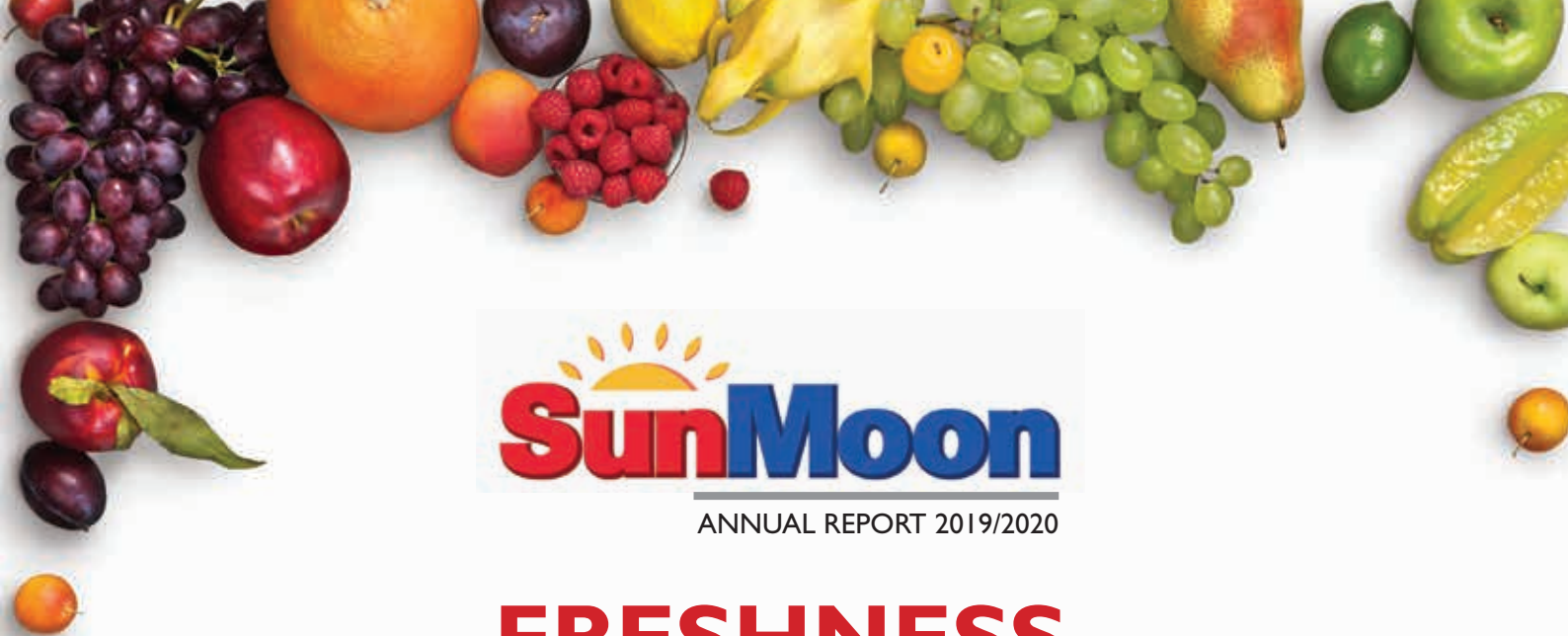




ANNUAL REPORT 2019/2020

# FRESHNESS AT EVERY BITE



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## 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 offering which includes fresh fruits, vegetables, meat, seafood and French fries under its own brand.

With an extensive sales network of over 15,000 point of sales globally, SunMoon's offering of quality, premium products are distributed via supermarkets, convenience stores, online and wholesale channels, airlines, food services as well as SunMoon's franchise outlets in Singapore.

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

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

SunMoon was listed in 1997 on the Mainboard of the Singapore 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



## CEO'S MESSAGE



### DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I hereby present SunMoon Food Company's (SunMoon) annual report for the financial year ended 31 March 2020 (FY19/20).

Although SunMoon has experienced ups and downs in the past 30 years, it is a respectable company that has kept up with its original aspirations and continues to persist. In fiscal year 2020 (FY19/20), SunMoon experienced more crisis – impacted by the economic downturn in China and rest of the world suffered in the first half of the fiscal year and the COVID-19 pandemic that ravaged the world since the end of third quarter of the fiscal year. During this difficult time, SunMoon has shown great perseverance, adhering to the management principles of Simplicity and Focus.

I am proud of our team. In the first half of the fiscal year 2020, SunMoon has formed a stronger and more stable operation team through organizational restructuring. Having to steer through the difficult situation arising from the COVID-19 pandemic has given us more confidence that the

organizational restructuring we have executed is effective. Due to the changes in the economic environment, the adjustment of the organizational structure, and the outbreak of COVID-19, the sales volume of SunMoon dropped significantly in fiscal year 2020 (FY19/20) compared with the previous fiscal year. The total revenue in fiscal year 2020 (FY19/20) was \$18.00 million, down 75% from fiscal year 2019 (FY18/19). We needed time to respond to the changes brought about by the deterioration in the operating environment and adjust the organizational structure and sales strategy. At the same time, our supply chain has suffered an unprecedented blow due to COVID-19. In this situation, we were more cautious in our business operations than before.

The good thing, however, is that we are delighted to find that our operational capabilities and business performance have greatly improved compared with that in the past, and our business is gradually aligning with our strategy of focusing on businesses with positive margin. The gross profit margin of SunMoon in fiscal year 2020 (FY19/20) is 5.05%, compared

## CEO'S MESSAGE

with only 1.1% in fiscal year 2019 (FY18/19). Fixed costs reduced from \$2.56 million in fiscal year 2019 (FY18/19) to \$1.28 million in fiscal year 2020 (FY19/20).

After going through many twists and turns, I believe that SunMoon has passed the most difficult period. I have full confidence in the team and expect the growth of SunMoon under the operation of the current team once the COVID-19 situation stabilizes. With the completion of internal adjustments and when the conditions of the external environment improves, I believe that revenue will gradually return to more normal level. SunMoon will then be able to register a higher gross profit margin and enhanced profitability. We will continue to build on our strengths and capabilities accumulated in the past in order to achieve a well-grounded development.

SunMoon Group will continue to operate by principle: Simplicity and Focus. We have to constantly strategise how best to leverage on our limited resources to increase our market share, and to drive the transformation of SunMoon from a traditional supply chain company to a value-adding supply chain company. Therefore, the word "Focus" is extremely important and we will continue to focus on China market and adhere to the following three development strategies in the new fiscal year:

1. Product category expansion: SunMoon has not only completed the adjustment of organizational structure in the past year, and more importantly, it has also expanded the strategic layout from selling fruits to include a wide range of products including fruit, meat and aquatic products. Through deep cultivation of global supplier resources, we aim to enhance our upstream product sourcing network based on these core categories.
2. Brand deepening: the current development strategy of SunMoon is to take categories of fresh produce, aquatics, animal proteins and other food related products as the core and gradually strengthens SunMoon channel brand through approaches like building its own brand and obtaining the exclusive distribution rights of upstream brands. As a result, it will strengthen relationship with existing suppliers and expand into more new sales channels.

3. Channel expansion: The Group has continued its efforts to establish the popularity of SunMoon brand in China's retail and food service sectors in the past year. We have formed long-term stable cooperative relations with renowned retail and food service channels such as RT-Mart, Fresh Hippo, Suning Fresh, Burger King, etc.

In the new fiscal year, SunMoon will continue to develop steadily, focusing on core category development, brand building, and channel expansion to further strengthen its businesses in the Chinese market.

Our longer-term strategic plan for SunMoon is to gradually expand and strengthen the value-added services beginning in the new fiscal year, including but not limited to customs declaration and inspection services, customized raw material processing services (OEM & ODM), and supply chain financial services.

As we move into a year filled with the uncertainty and risks brought about by the COVID-19 pandemic, we will devote ourselves to operating SunMoon in a more stable and pragmatic way. We will continue to cement 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.

### 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 with annual GMV of RMB10 billion. 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.



### MS LIU YUANYUAN

Non-Independent and  
Non Executive Director

Ms Liu Yuanyuan was appointed to the Board as a Non-Independent and Non-Executive Director on 22 May 2018. Currently, she is the associate director at Executive office in Yiguo Group. Prior to joining Yiguo Group, she had 7 years of experience in commodity trading or related businesses. She graduated from Shanghai University with a Bachelor's degree in Finance.

## BOARD OF DIRECTORS



### **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 Aspiat 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).

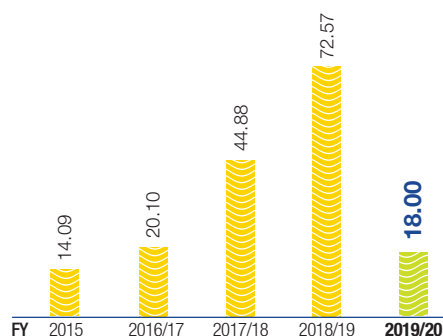


## FINANCIAL HIGHLIGHTS

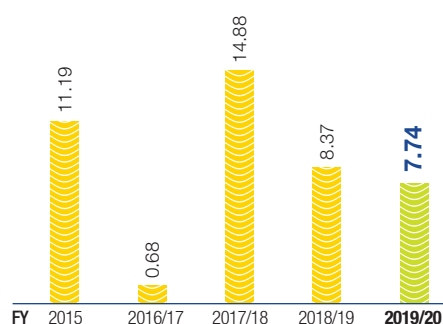
|                                                                 | FY2019/20<br>(12 months) | FY2018/19<br>(12 months) | FY2017/18<br>(12 months) | FY2016/17<br>(15 months)<br>Re-stated | FY2015 |
|-----------------------------------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------------|--------|
| Turnover (\$ Millions)                                          | <b>18.00</b>             | 72.57                    | 44.88                    | 20.10                                 | 14.09  |
| Profit/(Loss) from before Income Tax (\$ Millions) <sup>#</sup> | <b>(2.65)</b>            | (3.70)                   | (3.78)                   | (7.58)                                | (4.15) |
| Shareholders' funds (\$ Millions)                               | <b>7.74</b>              | 8.37                     | 14.88                    | 0.68                                  | 11.19  |
| Net Tangible Assets per Share (Cents)                           | <b>0.99</b>              | 1.17                     | 2.05                     | 0.21                                  | 3.51   |
| Net Earning/(Loss) per Share (Cents) <sup>#</sup>               | <b>(0.37)</b>            | (0.52)                   | (0.61)                   | (2.38)                                | (1.30) |

<sup>#</sup> Amount attributable to continuing operations and excludes fair value adjustment on financial liabilities arising from contingent issuance of shares

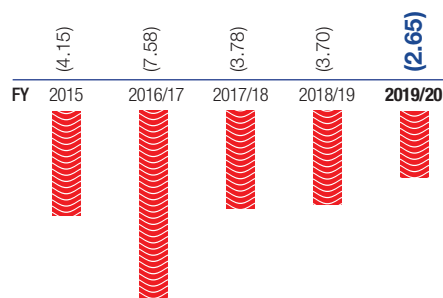
### TURNOVER (\$ MILLIONS)



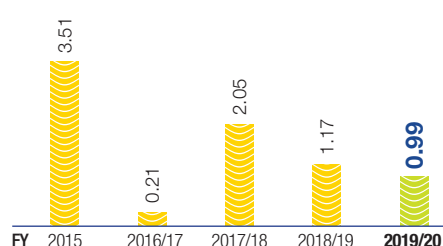
### SHAREHOLDERS' FUNDS (\$ MILLIONS)



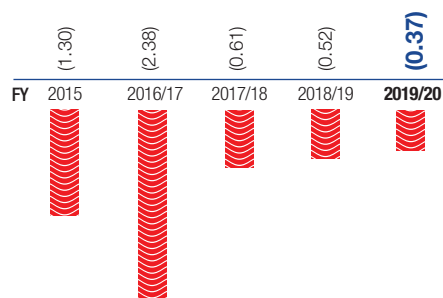
### PROFIT/(LOSS) FROM BEFORE INCOME TAX (\$ MILLIONS)



### 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 2020 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<sup>(1)</sup>, the Nominating Committee<sup>(2)</sup>, and the Remuneration Committee<sup>(3)</sup> (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 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 FY2019/20

Details of directors' attendance at the Board and Board Committee meetings held for the financial year from 1 April 2019 to 31 March 2020 ("FY2019/20") are summarised in the table below.

## DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

|                                            | Board | Audit & Risk Committee | Remuneration Committee | Nominating Committee |
|--------------------------------------------|-------|------------------------|------------------------|----------------------|
| <b>Number of Meetings held</b>             | 4     | 4                      | 1                      | 1                    |
| <b>Directors during the financial year</b> |       |                        |                        |                      |
| Mr James Prideaux                          | 4     | 4                      | 1                      | 1                    |
| Mr Gary Loh Hock Chuan                     | 4     | NA                     | NA                     | NA                   |
| Mr Zhang Ye                                | 4     | NA                     | NA                     | 1                    |
| Ms Ng Bie Tjin @Djuniarti Intan            | 4     | 4                      | 1                      | 1                    |
| Mr Yang Guang                              | 4     | 4                      | 1                      | 1                    |
| Mr Jin Guanglei                            | 1     | 1                      | 1                      | 1                    |
| Ms Liu Yuanyuan                            | 3     | NA                     | NA                     | NA                   |
| Mr Cen Jian <sup>(1)</sup>                 | NA    | NA                     | NA                     | NA                   |
| Mr Yu Liang <sup>(2)</sup>                 | 1     | NA                     | NA                     | NA                   |

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

(2) 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                    |
| Ms Liu Yuanyuan                 | Non-Independent Non-Executive  | M     | –                      | –                      | –                    |
| Mr Cen Jian <sup>(1)</sup>      | Non-Independent Executive      | M     | –                      | –                      | –                    |
| Mr Yu Liang <sup>(2)</sup>      | Non-Independent Non-Executive  | M     | –                      | –                      | –                    |

C: Chairman; M: Member

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

(2) Mr Yu Liang had 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 judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

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

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, timely

# REPORT ON CORPORATE GOVERNANCE

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 FY2019/20, 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;

# REPORT ON CORPORATE GOVERNANCE

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 FY2019/20, 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 FY2019/20, 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.

# REPORT ON CORPORATE GOVERNANCE

The RC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in 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.

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.

