



SUNMOON FOOD COMPANY LIMITED

Registration No. 198304656K

SGXNet queries on Third Quarter Results

- (a) Please elaborate on the reasons for the gross loss of S\$456,000 for 3Q18/19. In particular, how has the “seasonally low pricing of certain key products” affected the Group’s gross margin? Given the 80% increase in sales in 3Q18/19 compared to 3Q17/18, in what way did the weakening of the Chinese yuan affect the Company’s gross margin?

SM: The gross loss arose mainly from avocado being sold below cost during 3Q18/19 due to depressed prices from competitive market condition in the PRC. Most purchases for the PRC market are denominated in USD while sales are in Chinese yuan, thus the weakening of the Chinese yuan had negatively affected the Group’s gross margin.

- (b) Based on the sales for 3Q18/19 of S\$20,326,000 and trade receivables balance of S\$17,710,000 as at 31 December 2018, average trade receivables turnover days amount to 78.4 days. This is longer than the credit period of 15 days to 60 days granted by the Company to its customers for credit sales. We also note that a provision for S\$187,000 has been made for 3Q18/19. Please disclose the percentage of trade receivables balance as at 31 December 2018 that has been collected to-date.

SM: The longer trade receivables turnover days was mainly due to (i) sales to Shanghai Yiguo E-commerce Co Ltd (“Yiguo”) and related companies having longer repayment period and (ii) a few customers on credit sales terms with slow payment. Excluding these balances, the adjusted trade receivables turnover days was 45 days. The provision of \$187,000 was related to one of the slow paying customers on credit sales terms.

Approximately 44% of total trade receivables balance as at 31 December 2018 has been collected as at 28 February 2019.

- (c) With reference to, “The Group will continue to focus on its value-added fresh fruit products in China and South East Asia, and remain optimistic for an improved operational result”, what are the factors underlying the directors’ optimism regarding the operating results of the Group?

SM: Relating to the statement “remain optimistic for an improved operational result,” the directors were referring to the 4th quarter ending 31 March 2019. With the attempt to shift away from sales of products with no or negative margin, the Group expects to reduce the gross loss from making such sales. The Group expects the performance at the operational level for the current quarter 4Q 18/19 to improve compared to 3Q 18/19.

- (d) We note that no dividend has been recommended. Please disclose the information required under Listing Rule 704(24).

SM: The company has been in an accumulated loss position, therefore the directors do not recommend to declare dividend.

- (e) With reference to item 13 on details of Interested Person Transactions,

- (i) Please disclose whether there were any transactions with Shanghai Yiguo E-Commerce Co Ltd and its related entities during the quarter ended 31 December 2018, which were **not conducted under the IPT mandate (excluding transactions below S\$100,000)**; and

SM: The interested party transaction amount of S\$27,060,000 disclosed related to YTD 3Q18/19 and was approved according to IPT mandate. All interested party transactions were conducted under IPT mandate.

Interested party transaction related to 3Q18/19 was S\$14,303,000.

- (ii) What is the average collection period for sales to Shanghai Yiguo E-Commerce Co Ltd and its related entities?

SM: The average collection period for sales to Shanghai Yiguo E-commerce Co Ltd was approximately 108 days.

BY ORDER OF THE BOARD

Mr James Prideaux

Chairman

8 March 2019