SunMoon

DELIVERING NATURE'S GOODNESS

OUR PROMISE TO YOU

ANNUAL REPORT 2016/17

Vision

Be a global market leader in the distribution and marketing of branded fruits, vegetables and consumer products

Mission

Deliver, from farm to fork, quality and nutritious branded fresh fruits, vegetables and consumer products in the most convenient way

Purpose

Empower the health-conscious consumer to eat right

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CORPORATE PROFILE

SunMoon Food Company Limited ("SunMoon") is a global distributor and marketeer of branded fresh fruits, vegetables, and consumer products, delivered to the health-conscious consumer in the most convenient way.

Started in 1983, SunMoon has grown its product offering to over 100 product types, including fresh fruits, vegetables, freeze-dried fruit snacks, nuts, fruit cups, fruit sticks, juices, sorbets, and frozen fruits under its own brand.

With an extensive sales network of over 11,000 point of sales globally, SunMoon's offering of quality, premium products are distributed via supermarkets, convenience stores, online and wholesale channels, airlines, food services as well as SunMoon's franchise outlets in Singapore.

Since 2015, the company has shifted towards an asset-light, consumer-centric and brand-focused business strategy by tapping on its strong brand equity and the Network x Geography x Product business model. Instead of owning farms, SunMoon sources for fruits and vegetables from farmers.

SunMoon's products come with the SunMoon Quality Assurance label, which is backed by internationally recognised accreditations such as HACCP; Good Manufacturing Practice (GMP); AIB (Excellent), ISO 22000, Halal and Kosher Certification.

SunMoon was listed in 1997 on the Mainboard of the Singapore Exchange.

CORPORATE STRUCTURE

SunMoon

100% SunMoon Distribution & Trading Pte Ltd

100% UGC 2003, Inc

100% SunMoon Retail & Franchise Pte Ltd

100% Weifang Xinan FHTK Fruits Co Ltd

100% SunMoon Food (Shanghai) Co., Ltd

25% Xinjiang SunMoon Co Ltd

100% Shanghai Shanmai Supplier Chan Management Co. Ltd

100% SunMoon USA, LLC

EXECUTIVE CHAIRMAN'S STATEMENT

FY2016/2017 HAS BEEN MOST EVENTFUL FOR SUNMOON IN MORE WAYS THAN ONE. WE CONTINUED TO MAKE STRIDES IN OUR ASSET-LIGHT, CONSUMER-CENTRIC, BRAND-FOCUSED BUSINESS STRATEGY

Dear Shareholders

I am pleased to present our annual report for the 15 months ended 31 March 2017 (FY2016/2017).

This year marks my tenth year on the Board of SunMoon and it is gratifying to see how the company has transformed over the last decade.

AN EVENTFUL FY2016/2017

FY2016/2017 has been most eventful for SunMoon in more ways than one.

We continued to make strides in our asset-light, consumer-centric, brand-focused business strategy with the sale of our dehydrated produce business in China. We implemented our new Enterprise Resource Planning (ERP) system powered by NetSuite and continued to strengthen the SunMoon brand and grow the business based on the Network x Geography x Product (N x G x P) model.

The sale of the dehydrated produce business sharpens the SunMoon brand as a fresh produce and consumer products business. The new ERP system has transformed our back-end from an antiquated system into a technology-based platform driven by big data.

When I first invested in SunMoon in 2007, then known as FHTK, the company had over S$50 million in loans and its share price had fallen to 1.5 cents. It would have been easier for me to privatise SunMoon but that would have been at the expense of over 13,000 retail investors. Instead, I stayed on not only as an investor but also to lead the company, guided by a singular vision: SunMoon will be the AirBnB or Uber of the fruit trading and distribution business, by being asset-light, customer-centric and technologically-driven.

EXECUTIVE CHAIRMAN'S STATEMENT

In 2016, SunMoon caught the attention of Alibaba-KKR-backed Shanghai YIGUO E-commerce Co. Ltd (YiGuo), who is now the largest SunMoon shareholder post-placement of new shares at 4.5 cents per share. This was approved on 16 June 2017 at the Extraordinary General Meeting.

The YiGuo investment serves to validate my vision for SunMoon, my conviction of the company's potential, and it also affirms the strategy that we have put in place, since I took charge of SunMoon in 2007.

STRONG GROWTH MOMENTUM

We have established three key pillars as a foundation of our growth strategy.

First, we want to establish the company as the leader in healthy eating and living. SunMoon's brand narrative "Spreading Positivity in Bite-Sizes through Healthy Living" encapsulates the purpose of the company, which is to empower health-conscious consumers the world over to eat right.

Second, branding. For SunMoon to be recognised on the global platform and compete with international fruit brand companies, branding is key. We believe SunMoon has a strong brand equity and we are relentless in our efforts to build up the brand equity.

Third, the N x G x P model. The entry of YiGuo presents immense opportunities for SunMoon and will boost the N, G and P components. As part of the YiGuo-Alibaba Group, SunMoon can tap on Alibaba's click and mortar network, including their online presence via Tmall, Taobao and offline stores via Lianhua Supermarket and Suning. The relationship not only allows us to have a strong brand presence in China, but also enhances our sourcing capability and gives us greater economies of scale.

Through YiGuo, SunMoon has access to its logistics capability in China from port to cold room to point of sales nationwide. This is a critical differentiator for SunMoon. The access to last-mile logistics coupled with its strong brand equity provides SunMoon with a significant lead over its competitors.

But SunMoon's vision is not just all about China. We have a strategy in place that will make the SunMoon brand a ubiquitous consumer and lifestyle brand globally.

Today, SunMoon is a stronger company and is well-positioned for growth. The company sells and distributes over 100 product types and has a network of over 11,000 point of sales globally, across nine geographies.

FINANCIAL HIGHLIGHTS

The Group reported revenue of S$20.1 million and net profit of S$132,000 for the 15 months ended 31 March 2017, as compared to revenue of S$14.1 million and net loss of S$2.1 million for the 12 months ended 31 December 2015. The Group changed its financial year end in January 2017.

Revenue increased by 42.6% in FY2016/2017 mainly due to increased sales to China and additional 3 months sales arising from the change in financial year. Net profit improved on disposal gains of S$5.0 million and decrease in depreciation largely due to the cessation of depreciation and disposal of subsidiaries.

SunMoon is in a sound financial position, with positive equity of S$7.4 million and net cash of S$557,000 as at 31 March 2017.

GOOD CORPORATE GOVERNANCE

SunMoon is committed to good corporate governance and advocates transparency in managing issues and matters raised by minority shareholders and all stakeholders as demonstrated by our 27 page response to queries raised by the Securities Investors Association (Singapore) (SIAS) last year and the regular engagement with the media, analysts and investors to enhance their understanding of our strategy and plans. In FY2016/2017, we had two investor and analyst meetings and two meetings with SIAS.

LOOKING AHEAD

With strong partnership, injection of fresh capital, a stronger and wider network, and wider product range, SunMoon is poised to become a global lifestyle and consumer brand that caters to health-conscious consumers worldwide. We are on track to deliver on our mission to bring nature's goodness to consumers, from farm to fork. We have no doubt that with your continued support and trust, we will get there.

APPRECIATION

Finally, we would like to take this opportunity to thank the staff and the Board of Directors for their steadfast support and determination to bring the company to where it is today. The team effort and hard work has paid off and we look forward to your continued support as we move forward together to achieve the vision of SunMoon to be a global market leader in the distribution and marketing of fruits and vegetables.

We would also like to welcome Mr James Prideaux, who joined us as an independent director in April 2017. We believe his international executive management experience is a strategic fit for SunMoon.

With YiGuo as our major shareholder, we are also pleased to welcome Mr Yu Liang, Mr Wang Yaobin and Mr Shum Ka Shat who were appointed as non-independent directors of SunMoon on 5 July 2017.

We are also grateful to our Shareholders for their continued patience and support, even as we strive to achieve greater success in the years to come. It has been a very difficult journey but we are proud to say that our perseverance has prevailed. It is a cliché to say that the "Sun, Moon and Stars" are aligned but we do believe that SunMoon's efforts are all aligned and focused on delivering nature's goodness globally.

Thank you!

Mr 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 also completed Harvard Business School Owner/President Management (OPM) Program.

DR. TAN ENG LIANG
Independent Director

Dr. Tan was appointed to the Board as an Independent Director and Chairman of the Board on 13 November 2006. He stepped down as the Chairman of the Board on 7 October 2013 and assumed the role as Lead Independent Director on 7 October 2013. He was appointed 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 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 Remuneration Committee on 11 November 2005. He stepped down as the Chairman of Remuneration Committee and was appointed as Chairman of 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 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.

BOARD OF DIRECTORS

MRS JESSIE PEH
Independent Director

Mrs Peh was appointed to the Board as an Independent Director on 5 November 2015 and as Chairman of Audit and Risk Committee on 28 April 2016. She is a qualified Chartered Accountant (Institute of Chartered Accountants, England & Wales) and a qualified Management Accountant (Chartered Institute of Management Accountants, United Kingdom) with over 30 years of experience. She joined United Engineers Limited in 1989 and served as Chief Financial Officer until her retirement in 2012. Prior to joining United Engineers Limited, she worked in Ernst & Young as an Assistant Audit Manager and was with Tat Lee Bank Limited as a Sub-Manager (General Accounting).

MR JAMES PRIDEAUX
Independent Director

Mr James Prideaux was appointed to the Board as an Independent Director on 4 April 2017. He is a Chartered Accountant (Institute of Chartered Accountants, England & Wales) and holds a Bachelor of Commerce degree from Birmingham University. He has over 30 years of international executive management experience. He previously worked at MNCs such as KPMG, ICI, Atlantic Richfield Company (ARCO), and Dole Food Company. He currently is Chief Executive Officer of JP APAC Solutions Inc. and a Regional Client Partner with Pedersen & Partners.

MR YU LIANG
Non-Independent Director

Mr Yu Liang was appointed to the Board as a Non-Independent Director on 5 July 2017. He is currently the Group Sourcing Director at YiGuo. He graduated from Nanjing Finance University in 2004, with a Bachelor of Finance. He has over 15 years of experience in Supply Chain and Supplier Relationship management which includes over 10 years of global and domestic sourcing work in Yiguo Group and managing relationship with major suppliers as a Supplier Relationship Director. He has expertise managing more than 2000 SKUs for Procurement globally to cater to increasing domestic demands. He has experience in migrating from a sole-SKU to a multiple-SKU based strategy, Business network approach to Procurement, and Sourcing and Supply Chain management.

MR WANG YAOBIN
Non-Independent Director

Mr Wang Yaobin was appointed to the Board as a Non-Independent Director on 5 July 2017. Currently, he is the Group Finance Controller of YiGuo. He is an American Institute of Certified Public Accountant (Granted by Guam Board of Accountancy) and Chinese Institute of Certified Public Accountant (Granted by Shanghai Institute of Certified Public Accountant) and holds a Bachelor of Economics degree from Shanghai Jiao Tong University. He has about 10 years of experience focused on Finance-related areas and Internet-related industries, such as EY, Baidu and Yiguo.

MR SHUM KA SHAT
Non-Independent Director

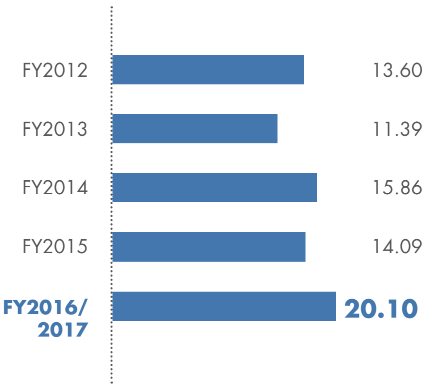
Mr Shum Ka Shat was appointed to the Board as a Non-Independent Director on 5 July 2017. Currently, he is the Chief Merchant Consultant in Yiguo Group. He has 20 years of experience in merchandising fresh food and related businesses. Mr Shum Ka Shat was the director for Hailiang Health Food Group Merchandising Department from 2014 – 2015 and the Regional General Manager for Sam's Club from 2000 – 2014.

