
First Quarter Financial Statements Announcement for the Period Ended 31-Mar-2011

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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.

	Group		Change %
	1st Quarter Ended		
	31-Mar-11	31-Mar-10	
	S\$ '000	S\$ '000	
Revenue	7,323	6,830	7.2%
Cost of sales	-5,161	-5,379	-4.1%
Gross profit	2,162	1,451	49.0%
Other income	171	15	1040.0%
Distribution costs	-354	-298	18.8%
Administrative expenses	-1,050	-1,226	-14.4%
Other expenses	-80	-99	-19.2%
Finance costs	-633	-546	15.9%
Profit / (Loss) before tax	216	-703	-130.7%
Income tax recovered	8	11	-27.3%
Profit / (Loss) for the period	224	-692	-132.4%
Other comprehensive (loss) / income :			
Exchange difference on translating foreign operations	-278	76	465.8%
Total comprehensive loss for the period	-54	-616	91.2%
EBITDA	1,127	154	631.8%
<u>Profit / (Loss) for the period included the following (expenses) / income:-</u>			
Depreciation & amortization of property, plant & equipment	-278	-311	
Other income & charges includes :			
- Government Grant	72	0	
- Write back of provision for quality claim	65	0	
- Loss on foreign exchange	-80	-99	
- Interest income	4	3	
- Interest expense	-633	-546	

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

	Group		Company	
	As at 31-Mar-11	As at 31-Dec-10	As at 31-Mar-11	As at 31-Dec-10
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets :				
Subsidiaries	0	0	15,424	19,671
Other investments	17	17	17	17
Property, plant and equipment	7,148	7,590	94	100
Total non-current assets	7,165	7,607	15,535	19,788
Current assets :				
Cash and cash equivalents	8,281	5,384	137	105
Trade receivables	2,363	2,697	0	0
Other receivables and prepayments	290	348	170	150
Inventories	3,638	5,385	0	0
Total current assets	14,572	13,814	307	255
Total assets	21,737	21,421	15,842	20,043
Equity attributable to equity holders of the Company				
Share capital	100,508	100,508	100,508	100,508
Capital reserve	944	944	0	0
Capital reduction reserve	18,384	18,384	18,384	18,384
Foreign currency translation reserve	853	1,131	0	0
Asset revaluation reserve	2,596	2,596	0	0
General reserve	2,201	2,201	0	0
Accumulated losses	-144,811	-145,035	-140,198	-135,772
Total equity	-19,325	-19,271	-21,306	-16,880
Current liabilities :				
Bank loans - secured	962	979	0	0
Loans from investors	24,424	24,424	24,424	24,424
Trade payables	1,588	1,235	0	0
Other payables	14,030	13,949	12,724	12,499
Provision for taxation	58	105	0	0
Total current liabilities	41,062	40,692	37,148	36,923
Total liabilities	41,062	40,692	37,148	36,923
Total liabilities and equity	21,737	21,421	15,842	20,043

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-11		As At 31-Dec-10	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	962	0	979	0
Loans from Investors	24,424	0	24,424	0

Details of any collateral

The loans from investors of \$24.4 million as at 31 March 2011 (31 December 2010: \$24.4 million) are secured by a fixed and floating charge on SunMoon Food Company Limited. The convertible loan from investors was repayable on 21 March 2009. The loans from investors are convertible loans at the discretion of the investors. Assuming the loans from investors and the accrued premium of \$7.9 million as at 31 March 2011 were converted into shares, the Company would issue 3.23 billion new shares (at the conversion price of \$ 0.01 per share) to the investors. As announced on 30 September 2010, on that day, the Company and the convertible loan holders entered into a MOU setting out the principal terms on which the convertible loan is proposed to be settled/repaid.

One of the Subsidiaries of the Group has short term working capital loans from a bank in the Peoples' Republic of China (PRC) amounting to RMB 5 million (approximately S\$1million) which are secured by mortgages on leasehold land and buildings of the PRC subsidiary.

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 period.

