242
Property, plant and equipment					
– Leasehold properties	10	-	-	2,939	2,939
– Plant and machinery	10	-	-	1,078	1,078
Total assets		242	-	4,017	4,259
2013					
Assets					
Property, plant and equipment					
– Leasehold properties	10	-	-	3,304	3,304
– Plant and machinery	10	-	-	1,516	1,516
Total assets		-	-	4,820	4,820

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.5 Fair value of assets and liabilities (Continued)

Fair value information has not been disclosed for the Group's unquoted equity investment (Note 13) that are carried at cost because their fair value cannot be determined reliably. The investment was written off during the financial year.

Level 3 fair value measurements

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Description	Valuation techniques used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Property, plant and equipment – Leasehold properties – Plant and machinery	Cost replacement approach The management considers the fair value of leasehold properties and plant and machinery based on physical deterioration and economic obsolescence of the leasehold properties and plant and machinery, and replacement cost of improvements.	Physical deterioration and economic obsolescence – Wear and tear and utilisation of building and machinery are taken up into consideration. – 8% to 90%; weighted average 61%. Replacement cost of improvement Budgeted cost to improve the building and machinery condition has been considered.	The estimated fair value varies inversely against the physical deterioration and economic obsolescence rate. The estimated fair value increases with higher budgeted replacement cost of improvement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.5 Fair value of assets and liabilities (Continued)

Level 3 fair value measurements (Continued)

During the financial year 2014, management has assessed and deemed that the carrying values of the leasehold properties and plant and machinery approximate their fair values.

The following table represents the reconciliation for property, plant and equipment measured at fair value based on significant unobservable inputs (Level 3):

	Fair value measurements using significant unobservable inputs (Level 3)	
	Leasehold properties \$'000	Plant and machinery \$'000
Balance as at 1 January 2013	3,276	1,630
<i>Included in other comprehensive income</i>		
– net surplus/(deficit) on revaluation of leasehold properties and plant and machinery	28	(114)
Balance as at 31 December 2013	3,304	1,516

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

25.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2014 \$'000	2013 \$'000
Financial assets		
Loans and receivables	9,342	6,438
Held-for-trading financial asset	242	–
Available-for-sale financial asset	–	17
	9,584	6,455
Financial liabilities		
Other financial liabilities, at amortised cost	14,581	8,010

26. CONTINGENT LIABILITIES

Group

During the financial period ended 31 December 2008, one of the former subsidiaries (Dongguan Fook Huat Tong Kee Refrigeration & Foodstuffs Co., Ltd or the “Borrowing Subsidiary”) of the Group had defaulted on the repayment of the loans (“Loan”) from Dongguan Agricultural Bank of China (the “Bank”). The Loans are secured on the mortgages of land and buildings belonging to the Borrowing Subsidiary and another former subsidiary (Longkou Fook Huat Tong Kee Refrigeration Co., Ltd or the “Collateral Subsidiary”). The Borrowing Subsidiary and the Collateral Subsidiary have since been disposed in 2009.

There are three other subsidiaries which have furnished corporate guarantees to support the Loans (the Borrowing Subsidiary, Collateral Subsidiary and three other subsidiaries are collectively known as the “Sub-group” of the Group). These corporate guarantees may be called upon by the Bank. The three remaining subsidiaries are still subject to corporate guarantees in respect of the Loan from the Bank and may be subject to claims. The Company is unable to ascertain the likelihood, outcome and quantum of these potential claims. However, for these three subsidiaries, whether arising from the corporate guarantees or otherwise, based on the legal opinion obtained, the Company is of the view that any action that may be undertaken by the bank or any other creditors is unlikely to significantly affect the operation of the rest of the Group as these three subsidiaries have ceased operations, do not possess significant assets and are presently dormant, and the exposure to the Group in respect of any contingent claim arising from the above-mentioned corporate guarantees is limited to the net assets of these three dormant subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26. CONTINGENT LIABILITIES (CONTINUED)

Group (Continued)

