
Third Quarter Financial Statements Announcement for the Period Ended 30-September-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			Group		
	3rd Quarter Ended		Change	Year-To-Date		Change
	30-Sep-11	30-Sep-10		30-Sep-11	30-Sep-10	
	S\$ '000	S\$ '000	%	S\$ '000	S\$ '000	%
Revenue	8,139	10,106	-19.5%	22,646	24,829	-8.8%
Cost of sales	-6,360	-7,343	-13.4%	-16,594	-18,578	-10.7%
Gross profit	1,779	2,763	-35.6%	6,052	6,251	-3.2%
Other income	2,104	1	n.m	2,768	46	n.m
Distribution costs	-280	-392	-28.6%	-967	-996	-2.9%
Administrative expenses	-1,125	-1,249	-9.9%	-3,483	-3,615	-3.7%
Other expenses	-114	-125	-8.8%	-336	-224	50.0%
Finance costs	-631	-645	-2.2%	-1,894	-1,767	7.2%
Profit / (Loss) before tax	1,733	353	n.m	2,140	-305	n.m
Income tax (expenses)/recoverable	-329	0		-411	18	n.m
Profit / (Loss) for the period	1,404	353	297.7%	1,729	-287	n.m
Other comprehensive income :						
Exchange difference on translating foreign operations	954	161	n.m	562	224	n.m
Total comprehensive (loss)/income for the period	2,358	514	n.m	2,291	-63	n.m
EBITDA	2,645	1,263	109.4%	4,867	2,319	109.9%
Profit / (Loss) for the period included the following						
Depreciation & amortization of property, plant & equipment	-281	-265		-833	-857	
Write-back of provision for inventories	271	0		740	613	
Other income & charges includes :						
- Gain/(Loss) on disposal of property, plant & equipment	0	-4		0	-4	
- Government Grant	0	0		72	0	
- Write back of provision for quality claim	0	0		65	0	
- (Loss)/Gain on foreign exchange	37	-130		-184	-217	
- Interest income	4	2		15	6	
- Dividend income	0	0		3	3	
- Interest expense	-631	-645		-1,894	-1,767	
- Impairment written back on assets subject to bank guarantees	2,100	0		2,100	0	

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

	Group		Company	
	As at 30-Sep-11	As at 31-Dec-10	As at 30-Sep-11	As at 31-Dec-10
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	0	0	18,368	19,671
Other investments	17	17	17	17
Property, plant and equipment	7,272	7,590	82	100
Total non-current assets	7,289	7,607	18,467	19,788
Current assets				
Cash and cash equivalents	4,641	5,384	967	105
Trade receivables	2,891	2,697	0	0
Other receivables and prepayments	808	348	172	150
Inventories	10,222	5,385	0	0
Total current assets	18,562	13,814	1,139	255
Total assets	25,851	21,421	19,606	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	1,693	1,131	0	0
Asset revaluation reserve	2,596	2,596	0	0
General reserve	2,201	2,201	0	0
Accumulated losses	-143,306	-145,035	-137,748	-135,772
Total equity	-16,980	-19,271	-18,856	-16,880
Current liabilities				
Bank loans - secured	0	979	0	0
Loans from investors	24,424	24,424	24,424	24,424
Trade payables	3,338	1,235	0	0
Other payables	15,069	13,949	14,038	12,499
Provision for taxation	0	105	0	0
Total current liabilities	42,831	40,692	38,462	36,923
Total liabilities	42,831	40,692	38,462	36,923
Total liabilities and equity	25,851	21,421	19,606	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 30-Sep-11		As At 31-Dec-10	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	0	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 30 September 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 \$9.2 million as at 30 September 2011 were converted into shares, the Company would issue 3.36 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.

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 .