FINANCIAL HIGHLIGHTS

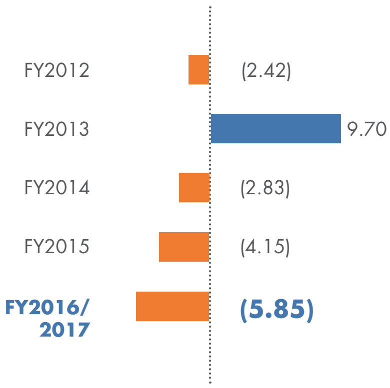
	FY2016/ 2017** (15 months)	FY2015	FY2014	FY2013	FY2012
Turnover ($ Millions)*	**20.10**	14.09	15.86	11.39	13.60
(Loss)/profit before Income Tax ($ Millions)*	**(5.85)**	(4.15)	(2.83)	9.70	(2.42)
Shareholders' funds ($ Millions)	**7.38**	11.19	12.67	14.33	(21.20)
Net Tangible Assets per Share (Cents)	**1.37**	3.51	3.98	0.04	(0.27)
Net Earning/(Loss) per Share (Cents)*	**(1.83)**	(1.30)	(0.89)	0.03	(0.03)
EBITDA ($ Millions)*	**(5.76)**	(4.11)	(2.79)	9.76	0.48
EBITDA (continuing + discontinued) ($ Millions)	**(0.52)**	(0.26)	(0.47)	0.18	2.07

* Amount attributable to continuing operations
** FY2016/2017 refers to the period Jan 2016 to Mar 2017 following the change in financial year end

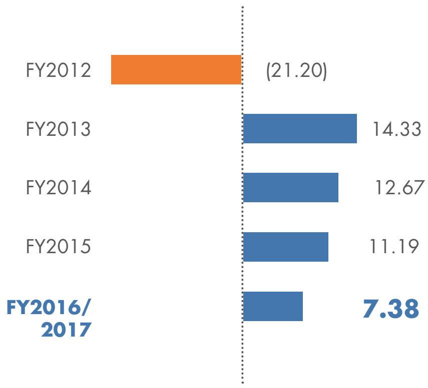
TURNOVER ($ MILLIONS)



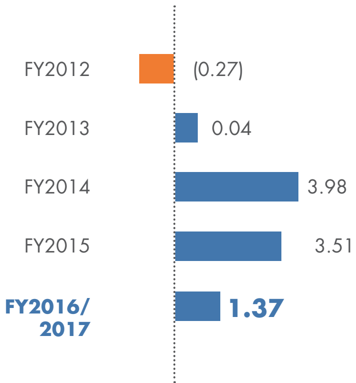
(LOSS)/PROFIT BEFORE INCOME TAX ($ MILLIONS)



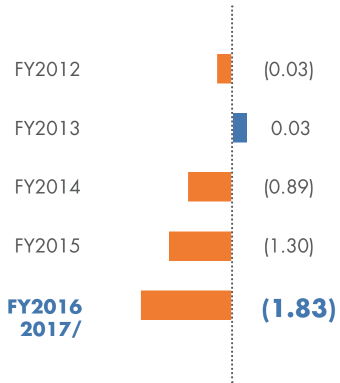
SHAREHOLDERS' FUNDS ($ MILLIONS)



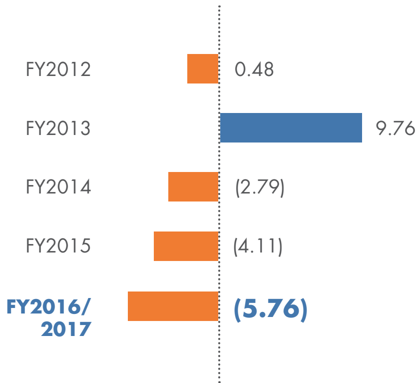
NET TANGIBLE ASSETS PER SHARE (CENTS)



NET EARNING/(LOSS) PER SHARE (CENTS)



EBITDA ($ MILLIONS)



KEY MANAGEMENT

MS WANG HUI ZHEN
Group Financial Controller

Ms. Wang is the Group's Financial Controller and has more than 15 years' experience in auditing and financial management in Singapore and China. As GFC, Ms. Wang leads the Group's financial management in the areas of financial strategy, governance, accounting and risk management. Ms. Wang holds a Bsc. (Honours) degree in applied accounting from the Oxford Brookes University. She is a Fellow Member of the Association of Chartered Certified Accountants and a Member of the Institute of Singapore Chartered Accountants.

MR CHNG SAY KIAT
General Manager – Consumer Products Division

Mr Chng is the General Manager with Consumer Products Division. He is also appointed as one of the directors for most of the subsidiaries under the Group, including as the President of UGC 2003, Inc. He first 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 the sales and marketing of consumer products in various countries, including Singapore, China, USA and Indonesia. 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 majoring in Computer Engineering and an MBA (Finance & International Business).

MR ROGER CHUA
Managing Director

Mr Chua is the Managing Director of SunMoon Distribution & Trading Pte Ltd. He first joined the Group as the General Manager (Operations) in 2016, responsible for revamping SunMoon's sales operations, policies and procedures, as well as redesigning the technology architecture for the new business model. He was promoted to Managing Director in 2017, overseeing strategic operations, human resource planning, and financial system for the entire group, including overseas offices. Prior to joining the Group, he held leadership positions in the Singapore Armed Forces, supporting Special Operations and National-level security events. He holds a Bachelor of Science (Computer Science) from University of New South Wales, Sydney and a certified facilitator.

FINANCIAL CONTENTS

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. The Board and Management are pleased to report that the Company has in all material aspects, adhered to the principles and guidelines of the Code of Corporate Governance 2012 ("**the Code**").

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, four non-executive independent directors and three non-executive and non-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. The Board provides guidance and leadership to Management and ensures that adequate resources are available to meet its objectives;
3. Assessing Management performance;
4. Establishing and overseeing the processes and frameworks related to risk management and internal control, financial reporting and compliance, including the release of financial results and announcements of material transactions;
5. Setting Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
6. Approving all Board appointments and appointments of key management staff;
7. Approving annual budgets, major funding proposals, investment and divestment proposals;
8. Advising Management on major policy initiatives and significant issues;
9. Overseeing the proper conduct of the Company's business and assuming responsibility for corporate governance;
10. Identify the key stakeholder groups and recognize that their perceptions affect the company's reputation; and
11. Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions in the best interest of the Group.

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 Constitution 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. The Company has internal guidelines for matters that require Board's decision and approval, which includes the following matters:

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; and
5. Appointment of directors and key management staff, including review of performance and remuneration packages.
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. The Company will also offer opportunities to directors to update and refresh their knowledge in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, changes in the Companies Act, continuing listing obligations and industry-related matters, and refresh the directors on matters that may affect or enhance their performance as board or board committee members.

DIRECTORS' MEETINGS HELD IN 2016/2017

Details of directors' attendance at the Board and Board committee meetings held for the financial year from 1 January 2016 to 31 March 2017 ("FY16/17") 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	5	5	1	1
Directors during financial period				
Mr Gary Loh Hock Chuan	5	–	–	–
Dr Tan Eng Liang	5	5	1	1
Mr Chee Wai Pong	5	5	1	1
Mrs Jessie Peh	5	5	1	1

REPORT ON CORPORATE GOVERNANCE

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 four 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
Mrs Jessie Peh	Independent Non-Executive	M	C	M	M
Mr James Prideaux*	Independent Non-Executive	M	–	–	–
Mr Shum Ka Shat**	Non-Independent Non-Executive	M	–	–	–
Mr Wang Yaobin**	Non-Independent Non-Executive	M	–	–	–
Mr Yu Liang**	Non-Independent Non-Executive	M	–	–	–

* Mr James Prideaux was appointed as independent director on 4 April 2017
** Mr Shum Ka Shat, Mr Wang Yaobin and Mr Yu Liang were appointed as directors with effect from 5 July 2017
C: Chairman; M: Member

The roles of the Executive Chairman and Chief Executive Officer (the "CEO") in the Company are not separated. Mr Gary Loh Hock Chuan is our Executive Chairman, and acts also as the CEO. In view that Mr Gary Loh Hock Chuan, the Executive Chairman and the CEO, are the same person, Guideline 2.2 of the Code is met as the independent directors make up at least half of the Board.

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, bearing in mind the 2012 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent.

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 a process of refreshing the Board progressively over time so that the experience of longer serving directors can be drawn upon while tapping into the new external perspectives and insights which more recent appointee bring to the Board's deliberation. 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.

REPORT ON CORPORATE GOVERNANCE

Non-executive Directors contribute to the Board process by reviewing Management's performance against goals and objectives, and monitoring the reporting of performance. 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.

During the year, the non-Executive Directors communicated and met amongst themselves without the presence of Management as and when the need arose. The Company has benefited from the Management's ready access to its directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

Key information regarding the directors is set out on pages 5 to 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 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 post of Executive Chairman is held by Mr Gary Loh Hock Chuan. The duties and responsibilities of CEO are currently assumed by Mr Gary Loh Hock Chuan while the Company is looking for COO.

The Board is of the view that that it is not necessary to separate the role of the Chairman and the CEO after taking into consideration the size, scope and the nature of the operations of the Group. Mr Gary Loh Hock Chuan has played an instrumental role in developing the business, and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the interest of the Group to adopt a single leadership structure at this point in its development.

The Executive Chairman, Mr Gary Loh Hock Chuan, with the assistance of the Company Secretary, schedules meetings and prepares meeting agenda to provide guidance, advice and leadership to the Board to perform its duties effectively. 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 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.

The CEO 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.

In view that the roles of the Executive Chairman and CEO in the Company are not separated, and the Executive Chairman is not an independent director, Dr Tan Eng Liang has been appointed as the Lead Independent Director of the Company for the shareholders in situations where they have concerns or issues which communication with the Executive Chairman and CEO and/or Group Financial Controller has failed to resolve or where such communication is inappropriate.

The Lead Independent Director has the authority to call and lead meetings of the independent directors, when necessary and appropriate. The Independent Directors will meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings as appropriate.

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 Mrs Jessie Peh, all independent non-executive directors. Based on the NC's assessment of the independence of each individual board director, the Board will review, and reconstitutes as appropriate, the membership of the Board committees.

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) to adopt internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. As a guide, 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 if a director with other listed company board representations and/or principal commitments is able to and has been adequately carrying out his duties as a director of the Company. The NC takes into account the effectiveness of the individual director, and the respective director's conduct on the Board, in making this determination. In respect of FY16/17, the NC was of the view that each director has given sufficient time and attention to the affairs of the Company and has been able to discharge his duties as director effectively;

(e) 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 Nomination Committee identifies the key attributes that an incoming director should have, based on the balance and diversity of skills, experience, gender and knowledge required by the 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.

(f) 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.

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 Constitution 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 Company has no alternate directors on its board.

REPORT ON CORPORATE GOVERNANCE

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. Based on the assessment, the NC has indicated that the Board has met its performance objectives for the FY16/17.

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.

The NC will prepare a consolidated report and discuss with Executive Chairman on the results. Thereafter, the Executive Chairman will meet with the Board and the Board Committees, to provide necessary feedback on their performance, with a view to improve performance and shareholder value. The performances of individual directors are also taken into account for their re-appointment, and the need for new members to be appointed to the Board.

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 from time to time. Information provided included background of explanatory information, copies of disclosure documents, budgets, monthly internal financial statements, and any material variance between the projections and actual results.

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. 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.

REPORT ON CORPORATE GOVERNANCE

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 other two members are Mr Chee Wai Pong and Mrs Jessie Peh, all independent non-executive directors.

The RC is responsible for the following:

(a) to recommend to the Board for endorsement of 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, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(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.

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. The Company is also required to disclose the name and firms of the experts, and if there are any existing relationship between the Company and the expert. For the FY16/17, the RC did not seek expert advice as they did not deem it was necessary.

