

SUNMOON FOOD COMPANY LIMITED

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SINGAPORE HEADQUARTERS SUNMOON FOOD COMPANY LIMITED

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Changning District
China Shanghai 200335
Tel: (86) 21 5118 7610

SHANGHAI SUNMOON SUPPLY CHAIN MANAGEMENT CO., LTD.

SHANGHAI SUNMOON FOOD & ACQUATIC INTERNATIONAL TRADING CO., LTD

A705-2, No. 268 Tongxie Road,
Changning District
China Shanghai 200120
Tel: (86) 21 5118 7665

SUNMOON FOOD COMPANY LIMITED

ANNUAL REPORT 2020/2021



SunMoon

**freshness
you can trust**

ANNUAL REPORT 2020/2021





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr James Prideaux
Chairman/Lead Independent Director
Mr Gary Loh Hock Chuan
Deputy Chairman
Mr Zhang Ye
Ms Ng Bie Tjin @Djuniarti Intan
Mr Yang Guang
Mr Jin Guanglei
Mr Cen Jian
Mr Xue Yuning

AUDIT AND RISK COMMITTEE

Ms Ng Bie Tjin @Djuniarti Intan
Chairperson
Mr James Prideaux
Mr Yang Guang
Mr Jin Guanglei

REMUNERATION COMMITTEE

Mr Yang Guang
Chairman
Mr James Prideaux
Ms Ng Bie Tjin @Djuniarti Intan
Mr Jin Guanglei

NOMINATING COMMITTEE

Mr Yang Guang
Chairman
Mr James Prideaux
Ms Ng Bie Tjin @Djuniarti Intan
Mr Zhang Ye
Mr Jin Guanglei

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

EXTERNAL AUDITOR

Nexia TS Public Accounting Corporation
80 Robinson Road, #25-00
Singapore 068898
Director in charge: Mr Titus Kuan Tjian
(Appointed since financial year ended
31 March 2021)

PRINCIPAL BANKER

DBS Bank Ltd, Singapore
Bank of China, Shanghai, China
Shanghai Pudong Development Bank,
Shanghai, China
China Construction Bank
Shanghai Shengjing Bank
Bank of China, Hong Kong

CORPORATE PROFILE

SunMoon Food Company Limited (“SunMoon”) is a global distributor and marketer of branded fresh produce, aquatics, animal proteins and other food related products, delivered to the health-conscious consumer in the most convenient way.

Started in 1983, SunMoon has grown and expanded its product offerings which includes fresh fruits, vegetables under its own brand.

In addition to SunMoon’s traditional offerings of fruits and vegetables related products, SunMoon has been working to rapidly expand its digital sales network and enable the Group to establish and secure the SunMoon brand within the mindshare of the new sophisticated consumer when it comes to health, freshness and natural goodness. In order to do so, SunMoon has been working to provide a wider range of product offerings from farm to fork, including but not limited to seafood, meat, fruits, vegetables, beverages (both alcoholic and non-alcoholic), aqua-food and agri-food related products and other related products and services.

With an extensive sales network globally, SunMoon’s offering of quality, premium products are distributed via supermarkets, convenience stores, online and wholesale channels, 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 vegetables from farmers.

SunMoon’s products come with the SunMoon Quality Assurance label, which is backed by internationally recognised accreditations.

SunMoon was listed in 1997 on the Mainboard of the Singapore Stock Exchange and has since grown and expanded its product offerings to meet the discerning consumers of today.

VISION

Be a Global market leader in the distribution and marketing of branded and high quality assured fresh produce.

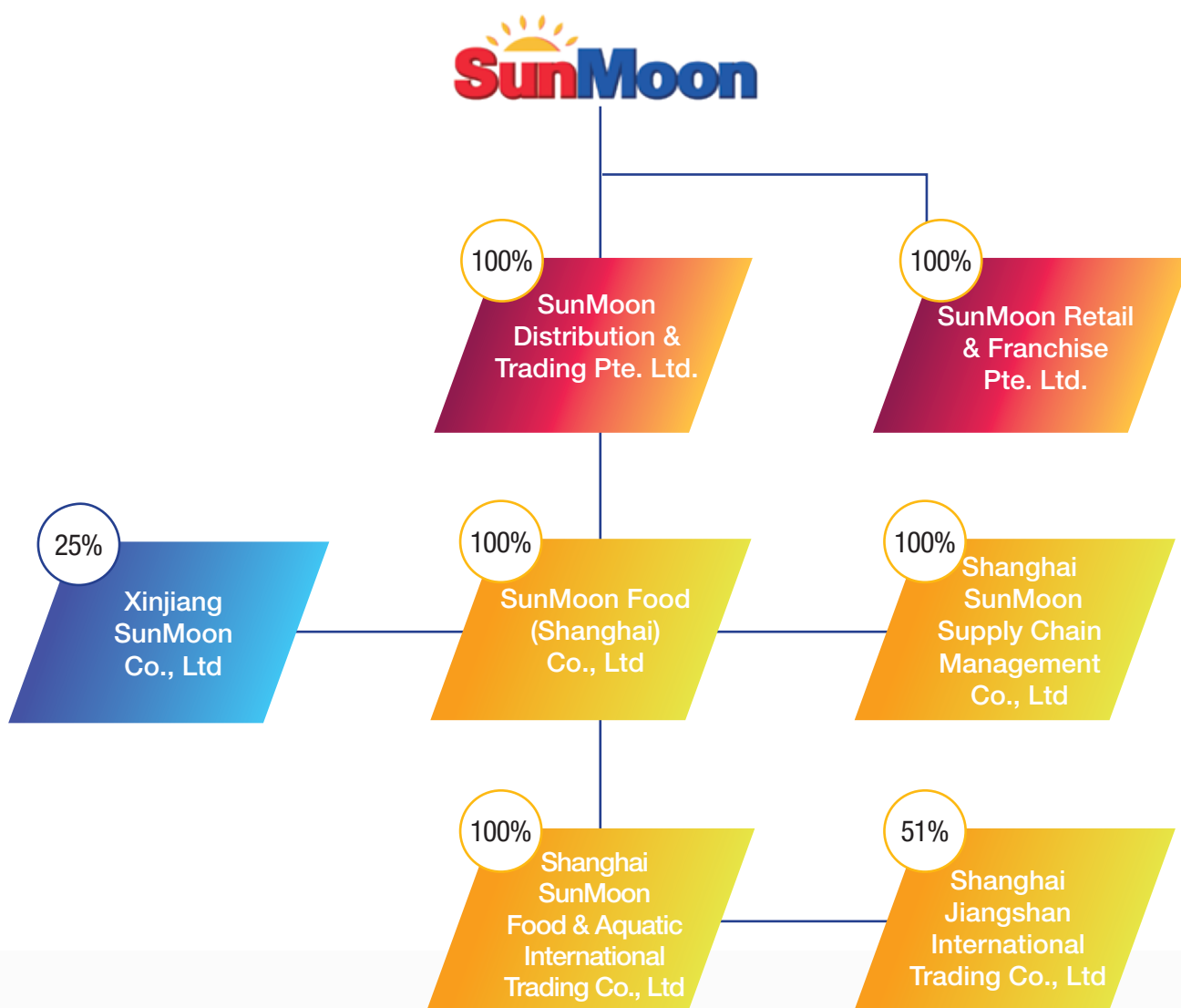
MISSION

Delivering quality assured fresh produce to consumers around the world in a timely and convenient manner.

PURPOSE

To provide consumers with quality fresh produce to achieve a healthy lifestyle.

CORPORATE STRUCTURE





DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I hereby present SunMoon Food Company's ("SunMoon" or "Group") annual report for the financial year ended 31 March 2021 (FY2020/21).

Fiscal Year 2021 (FY2020/21) has been a tough year amid the COVID-19 pandemic situation globally. With the global economy being affected by the COVID-19, China market as a whole has not been spared and companies are forced to deal with increased uncertainties. As many enterprises are assessing their options on how to adapt their strategies in this challenging time, I am delighted to say that our team has never lost our course. We have suffered but we have stayed focused and

continued to shape our strategy to deal with the adverse situation.

For this fiscal year, our team has delivered solid growth in revenue. The sales of SunMoon increased significantly from \$18.0 million in fiscal year 2020 (FY2019/20) to \$33.1 million in fiscal year 2021 (FY2020/21), a rise of 84 percent. The increase was achieved as a result of 41 percent of the revenue contributed from new business units started in FY2020/21.

Last year our message was SunMoon being able to stir through the most difficult period and our team would have confidence to deliver growth of SunMoon in the revenue front and I am glad to say that our results have displayed that determination. We

will clearly see a positive growth as SunMoon heads into the next financial year.

SunMoon will continue to operate by the same principles: Simplicity and Focus. The Group's businesses will still be focusing on import to China market and export from China to Southeast Asia markets.

1. Import of fresh produce to China market
 - (a) Expand sales network and increase sales revenue. We will focus on the three core sub-categories of pork, beef and aquatic products in this fiscal year. Riding on the strength of the existing distribution network,

CEO'S MESSAGE

SunMoon will steadily expand by increasing the coverage of single customers' stores and the number of orders per store.

- (b) Increase value-added services to enhance profit margin. Traditional trading business has limited profit margins. In the import agency business, value-added services such as warehousing and distribution services will generate higher profit margins. We will focus on the development of value-added businesses and improve the profitability of the business in the fiscal year 2022.

2. Export Chinese Fresh Fruits from China

- (a) Base on the core categories, expand the sales network and increase the sales revenue of export business. We intend to expand the sales team in Singapore to concentrate on business development in Southeast Asia.
- (b) Enter into the new business of export tax rebate by acting as an Exporter in China. The new business will enhance the profit margin and further improve the profitability of SunMoon.

Rising above the adversity, we strive to leverage on scale effect through engaging in sound business activities. Continuing to improve profitability will be a primary objective as we drive to grow revenue in the fiscal year 2022.

Update on Yiguo Bankruptcy Reorganization and SunMoon Trading Suspension

As announced by the Company on 12 October 2020, 3 entities of SunMoon's controlling shareholder, Yiguo, were placed into bankruptcy reorganisation. In view of the total amount of the account receivables due and owing from the Yiguo-related entities, the Board took the view that there would be a material impact on the Group's ability to continue operating as a going concern and on 15 October 2020, the trading of the Company's shares was suspended on a voluntary basis. Through various agreements to restructure and collect the amounts owing, we would like to say that SunMoon has recovered most of the amount outstanding and would be able to recover the balance by the end of fiscal year 2022. With Yiguo Group's operation and management back to normal gradually as Yiguo's bankruptcy reorganization moves into its final stage, this is very good news to SunMoon and makes us full of confidence going forward.

On the part of the trading suspension of the Company's share, the Company has submitted a resumption proposal to the SGX with a view to resuming trading in its securities.

I always told my team that never mind the past and never fear the future. We will continue to augment our position and strengthen our fundamentals. All these would not have been possible without our valuable stakeholders. On behalf of the Board, I would like to thank our management and staff for their commitment and dedication towards the Group. I would also like to extend my appreciation to our Board of Directors for their insightful guidance. Last but not least, I would like to express my gratitude to our business partners, customers and shareholders for their unwavering trust and faith in us. SunMoon has experienced ups and downs in the past 30 years and now we are preparing to greet the future in steady stride.

MR ZHANG YE
Chief Executive Officer

BOARD OF DIRECTORS



MR JAMES PRIDEAUX
*Chairman and
Lead Independent Director*

Mr James Prideaux was appointed to the Board as an Independent Director on 4 April 2017 and as Chairman of the Board and Lead Independent Director on 31 August 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. Currently, he is Chief Executive Officer of JP APAC Solutions Inc.



MR GARY LOH HOCK CHUAN
*Deputy Chairman,
Non-Independent and
Non-Executive Director*

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. He stepped down as Chairman and was appointed as Deputy Chairman of the Board on 31 August 2017. He was re-designated as Non-Executive Director on 1 April 2019.

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.



MR ZHANG YE
*Non-Independent and
Executive Director*

Mr Zhang Ye was appointed as a Non-Independent and Executive Director and as a Member of Nominating Committee on 31 December 2018. He was also appointed as Chief Executive Officer of the Company on 31 December 2018. Mr Zhang is a founder of Yiguo, the first fresh food e-commerce retailer in China and now one of the largest in China. In year 2014, Mr Zhang assumed the position of Chief Executive Officer in Yiguo, he has led the business with tremendous growth and evolution. Mr Zhang founded his first successful venture, Enmore Group, at the age of 28. Enmore Group is the leading B2B media player in China's chemical related bulk commodity industry, offering specialized industry research and information. He graduated from Shanghai JiaoTong University in 1993 with Bachelor's Degree in International Trade and Computer Science. He gained an executive MBA degree at Cheung Kong Graduate School of Business in 2009.

BOARD OF DIRECTORS



MR CEN JIAN

Non-Independent and Executive Director

Mr Cen Jian was appointed to the Board as a Non-Independent and Executive Director on 21 August 2020. He was previously appointed as the Group's President on 7 August 2019. He oversees the day to day operations, implementation of strategic plans made by the CEO and approved by the Board.

He has over 22 years of experience in Supply Chain management on consumer products. He served as the Business Manager at Dole (China) from year 2009 to year 2011, Sales Director of Clearwater (China) from year 2011 to year 2016 and General Manager of Hainan Airline Cold Chain Holding from year 2016 to year 2019. He holds a Bachelor's degree in Food Science from JiangNan University of China (formerly known as Jiang Su Wu Xi Light Industry University).



MR JIN GUANGLEI

Non-Independent and Non-Executive Director

Mr Jin Guanglei was appointed to the Board as a Non-Independent and Non-Executive Director and as a Member of Nominating Committee, Remuneration Committee and Audit and Risk Committee on 8 August 2018. He is a co-founder of Yiguo, the first fresh food e-commerce retailer in China and joined Yiguo as Co-Chairman in year 2010. Mr Jin co-founded Chemease, the predecessor of Enmore Group in year 1999. Chemease then became Enmore Group, which is the leading B2B media player in China's chemical related bulk commodity industry, offering specialized industry research and information. He graduated from Shanghai University of Technology in 1990 with Bachelor's Degree with honors.