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 annual general meeting ("**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 2019 to 31 March 2020 are below \$100,000 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 <sup>(1)</sup><br>% | Salary<br>% | Bonus and<br>Benefits in<br>Kind<br>% | Total<br>(\$) |
|----------------------------------|--------------------------|-------------|---------------------------------------|---------------|
| <b>Below S\$100,000</b>          |                          |             |                                       |               |
| Mr James Prideaux                | 100                      | –           | –                                     | 49,500        |
| Mr Gary Loh Hock Chuan           | 100                      | –           | –                                     | 13,000        |
| Ms Ng Bie Tjin @ Djuniarti Intan | 100                      | –           | –                                     | 38,700        |
| Mr Yang Guang                    | 100                      | –           | –                                     | 38,700        |
| Mr Yu Liang <sup>(2)</sup>       | –                        | –           | –                                     | –             |
| Ms Liu Yuanyuan                  | –                        | –           | –                                     | –             |
| Mr Jing Guanglei                 | –                        | –           | –                                     | –             |
| Mr Zhang Ye                      | –                        | 100         | –                                     | 12            |

(1) Directors' fees are subject to shareholders' approval as a lump sum at the Annual General Meeting to be held on 29 September 2020.

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

# REPORT ON CORPORATE GOVERNANCE

During the FY2019/20, there was no termination, retirement and post-employment benefits granted to any director or Key Management Personnel.

## Key Executives

The remuneration of the top three key management personnel (who are not directors or the CEO), for the financial period from 1 April 2019 to 31 March 2020 is tabled with a breakdown of the level and mix of the remuneration as follows:

|                                                       | Fixed<br>Salary <sup>(1)</sup><br>% | Variable<br>Bonus<br>% | Benefits<br>in Kind<br>% | Total<br>(S\$'000) |
|-------------------------------------------------------|-------------------------------------|------------------------|--------------------------|--------------------|
| <b>Below S\$250,000</b>                               |                                     |                        |                          |                    |
| Mr Cen Jian (appointed as President on 7 August 2019) | 100                                 | –                      | 100                      | 309                |
| Ms Wang Hui Zhen                                      | 92                                  | –                      | 8                        |                    |
| Ms Chan Pei See (resigned on 10 June 2019)            | 92                                  | –                      | 8                        |                    |

(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 FY2019/20. "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 FY2019/20, due to business restructuring and the change of ERP system from oracle to SAP during the year, the Company did not perform internal audit. However, the ARC believes that the system of internal control implemented in previous financial year still remain effective and adequate. The system of internal controls currently implemented by the Group provides reasonable assurance against financial misstatements or loss.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board and ARC get assurance based on all works performed as listed below:

1. Internal controls established and maintained by the Group as documented and reviewed as necessary in the matrix of risk register, group policies, and Standard Operating Procedures;
2. Work performed by the external auditors;

# REPORT ON CORPORATE GOVERNANCE

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 2019 to 31 March 2020, 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 CEO, 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. 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 judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) 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;

## REPORT ON CORPORATE GOVERNANCE

- (d) to review the effectiveness of the Company's external auditor and internal audit function;
- (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.

# REPORT ON CORPORATE GOVERNANCE

## **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;
- (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.

# REPORT ON CORPORATE GOVERNANCE

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 fees for both audit and non-audit services, charged by EY are listed below:

|                                                       | <b>Ernst &amp; Young LLP<br/>(\$000)</b> | <b>Other auditor in<br/>Singapore<br/>(\$000)</b> | <b>Total<br/>(\$000)</b> |
|-------------------------------------------------------|------------------------------------------|---------------------------------------------------|--------------------------|
| Statutory audit fees for the year ended 31 March 2020 | 100                                      | 2                                                 | 102                      |
| Total Non-Audit Fees                                  | –                                        | –                                                 | –                        |
| <b>Total</b>                                          | 100                                      | 2                                                 | 102                      |

EY have expressed that they would not be seeking for re-appointment at this Annual General Meeting. Further announcement would be released in due course once the proposed new appointment has been confirmed.

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.

## 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.

## REPORT ON CORPORATE GOVERNANCE

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 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.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. As a matter of policy and practice, minutes of shareholders' meetings (including shareholders' comments and responses from the Board and/or Management) are always available to shareholders on request.

Through the Company's website and hotline, the Company is able to gather views and/or inputs from shareholders. Subsequently, the Company will reply shareholders' concerns through email ([enquiry@sunmoonfood.com](mailto: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.

# REPORT ON CORPORATE GOVERNANCE

## 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 Transaction

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested-person transactions.

## 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.

### 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.

# REPORT ON CORPORATE GOVERNANCE

## 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](http://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

The directors present their statement to the members together with the audited consolidated financial statements of SunMoon Food Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the balance sheet of the Company for the financial year ended 31 March 2020.

## Opinion of the directors

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 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; 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:

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

## 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' STATEMENT

## 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 |
| <b>The Company</b>               |                                    |                              |                                    |                              |
| Mr Gary Loh Hock Chuan           | —                                  | —                            | 80,712,772                         | 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 80,712,772 and 61,712,772 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 2020.

## Share options

In 2017, the Company has granted 166,666,667 of free unlisted warrants to Shanghai Yiguo E-Commerce Co., Ltd. that carry the right to subscribe for one share each in the capital of the Company at the exercise price of S\$0.054 per share. As at the date of this report, these warrants have expired and were unexercised.

### 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 audit and risk committee (ARC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

# DIRECTORS' STATEMENT

## Auditor

Ernst & Young LLP have indicated that they will not seek re-appointment as external auditor.

The Company has commenced discussions with a number of public accounting firms for potential appointment as external auditor. The Company will seek shareholders' approval for the appointment of the auditors in due course.

On behalf of the board of directors:

Mr Zhang Ye  
Director

Ms Ng Bie Tjin @ Djuniarti Intan  
Director

Singapore  
4 September 2020

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of SunMoon Food Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the basis for Qualified Opinion section in our report, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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)") 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 2020 and of the consolidated financial performance and consolidated cash flows of the Group and changes in equity of the Group and the Company for the year ended on that date.

### *Basis for Qualified Opinion*

#### Recoverability of trade receivables from and advances to related parties

As disclosed in Note 15 to the financial statements, the Group has gross trade receivables due from related parties amounting to \$6,605,000 and expected credit loss of \$1,441,000 has been provided against these receivables as at 31 March 2020. There were significant delays in the settlement of these trade receivables and a large portion of these debts have become long overdue as at 31 March 2020. Subsequent to the year end, the net outstanding amount has increased. The Group has entered into an instalment plan with the related parties in July 2020 to progressively recover the receivables. Collectively, these factors raise doubts on the ability of the related parties to repay the trade receivables or on the timing of the cash flows. We have also not been able to obtain the relevant financial information of the related parties regarding their financial ability to settle the amounts. As a result, we were unable to determine the reasonableness of the assumptions used to determine the expected credit loss of the trade receivables as at 31 March 2020.

As further disclosed in Note 15, as at 31 March 2020 the Group has \$4,428,000 placed with related parties as advances for purchases of goods. These balances have been accounted for as prepayments for purchase of goods and there were delays by the related parties in fulfilling the expected purchase commitments as at 31 March 2020. A portion of these balances was recovered through purchases after year end and management has represented that the remaining balances are refundable if the related parties are unable to fulfill the purchase commitments. We have also not been able to obtain relevant financial information of the related parties to seek an understanding of their financial position. Consequently, we have not been able to reasonably assess the nature or the appropriateness of the carrying amount of the advances as at 31 March 2020.

Any adjustments that might have been found necessary in respect of the above matters would have a consequential effect on the financial position of the Group as at 31 March 2020, the profit or loss for the year and the related disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## ***Basis for Qualified Opinion (cont'd)***

We conducted our audit in accordance with Singapore Standards on Auditing (the "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 (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "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 qualified opinion.

## **Material Uncertainty Related to Going Concern**

For the financial year ended 31 March 2020, the Group incurred net loss of \$4,272,000 and its operating cash outflow amounted to \$6,826,000. As at that date, the Company's current liabilities exceeded its current assets by \$263,000. As stated in Note 2.1, a large portion of trade receivables and advances due from related parties which form part of the Group's current assets remains outstanding as at the date of this report. 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.

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.

## **Key Audit Matter**

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## Key Audit Matter (cont'd)

### Impairment assessment of investment in subsidiaries

As at 31 March 2020, the Company has investments in subsidiaries, including quasi capital loans amounting to \$7,438,000. 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 relating to timing of recovery of receivables. For these reasons, we have identified this as a key audit matter.

Our audit procedures included, amongst others, evaluating 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 also took into consideration management's plan with regards to the recovery of receivable due from related parties. We involved our internal specialists to assist us in evaluating the reasonableness of key assumptions such as discount rates and terminal growth rates. We also performed sensitivity analysis on the computed value in use amount to reasonable changes in certain key assumptions.

The disclosures relating to investment in subsidiaries are included in Note 10 to the financial statements.

## Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Report 2020, 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. The Directors' statement states that the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and Company as at year end and of the financial performance, changes in equity and cash flows of the Group for the year then ended. However, as described in the Basis for Qualified Opinion section above, we have qualified our opinion on these financial statements for the reasons described in that section.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 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 SFRFS(I), 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.
- 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.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## Auditor's responsibilities for the audit of the financial statements (cont'd)

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

## Report on Other Legal and Regulatory Requirements

In our opinion, except for possible effects of the matters described in the Basis of Qualified Opinion paragraph, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore  
4 September 2020

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

|                                                                                          | Note | Group<br>2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------------------------------------------------------------------|------|-------------------------|----------------|
| <b>Continuing operations</b>                                                             |      |                         |                |
| Revenue                                                                                  | 4    | 18,002                  | 72,566         |
| Cost of sales                                                                            |      | (17,092)                | (71,756)       |
| <b>Gross profit</b>                                                                      |      | 910                     | 810            |
| <b>Other items of income</b>                                                             |      |                         |                |
| Interest income                                                                          |      | 1                       | 43             |
| Other income                                                                             | 5    | 396                     | 583            |
| <b>Other items of expense</b>                                                            |      |                         |                |
| Selling and distribution expenses                                                        |      | (1,053)                 | (1,589)        |
| Administrative expenses                                                                  |      | (2,899)                 | (3,424)        |
| Other expenses                                                                           |      | (4)                     | (114)          |
| Finance costs                                                                            |      | —                       | (12)           |
|                                                                                          |      | (2,649)                 | (3,703)        |
| Fair value change on financial liabilities arising from<br>contingent issuance of shares | 23   | (1,623)                 | (2,077)        |
| <b>Loss before tax from continuing operations</b>                                        | 6    | (4,272)                 | (5,780)        |
| Income tax expense                                                                       | 7    | —                       | —              |
| <b>Loss from continuing operations for the financial year,<br/>net of income tax</b>     |      | (4,272)                 | (5,780)        |
| <b>Discontinued operations</b>                                                           |      |                         |                |
| Profit from discontinued operations for the financial year,<br>net of income tax         | 13   | —                       | 1,499          |
| <b>Loss for the financial year</b>                                                       |      | (4,272)                 | (4,281)        |
| <b>Other comprehensive loss:</b>                                                         |      |                         |                |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                    |      |                         |                |
| Reclassification to profit or loss on disposal of subsidiaries:                          |      |                         |                |
| Foreign currency translation reserve                                                     |      | —                       | (1,544)        |
| Exchange differences arising from translation of foreign<br>operations                   |      | (61)                    | (387)          |
| <b>Other comprehensive loss for the financial year, net of<br/>income tax</b>            |      | (61)                    | (1,931)        |
| <b>Total comprehensive loss for the financial year</b>                                   |      | (4,333)                 | (6,212)        |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

|                                                                                                                           | Note | Group<br>2020<br>\$'000 | 2019<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------|------|-------------------------|----------------|
| <b>(Loss)/profit attributable to owners of the Company</b>                                                                |      |                         |                |
| - Continuing operations                                                                                                   |      | (4,272)                 | (5,780)        |
| - Discontinued operations                                                                                                 | 13   | –                       | 1,499          |
| Total loss attributable to owners of the Company                                                                          |      | (4,272)                 | (4,281)        |
| <b>Total comprehensive (loss)/income attributable to owners of the Company</b>                                            |      |                         |                |
| - Continuing operations                                                                                                   |      | (4,333)                 | (7,711)        |
| - Discontinued operations                                                                                                 |      | –                       | 1,499          |
| Total comprehensive loss attributable to owners of the Company                                                            |      | (4,333)                 | (6,212)        |
| <b>(Loss)/earnings per share for continuing and discontinued operations attributable to equity holders of the Company</b> |      |                         |                |
| <b>Basic (loss)/earnings per share (cents per share)</b>                                                                  |      |                         |                |
| From continuing operations                                                                                                | 24   | (0.57)                  | (0.81)         |
| From discontinued operations                                                                                              | 24   | –                       | 0.21           |
| <b>Diluted (loss)/earnings per share (cents per share)</b>                                                                |      |                         |                |
| From continuing operations                                                                                                | 24   | (0.57)                  | (0.74)         |
| From discontinued operations                                                                                              | 24   | –                       | 0.19           |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# BALANCE SHEETS

