SUNMOON FOOD COMPANY LIMITED
(Incorporated in the Republic of Singapore)
Registration No. 198304656K

RESPONSES TO QUESTONS 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 have submitted their Questions in advance of the Company's annual general meeting ("**AGM**") for the financial year ended 31 March 2022 ("**FY2021/22**"). The Company's responses to the Questions received from Shareholders up to 23 September 2022, 2.00 p.m. are set out in the **Appendix** of this announcement.

By publishing the replies before 24 September 2022 2.00 p.m., being more than 48 hours prior to the closing date and time for the lodgement of the proxy forms on 26 September 2022 2.00 p.m., the Company is in compliance with Regulator's Column dated 16 December 2021.

If the Company receives more Questions from Shareholders between 23 September 2022 2.00 p.m. and 26 September 2022 2.00 p.m., the Board would also address the Questions prior to or during the AGM.

Shareholders are to note that the Company's responses should be read in conjunction with the Company's annual report 2022 and the notice of AGM issued by the Company on 14 September 2022.

BY ORDER OF THE BOARD

Mr. Zhang Ye

Executive Director and Chief Executive Officer

24 September 2022

APPENDIX

Shareholders' Query 1

Gross margin has improved to 3.6% compared to previous year of 2.7%. But net income is still negative. Is the company confident that we can achieve positive bottom line for the current financial year?

Company's Response

We believe as we align our business towards products with better margin, there is room for improvement in overall gross margin. With the strategy we have put in place that we elaborate in the CEO's message, barring unforeseen circumstances, we are confident that we will be able to see growth in top line revenues. However, many factors would affect whether the Company can achieve positive bottom line for the current financial year.

Shareholders' Query 2

Since company cash position is relatively weak, collection of trade receivables is of paramount importance as this will impact the operating cash flow directly. There is no room for error and mishap. Bulk of the aging receivables are in the more than 90days past due category. Is this healthy? Can the management nego for better trade terms in this increasing cost environment? Moreover, loss allowance in other geographic area was an astonishing 60% (1642/2701). Is there a need for full provision? Are there any specific reasons for this occurrence? Does the company vet all the customers thoroughly before credit terms are extended? With very low gross margin, any receivable issues will immediately plunge the company into cashflow issues and bottom line losses.

Company's Response

We note your comment that collection of trade receivables is of paramount importance to the management of our operating cash flow and we would like to assure shareholders that ensuring prompt collection of our receivables is always at the top of our mind. We present below the aging of our receivables from page 75 of our annual report 2022:

People's Republic of China:

31 March 2022	Current $'000	Past due 0 to 30 days $'000	Past due 31 to 60 days $'000	Past due 61 to 90 days $'000	More than 90 days past due $'000	Total $'000
Gross carrying amount	-	2,641	1,804	29	4,873	9,347
Loss allowance	-	-	-	-	(87)	(87)
Net amount	-	2,641	1,804	29	4,786	9,260

Other geographical areas:

31 March 2022	Current $'000	Past due 0 to 30 days $'000	Past due 31 to 60 days $'000	Past due 61 to 90 days $'000	More than 90 days past due $'000	Total $'000
Gross carrying amount	-	918	141	-	1,642	2,701
Loss allowance	-	-	-	-	(1,642)	(1,642)
Net amount	-	918	141	-	-	1,059

The receivables of $4,786,000 that were more than 90 days past due, comprised of $4,765,000 pertaining to AR purchase agreements between the subsidiaries of the Company and 晟世鸣义（上海）企业管理有限公司 Sheng Shi Mingyi (Shanghai) Management Co. Ltd ("SSMY"). The outstanding will be settled when 3 YG entities bankruptcy reorganisation is completed. For details, please refer to update to shareholders announcement dated 10 February 2021,10 June 2021, 14 July 2021,16 July 2021 and 27 March 2022.

The receivables of $1,642,000 that were more than 90 days past due were related to past collection issues and provision has been made.

As for the rest of the receivables, it was not past 60 days at the point of the date of the balance sheet.

<u>Shareholders' Query 3</u>

What is the management target revenue % contribution from fuji apple, Pangasius fish and Durian business segment respectively.

<u>Company's Response</u>

The export volume for Fuji apple in FY 2021/22 has increased by 24% compared with FY 2020/21. For the import of Pangasius fish, from zero base in FY 2020/21, the Company has shipped 119 containers in FY 2021/22.

In FY 2022/23, the Company expects group revenues to be significantly from Fuji apples and Pangasius fish. As for durian, the management is still working on this business.

Shareholders' Query 4

The company has fallen back into losses, after being in the black for the year prior. Will the company be mired in losses year after year again? What is the company doing to ensure that it has consistent (and growing) profitability going forward? Please elaborate.

Company's Response

The Company was profitable in prior year due to the write back of provision made in previous year. Despite the loss this financial year, the gross profit had increased 57% for FY2021/22 compared to FY2020/21. And the gross profit margin had increased to 3.6% for FY2021/22 compared to 2.7% for FY2020/21.

The operating conditions had been challenging in the last two years amidst the global and domestic economic uncertainties resulting from the COVID-19 pandemic. The Group has been focusing on high quality products with better margin while expanding our product offerings and enhancing the higher value-added supply chain services. While we have been working to expand gross margin, many factors would affect whether the Company can be profitable for the current financial year and our future profitability. Please refer to question 1 above.