In August 2009, the Dongguan Municipal Intermediate People's Court issued a writ of seizure and sale against four apartments owned by Fook Huat Tong Kee Pte Ltd (one of the subsidiaries in the Sub-group). These four apartments had already been fully impaired in 2008, and accordingly has no financial impact to the results of the Group and the Company for the year ended 31 December 2014. Similarly, certain property amounting to \$118,000 which was subject to court seizure was impaired in 2009. The impairment arose as the application to transfer the said property from the Sub-group to the Group was not accepted by the China authority due to lack of proper proof of ownership. As at 31 December 2014, each of the three remaining subsidiaries has negative net assets and has been consolidated with the financial statements of the Group for the year ended 31 December 2014. In addition, the remaining assets of the three subsidiaries of the Sub-group that are still subject to bank collateral and guarantee amounting to \$3,500,000 have been fully impaired since 31 December 2009 and no further impairment has been made during the year in respect of these claims.

Company

- (i) The Company is currently involved in legal proceedings relating to a Claim (defined below). Save as disclosed, the Company is not involved currently in any legal or arbitration proceedings. Due to inherent uncertainties, no accurate quantification of any cost which may arise from the Claim can be made.

On 10 April 2014, the Company was served with a Writ of Summons (the "Writ") by nTan Corporate Advisory Pte Ltd ("nTan"). Pursuant to the Writ, nTan claimed against the Company, inter alia, the issue and transfer of 2,057,347,290 shares in the Company to nTan or, alternatively, the sum of S\$2,057,347.29 (the "Claim"). The Claim relates to fees allegedly due to nTan for services provided to the Company in identifying and securing investors. The Company has since appointed TSMP Law Corporation as its legal counsel and continues to vigorously defend the Claim, against which the Company believes it has a reasonably good defence. The Directors consider that disclosure of further details of the Claim could be prejudicial to the Group's case and accordingly, further information on the Claim has not been provided.

- (ii) The Company had given corporate guarantees to a bank in respect of banking facility granted to a subsidiary. These guarantees are financial guarantee contract as they require the Company to reimburse the banks if the subsidiary fails to make principal or interest payments when due in accordance with the terms of the facilities drawn. As at 31 December 2014, the total banking facilities granted to the subsidiary amounted to approximately \$1,982,000 (2013: \$Nil) and the amount utilised by the subsidiary amounted to approximately \$1,380,000 (2013: \$Nil).

As at the end of the reporting period, the Company has not recognised any liability in respect of the guarantee given to the bank for banking facility granted as the Directors have assessed that the likelihood of defaulting on repayment of its loan is remote.

Statistics of Shareholdings

AS AT 12 MARCH 2015

ISSUED AND FULLY PAID-UP CAPITAL	:	\$124,508,483
NO. OF SHARES ISSUED	:	318,784,382
CLASS OF SHARES	:	ORDINARY SHARES FULLY PAID WITH EQUAL VOTING RIGHTS EACH
NUMBER OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	4,775	34.62	126,529	0.04
100 – 1000	4,249	30.80	2,086,918	0.66
1,001 – 10000	3,691	26.76	15,363,224	4.82
10,001 – 1000000	1,055	7.65	62,048,955	19.46
1,000,001 & ABOVE	23	0.17	239,158,756	75.02
TOTAL	13,793	100.00	318,784,382	100.00

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
UOB KAY HIAN PTE LTD	117,824,632	36.96
MAYBANK KIM ENG SECURITIES PTE LTD	19,617,788	6.15
DBS NOMINEES PTE LTD	13,509,243	4.24
QAP CAPITAL PTE LTD	12,592,514	3.95
PRIMA PORTFOLIO PTE LTD	12,222,400	3.83
TAN KAH BOH ROBERT@ TAN KAH BOO	9,068,385	2.84
CHUA KENG LOY	6,826,000	2.14
NEO WEI MING	6,500,000	2.04
LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	6,363,425	2.00
CITIBANK CONSUMER NOMINEES PTE LTD	5,214,850	1.64
BANK OF SINGAPORE NOMINEES PTE LTD	5,130,000	1.61
LEE FANG WEN	3,950,000	1.24
RAFFLES NOMINEES (PTE) LTD	3,036,267	0.95
ONG HIE KOAN	2,454,681	0.77
LIM & TAN SECURITIES PTE LTD	2,177,565	0.68
CHIN SHU HWA CORINNA	2,110,000	0.66
TAN KOK SIANG GARY	2,000,000	0.63
UNITED OVERSEAS BANK NOMINEES PTE. LTD	1,826,067	0.57
OCBC SECURITIES PRIVATE LTD	1,587,137	0.50
PHILLIP SECURITIES PTE LTD	1,578,456	0.50
	235,589,410	73.90