AS AT 31 MARCH 2020

|                                                                  |      | Group          |                | Company        |                |
|------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                  | Note | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| <b>Non-current assets</b>                                        |      |                |                |                |                |
| Plant and equipment                                              | 8    | 17             | 38             | —              | —              |
| Intangible assets                                                | 9    | —              | —              | —              | —              |
| Investment in subsidiaries                                       | 10   | —              | —              | 7,438          | 15,156         |
| Investment in associate                                          | 11   | —              | —              | —              | —              |
| Investment securities                                            | 12   | —              | —              | —              | —              |
| Total non-current assets                                         |      | 17             | 38             | 7,438          | 15,156         |
| <b>Current assets</b>                                            |      |                |                |                |                |
| Cash and cash equivalents                                        | 14   | 1,539          | 8,305          | 47             | 36             |
| Trade receivables                                                | 15   | 7,163          | 23,242         | —              | —              |
| Other receivables                                                | 15   | 5,225          | 2,677          | 15             | 10             |
| Prepayments                                                      |      | 880            | 66             | 20             | 28             |
| Inventories                                                      | 16   | 2,755          | 5              | —              | —              |
| Total current assets                                             |      | 17,562         | 34,295         | 82             | 74             |
| <b>Total assets</b>                                              |      | 17,579         | 34,333         | 7,520          | 15,230         |
| <b>Equity and Liabilities</b>                                    |      |                |                |                |                |
| <b>Equity attributable to equity owners of the company</b>       |      |                |                |                |                |
| Share capital                                                    | 20   | 141,887        | 139,508        | 141,887        | 139,508        |
| Other reserves                                                   | 21   | 16,360         | 15,100         | 18,085         | 16,764         |
| Accumulated losses                                               |      | (150,511)      | (146,239)      | (152,797)      | (143,762)      |
| <b>Total equity</b>                                              |      | 7,736          | 8,369          | 7,175          | 12,510         |
| <b>Non-current liabilities</b>                                   |      |                |                |                |                |
| Lease liability                                                  | 17   | 6              | 8              | —              | —              |
| Financial liabilities arising from contingent issuance of shares | 23   | —              | 2,077          | —              | 2,077          |
| <b>Total non-current liabilities</b>                             |      | 6              | 2,085          | —              | 2,077          |
| <b>Current liabilities</b>                                       |      |                |                |                |                |
| Lease liability                                                  | 17   | 3              | 3              | —              | —              |
| Trade payables                                                   | 18   | 8,739          | 21,979         | —              | —              |
| Other payables                                                   | 18   | 256            | 873            | 5              | 123            |
| Other liabilities                                                | 18   | 839            | 1,024          | 340            | 520            |
| Total current liabilities                                        |      | 9,837          | 23,879         | 345            | 643            |
| <b>Total liabilities</b>                                         |      | 9,843          | 25,964         | 345            | 2,720          |
| <b>Total equity and liabilities</b>                              |      | 17,579         | 34,333         | 7,520          | 15,230         |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

| Group                                                               | Share capital<br>(Note 20)<br>\$'000 | Capital<br>reduction<br>reserve<br>(Note 21)<br>\$'000 | Treasury<br>shares<br>(Note 21)<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>(Note 21)<br>\$'000 | Reserve<br>for contingent<br>issuance<br>of shares<br>(Note 21)<br>\$'000 | Other<br>reserves<br>total<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|---------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------|---------------------------------|---------------------------|
| <b>Opening balance at 1 April 2019</b>                              | 139,508                              | 18,384                                                 | (299)                                     | (1,664)                                                              | (1,321)                                                                   | 15,100                               | (146,239)                       | 8,369                     |
| Loss for the year                                                   | –                                    | –                                                      | –                                         | –                                                                    | –                                                                         | –                                    | (4,272)                         | (4,272)                   |
| Other comprehensive loss                                            | –                                    | –                                                      | –                                         | (61)                                                                 | –                                                                         | (61)                                 | –                               | (61)                      |
| Exchange differences arising from translation of foreign operations | –                                    | –                                                      | –                                         | (61)                                                                 | –                                                                         | (61)                                 | –                               | (61)                      |
| <b>Total comprehensive loss for the year</b>                        | –                                    | –                                                      | –                                         | (61)                                                                 | –                                                                         | (61)                                 | (4,272)                         | (4,333)                   |
| <u>Contributions by owners</u>                                      |                                      |                                                        |                                           |                                                                      |                                                                           |                                      |                                 |                           |
| Issuance of adjustment shares                                       | 2,379                                | –                                                      | –                                         | –                                                                    | 1,321                                                                     | 1,321                                | –                               | 3,700                     |
| <b>Total contributions by owners</b>                                | 2,379                                | –                                                      | –                                         | –                                                                    | 1,321                                                                     | 1,321                                | –                               | 3,700                     |
| <b>At 31 March 2020</b>                                             | 141,887                              | 18,384                                                 | (299)                                     | (1,725)                                                              | –                                                                         | 16,360                               | (150,511)                       | 7,736                     |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

| Group                                                                  | Share capital<br>(Note 20)<br>\$'000 | Capital<br>reduction<br>reserve<br>(Note 21)<br>\$'000 | Treasury<br>shares<br>(Note 21)<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>(Note 21)<br>\$'000 | Reserve<br>for contingent<br>issuance<br>of shares<br>(Note 21)<br>\$'000 | Other<br>reserves<br>total<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------|---------------------------------|---------------------------|
| <b>Opening balance at 1 April 2018</b>                                 | 139,508                              | 18,384                                                 | –                                         | 267                                                                  | (1,321)                                                                   | 17,330                               | (141,958)                       | 14,880                    |
| Loss for the year                                                      | –                                    | –                                                      | –                                         | –                                                                    | –                                                                         | –                                    | (4,281)                         | (4,281)                   |
| Other comprehensive loss                                               | –                                    | –                                                      | –                                         | –                                                                    | –                                                                         | –                                    | –                               | –                         |
| Disposal of subsidiaries (Note 10(b))                                  | –                                    | –                                                      | –                                         | (1,544)                                                              | –                                                                         | (1,544)                              | –                               | (1,544)                   |
| Exchange differences arising from translation of<br>foreign operations | –                                    | –                                                      | –                                         | (387)                                                                | –                                                                         | (387)                                | –                               | (387)                     |
| <b>Total comprehensive loss for the year</b>                           | –                                    | –                                                      | –                                         | (1,931)                                                              | –                                                                         | (1,931)                              | (4,281)                         | (6,212)                   |
| <u>Contributions by owners</u>                                         | –                                    | –                                                      | –                                         | –                                                                    | –                                                                         | –                                    | –                               | –                         |
| Purchase of treasury shares                                            | –                                    | –                                                      | (299)                                     | –                                                                    | –                                                                         | (299)                                | –                               | (299)                     |
| <b>Total contributions by owners</b>                                   | –                                    | –                                                      | (299)                                     | –                                                                    | –                                                                         | (299)                                | –                               | (299)                     |
| <b>At 31 March 2019</b>                                                | 139,508                              | 18,384                                                 | (299)                                     | (1,664)                                                              | (1,321)                                                                   | 15,100                               | (146,239)                       | 8,369                     |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

| Company                               | Share capital<br>(Note 20)<br>\$'000 | Capital<br>reduction<br>reserve<br>(Note 21)<br>\$'000 | Treasury<br>shares<br>(Note 21)<br>\$'000 | Reserve<br>for contingent<br>issuance<br>of shares<br>(Note 21)<br>\$'000 | Other<br>reserves<br>total<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|---------------------------------------|--------------------------------------|--------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------|--------------------------------------|---------------------------------|---------------------------|
| Opening balance at 1 April 2019       | 139,508                              | 18,384                                                 | (299)                                     | (1,321)                                                                   | 16,764                               | (143,762)                       | 12,510                    |
| Total comprehensive loss for the year | –                                    | –                                                      | –                                         | –                                                                         | –                                    | (9,035)                         | (9,035)                   |
| Contributions by owners               |                                      |                                                        |                                           |                                                                           |                                      |                                 |                           |
| Issuance of adjustment shares         | 2,379                                | –                                                      | –                                         | 1,321                                                                     | 1,321                                | –                               | 3,700                     |
| Total contributions by owners         | 2,379                                | –                                                      | –                                         | 1,321                                                                     | 1,321                                | –                               | 3,700                     |
| At 31 March 2020                      | 141,887                              | 18,384                                                 | (299)                                     | –                                                                         | 18,085                               | (152,797)                       | 7,175                     |

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

| Company                               | Share capital<br>(Note 20)<br>\$'000 | Capital<br>reduction<br>reserve<br>(Note 21)<br>\$'000 | Treasury<br>shares<br>(Note 21)<br>\$'000 | Reserve<br>for contingent<br>issuance<br>of shares<br>(Note 21)<br>\$'000 | Other<br>reserves<br>total<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|---------------------------------------|--------------------------------------|--------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------|--------------------------------------|---------------------------------|---------------------------|
| Opening balance at 1 April 2018       | 139,508                              | 18,384                                                 | –                                         | (1,321)                                                                   | 17,063                               | (129,989)                       | 26,582                    |
| Total comprehensive loss for the year | –                                    | –                                                      | –                                         | –                                                                         | –                                    | (13,773)                        | (13,773)                  |
| Contributions by owners               | –                                    | –                                                      | (299)                                     | –                                                                         | (299)                                | –                               | (299)                     |
| Purchase of treasury shares           | –                                    | –                                                      | (299)                                     | –                                                                         | (299)                                | –                               | (299)                     |
| Total contributions by owners         | –                                    | –                                                      | (299)                                     | –                                                                         | (299)                                | –                               | (299)                     |
| At 31 March 2019                      | 139,508                              | 18,384                                                 | (299)                                     | (1,321)                                                                   | 16,764                               | (143,762)                       | 12,510                    |

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

|                                                                                       | Note  | 2020<br>\$'000 | 2019<br>\$'000 |
|---------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Operating activities</b>                                                           |       |                |                |
| Loss from continuing operations before tax                                            |       | (4,272)        | (5,780)        |
| Profit from discontinued operations before tax                                        | 13    | —              | 1,499          |
| Loss before tax, total                                                                |       | (4,272)        | (4,281)        |
| Adjustments for:                                                                      |       |                |                |
| Interest expense                                                                      |       | —*             | 12             |
| Interest income                                                                       |       | (1)            | (43)           |
| Allowance for inventory obsolescence                                                  | 16    | 66             | 158            |
| Depreciation of plant and equipment                                                   | 6     | 19             | 50             |
| Amortisation of intangible assets                                                     | 6     | —              | 99             |
| Loss/(gain) on disposal of plant and equipment                                        | 6/5   | 2              | (1)            |
| Inventories written off                                                               | 16    | —              | 140            |
| Foreign exchange, net                                                                 |       | (122)          | (244)          |
| Reversal of impairment loss on other receivables                                      | 5     | (62)           | —              |
| Trade receivables written off                                                         | 25    | 65             | 156            |
| Trade payables written back                                                           | 25    | —              | (62)           |
| Other payables written back                                                           | 5     | (139)          | (249)          |
| Allowance for impairment loss on third parties trade receivables                      | 6     | 1,617          | 858            |
| Gain on disposal of subsidiaries                                                      | 10(b) | —              | (1,544)        |
| Fair value change on financial liabilities arising from contingent issuance of shares | 23    | 1,623          | 2,077          |
| <b>Operating cash flows before working capital changes</b>                            |       | (1,204)        | (2,874)        |
| Working capital changes:                                                              |       |                |                |
| Inventories                                                                           |       | (2,816)        | 4,150          |
| Trade receivables                                                                     |       | 14,397         | (14,091)       |
| Other receivables                                                                     |       | (2,486)        | (945)          |
| Prepayments                                                                           |       | (814)          | 154            |
| Trade payables                                                                        |       | (13,240)       | 11,509         |
| Other payables                                                                        |       | (478)          | 427            |
| Other liabilities                                                                     |       | (185)          | (943)          |
| <b>Cash used in operations, representing net cash used in operating activities</b>    |       | (6,826)        | (2,613)        |
| <b>Investing activities</b>                                                           |       |                |                |
| Interest received                                                                     |       | 1              | 43             |
| Proceeds from disposal of plant and equipment                                         | 8     | 5              | 44             |
| Purchase of plant and equipment                                                       | 8     | (4)            | (5)            |
| <b>Net cash generated from investing activities</b>                                   |       | 2              | 82             |
| <b>Financing activities</b>                                                           |       |                |                |
| Interest paid                                                                         |       | —*             | (12)           |
| Repayment of lease liability                                                          |       | (2)            | (70)           |
| Purchase of treasury shares                                                           |       | —              | (299)          |
| <b>Net cash used in financing activities</b>                                          |       | (2)            | (381)          |
| Net change in cash and cash equivalents                                               |       | (6,826)        | (2,912)        |
| Cash and cash equivalents at beginning of financial year                              |       | 8,305          | 11,363         |
| Exchange difference on cash and cash equivalents                                      |       | 60             | (146)          |
| <b>Cash and cash equivalents at end of financial year</b>                             | 14    | 1,539          | 8,305          |

\*Denotes less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# 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-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. 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 Retail 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限公司, 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but are not yet effective:

| Description                                                                                                                           | Effective for annual periods beginning on or after |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <i>Amendments to References to the Conceptual Frame in SFRS(I) Standards</i>                                                          | 1 January 2020                                     |
| Amendments to SFRS(I) 3: <i>Definition of a Business</i>                                                                              | 1 January 2020                                     |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>                                                              | 1 January 2020                                     |
| Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i>                                             | 1 January 2020                                     |
| SFRS(I) 17: <i>Insurance Contracts</i>                                                                                                | 1 January 2021                                     |
| Amendments to SFRS(I) 10 & SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Date to be determined                              |

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Basis of consolidation (cont'd)*

- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### 2.5 *Foreign currency*

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

#### **Transactions and balances**

Transactions in currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss for the financial year.

#### **Consolidated financial statements**

For the purpose of presenting consolidated financial statements, the results and the balance sheets of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate at the reporting date;
- income and expenses are translated at average exchange rate for the financial year; and
- all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### **Net investment in foreign operations**

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Plant and equipment*

Plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

|                                  |              |
|----------------------------------|--------------|
| Plant and machineries            | 6 - 10 years |
| Furniture, fixtures and fittings | 5 - 10 years |
| Office equipment                 | 3 - 10 years |
| Motor vehicles                   | 5 years      |

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is de-recognised.

### 2.7 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.7 *Intangible assets (cont'd)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

#### **Software**

Software acquired separately is amortised on a straight-line basis over its finite useful life of 3 years.

### 2.8 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.9 *Investment in associate*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investment in an associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.9 *Investment in associate (cont'd)*

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an associate.

The financial statements of the associate is prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

### 2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.11 *Financial instruments*

#### (a) *Financial assets*

##### **Initial recognition and measurement**

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs 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.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or service to a customer, excluding amount collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

##### **Subsequent measurement**

##### Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

#### (i) ***Financial assets carried at amortised cost***

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

#### (ii) ***Fair value through profit or loss (FVPL)***

A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

##### Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.11 *Financial instruments (cont'd)*

#### (a) *Financial assets (cont'd)*

##### **De-recognition**

A financial asset is de-recognised whether the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

#### (b) *Financial liabilities*

##### **Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

##### **Subsequent measurement**

#### (i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

#### (ii) *Financial liabilities carried at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gain and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

##### **De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.12 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments exceed a prescribed number of days past due, as established within the Group's credit risk management practices. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.13 *Cash and cash equivalents*

Cash and cash equivalents comprise cash with bank that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank.

### 2.14 *Inventories*

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a "weighted average" basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, costs include cost of material, direct labour and an appropriate portion of manufacturing overheads.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.16 Grants

Grants are recognised at their fair values when there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

Grants related to income are presented under "Other income".

### 2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.18 Employee benefits

#### (a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.18 *Employee benefits (cont'd)*

#### (a) *Defined contribution plans (cont'd)*

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 as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled before twelve months after the end of reporting period is recognised for services rendered by employees up to the end of the reporting period.

### 2.19 *Leases*

#### *As lessee*

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 April 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.10.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Leases (cont'd)

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 April 2019:

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Revenue

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 good or service to the customer, which is when the customer obtain control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue is recognised is the amount allocated to the satisfied performance obligation.

#### (a) Revenue from sale 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 obligations which is usually the delivery of goods to customers. Revenue is not recognised to the extent whether there are significant uncertainties regarding recovery of consideration due, associated costs or the possible return of goods.

