

**SunMoon Food Company Limited**

(198304656K)

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**First Quarter Financial Statements Announcement for the Period Ended 31 March 2016**

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<b>Table of Contents</b>	<b>Page No:</b>
1 (a) Consolidated Statement of Comprehensive Income	1
1 (b) (i) Statements of Financial Position	2
1 (b) (ii) Note on Borrowings and Debt Securities	3
1 (c) Consolidated Statement of Cash Flows	4
1 (d) Statements of Changes In Shareholders' Equity	5
1 (e) Notes to Financial Statements	6
2, 3 Audit / Review	7
4, 5 Accounting Policies	7
6 Earnings Per Share	8
7 Net Asset Value	8
8 Review of Performance	9
9 Variance From Prospect Statement	10
10 Commentary of the Competitive Conditions	10
11, 12 Dividend	10
13 Interested Person Transactions	11
14 Confirmation By The Board	12

**No.1(a) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period.**

	<b>Group</b>		<b>Change</b>
	<b>First Quarter Ended</b>		
	<b>31-Mar-16</b>	<b>31-Mar-15</b>	
	<b>Continuing operation</b>	<b>Re-presented</b>	
	<b>\$ '000</b>	<b>\$ '000</b>	<b>%</b>
Revenue	3,526	1,988	77%
Cost of sales	(3,277)	(1,847)	77%
<b>Gross profit</b>	<b>249</b>	<b>141</b>	77%
Other income	10	79	-87%
Selling & Distribution costs	(395)	(337)	17%
Administrative expenses	(594)	(546)	9%
Other expenses	(234)	(6)	n.m
Finance costs	-	-	n.m
<b>Loss before tax from continuing operations</b>	<b>(964)</b>	<b>(669)</b>	44%
Income tax expense	-	-	n.m
<b>Loss from continuing operations for the period,net of income tax</b>	<b>(964)</b>	<b>(669)</b>	44%
<b>(Loss)/profit from discontinued operations for the period,net of income tax*</b>	<b>(513)</b>	<b>743</b>	n.m
<b>(Loss)/profit for the period</b>	<b>(1,477)</b>	<b>74</b>	n.m
<b>Other comprehensive income :</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange difference on translating foreign operations	(330)	455	n.m
<b>Total comprehensive(loss)/ income for the period</b>	<b>(1,807)</b>	<b>529</b>	n.m
<b>EBITDA</b>	<b>(1,256)</b>	<b>484</b>	n.m
<b><u>(Loss)/profit for the period included the following</u></b>			
Depreciation of property, plant & equipment	(145)	(243)	
Interest expenses	(4)	(46)	
Income tax expenses	(72)	(121)	
<b>Other income included:</b>			
- Government grant	4	14	
- Disposal of scrap material	-	2	
- Franchise income	6	6	
- Net gain on foreign exchange	-	57	
	<b>10</b>	<b>79</b>	

\*

*the Group has from July 2015 shifted its focus from dehydrated products by leasing out its dehydrated factory in order to concentrate on staffing and financial resources on the trading of fresh fruits and the development of processed fruits in order to achieve a stronger market share in these sectors.*

## No.1(b)(i) Statements of financial position as at :

	Group		Company	
	As at	As at	As at	As at
	31-Mar-16	31-Dec-15	31-Mar-16	31-Dec-15
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Subsidiaries	-	-	12,355	13,834
Property, plant and equipment	3,837	4,146	-	-
Total non-current assets	3,837	4,146	12,355	13,834
<b>Current assets</b>				
Cash and cash equivalents	5,230	5,290	537	390
Held-for-trading financial asset	49	52	-	-
Trade receivables	5,071	9,246	-	-
Other receivables and prepayments	596	542	201	187
Inventories	502	539	-	-
Total current assets	11,448	15,669	738	577
<b>Total assets</b>	15,285	19,815	13,093	14,411
<b>Equity attributable to equity holders of the Company</b>				
Share capital	124,508	124,508	124,508	124,508
Capital reserve	944	944	-	-
Capital reduction reserve	18,384	18,384	18,384	18,384
Foreign currency translation reserve	2,263	2,593	-	-
Asset revaluation reserve	2,510	2,510	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	(141,424)	(139,947)	(137,894)	(137,341)
<b>Total equity</b>	9,386	11,193	4,998	5,551
<b>Current liabilities</b>				
Bank loan - secured	115	632	-	-
Trade payables	999	1,477	-	-
Other payables	4,785	6,513	2,582	3,062
Amount owing to subsidiary	-	-	5,513	5,798
Provision for taxation	-	-	-	-
Total current liabilities	5,899	8,622	8,095	8,860
<b>Total liabilities</b>	5,899	8,622	8,095	8,860
<b>Total liabilities and equity</b>	15,285	19,815	13,093	14,411