Statistics of Shareholdings

AS AT 12 MARCH 2015

On the basis of the information available to the Company, approximately 63.93% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	NO. OF SHARES	
	Direct Interest	Deemed Interest
First Alverstone Capital Ltd	114,998,572	-
Gary Loh Hock Chuan	-	114,998,572
Selena Cheng Koh Min	-	114,998,572

Notice of Annual General MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SUNMOON FOOD COMPANY LIMITED will be held at Vine II Ballroom (Level 2), Metropolitan YMCA Singapore, 60 Stevens Road, Singapore 257854 on 28 April 2015 at 2.30 p.m. to transact the following business:

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the year ended 31 December 2014.
2. To approve the payment of Directors' Fees in respect of the year ended 31 December 2014.
3. To re-elect Mr Chee Wai Pong, a Director who is retiring by rotation in accordance with Article 102 of the Company's Articles of Association and who, being eligible, offer himself for re-election.
4. To consider and, if thought fit, to pass the following as an ordinary resolution:

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Dr Tan Eng Liang be and is hereby re-appointed Director of the Company, to hold office until the next Annual General Meeting."

5. To re-appoint Messrs BDO LLP, Public Accountants and Certified Accountants, Singapore as Auditors of the Company and to authorise the Directors to fix their remuneration.
6. **As Special Business**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

- 6.1 That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:
 - a) the aggregate number of Shares (including Shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the Company;

Notice of Annual General MEETING

- b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares of the Company (excluding treasury shares) as at the date of the passing of this Resolution, after adjusting for:
- i) new shares arising from the conversion or exercise of convertible securities;
 - ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
 - iii) any subsequent bonus issue, consolidation or subdivision of shares;
- c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities. [See Explanatory Note (iii)]
- 6.2 That approval be and is hereby given to the Directors to grant awards in accordance with the provision of the SunMoon Share Option Scheme and/or SunMoon Share Plan and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the SunMoon Share Option Scheme and/or SunMoon Share Plan, provided that:
- a) the aggregate number of new ordinary shares which may be issued pursuant to the SunMoon Share Option Scheme and SunMoon Share Plan on any date, shall not exceed 15% or such other per centum as may be determined by the committee and permitted under the Listing Manual, of the total number of issued shares of the Company, excluding Treasury Shares, on the day immediately preceding the relevant date of grant; and
 - b) such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

7. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board

Chia Lay Beng
Secretary

Date: 10 April 2015

Notice of Annual General MEETING

Explanatory Notes

- (i) Mr Chee Wai Pong, if re-appointed, will remain as an Audit and Risk Committee member, and is considered independent for the purposes of Rule 704 (8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (ii) Dr Tan Eng Liang, if re-appointed, will remain as an Audit and Risk Committee member, and is considered independent for the purposes of Rule 704 (8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (iii) (a) The Ordinary Resolution 6.1 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.
- (iii) (b) For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Shareholder entitled to attend and vote at the AGM is entitled to appoint any number of proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder.
2. Where a Shareholder appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second/ other named proxy/proxies shall be deemed to be an alternate to the first named.
3. A corporation which is a Shareholder may authorize by resolution of its directors or other governing body such persons as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act.
4. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), duly executed, must be deposited at the registered office of the Company at 1 Scotts Road #21-07/08/09 Shaw Centre, Singapore 228208 not less than 48 hours before the time appointed for holding the AGM.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his/her attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer duly authorized.
6. A Depositor's name must appear on the Depository Register maintained by the CDP at least 48 hours before the time appointed for holding AGM in order for the Depositor to be entitled to attend and vote at the AGM.

