



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

RESPONSES TO SGX QUERIES ON THE COMPANY'S UNAUDITED INTERIM FINANCIAL STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

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 30 May 2023 in relation to the Company's unaudited interim financial statement for the financial year ended 31 March 2023 as follows:

SGX QUERIES:

1. It is disclosed on page 17 of the unaudited interim financial statements that, "Other income for FY2022/23 was \$388,000 compared to \$60,000 for FY2021/22. The higher other income was mainly due to service fee arose from management and consulting services charged to Yiguo, compensation relating to quality issue arose from past trade transactions with Yiguo and rental rebate from PRC local government."
 - (i) please clarify when the quality issues arose and whether provisions for these compensations have been made previously; and
 - (ii) please confirm if the compensation is related to any litigations. If yes, please confirm if the Company has announced these litigations.

Company's Response

- (i) The quality issues pertained to seafood transactions between Yiguo and SunMoon prior to FY2019/20. There was no provisions made for this compensation.
- (ii) The compensation is not related to any litigations.

2. It is disclosed on page 17 of the unaudited interim financial statements that "The lower S&D expenses for FY2022/23 were mainly due to the decrease in advertising and promotion expenses and staffs headcount compared to FY2021/22.". and on page 18 of the unaudited interim financial statements that "The higher Admin expenses for FY2022/23 were mainly due to the increase in staff related expenses since 1 April 2022."

Please explain the increase in staff related expenses even though staff headcount decreased.

Company's Response

The headcount and S&D expenses for FY2022/23 were lower due to natural attrition and deliberate non replacement, awaiting for situation to recover before rehiring again.

The increase in Admin expenses for FY2022/23 was mainly due to adjustment of CEO remuneration from a nominal fee of S\$1 to a fixed monthly salary from 1 April 2022 (this has been disclosed in the report on corporate governance in Annual report 2022).

3. It is disclosed on page 17 of the unaudited financial results for the period ended 31 March 2023 that, "The higher revenue was mainly due to the increase in sales of fruits and seafood."

Please explain the reasons which led to an increase in sales of fruits, seafood, meat and sheep milk powder.

Company's Response

As the China economy slowly picked up from the impact of the pandemic, the demand for seafood and fruits had increased, leading to the higher revenue.

4. It is disclosed on page 19 of the unaudited interim financial statements that "As at 31 March 2023, the Group wrote-off allowance for impairment loss on long outstanding trade receivables provided in the prior financial years amounted to S\$1,729,000 and assessed that no allowance for impairment is required for existing trade receivables based on credit risk assessment.". Please disclose the circumstances which led to the write-off, the nature of the long outstanding trade receivables and the basis for the write-off of the allowance for impairment loss.

Company's Response

The allowance for impairment loss on long outstanding trade receivables provided in the prior financial years amounted to S\$1,729,000 and some of the amount in original currency had been in existence since FY2016/17.

The nature of the long outstanding trade receivables related to third parties sales between FY2012 to FY2018/19.

The company had exhausted all avenues for collections of the bad debts and decided to tidy up the receivables of the Company against this provision.

5. Please explain the significant increase in Advances to third-party suppliers from S\$1,781,000 as at 31 March 2022 to S\$3,598,000 as at 31 March 2023.

Company's Response

The company will issue purchase orders and place deposits with vendors against customers orders and customers are also required to place deposits with the company.

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

Mr James Prideaux

Chairman and Lead Independent Director

15 June 2023