BOARD OF DIRECTORS



MR XUE YUNING

*Non-Independent and
Non-Executive Director*

Mr. Xue Yuning was appointed as a Non-Independent and Non-Executive Director on 16 February 2021. Mr. Xue Yuning was also appointed as Chief Executive Officer of Certain Capital in September 2016. Mr. Xue's investment performance is mainly concentrated in the pan-consumer field. Prior to joining Certain Capital, Mr. Xue served at Warburg Pincus as investment director, prior to which he served at CDH Investments and CITIC PE. Prior to entering the PE industry, Mr. Xue served at Goldman Sachs and was responsible for stock research in the new energy industry. Mr. Xue obtained a master's degree in finance from Fudan University and a bachelor's degree in geographic information system from Wuhan University.



MR YANG GUANG

Independent Director

Mr Yang Guang was appointed to the Board as an Independent Director on 27 October 2017. He currently serves as Vice President and General Counsel at Johnson Controls Asia Pacific (NTSE: JCI) and is responsible for overseeing all legal, compliance, M&A and government affairs matters in the region. He was President of Asia Pacific and Head of Global Off-road Business for Westport Fuel Systems (NASDAQ: WPRT) and also held various general counsel and leadership positions at TRW Automotive (NYSE: TRW) and Siemens (XETRA: SIE). He holds a LL.B. degree from University of International Business and Economics, a Juris Doctor cum laude from St. Thomas University School of Law, a LL.M in Taxation from New York University School of Law, and a MBA degree from Northwestern University Kellogg School of Management and Hong Kong University of Science and Technology.



MS NG BIE TJIN @DJUNIARTI INTAN

Independent Director

Ms Ng Bie Tjin @Djuniarti Intan was appointed to the Board as an Independent Director on 31 August 2017. Ms Ng holds a Masters in Business Administration Degree from the University of Southern California. Ms Ng served as the Executive Director of Finance at Datapulse Technology Ltd from January 1994 until 30 November 2014 and is responsible for the administration and implementation of the Group's corporate finance strategies and policies, corporate governance, internal control policies and procedures and identification and evaluation of new business opportunities. She has been an Independent Director of Aspial Corporation Limited since 20 January 2014.

KEY MANAGEMENT

MS WANG HUI ZHEN

Group Financial Controller

Ms Wang was appointed as the Group's Financial Controller on 1 July 2015. She joined the Group on 26 September 2011 as Group Financial Manager and had been acting as "CFO" during the absence of former CFOs. She leads the Group's financial management in the areas of financial strategies, policies, governance, accounting and risk management. She brings with her for more than 15 years' experience in auditing and financial management in Singapore and China. She holds a Bsc. (Honours) degree in applied accounting from the Oxford Brookers University. She is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a Member of the Institute of Singapore Chartered Accountants (CA).

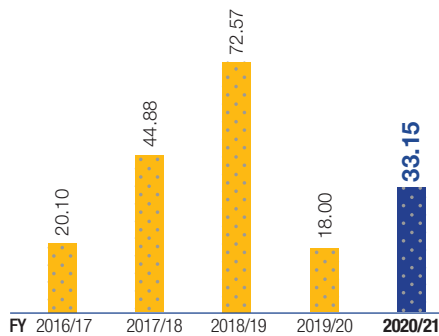


FINANCIAL HIGHLIGHTS

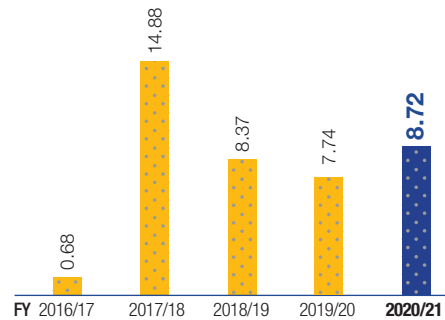
	FY2020/21 (12 months)	FY2019/20 (12 months)	FY2018/19 (12 months)	FY2017/18 (12 months)	FY2016/17 (15 months) Re-stated
Turnover (\$ Millions)	33.15	18.00	72.57	44.88	20.10
Profit/(Loss) from before Income Tax (\$ Millions) [#]	0.91	(2.65)	(3.70)	(3.78)	(7.58)
Shareholders' funds (\$ Millions)	8.72	7.74	8.37	14.88	0.68
Net Tangible Assets per Share (Cents)	1.12	0.99	1.17	2.05	0.21
Net Earning/(Loss) per Share (Cents) [#]	0.12	(0.37)	(0.52)	(0.61)	(2.38)

[#] Amount exclude fair value adjustment on financial liabilities arising from contingent issuance of shares

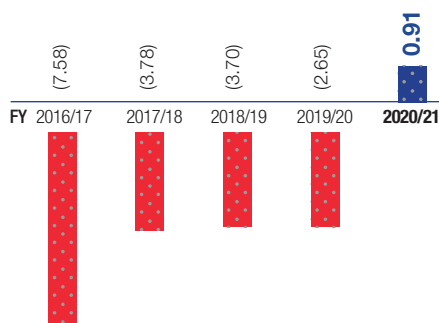
TURNOVER
(\$ MILLIONS)



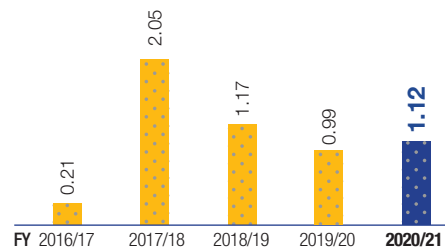
SHAREHOLDERS' FUNDS
(\$ MILLIONS)



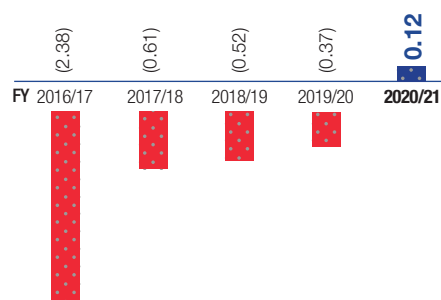
**PROFIT/(LOSS) FROM BEFORE
INCOME TAX**
(\$ MILLIONS)



NET TANGIBLE ASSETS PER SHARE
(CENTS)



NET EARNING/(LOSS) PER SHARE
(CENTS)





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REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the “**Board**”) of SunMoon Food Company Limited (the “**Company**”) and together with its subsidiaries, (collectively, the “**Group**”) recognises that sound corporate governance practices are important to the proper functioning of the Group and enhances the interest of all shareholders. The Board and the management of the Company (the “**Management**”) are pleased to report that the Company has complied with the principles of all material aspects of the Code of Corporate Governance 2018 (“**the Code**”), for the financial year ended 31 March 2021 and where there are material deviations from the Code, the explanations are provided within those sections of the report.

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

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

PRINCIPLE 1: THE COMPANY IS HEADED BY AN EFFECTIVE BOARD WHICH IS COLLECTIVELY RESPONSIBLE AND WORKS WITH MANAGEMENT FOR THE LONG-TERM SUCCESS OF THE COMPANY.

The Board comprises two (2) executive directors and six (6) non-executive directors. Three (3) non-executive directors are independent directors and three (3) non-executive directors are non-independent directors. Together the Board has the relevant core competencies and diversity of experience which enables it 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 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's 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 organisational culture), and ensuring 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. Identifying the key stakeholder groups and recognising that their perceptions affect the company's reputation;
11. Considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
12. Ensuring proper accountability within the Company.

Directors who face conflicts of interest must recuse themselves from discussions and decisions involving the issues of conflict.

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.

REPORT ON CORPORATE GOVERNANCE

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⁽¹⁾, the Nominating Committee⁽²⁾, and the Remuneration Committee⁽³⁾ (collectively, “**Board Committees**”). These Board Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The effectiveness of each Board Committee is also constantly monitored.

Notes:

- (1) Please refer to disclosure at Principle 10 for the names of the Audit and Risk Committee members.
- (2) Please refer to disclosure at Principle 4 for the names of the Nominating Committee members.
- (3) Please refer to disclosure at Principle 6 for the names of the Remuneration Committee members.

Specific written terms of reference for each of the Board Committees set out the required composition, authority and responsibilities of the Board Committees, and provide for each Board Committee to submit at least a report of its activities to the Board. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance, taking into account the changes in the governance and legal environment.

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority, without abdicating the Board’s overall responsibility. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board will meet on a quarterly basis and ad-hoc Board meetings will be convened when they are deemed necessary. Apart from physical and virtual 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 allows 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 matter 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 include the following matters:

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

New directors

The directors, when first appointed, would be given an orientation on the Group’s business strategies and operations. Directors also have 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. The Company will provide a formal letter to newly-appointed directors, setting out the director’s duties and obligations. For newly-appointed directors who have no prior experience as directors of a listed company, they will undergo briefing on the roles and responsibilities as directors of a listed company.

REPORT ON CORPORATE GOVERNANCE

Existing directors

The Company will also, at its own expense, 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.

All directors will receive continuing education and training in areas pertaining to their duties and responsibilities, including corporate governance, financial reporting standards, and the relevant laws and regulations, such as the SGX-ST Listing Rules, the Code and the Companies Act. The directors are invited to attend seminars and trainings organised by the Singapore Institute of Directors and other professional organisations to stay abreast of recent developments and approaches in financial, legal, corporate governance and regulatory practices.

DIRECTORS' MEETINGS HELD FY2020/21

Details of directors' attendance at the Board and Board Committee meetings held for the financial year from 1 April 2020 to 31 March 2021 ("FY2020/21") 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	10	6	1	1
Directors during the financial year				
Mr James Prideaux	10	6	1	1
Mr Gary Loh Hock Chuan	10	NA	NA	NA
Mr Zhang Ye	9	NA	NA	1
Ms Ng Bie Tjin @ Djuniarti Intan	10	6	1	1
Mr Yang Guang	10	6	1	1
Mr Jin Guanglei	5	1	0	0
Mr Xue Yuning ⁽¹⁾	–	NA	NA	NA
Mr Cen Jian ⁽²⁾	6	NA	NA	NA
Ms Liu Yuanyuan ⁽³⁾	6	NA	NA	NA
Mr Yu Liang ⁽⁴⁾	0	NA	NA	NA

(1) Mr Xue Yuning was appointed as the Non-Independent Non-Executive Director of the Company on 16 February 2021.

(2) Mr Cen Jian was appointed as the Executive Director of the Company on 21 August 2020

(3) Ms Liu Yuanyuan had resigned as the Non-Independent Non-Executive Director of the Company on 16 February 2021

(4) Mr Yu Liang had resigned as the Non-Independent Non-Executive Director of the Company on 21 August 2020

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, quarterly financial statements, management accounts and any material variances between the projections and actual results.

The Chief Executive Officer ("CEO") keeps the Board members abreast of key developments affecting the Group as well as material transactions so that the Board is fully aware of the affairs of the Group.

REPORT ON CORPORATE GOVERNANCE

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 as required. 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.

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2: THE BOARD HAS AN APPROPRIATE LEVEL OF INDEPENDENCE AND DIVERSITY OF THOUGHT AND BACKGROUND IN ITS COMPOSITION TO ENABLE IT TO MAKE DECISIONS IN THE BEST INTERESTS OF THE COMPANY.

The Board comprises two (2) executive directors, three (3) independent non-executive directors and three (3) non-executive non-independent directors. The present composition of the Board complies with the Code's provision that non-executive directors make up a majority 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 James Prideaux	Lead Independent Non-Executive	C	M	M	M
Mr Gary Loh Hock Chuan	Non-Independent Non-Executive	M	-	-	-
Mr Zhang Ye	Non-Independent Executive	M	-	-	M
Ms Ng Bie Tjin @ Djuniarti Intan	Independent Non-Executive	M	C	M	M
Mr Yang Guang	Independent Non-Executive	M	M	C	C
Mr Jin Guanglei	Non-Independent Non-Executive	M	M	M	M
Mr Xue Yuning ⁽¹⁾	Non-Independent Non-Executive	M	-	-	-
Mr Cen Jian ⁽²⁾	Non-Independent Executive	M	-	-	-
Ms Liu Yuanyuan ⁽³⁾	Non-Independent Non-Executive	M	-	-	-
Mr Yu Liang ⁽⁴⁾	Non-Independent Non-Executive	M	-	-	-

C: Chairman; M: Member

(1) Mr Xue Yuning was appointed as the Non-Independent Non-Executive Director on 16 February 2021

(2) Mr Cen Jian was appointed as the Executive Director on 21 August 2020

(3) Ms Liu Yuan Yuan had resigned as the Non-Independent Non-Executive Director on 16 February 2021

(4) Mr Yu Liang resigned as the Non-Independent Non-Executive Director on 21 August 2020

REPORT ON CORPORATE GOVERNANCE

The Board adopts the Code's definition of what constitutes an independent director in its review. The Board is of the view that the independent non-executive directors of the Company are independent, and further, that no individual or small group of individuals dominate the Board's decision making process. The independence of each director is also reviewed annually by the Nominating Committee, bearing in mind the 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 and there is an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, 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 could 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.

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's proposals and/or decisions, they bring independent judgment 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.

The Lead Independent Director, Mr James Prideaux 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 CEO after such meetings as appropriate.

Key information regarding the directors is set out on pages 5 to 7 of the Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: THERE IS A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND MANAGEMENT, AND NO ONE INDIVIDUAL HAS UNFETTERED POWERS OF DECISION-MAKING.

Different individuals assume the roles of the Chairman of the Board and the CEO. The separation of the roles of Chairman and CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The positions of Chairman and CEO are held by Mr James Prideaux and Mr Zhang Ye respectively.

As the Chairman, Mr James Prideaux bears responsibility for the effective working of the Board. He is responsible for amongst others, ensuring that the directors receive accurate, timely and clear information. He sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. In addition to making sure that each director effectively contributes to the Group, he also encourages constructive relations between the management of the Company and the Board as well as between the executive director and non-executive directors and promotes a culture of openness and debate within the Board.

The CEO, Mr Zhang Ye, is responsible for 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. He has played an instrumental role in developing the business, and has also provided the Group with strong leadership and vision. With the assistance of the Company Secretary, he 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,

REPORT ON CORPORATE GOVERNANCE

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

Mr James Prideaux has been appointed as the Lead Independent Director and non-executive Chairman of the Company for communicating with the shareholders in situations where their concerns are not resolved by the Deputy Chairman, CEO and/or Group Financial Controller.