**No.1(b)(ii) Aggregate amount of group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

	(\$ '000)			
	As At 31-Mar-16		As At 31-Dec-15	
	Secured	Unsecured	Secured	Unsecured
Bank loans	115	-	632	-

During the year 2015, UGC 2003, Inc. decreased its borrowing from Cathay Bank to US\$447,018 (\$632,000). The borrowing from Cathay Bank has a maturity of 12 months from the date of borrowing or drawdown, with the possibility of an earlier repayment at the option of UGC 2003, Inc. In August 2015, the same loan facility has been renewed with maturity date on 30 June 2016.

As at 31 March 2016, the borrowing from Cathay Bank was decreased to USD84,976 (\$115,000).

**Details of collateral**

The Cathay Bank Facility is fully guaranteed by UGC 2003, Inc.'s holding company, SunMoon Food Company Limited.

**No.1(c) A consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial.**

	<b>Group</b>	
	<b>First Quarter Ended</b>	
	<b>31-Mar-16</b>	<b>31-Mar-15</b>
	<b>Re-presented</b>	
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating activities</b>		
Loss from continuing operations before tax	(964)	(669)
(Loss)/profit from discontinued operations before tax	(441)	864
Adjustments for:		
Interest expense	4	46
Interest income	(2)	-
Depreciation	145	243
Operating (loss)/profit before working capital changes	(1,258)	484
Change in working capital:		
Trade and other receivables	4,121	1,485
Inventories	37	2,138
Trade and other payables	(2,206)	(4,972)
Cash generated from/(used in) operations	694	(865)
Income tax paid	(72)	(121)
<b>Net cash generated from/(used in) operating activities</b>	<b>622</b>	<b>(986)</b>
<b>Investing activities</b>		
Interest received	2	-
Purchase of property, plant and equipment	(1)	-
<b>Net cash used in investing activities</b>	<b>1</b>	<b>-</b>
<b>Financing activities</b>		
Interest paid	(4)	(46)
Proceeds from bank loan	-	888
Repayment of bank loan	(517)	(68)
<b>Cash (outflows)/ inflow from financing activities</b>	<b>(521)</b>	<b>774</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>102</b>	<b>(212)</b>
Cash and cash equivalents at beginning of the period	5,290	2,703
Effect of exchange rate fluctuations on cash and cash equivalents	(162)	379
<b>Cash and cash equivalents at end of of the period</b>	<b>5,230</b>	<b>2,870</b>

**No. 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.**

**GROUP****Bal at 01/01/2016**

Profit/(loss) for the period

Other comprehensive loss

Currency translation difference arising from consolidation

Total comprehensive loss for the period

**Bal at 31/03/2016**

Share capital	Capital reserve	Capital reduction reserve	Foreign currency translation reserve	Revaluation reserve	General reserve	Accu-mulated (losses)	Total equity
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>124,508</b>	<b>944</b>	<b>18,384</b>	<b>2,593</b>	<b>2,510</b>	<b>2,201</b>	<b>(139,947)</b>	<b>11,193</b>
-	-	-	-	-	-	(1,477)	(1,477)
-	-	-	(330)	-	-	-	(330)
-	-	-	(330)	-	-	(1,477)	(1,807)
<b>124,508</b>	<b>944</b>	<b>18,384</b>	<b>2,263</b>	<b>2,510</b>	<b>2,201</b>	<b>(141,424)</b>	<b>9,386</b>

**COMPANY****Bal at 01/01/2016**

Total comprehensive income for the period

**Bal at 31/03/2016**

Share capital	Capital reserve	Capital reduction reserve	Foreign currency translation reserve	Revaluation reserve	General reserve	Accu-mulated (losses)	Total equity
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>124,508</b>	<b>944</b>	<b>18,384</b>	<b>1,971</b>	<b>2,510</b>	<b>2,201</b>	<b>(137,846)</b>	<b>12,672</b>
-	-	-	-	-	-	74	74
-	-	-	455	-	-	-	455
-	-	-	455	-	-	74	529
<b>124,508</b>	<b>944</b>	<b>18,384</b>	<b>2,426</b>	<b>2,510</b>	<b>2,201</b>	<b>(137,772)</b>	<b>13,201</b>

**COMPANY****Bal at 01/01/2015**

Total comprehensive income for the period

**Bal at 31/03/2015**

<b>124,508</b>	-	<b>18,384</b>	-	-	-	<b>(127,401)</b>	<b>15,491</b>
-	-	-	-	-	-	135	135
<b>124,508</b>	-	<b>18,384</b>	-	-	-	<b>(127,266)</b>	<b>15,626</b>

**No. 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at end of the corresponding period of the immediately preceding financial period.**

As at 31 December 2015, the total number of ordinary shares issued by the Company was 318,784,411.

