



SUMOON FOOD COMPANY LIMITED
(Registration No. 198304656K)

SUSTAINABILITY REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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CEO's Statement on Sustainability

On behalf of the Board of Directors ("**Board**"), I am pleased to present SunMoon Food Company Limited's ("**SunMoon**" or the "**Company**") Sustainability Report for the twelve (12) months ended 31 March 2018.

About the Sustainability Report

This report has been prepared with reference to the Global Reporting Initiative Standards ("**GRI**") and covers environmental, social and governance ("**ESG**") performance of all business divisions and subsidiaries which are under the Group's financial and operational control.

Information presented in the report has been extracted from our internal records and documents to ensure accuracy using internationally accepted measurement data units. Unless otherwise stated, the information represents that of the Group.

As SunMoon has always embedded sustainable practices in its activities, it welcomes the release of the sustainability reporting guidelines issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in July 2016. This initiative has provided us the platform to formalise our sustainability policies and procedures; consolidate our existing efforts; communicate to our stakeholders; and plan further for the future.

CEO Statement

Here at SunMoon, we are deeply committed in ensuring sustainable development of our business by engaging our stakeholders and giving back to the community. Besides being responsible for setting the overall strategy and management of the Group, our Board is also active in considering sustainability issues such as the environmental and social factors affecting us as part of our strategic formulation. The approval of the Board is required and essential for any matter which is likely to have a material impact on the Group, including issues relating to sustainability as well as corporate social responsibility. The Company takes committed view towards sustainable practices and issues and as such, our Board will be appointing a Sustainability Officer to oversee all sustainability related issues. The Sustainability Officer will be responsible for the major and overall direction of the sustainability report and processes and oversees the management of sustainability within the Group. While we have not sought independent assurance, we rely on our internal processes to verify the accuracy of ESG performance data and the information presented in the report.

As we continue to grow our Network x Geography x Product (N x G x P) business model by expanding the Company's network, geographic footprint as well as product range, we will continue to be mindful of the economic, environmental and social impacts that SunMoon may create along the way and will do our best to manage any such impacts. To date, SunMoon has 315 products in 6 countries, ranging from fresh fruits such as apples, pears and seasonal fruits such as cherries, grapes and pomegranates; to consumer products such as fruit cups, juices, snacks and frozen durians. Our network now stands at over 15,000 points of sales globally.

Our long term goal would be to manage and reduce negative economic, environmental and social impacts. Through our transition into an asset light, consumer-centric and technology-driven company, and by looking into various new technologies such as block-chain and artificial intelligence to re-invent and improve our processes, we hope to reduce any negative impacts on our stakeholders as well as further improve our sustainability strategies.

Looking forward to the new financial year, we would like to improve and enhance shareholder value in a sustainable way while engaging the various stakeholders. Our selection of stakeholders for engagement is determined by the influence, responsibility, dependency, representation and proximity that the stakeholders have with our businesses, which includes, employees, suppliers, government regulators, customers and investors.

We work collaboratively with a global network of suppliers spanning 5 continents to develop innovative, natural, sustainable and nutritious food products for increasingly health-conscious consumers. Our global procurement strategy is the frontline of our sustainability strategy and our suppliers are procured according to our “*SunMoon Quality Assurance*” standards. On top of internationally recognised accreditations, we select our products according to our “*SunMoon Quality Assurance*” standards, which is a strict checklist of freshness, quality and safety.

Being the core of our Company, our employees are also a significant internal stakeholder group. We encourage and support our employees in seeking constant professional development and skills upgrading through various courses, seminars and programmes and will continue to do so in the new financial year. We will continue to engage our employees and management to identify and validate the final list of topics based on the significance of the ESG factors; their impact on the business; and the degree of influence they have on stakeholders’ decisions.

Besides the engagement of our stakeholders, we also acknowledge the importance of corporate social responsibility and have been active in various outreach and community programmes. In the new financial year, not only will we maintain our presence in these programmes, we will also consider expanding and improving our involvement with the community to create awareness and promote a healthy lifestyle based on the consumer products and fresh fruits which, here at SunMoon, we are immensely proud of.

Although not a direct contributor to pollution and climate change, we are aware of the challenges that pollution and bad farming practices can create. Climate change can negatively impact our product’s quality and quantity and this has the potential to reduce our customer’s satisfaction as well as shareholder value. Thus, efforts were made to try and influence and encourage other enterprises and individuals to take part in sustainable environmental practices such as saving energy, protecting environment and improving operational efficiency.