BOARD MEMBERSHIP

PRINCIPLE 4: THE BOARD HAS A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS, TAKING INTO ACCOUNT THE NEED FOR PROGRESSIVE RENEWAL OF THE BOARD.

NOMINATING COMMITTEE (“NC”)

The NC, regulated by a set of written terms of reference, comprises five (5) members. The Chairman is Mr Yang Guang, an independent non-executive director, who is not, or who is not directly associated with, a substantial shareholder. The other four (4) members are Mr James Prideaux, Ms Ng Bie Tjin @ Djuniarti Intan, Mr Jin Guanglei and Mr Zhang Ye. Mr James Prideaux and Ms Ng Bie Tjin @ Djuniarti Intan are independent non-executive directors; Mr Jin Guanglei is a non-independent non-executive director and Mr Zhang Ye is a non-independent executive director. Based on the NC's assessment of the independence of each individual board director, the Board will review, and reconstitute 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-appointments, having regard to the directors' contribution and performance including, if applicable, as an independent director, and the review of board succession plan for directors, CEO and any other key management personnel;
- (b) to determine annually, and 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 five (5) as the maximum number of board representations in listed companies 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 FY2020/21, 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;

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In the search, nomination and selection process for new directors, the NC 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 NC 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 NC 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;
- (g) to review training and professional development programmes for the Board and its directors; and
- (h) to ensure that new directors are aware of their duties and obligations.

All the directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Regulation 104 of the Constitution of the Company requires one-third of the Board to retire by rotation at every Annual General Meeting ("**AGM**").

The Company has no alternate directors on its Board.

BOARD PERFORMANCE

PRINCIPLE 5: THE BOARD UNDERTAKES A FORMAL ANNUAL ASSESSMENT OF ITS EFFECTIVENESS AS A WHOLE AND THAT OF EACH OF ITS BOARD COMMITTEES AND INDIVIDUAL DIRECTORS.

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. The Company has adopted the measures and process proposed by the NC in relation to the evaluation of Board performance. An evaluation of Board performance is conducted to identify areas of improvement and as a form of good Board management practice.

In FY2020/21, the NC assess 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 Chairman on the results. Thereafter, the Chairman will meet with the Board and the Board Committees, to provide necessary feedback on their performance, with a view to improve performance and shareholders' 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.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6: THE BOARD HAS A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICIES ON DIRECTOR AND EXECUTIVE REMUNERATION, AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS AND KEY MANAGEMENT PERSONNEL. NO DIRECTOR IS INVOLVED IN DECIDING HIS OR HER 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 four (4) members. The Chairman is Mr Yang Guang, an independent non-executive director. The other three (3) members are Mr James Prideaux, Ms Ng Bie Tjin@Djuniarti Intan and Mr Jin Guanglei. Mr James Prideaux and Ms Ng Bie Tjin @Djuniarti Intan are independent non-executive directors; and Mr Jin Guanglei is a non-independent non-executive director.

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 review and 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 review and 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’, CEO’s and key management personnel’s 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 for executive directors and key management personnel 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 firm of the expert, and if there is any existing relationship between the Company and the expert. For the FY2020/21, the RC did not seek expert advice as they did not deem it was necessary.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 7: THE LEVEL AND STRUCTURE OF REMUNERATION OF THE BOARD AND KEY MANAGEMENT PERSONNEL ARE APPROPRIATE AND PROPORTIONATE TO THE SUSTAINED PERFORMANCE AND VALUE CREATION OF THE COMPANY, TAKING INTO ACCOUNT THE STRATEGIC OBJECTIVES OF THE COMPANY.

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 is aligned with the interest of shareholders, and promotes the long-term success of the Company.

The RC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the compensation structure, the RC has taken into 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.

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The remuneration of the CEO, Mr Zhang Ye, as set out in the 3-year service agreement which commenced on 1 January 2019, comprises of only a fixed monthly salary of S\$1. The service agreement may be terminated during such term either as provided in the service agreement or by either party giving to the other a 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 CEO.

Mr Cen Jian, as set out in the 3-year service agreement which commenced on 21 August 2020, will not be entitled to any service fee or remuneration for his appointment as an Executive Director. The service agreement may be terminated during such term either as provided in the agreement or by either party giving to the other a 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 the Executive Director.

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 share 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, time spent, and responsibilities of the directors. The Company is also 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 AGM, the non-executive directors do not receive any other forms of remuneration, such as shares, from the Company.

Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the company for the long term.

DISCLOSURE ON REMUNERATION

PRINCIPLE 8: THE COMPANY IS TRANSPARENT ON ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, THE PROCEDURE FOR SETTING REMUNERATION, AND THE RELATIONSHIPS BETWEEN REMUNERATION, PERFORMANCE AND VALUE CREATION.

Directors

The fees payable and remuneration paid to each of the directors of the Company for the financial period from 1 April 2020 to 31 March 2021 are below \$200,000 per annum for independent directors and executive director. A breakdown of the level and mix of the remuneration of the directors is as follows:

	Fees ⁽¹⁾ %	Salary %	Bonus and Benefits in Kind %	Total (\$)
Below S\$100,000				
Mr James Prideaux	100	–	–	55,000
Mr Gary Loh Hock Chuan	100	–	–	13,000
Ms Ng Bie Tjin @ Djuniarti Intan	100	–	–	43,000
Mr Yang Guang	100	–	–	43,000
Mr Xue Yuning ⁽²⁾	–	–	–	–
Ms Liu Yuanyuan ⁽³⁾	–	–	–	–
Mr Jin Guanglei	–	–	–	–
Mr Zhang Ye	–	100	–	12
Mr Cen Jian ⁽⁴⁾	–	–	–	–
Mr Yu Liang ⁽⁵⁾	–	–	–	–

(1) Directors' fees are subject to shareholders' approval as a lump sum at the Annual General Meeting to be held on 29 September 2021.

(2) Mr Xue Yuning was appointed as the Non-Independent Non-Executive Director on 16 February 2021.

(3) Ms Liu Yuanyuan had resigned as the Non-Independent Non-Executive Director of the Company on 16 February 2021.

(4) Mr Cen Jian had appointed as the Non-Independent Executive Director of the Company on 21 August 2020.

(5) Mr Yu Liang had resigned as the Non-Independent Non-Executive Director of the Company on 21 August 2020

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During the FY2020/21, there was no termination, retirement and post-employment benefits granted to any director or Key Management Personnel.

Key Executives

The remuneration of the top two key management personnel, for the financial period from 1 April 2020 to 31 March 2021 is tabled with a breakdown of the level and mix of the remuneration as follows:

	Fixed Salary ⁽¹⁾ %	Variable Bonus %	Benefits in Kind %	Total (S\$'000)
Below S\$250,000				
Mr Cen Jian	75	25	–	375
Ms Wang Hui Zhen	100	–	–	

(1) 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 \$100,000 during the FY2020/21. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK AND ENSURES THAT MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS, TO SAFEGUARD THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.

The Board acknowledges that it is responsible for determining the Company's level of risk tolerance and risk policies, 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. In FY2020/21 and since the end of the financial year, with business restructuring and implementation of a new ERP system, Management has worked with the ERP vendor to identify and manage the risks of the Group. The Management has reviewed the Group's business and operational activities to identify areas of significant business risks and develop a framework of various controls and mechanisms. Appropriate measures are taken to assess, control and mitigate these risks. The process of risk management has been integrated into the Group's business planning and monitoring processes with the implementation of the ERP system. While no internal audit was performed by an outsourced internal audit firm, the Management has confirmed that certain internal audit functions have been performed by the corporate shareholder Yiguo. With these steps, the ARC believes that the system of internal control implemented by the Management as well as Yiguo has ensured that a proper internal control mechanism is still in place and remains effective and adequate to identify, address and mitigate risks from jeopardising the Company's operation. 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;

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2. Work performed by the external auditors;
3. ARC discussions and reviews by the ARC and the Board;
4. Reviews performed by the Management;
5. Execution of the Group Whistle Blowing Policy; and
6. Other reviews performed by other committees;

The Board, with the concurrence of the ARC, and based on the work performed by external auditor 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 April 2020 to 31 March 2021, 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 Chief Executive Office, President 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 Group's operations and finances; and
- (b) The risk management and internal control systems in place within the Group are adequate and effective in addressing the material financial, operational, information technology and compliance risks in the Group.
- (c) The system of internal controls and risk management established by the Group provides reasonable but not absolute assurance that the Group will not be adversely affected by any event that can reasonably be foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal control and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud or other irregularities.

AUDIT AND RISK COMMITTEE ("ARC")

PRINCIPLE 10: THE BOARD HAS AN AUDIT COMMITTEE WHICH DISCHARGES ITS DUTIES OBJECTIVELY.

The ARC, regulated by a set of written terms of reference, comprises of four (4) members. The Chairperson of the ARC is Ms Ng Bie Tjin @Djuniarti Intan, an independent non-executive director. The other three (3) members are Mr James Prideaux, Mr Yang Guang and Mr Jin Guanglei. Mr James Prideaux and Mr Yang Guang are independent non-executive directors; and Mr Jin Guanglei is a non-independent non-executive director.

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

The 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) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) to 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) to review the independence and objectivity of the Company's external auditor and its internal audit function, and to recommend to the Board their appointment or re-appointment;
- (d) to review the effectiveness of the Company's external auditor and internal audit function;

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- (e) to review the scope and results of the Company's external audit and internal audit function, and to review and discuss with the external auditor:
- the audit plan, their audit report, their letter to Management and Management's response;
 - the quarterly, half yearly, and annual financial announcements 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 co-operation between external auditor, the internal audit function 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 matter which the auditor may wish to discuss (in the absence of Management where necessary);
- (f) to review and discuss with external auditor and the 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;
- (g) to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor, 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 reviews the nature and extent of such services, seeking to maintain objectivity;
- (h) to meet with the external auditor, and with the internal auditor, in each case without the presence of Management, at least once annually;
- (i) to 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;
- (j) to conduct an annual review of the whistleblowing arrangements to ensure effective implementation. Where necessary, the arrangements should be amended;
- (k) to review transactions falling within the scope of Chapter 9 of the Listing Manual and potential conflicts of interests, if any;
- (l) to 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
- (m) to 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.
- (n) reviewing the assurance from the CEO and the Group Financial Controller on the financial records and financial statements.

Risk

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

- (a) to 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) to 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) to assess whether the risk management framework is appropriate and adequate;
- (d) to monitor Management accountability for risk management processes and compliance with risk policies;
- (e) to review and make recommendations to the Board in relation to risk management;

REPORT ON CORPORATE GOVERNANCE

- (f) to consider, and make recommendations to the Board in connection with, the compliance by the Group with its risk management framework and policies;
- (g) to report to the Board on any material changes to the risk profile of the Group;
- (h) to monitor and refer to the Board any instances involving material breaches or potential breaches of the Group's risk management policies; and
- (i) to 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 auditor 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 auditor, without the presence of Management, at least once a year. The Company complies with SGX-ST Listing Rules 712 and 715 in relation to auditing firm.

The members of the ARC do not comprise former partners or directors of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, for as long as they have any financial interest in the auditing firm or auditing corporation.

The primary line of reporting of the internal audit function is to the ARC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The ARC will ensure that the internal audit function has unfettered access to the Company's documents, and has appropriate standing within the Company.

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 Nexia TS PAC as the external auditors at the forthcoming AGM. The fees for both audit and non-audit services are listed below:

	Nexia TS PAC⁽¹⁾ (\$000)	Ernst & Young LLP⁽²⁾ (\$000)	Other auditor in Singapore (\$000)	Total (\$000)
Statutory audit fees for the financial year ended 31 March 2021	85	–	2	87
Additional Statutory audit fees for the financial year ended 31 March 2020	–	35	–	35
Total Non-Audit Fees	–	–	–	–
Total	85	35	2	122

(1) Nexia TS PAC was appointed as the Company's external auditors on 4 February 2021

(2) Ernst & Young LLP had retired and did not seek for re-election as the Company's external auditors at the Company's Annual General Meeting held on 29 September 2020

The Whistle-Blowing Policy is in place within the Group and the 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.

REPORT ON CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

PRINCIPLE 11: THE COMPANY TREATS ALL SHAREHOLDERS FAIRLY AND EQUITABLY IN ORDER TO ENABLE THEM TO EXERCISE SHAREHOLDERS' RIGHTS AND HAVE THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON MATTERS AFFECTING THE COMPANY. THE COMPANY GIVES SHAREHOLDERS A BALANCED AND UNDERSTANDABLE ASSESSMENT OF ITS PERFORMANCE, POSITION AND PROSPECTS.

ENGAGEMENT WITH SHAREHOLDERS

PRINCIPAL 12: THE COMPANY COMMUNICATES REGULARLY WITH ITS SHAREHOLDERS AND FACILITATES THE PARTICIPATION OF SHAREHOLDERS DURING GENERAL MEETINGS AND OTHER DIALOGUES TO ALLOW SHAREHOLDERS TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

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 and position on a quarterly basis. Such reports provide the Board with the basis to make balanced and understandable assessment of the Group's performance and financial position and enable the Board to evaluate the Group's 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.

In line with continuous disclosure obligations of the Company and pursuant to the SGX-ST Listing Rules, the Board's policy is that shareholders are informed of all major developments that impact the Group. 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.

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 Regulation 82(1) of the Company's Constitution, a shareholder may appoint not more than two 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 questions either informally or formally before or at the AGM. The Board solicits and understands the views of the shareholders through the dialogue. The notice of the

REPORT ON CORPORATE GOVERNANCE

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 auditor's report.

In view of the COVID-19 pandemic, the Singapore government issued an order on 24 March 2020 requiring all events and mass gatherings to be deferred. As Singapore companies were not allowed to hold general meetings by purely virtual means, an automatic extension of time was granted to the Company and the 2019/2020 AGM was delayed. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Order**") which was gazetted on 13 April 2020, the Company is able to send the Notice of 2019/2020 AGM and Annual Report 2019/2020 to shareholders by way of electronic means and the 2019/2020 AGM of the Company was held successfully on 29 September 2020 by way of electronic means. Pursuant to the COVID-19 Order, shareholders are also informed to participate in the virtual general meetings by observing and/or listening to the general meetings proceedings via "live" audio-visual webcast or "live" audio-only stream.