#### (b) Interest income

Interest income is recognised using the effective interest method.

### 2.21 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Taxes (cont'd)

#### (b) *Deferred tax (cont'd)*

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Taxes (cont'd)

#### (b) *Deferred tax (cont'd)*

Deferred tax assets and deferred tax liabilities are offsetted, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (c) *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.

### 2.22 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.23 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued is recognised directly in equity. Voting right related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.24 *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 Director who makes strategic decisions.

Additional disclosures on each of these segments are shown in Note 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 2. Summary of significant accounting policies (cont'd)

### 2.25 *Non-current assets (or disposal groups) held-for-sale and discontinued operations*

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

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale

### 2.26 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Assumptions concerning the future and other key sources of estimation uncertainty and accounting judgements made at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

### (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.

Impairment losses on investment in subsidiaries for the financial year ended 31 March 2020 was \$6,878,000 (2019: \$11,131,000).

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.

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 15.

The carrying amount of trade receivables as at 31 March 2020 are \$7,163,000 (2019: \$23,242,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. Revenue

### *Revenue from contract with customers*

|                                                 | Group          |                |
|-------------------------------------------------|----------------|----------------|
|                                                 | 2020<br>\$'000 | 2019<br>\$'000 |
| <u>Sales of good</u>                            |                |                |
| Fruits, seafood and others                      | 18,002         | 72,566         |
| <u>Timing of transfer of goods and services</u> |                |                |
| Point in time                                   | 18,002         | 72,566         |

## 5. Other income

|                                                       | Group          |                |
|-------------------------------------------------------|----------------|----------------|
|                                                       | 2020<br>\$'000 | 2019<br>\$'000 |
| Franchise income                                      | 24             | 24             |
| Reversal of impairment on other receivables (Note 15) | 62             | —              |
| Gain on disposal of plant and equipment (Note 8)      | —              | 1              |
| Write back of accrued expenses and other payables     | 139            | 249            |
| <u>Government Grants</u>                              |                |                |
| - Wage Credit Scheme                                  | —              | 8              |
| - IE Singapore Grant                                  | —              | 99             |
| - Temporary Employment Credit                         | —              | 4              |
| - Productivity Innovation Credit                      | —              | 40             |
| Foreign exchange gain, net                            | 169            | 151            |
| Others                                                | 2              | 7              |
|                                                       | 396            | 583            |

## 6. Loss before tax

The following expense items have been included in arriving at loss before tax:

|                                                       | Group          |                |
|-------------------------------------------------------|----------------|----------------|
|                                                       | 2020<br>\$'000 | 2019<br>\$'000 |
| <u>Cost of goods sold</u>                             |                |                |
| Inventories recognised as an expense in cost of sales | 17,011         | 71,098         |
| <u>Selling and distribution expenses</u>              |                |                |
| Advertisement and promotion                           | 36             | 258            |
| Employee benefits expense:                            |                |                |
| - salaries, bonus and other benefits                  | 791            | 1,109          |
| - defined contribution plans                          | 130            | 189            |
| Total employee benefits expense                       | 921            | 1,298          |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 6. Loss before tax (cont'd)

|                                                              | Group          |                |
|--------------------------------------------------------------|----------------|----------------|
|                                                              | 2020<br>\$'000 | 2019<br>\$'000 |
| <u>Administrative expenses</u>                               |                |                |
| Audit fees                                                   |                |                |
| - auditors of the Company                                    | 100            | 120            |
| - other auditors                                             | 2              | 3              |
| Depreciation of plant and equipment (Note 8)                 | 19             | 50             |
| Amortisation of intangible assets (Note 9)                   | —              | 99             |
| Allowance for impairment loss on trade receivables (Note 15) | 1,617          | 858            |
| Trade receivables written off                                | 65             | —              |
| Rental expense for short-term lease                          | 97             | —              |
| Rental expense under SFRS(I) 1-17                            | —              | 92             |
| Directors' fees                                              | 141            | 141            |
| Director's remuneration                                      | —              | 582            |
| Employee benefits expense:                                   |                |                |
| - salaries, bonus and other benefits                         | 274            | 369            |
| - defined contribution plans                                 | 31             | 64             |
| Total employee benefits expense                              | 446            | 1,156          |
| <u>Other expenses</u>                                        |                |                |
| Other receivables and deposit written off                    | 2              | 114            |
| Loss on disposal of plant and equipment (Note 8)             | 2              | —              |

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

|                                   | Group          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2020<br>\$'000 | 2019<br>\$'000 |
| Selling and distribution expenses | 921            | 1,298          |
| Administrative expenses           | 446            | 1,156          |
|                                   | 1,367          | 2,454          |

The employee benefits expenses include the remuneration of Directors and other key management personnel as disclosed in Note 26 to the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 7. Income tax expense

### (a) *Relationship between tax expense and loss before tax*

A reconciliation between tax expense and the product of loss before tax multiplied by the applicable corporate tax rate for the year ended 31 March 2020 and 2019 respectively as follows:

|                                                                | Group          |                |
|----------------------------------------------------------------|----------------|----------------|
|                                                                | 2020<br>\$'000 | 2019<br>\$'000 |
| Loss before tax from continuing operations                     | (4,272)        | (5,780)        |
| Profit before tax from discontinued operations                 | —              | 1,499          |
| Loss before tax                                                | (4,272)        | (4,281)        |
| Income tax calculated at Singapore's statutory tax rate of 17% | (726)          | (728)          |
| Effect of different tax rates in other countries               | (56)           | (265)          |
| Tax effect of income not subjected to tax                      | (63)           | (367)          |
| Tax effect of expenses not deductible for income tax purposes  | 570            | 750            |
| Deferred tax assets not recognised in profit or loss           | 275            | 610            |
|                                                                | —              | —              |

As at 31 March 2020, the Group has unutilised tax losses of approximately \$19,800,000 (2019: \$26,910,000) and unutilised capital allowance of approximately \$307,000 (2019: \$316,000) 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 2020

## 8. Plant and equipment

| Group                                | Plant and<br>machineries<br>\$'000 | Office<br>equipment<br>\$'000 | Furniture,<br>fixtures and<br>fittings<br>\$'000 | Motor<br>vehicles<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|------------------------------------|-------------------------------|--------------------------------------------------|-----------------------------|-----------------|
| <b>Cost</b>                          |                                    |                               |                                                  |                             |                 |
| At 1 April 2018                      | 36                                 | 479                           | 171                                              | 155                         | 841             |
| Additions                            | —                                  | 17                            | —                                                | —                           | 17              |
| Disposal of subsidiaries             | —                                  | (3)                           | —                                                | —                           | (3)             |
| Disposal                             | —                                  | (30)                          | —                                                | (98)                        | (128)           |
| Currency translation<br>realignment  | —                                  | —                             | —                                                | (1)                         | (1)             |
| At 31 March 2019 and 1 April<br>2019 | 36                                 | 463                           | 171                                              | 56                          | 726             |
| Additions                            | —                                  | 4                             | —                                                | —                           | 4               |
| Disposal                             | —                                  | —                             | —                                                | (55)                        | (55)            |
| Currency translation<br>realignment  | —                                  | —                             | —                                                | (1)                         | (1)             |
| At 31 March 2020                     | 36                                 | 467                           | 171                                              | —                           | 674             |
| <b>Accumulated depreciation:</b>     |                                    |                               |                                                  |                             |                 |
| At 1 April 2018                      | 36                                 | 438                           | 165                                              | 89                          | 728             |
| Depreciation charge for the year     | —                                  | 24                            | 6                                                | 20                          | 50              |
| Disposal of subsidiaries             | —                                  | (3)                           | —                                                | —                           | (3)             |
| Disposal                             | —                                  | (28)                          | —                                                | (57)                        | (85)            |
| Currency translation<br>realignment  | —                                  | —                             | —                                                | (2)                         | (2)             |
| At 31 March 2019 and 1 April<br>2019 | 36                                 | 431                           | 171                                              | 50                          | 688             |
| Depreciation charge for the year     | —                                  | 19                            | —                                                | —                           | 19              |
| Disposal                             | —                                  | —                             | —                                                | (48)                        | (48)            |
| Currency translation<br>realignment  | —                                  | —                             | —                                                | (2)                         | (2)             |
| At 31 March 2020                     | 36                                 | 450                           | 171                                              | —                           | 657             |
| <b>Net carrying amount:</b>          |                                    |                               |                                                  |                             |                 |
| At 31 March 2019                     | —                                  | 32                            | —                                                | 6                           | 38              |
| At 31 March 2020                     | —                                  | 17                            | —                                                | —                           | 17              |

In the prior year, the Group acquired office equipment with an aggregate cost of \$12,000 by means of finance leases. The cash outflow on acquisition of the office equipment amounted to \$5,000. In addition, the Group also disposed the motor vehicle and office equipment with a carrying value of \$43,000 to third parties for total sales proceeds of \$44,000 in 2019.

During the financial year, the Group disposed the remaining motor vehicle with a carrying value of \$7,000 for total sales proceeds of \$5,000.

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 19.

The Group's carrying amount of office equipment held under finance lease at the end of the reporting period is \$6,000 (2019: \$9,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 9. Intangible assets

|                                                 | Group and<br>Company<br>\$'000 |
|-------------------------------------------------|--------------------------------|
| <b>Cost</b>                                     |                                |
| At 1 April 2018, 31 March 2019 and 1 April 2019 | 149                            |
| Disposals                                       | (149)                          |
|                                                 | <hr/>                          |
| At 31 March 2020                                | –                              |
|                                                 | <hr/>                          |
| <b>Accumulated amortization</b>                 |                                |
| At 1 April 2018                                 | 50                             |
| Amortisation                                    | 99                             |
|                                                 | <hr/>                          |
| At 31 March 2019 and 1 April 2019               | 149                            |
| Disposals                                       | (149)                          |
|                                                 | <hr/>                          |
| At 31 March 2020                                | –                              |
|                                                 | <hr/>                          |
| <b>Net carrying amount:</b>                     |                                |
| At 31 March 2019                                | –                              |
|                                                 | <hr/> <hr/>                    |
| At 31 March 2020                                | –                              |
|                                                 | <hr/> <hr/>                    |

During the financial year ended 31 March 2020, the Group disposed off the software with zero carrying value.

## 10. Investment in subsidiaries

|                                              | Company<br>2020<br>\$'000 | 2019<br>\$'000 |
|----------------------------------------------|---------------------------|----------------|
| Unquoted equity shares, at cost              | 10,200                    | 10,200         |
| Allowance for impairment loss                | (10,200)                  | (9,029)        |
|                                              | <hr/>                     | <hr/>          |
|                                              | –                         | 1,171          |
|                                              | <hr/>                     | <hr/>          |
| Amount due from subsidiaries (non-trade)     | 19,025                    | 19,905         |
| Allowance for impairment loss on receivables | (11,587)                  | (5,920)        |
|                                              | <hr/>                     | <hr/>          |
|                                              | 7,438                     | 13,985         |
|                                              | <hr/>                     | <hr/>          |
|                                              | 7,438                     | 15,156         |
|                                              | <hr/> <hr/>               | <hr/> <hr/>    |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 10. Investment in subsidiaries (cont'd)

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

|                                                                                          | <b>Company</b> |               |
|------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                          | <b>2020</b>    | <b>2019</b>   |
|                                                                                          | <b>\$'000</b>  | <b>\$'000</b> |
| Balance at beginning of financial year                                                   | 9,029          | 910           |
| Reversal of allowance for impairment during the year arising from disposal of subsidiary | —              | (610)         |
| Additional allowance for impairment during the year                                      | 1,171          | 8,729         |
| Balance at end of financial year                                                         | 10,200         | 9,029         |

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.

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

|                                                     | <b>Company</b> |               |
|-----------------------------------------------------|----------------|---------------|
|                                                     | <b>2020</b>    | <b>2019</b>   |
|                                                     | <b>\$'000</b>  | <b>\$'000</b> |
| Balance at beginning of financial year              | 5,920          | 3,539         |
| Additional allowance for impairment during the year | 5,707          | 2,402         |
| Currency translation differences                    | (40)           | (21)          |
| Balance at end of financial year                    | 11,587         | 5,920         |

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

|                      | <b>Company</b> |               |
|----------------------|----------------|---------------|
|                      | <b>2020</b>    | <b>2019</b>   |
|                      | <b>\$'000</b>  | <b>\$'000</b> |
| Singapore Dollar     | 6,099          | 11,272        |
| United States Dollar | 1,339          | 2,713         |
|                      | 7,438          | 13,985        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 10. Investment in subsidiaries (cont'd)

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

The particulars of the subsidiaries are as follows:

| Name of subsidiaries<br>(Country of incorporation and<br>principal place of business)               | Principal activities                                                                                                                                                                                                                                                                                                                                                                                                | Effective equity<br>interest held |           |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------|
|                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                     | 2020<br>%                         | 2019<br>% |
| <b><i>Held by the Company</i></b>                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                     |                                   |           |
| SunMoon Retail & Franchise Pte Ltd <sup>(1)</sup><br>(Singapore)                                    | To own, operate and<br>manage as principal<br>franchisor and/or agent of<br>all kinds of fruits                                                                                                                                                                                                                                                                                                                     | 100                               | 100       |
| SunMoon Distribution & Trading Pte<br>Ltd <sup>(2)</sup> (Singapore)                                | Importer, exporter,<br>wholesaler, retailer and<br>commission agent of<br>fruits                                                                                                                                                                                                                                                                                                                                    | 100                               | 100       |
| <b><i>Held by SunMoon Distribution &amp;<br/>Trading Pte Ltd</i></b>                                |                                                                                                                                                                                                                                                                                                                                                                                                                     |                                   |           |
| SunMoon Food (Shanghai) Co., Ltd<br>(People's Republic of China)                                    | Headquarter for China<br>operations, sales and<br>other marketing and<br>distribution                                                                                                                                                                                                                                                                                                                               | 100                               | 100       |
| <b><i>Held by SunMoon Food (Shanghai)<br/>Co., Ltd</i></b>                                          |                                                                                                                                                                                                                                                                                                                                                                                                                     |                                   |           |
| Shanghai Shanmai Supply Chain<br>Management Co., Ltd <sup>(3)</sup><br>(People's Republic of China) | Wholesaling, online<br>retailing, import, export<br>and commission-based<br>distribution of edible<br>agricultural products,<br>office supplies, costumes,<br>articles of daily use,<br>hardware and home<br>appliances; provision of<br>related supporting<br>services; business<br>information consulting;<br>freight forwarding within<br>the territory of China;<br>business services;<br>warehousing services. | 100                               | 100       |

<sup>(1)</sup> Audited by YW&CO.

