NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

1. Corporate information

1.1 *The Company*

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-Commence 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. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost basis 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.

Going concern assumption

The Group incurred a net loss of $4,272,000 for financial year ended 31 March 2020 (year ended 31 March 2019: $4,281,000). Operating cash outflows was $6,826,000 for the year ended 31 March 2020 (year ended 31 March 2019: $2,613,000). As at 31 March 2020, the Group had net current assets of $7,725,000 (31 March 2019: $10,416,000) including cash and cash equivalents of $1,539,000 (31 March 2019: $8,305,000). The Group's trade receivables amounted to $7,163,000 (31 March 2019: $23,242,000). Gross trade receivables due from related parties (collectively, the "Yiguo Group") amounted to $6,605,000 (31 March 2019: $19,944,000) as disclosed in note 15.

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

(i) Management has prepared a cash flow forecast 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. This has taken into account repayment of gross trade receivables due from related parties based on the Repayment Plans in (ii);

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies

2.1 *Basis of preparation (cont'd)*

Going concern assumption (cont'd)

(ii) The Group has entered into Repayment Plans with monthly payment (the "Repayment Plans") with the Yiguo Group in July 2020 for the repayment of balances comprising trade receivables, unfulfilled advances for purchases of goods (should the Group decide not to take delivery) and deposits totalling $12,184,000 as at 30 June 2020. According to the Repayment Plans, these outstanding balances will be fully repaid by 31 March 2021;

(iii) In July 2020, Shanghai WinChain Supply Chain Management Co.Ltd, a subsidiary of the controlling shareholder of the Group, Shanghai Yiguo E-Commerce Co., Ltd. ("Shanghai Yiguo"), has pledged 100 percent of its shareholding ("the shares") in another subsidiary, Shanghai Yiguo Food Retails Co. Ltd ("Yiguo Food"), to Shanghai Shanmai Supply Chain Management Co Ltd (" Shanmai"), a wholly owned subsidiary of the Company, as collateral in the Repayment Plans described in (ii). Yiguo Food holds a 3.66% equity interest in an investee company of which a similar stake of 3.66% has been divested to a third party in February 2020 for a consideration of RMB75,000,000 (approximately $15,000,000). Under the supplemental agreement of share pledge, in the event Yiguo Group were unable to settle the said balances due as of 30 June 2020 of approximately RMB46,000,000 (or $9,000,000) by 31 March 2021, the shares will be transferred to Shanmai for no consideration;

(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.

(v) Subsequent to year end, the paid-up capital of Shanmai has increased from RMB500,000 to RMB30,000,000 via novation and capitalization of amounts ultimately owing to the Company. Management is of the view that the increased paid up capital has strengthened the financial position of Shanmai and allows it to be in a better position to work with bigger customers/suppliers in China and seek additional working capital financing from bank or finance companies. In May 2020, Shanmai has obtained a bank loan of RMB 3,000,000 for a period of 12 months from China Construction Bank under the personnel guarantee of a director. Shanmai has also received supply chain financing from 上海东方福达运输服务有公司， a wholly owned subsidiary of China Eastern Airline. This supply chain financing will allow Shanmai to have access to more working capital to generate a greater volume of business.

2.2 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 April 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group.