Based on the News Releases issued by the Singapore Exchange Regulation (the "**SGX RegCo**") on 1 October 2020, issuer and non-listed companies may continue to conduct their general meetings to be held on or before 30 June 2021 via electronic means in order to keep physical interactions and COVID-19 transmission risks to a minimum, even as safe distancing regulations are gradually and cautiously relaxed. In this regard, the Company will convene the forthcoming AGM wholly by electronic means pursuant to the COVID-19 Order.

All shareholders can provide feedback to the Company Secretary via the electronic mail address or registered address. Prior to the onset of the COVID-19 pandemic in early 2020, all registered shareholders are encouraged to participate during the general meetings. The Company's Constitution allows a member of the Company to appoint not more than two (2) proxies to attend and vote in his/her stead at all general meetings. The Company also allows corporations which provide nominee or custodial services to appoint more than two (2) proxies, so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies. During the general meetings, shareholders are informed of the rules including voting procedures governing such meetings. Pursuant to the COVID-19 Order, shareholders are encouraged to submit their questions relating to the agenda of the general meetings in advance prior to the general meeting to the designated email address and mailing address. Company's response to substantial and relevant questions from shareholders will be published via SGXNet and the Company's corporate website before the meeting. The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. The Company will publish all minutes of the general meetings on SGXNet and the Company's corporate website within one (1) month from the general meetings. Shareholders are also advised to appoint the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the general meetings since there are no remote voting available. Matters which require shareholders' approval are presented and proposed as a separate resolution. The Company practises having separate resolutions at general meetings on each substantial issue and are not bundled or made inter-conditional on each other, unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled, the Company will explain the reasons and material implications in the notice of meeting. Each item of special business in the notice of general meeting is accompanied by an explanatory note, where appropriate. Proxy form is also provided with the notice of general meetings to all shareholders. Pursuant to the COVID-19 Order, proxy forms are to be published on SGXNet and the Company's corporate website together with the notice of general meeting. No physical copies of the proxy form will be sent to shareholders. The Company Secretary prepares minutes of the general meetings which include substantial and relevant comments or queries from shareholders (if any) relating to the agendas of the meetings, and responses from the Board and Management, and to record these minutes. These minutes are subsequently approved by the Board and made available to shareholders during office hours at the registered office upon their written request. The minutes will be posted on the Company's corporate website as soon as practicable. All material information relating to the Group is disclosed in an accurate and timely manner through publication on SGXNet and is made available to everyone, including the shareholders. Shareholders are given the opportunity to vote

REPORT ON CORPORATE GOVERNANCE

at general meetings. However, as the authentication of shareholder's identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means. Pursuant to the COVID-19 Order, shareholders who wish to exercise their right to vote on any or all of the resolutions at the general meetings were required to appoint the Chairman of the meeting as their proxy by submitting the duly completed and signed proxy forms to designated email address and mailing address. Persons who hold shares through relevant intermediaries who wish to appoint the Chairman of the meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes.

In support of greater transparency of the voting process and to enhance shareholders' participation, the Company puts all resolutions proposed at the general meetings to vote by poll. Prior to the onset of the COVID-19 pandemic, a scrutineer is appointed to count and validate the votes cast at the general meetings. The detailed results setting out the number of votes cast for and against each resolution and the respective percentage are announced via SGXNet after the general meetings. Shareholders who are present in person or represented by proxies will be entitled to one (1) vote for each share held.

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 (enquiry@sunmoonfood.com) and/or phone call (67795688).

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 analysts.

Dividend payments are made with due consideration of the Company's financial performance, liquidity, capital commitment, business prospect, economic outlook and regulatory factors. The Directors will always aim to maintain a balance between meeting the shareholders' expectation for dividend returns and prudent capital management. Any dividend payments are clearly communicated to shareholders via announcements on SGXNet. Pursuant to Rule 704(24) of the Listing Manual of the SGX-ST, in the event that the Board decides not to declare or recommend a dividend, the Company will expressly disclose the reason(s) for the decision together with the announcement of the financial statements.

Dealing In Securities

The Company has adopted internal codes pursuant to the SGX-ST Listing Rules 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 results for each of the first three quarters of the financial year, and during the period commencing one month before the announcement of the financial results for the financial year, and ending on the date of announcement of the relevant results.

Interested Person Transactions

To ensure that interested person transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, the Company has adopted an internal policy in respect of any transactions with interested persons and the Company has in place procedures for review and approvals for the interested person transactions under the IPT General Mandate.

REPORT ON CORPORATE GOVERNANCE

The aggregate value of interested person transactions entered into during the financial year ended 31 March 2021 is as follows:–

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted shareholders' mandate pursuant to Rule 920) (In \$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than \$100,000)* (In \$'000)
Shanghai Yiguo E-Commerce Co. Ltd and its related entities:–		
<i>Sales to</i>	–	3,422
<i>Purchases from</i>	–	1,874
<i>Service received</i>	–	129
<i>Service provided</i>	–	20

*For clarity, as many of the interested person transactions fall below \$100,000, therefore the disclosures include individual transaction that are below \$100,000 in value.

Material Contract

Saved as disclosed above in the section entitled “Interested Person Transactions” and in the financial statements of the Company, there were no material contracts of the Group involving the interest of the CEO, Directors or controlling shareholders subsisting at the end of FY2020/2021 or have been entered into since the end of the previous financial year.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13: THE BOARD ADOPTS AN INCLUSIVE APPROACH BY CONSIDERING AND BALANCING THE NEEDS AND INTERESTS OF MATERIAL STAKEHOLDERS, AS PART OF ITS OVERALL RESPONSIBILITY TO ENSURE THAT THE BEST INTERESTS OF THE COMPANY ARE SERVED.

The Company identifies and prioritises stakeholders based on the influence, responsibility, dependency, representation and proximity that stakeholders have with the Company’s businesses, which includes customers, suppliers, regulators/ agents, investors and employees.

Customers

The Company engages 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. The Company may also conduct customer satisfaction surveys and/or feedback, and allocate staff to assist customers if the need arises. Generally, the Company’s customers want more stock and more varieties of fruits and other products to fulfill demand.

REPORT ON CORPORATE GOVERNANCE

Suppliers

The Company carries out background checks on suppliers to ensure that their products meet the Company's "SunMoon Quality Assurance" standards which include the type, quality and safety of the products they supply. The Company is also in the process of developing sustainability and green standards for suppliers to adhere to. The Company is concerned with the cost of business, speed of delivery and the quantity and quality of delivery.

Authorities and/or Agents

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

Investors

The Company understands that investors are concerned with the economic performance of the Company. As such, the Company 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 SGX-ST Listing Rules and the Code. The Company's disclosures are made public through SGXNet and on the Company's corporate website at www.sunmoonfood.com. The Company regularly communicates through nominated spokesperson(s) to ensure consistency in messaging, addressing concerns and queries as well as managing the expectations of shareholders and the investment community. The Company also regularly engages with shareholders, potential investors, and/or the media through the Annual General Meeting and Extraordinary General Meeting(s), conference calls, analyst briefings, media interviews and luncheons, Annual Reports, Press Releases and announcements on SGXNet.

Employees

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

Corporate Website

The Company maintains a current corporate website to communicate and engage with the various stakeholders.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

The directors present their statement to the members together with the audited financial statements of SunMoon Food Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2021 and the balance sheet of the Company as at 31 March 2021.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet 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 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statement; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr James Prideaux
Mr Gary Loh Hock Chuan
Mr Zhang Ye
Ms Ng Bie Tjin @ Djuniarti Intan
Mr Yang Guang
Mr Jin Guanglei
Mr Cen Jian (appointed on 21 August 2020)
Mr Xue Yuning (appointed on 16 February 2021)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company				
Mr Gary Loh Hock Chuan	–	–	59,712,772	61,712,772
Ms Ng Bie Tjin @ Djuniarti Intan	120,000	120,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Gary Loh Hock Chuan is deemed to have an interest in the 61,712,772 and 59,712,772 shares of the Company held by First Alverstone Capital Limited at the beginning and end of the financial year respectively.

There was no change in any of the above-mentioned interests in the Company between the end of financial year and 21 April 2021.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

Share options

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.

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

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

Audit and risk committee

The members of the Audit and risk Committee ("ARC") at the end of the financial year were as follows:

Ms Ng Bie Tjin @ Djuniarti Intan (Chairman)

Mr James Prideaux

Mr Yang Guang

Mr Jin Guanglei

All members of the ARC were independent and non-executive directors, except for Mr Jin Guanglei who was a non-independent non-executive director.

The ARC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. The Functions performed are detailed in the Report on Corporate Governance.

The ARC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept reappointment.

On behalf of the directors:

Mr Zhang Ye

Director

Ms Ng Bie Tjin @ Djuniarti Intan

Director

Singapore

11 August 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED

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 balance sheet of the Group and the balance sheet of the Company as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and 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 balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

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 *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.

Material Uncertainty Related to Going Concern

For the financial year ended 31 March 2021, the Group's cash outflows used in operating activities amounting to approximately \$890,000 (31 March 2020: \$6,826,000). As at that date, the Company's current liabilities exceed its current assets by \$472,000 (31 March 2020: \$263,000). These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as going concerns.

We draw attention to Note 2.1 to the financial statements which state that the ability of the Group and Company to continue as a going concern is dependent on its ability to generate sufficient cash flows from its operations and to raise additional funds. Based on the considerations of factors disclosed in Note 2.1, the directors are of the view that the use of the going concern assumption in the preparation of the accompanying financial statements is appropriate.

If the Group is unable to continue in operation existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify certain non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED

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 for the financial year ended 31 March 2021. 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 our audit addressed the Key Audit Matters

Impairment assessment of investment in subsidiaries

As at 31 March 2021, the Company has investments in subsidiaries, including quasi capital loans amounting to \$9,360,000. For subsidiaries with indicators of impairment, management performed impairment assessment on the investments in subsidiaries and determined their recoverable amounts based on value in use calculations.

This area was significant to our audit because the impairment assessment involved significant management judgement which required the management to make various assumptions in the underlying cash flow forecasts. Key assumptions and estimates used in the cash flow projections are pre-tax discount rates, budgeted revenue and gross margins, terminal growth rates and expected timing of recovery of receivables.

For these reasons, we have identified this as a key audit matter.

Expected credit losses of trade receivables

The Group's total trade receivables at 31 March 2021 is \$11,338,000, which accounted for around 67% of its total assets.

In estimating expected credit losses for trade receivables, judgement is made to determine if past credit loss information and future forward information reflect the appropriate levels of credit risk of the trade receivables and if additional adjustments are required to be made to the expected credit loss estimates.

Due to the significant amount of trade receivables and judgement involved in estimating the expected credit loss, we have identified this as a key audit matter.

Our audit procedures included the following:

We evaluated the reasonableness of the inputs and data used by management to derive the recoverable amounts by comparing to cash flow projections approved by board of directors and historical performance of the subsidiaries.

We discussed with management to obtain an understanding of the business environment at the reporting date and also considered the viability of future plans based on market trends and conditions.

We involved our internal specialists to assist us in evaluating the reasonableness of key assumptions such as discount rates.

Our audit procedures included the following:

We assessed the Group's impairment policy against the requirement of SFRS(I) 9 *Financial Instruments* and its consistency within the Group.

We tested the accuracy of the aging of the trade receivables of the Group.

We discussed with management on those long outstanding trade receivables and assessed the likelihood of default payment and taking into account information such as historical payment patterns and subsequent receipts and requested further information when necessary.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED

Report on the audit of the financial statements (continued)

Other Matter

The financial statements of the Group for the financial year ended 31 March 2020 were audited by another independent auditor who expressed a qualified opinion on those financial statements on 4 September 2020 due to its inability to obtain sufficient appropriate audit evidence regarding the recoverability of trade receivables from related parties and the nature and appropriateness of the carrying amount of the advances to related parties.

Other Information

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

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 Directors 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 SFRS(I)s, 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.

The directors' responsibilities include overseeing the Group's financial reporting process.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUNMOON FOOD COMPANY LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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 year 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.

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 director on the audit resulting in this independent auditor's report is Titus Kuan Tjian.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
 11 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	Group	
		2021 \$'000	2020 \$'000
Revenue	4	33,145	18,002
Cost of sales		(32,245)	(17,092)
Gross profit		900	910
Other income			
– Interest income on bank deposits		2	1
– Other income	5	2,221	396
Expenses			
– Selling and distribution expenses		(1,091)	(1,053)
– Administrative expenses		(948)	(2,899)
– Other expenses	6	(86)	(4)
– Finance costs	6	(92)	–
		906	(2,649)
Fair value change on financial liabilities arising from contingent issuance of shares	21	–	(1,623)
Profit/(Loss) before tax	6	906	(4,272)
Income tax expense	7	–	–
Profit/(Loss) for the financial year		906	(4,272)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		80	(61)
Other comprehensive income/(loss) for the financial year, net of income tax		80	(61)
Total comprehensive income/(loss) for the financial year		986	(4,333)
Earnings/(Loss) per share attributable to equity holders of the Company (cents per share)			
Basic and diluted earnings/(loss) per share	22	0.12	(0.57)

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

BALANCE SHEETS

AS AT 31 MARCH 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
ASSETS					
Non-current assets					
Plant and equipment	8	188	17	-	-
Intangible assets	9	-	-	-	-
Investment in subsidiaries	10	-	-	9,360	7,438
Investment in associate	11	-	-	-	-
Financial assets, at fair value through profit or loss ("FVPL")	12	-	-	-	-
Total non-current assets		188	17	9,360	7,438
Current assets					
Cash and cash equivalents	13	1,153	1,539	33	47
Trade and other receivables	14	13,697	13,268	23	35
Inventories	15	1,949	2,755	-	-
Total current assets		16,799	17,562	56	82
Total assets		16,987	17,579	9,416	7,520
EQUITY					
Equity attributable to equity holders of the company					
Share capital	19	141,887	141,887	141,887	141,887
Other reserves	20	16,440	16,360	18,085	18,085
Accumulated losses		(149,605)	(150,511)	(151,084)	(152,797)
Total equity		8,722	7,736	8,888	7,175
LIABILITIES					
Non-current liabilities					
Borrowings	16	101	6	-	-
Financial liabilities arising from contingent issuance of shares	21	-	-	-	-
Total non-current liabilities		101	6	-	-
Current liabilities					
Borrowings	16	692	3	-	-
Trade and other payables	17	7,472	9,834	528	345
Total current liabilities		8,164	9,837	528	345
Total liabilities		8,265	9,843	528	345
Total equity and liabilities		16,987	17,579	9,416	7,520

