



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

RESPONSES TO SGX QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

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**") received by the Company on 7 June 2024 in relation to the Company's unaudited financial statement for the financial year ended 31 March 2024 ("**Full Year Result**") as follows:

SGX QUERY 1:

Please disclose how the allowance for inventories obsolescence amount of S\$136,000 was determined and the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies and assumptions used.

COMPANY'S RESPONSE:

The allowance for inventories obsolescence was determined after assessing the net realizable value (i.e. the lower of the costs of the inventories and latest selling prices less costs to sales) based on the requirement of SFRS(I) 1-2 Inventories. The Board has reviewed the assessment and is satisfied with the reasonableness of the methodologies and assumption used.

SGX QUERY 2:

Please disclose how the reversal of allowance for expected credit loss on trade receivables of S\$930,000 was determined and the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies and assumptions used.

COMPANY'S RESPONSE:

The reversal of allowance for expected credit losses of S\$930,000 on trade receivable was made as a result of a strategic business partner purchasing at full value the specific receivable due from an existing customer of which impairment was made (the "Transferred Receivable"). The Group has in turn, agreed to give the business partner access to the Group's business network. As at the end of FY2023/24, S\$299,000 of the Transferred Receivable has been settled, with the balance to be settled by the end of FY2025. The Board has reviewed the credit risk assessment of the strategic business partner and is satisfied with the reasonableness of the methodologies and assumptions used.

SGX QUERY 3:

It is noted on page 7 of the unaudited financial statements that the Company has recognised "write back of other payable" of S\$193,000. Please provide details of the other payable, the identity of the creditor, the nature of the transaction which resulted in the amount payable and the reason for the write-back of S\$193,000.

COMPANY'S RESPONSE:

The write back of other payables related to long outstanding payable to a third-party vendor. The write back was made based on the audit confirmation letter signed by the third-party vendor on the outstanding balance as at the end of the financial year and the vendor had indicated that there was no amount owing to them.

SGX QUERY 4:

Listing Rule 704(30) requires an immediate announcement on the use of the IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation.

Please provide a breakdown with specific details on the use of proceeds for general working capital as disclosed in note 23, on page 15 of the unaudited financial statements.

COMPANY'S RESPONSE:

Please see breakdown below:

	S\$000
Procurement	1,909
General & Admin expenses, Daily operation expenses	<u>910</u>
Net proceeds from placement	<u>2,819</u>

SGX QUERY 5:

It is noted that the Company has a net cash outflow from operating activities of S\$1,431,000 and a net profit of S\$138,000 for the financial year ended 31 March 2024. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

COMPANY'S RESPONSE:

The Company's net profit was mainly derived from non-cash gain, i.e. reversal of expected credit losses provided in previous year and write back of other payables, and these non-cash items were adjusted before deriving operating cash flow. The Group has incurred higher cash outflows for working capital for the procurement of inventories for the subsequent fulfilment and payment to suppliers. The reversal of expected credit losses will generate net cash inflow in the coming financial year 2024/25.

SGX QUERY 6:

Please provide the reason(s) for the significant borrowings of S\$1,257,000 by the Group when the Group recorded a cash and cash equivalent of S\$2,571,000 as at 31 March 2024. Please also disclose the use of proceeds from the loan.

COMPANY'S RESPONSE:

The borrowings consist of (1) a loan of S\$560,000 from China Construction Bank, (2) a loan of S\$540,000 from the immediate holding company, Sunmoon Global Pte. Ltd., and (3) the remaining balance of lease liabilities of S\$157,000 pertaining to lease of office spaces and office equipment for the purpose of operation in Singapore. Details as follow:

	As at 31-Mar-24 S\$'000
Current	
Bank loan	560
Loan from immediate holding company	540
Lease liabilities	70
	<hr/> 1,170
Non-current	
Lease liabilities	87
Total borrowings	<hr/> 1,257

Higher borrowings were due to the recognition of lease liabilities for the lease of new office in Singapore and loan from the immediate holding company for additional working capital. The cash balance of S\$2,571,000 as at 31 March 2024 was cash balance at the point of time, not the daily cash balance maintained in the Company's bank account. The Company's cash were used in daily operations.

SGX QUERY 7:

Please explain why interest income amounted to only S\$1,000 during the financial year ended 31 March 2024 when the Company has significant cash and bank balance amounting to S\$2,571,000.

COMPANY'S RESPONSE:

A cash position represents the amount of cash that a company has on its books at a specific point in time. During day-to-day operations, the Company's funds will be used for working capital and are not reserved in accounts for generating interest income.

BY ORDER OF THE BOARD

Mr James Prideaux

Chairman and Lead Independent Director
13 June 2024