



SUNMOON FOOD COMPANY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198304656K)

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the “**Board**”) of SunMoon Food Company Limited (the “**Company**” and its subsidiaries, the “**Group**”) would like to respond to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 16 February 2021 in relation to the Company’s update announcement to shareholders dated 10 February 2021 (“**10 Feb Update Announcement**”).

SGX Question #1:

It is stated that:-

“Further to the Company’s 4 Feb Update Announcement, in relation to the Purchase of AR under Scenario B of the Loan Agreement, the Board is pleased to announce that an agreement was entered into on 9 February 2021 between SMF Shanmai and the designated party under the Loan Agreement, 晟世鸣义（上海）企业管理有限公司 Sheng Shi Mingyi (Shanghai) Management Co. Ltd (“SSMY”) (“SMF Shanmai Purchase of AR Agreement”).

Under the SMF Shanmai Purchase of AR Agreement, SSMY will:

- (i) purchase from SMF Shanmai all the account receivables of RMB 34,893,795 that are owing from the 3 YG Entities to SMF Shanmai (“SMF Shanmai Purchase of AR”); and*
- (ii) purchase the account receivables of RMB 11,928,944 (an amount which is equivalent to the Total Aug 2020 Repayment) and the amount of RMB 11,928,944 will be paid to SMF Shanmai within ten (10) working days from the date of Total Aug 2020 Repayment.”; and*

“In addition to the above, the Board is also pleased to announce that a subsidiary of the Company, SunMoon Distribution & Trading Pte Ltd (“SMDT”) had, on 9 February 2021 entered into an agreement with SSMY and one of the 3 YG Entities, WinChain, for the sale and purchase of all the account receivables owing from the 3 YG Entities to SMDT (“SMDT Purchase of AR Agreement”). Under the SMDT Purchase of AR Agreement, SSMY will purchase from SMDT all the account receivables of USD 2,035,776 (approximately S\$2,699,133) that are owing from the 3 YG Entities to SMDT (“SMDT Purchase of AR”).”

Please clarify:

- (a) whether the repayment from SSMY will be in cash;**

Company’s Response:

Yes, repayment from SSMY pursuant to the SMF Shanmai Purchase of AR Agreement and SMDT Purchase of AR Agreement will be in cash. Shareholders are to note that SMDT purchase of AR agreement payment is subject to the completion of the reorganisation of the 3 YG Entities.

Shareholders can refer to the Company's 10 Feb Update Announcement for more details.

(b) how is SSMY related to the Yiguo Group / SunMoon Group;

Company's Response:

Company understands that SSMY does not own any shares in Yiguo Group. Ningbo Meishan Bonded Area Sheng Yu San Xing Investment Management L.P. ("Ningbo") owns a minority shareholding stake (of approximately 1.43%) in Shanghai Yiguo E-Commerce Co. Ltd and the Company understands from SSMY that Ningbo is related to SSMY as Mr Xue Yuning is the Chief Executive Officer of both Ningbo and SSMY and he has a significant influence on both Ningbo and SSMY.

The Company confirms that SSMY is not related to the Group in any way.

(c) what is the Group's current amounts outstanding to/from the entire Yiguo Group (including the 3 YG Entities);

Company's Response:

The outstanding amounts are set out as follows:

- As at 31 July 2020
 - Outstanding amounts owing to Yiguo Group – RMB429,921 (approximately S\$88,170)
 - The outstanding amounts owing from Yiguo Group – RMB47,252,660⁽¹⁾ (approximately S\$9,691,104) and US\$2,035,776⁽²⁾ (approximately S\$2,699,133)

Notes:

- (1) Shareholders are to note that the accounts receivables net of accounts payable of RMB46,822,739 will be purchased in full by SSMY in accordance with the terms and conditions of the SMF Shanmai Purchase of AR Agreement. For more details, Shareholders are advised to refer to the 10 Feb Update Announcement.
- (2) Shareholders are to note that the accounts receivables of US\$2,035,776 will be purchased in full by SSMY in accordance with the terms and conditions of the SMDT Purchase of AR Agreement. For more details, Shareholders are advised to refer to the 10 Feb Update Announcement.