The RC also reviews the Company's obligations arising in the event of termination of the CEO's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

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, and whether it aligns with the interest of shareholders.

REPORT ON CORPORATE GOVERNANCE

The RC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determing the compensation structure, the RC has taken in account the risk policies and risk tolerance of the Group as well as the time horizon of risks, and incorporated risk-adjustments into the compensation structure through several initiatives.

The remuneration of the Executive Chairman of Mr Gary Loh Hock Chuan, as set out in the renewable 2-years service agreement which commenced on 1 July 2017, consists of a fixed monthly salary and variable component. 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 Company has an employee share option scheme known as SunMoon Share Option Scheme, which provides eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance. However, no shares options have been granted or awarded pursuant to the option scheme.

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. The Company is also actively aware that over-compensation may result in non-Executive Director's independence being compromised. 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, such as shares, 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.

Directors

The fees payable and remuneration paid to each of the directors of the Company for the financial period from 1 January 2016 to 31 March 2017 are below $250,000 per annum for three independent directors and above $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)
Above S$500,000				
Mr Gary Loh Hock Chuan	–	84%	16%	823
Below S$250,000				
Dr. Tan Eng Liang	100%	–	–	47.5
Mr Chee Wai Pong	100%	–	–	47.5
Ms Jessie Peh	100%	–	–	53.75

(1) Director fees are subject to shareholder's approval as a lump sum at the Annual General Meeting to be held on 28 July 2017.

(2) Salaries includes all social contributions paid by employer.

During the FY16/17, there was no termination, retirement and post-employment benefits granted to any director and Key Management Personnel.

REPORT ON CORPORATE GOVERNANCE

Key Executives

The remuneration for the top seven key management personnel (who are not directors or the CEO), for the financial period from 1 January 2016 to 31 March 2017 is tabled with a breakdown of the level and mix of the remuneration as follows:

	Fixed Salary[3] %	Variable Bonus %	Benefits in Kind %	Total (S$'000)
Below S$250,000				941
Ms Wang Hui Zhen	89%	11%	–	
Mr Chng Say Kiat	94%	6%	–	
Ms Rosanne Ong Siew Ling (resigned on 12 May 2017)	86%	14%	–	
Mr Gao Wen Yu	94%	6%	–	
Mr Roger Chua (joined on 1 July 2016)	100%	–	–	
Ms Bernice Yap (resigned on 16 July 2016)	100%	–		
Mr Robert Tice (resigned on 31 March 2017)	80%	20%	–	

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

No employee of the Company and its subsidiaries was an immediate family member of a director or the CEO and whose remuneration exceeded $50,000 during the FY16/17. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

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. Such reports keep the Board informed, on a balanced and understandable basis, of the Group's performance, financial position and prospects.

The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements, including requirements under the listing rules.

REPORT ON CORPORATE GOVERNANCE

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 determining the company's levels of risk tolerance, the overall internal control framework, the overseeing of the Management in the design, implementation and monitoring of 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;
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, and based on the work performed by external auditors, and reviews performed by Management and various Board Committees, holds the opinion that the risk management systems and internal controls addressing financial, operational, and compliance risks maintained by the Management throughout the financial period from 1 January 2016 to 31 March 2017, up to the date of this report, are adequate and effective to meet the needs of the Group in its current business environment. The Board has received assurance from the Executive Chairman/CEO and the Group Financial Controller:

(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, Mrs Jessie Peh, Dr Tan Eng Liang and Mr Chee Wai Pong. The Chairman of the ARC is Mrs Jessie Peh.

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.

REPORT ON CORPORATE GOVERNANCE

The external auditor will provide regular updates to the ARC on relevant changes to the accounting standards and the implications on the financial statements.

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;

(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;

REPORT ON CORPORATE GOVERNANCE

(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

(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.

None of the members of the ARC were partners or directors of the Company's existing external auditors within the last 15 months and none of the members of the ARC hold any financial interest in the 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 RT LLP as external auditors at the forthcoming AGM. The fees for both audit and non-audit services are listed below:

	RT LLP Singapore $'000	Other auditor(s) $'000	Total $'000
Total Audit Fees	95	4	99
Total Non-Audit Fees	–	–	–
Total	**95**	**4**	**99**

REPORT ON CORPORATE GOVERNANCE

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. Reports can be lodged by calling the Company at +65 6779 5688 or through their website.

The ARC reviews all whistleblowing complaints (if any) to ensure independent, thorough investigation and appropriate follow-up actions.

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, whose staff are qualified and experienced professionals. 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. For the avoidance of doubt, the primary line of reporting of the reports prepared by the internal auditors is to the ARC. The ARC will ensure that the internal auditor has direct and unrestricted access to the Chairman of the Board, the ARC and Company's documents. The appointment, remuneration and resignation of the internal auditor are reviewed by the ARC.

The ARC will assess the adequacy and effectiveness of the internal audit function.

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. The Company is committed to disclosing to its shareholders as much relevant information in a descriptive, detailed and forthcoming way, and at the same time avoiding boilerplate disclosures.

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.

To ensure a level playing field and provide confidence to shareholders, unpublished price-sensitive information is not selectively disclosed, and on the rare occasion when such information is inadvertently disclosed, it is immediately released to the public via SGXNET. The Company's website is also continually updated with the latest information concerning the Company.

REPORT ON CORPORATE GOVERNANCE

In addition, shareholders are encouraged to attend and vote at the general meetings of shareholders to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders will be informed of the rules, including voting procedures that govern the general meeting at the respective meetings. They 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 Constitution of the Company, a shareholder may appoint any number of proxies to attend and vote at the same general meeting. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold shares through a nominee or custodial services company, may attend and vote at each AGM.

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.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. These minutes of shareholders' meetings are available on shareholders request.

Through the Company's website and hotline, the Company is able to gather views and/or inputs from shareholders. Subsequently, the Company will reply shareholders' concerns through email and/or phone call.

In addition to shareholders' meeting, Management aims to take steps to solicit and understand the views of the shareholders through analyst briefings, investor roadshows and/or briefings. Such meetings provide useful platforms for Management to engage with investors and analyst.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

The directors present their statement to the members together with the audited consolidated financial statements of SunMoon Food Company Limited (the "Company") and its subsidiaries (the "Group") For the financial period from 1 January 2016 to 31 March 2017 and the statement of financial position of the Company as at 31 March 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Group for the period from 1 January 2016 to 31 March 2017; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debt as and when they fall due.

2. DIRECTORS

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

Mr Gary Loh Hock Chuan	(Executive Chairman)
Dr. Tan Eng Liang	
Mrs Jessie Peh	
Mr Chee Wai Pong	
Mr James Prideaux	(Appointed on 4 April 2017)
Mr Shum Ka Shat	(Appointed on 5 July 2017)
Mr Wang Yaobin	(Appointed on 5 July 2017)
Mr Yu Liang	(Appointed on 5 July 2017)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial period 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.

4. 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 period had any interest in the shares or debentures of the Company or its related corporations except as detailed below:

	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have an interest	
	Balance at 1 January 2016	**Balance at 31 March 2017**	**Balance at 1 January 2016**	**Balance at 31 March 2017**
The Company				
Mr Gary Loh Hock Chuan	–	–	80,712,772	80,712,772

Pursuant to Section 7 of the Act, Mr Gary Loh Hock Chuan is deemed to have an interest in the 80,712,772 and 80,712,772 shares of the Company held by First Alverstone Capital Limited at the beginning and end of the financial period respectively.

DIRECTORS' STATEMENT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

4. 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 April 2017 in the shares of the Company have remained unchanged from those disclosed as at 31 March 2017 for Mr Gary Loh Hock Chuan whose deemed interests in the Company have remained at 80,712,772 ordinary shares.

5. SHARE OPTIONS

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

There were no shares issued during the financial period 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 period.

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.

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 period and at the date of this report are:

Mrs Jessie Peh (Chairperson)
Dr Tan Eng Liang
Mr Chee Wai Pong

The ARC performs the functions specified in Section 201B(5) of the Singapore Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance.

The ARC has held five 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

6. AUDIT AND RISK COMMITTEE (CONTINUED)

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, RT LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Further details regarding the ARC are disclosed in the Report on Corporate Governance.

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 12 and 13 to the financial statements. In the opinion of the Board of Directors and Audit and Risk Committee, Rules 712 and 715 of the Listing Manual of the SGX-ST have been complied with.

8. INDEPENDENT AUDITOR

The independent auditor, RT LLP has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Mr Gary Loh Hock Chuan	**Mrs Jessie Peh**
Director	Director

Singapore
5 July 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sunmoon Food Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position of the Group and of the Company as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the period from 1 January 2016 to 31 March 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Group and the financial position of the Company as at 31 March 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the period from 1 January 2016 to 31 March 2017.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 11 of the financial statements, which describes SunMoon Food Company Limited ("SMF"), its fully owned subsidiary SunMoon Distribution & Trading Pte Ltd ("SMDT") and Taian FHTK Foodstuffs Co., Ltd ("TFFC") (Subsidiary disposed during the year) entered into a tripartite asset transfer agreement ("ATA") in which TFFC agreed to transfer the whole operations of its fresh garlic, onion and ginger business ("Food agriculture Business") to SMDT for $3.0 million payable by SMF to TFFC. The purchase price of $3.0 million is based on the development costs incurred by TFFC in establishing the Food agriculture Business according to the ATA.

On 31 March 2017, the ATA is supported by supplement agreement which stated the consideration of $3.0 million payable by SMF to United Agro Produce Pte Ltd ("UAP") to offset the payable amount due from UAP to SMF. There is a waiver of $0.3mil issued by UAP to SMF during the financial period.

The management is of the view that the waiver received from UAP is a separate event from the acquisition of the intangible assets and not a discount to the consideration of the purchase of intangible assets amounting to $3.0 million. Accordingly, the acquired intangible assets are recognised in full for $ 3.0 million in the statement of financial position and other income of $ 0.3mil was recognised in continuing operations in the consolidated statement of comprehensive income for the waiver received from UAP.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Impairment of trade receivables Trade receivables S$5.03 million constituted 34% of the total assets of the Group. Management performed an impairment assessment on the outstanding trade receivables. The impairment assessment requires the exercise of judgement about the trade receivable financial position and payment history. The key estimation on the impairment and the aging of those trade receivables are disclosed in Note 3.2(iii) and Note 26.1 to the financial statements.	Our audit procedures focused on evaluating management's impairment assessment of those receivables. These procedures include: • Evaluated supporting information on trade receivable's financial position and payment history and challenge management on the identification of impaired trade receivables; • Tested the accuracy and completeness of the receivables aging as at 31 March 2017 used by management to identify long outstanding receivables; • Assessed the design and implementation of the Group's internal control in relation to the revenue and collection cycle, particularly the controls over receivables collection; • Challenged the cash flow forecasts used with comparison to recent performance and market expectations; and • With reference to prior period forecasts on whether receivables had achieved them.
Impairment of investment in subsidiaries The carrying amount of investment in subsidiaries as at 31 March 2017 is amounting to $13.8 million which represented 72% of the company's total assets. Management is required to assess at the end of each reporting period whether there is any indication that the investments may be impaired. The recoverable amount of investment was determined using the value in use method which involves significant judgements and estimation by management. The significant judgement to the impairment assessment of the investment in subsidiary is disclosed in Note 3.1(i) to the financial statements.	Our audit procedure focused on evaluating and challenging the key assumption used by management in the impairment assessment of the investment in subsidiaries. We have assessed the cash flow projection prepared by the management. The procedures include: • Assessed the accuracy of the computation of the discounted cash flows; • Evaluated the assumptions underpinning the future cash flows; and • Evaluated the growth and discount rate used for reasonableness.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matters	How the matter was addressed in the audit
Disposal of subsidiaries The disposal of 4 subsidiaries have been completed and approved in the Extraordinary Meeting ("EGM"). The contracts of disposal were signed on 31 December 2016 and 14 February 2017 respectively. A gain on disposal of subsidiaries amounting to S$5.019 million has been recognised in the profit or loss for the current financial period. The details of the gain on disposal of subsidiaries is disclosed in Note 14 to the financial statements.	Our procedures include: • Read the contract of disposal and the approval in the EGM; • Considered the accounting treatment and timing of the completion of the disposal; and • Reviewed and re-computed the assessment computation on the gain arising from the disposal.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Corporate Profile;
Corporate Information;
Corporate Structure;
Executive Chairman Statement;
Directors' Profile;
Financial Highlights;
Key Management Profile;
Report on Corporate Governance; and
Directors' Statement