As the CEO of the Company, we are proud to say that ensuring sustainable corporate practices continues to be a key element of our business efforts as we expand our international footprint. We will continue to do our part for the communities and our environment which we operate in and serve, and will explore new and exciting ways to benefit the community in the next few years.

On behalf of the Board, I would like to take this opportunity to thank all stakeholders who have contributed to the success of SunMoon over the years.

Mr Zhang Ye

Chief Executive Officer

Organisational Profile

SunMoon is a global distributor and marketer 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 315 products, including fresh fruits, vegetables, freeze-dried fruit snacks, nuts, fruit cups, fruit sticks, juices, sorbets, and frozen fruits under its own brand. We have operations in China, and Singapore and we distribute our products to countries which include but are not limited to, China, Indonesia, Thailand, Australia, Brazil, Middle East and Europe.

SunMoon is a limited liability company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange. Our immediate holding company is YiGuo General Food Pte Ltd, incorporated in the Republic of Singapore and our ultimate holding company is Shanghai YiGuo E-Commence Co. Ltd, incorporated in the People's Republic of China.

The Board is collectively responsible for the long-term success of the Company. The Board considers sustainability issues as well as economic and ESG factors as part of its strategy formulation.

Supply Chain

SunMoon mainly engages packers and growers from countries which include but is not limited to, Japan, China, Australia, New Zealand, Mexico and Thailand.

There are no significant organisation and supply chain during the financial year, however, as a result of our N x G x P business model, by expanding our network, geographic footprint and product range, on 26 April 2018, our first chartered flight of avocados from Mexico to China landed with 30 tonnes of avocados. We have also started the sale of packaged, ready to drink whole young Thai coconuts in Singapore and are working on increasing the Thai coconut supply to the Australia and Europe.

All of our suppliers must also fulfil our “SunMoon Quality Assurance” standards, a strict checklist of freshness, quality and safety, and be accredited with various regulatory credentials.



Our People

Our employees are inspired to be the best they can be, where our team is as diverse as the markets we serve. We foster an open environment where creativity thrives and provides our people with the opportunities they need to develop their skills. All of our employees are permanent, full time staff in Singapore and the gender breakdown is 27 Female, 16 Male. All of our Company's activities are performed by our employees. We do not have any collective bargaining agreements in place.

Corporate Social Responsibility

Here at SunMoon we are concerned with the state of the world and the overall health of its populace. We strongly promote healthy living and believe in the healing power of consuming quality fruits.

World Cancer Day - In line with SunMoon's values of community care, we are pleased to sponsor in kind to outreach and educate Singaporeans on cancer. Singapore Cancer Society, as a community-based Voluntary Welfare Organisation is dedicated to minimising the impact of cancer through public education, screening, patient services, financial assistance, research and advocacy. But they cannot do this alone. And we believe no one should have to fight cancer alone. We therefore rallied the community to support their cause and join in the fight against cancer.

Class 95 Adopted Charity - SunMoon is proud to be part of Class 95FM's movement for its adopted charity. Arc Children's Centre is dedicated to nurturing and enriching the lives of children with cancer or other life-threatening illness, in a joyful and healthy environment. Be part of the circle of care for every child in need with Class 95FM.

Rock the naked truth - Rock The Naked Truth is a body image movement created to help people find confidence in their bodies through fitness. We believe in eating well and living right and that there is not a standard size or shape anyone should be in. So let's celebrate diversities in our bodies and all the amazing things it has done for you.

Today is the Day Singapore 2017 – In line with SunMoon's values of community care, we are pleased to support Today is the Day Singapore 2017. The programme is an art initiative that emphasises the use of art therapy to treat Fukushima children who are suffering from complex trauma and internal radiation.

Chingay 2017 – We supported Chingay performers with healthy fruit snacks for Chingay 2017.

Family Fun Fiesta 2017 – We are proud to be part of the Family Fun Fiesta 2017, organised by ITE College Central, the event aims to encourage healthy living while promoting family bonding.

Wave of Hope 2017 – Organised by the Rotaract Club of National University of Singapore, Waves of Hope 2017 is a charity fundraising event aiming to raise money for the Children Cancer Foundation. For every \$5 donated, our national swimmers and other participants swam a lap for the cause, we are proud to be part of this meaningful event.

National Sailing Championships 2017 and 2018 – In line with SunMoon's values of community care, we are pleased to work together with Singapore Sailing Federation and support our Singapore sailors and their family members during the annual National Sailing Championships that took place in June 2017 by providing refreshing fruit cups to participating sailors to raise awareness about healthy lifestyle and fitness.



