



SUNMOON FOOD COMPANY LIMITED

(Company Registration No. 198304656K)
(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The board of directors (“**Board**”) of SunMoon Food Company Limited (“**SunMoon**”, the “**Company**” and together with its subsidiaries, the “**Group**”) would like to thank all shareholders of the Company (“**Shareholders**”) who submitted their questions in advance of the Company’s annual general meeting (“**AGM**”) for the financial year ended 31 March 2021 (“**FY2020/21**”). The Company’s responses to the questions received from Shareholders are set out in the **Appendix** of this announcement.

Shareholders are to note that the Company’s responses should be read in conjunction with the Company’s FY2020/21 annual report and the notice of AGM issued by the Company on 14 September 2021.

BY ORDER OF THE BOARD

Mr. Zhang Ye
Executive Director and Chief Executive Officer

29 September 2021

APPENDIX

Shareholders' Query 1

It has been a long and difficult year for all stakeholders. Shareholders have been suffering since the company suspended its shares on 15Oct2020. YiGuo general food still is a controlling shareholder with >59% share. If YiGuo or its subsidiaries went bankrupt or being restructured in any way, will SunMoon be affected?

Company's Response

As disclosed in SunMoon Food Company Limited's (the "**Company**") (and together with the Company's subsidiaries, the "**SM Group**") latest annual report ("**AR**") for the financial year ended 31 March 2021 ("**FY2020/21**"), the Company confirms that Yiguo General Food Pte Ltd ("**Yiguo GF**") holds 465,850,989 ordinary shares of the Company, which represents approximately 59.86% of the total ordinary shares of the Company.

Save for the SGX-Net announcements made by the Company in relation to the bankruptcy reorganisation of Shanghai Yiguo E-Commerce Co., Ltd ("**Yiguo**"), Shanghai Winchain Supply Chain Management Co., Ltd and Shanghai Exfresh Logistic Co Ltd ("**3 YG Entities**"), the Company is not aware of possible bankruptcy and any other restructuring of Yiguo and/or its subsidiaries (including Yiguo GF). Shareholders can also refer to the bankruptcy reorganisation update as set out in the CEO's message which is disclosed in the AR for FY2020/21.

The Company wishes to take this opportunity to explain that the SM Group's business operations / activities are independent from that of Yiguo's business operations / activities. As set out in the CEO's message (in the AR for FY2020/21), the SM Group is focused on import (of products including fresh produce) to the China market and the export (of products including Chinese fresh fruits) from China to the Southeast Asian markets.

Lastly, the Company wishes to update Shareholders that based on the latest audited FY2020/21 financial statements, approximately 90% of the SM Group's revenue was generated from third parties and the remainder of approximately 10% was generated from business activities between the SM Group and the Yiguo and its subsidiaries (the "**Yiguo Group**").

Shareholders' Query 2

In view of YiGuo financial difficulties, will the board stop all IPT with YiGuo so that SunMoon can be ringfenced and continue to work on its survival?

Company's Response

As set out in the Company's response above, the SM Group's business operations / activities are operated independently from that of Yiguo's business operations / activities SM Group.

In relation to interested persons transactions ("**IPTs**") with the Yiguo Group, Shareholders are advised to refer to the Company's circular dated 14 September 2021 on the proposed expanded interested person transaction general mandate ("**IPT Mandate**") for details in relation to the nature, scope, and rationale for the IPT Mandate.

Shareholders' Query 3

Credit control remains weak. Can the board explain why the loss allowance continue to increase for other geographical areas to \$1.634 mill compared to last financial year? Note 25.

Company's Response

The movement in loss allowance in other geographical areas was mainly due to foreign currencies translation difference and there was no deterioration in credit risk.

Shareholders' Query 4

Sunmoon has been doing import/export business in China for quite a few years especially in the fruits category. However, we still do not see a strong moat in this business as we are still struggling with profit margins and revenue. Does the team have a strong core team in place for this business? For example, China durians import has been phenomenal for the past year and many other companies have benefitted from this greatly. Unfortunately, Sunmoon does not seem to enjoy a slice of this business at all. Is it because the group sourcing power is weak or the distribution channels are not able to reach out to consumers?

Company's Response

The Group will continue focus on import (of products including fresh produce) to China market and export (of products including Chinese fresh fruits) from China to Southeast Asian markets. At same time, the Group will also expand our product offerings and enhance the supply chain services.

The Company wishes to refer Shareholders to the SM Group's latest audited financial statement for FY2020/21. For FY2021/21, the Group's revenue has increased to S\$33m from S\$18m, which represents an increase of approximately 84%. Shareholders can also refer to the Company's announcement dated 27 August 2021 on the SM Group's latest business updates.

Shareholders' Query 5

The group is now diversifying into fisheries, milk powder imports. Does Sunmoon has the expertise or capability to grow this business profitably? The Consumer marketplace is very competitive, more so in China. Sunmoon must have the capability to innovate and value add to navigate through this. Just doing buy/resell may not be a viable strategy in the long term."

Company's Response

We believe that under current competitive conditions, the trading model in the traditional fresh food trading industry inherently faces challenges achieving stability and sustainability in the long run due to the lack of higher-value-added and competitive products. After in-depth research in the consumer side of the Chinese market, the SM Group believes that the new businesses of basa fish and sheep milk powder will add on products range for the Company. These new businesses require high quality products and also preferably obtaining exclusive rights in the Chinese market to enhance competitiveness of which the Company is able to find supporting partners to work with. The SM Group continues to believe that our new professional operation team with knowledge and experience in the industry chain of these two businesses and strong logistics and supply chain network of the Company will be able to support the sales and distribution of these two new products and help the SM Group achieves stability in the longer run.

Shareholders' Query 6

When will the resumption of trading on SGX be?

Company's Response

As announced by the Company on 27 August 2021, the Company submitted the resumption proposal on 19 June 2021. The Company will update Shareholders as and when there are material developments on its resumption proposal application.