	Group		Group	
	3rd Quarter Ended 30-Sep-11	30-Sep-10	Year-To-Date 30-Sep-11	30-Sep-10
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit/(loss) before taxation	1,733	353	2,140	-305
Adjustments for:				
Interest expense	631	645	1,894	1,767
Interest income	-4	-2	-15	-6
Dividend income	0	0	-3	-3
Depreciation expense	281	265	833	857
(Gain)/loss on disposal of property, plant and equipment	0	4	0	4
Write-back of provision for inventories	-271	0	-740	-613
Impairment written back on assets subjects to bank guarantees	-2,100	0	-2,100	0
(Gain)/Loss on unrealised currency translation	2,539	695	2,250	757
Operating profit before working capital changes	<u>2,809</u>	<u>1,960</u>	<u>4,259</u>	<u>2,458</u>
Change in working capital:				
Trade receivables and other receivables and prepayments	-1,223	-1,690	-654	-1,299
Inventories	-3,976	1,213	-4,097	2,723
Trade payables and other payables	832	-1,279	1,327	-2,578
Cash (used)/generated in operations	<u>-1,558</u>	<u>204</u>	<u>835</u>	<u>1,304</u>
Income tax (paid)/recovered	-435	-2	-519	18
Cash (outflows)/ inflows from operating activities	<u>-1,993</u>	<u>202</u>	<u>316</u>	<u>1,322</u>
Investing activities				
Interest received	4	2	15	6
Dividends received	0	0	3	3
Purchase of property, plant and equipment	-152	-25	-182	-57
Cash (outflows) from investing activities	<u>-148</u>	<u>-23</u>	<u>-164</u>	<u>-48</u>
Financing activity				
Proceed from bank loan	0	0	0	1,030
Repayment of bank loan	0	0	-979	-1,030
Cash (outflows) from financing activity	<u>0</u>	<u>0</u>	<u>-979</u>	<u>0</u>
Net (decrease)/increase in cash and cash equivalents	<u>-2,141</u>	<u>179</u>	<u>-827</u>	<u>1,274</u>
Cash and cash equivalents at beginning of the period	6,767	2,729	5,384	1,639
Effect of exchange rate fluctuations on cash held	15	-81	84	-86
Cash and cash equivalents at end of of the period	<u>4,641</u>	<u>2,827</u>	<u>4,641</u>	<u>2,827</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	Capital reserve	Capital reduction reserve	Foreign currency translation reserve	Revaluation Reserve	General reserve	Accumulated (losses)	Total Equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '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
Total comprehensive Income for the period	0	0	0	-114	0	0	101	-13
Bal at 30/06/2011	100,508	944	18,384	739	2,596	2,201	-144,710	-19,338
Total comprehensive Income for the period	0	0	0	954	0	0	1,404	2,358
Bal at 30/09/2011	100,508	944	18,384	1,693	2,596	2,201	-143,306	-16,980
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 31/03/2011	100,508	0	18,384	0	0	0	-140,198	-21,306
Total comprehensive Income for the period	0	0	0	0	0	0	129	129
Bal at 30/06/2011	100,508	0	18,384	0	0	0	-140,069	-21,177
Total comprehensive Income for the period	0	0	0	0	0	0	2,321	2,321
Bal at 30/09/2011	100,508	0	18,384	0	0	0	-137,748	-18,856

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 30 September 2011.

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 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 abovementioned corporate guarantees is limited to the net assets of these three dormant subsidiaries.

As at 30 September 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 the year ended 31 December 2010, a reversal of impairment amounting to \$1.143 million was made mainly due to the sale of impaired inventories during the year. A further reversal of \$2.1 million in 3Q11 was made on the sale of impaired inventories and written back on impaired assets which are subject to bank guarantees.

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 third quarter ended 30 September 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 quarter and comparative figures 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.

FRS 1 (Amendments)	Presentation of Financial Statements
FRS 24 (Revised)	Related Party Disclosures
FRS 27 (Amendments)	Consolidation and Separate Financial Statement
FRS 34 (Amendments)	Interim Financial Reporting
FRS 103 (Amendments)	Business Combinations
FRS 107 (Amendments)	Financial Instruments: Disclosures
FRS 32	Classification of Right Issues (Amendment to FRS 32)

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 period reported on and the corresponding period of the immediately preceding financial period, after deducting any provision for preference dividends.

	Group		Group	
	3rd Quarter Ended		Year-To-Date	
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
	\$ '000	\$ '000	\$ '000	\$ '000
Earnings / (Loss) attributable to shareholders	1,404	353	1,729	-287
Earnings / (Loss) used to determine diluted earnings per share	1,926 *	353 #	1,729 #	-287 #
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	7,878,441	7,878,441	7,878,441	7,878,441
Weighted average number of ordinary shares applicable to diluted earnings per share ('000)	11,238,141	7,878,441	7,878,441	7,878,441
Earnings / (Loss) per ordinary share, in cents :				
- basic	0.018	0.004	0.022	(0.004)
- fully diluted	0.017 *	0.004 #	0.022 #	(0.004) #

* The earnings of \$1.926 million for 3Q11 used to determined the diluted earnings per share were arrived at assuming the convertible loans from investors is fully converted with interest savings of \$0.522 million for 3Q11 net of tax. The weighted average number of shares 11,238,141 for 3Q11 applicable to diluted earnings per share was arrived at assuming the convertible loans from investors of \$24.424 million plus unpaid interest of \$9.173 million was fully converted at \$0.01.