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Su Chun Keat.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
5 July 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

	Note	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Continuing operations			
Revenue	4	**20,104**	14,093
Cost of sales		**(19,284)**	(13,067)
Gross profit		**820**	1,026
Other item of income			
Other income	5	**815**	378
Other items of expense			
Selling and distribution expenses		**(2,281)**	(1,343)
Administrative expenses		**(3,781)**	(4,212)
Other expenses		**(1,419)**	(3)
Finance costs		**(3)**	–
Loss before tax from continuing operations	6	**(5,849)**	(4,154)
Income tax expense	7	**–**	–
Loss from continuing operations for the financial period/year, net of income tax		**(5,849)**	(4,154)
Discontinued operations			
Profit from discontinued operations for the financial period/year, net of income tax	8	**5,981**	2,053
Profit/(Loss) for the financial period/year		**132**	(2,101)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Reclassification to profit or loss on disposal of subsidiaries:			
– General reserve		**(1,969)**	–
– Foreign currency translation reserve		**(774)**	–
Exchange differences arising from translation of foreign operations		**(1,202)**	622
Other comprehensive (loss)/income for the financial period/year, net of income tax		**(3,945)**	622
Total comprehensive loss for the financial period/year		**(3,813)**	(1,479)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

	Note	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Profit/(Loss) attributable to owners of the Company			
– Continuing operations		**(5,849)**	(4,154)
– Discontinued operations	8	**5,981**	2,053
Total profit/(loss) attributable to owners of the Company		**132**	(2,101)
Total comprehensive loss attributable to owners of the Company			
– Continuing operations		**(6,553)**	(3,216)
– Discontinued operations		**2,740**	1,737
Total comprehensive loss attributable to owners of the Company		**(3,813)**	(1,479)
Earnings/(loss) per share for continuing and discontinued operations attributable to equity holders of the Company	9		
Basic earnings/(loss) per share			
From continuing operations		**(1.8348) cents**	(1.3031) cents
From discontinued operations		**1.8762 cents**	0.6440 cents
Diluted earnings/(loss) per share			
From continuing operations		**(1.8348) cents**	(1.3031) cents
From discontinued operations		**1.8762 cents**	0.6440 cents

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	Group 31/3/2017 $'000	Group 31/12/2015 $'000	Company 31/3/2017 $'000	Company 31/12/2015 $'000
Non-current assets					
Property, plant and equipment	10	**167**	4,146	**–**	–
Intangible assets	11	**3,000**	–	**–**	–
Investment in subsidiaries	12	**–**	–	**13,823**	13,834
Investment in associate	13	**–**	–	**–**	–
		3,167	4,146	**13,823**	13,834
Current assets					
Cash and cash equivalents	14	**557**	5,290	**109**	390
Held-for-trading financial asset	15	**–**	52	**–**	–
Trade and other receivables	16	**10,938**	9,788	**5,260**	187
Inventories	17	**177**	539	**–**	–
Total current assets		**11,672**	15,669	**5,369**	577
Total assets		**14,839**	19,815	**19,192**	14,411
Equity and Liabilities					
Equity attributable to equity owners of the company					
Share capital	18	**124,508**	124,508	**124,508**	124,508
Other reserves	19	**20,177**	26,632	**18,384**	18,384
Accumulated losses		**(137,305)**	(139,947)	**(128,457)**	(137,341)
Total equity		**7,380**	11,193	**14,435**	5,551
Non-current liabilities					
Borrowings	20	**65**	–	**–**	–
Current liabilities					
Borrowings	20	**15**	632	**–**	–
Trade and other payables	21	**7,379**	7,990	**4,757**	8,860
		7,394	8,622	**4,757**	8,860
Total liabilities		**7,459**	8,622	**4,757**	8,860
Total equity and liabilities		**14,839**	19,815	**19,192**	14,411

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

	Share capital $'000	Capital reserve $'000	Capital reduction reserve $'000	Asset revaluation reserve $'000	General reserve $'000	Foreign currency translation reserve $'000	Other reserves Total $'000	Accumulated losses $'000	Total equity attributable to owners of the company $'000
Balance at 1 January 2016	**124,508**	**944**	**18,384**	**2,510**	**2,201**	**2,593**	**26,632**	**(139,947)**	**11,193**
Profit for the financial period	-	-	-	-	-	-	-	132	132
Other comprehensive loss for the financial year	–	–	–	–	(1,969)	(1,976)	(3,945)	–	(3,945)
Total comprehensive loss for the financial period	**-**	**-**	**-**	**-**	**(1,969)**	**(1,976)**	**(3,945)**	**132**	**(3,813)**
Reclassification on disposal of subsidiaries	–	–	–	(2,510)	–	–	(2,510)	2,510	–
Balance at 31 March 2017	**124,508**	**944**	**18,384**	**-**	**232**	**617**	**20,177**	**(137,305)**	**7,380**
Balance at 1 January 2015	124,508	944	18,384	2,510	2,201	1,971	26,010	(137,846)	12,672
Loss for the financial period	–	–	–	–	–	–	–	(2,101)	(2,101)
Other comprehensive income/(loss) for the financial year									
Foreign currency translation	–	–	–	–	–	622	622	–	622
Total comprehensive income/(loss) for the financial period	–	–	–	–	–	622	622	(2,101)	(1,479)
Balance at 31 December 2015	124,508	944	18,384	2,510	2,201	2,593	26,632	(139,947)	11,193

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

	Note	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Operating activities			
Loss from continuing operations before tax		**(5,849)**	(4,154)
Profit from discontinued operations before tax	8	**6,001**	2,945
Profit/Loss before tax, total		**152**	(1,209)
Adjustments for:			
Interest expense		**115**	164
Interest income		**(8)**	(2)
Dividend income	5	**(70)**	–
Reversal of allowance for inventory obsolescence	17	**(252)**	(270)
Allowance for inventory obsolescence	17	**118**	–
Depreciation of property, plant and equipment	10	**254**	788
Write back of long overdue third parties payables		**(1,366)**	(40)
Write back of accrued registration expenses		**(613)**	–
Loss on disposal of held-for-trading financial asset	15	**18**	(9)
Inventories written off		**724**	10
Other receivables written off		**–**	2
Allowance for impairment loss on third parties trade receivables	16	**1,338**	521
Gain on disposal of subsidiaries	14	**(5,019)**	–
Operating cash flows before working capital changes		**(4,609)**	(45)
Working capital changes:			
Inventories		**(331)**	13,152
Trade and other receivables		**(1,378)**	(2,962)
Trade and other payables		**1,436**	(4,252)
Cash (used in)/generated from operations		**(4,882)**	5,893
Income tax paid		**(20)**	(892)
Net cash (used in)/generated from operating activities		**(4,902)**	5,001
Investing activities			
Interest received		**8**	2
Dividend received		**70**	–
Purchase of property, plant and equipment		**(40)**	(418)
Disposal of subsidiaries, net cash flow	14	**311**	–
Proceeds from disposal of held-for-trading financial asset	15	**33**	199
Net cash generated from/(used in) investing activities		**382**	(217)
Financing activities			
Interest paid		**(115)**	(164)
Proceed from bank borrowings		**2,028**	871
Repayment of finance lease		**(14)**	–
Repayment of bank borrowings		**(1,443)**	(2,897)
Repayment of loan from a director		**–**	(529)
Net cash generated from/(used in) financing activities		**456**	(2,719)
Net change in cash and cash equivalents		**(4,064)**	2,065
Cash and cash equivalents at beginning of financial year		**5,290**	2,703
Exchange difference on cash and cash equivalents		**(669)**	522
Cash and cash equivalents at end of financial year	14	**557**	5,290

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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 30, Toh Guan Road, # 07-07 Singapore 608840. 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 12 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 period from 1 January 2016 to 31 March 2017 were authorised for issue in accordance with a resolution of the Directors on the date of Directors' Statement.

During the financial period, the company changed its financial year end from 31 December to 31 March. Accordingly, this is financial reporting for the Group covered a period of 15 months from 1 January 2016 to 31 March 2017. The comparative period covered a period of 12 months for the financial year ended 31 December 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.

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 ("$"), which is the functional currency of the Company. All values are rounded to the nearest thousand ($'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 estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years. 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 PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial period. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

FRS and INT FRS issued but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's and Company's accounting periods beginning after 1 April 2017 and which the Group and Company have not early adopted:

Effective for the annual periods beginning on or after 1 January 2017

- Amendments to FRS 7: Disclosure Initiative
- Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 112: Disclosure of Interests in Other Entities (under Improvements to FRS (December 2016))

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 28: Investments in Associates and Joint Ventures (under Improvements to FRS (December 2016))
- INT FRS 122: Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 Leases

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

The Directors do not anticipate that adoption of the above FRS and INT FRS in future periods will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption except for FRS 109 and FRS 115. Management is currently evaluating the potential impact of the application of FRS 109 and FRS 115 on the financial statements of the Group and of the Company in the period of their initial application.

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 re-assess 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 PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (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 statement 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 2018 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, is exposed to, or has rights to, variable returns from its involvement with 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 the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 (i.e. sale of fresh and processed fruits) 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 using the effective interest method.

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

2.6 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.

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries.

The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. The contributions to these Schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual 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.

2.7 Taxes

Income tax expense

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 as reported in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Taxes (Continued)

Income tax expense (Continued)

Current income tax (Continued)

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.

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Taxes (Continued)

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.

2.8 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 of the individual entities, 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 purpose 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 PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

2.10 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 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 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.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal 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. All 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment (Continued)

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	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.

2.11 Land use rights

Land use rights represented up-front payment to long-term interests in the usage of land and were stated at cost less accumulated amortisation and impairment losses, if any. Amortisation was charged so as to write off the cost of the land use rights, using the straight-line method, over the period of the grant of 50 years, which was the lease term.

2.12 Intangible assets

"Food agriculture business" acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.13 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 are largely 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal 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 of disposal 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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets

The Group and the Company classify their financial assets as loans and receivables and financial assets at fair value through profit or loss (held-for-trading). 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" (excluding prepayments, VAT refundable and advances to suppliers) and "cash and cash equivalents" on the statements of financial position.

(ii) 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 classified as FVTPL is 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 amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (Continued)

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

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

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

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with bank, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank.

2.17 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

When the Group is the lessor of an operating lease

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on a straight-line basis. The aggregate costs of incentives provided to leases are recognised as a reduction of income over the lease term on a straight-line basis.

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 of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

2.19 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 PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

2.21 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 Executive Chairman who make strategic decisions.

2.22 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.

2.23 Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the financial year in which they are incurred.

2.24 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Non-current assets (or disposal groups) held-for-sale and discontinued operations (Continued)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line or business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

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 Group's accounting policies, management has made the following judgements, apart from those involving estimates, which has a significant effect on the amounts recognised in the financial statements.

(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.

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. The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(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 3 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 property, plant and equipment as at 31 March 2017 were approximately $167,000 (2015: $4,146,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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, a degree of judgement is required when 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 March 2017 was approximately $177,000 (2015: $539,000).

(iii) 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 which requires management to make significant estimation and assumptions. A considerable amount of judgement is also 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.