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2021

Group	Share capital (Note 19) \$'000	Capital reduction reserve (Note 20) \$'000	Treasury shares (Note 20) \$'000	Foreign currency translation reserve (Note 20) \$'000	Reserve for contingent issuance of shares (Note 20) \$'000	Other reserves total \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 April 2020	141,887	18,384	(299)	(1,725)	-	16,360	(150,511)	7,736
Profit for the financial year	-	-	-	-	-	-	906	906
Other comprehensive income	-	-	-	80	-	80	-	80
Exchange differences arising from translation of foreign operations	-	-	-	80	-	80	-	80
Total comprehensive income for the financial year	-	-	-	80	-	80	906	986
Balance at 31 March 2021	141,887	18,384	(299)	(1,645)	-	16,440	(149,605)	8,722
Balance at 1 April 2019	139,508	18,384	(299)	(1,664)	(1,321)	15,100	(146,239)	8,369
Loss for the financial year	-	-	-	-	-	-	(4,272)	(4,272)
Other comprehensive loss	-	-	-	(61)	-	(61)	-	(61)
Exchange differences arising from translation of foreign operations	-	-	-	(61)	-	(61)	-	(61)
Total comprehensive loss for the financial year	-	-	-	(61)	-	(61)	(4,272)	(4,333)
Contributions by holders	2,379	-	-	-	1,321	1,321	-	3,700
Issuance of adjustment shares	-	-	-	-	-	-	-	-
Total contributions by holders	2,379	-	-	-	1,321	1,321	-	3,700
Balance at 31 March 2020	141,887	18,384	(299)	(1,725)	-	16,360	(150,511)	7,736

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	2021 \$'000	2020 \$'000
Operating activities			
Profit/(Loss) before tax		906	(4,272)
Adjustments for:			
Interest expense	6	92	–*
Interest income		(2)	(1)
(Reversal)/Allowance for inventory obsolescence	6	(42)	66
Depreciation of plant and equipment	6	51	19
Loss on disposal of plant and equipment	6	2	2
Unrealised foreign exchange losses/(gains), net		46	(122)
Reversal of impairment loss on trade and other receivables	5	(1,586)	(62)
Trade receivables written off	6	–	65
Write back of accrued expenses and other payables	5	(531)	(139)
Allowance for impairment loss on trade and other receivables	6	13	1,617
Fair value change on financial liabilities arising from contingent issuance of shares	21	–	1,623
Operating cash flows before working capital changes		(1,051)	(1,204)
Working capital changes:			
Inventories		848	(2,816)
Trade and other receivables		1,144	11,097
Trade and other payables		(1,831)	(13,903)
Net cash used in operating activities		(890)	(6,826)
Investing activities			
Interest received		2	1
Proceeds from disposal of plant and equipment		1	5
Purchase of plant and equipment	8	(19)	(4)
Net cash (used in)/provided by investing activities		(16)	2
Financing activities			
Interest paid		(92)	–*
Repayment of lease liabilities		(37)	(2)
Proceed from borrowings		615	–
Net cash provided by/(used in) financing activities		486	(2)
Net change in cash and cash equivalents		(420)	(6,826)
Cash and cash equivalents			
Beginning of financial year		1,539	8,305
Exchange difference on cash and cash equivalents		34	60
End of financial year	13	1,153	1,539

*Denotes less than \$1,000

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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

1. GENERAL INFORMATION

SunMoon Food Company Limited (the “Company”) is a limited liability company incorporated and domiciled in the Republic of Singapore and is listed on the Mainboard of the Singapore Exchange. Its immediate holding company is Yiguo General Food Pte Ltd, incorporated in the Republic of Singapore and ultimate holding company is Shanghai Yiguo E- Commerce Co., Ltd, incorporated in the People’s Republic of China.

The registered office of the Company is 1 Scotts Road, #21-07/08/09 Shaw Centre, Singapore 228202 and its principal place of business is at 71 Ubi Road 1, #08-47, Oxley Bizhub, Singapore 408732.

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

The principal activities of the subsidiaries are set out in Note 10 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$’000), except when otherwise indicated.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going concern assumption

For the financial year ended 31 March 2021, the Group’s cash outflows used in operating activities amounted to approximately \$890,000 (31 March 2020: \$6,826,000). As at that date, the Company’s current liabilities exceeded its current assets by \$472,000 (31 March 2020: \$263,000). These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as a going concern.

The financial statements have been prepared on a going concern basis based on the factors as set out below:

- (i) Management has prepared a 18-months cash flow forecast from April 2021 to September 2022 and is of the view that the Group will have sufficient net positive cash flow to satisfy its working capital requirements and to meet its obligations as and when they fall due. Management has considered the scheduled repayment from Sheng Shi Ming Yi (Shanghai) Management Co. Ltd (“SSMY”) based on the agreements as set out in (ii) and (iii) below;
- (ii) The Group (through Shanghai SunMoon Supply Chain Management Co., Ltd (“SMF Shanmai”)) has entered into an agreement with SSMY to, inter alia, purchase the trade and other receivables owing to SMF Shanmai comprising of (a) RMB34,893,795 (approximately \$7,156,717) that are owing from Yiguo-related entities to SMF Shanmai (based on a repayment schedule); (as at 31 March 2021, the outstanding from SSMY to SMF Shanmai was RMB6,000,000 (approximately \$1,230,600)); and (b) the trade receivables of RMB11,928,944 (approximately \$2,446,626) (“SMF Shanmai Purchase of AR Agreement”);

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Going concern assumption (continued)

- (iii) The Group (through SunMoon Distribution & Trading Pte Ltd (“SMDT”)) has entered into an agreement with SSMY to, inter alia, purchase the trade receivables owing to SMDT of the amount USD2,035,776 (approximately \$2,739,951) (“SMDT Purchase of AR Agreement”); and
- (iv) The Group has been actively seeking other alternatives to raise funds from investors who are interested in investing directly into the Company, which include potential placement shares issuance under existing mandate.

Interpretations and amendments to published standards effective in 2020

On 1 April 2020, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

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

2.2 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Revenue from sales of goods*

Revenue from sale of goods (i.e. sale of fresh and processed fruits and aquatic food) is recognised at point in time upon the satisfaction of each performance obligation which is usually upon the delivery of goods to customers.

(b) *Interest income*

Interest income is recognised using the effective interest rate method.

(c) *Franchise income*

Franchise income is recognised over time in accordance with the substance of the franchise agreement for the continuing use of rights and curriculum granted to the franchisee. The franchise income is calculated at a fixed amount and invoiced on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Grants

Grants are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants relating to expenses are shown separately as other income.

Grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) *Subsidiaries (continued)*

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associate" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associate*

Associate is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisition*

Investment in 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. Goodwill on associate represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(c) *Associate (continued)*

(ii) *Equity method of accounting*

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise Group's share of its associate's post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associate is recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in associate equal to or exceeds its interest in the associate, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in associate includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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 transactions provide evidence of impairment of the assets transferred. The accounting policies of associate are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investment in associate is derecognised when the Group loses significant influence. If the retained equity interest in the former associate is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associate" for the accounting policy on investment in associate in the separate financial statements of the Company.

2.5 Plant and equipment

(a) *Measurement*

(i) *Plant and equipment*

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Plant and equipment

(b) Depreciation

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

	<u>Useful lives</u>
Plant and machineries	2 to 10 years
Furniture, fixtures and fittings	5 to 10 years
Office equipment	3 to 10 years
Motor vehicles	5 years

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other income/expenses".

2.6 Intangible asset

Software

Software is initially recognised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use.

Software is 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 their estimated useful lives of 3 years.

The amortisation period and amortisation method are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments in subsidiaries and associate

Investments in subsidiaries and associate are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible asset

Plant and equipment

Right-of-use assets

Investments in subsidiaries and associate

Intangible asset, plant and equipment, right-of-use assets and investments in subsidiaries and associate are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.10 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL).

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(a) *Classification and measurement (continued)*

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of the financial assets not a fair value through profit or loss, transactions cost that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) *Debt instrument*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables.

The subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise.

(b) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 25 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SFRS (I)9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits 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 Company has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. 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.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Leases

When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (continued)

When the Group is the lessee (continued)

- Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "plant and equipment".

- Lease liabilities

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (continued)

When the Group is the lessee (continued)

- Short-term and low-value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.15 Inventories

Inventories are carried 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.

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

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and an associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes (continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the 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 balance sheet.

2.17 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

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.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation

(a) *Functional and presentation currency*

Items included in the 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 financial statements are presented in Singapore Dollars (“\$”), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance expense”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other income/expenses”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) 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 rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the 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 currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.23 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 who make strategic decisions.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

(a) *Impairment of investments in subsidiaries*

In performing the impairment assessment of the carrying amount of Company's investment in subsidiaries under SFRS (I) 1-36 Impairment of Assets, management prepared discounted cash flows to determine the recoverable amounts of the subsidiaries with indicators of impairment using the value-in-use model. The recoverable amounts are determined based on a number of significant operational and predictive assumptions such as forecasted revenue, terminal growth rate, profit margin, discount rate as well as timing of recovery of receivables which involves significant estimates.

The information about impairment of investment in subsidiaries is disclosed in Note 10.

(b) *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(b) *Provision for expected credit losses of trade receivables (continued)*

The provision matrix is initially based on the Group's historical observed default rates at various ageing brackets. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 25.

The carrying amount of trade receivables as at 31 March 2021 are \$11,338,000 (31 March 2020: \$7,163,000).

4. REVENUE

Revenue from contract with customers

	Group	
	2021 \$'000	2020 \$'000
<u>At a point in time</u>		
Sales of fruits, seafood and others	<u>33,145</u>	<u>18,002</u>

5. OTHER INCOME

	Group	
	2021 \$'000	2020 \$'000
Franchise income	24	24
Reversal of impairment loss on:		
– Trade receivables (Note 25(a))	1,586	–
– Other receivables (Note 25(a))	–	62
Write back of accrued expenses and other payables	531	139
Government grants	69	–
Foreign exchange gains, net	–	169
Rental rebate	6	–
Others	5	2
	<u>2,221</u>	<u>396</u>

Grant income of \$61,000 was recognised during the financial year under the Jobs Support Scheme (the "JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

6. PROFIT/(LOSS) BEFORE TAX

The following expense items have been included in arriving at profit/(loss) before tax:

	Group	
	2021 \$'000	2020 \$'000
<u>Cost of goods sold</u>		
Purchases of inventories	31,394	19,827
Changes in inventories	848	(2,816)
(Reversal)/Allowance for inventory obsolescence (Note 15)	(42)	66
<u>Selling and distribution expenses</u>		
Advertisement and promotion	93	36
Employee benefits expense:		
– Salaries, bonus and other benefits	761	791
– Defined contribution plans	88	130
Total employee benefits expense	849	921
<u>Administrative expenses</u>		
Audit fees		
– Auditors of the Company	85	100
– Other auditors	37	2
Depreciation of plant and equipment (Note 8)	51	19
Allowance for impairment loss on trade receivables (Note 25(a))	13	1,617
Trade receivables written off	–	65
Rental expense for short-term lease (Note 18(c))	48	97
Directors' fees (Note 24(b))	154	141
Employee benefits expense:		
– Salaries, bonus and other benefits	183	274
– Defined contribution plans	19	31
Total employee benefits expense	356	446
<u>Other expenses</u>		
Foreign exchange losses, net	84	–
Other receivables and deposit written off	–	2
Loss on disposal of plant and equipment	2	2
	86	4
<u>Finance costs</u>		
Interest expense:		
– Bank borrowings	22	–
– Lease liabilities (Note 18(b))	3	–
– Third parties	67	–
	92	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

6. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

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

	Group	
	2021	2020
	\$'000	\$'000
Selling and distribution expenses	849	921
Administrative expenses	356	446
	1,205	1,367

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

7. INCOME TAX EXPENSE

(a) *Income tax expense*

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2021	2020
	\$'000	\$'000
Profit/(Loss) before tax	906	(4,272)
Income tax calculated at Singapore's statutory tax rate of 17% (2020: 17%)	154	(726)
Effect of:		
– different tax rates in other countries	(19)	(56)
– income not subjected to tax	(365)	(63)
– expenses not deductible for income tax purposes	208	570
Utilisation of previously unrecognised:		
– capital allowances	(7)	–
– tax losses	(42)	–
– deferred tax assets not recognised	71	275
	–	–

As at 31 March 2021, the Group has unutilised tax losses of approximately \$19,332,000 (31 March 2020: \$19,160,000) and unutilised capital allowance of approximately \$289,000 (31 March 2020: \$330,000) available for offset against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates.