The convertible loans from investors including unpaid interest amounting to approximately \$33.597 million as at 30 September 2011 and \$31.062 million as at 30 September 2010, which could be convertible into shares of the Company, were not included in the computation of diluted earnings 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 period reported on and (b) immediately preceding financial period.

	As at	As at
	30-Sep-11	31-Dec-10
	cents	cents
Group	(0.22)	(0.24)
Company	(0.24)	(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 30 September 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 3Q11 revenue of \$8.1 million, was \$2 million lower than \$10.1 million in 3Q10. The sale of dehydrated products decreased from \$6.6 million (3Q10) to \$4.3 million (3Q11), while fresh fruits increased from \$3.5 million (3Q10) to \$3.8 million (3Q11). The revenue decrease (in SGD) was primarily due to lower volume and USD depreciation.

The Group's revenue of \$22.6 million (YTD11) was \$2.2 million lower than \$24.8 million (YTD10). Sales of dehydrated products decreased from \$13.8 million (YTD10) to \$12.0 million (YTD11), and sales of fresh fruits decreased from \$11 million (YTD10) to \$10.6 million (YTD11).

- (2) The Group's gross profit for 3Q11 was \$1.78 million (21.9%), compared to 3Q10 of \$2.76 million (27.3%). The lower gross profit in 3Q11 compared to 3Q10 was due to higher production costs and higher costs for fresh fruits and lower prices for customer with bulk orders.

The Group's gross profit for YTD11 was \$6.05 million (26.7%), compared to \$6.25 million (25.2%) for YTD10. The YTD11 gross profit margin was higher than YTD10 despite the lower gross margin in 3Q11. The improvement in YTD gross margin was mainly due to higher contractual prices for dehydrated products.

- (3) The distribution cost for YTD11 was lower than YTD10 by \$0.03 million. The administrative expenses (including depreciation), 3Q11 was lower than 3Q10 by \$0.12 million (9.9%).

- (4) Profit/(Loss) for the period :-

The Group's net profit for 3Q11 was \$1.40 million which included the impairment written back on assets subject to bank guarantees amounting to \$2.1 million compared to profit of \$0.35 million for 3Q10. The cumulative profit for YTD11 was \$1.73 million, compared to cumulative loss of \$0.29 million for YTD10.

- (5) EBITDA

The Group's EBITDA for 3Q11 was \$2.65 million which included the impairment written back mentioned above in Paragraph 8(4), compared to \$1.26 million for 3Q10. The Group's EBITDA for YTD11 was \$4.87 million compared to \$2.32 million for YTD10.

- (6) Material fluctuation in balance sheet items

There was no material fluctuation in balance sheet items except for the following items.

- (a) Increase in inventory was mainly due to routine dehydrated garlic production.
- (b) Increase in trade receivables was due to higher sales towards the end of 3Q11 as compared to end of 4Q10.
- (c) Increase in other receivables and prepayments was mainly due to down payment for purchase of raw material for dehydrated production.
- (d) Increase in trade payables was mainly due to purchase of raw material for routine dehydrated garlic production.
- (e) Increase in other payables was mainly due to further accrual in YTD11 for interest on the outstanding convertible loan.
- (f) Reduction in bank loan was due to the loan being fully repaid in May 2011.

- (7) Operating cash flow

The net cash outflow from operating activities for 3Q11 was \$1.99 million compared to a net cash inflow of \$0.20 million for 3Q10, mainly due to increased dehydrated garlic production volume in 3Q11. The net cash inflow from operating activities for YTD11 was \$0.32 million compared to the \$1.32 million for YTD10.

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) The global economic and market volatility may affect the demand for the group's products.
- (iii) As announced on 16 August 2011, CHIC Foods Asia Pacific Co.,Ltd. has withdrawn from the Chic CL agreement. The Company is presently working with new potential investors and the current convertible loan holders to find an alternative solution to resolve the outstanding loan.

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 period ended 30 September 2011.

No. 13 Interested Person Transactions

(In \$ '000)

The aggregate value of interested person transactions entered into during the reporting period ended 30 September 2011 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	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 period ended 30 September 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

09 November 2011