SUNMOON FOOD COMPANY LIMITED

(Incorporated in Singapore)

Company Registration No. 198304656K

Registered Office: 1 Scotts Road
#21-07/08/09
Shaw Centre
Singapore 228208

PROXY FORM

I/We _____
of _____

being a member/members of the abovementioned Company, hereby appoint

Name	Address	NRIC/Passport No	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

or failing him/her or both of the persons mentioned above, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Vine II Ballroom (Level 2), Metropolitan YMCA Singapore, 60 Stevens Road, Singapore 257854 on 28 April 2015 at 2.30 p.m.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, your proxy/proxies will vote or abstain from voting as he/she/they may think fit at his/her/their discretion, as he/she/they will on any other matters arising at the Annual General Meeting and any adjournment thereof.)

	Resolutions	For	Against
1	Ordinary Business Adoption of Report and Accounts		
2	Approval of amount proposed as directors' fees		
3	Re-election of Mr. Chee Wai Pong as Director retiring under Article 102		
4	Re-election of Dr. Tan Eng Liang as Director retiring pursuant to Section 153(6) of the Companies Act, Cap. 50.		
5	Re-appointment of Auditors		
6.1	Special Business Approval to issue Shares pursuant to Section 161 of the Companies Act, Cap. 50		
6.2	Approval to grant awards in accordance with the provision of the SunMoon Share Option Scheme and/or SunMoon Share Plan		
7	Any Other Business		

If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate for each resolution.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy shall, as in the case of Any Other Business raised at the meeting, vote as the proxy deems fit.

As witness my/our hand(s) this _____ day of _____ 2015

No. of Ordinary
Shares held

Signature(s) or Common Seal of Shareholder(s)



Important please read notes overleaf

Notes

1. Please insert the total number of ordinary shares in the issued share capital of the Company (the “Shares”) held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the register of members of the Company (the “Register of Members”), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A shareholder of the Company (the “Shareholder”) entitled to attend and vote at the annual general meeting (the “AGM”) is entitled to appoint any number of proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
3. Where a Shareholder appoints more than one proxy, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second/other named proxy/proxies shall be deemed to be an alternate to the first named.
4. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.
5. The instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), duly executed, must be deposited at the registered office of the Company at 1 Scotts Road, #21-07/08/09, Shaw Centre, Singapore 228208 not less than 48 hours before the time appointed for holding the AGM or any postponement or adjournment thereof.
6. The instrument appointing a proxy or proxies must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The submission of an instrument or form appointing a proxy by a Shareholder does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register maintained by the CDP at least 48 hours before the time appointed for holding the AGM.



SUNMOON FOOD COMPANY LIMITED

Company Registration No. 198304656K
Tel: (65) 6779 5688
Fax: (65) 6565 9489
Website: www.sunmoonfood.com
E-mail: enquiry@sunmoonfood.com

SINGAPORE HEADQUARTERS

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21 Bukit Batok Crescent
#10-75 WCEGA Tower
Singapore 658065
Tel: (65) 6779 5688
Fax: (65) 6777 3960

CHINA - SHANGHAI OFFICE

SunMoon Food (Shanghai) Co., Ltd.
369 Xian Xia Road, Chang Ning District
2201- Modern Plaza
Shanghai 200336
Tel: (86) 21 3252 8628
Fax: (86) 21 3252 8629

USA SALES OFFICE

UGC 2003, Inc.
400 North Center Drive, Suite 211
Norfolk, VA 23502
Tel.: (1) 757 319 4343
eFax: (1) 877 720 5713
Fax: (1) 757 226 8619

PROCESSING PLANT

Taian FHTK Foodstuffs Co., Ltd.
Fanzhen Development Zone
Daiyue District, Taian City
Shandong, China 271033
Tel: (86) 538 868 2888
Fax: 86) 538 868 1183