



SUMOON FOOD COMPANY LIMITED
(Registration No. 198304656K)

SUSTAINABILITY REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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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 2019.

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 ultimately 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.

Looking back to the past development of the Group, and based on future trends of the industry, I support and will continue to build on the strategic framework already put in place by the former CEO, i.e. network x geography x product (N x G x P). Therefore, in the new fiscal year, my management team and I will make and execute relevant action plans under this framework.

There are two key words in my work plan for the SunMoon Group this year: Simplicity, and Focus. SunMoon is not a company that has unlimited resources. We have to constantly strategise how best to leverage our limited resources to increase our market share, and drive the transformation of SunMoon from a traditional supply chain company to a value-adding supply chain company. Therefore, the word "Focus" is extremely important at this moment. We will focus on China market this year, refine the SunMoon brand, and simultaneously continue to develop and expand the distribution network in the Southeast Asian market for Fuji apples.

From the operating efficiency and cost perspective, I will simplify and streamline the operations, cut all unnecessary costs, utilise our comparative advantages, and encourage our teams to achieve the highest level of efficiency at the lowest cost.

CEO Statement (Cont'd)

In the first quarter of the new financial year, I have spent considerable time to observe and analyse SunMoon's team and businesses from all aspects. At the same time, I have reflected about SunMoon's past, present and future. I believe there are many great opportunities in enhancing the business team and strategies for SunMoon. Therefore, I will do my utmost to rebuild the team and upgrade the strategies, helping SunMoon to rejuvenise its brand, and enhance its market influence, and further improve the overall situation of the company.

Our new business model will feature two core strategies:

(1) Focusing on the China market, and enhancing the SunMoon brand value in China.

We will further build the SunMoon brand by setting up an independent and professional team to operate the business in China. We will further leverage on the foundation of the strong SunMoon product branding to build SunMoon into a brand for its distribution channel.

(2) Expanding the markets outside China, and building the distributor network into the SunMoon's brand ecosystem.

We will concentrate our efforts on the Southeast Asian market and establish a better distribution system in the initial stage. We will distribute the products in Southeast Asian market leveraging on Yiguo's commanding fresh food sourcing capability in China and strong bargaining power on prices with suppliers worldwide.

At the same time, we aim to strengthen SunMoon both as the product and channel brand through continuous strengthening and expansion of the distribution network.

I believe SunMoon can achieve even more than the above. I hope SunMoon will gradually return to its business roots, with its businesses becoming simpler, more focused, and better executed.

I believe that with the determined efforts of our new team, SunMoon will execute its new business strategies effectively and achieve its goals. I have full confidence in the performance of the Group in the coming year. We look forward to that!

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, Thailand, Africa, Peru and Chile.

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, the Company had expanded into Africa, Peru, Chile and Europe. We have also built on the supply and sale of packaged, ready to drink whole young Thai coconuts in Singapore as well as Thai coconut supply to the Australia, China 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 12 Female, 5 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.

National Sailing Championships 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.

Swing For Charity 2018

SunMoon is proud to support the Swing For Charity Golf Tournament August 2018. Organized by TOUCH Community Services, the charity event raised \$358,000 for elderly beneficiaries in Singapore.

Mediacorp Mother's Day Charity Fun Walk 2018

SunMoon is proud to be part of the inaugural Mother's Day Charity Fun Walk 2018 on May 13 at Marina Barrage. Over 3,000 people, both young and old, who set off on a 1.3km walk aimed to encourage bonding with their mums. The event raised over \$20,000 for AWWA Singapore.



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 listing rules of the SGX-ST, and the Singapore Code of Corporate Governance (dated 6 August 2018). 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.

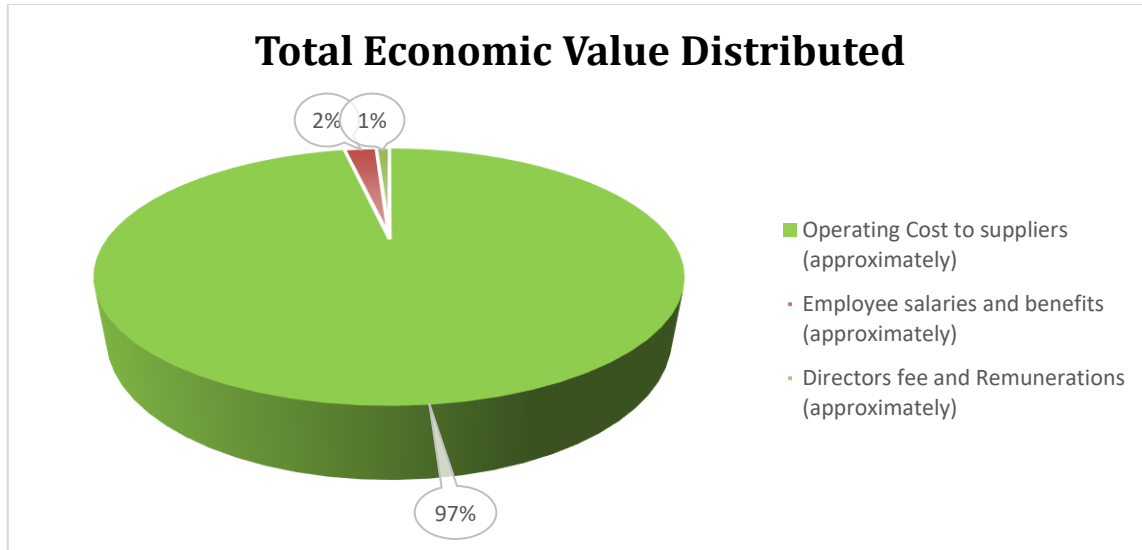
The topics that SunMoon will be covering are:-

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 2018 to 31 March 2019. This reporting period is in accordance with the SGX Guidelines Practice Note 7.6 and is the second 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.

SunMoon has received CDG and MRA grants from the government. CDG stands for Capability Development Grant in financial year ended 31 March 2019. 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 6 new employee hires during the reporting period with 2 below 30 years of age, 3 are between 30 to 50 years of age. The makeup of the new hires comprises of 5 female and 1 male.

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 to event such as the “AI in Finance; Marketing staff was sent for Certificate in Digital Marketing (SME)” talk and our IT staff were sent to develop their skills in new technologies like blockchain at the event “Hands on Practical Applications on 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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201-2 Financial implications and other risks and opportunities	Page 8 of the Sustainability Report
201-3 Defined benefit plan obligations and other retirement plans	*SunMoon has no benefit plan obligation or other retirement plans
201-4 Financial assistance received from government	Page 8 of the Sustainability Report
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