(b) *Unrecognised temporary differences relating to investments in subsidiaries*

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 as they are in accumulated losses positions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

8. PLANT AND EQUIPMENT

Group	Plant and machineries \$'000	Office equipment \$'000	Furniture, fixtures and fittings \$'000	Motor vehicles \$'000	Total \$'000
Cost					
At 1 April 2019	36	463	171	56	726
Additions	–	4	–	–	4
Disposal	–	–	–	(55)	(55)
Currency translation differences	–	–	–	(1)	(1)
At 31 March 2020 and 1 April 2020	36	467	171	–	674
Additions	206	19	–	–	225
Disposal	–	(19)	(77)	–	(96)
At 31 March 2021	242	467	94	–	803
Accumulated depreciation					
At 1 April 2019	36	431	171	50	688
Depreciation charge for the financial year	–	19	–	–	19
Disposal	–	–	–	(48)	(48)
Currency translation differences	–	–	–	(2)	(2)
At 31 March 2020 and 1 April 2020	36	450	171	–	657
Depreciation charge for the financial year	36	15	–	–	51
Disposal	–	(16)	(77)	–	(93)
At 31 March 2021	72	449	94	–	615
Net carrying amount					
At 31 March 2020	–	17	–	–	17
At 31 March 2021	170	18	–	–	188

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

9. INTANGIBLE ASSETS

	Software \$'000
Group and Company	
Cost	
At 1 April 2019	149
Disposal	(149)
At 31 March 2020 and at 31 March 2021	–
Accumulated amortisation	
At 1 April 2019	149
Disposal	(149)
At 31 March 2020 and at 31 March 2021	–
Net carrying amount	
At 31 March 2020 and at 31 March 2021	–

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 \$'000	2020 \$'000
Unquoted equity shares, at cost	10,200	10,200
Allowance for impairment loss	(10,200)	(10,200)
	–	–
Amount due from subsidiaries (non-trade)	18,397	19,025
Allowance for impairment loss on receivables	(9,037)	(11,587)
	9,360	7,438
	9,360	7,438

Movements in allowance for impairment loss on investment in subsidiaries were as follows:

	Company	
	2021 \$'000	2020 \$'000
Balance at beginning of financial year	10,200	9,029
Additional allowance for impairment during the financial year	–	1,171
Balance at end of financial year	10,200	10,200

The amount due from subsidiaries represents part of net investment and are unsecured and non-interest bearing. Settlement of the amounts due is neither planned nor likely to occur in the foreseeable future and they are repayable only when cash flows of the subsidiaries permit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	Company	
	2021 \$'000	2020 \$'000
Balance at beginning of financial year	11,587	5,920
Additional allowance for impairment during the financial year	–	5,707
Reversal of allowance for impairment during the financial year	(2,408)	–
Currency translation differences	(142)	(40)
Balance at end of financial year	9,037	11,587

(a) *Composition of the Group*

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	
		2021 %	2020 %
Held by the Company			
SunMoon Retail & Franchise Pte Ltd ⁽¹⁾ (Singapore)	To own, operate and manage as principal franchisor and/or agent of all kinds of fruits	100	100
SunMoon Distribution & Trading Pte Ltd ⁽²⁾ (Singapore)	Importer, exporter, wholesaler, retailer and commission agent of fruits	100	100
Held by SunMoon Distribution & Trading Pte Ltd			
SunMoon Food (Shanghai) Co., Ltd (People's Republic of China)	Headquarter for China operations, sales and other marketing and distribution	100	100
Held by SunMoon Food (Shanghai) Co., Ltd			
Shanghai Shanmai Supply Chain Management Co., Ltd ⁽³⁾ (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
Shanghai SunMoon Food & Aquatic International Trading Co. Ltd ⁽⁴⁾ (People's Republic of China)	Dormant	100	–

(1) Audited by YW&CO.

(2) Audited by Nexia TS Public Accounting Corporation, Singapore

(3) Audited by Nexia TS (Shanghai) Co Ltd for consolidation purpose

(4) Incorporated on 20 January 2021

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) *Composition of the Group (continued)*

In accordance to Rule 712 and 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

(b) *Impairment of investment in subsidiaries*

During the financial year, the Group carried out a review of the recoverable amount of the net investment in subsidiaries. The review led to the reversal of allowance for impairment \$2,408,000 (31 March 2020: allowance for impairment \$6,878,000).

Investment in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable. In particular, management determines the recoverable amounts of the subsidiaries based on value-in-use (“VIU”) model, using financial budgets approved and involving a number of significant operational and predictive assumptions, covering a six-year period and projections to terminal year.

The pre-tax discount rates, gross margin and terminal growth rates in used in the VIU calculations are between 10%, 4% and 3% (31 March 2020: 11%, 6% and 2.3%) respectively.

Management estimates the discount rate using pre-tax rates that reflect current market assessment of the time value of money and risk specific to each subsidiary.

The gross margin and terminal growth rates are based on planned strategies and cost initiatives as well as industry indices.

11. INVESTMENT IN ASSOCIATE

	Group	
	2021 \$'000	2020 \$'000
Unquoted equity shares, at cost	101	101
Allowance for impairment loss	(101)	(101)
	-	-

The particulars of the associate are as follows:

Name of associate (Country of incorporation)	Principal activity	Effective equity interest held	
		2021 %	2020 %
Held by SunMoon Food (Shanghai) Co Ltd			
Xinjiang SunMoon Co. Ltd (People’s Republic of China)	Dormant	25	25

* The Company’s business license has not been renewed and remained dormant as at 31 March 2021.

There are no contingent liabilities relating to the Group’s interest in the associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

12. FINANCIAL ASSETS, AT FVPL

	Group	
	2021 \$'000	2020 \$'000
Financial instruments		
Equity security (unquoted)	-	-

It pertains to the equity security of Harvest Season Pte. Ltd.. As at 31 March 2021 and 2020, management has ascertained its fair value to be zero.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at bank	1,153	1,539	33	47

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables:				
– Third parties	12,957	3,816	-	-
– Related parties	98	6,605	-	-
	13,055	10,421	-	-
Less: allowance for impairment loss (Note 25 (a))				
– Third parties	(1,717)	(1,817)	-	-
– Related parties	-	(1,441)	-	-
	11,338	7,163	-	-
Other sundry receivables	209	132	-	15
Refundable deposits	4	33	-	-
Total trade and other receivables carried at amortised cost	11,551	7,328	-	15
GST/VAT refundable	66	632	3	-
Advances to suppliers:				
– Third parties	2,023	-	-	-
– Related parties	-	4,428	-	-
	2,023	4,428	-	-
Prepayments	57	880	20	20
Total	13,697	13,268	23	35

Included in advances to suppliers is an amount of \$Nil (31 March 2020: \$4,428,000) of advances to related parties held by the ultimate holding company which had been wholly purchased by SSMY as disclosed in Note 2.1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

15. INVENTORIES

	Group	
	2021 \$'000	2020 \$'000
Consolidated balance sheet:		
Fruits and aquatic products	1,949	2,755
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	32,200	17,077
Inclusive of the following charge:		
– (Reversal)/Allowance for inventory obsolescence (Note 6)	(42)	66

16. BORROWINGS

	Group	
	2021 \$'000	2020 \$'000
Current		
Bank loan	615	–
Lease liabilities (Note 18(b))	77	3
	692	3
Non-current		
Lease liabilities (Note 18(b))	101	6
Total borrowings	793	9

(a) *Security granted*

The bank loan of RMB3,000,000 (or \$615,000) at interest rate of 4.50% per annum was obtained from China Construction Bank under the personal guarantee of a director. The loan has been renewed for one year at an interest rate of 4.25% per annum and due on 17 May 2022.

(b) *A reconciliation of liabilities arising from financing activities is as follows:*

	1 April 2020 \$'000	Proceeds from borrowings \$'000	Principal and interest payments \$'000	Non-cash changes			31 March 2021 \$'000
				Addition \$'000	Interest expenses \$'000	Foreign exchange movement \$'000	
Bank loan	–	615	(22)	–	22	–	615
Lease liabilities	9	–	(40)	206	3	–*	178
Total	9	615	(62)	206	25	–	793

	1 April 2019 \$'000	Principal and interest payments \$'000	Non-cash changes Interest expenses \$'000	31 March 2020 \$'000
Lease liabilities	11	(2)	–	9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables				
– Third parties	4,366	8,552	–	–
– Related parties	123	187	–	–
	4,489	8,739	–	–
Other payables				
– Third parties	408	256	75	5
	408	256	75	5
Accrued operating expenses	513	393	453	326
Total trade and other payables carried at amortised cost	5,410	9,388	528	331
Advances from customers:				
– Third parties	2,062	–	–	–
– Related parties	–	423	–	–
	2,062	423	–	–
Deferred grant income	–	23	–	14
Total	7,472	9,834	528	345

18. LEASES

Nature of the Group's leasing activities

Plant and machineries

The Group leases office spaces for the purpose of back office operations in China and Singapore.

Office equipment

The Group leases copier for administrative purpose. The Group is restricted from assigning and subleasing the leased assets.

(a) *Carrying amounts of right-of-use assets classified within plant and equipment*

	2021 \$'000	2020 \$'000
Plant and machineries	170	–
Office equipment	2	6
	172	6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

18. LEASES (CONTINUED)

Nature of the Group's leasing activities (continued)

Office equipment (continued)

(b) *Amounts recognised in profit or loss*

	2021 \$'000	2020 \$'000
Depreciation of right-of-use assets:		
- Plant and machineries	36	–
- Office equipment	4	4
	40	4
Interest expenses on lease liabilities (Note 6)	3	–*

* Denotes less than \$1,000

(c) *Lease expense not capitalised in lease liabilities*

	2021 \$'000	2020 \$'000
Rental expenses – short-term leases (Note 6)	48	97

(d) The Group has total cash outflows for leases of \$88,000 (2020: \$99,000).

(e) Addition of ROU assets during the financial year was \$206,000 (2020: \$Nil).

(f) *Extension options*

The leases for certain plant and machineries contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

19. SHARE CAPITAL

	Group and Company			
	2021 '000	2020 '000	2021 \$'000	2020 \$'000
	Number of ordinary shares			
Issued and fully paid				
Balance at beginning of financial year	784,635	719,724	141,887	139,508
Shares issuance during the financial year	–	64,911	–	2,379
Balance at end of financial year	784,635	784,635	141,887	141,887

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

19. SHARE CAPITAL (CONTINUED)

The Company and Shanghai Yiguo E-Commerce Co., Ltd (“Shanghai Yiguo”) had entered into a placement agreement (“Placement Agreement”) dated 31 December 2016, pursuant to which Shanghai Yiguo had agreed to subscribe for an aggregate of 333,333,333 new ordinary shares in the capital of the Company at \$0.045 per share, aggregating gross proceeds of \$15 million, and the Company had agreed to constitute 166,666,667 of warrants to Shanghai Yiguo. The warrants have lapsed on 3 July 2020.

On 13 May 2017, the Company and Shanghai Yiguo had entered into an agreement to supplement the Placement Agreement (collectively, the “Agreement”).

Under the Agreement, it was stated that upon the occurrence of certain loss events, the Company shall, at no cost to Shanghai Yiguo, top-up the number of new Shares (each fully paid) to be issued to Shanghai Yiguo (“Adjustment Shares”). The Company and Shanghai Yiguo have agreed that these loss events to which adjustment shares are issuable include, inter alia:

- (i) Net Asset value (“NAV”) of the Group as at 31 December 2016 (on the basis of the audited accounts of the Group) falls 10% or more below \$10 million;
- (ii) losses and/or costs from its transactions with Harvest Season Pte. Ltd., Shanghai Chibin International Trading Co. Ltd., East China Marine Equipment Co. Ltd., Zhang Jiang Quan Tony, Ong Yaw Teh Patrick and/or such other businesses or companies as may be owned or controlled by the aforementioned (collectively, “HS Affiliates”), including the writing off of any receivables due from the HS Affiliates and/or the acquisition of equity interest in Harvest Season Pte. Ltd;
- (iii) losses and/or costs arising from its transactions with PT Fresh Foods Synergy (“PT Fresh”), an Indonesian customer, including non-recoverability of trade receivables as well as the acquisition of equity interest in PT Fresh; and
- (iv) losses and/or costs arising from the Dehydrated Produce Business.

For event (i), the Company had issued 67,607,078 adjustment shares due to shortfall in the NAV of the Group as at 31 December 2016 on 5 July 2017 upon the issuance of placement shares.

The placement was completed on 5 July 2017 and in accordance with instructions from Shanghai Yiguo, all placement and adjustment shares and warrants were issued to Yiguo General Food Pte Ltd. Consequently, the total number of issued shares in the capital of the Company has increased from 318,784,382 to 719,724,793 as at 31 March 2018.

For events (ii) to (iv), the Company had issued the final adjustment shares of 64,910,578 on 14 October 2019 (Note 21).

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares (except treasury shares) carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

20. OTHER RESERVES

Other reserves comprise the following:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Capital reduction reserve	18,384	18,384	18,384	18,384
Foreign currency translation reserve	(1,645)	(1,725)	-	-
Reserve for contingent issuance of shares	-	-	-	-
Treasury shares	(299)	(299)	(299)	(299)
	16,440	16,360	18,085	18,085

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.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from (i) the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as (ii) the translation of loans to subsidiaries deemed as quasi capital in nature.

Reserve for contingent issuance of shares

This reserve relates to the contingent issuance of top-up adjustment shares to be issued as a result of the occurrence of the loss events pursuant to the Placement Agreement disclosed in Note 19 to the financial statements.

Treasury shares

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 6,362,798 shares in the Company through purchases on the Singapore Exchange during the financial year ended 31 March 2019. The amount paid to acquire the shares was \$299,000 and this was presented as a component within shareholders' equity.

21. FINANCIAL LIABILITIES ARISING FROM CONTINGENT ISSUANCE OF SHARES

	Group and Company	
	2021 \$'000	2020 \$'000
Fair value on initial recognition	-	2,077
Fair value changes during the financial year	-	1,623
De-recognition on issuance of shares	-	(3,700)
Fair value at the end of financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

21. FINANCIAL LIABILITIES ARISING FROM CONTINGENT ISSUANCE OF SHARES (CONTINUED)

Financial liabilities were recognised as a result of the contingent issuance of 64,910,578 top-up adjustment shares arising from loss events at the Company's share price of \$0.032 as at 31 March 2019, as disclosed in Note 19 to the financial statements.

As the top-up shares constituted a contract that were settled in a variable number of the Company's own equity instruments and were a contingent issuance of shares at a fixed price, they were derivatives measured at fair value through profit or loss.

The final adjustment shares of 64,910,578 had been issued on 14 October 2019. Accordingly, the financial liabilities were de-recognised at the issuance date.

22. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share are calculated by dividing profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2021	2020
Profit/(Loss) attributable to equity holders of the Company (\$'000)	<u>906</u>	<u>(4,272)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000)	<u>778,273</u>	<u>743,512</u>
Basic and diluted earnings/(loss) per shares (cents)	<u>0.12</u>	<u>(0.57)</u>

There were no dilutive potential ordinary shares during the financial years ended 31 March 2020 and 2021.

23. SEGMENT INFORMATION

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

The Group is engaged in the sales of fruits, vegetables, seafood, meat, aqua-food and agri-food related products and including any other ancillary products globally. The management has determined all these products are reported together as one segment as these products have the same nature and economic characteristics. Hence, there are no other reportable segments to be presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

23. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates in several geographical areas. Revenue is based on the region in which the customers are located. Non-current assets comprise of the plant and equipment as presented in the balance sheet of the Group. Non-current assets are shown by the geographical area in which the assets are located.