	Group	
	1st Quarter Ended	
	31-Mar-11	31-Mar-10
	\$'000	\$'000
Operating activities		
Profit / (Loss) before taxation	216	-703
Adjustments for:		
Interest expense	633	546
Interest income	-4	-3
Depreciation expense	278	311
(Gain) / Loss on unrealised currency translation	-89	99
Operating profit before working capital changes	<u>1,034</u>	<u>250</u>
Change in working capital:		
Trade receivables and other receivables and prepayments	392	-138
Inventories	1,747	1,248
Trade payables and other payables	-199	-1,275
Cash generated in operations	<u>2,974</u>	<u>85</u>
Income tax recovered	8	13
Cash inflows from operating activities	<u><u>2,982</u></u>	<u><u>98</u></u>
Investing activities		
Interest received	4	3
Cash inflows from investing activities	<u><u>4</u></u>	<u><u>3</u></u>
Net increase in cash and cash equivalents	2,986	101
Cash and cash equivalents at beginning of the period	5,384	1,639
Effect of exchange rate fluctuations on cash held	-89	-4
Cash and cash equivalents at end of of the period	<u><u>8,281</u></u>	<u><u>1,736</u></u>

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.

	Share capital \$ '000	Capital reserve \$ '000	Capital reduction reserve \$ '000	Foreign currency translation reserve \$ '000	Revaluation Reserve \$ '000	General reserve \$ '000	Accu- mulated gain/ (losses) \$ '000	Total \$ '000
GROUP								
Bal at 01/01/2011	100,508	944	18,384	1,131	2,596	2,201	-145,035	-19,271
Total comprehensive Income for the period	0	0	0	-278	0	0	224	-54
Bal at 31/03/2011	100,508	944	18,384	853	2,596	2,201	-144,811	-19,325
COMPANY								
Bal at 01/01/2011	100,508	0	18,384	0	0	0	-135,772	-16,880
Total comprehensive Income for the period	0	0	0	0	0	0	-4,426	-4,426
Bal at 01/03/2011	100,508	0	18,384	0	0	0	-140,198	-21,306

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 2010, the total number of ordinary shares issued by the Company was 7,878,441,114. There were no changes to the number of ordinary shares during the period ended 31 December 2010.

Please see page 3 on the loans from investors which are convertible into ordinary shares of the Company.

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

During the financial period ended 31 December 2008, one of the 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 are 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 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, the Company is of the view that any action that may be undertaken by the bank or any other creditors is unlikely to significantly affect the operation of the rest of the Group as these three subsidiaries have ceased operations, do not possess significant assets and are presently dormant, and the exposure to the Group in respect of any contingent claim arising from the abovementioned corporate guarantees is limited to the net assets of these three dormant subsidiaries. In August 2009, the Dongguan Municipal Intermediate People's Court issued a writ of seizure and sale against four apartments owned by Fook Huat Tong Kee Pte Ltd. These four apartments had already been fully impaired during the year ended 31 December 2008, and accordingly has no financial impact to the results of the Group and the Company as at 31 March 2011. As at 31 March 2011, the three subsidiaries has 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 guarantee have been fully impaired since 31 December 2009 and no further impairment has been made during this period in respect of these claims. During FY2010, a reversal of impairment amounting to \$1.143 million was made mainly due to the sale of inventories during the year.

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 consolidated results for the first quarter ended 31 March 2011 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.

The Group has consistently applied the same accounting policies and methods of computation in the current and previous financial year except as disclosed in paragraph 5 below.

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 following new/amended Financial Reporting Standard ("FRS") which are relevant to the Group with effect from 1 January 2011.

Framework	The Conceptual Framework for Financial Reporting 2010 (Chapters 1 & 3)
FRS 24	Related Party Disclosures
FRS 101 (Amendments)	First Time Adoption of Financial Reporting Standards
FRS 107 (Amendments)	Financial Instruments:Disclosures

The adoption of the above FRS did not have any significant impact on the Group's accounting policy and financial statements.