As stated in Note 16, included in trade receivables of the Group as at 31 March 2017 are balances due from certain customers totalling $2.69 million intended for conversion to equity investments either directly in these customers or entities identified for the purpose. These balances were tested for impairment with reference to expected values of these equity investments which required a considerable amount of judgement. Based on management assessment, management believes that no impairment is required for these customers totalling $2.69 million.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement and estimation 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

3.2 Key sources of estimation uncertainty (Continued)

As at 31 March 2017, the Group had unutilised tax losses of approximately $127,994,000 (2015: $132,368,000) and unabsorbed capital allowance of approximately $696,000 (2015: $814,000) 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 $21,884,000 (2015: $22,645,000) 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 2.8 to the financial statements.

4. REVENUE

	Group	
	Period from 1/1/2016 to 31/3/2017	Year ended 31/12/2015
	$'000	$'000
Sale of fresh and processed fruits	**20,104**	14,093

5. OTHER INCOME

	Group	
	Period from 1/1/2016 to 31/3/2017	Year ended 31/12/2015
	$'000	$'000
Franchise income	**30**	24
Dividend income	**70**	–
Leasing and licensing income	**30**	39
Write back of long overdue payables	**591**	40
Government grant	**94**	14
Foreign exchange gain, net	**–**	252
Others	**–**	9
	815	378

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Cost of goods sold		
Inventories written off	**708**	10
Selling & distribution expenses		
Warehouse storage expense	**42**	48
Transportation and port charges	**104**	58
Advertisement & promotion	**204**	124
Commission	**71**	23
Employee benefits expense:		
– salaries, bonus and other benefits	**1,167**	656
– defined contribution plans	**162**	83
Total employee benefits expense	**1,329**	739
Administrative expenses		
Audit fees		
– auditors of the Company	**95**	91
– other auditors	**4**	14
Depreciation of property, plant and equipment	**85**	43
Allowance for impairment loss on third parties trade receivables	**1,338**	521
Operating lease expense	**172**	79
Directors' fees	**149**	124
Director's remuneration	**823**	502
Employee benefits expense:		
– salaries, bonus and other benefits	**481**	749
– defined contribution plans	**48**	47
Total employee benefits expense	**1,501**	1,422
Compensation to nTan Corporate Advisory Pte Ltd	**–**	1,172
Other expenses		
Other receivables written off	**62**	2
Loss on foreign exchange	**522**	–

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

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Selling & distribution expenses	**1,329**	739
Administrative expenses	**1,501**	1,422
	2,830	2,161

The employee benefits expenses include the remuneration of Directors and other key management personnel as disclosed in Note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

7. INCOME TAX EXPENSE

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Current income tax		
– From continuing operations	**–**	–
– From discontinued operation	**–**	892
Under provision in prior financial years		
– From discontinued operations	**20**	–
Tax equity attributable to discontinued operations (Note 8)	**20**	892

Reconciliation of effective income tax rate

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Profit/(loss) before income tax		
– Continuing operations	**(5,849)**	(4,154)
– Discontinued operation	**6,001**	2,945
	152	(1,209)
Income tax calculated at Singapore's statutory tax rate of 17%	**26**	(206)
Effect of different tax rates in other countries	**(72)**	916
Tax effect of income not subject for tax purposes	**(1,412)**	(19)
Tax effect of expenses not deductible for income tax purposes	**31**	4
Tax effect of double deduction expenses	**(20)**	(9)
Tax effect of tax incentive	**–**	(163)
Under provision of current income tax in prior financial years	**20**	–
Deferred tax assets not recognised in profit or loss	**1,516**	481
Utilisation of deferred tax assets previously not recognised	**(69)**	(116)
Others	**–**	4
	20	892

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

7. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Balance at beginning of financial year	**22,645**	22,374
Amount not recognised in profit or loss	**1,516**	481
Utilisation of deferred tax assets not recognised previously	**(69)**	(116)
Unutilised tax losses expired	**–**	(87)
Unrecognised deferred tax asset overstated	**(1,670)**	–
Unutilised deferred tax assets transfer due to disposal group	**(446)**	–
Currency translation differences	**(92)**	(7)
Balance at end of financial year	**21,884**	22,645

Unrecognised deferred tax assets are attributable to:

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Unutilised tax losses	**21,759**	22,503
Unabsorbed capital allowances	**118**	138
Others	**7**	4
	21,884	22,645

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 2.8 to the financial statements.

As at 31 March 2017, the Group has unutilised tax losses of approximately $127,994,000 (2015: $132,368,000) 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.

Unrecognised deferred tax liabilities

As at the end of the financial year, there is no unrecognised deferred tax liabilities in relation to aggregate amount of temporary differences associated with undistributed earnings of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

8. PROFIT FROM DISCONTINUED OPERATION

During the financial period, the Group has disposed four of its subsidiaries. Accordingly, the results of the disposal of subsidiaries are accounted for as discontinued operations in accordance with FRS 105 Non-current assets held for sales and Discontinued Operations.

(a) The results of the discontinued operation are as follows:

The Group

	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Revenue	**763**	26,973
Other income	**8,756**	318
Expenses	**(3,518)**	(24,346)
Profit before tax from discontinued operation	**6,001**	2,945
Tax expense	**(20)**	(892)
Profit after tax from discontinued operation	**5,891**	2,053

Other incomes consist of gain on disposal of subsidiaries for $5,019,000. (Note 14)

(b) The impact of the discontinued operation on the cash flows of the Group is as follows:

The Group

	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Operating activities	**(2,219)**	16,641
Investing activities	**32**	(113)
Financing activities	**585**	(2,190)
Net cash inflows	**(1,602)**	14,338

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

9. (LOSS)/EARNINGS PER SHARE

The calculations for (loss)/earnings per share from continuing operations and discontinued operations are based on the following:

	Group					
	Continuing Operations		Discontinued Operations		Total	
	Period from 1/1/2016 to 31/3/2017	Year ended 31/12/2015	Period from 1/1/2016 to 31/3/2017	Year ended 31/12/2015	Period from 1/1/2016 to 31/3/2017	Year ended 31/12/2015
(Loss)/profit after income tax attributable to owners of the Company ($'000)	**(5,849)**	(4,154)	**5,981**	2,053	**132**	(2,101)
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share ('000)	**318,784**	318,784	**318,784**	318,784	**318,784**	318,784
Basic (loss)/earnings per share	**(1.8348) cents**	(1.3031) cents	**1.8762 cents**	0.6440 cents	**0.0414 cents**	(0.6591) cents
Diluted (loss)/earnings per share	**(1.8348) cents**	(1.3031) cents	**1.8762 cents**	0.6440 cents	**0.0414 cents**	(0.6591) cents

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and land use rights		Plant and machinery		Furniture, fixtures and fittings	Office equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	At Cost(i)	At Valuation	At Cost(i)	At Valuation	At Cost	At Cost	At Cost	
Group								
Cost or valuation								
Balance at 1 January 2016	**6,201**	**3,523**	**5,983**	**2,057**	**534**	**426**	**315**	**19,039**
Additions during the year	**–**	**–**	**–**	**–**	**5**	**33**	**97**	**135**
Disposals during the year	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**
Disposal of subsidiaries	**(6,201)**	**(2,922)**	**(5,922)**	**(1,379)**	**(316)**	**(241)**	**(31)**	**(17,012)**
Currency translation realignment	**–**	**(487)**	**11**	**(678)**	**332**	**(12)**	**(30)**	**(864)**
Balance at 31 March 2017	**–**	**110**	**72**	**–**	**555**	**206**	**351**	**1,294**
Accumulated depreciation and impairment losses								
Balance at 1 January 2016	**6,201**	**898**	**5,983**	**856**	**284**	**356**	**315**	**14,893**
Depreciation for the financial year	**–**	**139**	**–**	**27**	**34**	**36**	**18**	**254**
Disposal of subsidiaries	**(6,201)**	**(627)**	**(5,922)**	**(284)**	**(158)**	**(201)**	**(37)**	**(13,430)**
Currency translation realignment	**–**	**(300)**	**11**	**(599)**	**333**	**(10)**	**(25)**	**(590)**
Balance at 31 March 2017	**–**	**110**	**72**	**–**	**493**	**181**	**271**	**1,127**
Carrying amount								
At 31 March 2017	**–**	**–**	**–**	**–**	**62**	**25**	**80**	**167**
Group								
Cost or valuation								
Balance at 1 January 2015	6,201	3,369	5,983	1,546	443	387	309	18,238
Additions	–	–	–	297	89	32	–	418
Currency translation realignment	–	154	–	214	2	7	6	383
Balance at 31 December 2015	6,201	3,523	5,983	2,057	534	426	315	19,039
Accumulated depreciation and impairment loss								
Balance at 1 January 2015	6,201	430	5,983	315	262	322	309	13,822
Depreciation for the financial year	–	385	–	357	20	26	–	788
Currency translation realignment	–	83	–	184	2	8	6	283
Balance at 31 December 2015	6,201	898	5,983	856	284	356	315	14,893
Carrying amount								
At 31 December 2015	–	2,625	–	1,201	250	70	–	4,146

(i) Leasehold properties and plant and machinery that were recorded at cost in the Group with nil carrying amount were under court seizure as disclosed in Note 27. Accordingly, these leasehold properties and plant and machinery were stated at cost instead of valuation because it is impracticable to revalue these leasehold properties and plant and machinery when these assets are under court seizure.

Management in the view of the carrying amount of property, plant and equipment as at 31 March 2017 is approximately to the fair value estimation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Depreciation expense attributable to:		
– Continuing operations	**85**	43
– Discontinued operation	**169**	745
Depreciation for the financial period/year	**254**	788

Finance lease

Included within additions in the consolidated financial statements are motor vehicles acquired under finance leases amounting to $97,000 (2015: Nil). The carrying amounts of motor vehicles held under finance leases are $80,000 (2015: Nil) at the balance sheet date.

11. INTANGIBLE ASSETS

	Food agriculture business $'000
Group	
Cost and Carrying amount	
Additions and balance at 31 March 2017	**3,000**

On 17 March 2017, SunMoon Food Company Limited ("SMF"), its fully owned subsidiary SunMoon Distribution & Trading Pte Ltd ("SMDT") and Taian FHTK Foodstuffs Co., Ltd ("TFFC") (Subsidiary disposed during the year) entered into a tripartite asset transfer agreement ("ATA") in which TFFC agreed to transfer the whole operations of its fresh garlic, onion and ginger business ("Food agriculture Business") to SMDT for $3.0 million payable by SMF to TFFC. The purchase price of $3.0 million is based on the development costs incurred by TFFC in establishing the Food agriculture Business according to the ATA.

On 31 March 2017, the ATA is supported by supplement agreement which stated the consideration of $3.0 million payable by SMF to United Agro Produce Pte Ltd ("UAP") to offset the payable amount due from UAP to SMF. There is a waiver of $0.3 mil issued by UAP to SMF during the financial period.

There is a valuation report by third party independent valuer for impairment purpose which indicate no impairment is required based on cash flow projection prepared by management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

12. INVESTMENT IN SUBSIDIARIES

	Company	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Unquoted equity shares, at cost	**256,482**	258,000
Allowance for impairment loss	**(246,582)**	(255,314)
	9,900	2,686
Amount due from subsidiaries (non-trade)	**7,445**	25,191
Allowance for impairment loss on receivables	**(3,522)**	(14,043)
	3,923	11,148
	13,823	13,834

The amount due from subsidiaries represents part of net investment and balances due are unsecured and non-interest bearing. Settlement of the amounts due is neither planned nor likely to occur in the foreseeable future and repayable only when cash flows of the subsidiaries permit. Accordingly, the fair value of these amounts is not determinable as the timing of the future cash flows arising from these amounts cannot be estimated reliably.

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

	Company	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Balance at beginning of financial period/year	**14,043**	121,873
Allowance made during the financial period/year	**–**	9,595
Reversal of allowance of impairment during the period/year	**(9,644)**	(489)
Allowance utilised during the period/year	**(833)**	(116,978)
Currency translation differences	**(44)**	42
Balance at end of financial period/year	**3,522**	14,043

Reversal of allowance for impairment loss on receivables of approximately $9,644,000 (2015: $489,000) was due to the conversion of receivables to cost of investment. Allowance utilised for $833,000 was due to disposal of subsidiaries.