There was no change to the number of ordinary shares during the period ended 31 March 2016.

**Note 1 Net assets subject to bank collaterals and guarantees, and contingent liabilities**

During the financial period ended 31 December 2008, one of the former subsidiaries (the "Borrowing Subsidiary") of the Group had defaulted on the repayment of the loans ("Loans") from the PRC Dongguan Agricultural Bank of China (the "Bank"). The Loans were secured on the mortgages of land and buildings belonging to the Borrowing Subsidiary and another subsidiary (the "Collateral Subsidiary"). The Borrowing Subsidiary and the Collateral Subsidiary have since been disposed in FY2009.

There are three subsidiaries which have furnished corporate guarantees to support the Loans. These three subsidiaries have ceased operations, do not possess significant assets and are presently dormant. These corporate guarantees may be called upon by the Bank. The three remaining subsidiaries are still subject to corporate guarantees in respect of the PRC Dongguan Agricultural Bank of China bank loan and may be subject to claims. The Company is unable to ascertain the likelihood, outcome and quantum of these potential claims. However, for these three subsidiaries, whether arising from the corporate guarantees or otherwise, a legal opinion was obtained and the Company is of the view that any action that may be taken by the Bank or any other creditors is unlikely to significantly affect the operation of the Group as these three subsidiaries have ceased operations, do not possess significant assets and are presently dormant. The exposure to the Group in respect of any contingent claim arising from the above-mentioned corporate guarantees is limited to the net assets of these three dormant subsidiaries.

As at 31 March 2016, the three dormant subsidiaries have negative net assets and have been consolidated. In addition, the remaining assets of the three subsidiaries amounting to \$3.5 million in FY2009 that are still subject to bank collateral and guarantees have been fully impaired since 31 December 2009 and no further impairment has been made during this period in respect to these claims.

**No.2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or and equivalent standard).**

The financial statements on the consolidated results for the quarter ended 31 March 2016 have not been audited nor reviewed by the Company's auditors.

**No.3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

**No. 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in note No. 5 below, the Group has consistently applied the same accounting policies and methods of computation in the current quarter and comparative figures.

**No. 5 if there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the new/amended Financial Reporting Standards ("FRS") which are relevant to the Group with effect from 1 January 2016. The adoption of the new/amended FRS have no significant impact on the Group's accounting policy and financial statements.



**No.6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial period, after deducting any provision for preference dividends.**

	<b>Group</b>		<b>Group</b>	
	<b>First Quarter Ended</b>		<b>First Quarter Ended</b>	
	<b>(Continuing operation)</b>		<b>(Including discontinued operation)</b>	
	<b>31-Mar-16</b>	<b>31-Mar-15</b>	<b>31-Mar-16</b>	<b>31-Mar-15</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
(Loss)/earnings attributable to shareholders	(964)	(669)	(1,477)	74
(Loss)/earnings used to determine diluted earnings per share	(964)	(669)	(1,477)	74
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	318,784	318,784	318,784	318,784
Weighted average number of ordinary shares applicable to diluted earnings per share ('000)	318,784	318,784	318,784	318,784
(Loss)/earnings per ordinary share, in cents :				
- basic	(0.3024)	(0.2099)	(0.4633)	0.0231
- fully diluted	(0.3024)	(0.2099)	(0.4633)	0.0231

**No.7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial period.**

	<b>As at 31-Mar-16 cents</b>	<b>As at 31-Dec-15 cents</b>
Group	2.94	3.51
Company	1.57	1.74
No of issued shares ('000)	318,784	318,784

The calculation of net asset value per ordinary share is based on the number of ordinary shares of the Company as at 31 March 2016 and 31 December 2015 respectively.

