Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: SunMoon Food Company Limited

Stock code: AAJ

Meeting details:
Date: 29 September 2022
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In his message to shareholders, the CEO highlighted that the group has been successful in implementing its "focus + simplicity" strategy. As a result, the group has entered into the core categories of Fuji apple (FY2020/21), Pangasius fish (FY2021/22) and durian (FY2022/23).

Volume for Fuji apples increased by 24% while the group achieved an import of 119 containers of Pangasius in FY2021/22.

(i) **Can management help shareholders better understand the competitive advantage of the group in Fuji apple, Pangasius fish and durian?**

(ii) **How does the group build up and establish its competitive advantage in its "core categories"? What is the group doing that the competitors are not able to do?**

(iii) **What are other "core categories" that the group is looking to establish in the future?**

In addition, it was disclosed that the group is using the Dimuto platform to improve the supply chain traceability.

(iv) **What were the criteria used to select the Dimuto platform that is being used to drive the group's digitalisation/traceability efforts?**

(v) **Is the Dimuto platform the industry standard and is it widely accepted and recognised? Does the traceability platform meet ISO standards or other international standards?**

(vi) **Can management help shareholders better understand the progress/ achievements the group has made in traceability?**

(vii) **In addition, does the group consider the sustainability of farming practices of its suppliers?**

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Q2. The independent auditors have highlighted the "going concern assumption" as a key audit matter ("KAM") in their report. As noted in the KAM, for the financial year ended 31 March 2022, the group incurred net loss of approximately $934,000 and net cash outflows used in operating activities of approximately $475,000. As at that date, the company's current liabilities exceed its current assets by $641,000. These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the group and company to continue as going concerns.

Management has prepared the financial statements on a going concern basis based on the following factors:

- Cash flow projections
- AR Transfer agreement with Shengshimingyi (Shanghai) Enterprise Management Co., Ltd. ("SSMY")
- Conditional placement agreement

(i) In the past three years, net cash used in operating activities amounted to $(475,000) in FY2022, $(890,000) in FY2021 and $(6,826,000) in FY2020. **How is management going to improve the group's profitability and working capital management to generate positive operating cash flows?**

(ii) As noted in the company's announcement dated 12 October 2020, the controlling shareholder and its related entities, mainly Shanghai Yiguo E-Commerce Co., Ltd, Shanghai Winchain Supply Chain Management Co. Ltd and Shanghai Exfresh Logistic Co Ltd ("3 YG Entities") were placed into voluntary bankruptcy reorganisation under Chinese law on 30 July 2020. The total account receivables, including advances and prepayment (net of accounts payable), owning from Yiguo-related entities amounted to approximately S$13.2 million, with S$12.4 million from the 3 YG Entities. **Other than the US$2.04 million that will be paid by SSMY by 30 December 2022, how much of the balance of the S$13.2 million has been recovered? What improvement has the board made to safeguard the company's interests when the group is making advances and prepayments to suppliers (including related parties)?**

(iii) **What is the progress of the proposed placement of 125 million new ordinary shares in the capital of the company to Champion Financial (Hong Kong) Limited? Which of the conditions have yet to be satisfied?**

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Q3. As noted in the corporate governance report, the internal audit for FY2021/22 was performed for the key subsidiaries by an outsourced internal audit firm in China and there were no exceptions identified.

The management has also confirmed that internal audit functions have been performed by the outsourced internal audit firm as well as the corporate shareholder Yiguo (page 22).

(i) **Can the board/audit and risk committee ("ARC") identify the professional firm used for the group's internal audit functions? How was the firm selected?**

(ii) **What role did Yiguo play in the internal audit?**

(iii) **What was the scope of the internal audit for FY2022?**

(iv) **For the benefit of shareholders, would management disclose the key findings and the recommendations of the IA?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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