<sup>(2)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(3)</sup> Audited by member firm of EY Global in the People's Republic of China, for consolidation purposes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 10. Investment in subsidiaries (cont'd)

### (b) *Disposal of subsidiaries*

In the previous financial year, the Company has struck-off the following wholly-owned dormant subsidiary, UGC 2003, Inc. and its wholly-owned subsidiary, SunMoon USA, LLC. All the receivables and payables had been written off/back before the struck-off and no cash was received. A total gain on struck-off of subsidiaries of \$1,544,000, resulting from the reclassification of foreign currency translation reserve, was recognised.

### (c) *Impairment of investment in subsidiaries*

During the financial year, the Group carried out a review of the recoverable amount of the net investment in SunMoon Distribution & Trading Pte Ltd under fruits segment due to the continuing losses reported as a result of deteriorating market conditions. The review led to the recognition of an impairment loss of \$6,878,000 (2019: \$11,131,000) in the Company's profit or loss.

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 five-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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 11. Investment in associate

|                                 | Group          |                |
|---------------------------------|----------------|----------------|
|                                 | 2020<br>\$'000 | 2019<br>\$'000 |
| Unquoted equity shares, at cost | 101            | 101            |
| Allowance for impairment loss   | (101)          | (101)          |
|                                 | <hr/>          | <hr/>          |
|                                 | –              | –              |
|                                 | <hr/>          | <hr/>          |

There was no movement in allowance for impairment of investment in associate during the financial year. The allowance for impairment loss was made in previous years due to the adverse financial conditions of the associate.

The particulars of the associate are as follows:

| Name of subsidiaries<br>(Country of incorporation) | Principal activities | Effective equity<br>interest held |           |
|----------------------------------------------------|----------------------|-----------------------------------|-----------|
|                                                    |                      | 2020<br>%                         | 2019<br>% |
| <b>Held by SunMoon Food (Shanghai) Co Ltd</b>      |                      |                                   |           |
| Xinjiang SunMoon Co. Ltd*                          | Dormant              | 25                                | 25        |
| (People's Republic of China)                       |                      |                                   |           |

\* The Company's business license has not been renewed and remained dormant as at 31 March 2020.

## 12. Investment securities

|                                             | Group          |                |
|---------------------------------------------|----------------|----------------|
|                                             | 2020<br>\$'000 | 2019<br>\$'000 |
| <b><u>Financial instruments</u></b>         |                |                |
| <i>At fair value through profit or loss</i> |                |                |
| Equity security (unquoted)                  | –              | –              |
|                                             | <hr/>          | <hr/>          |

The Group has elected to measure the equity security of Harvest Season at fair value through profit or loss due to the Group's intention to hold the equity security for long-term appreciation. As at 31 March 2020 and 2019, management has ascertained its fair value to be zero.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 13. Discontinued operations

### Income statement disclosures

The results of discontinued operations in 2019 are as follows:

|                                               | <b>Group<br/>2019<br/>\$'000</b> |
|-----------------------------------------------|----------------------------------|
| Other income                                  | 1,544                            |
| Expenses                                      | (45)                             |
|                                               | <hr/> 1,499                      |
| Profit before tax from discontinued operation | 1,499                            |
| Tax refund                                    | –                                |
|                                               | <hr/> 1,499                      |
| Profit after tax from discontinued operation  | <hr/> <hr/> 1,499                |

Other income consists of gain on disposal of subsidiaries of \$1,544,000.

### Cash flow statement disclosures

The cash flows attributable to disposed subsidiaries are as follows:

|                                                      | <b>Group<br/>2019<br/>\$'000</b> |
|------------------------------------------------------|----------------------------------|
| Operating activities, representing net cash outflows | <hr/> (335) <hr/>                |

### Earnings per share disclosures

The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 24.

## 14. Cash and cash equivalents

|              | <b>Group</b>           |                        | <b>Company</b>         |                        |
|--------------|------------------------|------------------------|------------------------|------------------------|
|              | <b>2020<br/>\$'000</b> | <b>2019<br/>\$'000</b> | <b>2020<br/>\$'000</b> | <b>2019<br/>\$'000</b> |
| Cash at bank | 1,539                  | 8,305                  | 47                     | 36                     |

Cash at banks earn interest at floating rates based on daily bank deposits rates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 14. Cash and cash equivalents (cont'd)

Cash and cash equivalents denominated in foreign currencies as at end of the reporting period are as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| United States Dollar | 322            | 2,015          | 3              | 3              |
| Australia Dollar     | 199            | 193            | —              | —              |
|                      | 521            | 2,208          | 3              | 3              |

## 15. Trade and other receivables

|                                                                    | Group               |                     | Company             |                     |
|--------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                    | 31.3.2020<br>\$'000 | 31.3.2019<br>\$'000 | 31.3.2020<br>\$'000 | 31.3.2019<br>\$'000 |
| Trade receivables - third parties                                  | 3,816               | 6,466               | —                   | —                   |
| Allowance for impairment loss on third parties trade receivables   | (1,817)             | (3,168)             | —                   | —                   |
| Trade receivables – related parties                                | 6,605               | 19,944              | —                   | —                   |
| Allowance for impairment loss on related parties trade receivables | (1,441)             | —                   | —                   | —                   |
|                                                                    | 7,163               | 23,242              | —                   | —                   |
| Other sundry receivables                                           | 132                 | 2,048               | 15                  | 1,975               |
| Allowance for impairment loss on other sundry receivables          | —                   | (2,047)             | —                   | (1,975)             |
|                                                                    | 7,295               | 23,243              | 15                  | —                   |
| GST/VAT refundable                                                 | 632                 | 422                 | —                   | 8                   |
| Advances to suppliers                                              | 4,428               | 2,219               | —                   | —                   |
| Refundable deposits                                                | 33                  | 35                  | —                   | 2                   |
| Total trade and other receivables                                  | 12,388              | 25,919              | 15                  | 10                  |
| Less:                                                              |                     |                     |                     |                     |
| - GST/VAT refundable                                               | (632)               | (422)               | —                   | (8)                 |
| - Advances to suppliers                                            | (4,428)             | (2,219)             | —                   | —                   |
| Total trade and other receivables carried at amortised cost        | 7,328               | 23,278              | 15                  | 2                   |
| Add:                                                               |                     |                     |                     |                     |
| - Cash and cash equivalents (Note 14)                              | 1,539               | 8,305               | 47                  | 36                  |
| Total financial assets carried at amortised cost                   | 8,867               | 31,583              | 62                  | 38                  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 15. Trade and other receivables (cont'd)

Trade receivables are unsecured, non-interest bearing and generally on 15 to 60 days terms (2019: 15 to 60 days terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in Advances to suppliers is an amount of \$4,428,000 (2019: nil) of advances to related parties held by the ultimate holding company.

Other receivables mainly comprised amounts due from third parties which are unsecured, interest free and repayable on demand.

### Trade receivables – related parties/advances to suppliers

As disclosed in Note 2.1 (ii), the Group entered into monthly installment re-payment arrangement (the "Installment Plan") with the related parties in July 2020 to repay the total outstanding balances from the related parties by 31 March 2021. As at the date of this report, out of gross trade receivables from related parties of \$6,605,000, balance of \$1,776,000 remained outstanding. Settlement of such balances took into account an agreed amount of \$486,000 of vouchers purchased from and \$612,000 offset against trade payables to related parties. In addition, \$2,603,000 (out of \$4,428,000) of advances to related parties for purchases of supplies remained outstanding.

### Expected credit losses

The Group provides for lifetime expected credit losses for trade receivables from customers by reference to past default experience of the debtors and an analysis of days past due, adjusted for forward-looking factors specific to the debtors and the economic environment.

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

|                                               | <b>Group</b>             |               |
|-----------------------------------------------|--------------------------|---------------|
|                                               | <b>Trade receivables</b> |               |
|                                               | <b>2020</b>              | <b>2019</b>   |
|                                               | <b>\$'000</b>            | <b>\$'000</b> |
| At beginning of financial year                | 3,168                    | 2,268         |
| Allowance for expected credit losses (Note 6) | 1,617                    | 858           |
| Written off                                   | (1,533)                  | –             |
| Currency translation differences              | 6                        | 42            |
| At end of financial year                      | <u>3,258</u>             | <u>3,168</u>  |

### Trade receivables that are past due but not impaired

The Group has trade receivables amounting to \$6,620,000 (2019: \$18,717,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as disclosed in Note 27(a).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 15. Trade and other receivables (cont'd)

### *Other receivables*

Other receivables (non-trade) that are impaired

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

|                                        | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------------|---------------|---------------|----------------|---------------|
|                                        | <b>2020</b>   | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
|                                        | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Balance at beginning of financial year | 2,047         | 2,036         | 1975           | 1,961         |
| Reversal                               | (62)          | —             | —              | —             |
| Write off during the financial year    | (1,974)       | —             | (1,961)        | —             |
| Currency translation realignment       | (11)          | 11            | (14)           | 14            |
| Balance at end of financial year       | —             | 2,047         | —              | 1,975         |

Trade and other receivables denominated in foreign currencies as at end of the reporting period are as follows:

|                      | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------|---------------|---------------|----------------|---------------|
|                      | <b>2020</b>   | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
|                      | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| United States Dollar | 2,617         | 11,678        | —              | —             |
| Australian Dollar    | —             | 25            | —              | —             |
|                      | 2,617         | 11,703        | —              | —             |

## 16. Inventories

|                                                               | <b>Group</b>  |               |
|---------------------------------------------------------------|---------------|---------------|
|                                                               | <b>2020</b>   | <b>2019</b>   |
|                                                               | <b>\$'000</b> | <b>\$'000</b> |
| <b><i>Consolidated balance sheet:</i></b>                     |               |               |
| Fruits and aquatic products                                   | 2,755         | 5             |
| <b><i>Consolidated statement of comprehensive income:</i></b> |               |               |
| Inventories recognised as an expense in cost of sales         | 17,011        | 71,098        |
| Inclusive of the following charge:                            |               |               |
| - Inventories written off                                     | —             | 140           |
| - Allowance for inventory obsolescence                        | 66            | 158           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 17. Lease liability

|                                           | Group          |                |
|-------------------------------------------|----------------|----------------|
|                                           | 2020<br>\$'000 | 2019<br>\$'000 |
| <b>Current:</b>                           |                |                |
| Lease liability (Note 19(b))              | 3              | 3              |
| <b>Non-current:</b>                       |                |                |
| Lease liability (Note 19(b))              | 6              | 8              |
|                                           | %              | %              |
| <b>Effective interest rates per annum</b> |                |                |
| Lease liability                           | 3.25           | 2.99 - 3.25    |

As at 31 March 2020, these obligations are secured over office equipment (Note 8).

The borrowings are denoted in Singapore Dollars.

A reconciliation of liabilities arising from financing activities is as follows:

|                 | 1 April<br>2019 | Cash flows | Non-cash<br>change<br>Other | 31 March<br>2020 |
|-----------------|-----------------|------------|-----------------------------|------------------|
|                 | \$'000          | \$'000     | \$'000                      | \$'000           |
| Lease liability |                 |            |                             |                  |
| - current       | 3               | (2)        | 2                           | 3                |
| - non-current   | 8               | —          | (2)                         | 6                |
| Total           | 11              | (2)        | —                           | 9                |

|               | 1 April<br>2018 | Cash flows | Non-cash<br>change<br>Acquisition of<br>equipment | 31 March<br>2019 |
|---------------|-----------------|------------|---------------------------------------------------|------------------|
|               | \$'000          | \$'000     | \$'000                                            | \$'000           |
| - current     | 18              | (19)       | 4                                                 | 3                |
| - non-current | 51              | (51)       | 8                                                 | 8                |
| Total         | 69              | (70)       | 12                                                | 11               |

The 'other' column includes the reclassification of non-current portion of loans and borrowings due to passage of time.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 18. Trade and other payables

|                                                          | Group          |                | Company        |                |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                          | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| Trade payables                                           |                |                |                |                |
| - third parties                                          | 8,552          | 21,468         | —              | —              |
| - related parties                                        | 187            | 511            | —              | —              |
|                                                          | 8,739          | 21,979         | —              | —              |
| Other payables                                           |                |                |                |                |
| - third parties                                          | 256            | 325            | 5              | 85             |
| - related party                                          | —              | 548            | —              | —              |
| - subsidiaries                                           | —              | —              | —              | 38             |
|                                                          | 256            | 873            | 5              | 123            |
| Other liabilities                                        |                |                |                |                |
| - Accrued operating expenses                             | 393            | 622            | 326            | 520            |
| - Advances from related party                            | 423            | 402            | —              | —              |
| - Deferred grant income                                  | 23             | —              | 14             | —              |
| Total trade and other payables                           | 9,834          | 23,876         | 345            | 643            |
| Total trade and other payables                           | 9,834          | 23,876         | 345            | 643            |
| Add/(less):                                              |                |                |                |                |
| - Lease liability (Note 17)                              | 9              | 11             | —              | —              |
| - Advances from related party                            | (423)          | (402)          | —              | —              |
| - Deferred grant income                                  | (23)           | —              | (14)           | —              |
| Total financial liabilities carried at<br>amortised cost | 9,397          | 23,485         | 331            | 643            |

Trade payables are unsecured, non-interest bearing and normally settled between 7 to 60 days' (2019: 7 to 60 days) terms.

Trade payables from related parties of \$3,734,000 have been netted off against trade receivables from related parties.

Trade and other payables denominated in foreign currencies as at end of the reporting period are as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| United States Dollar | 2,252          | 10,504         | —              | —              |
| Euro Dollars         | 6              | 6              | —              | —              |
| Indonesian Rupiah    | —              | 9              | —              | —              |
| Chinese RMB          | —              | 31             | —              | —              |
| Philippine Peso      | —              | 3              | —              | —              |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 19. Leases

The Group has lease contract for office equipment. The leases for office equipment has lease term of 5 years. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

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

|                                  | 2020<br>\$'000 |
|----------------------------------|----------------|
| At 1 April 2019                  | 10             |
| Depreciation charge for the year | (4)            |
| At 31 March 2020                 | 6              |

### (b) *Lease liability*

The carrying amount of lease liability (included under borrowings) and the movements during the year are disclosed in Note 17 and the maturity analysis of lease liability is disclosed in Note 27(c).

### (c) *Amounts recognised in profit or loss*

|                                           | 2020<br>\$'000 |
|-------------------------------------------|----------------|
| Depreciation of right-of-use assets       | 4              |
| Interest expenses on lease liability      | —*             |
| Total amount recognised in profit or loss | 4              |

\*Denotes less than \$1,000

### (d) *Total cash flow*

The Group has total cash outflows for leases of \$2,000 in 2020.