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

	Group	
	1st Quarter Ended	
	31-Mar-11	31-Mar-10
	\$ '000	\$ '000
Earnings / (Loss) attributable to shareholders	224	-692
Earnings / (Loss) used to determine diluted earnings per share	224	-692
Weighted average number of ordinary shares applicable to basic earnings per share	7,878,441	7,878,441
Weighted average number of ordinary shares applicable to diluted earnings per share	7,878,441	7,878,441
Earnings / (Loss) per ordinary share, in cents :		
- basic	0.003	(0.009)
- fully diluted	0.003	(0.009)

The convertible loans from investors including unpaid interest amounting to approximately \$32.3 million as at 31 March 2011(31 Mar 2010 : \$29.9 million), which could be convertible into shares of the Company, were not included in the computation of diluted earning per share because they are antidilutive.

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 year reported on and (b) immediately preceding financial period.

	As at	As at
	31-Mar-11	31-Dec-10
	cents	cents
Group	(0.25)	(0.24)
Company	(0.27)	(0.21)
No of issued shares ('000)	7,878,441	7,878,441

The calculation of net asset value per ordinary share is based on the number of ordinary shares of the Company as at 31 March 2011 and 31 December 2010 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.

- (1) The Group's 1Q11 revenue of \$7.3 million was \$0.5 million higher than 1Q10 of \$6.8 million. The sale of dehydrated products increased from \$3.5 million to \$4.1 million due to higher dehy garlic sales. Fresh fruits decreased slightly from \$3.3 million to \$3.2 million.
- (2) Gross profit for 1Q11 was \$2.2 million (29.5%), compared with \$1.5 million (21.2%) for 1Q10. The higher gross profit was due to better control over materials procurement, inventory management and better market conditions.
- (3) Distribution cost and administrative expenses (including depreciation) were lower for the current quarter due to cost efficiency measures implemented since Y09.
- (4) Profit for the period :-
The Group's profit for 1Q11 was \$0.2 million compared to loss of \$0.7 million for 1Q10. The improvement was mainly due to higher gross profit and lower administrative expenses.
- (5) EBITDA
The group EBITDA improved from \$0.15 million for 1Q10 to \$1.13 million for 1Q11.
- (6) Statement of Financial Position
Compared to 31 December 2010, there was no material fluctuation in balance sheet items except for the following items.
 - (a) Reduction in trade receivables was due to higher sales in end 4Q10 compared to 1Q11.
 - (b) Reduction in other receivables and prepayments was due to Value Added Tax refund received in China during 1Q11.
 - (c) Reduction in inventories was due to no production of dehydrated flakes during routine shut-down in 1Q11.
 - (d) Increase in trade payables was mainly due to the longer credit term offered by some trade suppliers.
- (7) Operating cash flow
The group reported net cash inflow from operating activities of \$3.0 million for 1Q11, compared to the net cash outflow of \$0.1 million for 1Q10.

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.

- (i) The Group continues to operate under competitive conditions.
- (ii) As announced on 3rd December 2010, the Company entered into (i) a S\$24 million Convertible Loan agreement with CHIC FOODS ASIA PACIFIC CO., LTD.("CHIC"), and (ii) a S\$60 million Convertible Loan Facility agreement with CHIC. Currently, the Company and CHIC are seeking approvals from the relevant authorities.
- (iii) As announced on 7th December 2010, the Company's wholly-owned subsidiary, Sunmoon Distribution and Trading Company, entered into a Sourcing and Distribution Agreement with CHIC, granting CHIC, inter alia, the right of first refusal to source for fresh fruit for the Subsidiary.

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the year ended 31 December 2010.

No. 13 Interested Person Transactions

(In S\$ '000)

The aggregate value of interested person transactions entered into during the reporting year ended 31 March 2011 is as follows : -

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate 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	0	0

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 interim financial statements for the three month period ended 31 March 2011 to be false or misleading in any material aspect.

On behalf of the Directors

(signed)
Gary Loh Hock Chuan
Director

(signed)
Michael John Martin
Director

6 May 2011