Ethics and Integrity

At SunMoon, we believe that nothing is more important than the health of our customers and their family. We understand that the food we eat have a direct impact on our constitution and overall well-being. Thus, we deliver from farm to fork quality nutritious fresh fruits, vegetables and other consumer products in the best and most convenient way. Our promises are:-

- a) To source the best quality fruit from around the world
- b) To deliver you a product that is safe for consumption
- c) To provide great value in affordability of price
- d) To safeguard your interests at all times

Because of our good values, principles and standards, we have been a trusted brand in the fruit industry since 1977 and customers return for our trusted products from time and time.

At the employee level, we have a code of business ethics that all employees are required to follow.

Stakeholder Engagements

Our stakeholders are identified and prioritised based on our relationship of reliance and impact on each other. Their needs and concerns are what drive our sustainability practices and measures. The following are stakeholders that we have engaged and identified:

1. Customers
2. Suppliers
3. Authorities/Agent
4. Shareholders
5. Employees

Customers

We engage our customers by carrying out adequate background checks including but not limited to whether they have healthy credit, the customer's capacity, annual turnover and total paid up capital. We may also have customer satisfaction surveys and/or feedback and our staff can assist our customers if the need arises. Generally, our customers want more stock and more varieties of fruits to fulfil demand.

Suppliers

We carry out background checks on our suppliers to ensure that their products meet our “*SunMoon Quality Assurance*” standards which include the types, quality and safety of the products they supply. We are also in the process of developing sustainability and green standards for our suppliers to adhere to. Our suppliers are concerned with the cost of business, speed of delivery and the quantity and quality of delivery.

Authorities/Agent

We may, as and when required, engage with the authorities/agents to assist them in the compliance of different regulatory, compliance and licensing/certification requirements across different borders. Effective engagement with the authorities/agents can reduce any delays or additional costs caused by licensing, importing or any other issues that may arise.

Shareholders

We understand that our investors are concerned with the economic performance of the Company. As such, SunMoon is committed to disclose relevant and material information to its shareholders, the investment community and the public in a timely, accurate and transparent manner, in accordance with the rules of the SGX-ST, and the Singapore Code of Corporate Governance. Our disclosures are made public through SGX-ST's SGXNet and on the Company's corporate website at www.sunmoonfood.com. We regularly communicate through our nominated spokespersons to ensure consistency in messaging, addressing concerns and queries as well as managing the expectations of shareholders and the investment community. We also regularly engage shareholders, and/or potential investors, and the media through the Annual General Meeting and Extraordinary General meeting, conference calls, analyst briefings, media interviews and luncheons, Annual Reports, Press Releases and announcements on SGXNet.

Employees

Our employees go through regular feedback and appraisals and have ample opportunity to develop their skills and competencies. They also have the opportunity to take on greater roles and responsibilities. Our employees would like better incentives and performance bonuses as well as better work life balance.

Reporting Practice

The extensive list of GRI topics were discussed between the Company's senior management and they have shortlisted the top 5 most relevant topics. Following that, the top 5 material topics were presented to and approved by the board.

The topics that SunMoon will be covering are:-

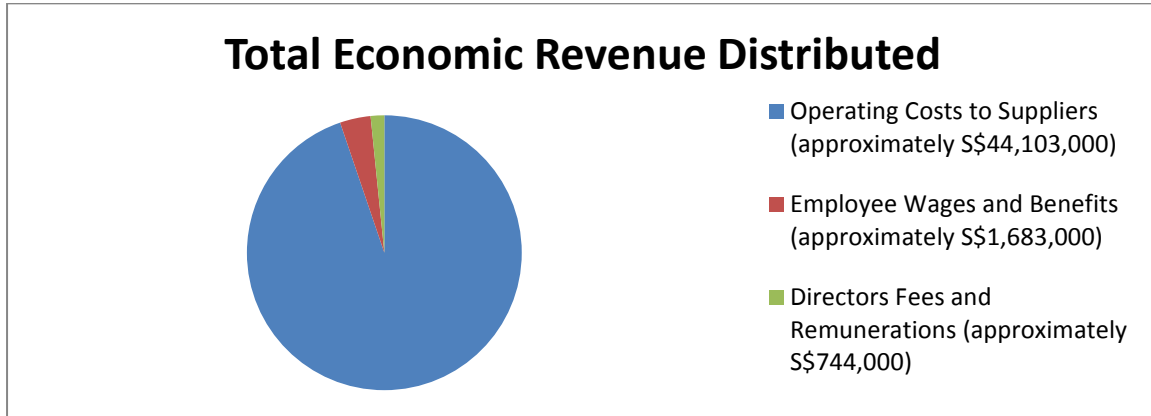
1. GRI 201 Economic Performance;
2. GRI 204 Procurement Practices;
3. GRI 308 Supplier Environmental Assessment;
4. GRI 401 Employment; and
5. GRI 404 Training and Education.