## 20. Share capital

|                                                | 2020<br>'000 | 2019<br>'000 | 2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------------------------|--------------|--------------|----------------|----------------|
| <b>Issued and fully paid:</b>                  |              |              |                |                |
| Balance at beginning and end of financial year | 719,724      | 719,724      | 139,508        | 139,508        |
| Shares issuance during the year                | 64,911       | —            | 2,379          | —              |
| Balance at end of financial year               | 784,635      | 719,724      | 141,887        | 139,508        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 20. Share capital (cont'd)

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).

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 21. Other reserves

Other reserves comprise the following:

|                                           | Group   |         | Company |         |
|-------------------------------------------|---------|---------|---------|---------|
|                                           | 2020    | 2019    | 2020    | 2019    |
|                                           | \$'000  | \$'000  | \$'000  | \$'000  |
| Capital reduction reserve                 | 18,384  | 18,384  | 18,384  | 18,384  |
| Foreign currency translation reserve      | (1,725) | (1,664) | —       | —       |
| Reserve for contingent issuance of shares | —       | (1,321) | —       | (1,321) |
| Treasury shares                           | (299)   | (299)   | (299)   | (299)   |
|                                           | 16,360  | 15,100  | 18,085  | 16,764  |

### **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 20 to the financial statements. This reserve has been reclassified to share capital upon issuance of final adjustment shares on 14 October 2019 (Note 20).

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 22. Commitments

### (a) *Operating lease commitment – as lessee*

The Group has a lease commitment for office premise. There are no restrictions placed upon the Group by entering into this lease.

As at 31 March 2019, the future minimum lease payments payable under non-cancellable operating lease contracted for but not recognised as liability, are as follows:

|                                                   | <b>Group<br/>2019<br/>\$'000</b> |
|---------------------------------------------------|----------------------------------|
| Not later than one year                           | 93                               |
| Later than one year but not later than five years | 19                               |
|                                                   | <hr/> 112 <hr/>                  |

Minimum lease payments recognised as expense in profit or loss for the financial year ended 31 March 2019 amounted to \$92,000.

### (b) *Finance leases commitments – as lessee*

As at 31 March 2019, the Group leases office equipment and motor vehicle from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term:

The future minimum lease payments under finance leases and their present values are as follow:

|                                                   | <b>Group<br/>2019<br/>\$'000</b> |
|---------------------------------------------------|----------------------------------|
| Minimum lease payments due:                       |                                  |
| Not later than one year                           | 3                                |
| Later than one year but not later than five years | 10                               |
| Less: Future finance charges                      | (2)                              |
|                                                   | <hr/> 11 <hr/>                   |
| Present value of finance lease liabilities        | 11                               |

Finance lease liabilities were reclassified to lease liabilities on 1 April 2019 arising from the adoption of SFRS(I) 16. There is no impact on the adoption of SFRS(I) 16.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 23. Financial liabilities arising from contingent issuance of shares

|                                      | Group and Company |        |
|--------------------------------------|-------------------|--------|
|                                      | 2020              | 2019   |
|                                      | \$'000            | \$'000 |
| Fair value on initial recognition    | 2,077             | —      |
| Fair value changes during the year   | 1,623             | 2,077  |
| De-recognition on issuance of shares | (3,700)           | —      |
| Fair value at the end of the year    | —                 | 2,077  |

In the prior year, 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 20 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.

## 24. Earnings per share

Basic earnings per share are calculated by dividing (loss)/profit from continuing and discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit/(loss) from continuing and discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the (loss)/profit and share data used in the computation of basic and diluted earnings per share for the financial year ended 31 March:

|                                                                                       | Group   |         |
|---------------------------------------------------------------------------------------|---------|---------|
|                                                                                       | 2020    | 2019    |
|                                                                                       | \$'000  | \$'000  |
| <u>(Loss)/profit for the year</u>                                                     |         |         |
| Loss from continuing operation, net of tax, attributable to owners of the Company     | (4,272) | (5,780) |
| Profit from discontinued operation, net of tax, attributable to owners of the Company | —       | 1,499   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 24. Earnings per share (cont'd)

|                                                                                        |       | No of shares |                       |
|----------------------------------------------------------------------------------------|-------|--------------|-----------------------|
|                                                                                        |       | 2020         | 2019                  |
|                                                                                        |       | '000         | '000                  |
| <u>Share data</u>                                                                      |       |              |                       |
| Weighted average number of ordinary shares for basic earnings per share computation    | (A)   | 743,512      | 717,078               |
| Effects of dilution:                                                                   |       |              |                       |
| Warrants                                                                               | (B)   | –            | – <sup>(a)</sup>      |
| Contingent shares to be issued (Note 20, Note 23)                                      | (C)   | –            | 64,911 <sup>(b)</sup> |
| <hr/>                                                                                  |       |              |                       |
| Weighted average number of ordinary shares for diluted earnings per share computation: |       |              |                       |
| - Continuing operations                                                                | A+C   | 743,512      | 781,989               |
| - Discontinued operations                                                              | A+B+C | 743,512      | 781,989               |
| <hr/>                                                                                  |       |              |                       |

(a) As at 31 March 2019, 166,666,667 unlisted warrants at an exercise price of \$0.054, totaling \$9 million were issued to Shanghai Yiguo E-Commerce Co., Ltd ("Yiguo") which could be converted into 166,666,667 shares of the Company. These warrants have lapsed on 3 July 2020.

(b) The number of contingent shares included in the diluted earnings per share calculation was based on the number of shares issuable assuming the occurrence of the loss events at the end of the reporting period.

|                                                   |  | Group  |        |
|---------------------------------------------------|--|--------|--------|
|                                                   |  | 2020   | 2019   |
| <u>Basic (loss)/earnings per shares (cents)</u>   |  |        |        |
| From continuing operations                        |  | (0.57) | (0.81) |
| From discontinued operations                      |  | –      | 0.21   |
| <hr/>                                             |  |        |        |
| <u>Diluted (loss)/earnings per shares (cents)</u> |  |        |        |
| From continuing operations                        |  | (0.57) | (0.74) |
| From discontinued operations                      |  | –      | 0.19   |
| <hr/>                                             |  |        |        |

## 25. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 25. Segment information (cont'd)

The Group has the following reportable segments namely:

- (a) The agricultural products division manufactured and sold dehydrated garlic and onion products. The production facilities were located in the People's Republic of China ("PRC") while the products were previously distributed globally. The segment was discontinued during the financial year ended 31 March 2018 and accounted for as that of discontinued operations.
- (b) Prior to the current financial year, the fruits division procured and distributed fresh fruits, processed fruits and frozen products globally and in the PRC. During the current financial year, product range has expanded to include vegetables, meat, french fries and seafood (collectively "Fruits, seafood and others"),
- (c) Others pertain to the corporate/investment holding activities and acting as principal franchisor.

Segment assets consist primarily of plant and equipment, inventories, trade and other receivables, prepayments, and cash and bank balances. Segment liabilities comprise operating liabilities. Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

|                                                                    | Fruits, seafood<br>and others<br>(Continuing<br>operation) | Others  | Elimination | Total   |
|--------------------------------------------------------------------|------------------------------------------------------------|---------|-------------|---------|
| 2020                                                               | \$'000                                                     | \$'000  | \$'000      | \$'000  |
| <b>Revenue</b>                                                     |                                                            |         |             |         |
| External revenue                                                   | 18,002                                                     | —       | —           | 18,002  |
| Inter-segment revenue                                              | 122                                                        | —       | (122)       | —       |
|                                                                    | 18,124                                                     | —       | (122)       | 18,002  |
| <b>Results</b>                                                     |                                                            |         |             |         |
| Segment results                                                    | (2,040)                                                    | (2,233) | —           | (4,273) |
| Interest income                                                    | 1                                                          | —       | —           | 1       |
| Finance cost                                                       | —                                                          | —       | —           | —       |
| Segment profit/(loss)                                              | (2,039)                                                    | (2,233) | —           | (4,272) |
| <b>Non-cash items</b>                                              |                                                            |         |             |         |
| Depreciation of plant and equipment                                | (19)                                                       | —       | —           | (19)    |
| Impairment loss on trade receivables                               | (1,617)                                                    | —       | —           | (1,617) |
| Allowance for inventory obsolescence                               | (66)                                                       | —       | —           | (66)    |
| Reversal of expected credit loss on trade<br>and other receivables | 62                                                         | —       | —           | 62      |
| Trade and other receivables written off                            | (65)                                                       | —       | —           | (65)    |
| Trade and other payables written back                              | 139                                                        | —       | —           | 139     |
| Fair value change on financial liabilities                         | —                                                          | (1,623) | —           | (1,623) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 25. Segment information (cont'd)

| 2019                                       | Agricultural products<br>(Discontinued operation)<br>\$'000 | Fresh and processed fruits<br>(Continuing operation)<br>\$'000 | Others<br>\$'000 | Elimination<br>\$'000 | Adjustment<br>\$'000 | Continuing Operations<br>\$'000 |
|--------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------|------------------|-----------------------|----------------------|---------------------------------|
| <b>Revenue</b>                             |                                                             |                                                                |                  |                       |                      |                                 |
| External revenue                           | —                                                           | 72,566                                                         | —                | —                     | —                    | 72,566                          |
| Inter-segment revenue                      | —                                                           | 10,518                                                         | —                | (10,518)              | —                    | —                               |
|                                            | —                                                           | 83,084                                                         | —                | (10,518)              | —                    | 72,566                          |
| <b>Results</b>                             |                                                             |                                                                |                  |                       |                      |                                 |
| Segment results                            | 1,499                                                       | (2,023)                                                        | (3,788)          | —                     | (1,499)              | (5,811)                         |
| Interest income                            | —                                                           | 42                                                             | 1                | —                     | —                    | 43                              |
| Finance cost                               | —                                                           | (12)                                                           | —                | —                     | —                    | (12)                            |
| Segment profit/(loss)                      | 1,499                                                       | (1,993)                                                        | (3,787)          | —                     | (1,499)              | (5,780)                         |
| <b>Non-cash items</b>                      |                                                             |                                                                |                  |                       |                      |                                 |
| Depreciation of plant and equipment        | —                                                           | (50)                                                           | —                | —                     | —                    | (50)                            |
| Amortisation of intangible assets          | —                                                           | —                                                              | (99)             | —                     | —                    | (99)                            |
| Impairment loss on trade receivables       | —                                                           | (858)                                                          | —                | —                     | —                    | (858)                           |
| Allowance for inventory obsolescence       | —                                                           | (158)                                                          | —                | —                     | —                    | (158)                           |
| Gain on disposal of subsidiaries           | 1,544                                                       | —                                                              | —                | —                     | (1,544)              | —                               |
| Trade and other receivables written off    | (42)                                                        | (114)                                                          | —                | —                     | 42                   | (114)                           |
| Trade and other payables written back      | 62                                                          | 249                                                            | —                | —                     | (62)                 | 249                             |
| Fair value change on financial liabilities | —                                                           | —                                                              | (2,077)          | —                     | —                    | (2,077)                         |
| Inventories written off                    | —                                                           | (140)                                                          | —                | —                     | —                    | (140)                           |
| Gain on disposal of plant and equipment    | —                                                           | 1                                                              | —                | —                     | —                    | 1                               |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 25. Segment information (cont'd)

|                               | Fruits,<br>seafood and<br>others<br>(continuing<br>operation)<br>\$'000 | Others<br>\$'000 | Elimination<br>\$'000 | Total<br>\$'000 |
|-------------------------------|-------------------------------------------------------------------------|------------------|-----------------------|-----------------|
| <b>31.3.2020</b>              |                                                                         |                  |                       |                 |
| <b>Capital expenditure</b>    |                                                                         |                  |                       |                 |
| Plant and equipment           | 4                                                                       | –                | –                     | 4               |
| <b>Assets and liabilities</b> |                                                                         |                  |                       |                 |
| Segment assets                | 18,413                                                                  | 7,566            | (8,400)               | 17,579          |
| Segment liabilities           | 26,944                                                                  | 3,229            | (20,330)              | 9,843           |
| <b>31.3.2019</b>              |                                                                         |                  |                       |                 |
| <b>Capital expenditure</b>    |                                                                         |                  |                       |                 |
| Plant and equipment           | 5                                                                       | –                | –                     | 5               |
| <b>Assets and liabilities</b> |                                                                         |                  |                       |                 |
| Segment assets                | 35,244                                                                  | 15,257           | (16,168)              | 34,333          |
| Segment liabilities           | 41,426                                                                  | 5,605            | (21,067)              | 25,964          |

### 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 and non-current assets from continuing operations information based on the geographical location of customers and assets respectively are as follows:

|        | Revenue        |                | Non-current assets |                |
|--------|----------------|----------------|--------------------|----------------|
|        | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000     | 2019<br>\$'000 |
| ASEAN  | 4,122          | 11,872         | 16                 | 32             |
| PRC    | 13,807         | 59,819         | 1                  | 6              |
| Others | 73             | 875            | –                  | –              |
|        | 18,002         | 72,566         | 17                 | 38             |

Revenue of approximately \$3,904,000 (2019: \$45,851,000) is derived from sales to related parties which accounted for 22% (2019: 63%) of the Group's sales.

For sales to third party customers, revenue of approximately \$6,575,000 (2019: \$15,208,000) is derived from three (2019: 3) customers. Revenue of each of these external third-party customers individually constitutes more than 5% of total revenue for both the financial years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 26. 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:

|                                                          | Group          |                |
|----------------------------------------------------------|----------------|----------------|
|                                                          | 2020<br>\$'000 | 2019<br>\$'000 |
| <b>Companies related to the ultimate holding company</b> |                |                |
| Sales                                                    | 3,904          | 45,851         |
| Purchases                                                | (11,898)       | (528)          |
| Licence fee expense                                      | —              | (14)           |
| Advances received                                        | —              | (1,088)        |
| Advance payment to related parties for purchases         | 4,428          | 543            |
| Service received from                                    | 255            | —              |
| Service provided to                                      | 6              | —              |

### **Compensation of key management personnel**

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

|                          | Group          |                |
|--------------------------|----------------|----------------|
|                          | 2020<br>\$'000 | 2019<br>\$'000 |
| Directors' fees          | 141            | 141            |
| Short-term benefits      | 279            | 1,097          |
| Post-employment benefits | 30             | 68             |
|                          | 450            | 1,306          |

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

|                                 | Group          |                |
|---------------------------------|----------------|----------------|
|                                 | 2020<br>\$'000 | 2019<br>\$'000 |
| <b>Directors of the Company</b> |                |                |
| Directors' fees                 | 141            | 141            |
| Short-term benefits             | —              | 570            |
| Post-employment benefits        | —              | 12             |
|                                 | 141            | 723            |

Other key management comprises the Executive Chairman, Financial Controller, General Managers and Head of Information and Technology.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. Financial risk management objectives and policies

The Group's and the Company's activities expose them to credit risks, foreign currency risks and liquidity risks. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. Management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the 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 risks*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group does not expect to incur material credit losses on its financial instruments.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. Financial risk management objectives and policies (cont'd)

### (a) Credit risks (cont'd)

- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- There is a disappearance of an active market for that financial asset because of financial difficulty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivables due. When recoveries are made, these are recognised in profit or loss.

### Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. 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 loss allowance provision as at 31 March 2020 and 31 March 2019 is determined as follows, 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.

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 | Past due 0 to 30 days | Past due 31 to 60 days | Past due 61 to 90 days | More than 91 days past due | Total   |
|--------------------------|---------|-----------------------|------------------------|------------------------|----------------------------|---------|
| 31 March 2020            | \$'000  | \$'000                | \$'000                 | \$'000                 | \$'000                     | \$'000  |
| Gross carrying amount    | 532     | 513                   | 1,528                  | 1,519                  | 4,224                      | 8,316   |
| Loss allowance provision | —       | —                     | —                      | —                      | (1,714)                    | (1,714) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. Financial risk management objectives and policies (cont'd)

### (a) Credit risks (cont'd)

Other geographical areas:

|                             | Current<br>\$'000 | Past due 0 to<br>30 days<br>\$'000 | Past due 31<br>to 60 days<br>\$'000 | Past due 61<br>to 90 days<br>\$'000 | More than 91<br>days past<br>due<br>\$'000 | Total<br>\$'000 |
|-----------------------------|-------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------------|-----------------|
| 31 March 2020               |                   |                                    |                                     |                                     |                                            |                 |
| Gross carrying<br>amount    | 11                | 2                                  | —                                   | —                                   | 2,092                                      | 2,105           |
| Loss allowance<br>provision | —                 | —                                  | —                                   | —                                   | (1,544)                                    | (1,544)         |

People's Republic of China:

|                             | Current<br>\$'000 | Past due 0 to<br>30 days<br>\$'000 | Past due 31<br>to 60 days<br>\$'000 | Past due 61<br>to 90 days<br>\$'000 | More than 91<br>days past<br>due<br>\$'000 | Total<br>\$'000 |
|-----------------------------|-------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------------|-----------------|
| 31 March 2019               |                   |                                    |                                     |                                     |                                            |                 |
| Gross carrying<br>amount    | 3,522             | 4,265                              | 8,812                               | 2,435                               | 1,712                                      | 20,746          |
| Loss allowance<br>provision | —                 | —                                  | —                                   | —                                   | (346)                                      | (346)           |

Other geographical areas:

|                             | Current<br>\$'000 | Past due 0 to<br>30 days<br>\$'000 | Past due 31<br>to 60 days<br>\$'000 | Past due 61<br>to 90 days<br>\$'000 | More than 91<br>days past<br>due<br>\$'000 | Total<br>\$'000 |
|-----------------------------|-------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------------|-----------------|
| 31 March 2019               |                   |                                    |                                     |                                     |                                            |                 |
| Gross carrying<br>amount    | 1,015             | 815                                | 314                                 | 189                                 | 3,331                                      | 5,664           |
| Loss allowance<br>provision | (12)              | (8)                                | (10)                                | (45)                                | (2,747)                                    | (2,822)         |

Information regarding loss allowance movement of trade receivables are disclosed in Note 15.

### Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. Financial risk management objectives and policies (cont'd)

### (a) Credit risks (cont'd)

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

|                            | Group          |                |
|----------------------------|----------------|----------------|
|                            | 2020<br>\$'000 | 2019<br>\$'000 |
| Singapore                  | 10             | 123            |
| People's Republic of China | 6,606          | 20,400         |
| Indonesia                  | —              | 1,659          |
| Malaysia                   | —              | 156            |
| Thailand                   | 547            | 590            |
| Other countries            | —              | 314            |
|                            | 7,163          | 23,242         |

The Group has significant concentration of credit risk. The top 5 customers accounted for approximately 88% (2019: 95%) of the total trade receivables as at 31 March 2020. In particular, the Company has significant concentration of credit risk in terms of trade balance due from related parties constituting 72% (2019: 86%) of the net trade receivables as at 31 March 2020.

#### *Exposure to credit risks*

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, represents the Group's and Company's maximum exposure to credit risks. The Group and Company do not hold any collateral.

The Group's major classes of financial assets are cash and cash equivalents and trade and other receivables.

Cash and cash equivalents are placed with banks and financial institutions which are regulated.

#### *Financial assets that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. Financial risk management objectives and policies (cont'd)

### (a) Credit risks (cont'd)

*Financial assets that are either past due or impaired*

The age analysis of trade receivables as at the end of the reporting period that are past due but not impaired is as follows:

|                        | Group          |                |
|------------------------|----------------|----------------|
|                        | 2020<br>\$'000 | 2019<br>\$'000 |
| Past due 0 to 30 days  | 515            | 5,072          |
| Past due 31 to 60 days | 1,528          | 9,116          |
| Past due 61 to 90 days | 1,519          | 2,579          |
| Past due over 90 days  | 3,058          | 1,950          |
|                        | <u>6,620</u>   | <u>18,717</u>  |

### (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 Australian Dollar ("AUD").

As at the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entities' functional currency are as follows:

|                      | Group          |                |                |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | Assets         |                | Liabilities    |                |
|                      | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| United States Dollar | 2,939          | 13,693         | 2,266          | 10,504         |
| Australian Dollar    | 199            | 218            | —              | —              |
| Euro Dollar          | —              | —              | —              | 6              |
| Indonesian Rupiah    | —              | —              | —              | 9              |
| Chinese Renminbi     | —              | —              | —              | 31             |
| Philippine Peso      | —              | —              | —              | 3              |

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 2020

## 27. Financial risk management objectives and policies (cont'd)

### (b) *Foreign currency risks (cont'd)*

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

#### *Foreign currency sensitivity analysis*

The following table details the Group's sensitivity to a 2% (2019: 2%) change in Singapore dollar ("SGD") against the USD and AUD respectively. The sensitivity analysis assumes an instantaneous 2% (2019: 2%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD and AUD are included in the analysis.

|                              | <b>Loss before tax<br/>(Decrease)/increase</b> |               |
|------------------------------|------------------------------------------------|---------------|
|                              | <b>2020</b>                                    | <b>2019</b>   |
|                              | <b>\$'000</b>                                  | <b>\$'000</b> |
| <b>Group</b>                 |                                                |               |
| USD/SGD                      |                                                |               |
| - Strengthened 2% (2019: 2%) | (14)                                           | (64)          |
| - Weakened 2% (2019: 2%)     | 14                                             | 64            |
| AUD/SGD                      |                                                |               |
| - Strengthened 2% (2019: 2%) | (4)                                            | (4)           |
| - Weakened 2% (2019: 2%)     | 4                                              | 4             |

### (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.

All financial assets are due within one year.

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. Financial risk management objectives and policies (cont'd)

### (c) *Liquidity risks (cont'd)*

|                              | Within one<br>financial year<br>\$'000 | More than one<br>financial year<br>\$'000 |
|------------------------------|----------------------------------------|-------------------------------------------|
| <b>Group</b>                 |                                        |                                           |
| <b>As at 31 March 2020</b>   |                                        |                                           |
| <u>Financial liabilities</u> |                                        |                                           |
| Trade and other payables     | 9,388                                  | —                                         |
| Lease liability              | 3                                      | 7                                         |
|                              | <hr/> 9,391                            | <hr/> 7                                   |
| <b>As at 31 March 2019</b>   |                                        |                                           |
| <u>Financial liabilities</u> |                                        |                                           |
| Trade and other payables     | 23,474                                 | —                                         |
| Borrowings                   | 3                                      | 10                                        |
|                              | <hr/> 23,477                           | <hr/> 10                                  |
| <b>Company</b>               |                                        |                                           |
| <b>As at 31 March 2020</b>   |                                        |                                           |
| <u>Financial liability</u>   |                                        |                                           |
| Trade and other payables     | 331                                    | —                                         |
|                              | <hr/> 331                              | <hr/> —                                   |
| <b>As at 31 March 2019</b>   |                                        |                                           |
| <u>Financial liability</u>   |                                        |                                           |
| Trade and other payables     | 643                                    | —                                         |
|                              | <hr/> 643                              | <hr/> —                                   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 28. Fair value of assets and liabilities

### (a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) *Assets and liabilities measured at fair value*

There are no assets and liabilities measured at fair value at 31 March 2020. The following table shows an analysis of liabilities measured at fair value at 31 March 2019:

|                                                                     | Significant<br>unobservable<br>inputs<br>(Level 3)<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------------------------|--------------------------------------------------------------|-----------------|
| <b><u>As at 31 March 2019</u></b>                                   |                                                              |                 |
| <b><u>Liability</u></b>                                             |                                                              |                 |
| Financial liabilities arising from contingent<br>issuance of shares | 2,077                                                        | 2,077           |

In determining the fair value of the financial liabilities arising from contingent issuance of adjustment shares, management determined the expected losses arising from the loss events disclosed in Note 20 to the financial statements.

### **Investment securities**

In determining the fair value of the investment securities, management assessed the financial performance of the investee company and determine its recoverable amount based on discounted cashflows

### (c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of the Group's and the Company's current financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 29. 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 2020 and 2019.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total equity plus debt. Net debt is calculated as bank borrowings plus trade and other payables at amortised cost less cash and bank balances and further adjusted for financial liabilities arising from contingent issuance of shares. Equity consists of total equity attributable to the owners of the Company, adjusted for reserve for contingent issuance of shares.

|                                                                  | <b>Group</b>  |               |
|------------------------------------------------------------------|---------------|---------------|
|                                                                  | <b>2020</b>   | <b>2019</b>   |
|                                                                  | <b>\$'000</b> | <b>\$'000</b> |
| Total financial liabilities at amortised cost                    | 9,397         | 23,485        |
| Financial liabilities arising from contingent issuance of shares | —             | 2,077         |
| Less: Cash and cash equivalents                                  | (1,539)       | (8,305)       |
| Net debt                                                         | 7,858         | 17,257        |
| Equity attributable to owners of the company                     | 7,736         | 8,369         |
| Adjustment: Reserve for contingent issuance of shares            | —             | 1,321         |
| Total capital                                                    | 15,594        | 26,947        |
| Gearing ratio                                                    | 50%           | 64%           |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2020 and 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 30. Subsequent event

### (a) *Impact on COVID-19 outbreak*

The COVID-19 outbreak and the measures taken have resulted in significant disruption to all aspects of the Group's operations, including its supply chain as well as distribution.

Currently, the Group has no visibility on when business would return to normal as the pandemic continues to progress and evolve, therefore it is extremely challenging to predict the full extent and duration of its impact on the Group's businesses and the countries where the Group operates. Management will continue to monitor any material changes to the Group's operations and results as part of its risk management activities. The Group will focus on cost control measures and cashflow management, and streamline supply chain management and expand the scope of the fulfilment of various types of fresh produce.

### (b) *Increased share capital in subsidiary*

In June 2020, Shanghai Shanmai Supply Chain Management Co., Ltd increased its share capital from RMB500,000 to RMB30,000,000 via novation and capitalization of amounts ultimately owing to the Company.

## 31. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 4 September 2020.

# STATISTICS OF SHAREHOLDINGS

AS AT 31 AUGUST 2020

|                                                               |                    |
|---------------------------------------------------------------|--------------------|
| 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                | 4,703               | 36.38  | 124,808       | 0.02   |
| 100 – 1,000           | 3,952               | 30.57  | 1,870,787     | 0.24   |
| 1,001 – 10,000        | 2,945               | 22.78  | 11,867,624    | 1.52   |
| 10,001 – 1,000,000    | 1,300               | 10.05  | 128,053,833   | 16.45  |
| 1,000,001 & ABOVE     | 29                  | 0.22   | 636,355,521   | 81.77  |
| TOTAL                 | 12,929              | 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                   | 49,583,966    | 6.37  |
| 3 MAYBANK KIM ENG SECURITIES PTE.LTD     | 28,241,635    | 3.63  |
| 4 TOH LAI KENG                           | 23,500,000    | 3.02  |
| 5 PRIMA PORTFOLIO PTE LTD                | 11,221,900    | 1.44  |
| 6 DBS NOMINEES PTE LTD                   | 7,636,213     | 0.98  |
| 7 PHILLIP SECURITIES PTE LTD             | 7,400,061     | 0.95  |
| 8 OCBC NOMINEES SINGAPORE PTE LTD        | 5,704,710     | 0.73  |
| 9 OCBC SECURITIES PRIVATE LTD            | 3,024,590     | 0.39  |
| 10 AW BOON LEONG (HU WENLONG)            | 2,751,100     | 0.35  |
| 11 TAN KOK SIANG GARY                    | 2,750,000     | 0.35  |
| 12 UNITED OVERSEAS BANK NOMINEES PTE LTD | 2,631,192     | 0.34  |
| 13 CHUA KENG LOY                         | 2,280,000     | 0.29  |
| 14 LEE YONG CHOI                         | 2,275,000     | 0.29  |
| 15 RAFFLES NOMINEES (PTE) LIMITED        | 1,877,830     | 0.24  |
| 16 TAN KAH HENG (CHEN JIAXING)           | 1,873,300     | 0.24  |
| 17 IFAST FINANCIAL PTE LTD               | 1,812,295     | 0.23  |
| 18 GOH GUAN SIONG (WU YUANXIANG)         | 1,709,500     | 0.22  |
| 19 LIN JIAN                              | 1,684,800     | 0.22  |
| 20 ZHU XILIN                             | 1,536,970     | 0.20  |
|                                          | 625,346,051   | 80.34 |