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

	Company	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Singapore Dollar	**2,485**	220
Chinese Renminbi	**1,115**	484
United States Dollar	**323**	10,444
	3,923	11,148

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

12. INVESTMENT IN 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 31/3/2017 %	Effective equity interest held 31/12/2015 %
Held by the Company			
Fook Huat Tong Kee Pte Ltd[4][8] (Singapore)	Dormant	**100**	100
United Fruit Company Limited[3] (Hong Kong)	Dormant	**100**	100
Weifang Xinan FHTK Fruits Co., Ltd[5] (People's Republic of China)	Dormant	**100**	100
UGC 2003, Inc.[2] (USA)	Dormant[6]	**100**	100
Agrifood Investments Pte Ltd[4][9] (Singapore)	Dormant	**100**	100
Fook Yong Pte Ltd[4][7] (Singapore)	Dormant	**–**	100
SunMoon Retail & Franchise Pte Ltd[4] (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[4][7] (Singapore)	Distributor of dehydrated garlic and onion[6]	**–**	100
Taian FHTK Foodstuffs Co., Ltd[2][7] (People's Republic of China)	Importer, exporter, wholesaler, retailer and commission agent of fruits[6]	**–**	100
Held by Fook Huat Tong Kee Pte Ltd			
Fook Huat Tong Kee (Xiamen) Foodstuffs Co., Ltd[5][8] (People's Republic of China)	Dormant	**100**	100
Shanghai Fook Huat Tong Kee Cold Storage Co., Ltd[5][8] (People's Republic of China)	Dormant	**100**	100

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FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held 31/3/2017 %	31/12/2015 %
Held by Fook Yong Pte Ltd			
Taian Fook Huat Tong Kee Foodstuffs Co., Ltd(2)(7) (People's Republic of China)	Dormant(6)	**–**	100
Held by SunMoon Distribution & Trading Pte Ltd			
SunMoon Food (Shanghai) Co., Ltd(2) (People's Republic of China)	Headquarter for China operations, sales and other marketing and distribution	**100**	100
Held by SunMoon (Shanghai) Co., Ltd Trading Pte Ltd			
Shanghai Shanmai Supply Chain Management Co., Ltd (People's Republic of China)	Wholesaling, online retailing, import, export and commission-based distribution of edible agricultural products, office supplies, costumes, articles of daily use, hardware and home appliances; provision of related supporting services; business information consulting; freight forwarding within the territory of China; business services; warehousing services	**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 RT LLP, Singapore.
(2) Audited by RT LLP, Singapore for consolidation purposes.
(3) Audited by Dominic K.F. Chan & Co., Hong Kong, it is in the process of strike off.
(4) Audited by YWL & Co., Singapore.
(5) The Company's business license has not been renewed and remained dormant.
(6) Processing and marketing of dehydrated garlic and onion have been discontinued during financial year ended 2015.
(7) Had been disposed during the financial period.
(8) Had been disposed after 31 March 2017.
(9) Had been struck off after 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

13. INVESTMENT IN ASSOCIATE

	Group	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Unquoted equity investment		
Balance at beginning of financial year	**101**	107
Allowance for impairment loss	**(101)**	(107)
Balance at end of financial year	**–**	–

There was no movement in allowance for impairment loss of investment in associate during the financial period/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**	
		31/3/2017	**31/12/2015**
		%	**%**
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 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	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Loss from continuing operations, representing total comprehensive income*	**–**	(2)

* The share of loss in the associate is less than $1,000 during the financial period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

14. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	31/3/2017 $'000	31/12/2015 $'000	31/3/2017 $'000	31/12/2015 $'000
Singapore Dollar	**249**	433	**85**	70
Chinese Renminbi	**153**	2,186	**–**	–
United States Dollar	**152**	2,668	**24**	320
Hong Kong Dollar	**3**	3	**–**	–
	557	5,290	**109**	390

Significant restriction

Cash and cash equivalents of $153,000 (2015: $2,280,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported other than through dividends.

Disposal of subsidiaries

The Company disposed of its entire interest in Fook Yong Pte Ltd and its wholly owned subsidiary, Taian Fook Huat Tong Kee Foodstuffs Co., Ltd for a consideration of $2.00 and disposed of its entire interest in United Argo Produce Pte Ltd and its wholly owned subsidiary, Taian FHTK Foodstuffs Co., Ltd for a consideration of $6,900,000.

The effect of the disposal on the cash flow of the Group was:

The Group

	31/3/2017 $'000
Carrying amount of assets and liabilities disposed of	
Property, plant and equipment	**3,582**
Cash and bank and cash in hand	**139**
Inventories	**228**
Trade and other receivables	**4,044**
Total assets	**7,993**
Trade and other payables and total liabilities	**(3,369)**
Net assets derecognised and disposed of	**4,624**
The aggregate cash inflows arising from the disposal were:	
Net assets disposed (as above)	**4,624**
– Reclassification of currency translation reserve	**(774)**
– Reclassification of general reserve	**(1,969)**
	1,881
Gain on disposal	**5,019**
Consideration from disposal	**6,900**
Less: Cash and cash equivalent in subsidiaries disposed of	**(139)**
Less: Consideration receivables from purchaser	**(5,224)**
Less: Repayment of bank loan deemed as part of consideration	**(1,226)**
Net cash inflow on disposal	**311**

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FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

15. HELD-FOR-TRADING FINANCIAL ASSET

	Group	
	31/3/2017 $'000	31/12/2015 $'000
Balance at beginning of financial period/year	**52**	242
Disposal during the period/year	**(33)**	(199)
Fair value (loss)/gain during the period/year	**(18)**	9
Currency translation realignment	**(1)**	–
Balance at end of financial period/year	**–**	52

During the financial period/year, the Group has recognised a realised fair value loss of $18,000 (2015: gain of $9,000) for this quoted equity security when company disposed the quoted equity security.

The quoted equity security is denominated in United States Dollar.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31/3/2017 $'000	31/12/2015 $'000	31/3/2017 $'000	31/12/2015 $'000
Trade receivables – third parties	**8,962**	13,593	**–**	–
Allowance for impairment loss on third parties trade receivables	**(3,930)**	(4,347)	**–**	–
	5,032	9,246	**–**	–
Other receivables	**7,294**	17,813	**7,188**	1,960
Allowance for impairment loss on other receivables	**(2,036)**	(17,774)	**(1,961)**	(1,960)
	5,258	39	**5,227**	–
GST/VAT refundable	**73**	170	**11**	160
Advances to suppliers	**34**	166	**–**	–
Refundable Deposits	**137**	45	**2**	2
Prepayments	**404**	122	**20**	25
	10,938	9,788	**5,260**	187

Trade receivables are unsecured, non-interest bearing and generally on 15 to 60 days (2015: 15 to 60) days' terms.

Included in trade receivables of the Group as at 31 March 2017 are balances due from certain customers totalling $2.69 million intended for conversion to equity investments either directly in these customers or entities identified for the purpose [Note 3.2(iii)].

Other receivables mainly comprised amount due from former subsidiaries which are unsecured, interest free and repayable on demand and consideration receivables from disposal of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Balance at beginning of financial period/year	**4,347**	3,962
Allowance for impairment loss made during the financial period/year	**1,338**	521
Disposal of subsidiaries	**(1,687)**	–
Amounts utilised during the financial period/year	**–**	(272)
Currency translation realignment	**(68)**	136
Balance at end of financial period/year	**3,930**	4,347

The Group's allowance for impairment loss on third parties trade receivables of approximately $1,338,000 (2015: $521,000) and write-off of allowance for impairment loss on third parties trade receivables of $NIL (2015: $272,000) 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.

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

	Group		Company	
	31/3/2017	**31/12/2015**	**31/3/2017**	**31/12/2015**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial period/year	**17,774**	103,584	**1,960**	1,960
Amounts utilised during the financial period/year	**–**	(91,043)	**–**	–
Disposal of subsidiaries	**(15,048)**	–	**–**	–
Currency translation realignment	**(690)**	5,233	**1**	–
Balance at end of financial period/year	**2,036**	17,774	**1,961**	1,960

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

	Group		Company	
	31/3/2017	**31/12/2015**	**31/3/2017**	**31/12/2015**
	$'000	**$'000**	**$'000**	**$'000**
Singapore Dollar	**6,081**	424	**5,260**	187
Chinese Renminbi	**62**	4,518	**–**	–
United States Dollar	**4,795**	4,846	**–**	–
	10,938	9,788	**5,260**	187

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

17. INVENTORIES

	Group	
	31/3/2017	**31/12/2015**
	$'000	**$'000**
Fruits and consumer products	**177**	517
Packing materials	**–**	22
	177	539

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 $18,570,000 (2015: $12,927,000).

As at 31 March 2017, the Group carried out a review for slow moving inventory and the review led to inventories written off of approximately $708,000 (2015: $10,000) attributable to continuing operations and the recognition of an allowance for slow moving inventory and inventories written off in the financial year of approximately $118,000 and $17,000 are attributable to operation discontinued. The allowance for slow moving inventory has been included in "profit from discontinued operation for the financial year, net of income tax" line item in consolidated statement of other comprehensive income.

The Group has recognised a reversal of $252,000 (2015: $270,000), 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 2016.

18. SHARE CAPITAL

	Group and Company			
	31/3/2017	**31/12/2015**	**31/3/2017**	**31/12/2015**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
Issued and fully paid:				
Balance at end of financial year	**318,784**	318,784	**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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

19. OTHER RESERVES

Other reserves comprise the following:

	Group		Company	
	31/3/2017	**31/12/2015**	**31/3/2017**	**31/12/2015**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	**944**	944	**–**	–
Capital reduction reserve	**18,384**	18,384	**18,384**	18,384
Asset revaluation reserve	**–**	2,510	**–**	–
General reserve	**232**	2,201	**–**	–
Foreign currency translation reserve	**617**	2,593	**–**	–
	20,177	26,632	**18,384**	18,384

19.1 Capital reserve

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

19.2 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 $55,393,000 of the issued and paid-up share capital of the Company was cancelled, of which $37,009,000 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 $18,384,000 was credited to a capital reduction reserve.

19.3 Asset revaluation reserve

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

19.4 General reserve

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

19.5 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

20. BANK BORROWINGS

	Group	
	31/3/2017	31/12/2015
	$'000	$'000
Current		
Bank borrowing	**–**	632
Financial lease liabilities (Note 23)	**15**	–
	15	632
Non- current		
Financial lease liabilities (Note 23)	**65**	–
Total borrowings	**80**	632

	Group	
	31/3/2017	31/12/2015
	%	%
Effective interest rates per annum		
Finance lease liabilities	**2.99**	–
Bank borrowing	**–**	3.5

Finance lease liabilities of the Group are effectively secured over the motor vehicles (Note 10), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

Bank borrowing is fully repaid in June 2016. Bank borrowing 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.

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

	Group	
	31/3/2017	31/12/2015
	$'000	$'000
United States Dollar	**–**	632
Singapore Dollar	**80**	–
	80	632

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

	Group	
	31/3/2017	31/12/2015
	$'000	$'000
Facilities granted	**–**	2,121
Facilities utilised	**–**	632

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FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

21. TRADE AND OTHER PAYABLES

	Group		Company	
	31/3/2017	31/12/2015	31/3/2017	31/12/2015
	$'000	$'000	$'000	$'000
Trade payables – third parties	**1,908**	1,477	**–**	–
Other payables				
– third parties	**3,061**	3,531	**58**	1,406
– subsidiaries	**–**	–	**2,760**	5,798
	3,061	3,531	**2,818**	7,204
Accrued operating expenses	**2,391**	2,227	**1,939**	1,656
Accrued property, plant and equipment registration expenses	**–**	653	**–**	–
Advances from customers	**19**	102	**–**	–
	7,379	7,990	**4,757**	8,860

Trade payables are unsecured, non-interest bearing and normally settled between 7 to 60 (2015: 7 to 60) days' terms.