The reporting period is from 1 April 2017 to 31 March 2018. This reporting period is in accordance with the SGX Guidelines Practice Note 7.6 and is the first Sustainability Report the Company has

made. The reporting cycle will be prepared annually in respect to SGX-ST Listing Rules Practice Note 7.6. The contact point for any questions regarding the report or its contents can be sent to enquiry@sunmoonfood.com. There is no restatement of information for this Sustainability Report.

The report is based on the Global Reporting Initiative Standards. SunMoon has not engaged any external assurance for this Sustainability Report.

GRI 201: ECONOMIC PERFORMANCE



Due to the nature of SunMoon’s business, climate change and weather will invariably have a direct impact on our products. Bad weather conditions caused by climate change will have a negative impact on product quality and quantity. In 2018, bad weather conditions directly affected the quality and quantity of apple harvests, in particular, in the People’s Republic of China. We recognize the impact of climate change on our revenues and so endeavour to involve all our partners to participate and engage in sustainability practices.

Currently, SunMoon has received CDG and MRA grants from the government. CDG stands for Capability Development Grant. CDG is a financial assistance program by the Singapore government to help businesses build capabilities in key areas such as improving the efficiency of technology a company uses and enhancement of financial management. The Market Readiness Assistance (MRA) grant assists the Company with overseas marketing costs and aims to facilitate the growth of Singapore companies overseas. These grants gave the Company support to improve our capabilities.

GRI 204: PROCUREMENT PRACTICES

SunMoon has implemented improved global procurement strategies, and manages a carefully controlled process based on the “SunMoon Quality Assurance” standard. Fruits from certified plantations are selected according to the “SunMoon Quality Assurance” standard, a critical checklist of freshness, quality, and safety as demanded by our discerning customers; a reputation also backed up by internationally recognised accreditations.

As fresh fruits are perishable goods, we do not keep large inventories and our operational model is mainly to work with our suppliers so as to undertake direct shipping of the fresh fruits. Accordingly, our procurement budget is substantially spent on suppliers.



GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

All suppliers must be approved according to SunMoon’s set of selection criteria to ensure product quality and branding. Complementing quality assurances and our brand, we at SunMoon believes strongly in protecting and caring for our environment. As such, we at SunMoon will make a conscientious effort in developing and, in due course, implement environmental assessment processes.

GRI 401: EMPLOYMENT

There are 3 new employee hires during the reporting period with 1 below 30 years of age, 2 are between 30 to 50 years of age. 1 of new hires is female and 2 are males, and there was no staff turnover for the financial year ending 31 March 2018.

SunMoon also provides various benefits to full time employees such as free medical services at one of our panel clinics, dental and specialist medical benefits. Additionally, we are supportive of family life and work-life balance and offer various types of leave for our employees such as parental, marriage, maternity, paternity, childcare, exam, and compassionate leave. However, none of our employees utilised their parental leave during the reporting period.

GRI 404: TRAINING AND EDUCATION

As part of SunMoon’s policy of constant training and professional development for our employees, we frequently send our employees to various training programs in order to upgrade their skills and competencies; this improves employee satisfaction and helps our staff perform even better at their jobs. For example, our marketing team was sent for various marketing related trainings such as the “APAC Google Squared Online Digital Marketing Course”, our sales and procurement staff were sent for “Strategic Supply Chain Management” course, our management staff was sent for various upgrading courses like “Essential Contract Law for Non-Legal Professionals” and our IT staff were sent to develop their skills in new technologies like blockchain with “Technical and Practical Introduction to the Economics of the Blockchain”. On an ongoing basis, the Company also seeks to ensure that senior management are considered for leadership training to ensure that their skills and knowledge remain relevant.

The average hour of training per year per employee amounted to 9 hours. All of our employees have annual performance reviews being carried out as part of our Company’s policy. They receive regular performance and career development reviews as feedback so that they can continue to improve.

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