	Revenue		Non-current assets	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
ASEAN	2,915	4,122	50	16
PRC	30,230	13,807	138	1
Others	-	73	-	-
	33,145	18,002	188	17

Revenue of approximately \$15,883,000 (2020: \$6,575,000) is derived from 3 (2020: 3) customers. Revenue of each of these external third-party customers individually constitutes more than 5% of total revenue for both the financial years.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

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:

- (a) *Sales and purchases of goods and services*

	Group	
	2021 \$'000	2020 \$'000
Companies related to the ultimate holding company		
Sales	3,422	3,904
Purchases	(1,874)	(11,898)
Advance payment to related parties for purchases	-	4,428
Service received from	(129)	(255)
Service provided to	20	6

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

Outstanding balances at 31 March 2021 and 2020, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 14 and 17 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) *Compensation of key management personnel*

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

	Group	
	2021 \$'000	2020 \$'000
Directors' fees (Note 6)	154	141
Wages and salaries	349	279
Employer's contribution to defined contribution plans, including Central Provident Fund	26	30
	529	450

Key management personnel comprises the Executive Director and Financial Controller.

25. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's and the Company's activities expose them to credit risks, foreign currency risks, interest rate risk 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 risks are 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.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history and obtaining cash deposits where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Cash and cash equivalents are placed with banks and financial institutions with high credit-ratings assigned by international credit rating agencies. The cash and cash equivalents are measured on 12-month expected credit losses and subject to immaterial credit loss.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risks (continued)

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as default if the counterparty fails to make contractual payments within 180 days when they fall due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The movement in credit loss allowance of trade receivables is as follows:

	Group	
	Trade receivables	
	2021	2020
	\$'000	\$'000
At beginning of financial year	3,258	3,168
Allowance for expected credit losses (Note 6)	13	1,617
Reversal of expected credit losses (Note 5)	(1,586)	–
Written off	–	(1,533)
Currency translation differences	32	6
At end of financial year	1,717	3,258

The movement in credit loss allowance of other receivables is as follows:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of financial year	–	2,047	–	1,975
Reversal of allowance for expected credit losses (Note 5)	–	(62)	–	–
Written off	–	(1,974)	–	(1,961)
Currency translation differences	–	(11)	–	(14)
Balance at end of financial year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risks (continued)*

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region of customers:

People's Republic of China:

	Current \$'000	Past due 0 to 30 days \$'000	Past due 31 to 60 days \$'000	Past due 61 to 90 days \$'000	More than 90 days past due \$'000	Total \$'000
31 March 2021						
Gross carrying amount	2,583	2,115	2,223	698	650	8,269
Loss allowance	–	–	–	–	(83)	(83)
Net amount	2,583	2,115	2,223	698	567	8,186

Other geographical areas:

	Current \$'000	Past due 0 to 30 days \$'000	Past due 31 to 60 days \$'000	Past due 61 to 90 days \$'000	More than 90 days past due \$'000	Total \$'000
31 March 2021						
Gross carrying amount	2	–	–	602	4,182	4,786
Loss allowance	–	–	–	–	(1,634)	(1,634)
Net amount	2	–	–	602	2,548	3,152

People's Republic of China:

	Current \$'000	Past due 0 to 30 days \$'000	Past due 31 to 60 days \$'000	Past due 61 to 90 days \$'000	More than 90 days past due \$'000	Total \$'000
31 March 2020						
Gross carrying amount	532	513	1,528	1,519	4,224	8,316
Loss allowance	–	–	–	–	(1,714)	(1,714)
Net amount	532	513	1,528	1,519	2,510	6,602

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risks (continued)

Other geographical areas:

31 March 2020	Current \$'000	Past due 0 to 30 days \$'000	Past due 31 to 60 days \$'000	Past due 61 to 90 days \$'000	More than 90 days past due \$'000	Total \$'000
Gross carrying amount	11	2	–	–	2,092	2,105
Loss allowance	–	–	–	–	(1,544)	(1,544)
Net amount	11	2	–	–	548	561

Excessive risk concentration

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group	
	2021 \$'000	2020 \$'000
Singapore	3	10
People's Republic of China	10,738	6,606
Indonesia	597	–
Thailand	–	547
	11,338	7,163

The Group has significant concentration of credit risk. The top 5 customers accounted for approximately 40% (31 March 2020: 88%) of the total trade receivables as at 31 March 2021. In particular, the Group has significant concentration of credit risk in terms of trade balance due from related parties constituting 0.9% (31 March 2020: 72%) of the net trade receivables as at 31 March 2021.

(b) 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 ("USD") and Australia Dollar (AUD).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risks (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	RMB \$'000	AUD \$'000	Others \$'000	Total \$'000
Group						
At 31 March 2021						
Financial assets						
Trade and other receivables (Note 14)	8	3,149	8,394	-	-	11,551
Cash and cash equivalents (Note 13)	141	273	737	2	-	1,153
	<u>149</u>	<u>3,422</u>	<u>9,131</u>	<u>2</u>	<u>-</u>	<u>12,704</u>
Financial liabilities						
Trade and other payables (Note 17)	(586)	(780)	4,034	-	(10)	(5,410)
Borrowings (Note 16)	(40)	-	(753)	-	-	(793)
	<u>(626)</u>	<u>(780)</u>	<u>(4,787)</u>	<u>-</u>	<u>(10)</u>	<u>(6,203)</u>
Net financial (liabilities)/ assets	<u>477</u>	<u>2,642</u>	<u>4,344</u>	<u>2</u>	<u>(10)</u>	<u>6,501</u>
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies						
	<u>-</u>	<u>2,642</u>	<u>-</u>	<u>2</u>	<u>(10)</u>	<u>2,634</u>
	SGD \$'000	USD \$'000	RMB \$'000	AUD \$'000	Others \$'000	Total \$'000
Group						
At 31 March 2020						
Financial assets						
Trade and other receivables (Note 14)	64	2,617	4,647	-	-	7,328
Cash and cash equivalents (Note 13)	131	322	887	199	-	1,539
	<u>195</u>	<u>2,939</u>	<u>5,534</u>	<u>199</u>	<u>-</u>	<u>8,867</u>
Financial liabilities						
Trade and other payables (Note 17)	(421)	(1,837)	(7,124)	-	(6)	(9,388)
Borrowings (Note 16)	(9)	-	-	-	-	(9)
	<u>(430)</u>	<u>(1,837)</u>	<u>(7,124)</u>	<u>-</u>	<u>(6)</u>	<u>(9,397)</u>
Net financial (liabilities)/ assets	<u>(235)</u>	<u>1,102</u>	<u>(1,590)</u>	<u>199</u>	<u>(6)</u>	<u>(530)</u>
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies						
	<u>-</u>	<u>1,102</u>	<u>-</u>	<u>199</u>	<u>(6)</u>	<u>1,295</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risks (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000
<u>Company</u>				
<u>At 31 March 2021</u>				
Financial asset				
Cash and cash equivalents (Note 13)	24	9	-*	33
Financial liability				
Trade and other payables (Note 17)	(528)	-	-	(528)
Net financial (liabilities)/assets	(504)	9	-*	(495)
Currency exposure of financial assets net of those denominated in the Company's functional currency	-	9	-	9
	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000
<u>Company</u>				
<u>At 31 March 2020</u>				
Financial asset				
Trade and other receivables (Note 14)	15	-	-	15
Cash and cash equivalents (Note 13)	44	3	-*	47
	59	3	-*	62
Financial liability				
Trade and other payables (Note 17)	(331)	-	-	(331)
Net financial (liabilities)/assets	(272)	3	-*	(269)
Currency exposure of financial assets net of those denominated in the Company's functional currency	-	3	-	3

* Denotes less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risks (continued)

Foreign currency sensitivity analysis

If the USD and AUD change against SGD by 7% (2020: 6%) and 13% (2020: 9%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities that are exposed to currency risk will be as follows:

	Profit before tax (Decrease)/Increase	
	2021 \$'000	2020 \$'000
Group		
USD/SGD		
– Strengthened 7% (2020: 6%)	185	66
– Weakened 7% (2020: 6%)	(185)	(66)
AUD/SGD		
– Strengthened 13% (2020: 9%)	–*	18
– Weakened 13% (2020: 9%)	(-*)	(18)
Company		
USD/SGD		
– Strengthened 7% (2020: 6%)	1	(-*)
– Weakened 7% (2020: 6%)	(1)	–*

* Denotes less than \$1,000

(c) 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 cycles.

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 liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) *Liquidity risks (continued)*

	Less than 1 year \$'000	Between 1 and 2 years \$'000
Group		
As at 31 March 2021		
<u>Financial liabilities</u>		
Trade and other payables	5,410	–
Borrowings	697	103
	6,107	103
As at 31 March 2020		
<u>Financial liabilities</u>		
Trade and other payables	9,388	–
Borrowings	3	7
	9,391	7
	Less than 1 year \$'000	Between 1 and 2 years \$'000
Company		
As at 31 March 2021		
<u>Financial liability</u>		
Trade and other payables	528	–
As at 31 March 2020		
<u>Financial liability</u>		
Trade and other payables	331	–

(d) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets and liabilities at variable rates, the Group's income is substantially independent of changes in market interest rates.

(e) *Fair value measurements*

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) *Financial instruments by category*

The carrying amount of the different categories of financial instruments are as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets, at amortised cost	12,704	8,867	33	62
Financial liabilities, at amortised cost	6,203	9,397	528	331

26. CAPITAL MANAGEMENT

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 shareholders' 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 during the financial years ended 31 March 2021 and 2020.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables at amortised cost less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Total financial liabilities at amortised cost	6,203	9,397	528	331
Less: Cash and cash equivalents	(1,153)	(1,539)	(33)	(47)
Net debt	5,050	7,858	495	284
Equity attributable to equity holders of the company	8,722	7,736	8,888	7,175
Total capital	13,772	15,594	9,383	7,459
Gearing ratio	37%	50%	5%	4%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2021 and 2020.

27. IMPACT OF COVID-19

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's significant operations are in ASEAN and People's Republic of China, all of which have been affected by the spread of COVID-19 in 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

27. IMPACT OF COVID-19 (CONTINUED)

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended 31 March 2021:

- i. The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- ii. In 2021, border closures, production stoppages and workplace closures have resulted in periods where the Group's operations were temporarily suspended to adhere to the respective governments' movement control measures. These have negatively impacted business production and volume in 2021, resulting in a negative impact on the Group's financial performance for 2021.
- iii. In 2021, the Group has received rental rebates for its short-term leased premise. The effects of such rental rebate received are disclosed in Note 5.
- iv. The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 March 2021.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 March 2021. If the situation persists beyond management's current expectations, the Group's assets may be subject to further write downs in the subsequent financial periods.

28. SUBSEQUENT EVENTS

(a) *Establishment of a joint venture company*

The Company's indirect wholly-owned subsidiary, Shanghai SunMoon Food & Aquatic International Trading Co., Ltd. has on 12 May 2021 entered into a joint venture agreement with Thanh Vinh Le ("TVL"). TVL is one of the directors of Truong Giang Fishery Holdings Corporation ("TGFHC"). TGFHC is a company which specialises in the exports of fish and related products. The primary business scope of the joint venture company is to procure the sale and purchase of TGFHC Vietnamese Pangasius ("Basha Fish") as well as related products or such other businesses as the parties may agree from time to time. On 3 June 2021, the joint venture company- Shanghai Jiangshan International Trade Co., Ltd has been established.

(b) *Increase in share capital in subsidiary*

In May 2021, SunMoon Food (Shanghai) Co., Ltd increased its register share capital from RMB1,943,000 to RMB50,000,000. Share capital will be paid up by business license expiration date of 10 August 2038.

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of directors of SunMoon Food Company Limited on 11 August 2021.

STATISTICS OF SHAREHOLDINGS

AS AT 31 AUGUST 2021

Issued and Fully Paid-Up Capital (including Treasury Shares):	S\$139,508,483.00
Issued and Fully Paid-Up Capital (excluding Treasury Shares):	S\$139,209,430.77
Number of Issued Shares (excluding Treasury Shares):	778,272,573
Number/Percentage of Treasury Shares:	6,362,798 (0.82%)
Class Of Shares:	Ordinary shares
Voting Rights (excluding Treasury Shares):	One Vote Per Share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	4,705	36.37	125,078	0.02
100 – 1,000	3,951	30.55	1,871,477	0.24
1,001 – 10,000	2,935	22.69	11,827,634	1.52
10,001 – 1,000,000	1,317	10.18	135,743,563	17.44
1,000,001 & ABOVE	27	0.21	628,704,821	80.78
TOTAL	12,035	100.00	778,272,573	100.00

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
1 YIGUO GENERAL FOOD PTE. LTD.	465,850,989	59.86
2 UOB KAY HIAN PTE LTD	46,977,586	6.03
3 MAYBANK KIM ENG SECURITIES PTE.LTD	27,611,635	3.55
4 TOH LAI KENG	23,500,000	3.02
5 PRIMA PORTFOLIO PTE LTD	11,221,900	1.44
6 DBS NOMINEES PTE LTD	8,395,283	1.08
7 PHILLIP SECURITIES PTE LTD	6,438,241	0.83
8 OCBC NOMINEES SINGAPORE PTE LTD	5,804,210	0.74
9 OCBC SECURITIES PRIVATE LTD	2,797,390	0.36
10 TAN KOK SIANG GARY	2,750,000	0.35
11 UNITED OVERSEAS BANK NOMINEES PTE LTD	2,613,842	0.34
12 CHUA KENG LOY	2,280,000	0.29
13 LEE YONG CHOI	2,275,000	0.29
14 TAN KAH HENG (CHEN JIAXING)	2,079,500	0.27
15 IFAST FINANCIAL PTE LTD	1,940,495	0.25
16 RAFFLES NOMINEES (PTE) LIMITED	1,931,640	0.25
17 AW BOON LEONG (HU WENLONG)	1,877,800	0.24
18 ZHU XILIN	1,536,970	0.20
19 ZHOU KEKE	1,500,000	0.19
20 LIN JIAN	1,399,900	0.18
	620,782,371	79.76