**No. 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### **1Q16 vs.1Q15**

- (1) The Group's revenue increased from \$1.99 million for (1Q15) to \$3.53 million (1Q16). This was mainly due to increase in sales in middle East and PRC market.
- (2) Gross profit for 1Q16 was \$0.25 million (margin 7.06%) compared to gross profit of \$0.14 million (margin 7.08%) in 1Q15. The gross margin remained constant.
- (3) Selling & Distribution cost increased from \$0.34 million to \$0.39 million mainly due to increase in staff salaries, advertising & promotion and distribution expenses.
- (4) Administrative expenses increased from \$0.55 million to \$0.59 million mainly due to increase in the executive director's remuneration, internal audit and investment relation ("IR") fees both of which commenced in 2016 partially offset by reduced staff cost in the discontinued dehydrated business operations.
- (5) Other expenses increased from \$6k to \$234k mainly due to exchange losses and PRC local tax expenses.
- (6) Loss from continuing operations for the period  
The Group's loss before tax from continuing operations for 1Q16 was \$0.96 million, compared to \$0.67 million loss for 1Q15.
- (7) (Loss)/profit from discontinued operations for the period  
The group loss before tax from discontinued operations for 1Q16 was \$0.44 million compared to profit before tax of \$0.86 million for 1Q15.
- (8) The Group's EBITDA for 1Q16 was negative \$1.26 million compared to positive \$0.48 million for 1Q15.
- (9) Operating cash flow  
The net cash inflow from operating activities for 1Q16 was \$0.62 million compared to \$0.98 million outflow for 1Q15.
- (10) Material fluctuation in balance sheet items  
There were no material fluctuations in balance sheet items except for the following items:
  - (a) Decrease in trade receivables was mainly due to collection from customers for the inventories sold in previous year;
  - (b) Decrease in other receivables and prepayments was mainly due to reduction in advance payments to suppliers;
  - (c) Decrease trade payable was mainly due to prompt payment to suppliers;
  - (d) Decrease in other payables was mainly due to payment to non-trade vendors and PRC local tax expenses accrued in previous year;
  - (e) Decrease in bank loan was due to repayment to Cathay bank.

**No.9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

None.

**No. 10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The operating environment remains challenging and competitive. The Group has since stepped up its marketing and sales efforts for its range of fresh and processed fruit products in Singapore, China and Indonesia.

On 10 February 2016, the Company has entered an SPA agreement with Harvest Seasons Singapore Pte Ltd and made announcement on the proposed acquisition of ordinary shares representing 12% of the total issued shares capital of the Harvest Season Pte. Ltd. The acquisition was subject to conditions precedent. If it is not satisfied (or waived with respect to certain conditions precedent) by 27 May 2016 or such other date as the parties to the SPA may agree in writing the SPA will cease and terminate without prejudice to any rights in respect of any prior breach under the SPA.

In April 2016, the Group's subsidiary in the People's Republic of China ("PRC"), Taian FHTK Foodstuffs Co Ltd ("Taian FHTK") obtained a RMB10 million loan facility from the Communication Bank of China. The loan facility is secured by mortgages on leasehold properties of Taian FHTK.

The Company intends to sell certain assets relating to the discontinued dehydrated produce business. The Company will seek shareholders' approval when necessary and will keep the shareholders informed of further developments and will make further announcement as and when appropriate.

On 21 April 2016, The Company announced that SunMoon Distribution & Trading Pte Ltd, a wholly owned subsidiary of the Company, had in April 2016, entered into several sales orders with Shanghai YIGUO E-Commerce Co. Ltd (also known as 易果生鲜) ("YiGuo E-Commerce"), an existing customer in relation to the supply of certain fruits and vegetables products. YiGuo E-Commerce's current geographic presence is within the People's Republic of China ("PRC"). The sales order with YiGuo E-Commerce is in line with the Company's focus on the "Network x Geography x Product" model, and will introduce a range of fruits, fruit-related and vegetable products, such as, frozen durians, young coconuts and oranges. This will enable the Group to tap on a rapidly expanding digital sales network and enable the Group to establish and secure the SunMoon brand within the mindshare of the new sophisticated consumer when it comes to health, freshness and natural goodness. For more information of the Group's current business model, please refer to the investor update announcement dated 14 March 2016

**No. 11 Dividend**

**(a) Current Financial Period Reported On**

None.

**(b) Corresponding Period of the Immediately Preceding Financial Period**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**No. 12 If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been recommended.

**No. 13 Interested Person Transactions**

(In \$ '000)

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

The aggregate value of interested person transactions entered into during the reporting period ended 31 March 2016 is as follows : -

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
None	-	-

SUNMOON FOOD COMPANY LIMITED  
Company Registration Number 198304656K

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705 (5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the period ended 31 March 2016 to be false or misleading in any material aspect.

On behalf of the Directors

(signed)  
Mr Gary Loh Hock Chuan  
Director

(signed)  
Mrs Jessie Peh  
Director

13-May-16