On the basis of the information available to the Company, approximately 32.21% 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     | 61,712,722      | –               |
| GARY LOH HOCK CHUAN              | –               | 61,712,722      |
| SELENA CHENG KOH MIN             | –               | 61,712,722      |
| 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                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                     | Ms Ng Bie Tjin<br>@Djuniarti Intan                                                                                                                                                                                                                             | Mr Yang Guang                                                                                                                                                                                                                                                     | Ms Liu Yuanyuan                                                                                                                                                                                                                     | Mr Cen Jian                                                                                                                                                                                                              |
| Date of Appointment                                                                                                                 | 31 August 2017                                                                                                                                                                                                                                                 | 27 October 2017                                                                                                                                                                                                                                                   | 22 May 2018                                                                                                                                                                                                                         | 21 August 2020                                                                                                                                                                                                           |
| Date of last re-appointment (if applicable)                                                                                         | 31 July 2018                                                                                                                                                                                                                                                   | 31 July 2018                                                                                                                                                                                                                                                      | 31 July 2018                                                                                                                                                                                                                        | N.A.                                                                                                                                                                                                                     |
| Age                                                                                                                                 | 54                                                                                                                                                                                                                                                             | 45                                                                                                                                                                                                                                                                | 35                                                                                                                                                                                                                                  | 46                                                                                                                                                                                                                       |
| Country of principal residence                                                                                                      | Singapore                                                                                                                                                                                                                                                      | China                                                                                                                                                                                                                                                             | China                                                                                                                                                                                                                               | China                                                                                                                                                                                                                    |
| The Board's comments on this re-election/ appointment                                                                               | After reviewing the recommendation of the Nominating Committee and Ms Intan Ng's qualifications and experience, the Board has confirmed that she is independent and approved that Ms Intan Ng stands for re-election as an Independent Non-Executive Director. | After reviewing the recommendation of the Nominating Committee and Mr Yang Guang's qualifications and experience, the Board has confirmed that he is independent and approved that Mr Yang Guang stands for re-election as an Independent Non-Executive Director. | After reviewing the recommendation of the Nominating Committee and Ms Liu Yuanyuan's qualifications and experience, the Board has approved that Ms Liu Yuanyuan stands for re-election as a Non-Independent Non-Executive Director. | After reviewing the recommendation of the Nominating Committee and Mr Cen Jian's qualifications and experience, the Board has approved that Mr Cen Jian stands for re-election as an Non-Independent Executive Director. |
| Whether appointment is executive, and if so, the area of responsibility                                                             | Non-Executive                                                                                                                                                                                                                                                  | Non-Executive                                                                                                                                                                                                                                                     | Non-Executive                                                                                                                                                                                                                       | Executive                                                                                                                                                                                                                |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)                                                                               | Chairman of the Audit and Risk Committee, member of the Nominating Committee, Remuneration Committee and Board of Directors.                                                                                                                                   | Chairman of the Nominating Committee and Remuneration Committee and member of the Audit and Risk Committee and Board of Directors.                                                                                                                                | Member of Board of Directors                                                                                                                                                                                                        | Member of Board of Directors                                                                                                                                                                                             |
| Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None                                                                                                                                                                                                                                                           | None                                                                                                                                                                                                                                                              | None                                                                                                                                                                                                                                | None                                                                                                                                                                                                                     |
| Conflict of interests (including any competing business)                                                                            | None                                                                                                                                                                                                                                                           | None                                                                                                                                                                                                                                                              | None                                                                                                                                                                                                                                | None                                                                                                                                                                                                                     |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Details                                                                                      | Name of Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                           |                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                              | Ms Ng Bie Tjin<br>@Djuniarti Intan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mr Yang Guang                                                                                                                                                                                                                                                                                                                                          | Ms Liu Yuanyuan                                                                                                                           | Mr Cen Jian                                                                                                                                                                                                    |
| Working experience and occupation(s) during the past 10 years                                | Ms. Ng Bie Tjin @Djuniarti Intan served as the Executive Director of Finance at Datapulse Technology Ltd until November 30, 2014. Ms. Ng had been with the Datapulse Technology for 21 years 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 at Aspial Corporation Limited since January 20, 2014. She served as an Executive Director of Datapulse Technology Ltd. from January 1994 until November 30, 2014. Ms. Ng holds a Masters in Business Administration Degree from the University of Southern California. | Vice President and General Counsel APAC, Johnson Controls; (2017.3 – present)<br><br>President Asia Pacific and Head of Global Off-road Business, Westport Fuel Systems; (2014.4-2017.3)<br>General Counsel Asia Pacific, TRW Automotive; (2010.8-2014.4)<br><br>Vice President and General Counsel, Siemens Healthcare Diagnostics; (2005.6 – 2010.7) | 2014 till now: Associate Director, Executive office at Yiguo Group<br><br>2007-2014: Associate Director, Executive office at Enmore Group | 2019 – President, SunMoon Food Company Limited<br><br>2009 – Business Manager, Dole (China)<br><br>2011 – Sales Director, Clear Water (China)<br><br>2016 – General Manager, Hainan Airline Cold Chain Holding |
| Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Yes                                                                                                                                                                                                                                                                                                                                                    | Yes                                                                                                                                       | Yes                                                                                                                                                                                                            |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Details                                                                                                                                                                                                                                                                                                       | Name of Director                                         |                                                                                                                                                                                                                                       |                 |                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                               | Ms Ng Bie Tjin<br>@Djuniarti Intan                       | Mr Yang Guang                                                                                                                                                                                                                         | Ms Liu Yuanyuan | Mr Cen Jian                                                              |
| Shareholding interest in the listed issuer and its subsidiaries?                                                                                                                                                                                                                                              | 120,000                                                  | No                                                                                                                                                                                                                                    | No              | No                                                                       |
| Other Directorship Past (for the last 5 years)                                                                                                                                                                                                                                                                | Nil                                                      | Weichai Westport Inc.<br>TRW Asia Pacific Co., Ltd.<br>TRW Dongfang Airbag Inflator Co., Ltd.<br>CSG TRW CHASSIS SYSTEMS CO., LTD<br>TRW FAWER Automotive Safety Systems Co., Ltd.<br>TRW FAWER Commercial Vehicle Steering Co., Ltd. | No              | Dole (China)<br>Clear Water (China)<br>Hainan Airline Cold Chain Holding |
| Other Directorship Present                                                                                                                                                                                                                                                                                    | Aspial Corporation Limited<br>Uniseraya Holdings Pte Ltd | Johnson Controls (China) Investment Co., Ltd.<br>Johnson Controls (M) Sdn. Bhd.<br>Johnson Controls Japan Services GK                                                                                                                 | No              | No                                                                       |
| (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                   |               |                 |             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------|-----------------|-------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Ms Ng Bie Tjin<br>@Djuniarti Intan | Mr Yang Guang | Ms Liu Yuanyuan | Mr Cen Jian |
| (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            | No              | No          |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Details                                                                                                                                                                                                                                                                                                                                                        | Name of Director                   |               |                 |             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------|-----------------|-------------|
|                                                                                                                                                                                                                                                                                                                                                                | Ms Ng Bie Tjin<br>@Djuniarti Intan | Mr Yang Guang | Ms Liu Yuanyuan | Mr Cen Jian |
| (c) Whether there is any unsatisfied judgment against him?                                                                                                                                                                                                                                                                                                     | No                                 | No            | No              | No          |
| (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                   |               |                 |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------|-----------------|-------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Ms Ng Bie Tjin<br>@Djuniarti Intan | Mr Yang Guang | Ms Liu Yuanyuan | Mr Cen Jian |
| (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                   |               |                 |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------|-----------------|-------------|
|                                                                                                                                                                                                                                                      | Ms Ng Bie Tjin<br>@Djuniarti Intan | Mr Yang Guang | Ms Liu Yuanyuan | Mr Cen Jian |
| (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:–                                                                                                           |                                    |               |                 |             |
| (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          |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Details                                                                                                                                                                                                                                                                                                                         | Name of Director                   |               |                 |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------|-----------------|-------------|
|                                                                                                                                                                                                                                                                                                                                 | Ms Ng Bie Tjin<br>@Djuniarti Intan | Mr Yang Guang | Ms Liu Yuanyuan | Mr Cen Jian |
| (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          |
| (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                                           |               |                 |                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                     | Ms Ng Bie Tjin<br>@Djuniarti Intan                         | Mr Yang Guang | Ms Liu Yuanyuan | Mr Cen Jian                                                                                                                                                           |
| (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                                                                                                                                                                                                                                                                                 | Datapulse Technology Limited<br>Aspial Corporation Limited | –             | –               | –                                                                                                                                                                     |
| If No, Please provide the details of any training undertaken in the roles and responsibilities of a director of a listed company                                                                                                                                                                                    |                                                            |               |                 | The Company will arrange Mr Cen Jian to attend the relevant training to familiarize himself with the roles and responsibilities of a Singapore public listed company. |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of SUNMOON FOOD COMPANY LIMITED (the "Company") will be held by way of electronic means on Tuesday, 29 September 2020 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 2020 together with the Auditor's Report. **Resolution 1**
2. To approve the payment of Directors' Fees of S\$139,912.00 for the financial year ended 31 March 2020. **Resolution 2**
3. To re-elect Ms Ng Bie Tjin @ Djuniarti Intan, a Director who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution and who, being eligible, offers herself for re-election as a Director of the Company. *[See Explanatory Note (i)]* **Resolution 3**
4. To re-elect Mr Yang Guang, 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 Ms Liu Yuanyuan, a Director who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution and who, being eligible, offers herself for re-election as a Director of the Company. *[See Explanatory Note (iii)]* **Resolution 5**
6. To re-elect Mr Cen Jian, 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**

## AS SPECIAL BUSINESS

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

### 7. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, after adjusting for:
  - (i) new shares arising from the conversion or exercise of convertible securities;

# NOTICE OF ANNUAL GENERAL MEETING

- (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 7

### 8. 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 8

### 9. The Proposed Share Buyback Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (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 Singapore Exchange Securities Trading Limited (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,

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**");

## NOTICE OF ANNUAL GENERAL MEETING

- (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

**"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

# NOTICE OF ANNUAL GENERAL MEETING

- (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 9**

## 10. The Proposed Renewal of the Interested Person Transaction Mandate

That:

- (a) approval be and is hereby given for the Company, its subsidiaries and associated companies (if any) which fall within the definition of “*entities at risk*” under Chapter 9 of the Listing Manual or any of them to enter into any transaction falling within the categories of interested person transactions set out in the Addendum, with any party who is of the class or classes of interested persons described in the Addendum To Shareholders (“Addendum”), provided that such transaction is made on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders, and is entered into in accordance with the review procedures for interested person transactions as set out in the Addendum (such Shareholders’ general mandate hereinafter called the “**IPT General Mandate**”);
- (b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier;
- (c) the Audit and Risk Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual, which may be prescribed by the SGX-ST from time to time; and
- (d) the Directors of the Company and each of them be and are hereby authorised, empowered to complete and do and execute all such things and acts as they or he may consider necessary or appropriate to give effect to these resolutions and the Reinstated IPT Mandate, with such modifications thereto (if any) as they or he may think fit in the interests of the Company. *[See Explanatory Note (viii)]*

**Resolution 10**

By Order of the Board

Chia Lay Beng  
Company Secretary

Date: 7 September 2020

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes

- (i) Ms. Ng Bie Tjin @ Djuniarti Intan will, upon re-election, remain as the Independent Director of the Company, the Chairman of the Audit and Risk Committee ("ARC"), a member of the Nominating Committee ("NC") and a member of the Remuneration Committee ("RC") and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 7 and 98 – 106 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. Yang Guang will, upon re-election, remain as the Independent Director of the Company, the Chairman of the NC and RC and a member of the ARC and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 7 and 98 – 106 of the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (iii) Ms. Liu Yuanyuan will, upon re-election, remain as a Non-Executive Director of the Company. Please refer to pages 6 and 98 – 106 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. Cen Jian will, upon re-election, remain as the Executive Director of the Company. Please refer to pages 6 and 98 – 106 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 7 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 8 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 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, 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 2020 are set out in greater detail in the Addendum.
- (viii) The Ordinary Resolution 10 above, if passed, will authorize the Interested Person Transactions as described in the Addendum and recurring in the year and will empower the Directors of the Company to do all necessary acts to give effect to the IPT Mandate. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of 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.

## 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 7 September 2020. 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.

# NOTICE OF ANNUAL GENERAL MEETING

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](mailto:main@zicoholdings.com) in either case, by 2.00 p.m. on 26 September 2020 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.

**Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed instruments appointing a proxy electronically via email or via the pre-registration website at the URL <https://agm2020.sunmoonfood.com/>.**

4. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer 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 appointer, 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 AGM (i.e. by 2.00 p.m. on 18 September 2020).

\* 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.

## 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.

**SUNMOON FOOD COMPANY LIMITED**

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

**IMPORTANT**

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

**PROXY FORM**

(Please see notes overleaf before completing this Form)

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 Tuesday, 29 September 2020 at 2.00 p.m. (Singapore time) and at any adjournment thereof in the following manner:

|    | <b>Resolutions</b>                                                                                                                                             | <b>No. of Votes<br/>'For'*</b> | <b>No. of Votes<br/>'Against'*</b> | <b>No. of Votes<br/>'Abstain'*</b> |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------|------------------------------------|
| 1  | <b>Ordinary Business</b><br>Adoption of Directors' Statement, Audited Financial Statements for the financial year ended 31 March 2020 and the Auditor's Report |                                |                                    |                                    |
| 2  | Approval of Directors' Fees of S\$139,912.00                                                                                                                   |                                |                                    |                                    |
| 3  | Re-election of Ms Ng Bie Tjin @ Djuniarti Intan as Director retiring under Regulation 104                                                                      |                                |                                    |                                    |
| 4  | Re-election of Mr. Yang Guang as Director retiring under Regulation 104                                                                                        |                                |                                    |                                    |
| 5  | Re-election of Ms Liu Yuanyuan as Director retiring under Regulation 104                                                                                       |                                |                                    |                                    |
| 6  | Re-election of Mr Cen Jian as Director retiring under Regulation 108                                                                                           |                                |                                    |                                    |
|    | <b>Special Business</b>                                                                                                                                        |                                |                                    |                                    |
| 7  | Authority to allot and issue shares                                                                                                                            |                                |                                    |                                    |
| 8  | Authority to issue shares under the SunMoon Share Option Scheme and/or SunMoon Share Plan                                                                      |                                |                                    |                                    |
| 9  | Approval on the Proposed Share Buyback Mandate                                                                                                                 |                                |                                    |                                    |
| 10 | Approval on the Proposed Renewal of the Interested Person Transaction 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](mailto:main@zicoholdings.com) in either case, by 2.00 p.m. on 26 September 2020 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 appointing a proxy electronically via email or via the pre-registration website at the URL <https://agm2020.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 18 September 2020).

\* 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 7 September 2020.

# 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  
Ms Liu Yuanyuan  
Mr Cen Jian

## 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](http://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

### **Ernst & Young LLP**

Public Accountants and Chartered Accountants  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583  
Partner-in-charge: Ms Tan Peck Yen  
(Appointed since financial year ended 31 March 2018)

## 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



**SINGAPORE HEADQUARTERS SUNMOON  
FOOD COMPANY LIMITED**

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#08-47 Oxley BizHub  
Singapore 408732  
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**SHANGHAI SHANMAI SUPPLY CHAIN  
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