On the basis of the information available to the Company, approximately 32.47% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	
	DIRECT INTEREST	DEEMED INTEREST
FIRST ALVERSTONE CAPITAL LTD	59,712,722	–
GARY LOH HOCK CHUAN	–	59,712,722
SELENA CHENG KOH MIN	–	59,712,722
YIGUO GENERAL FOOD PTE LTD	465,850,989	–

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Information of the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(6) of the Listing Manual of the SGX-ST:

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
Date of Appointment	15 April 2007	31 December 2018	8 August 2018	16 February 2021
Date of last re-appointment (if applicable)	31 July 2018	30 July 2019	30 July 2019	Not Applicable
Age	55	49	53	36
Country of principal residence	Singapore	China	China	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After reviewing the recommendation of the Nominating Committee and Mr Gary Loh's qualifications and experience, the Board has approved that Mr Gary Loh Hock Chuan stands for re-election as a Non-Independent Non-Executive Director.	After reviewing the recommendation of the Nominating Committee and Mr Zhang Ye's qualifications and experience, the Board has approved that Mr Zhang Ye stands for re-election as a Non-Independent Executive Director.	After reviewing the recommendation of the Nominating Committee and Mr Jin Guanglei's qualifications and experience, the Board has approved that Mr Jin Guanglei stands for re-election as a Non-Independent Non-Executive Director.	After reviewing the recommendation of the Nominating Committee and Mr Xue Yuning's qualifications and experience, the Board has approved that Mr Xue Yuning stands for re-election as a Non-Independent Non-Executive Director.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Mr Zhang will be overall responsible for the management and direction of the Group's business.	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of the Board of Directors	Chief Executive Officer, Member of Nominating Committee and Member of Board of Directors	Member of Remuneration Committee, Member of Nominating Committee, Member of Audit and Risk Committee and Member of Board of Directors	Member of Board of Directors

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes	No	No	No
Conflict of interests (including any competing business)	No	No	No	No
Working experience and occupation(s) during the past 10 years	<ol style="list-style-type: none"> 1. April 2007 to October 2013 – Non-Independent Director of the Company 2. October 2013 to August 2017 – Executive Chairman of the Company 3. August 2017 to present – Deputy Chairman of the Company 4. October 2013 to March 2019 – Executive Director 5. April 2019 to present – Non-Executive Director 6. April 2005 to present – Executive Chairman of First Alverstone Capital Ltd 	<p>Chief Executive Officer, Board Chairman of Yiguo Group and Board Chairman of Enmore Group</p>	<p>Co-chairman at Yiguo Group</p>	<ol style="list-style-type: none"> 1. April 2021 to Present: Director Jiangxi Jiangzhong Food Therapy Technology Co., Ltd 2. December 2017 to April 2021: Chairman Jiangxi Jiangzhong Food Therapy Technology Co., Ltd. 3. September 2016 to Present: CEO, Wuhan Certain Venture Capital Fund Management Co., Ltd 4. November 2015 to September 2016: Director, Warburg Pincus 5. May 2014 to October 2015: Vice President, CDH Investments 6. September 2012 to April 2014: Associate, CITIC PE 7. July 2009 to October 2012: Analyst, Goldman Sachs

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) Or Appendix 7H (Catalist Rule 704(6))	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries?	Mr. Gary Loh Hock Chuan is deemed interested in 59,712,722 shares owned by First Alverstone Capital Limited ("FACL") as he and his spouse Selena Cheng Koh Min, own the share capital of FACL.	No	No	No
Other Directorship Past (for the last 5 years)	<ol style="list-style-type: none"> 1. Ajia Lighthouse China Growth Fund Limited 2. Ajia Lighthouse China Growth Master Fund Limited 3. SunMoon Food (Shanghai) Co Ltd 4. Sunmoon Distribution & Trading Pte Ltd 5. SunMoon Retail & Franchise Pte Ltd 	<ol style="list-style-type: none"> 1. Yiguo General Food Pte Ltd 2. Enmore Group Pte Ltd 3. Shanghai Yiguo E-Commerce Co., Ltd 4. Shanghai Enmore Technology Holdings Co., Ltd 	Shanghai Yiguo E-commerce Co., Ltd	NA

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
Other Directorship Present	<ol style="list-style-type: none"> 1. First Alverstone Partners Pte Ltd 2. SLS Atelier Pte Ltd 3. First Alverstone Capital Ltd 4. First Alverstone Partners (Global) Ltd 	<ol style="list-style-type: none"> 1. Yiguo General Food Pte Ltd 2. Enmore Group Pte Ltd 3. Shanghai Yiguo E-Commerce Co., Ltd 4. Shanghai Enmore Technology Holdings Co., Ltd 	Shanghai Yiguo E-commerce Co., Ltd	<ol style="list-style-type: none"> 1. Wuhan Certain Venture Capital Fund Management Co. Ltd 2. Jiangxi Jiangzhong Food Therapy Technology Co., Ltd 3. Shenzhen Xunchang Infinite Game Corporation Ltd
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	Yes	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his acknowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-				

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director			
	Mr Gary Loh Hock Chuan	Mr Zhang Ye	Mr Jin Guanglei	Mr Xue Yuning
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
Any prior experience as a director of a listed company?	Yes	Yes	Yes	No
If Yes, Please provide full details	Director of the Company from 15 April 2007 till to-date	Director of the Company from 31 December 2018 till to-date	Director of the Company from 8 August 2018 till to-date	–
If No, Please provide the details of any training undertaken in the roles and responsibilities of a director of a listed company	–	–	–	–

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of SUNMOON FOOD COMPANY LIMITED will be held by way of electronic means on Wednesday, 29 September 2021 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 March 2021 together with the Auditors’ Report. **Resolution 1**
2. To approve the payment of Directors’ Fees of S\$154,000.00 for the financial year ended 31 March 2021. **Resolution 2**
3. To re-elect Mr Zhang Ye, a Director who is retiring by rotation in accordance with Regulation 104 of the Company’s Constitution and who, being eligible, offers himself for re-election as a Director of the Company. *[See Explanatory Note (i)]* **Resolution 3**
4. To re-elect Mr Gary Loh Hock Chuan, a Director who is retiring by rotation in accordance with Regulation 104 of the Company’s Constitution and who, being eligible, offers himself for re-election as a Director of the Company. *[See Explanatory Note (ii)]* **Resolution 4**
5. To re-elect Mr Jin Guanglei, a Director who is retiring from office in accordance with Regulation 104 of the Company’s Constitution and who, being eligible, offers himself for re-election as a Director of the Company. *[See Explanatory Note (iii)]* **Resolution 5**
6. To re-elect Mr Xue Yuning, a Director who is retiring from office in accordance with Regulation 108 of the Company’s Constitution and who, being eligible, offers himself for re-election as a Director of the Company. *[See Explanatory Note (iv)]* **Resolution 6**
7. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company. **Resolution 7**

AS SPECIAL BUSINESS

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

8. **Authority to allot and issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 (“**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), 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;

NOTICE OF ANNUAL GENERAL MEETING

- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares 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;
 - (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 AGM or the date by which the next AGM 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 (v)]

Resolution 8

9. Authority to issue shares under the SunMoon Share Option Scheme and/or SunMoon Share Plan

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 AGM or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (vi)]

Resolution 9

10. The Proposed Share Buyback Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit, at such prices as may be determined by the Directors of the Company from time to time up to the Maximum Price, whether by way of:-
 - (i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or
 - (ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

NOTICE OF ANNUAL GENERAL MEETING

and otherwise in accordance with all other laws and regulations and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **“Proposed Share Buyback Mandate”**);

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Proposed Share Buyback Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Proposed Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:–
 - (i) the date on which the next annual general meeting of the Company is held or is required by law to be held;
 - (ii) the date on which the share buybacks are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Proposed Share Buyback Mandate is varied or revoked;
- (d) in this resolution:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant (5) Market Days;

“date of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from the Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“Market Day” means a day on which the SGX-ST is open for trading in securities;

“Maximum Limit” means 10% of the issued shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of passing of this resolution, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

“Maximum Price” in relation to the Shares to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid by the Company for the Shares as determined by the Directors, not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; or
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

in either case, excluding related expenses of the purchase or acquisition; and

NOTICE OF ANNUAL GENERAL MEETING

“**Relevant Period**” means the period commencing from the date on which this resolution is passed and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier; and

- (e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he/she may consider desirable, expedient or necessary to give effect to the transactions contemplated by this resolution.

[See Explanatory Note (vii)]

Resolution 10

By Order of the Board

Chia Lay Beng
Company Secretary

Date: 14 September 2021

Explanatory Notes

- (i) Mr. Zhang Ye will, upon re-election, remain as the Executive Director and Chief Executive Officer of the Company. Please refer to pages 5 and 79-89 of the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (ii) Mr. Gary Loh Hock Chuan will, upon re-election, remain as the Non-Executive Director of the Company. Please refer to pages 5 and 79-89 of the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (iii) Mr. Jin Guanglei will, upon re-election, remain as the Non-Executive Director of the Company. Please refer to pages 6 and 79-89 of the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (iv) Mr. Xue Yuning will, upon re-election, remain as the Non-Executive Director of the Company. Please refer to pages 7 and 79-89 of the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (v) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM, 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.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

- (vi) The Ordinary Resolution 9 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards in accordance with the provision of the SunMoon Share Option Scheme and/or SunMoon Share Plan provided that the aggregate additional shares to be issued pursuant to the the SunMoon Share Option Scheme and/or SunMoon Share Plan do not exceed fifteen (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (vii) The Ordinary Resolution 10 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Addendum. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 March 2021 are set out in greater detail in the Addendum.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT: PLEASE READ NOTES

NOTES:

1. The Annual General Meeting (“AGM”) will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trust, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or audio-only stream only), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company’s announcement dated 14 September 2021. This announcement may be accessed at the Company’s website at <https://sunmoonfood.listedcompany.com> or SGX’s website at <https://www.sgx.com/securities/company-announcements>.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which, the appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.

The instrument appointing the Chairman of the Meeting as proxy must be deposited at the registered office of the Company at 1 Scotts Road, #21-07/08 Shaw Centre Singapore 228208 by mail or email to main@zicoholdings.com in either case, by 2.00 p.m. on 26 September 2021 being not less than seventy-two (72) hours before the time appointed for holding the AGM. The Chairman of the Meeting, as proxy, need not be a member of the Company.

A member of the Company who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email or via the pre-registration website at the URL <https://agm2021.sunmoonfood.com/>.

4. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
5. Investors who hold shares through Relevant Intermediaries*, including under the Central Provident Fund Investment Scheme (“CPF Investors”) or the Supplementary Retirement Scheme (“SRS Investors”), and who wish to appoint the Chairman of the Meeting as their proxy should approach their respective Relevant Intermediaries*, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the Meeting (i.e. by 2.00 p.m. on 20 September 2021).

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 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;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 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.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the AGM of the Company and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM of the Company via live audio-visual webcast or audio-only stream only, or (c) submitting any question prior to the AGM of the Company in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman of the Meeting as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or audio-only stream only to observe the proceedings of the AGM of the Company and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the AGM of the Company and if necessary, following up with the relevant members in relation to such questions; and
- (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the AGM of the Company may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM of the Company. Accordingly, the personal data of a member (such as his name, his presence at the AGM of the Company and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)
 (Company Registration Number: 198304656K)

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

I/We, _____ (Name)

_____ (NRIC/Passport No./Co. Regn. No.)

of _____ (Address)

being a member/members of **SUNMOON FOOD COMPANY LIMITED** (the “**Company**”) hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be convened and held by way of electronic means on Wednesday, 29 September 2021 at 2.00 p.m. (Singapore time) and at any adjournment thereof in the following manner:

	Resolutions	No. of Votes 'For'*	No. of Votes 'Against'*	No. of Votes 'Abstain'*
	Ordinary Business			
1	Adoption of Directors' Statement, Audited Financial Statements for the financial year ended 31 March 2021 and the Auditor's Report			
2	Approval of Directors' Fees of S\$154,000.00			
3	Re-election of Mr Zhang Ye as Director retiring under Regulation 104			
4	Re-election of Mr. Gary Loh Hock Chuan as Director retiring under Regulation 104			
5	Re-election of Mr Jin Guanglei as Director retiring under Regulation 104			
6	Re-election of Mr Xue Yuning as Director retiring under Regulation 108			
7	Re-appointment of Nexia TS Public Accounting Corporation as Auditors			
	Special Business			
8	Authority to allot and issue shares			
9	Authority to issue shares under the SunMoon Share Option Scheme and/or SunMoon Share Plan			
10	Approval on the Proposed Share Buyback Mandate			

* Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes 'For' or 'Against' a resolution, please indicate with a (√) in the 'For' or 'Against' box provided in respect of that resolution. Alternatively, please indicate the number of votes 'For' or 'Against' in the 'For' or 'Against' box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with a (√) in the 'Abstain' box provided in respect of that resolution. Alternatively, please indicate the number of shares the Chairman of the Meeting as your proxy is directed to abstain from voting in the 'Abstain' box provided in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Total Number of Shares Held

Dated this _____

Signature of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES FOR PROXY FORM

Due to the fast-evolving COVID-19 situation in Singapore, the Company may be required to change its Meeting arrangements at short notice. The Company is taking the relevant steps in accordance with the Part 4 of the COVID-19 (Temporary Measures) Act 2020.

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a Relevant Intermediary* entitled to vote at the AGM (the **"Meeting"**) must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting.
3. The instrument appointing the Chairman of the Meeting as proxy must be deposited at the registered office of the Company at 1 Scotts Road, #21-07/08 Shaw Centre Singapore 228208 by mail or email to main@zicoholdings.com in either case, by 2.00 p.m. on 26 September 2021 being not less than seventy-two (72) hours before the time appointed for holding the AGM.

A member of the Company who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed instruments appointment a proxy forms electronically via email or via the pre-registration website at the URL <http://agm2021.sunmoonfood.com/>.

4. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it was an individual.
6. An investor who holds shares under the Central Provident Fund Investment Scheme (**"CPF Investor"**) and/or the Supplementary Retirement Scheme (**"SRS Investor"**) (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective CPF and/or SRS Approved Nominees to submit their votes at least seven (7) working days before the Meeting (i.e. by 2.00 p.m. on 20 September 2021).

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) 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 (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), 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.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 14 September 2021.