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

	Group		Company	
	31/3/2017	31/12/2015	31/3/2017	31/12/2015
	$'000	$'000	$'000	$'000
Singapore Dollar	**5,393**	3,567	**1,997**	3,062
Chinese Renminbi	**24**	2,939	**–**	–
United States Dollar	**1,957**	1,478	**2,760**	5,798
Hong Kong Dollar	**5**	6	**–**	–
	7,379	7,990	**4,757**	8,860

22. OPERATING LEASE COMMITMENTS

(a) Group as lessee

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

	Group	
	31/3/2017	31/12/2015
	$'000	$'000
Within one financial year	**104**	152
After one financial year but within five financial years	**20**	143
	124	295

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FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

22. OPERATING LEASE COMMITMENTS (CONTINUED)

(a) Group as lessee (Continued)

The above operating lease commitments are based on existing rental rates. The lease agreements provide for periodic revision of such rates in the future. The leases have varying terms, escalation clauses and renewal rights. These leases have any average tenure of between one and three years with no contingent rent provision included in the contracts. These leases have terms of renewal and renewals are at the option of entities that holds the lease.

(b) Group as lessor

The Group has entered into a commercial lease of its factory and manufacturing facilities located in the People's Republic of China in FY2015. This non-cancellable lease has a remaining lease term of 2.5 years as at the end of the reporting period. However the subsidiary, Taian FHTK Foodstuffs Co., Ltd has been disposed as at year ended 31 March 2017.

Future minimum rental receivable under the non-cancellable operating leases in subsequent accounting periods are as follows:

	Group	
	31/3/2017 $'000	31/12/2015 $'000
Within one financial year	–	414
After one financial year but within five financial years	–	1,448
	–	1,862

23. FINANCE LEASE LIABILITIES

The Group leases motor vehicle from non-related parties under finance leases. The lease agreement does not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term:

	Group	
	31/3/2017 $'000	31/12/2015 $'000
Minimum lease payments due		
Not later than one year	**19**	–
Between one and five years	**80**	–
Less: Future finance charges	**(19)**	–
Present value of finance lease liabilities	**80**	–

The present value of finance lease liabilities are analysed as follows:

	Group	
	31/3/2017 $'000	31/12/2015 $'000
Not later than one year	**15**	–
Later than one year:		
– Between one and five years	**65**	–
Total	**80**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

24. 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.

The agricultural products division was discontinued and accounted for as that of discontinued operation since FY2015 as disclosed in Note 8.

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 operating 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 as 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

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24. SEGMENT INFORMATION (CONTINUED)

	Agricultural products (Discontinued operation) $'000	Fruits (Continuing operation) $'000	Unallocated $'000	Elimination $'000	Adjustment $'000	Continuing Operations $'000
2017						
Revenue						
External revenue	**763**	**20,104**	–	–	**(763)**	**20,104**
Inter-segment revenue	**1,878**	**590**	–	**(590)**	**(1,878)**	–
	2,641	**20,694**	–	**(590)**	**(2,641)**	**20,104**
Results						
Segment results	**6,106**	**(3,773)**	**(2,074)**	–	**(6,106)**	**(5,847)**
Interest income	**7**	–	–	–	**(7)**	–
Finance costs	**(112)**	**(3)**	–	–	**112**	**(3)**
Profit/(Loss) before income tax	**6,001**	**(3,776)**	**(2,074)**	–	**(6,001)**	**(5,850)**
Income tax expense	**(20)**	–	–	–	**20**	–
Loss for the financial year	**5,981**	**(3,776)**	**(2,074)**	–	**(5,981)**	**(5,850)**
Non-cash items						
Depreciation of property, plant and equipment	**(169)**	**(79)**	**(6)**	–	–	**(254)**
Write back of allowance for inventory obsolescence	**252**	–	–	–	–	**252**
Impairment loss on inventories obsolescence	**(118)**	–	–	–	–	**(118)**
Inventories written off	**(17)**	**(708)**	–	–	–	**(725)**
Impairment loss on third parties trade receivables	–	**(1,338)**	–	–	–	**(1,338)**
Fair value loss on held-for-trading financial asset	**(18)**	–	–	–	–	**(18)**
Gain on disposal of subsidiaries	**5,019**	–	–	–	–	**5,019**
Write back accrued registration expenses	**(613)**	–	–	–	–	**(613)**
Write back of long overdue payables	**(778)**	–	**(588)**	–	–	**(1,366)**

	Agricultural products (Discontinued operation) $'000	Fruits (Continuing operation) $'000	Unallocated $'000	Elimination $'000	Total $'000
2017					
Capital expenditure					
Property, plant and equipment	1	134	–	–	135
Assets and liabilities					
Segment assets	3,847	9,739	19,230	(18,037)	14,779
Segment liabilities	239	10,965	7,678	(11,491)	7,391

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24. SEGMENT INFORMATION (CONTINUED)

	Agricultural products (Discontinued operation) $'000	Fruits (Continuing operation) $'000	Unallocated $'000	Elimination $'000	Adjustment $'000	Continuing Operations $'000
2015						
Revenue						
External revenue	26,973	14,093	–	–	(26,973)	14,093
Inter-segment revenue	6,574	187	–	(187)	(6,574)	–
	33,547	14,280	–	(187)	(33,547)	14,093
Results						
Segment results	3,107	(827)	49	(3,376)	(3,107)	(4,154)
Interest income	2	–	–	–	(2)	–
Finance costs	(164)	–	–	–	164	–
Profit/(Loss) before income tax	2,945	(827)	49	(3,376)	(2,945)	(4,154)
Income tax expense	(892)	–	–	–	892	–
Loss for the financial year	2,053	(827)	49	(3,376)	(2,053)	(4,154)
Non-cash items						
Depreciation of property, plant and equipment	(745)	(32)	(11)	–	–	(788)
Write back of allowance for inventory obsolescence	270	–	–	–	–	270
Inventories written off	–	(10)	–	–	–	(10)
Other receivables written off	–	–	(2)	–	–	(2)
Impairment loss on third parties trade receivables	–	(521)	–	–	–	(521)
Fair value gain on held-for-trading financial asset	9	–	–	–	–	9
Write back of long overdue payables	–	–	40	–	–	40

	Agricultural products (Discontinued operation) $'000	Fruits (Continuing operation) $'000	Unallocated $'000	Elimination $'000	Total $'000
2015					
Capital expenditure					
Property, plant and equipment	312	106	–	–	418
Assets and liabilities					
Segment assets	24,451	5,867	14,195	(38,168)	6,345
Segment liabilities	20,001	12,428	12,143	(39,409)	5,163

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24. 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 from continuing operations information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**	**31/3/2017 $'000**	**31/12/2015 $'000**
ASEAN	**13,961**	10,222	**161**	112
Asia Pacific (less ASEAN)	**3,131**	3,215	**6**	–
Others	**3,012**	656	**–**	–
	20,104	14,093	**167**	112

Revenue of approximately $11,555,000 (2015: $7,905,000) are derived from nine (2015: four) external customers attributable solely to the fruits segment. Revenue of approximately nil (2015: $6,898,000) are derived from nil (2015: three) external customer who individually made up more than 10% of the total fruits segment revenue for the financial year.

25. 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.

(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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Related party				
Sales	**7**	9	**–**	–
Purchases	**–**	(1)	**–**	–
Licence fee income	**30**	39	**–**	–
Licence fee expense	**(30)**	(39)	**–**	–
Subsidiaries				
Management fee income	**–**	–	**1,150**	1,765
Loan to a subsidiary	**–**	–	**–**	–
Advances to subsidiaries	**–**	–	**–**	3,936
Advances from subsidiaries	**–**	–	**–**	4,936
Recovery of intercompany balance previously written off	**–**	–	**9,644**	532

Compensation of key management personnel

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

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Directors' fees	**149**	124
Short-term benefits	**1,667**	1,664
Post-employment benefits	**97**	90
	1,913	1,878

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel (Continued)

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

	Group	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Directors of the Company		
Directors' fees	**149**	124
Short-term benefits	**802**	488
Post-employment benefits	**21**	14
	972	626

Other key management comprises the Executive Chairman, Financial Controller and General Managers.

26. 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.

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.

26.1 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 31% (2015: 63%) of the total trade receivables as at 31 March 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.1 Credit risks (Continued)

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

Cash and cash equivalents 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.

As stated in Note 16, included in trade receivables of the Group as at 31 March 2017 are balances due from certain customers totalling $2.69 million intended for conversion to equity investments either directly in these customers or entities identified for the purpose. The age analysis of trade receivables excluding the balances intended for conversion into investments as at the end of the reporting period that are past due but not impaired is as follows:

	Group	
	31/3/2017	31/12/2015
	$'000	$'000
Past due 0 to 30 days	**663**	1,298
Past due 31 to 60 days	**51**	593
Past due 61 to 90 days	**102**	133
Past due over 90 days	**719**	608

26.2 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	
	31/3/2017	31/12/2015	31/3/2017	31/12/2015
	$'000	$'000	$'000	$'000
United States Dollar	**4,947**	5,908	**1,957**	1,275

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.2 Market risks (Continued)

(i) Foreign currency risks (Continued)

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% (2015: 5%) change in Singapore dollar against the United States Dollar. The sensitivity analysis assumes an instantaneous 5% (2015: 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	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Group		
United States Dollar		
Strengthens against Singapore Dollar	**150**	232
Weakens against Singapore Dollar	**(150)**	(232)

(ii) Interest rate risks

The Group's exposure to market risks for changes in interest rates relates primarily to interest-bearing borrowings as shown in Note 20 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.

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

	Profit or loss	
	Period from 1/1/2016 to 31/3/2017 $'000	**Year ended 31/12/2015 $'000**
Bank borrowings	**–**	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.2 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 15 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	
	Period from 1/1/2016 to 31/3/2017 $'000	Year ended 31/12/2015 $'000
Held-for-trading financial asset	–	10

26.3 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.

All financial assets are due within one year.

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 PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.3 Liquidity risks (Continued)

Contractual maturity analysis

	Within one financial year $'000	More than one financial year $'000
Group		
As at 31 March 2017		
Financial liabilities		
Trade and other payables	**7,360**	**–**
Finance Lease	**19**	**80**
As at 31 March 2017	**7,379**	**80**
As at 31 December 2015		
Financial liabilities		
Trade and other payables	7,888	–
Bank borrowings	646	–
As at 31 December 2015	8,534	–
Company		
As at 31 March 2017		
Financial liabilities		
Trade and other payables	**4,757**	**–**
As at 31 March 2017	**4,757**	**–**
As at 31 December 2015		
Financial liabilities		
Trade and other payables	8,860	–
Corporate guarantee issued	632	–
As at 31 December 2015	9,492	–

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 PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.4 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 2015.

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 Company.

	Group		Company	
	31/3/2017 $'000	**31/12/2015 $'000**	**31/3/2017 $'000**	**31/12/2015 $'000**
Trade and other payables	**7,379**	7,990	**4,757**	8,860
Finance Lease	**80**	–	**–**	–
Bank borrowings	**–**	632	**–**	–
Less: Cash and cash equivalents	**(557)**	(5,290)	**(109)**	(390)
Net debt	**6,902**	3,332	**4,648**	8,470
Equity attributable to owners of the company	**7,380**	11,193	**14,435**	5,551
Total capital	**14,282**	14,525	**19,083**	14,021
Gearing ratio	**48.3%**	22.9%	**24.4%**	60.4%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2017 and 2015.