- For the period between 1 August 2020 to 31 January 2021
 - The outstanding amounts owing to Yiguo Group – RMB 13,000 (approximately S\$2,665)
 - The outstanding amounts owing from Yiguo Group – RMB 7,000 (approximately S\$1,435)

(d) whether there are currently still transactions ongoing with the Yiguo Group (including the 3 YG Entities), and if so the safeguards put in place to ensure that the Group is able to receive the receivables from Yiguo Group;

Company's Response:

Yes, these transactions relate to fruits & vegetables, aquatic products, animal protein and other food related products.

In relation to the safeguards in place, Shareholders are to note that there are in place guidelines and review procedures which include, ensuring that goods sold to Yiguo Group and goods purchased from Yiguo Group are on pricing and terms which are no more favourable to the Yiguo Group than the usual commercial terms, ensuring that the terms are no more favourable than prevailing market rates extended to unrelated third parties, review and pre-approval based on the relevant approving authorities, maintenance of a register of all interested persons transactions and review by Audit and Risk Committee.

The Company additionally wishes to note that the volume of interested persons transactions between the Group and the Yiguo Group has been reduced significantly⁽¹⁾.

Note (1): As disclosed in Note 8(21)(b) of the Company's latest financial results for the period ended 31 December 2020, 99 percent of the accounts receivables arising from sales between 31 July 2020 to 31 December 2020 (being the period immediately after the filing of the bankruptcy reorganisation) with related parties⁽²⁾ had been fully collected as at date of the Company's third quarter results announcement.

Note (2): The term 'related parties' refers to the Yiguo group (which includes the 3 YG Entities).

Lastly, Shareholders would note from the response to Question 1(c) above that the amounts owing (between the Group and Yiguo Group) for the period between 1 August 2020 to 31 January 2021 is not significant.

- (e) whether the IPT general mandate as approved during the Company's FY2020 AGM is still effective, and whether additional safeguards have been put in place in light of recent developments;**

Company's Response:

Refer to the Company's response to Question 1(d) above.

- (f) will the Company still be relying on the Yiguo Group for its distribution network and products? If so, why?**

Company's Response:

The Yiguo Group has successfully assisted the Company in its efforts to enter into the China market. As of current, the Company had successfully entered the China market in relation to its distribution and logistical capabilities and as such, the Company does not rely on the Yiguo Group for its distribution network. The Company is also pleased to inform Shareholders that, SMF Shanmai (a wholly-owned subsidiary of the Company) has an established distribution networks/channels in China. Further and in addition, SMF Shanmai will source and purchase products based on the Company's own resources.

SGX Question #2:

It is stated that:-

“Pursuant to the SMF Shanmai Purchase of AR Agreement, it is further provided that the Executive Committee shall be dissolved within ten (10) working days from 9 February 2021 (being the date of the SMF Shanmai Purchase of AR Agreement).”

Accordingly, effective from 19 February 2021, the management team will return to the day-to-day management and operations of the Group with direct supervision from the Board.”

Please disclose the Board and Audit Committee’s view on whether its bases for the termination of the Executive Committee. This is in view of the management team who, inter alia, comprise of Mr Zhang Ye, non-independent executive director of the Company, who is also the founder and CEO of Yiguo Group based on the Company’s FY2019/20 Annual Report, is involved, directly or indirectly, in the legal proceedings of the 3 YG Entities.

Company’s Response:

As explained in the Company’s announcement dated 17 October 2020, the Board had voluntarily resolved to suspend trading due to, inter alia, the need to assess the Company’s financial position.

As announced, the Executive Committee (“**ExCo**”) had, inter alia, conducted inquiry proceedings, appointed Chinese counsel as well as created (and implemented) a framework to work with the current management team to ensure continuation of business operations. More importantly, one of the primary focus is to address the issue of collectability in relation to the outstanding accounts receivables. The Board is therefore of the view that, the entering of the SMF Shanmai Purchase of AR Agreement and SMDT Purchase of AR Agreement resolve the issue of collectability and are the best available outcome for the Company in the current circumstances.

For the reasons above, the Board therefore has agreed to the dissolution of the ExCo (which is provided for in the SMF Shanmai Purchase of AR Agreement).

**BY ORDER OF THE BOARD
SUNMOON FOOD COMPANY LIMITED**

James Prideaux
Chairman and Lead Independent Director

25 February 2021