26.5 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.5 Fair value of assets and liabilities (Continued)

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			
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
As at 31 March 2017					
Assets					
Held-for-trading financial asset	15	–	–	–	–
Property, plant and equipment					
– Leasehold properties	10	–	–	–	–
– Plant and machinery	10	–	–	–	–
Total assets		–	–	–	–
As at 31 December 2015					
Assets					
Held-for-trading financial asset	15	52	–	–	52
Property, plant and equipment					
– Leasehold properties	10	–	–	2,625	2,625
– Plant and machinery	10	–	–	1,201	1,201
Total assets		52	–	3,826	3,878

Fair value information has not been disclosed for the Group's unquoted equity investment (Note 15) that is carried at cost because their fair value cannot be determined reliably. The held-for-trading financial assets have been disposed in the financial year. Property, plant and equipment previously measured at fair value have been reclassified in asset- held-for-sale during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.5 Fair value of assets and liabilities (Continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

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

26.6 Categories of financial instruments

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

	31/3/2017 '000	31/12/2015 '000
Financial assets		
Loans and receivables	**10,427**	14,620
Held-for-trading financial asset	**–**	52
	10,427	14,672
Financial liabilities		
Other financial liabilities, at amortised cost	**7,440**	8,520

27. CONTINGENT LIABILITIES

Group

During the financial year 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. Certain assets of the Sub-group were under seizure by the court which has ordered assets of a particular entity included in the Sub-group to be assessed, valued and auctioned in 2016. The Company is in discussion with the Bank for release of the Sub-group's responsibility under the corporate guarantees.

The Company is unable to ascertain the likelihood, outcome and quantum of these potential claims. However, based on legal opinion obtained, the Company is of the view that 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.

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 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

27. CONTINGENT LIABILITIES (CONTINUED)

Group (Continued)

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 March 2017, 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 March 2017. 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.

However, all the related subsidiaries have been disposed subsequent financial period ended 31 March 2017 and the Group have been discharged from the contingent liabilities.

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

1. Completion of the Placement

On 5 July 2017, the Placement has been completed in accordance with the terms of the Placement Agreement, pursuant to which the Company has allotted and issued:

(a) 333,333,333 of placement shares

(b) 67,607,078 of adjustment shares

(c) 166,666,667 of warrants

The total number of issued Shares in the capital of the Company has increased from 318,784,382 shares to 719,724,793 shares.

As at the Completion, the following subsidiaries of the Group have been disposed or struck off:

(a) Fook Huat Tong Kee Pte Ltd, Fook Huat Tong Kee (Xiamen) Foodstuffs Co., Ltd and Shanghai Fook Huat Tong Kee Cold Storage Co., Ltd have been disposed; and

(b) Agrifood Investments Pte. Ltd. has been struck off.

2. Appointment of Independent Non-Executive Director

The Board of Directors has approved the appointment of Mr James Prideaux as an Independent Non-Executive Director of the Company with effect from 4 April 2017.

3. Completion of the Proposed Acquisition of Ordinary Shares Representing 12% of the issued share capital of Harvest Season Singapore Pte. Ltd.

The acquisition is completed on 12 June 2017.

4. Completion of proposed disposal of subsidiaries

Disposal has completed successfully on 22 June 2017 and subsidiaries have ceased to be wholly-owned subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2017

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

5. Appointment of Non-Independent and Non-Executive Directors

Pursuant to the Placement Agreement dated 31 December 2016, the Amendment Agreement dated 13 May 2017 and the Second Supplemental Deed dated 30 June 2017, the following persons nominated by Shanghai YIGUO E-commerce Co., Ltd have been appointed as non independent and non-executive Directors of the Company with effect from 5 July 2017.

(1) Mr Yu Liang

(2) Mr Wang Yaobin

(3) Mr Shum Ka Shat

29. COMPARATIVE FIGURES

The current financial period comprises 15 months from 1 January 2016 to 31 March 2017 as the Company changed its financial year end from 31 December to 31 March.

The audited comparative figures presented in the financial statements are not entirely comparable as they cover a period from 1 January 2015 to 31 December 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 30 JUNE 2017

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	4,742	35.33	125,886	0.04
100 – 1,000	4,082	30.42	1,961,153	0.61
1,001 – 10,000	3,219	23.99	13,122,777	4.12
10,001 – 1,000,000	1,342	10.00	117,591,054	36.89
1,000,001 & ABOVE	35	0.26	185,983,512	58.34
TOTAL	13,420	100.00	318,784,382	100.00

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
UOB KAY HIAN PTE LTD	31,938,482	10.02
HSBC (SINGAPORE) NOMINEES PTE LTD	26,480,000	8.31
KGI SECURITIES (SINGAPORE) PTE LTD	16,888,100	5.30
PRIMA PORTFOLIO PTE LTD	11,221,900	3.52
CITIBANK NOMINEES SINGAPORE PTE LTD	7,577,780	2.38
DBS NOMINEES PTE LTD	6,908,253	2.17
PHILLIP SECURITIES PTE LTD	5,775,406	1.81
OCBC SECURITIES PRIVATE LTD	5,508,100	1.73
CITIBANK CONSUMER NOMINEES PTE LTD	4,972,450	1.56
MAYBANK KIM ENG SECURITIES PTE LTD	4,920,405	1.54
CIMB SECURITIES (SINGAPORE) PTE LTD	4,771,759	1.50
LOW SIEW YAM	4,600,000	1.44
RHB SECURITIES SINGAPORE PTE LTD	4,530,120	1.42
RAFFLES NOMINEES (PTE) LTD	4,151,045	1.30
STF INVESTMENTS LTD	3,936,000	1.23
MERRILL LYNCH (SINGAPORE) PTE LTD	3,375,910	1.06
UNITED OVERSEAS BANK NOMINEES PTE LTD	3,195,927	1.00
LIM CHER KHIANG	2,933,050	0.92
AW BOON LEONG (HU WENLONG)	2,751,100	0.86
YEW MONG HENG	2,650,000	0.83
	159,085,787	49.90

On the basis of the information available to the Company, approximately 74.68% 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.

STATISTICS OF SHAREHOLDINGS

AS AT 30 JUNE 2017

SUBSTANTIAL SHAREHOLDERS

	NO. OF SHARES	
Name of Substantial Shareholders	**Direct Interest**	**Deemed Interest**
First Alverstone Capital Ltd	80,712,772	–
Gary Loh Hock Chuan	–	80,712,772
Selena Cheng Koh Min	–	80,712,772

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SUNMOON FOOD COMPANY LIMITED will be held at 137 Cecil Street, #03-01 Hengda Building, Singapore 069537 (Room Tokyo 2) on 28 July 2017 at 2.00 p.m. to transact the following businesses:

1. To receive and adopt the Directors' Statement and the Audited Accounts of the Company and the Group for the financial period from 1 January 2016 to 31 March 2017.

2. To approve the payment of Directors' Fees of S$148,750.00 in respect of the financial period from 1 January 2016 to 31 March 2017.

3. To re-elect Mr Gary Loh Hock Chuan, a Director who is retiring by rotation in accordance with Article 102 of the Company's Constitution and who, being eligible, offer himself for re-election.

4. To re-elect Mr James Prideaux, a Director who is retiring from office in accordance with Article 106 of the Company's Constitution and who, being eligible, offer himself for re-election.

5. To re-elect Mr Yu Liang, a Director who is retiring from office in accordance with Article 106 of the Company's Constitution and who, being eligible, offer himself for re-election.

6. To re-elect Mr Wang Yaobin, a Director who is retiring from office in accordance with Article 106 of the Company's Constitution and who, being eligible, offer himself for re-election.

7. To re-elect Mr Shum Ka Shat, a Director who is retiring from office in accordance with Article 106 of the Company's Constitution and who, being eligible, offer himself for re-election.

8. To re-appoint Messrs RT LLP, Public Accountants and Certified Accountants, Singapore as Auditors of the Company and to authorise the Directors to fix their remuneration.

9. **As Special Business**

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

9.1 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 and subsidiary holdings) 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 and subsidiary holdings) in the Company;

   (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 and subsidiary holdings) shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) 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;

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(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 (i)]

9.2 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.

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

By Order of the Board

Chia Lay Beng
Secretary

Date: 13th day of July 2017

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ANNUAL GENERAL MEETING

Explanatory Notes

(i) (a) The Ordinary Resolution 9.1 proposed in item 9 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 and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

(b) For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary shareholdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary shareholdings) 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 member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the EGM. A proxy need not be a member of the Company.

2. A member who is a relevant intermediary# is entitled to appoint more than two proxies to attend and vote at the EGM.

   A proxy need not be a member of the Company.

   # Relevant intermediary means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 72 hours before the time appointed for holding AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.

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SUNMOON FOOD COMPANY LIMITED
(Incorporated in Singapore)
Company Registration No. 198304656K

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

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of SunMoon Food Company Limited, this PROXY FORM is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We ______________________________

of ______________________________

being a member/members of SUNMOON FOOD COMPANY LIMITED (the "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 at the Annual General Meeting of the Company to be held at 137 Cecil Street, #03-01 Hengda Building, Singapore 069537 (Room Tokyo 2) on 28 July 2017 at 2.00 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 Directors' Statement and Audited Accounts for the financial period from 1 January 2016 to 31 March 2017.		
2	Approval of directors' fees of S$148,750.00		
3	Re-election of Mr Gary Loh Hock Chuan as Director retiring under Article 102		
4	Re-election of Mr James Prideaux as Director retiring under Article 106		
5	Re-election of Mr Yu Liang as Director retiring under Article 106		
6	Re-election of Mr Wang Yaobin as Director retiring under Article 106		
7	Re-election of Mr Shum Ka Shat as Director retiring under Article 106		
8	Re-appointment of RT LLP as Auditors		
9.1	***Special Business*** Approval to issue Shares pursuant to Section 161 of the Companies Act, Cap. 50		
9.2	Approval to grant awards in accordance with the provision of the SunMoon Share Option Scheme and/or SunMoon Share Plan		
10	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 ______________ 2017

Total Number of 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 member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her behalf at the EGM. A proxy need not be a member of the Company.

3. A member who is a relevant intermediary# is entitled to appoint more than two proxies to attend and vote at the EGM.

   A proxy need not be a member of the Company.

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   (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 72 hours before the time appointed for holding the AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder and/or Depositor(s) (as defined in Section 130A of the Companies Act, Cap. 50) accept(s) and agree(s) to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 July 2017.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Gary Loh Hock Chuan
(Executive Chairman)
Dr. Tan Eng Liang
Mr Chee Wai Pong
Mrs Jessie Peh
Mr James Prideaux
Mr Yu Liang
Mr Shum Ka Shat
Mr Wang Yaobin

AUDIT AND RISK COMMITTEE
Mrs Jessie Peh
(Chairperson)
Dr. Tan Eng Liang
Mr Chee Wai Pong

REMUNERATION COMMITTEE
Dr. Tan Eng Liang
(Chairman)
Mr Chee Wai Pong
Mrs Jessie Peh

NOMINATING COMMITTEE
Mr Chee Wai Pong
(Chairman)
Dr. Tan Eng Liang
Mrs Jessie Peh

COMPANY SECRETARY
Ms Chia Lay Beng

REGISTERED OFFICE
1 Scotts Road
#21-07/08/09 Shaw Centre
Singapore 228208
Tel: 6500 7800
Website: www.sunmoonfood.com

COMPANY REGISTRATION NO.
198304656K

SHARE REGISTRAR
B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

AUDITOR
RT LLP
Public Accountants and
Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616
Partner-in-charge: Mr Su Chun Keat

PRINCIPAL BANKER
DBS Bank Ltd, Singapore
Cathay Bank, City of industry Office,
U.S.A.

SUNMOON FOOD COMPANY LIMITED
Company Registration No. 198304656K
30 Toh Guan Road
#07-07 Singapore 608840
T (65) 6779 5688 F (65) 6777 3960
E: enquiry@sunmoonfood.com
www.sunmoonfood.com

SUNMOON FOOD
(SHANGHAI) CO., LTD.
369 Xian Xia Road
Chang Ning District
2201- Modern Plaza,
Shanghai 200336
T (86) 21 3252 8628
F (86) 21 3252 8629

SUNMOON
USA SALES OFFICE
UGC 2003, Inc.
239 Oregon Street,
E1 Segundo,
CA 90245
T (1) 323 593 6962