SunMoon Food Company Limited
(198304656K)

First Quarter Financial Statements Announcement for the Period Ended 31-Mar-2012

Table of Contents **Page No:**

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 year.

	Group		
	1st Quarter Ended		
	31-Mar-12	31-Mar-11	Change
	S$ '000	S$ '000	%
Revenue	6,564	7,323	-10.4%
Cost of sales	(5,439)	(5,161)	5.4%
Gross profit	**1,125**	**2,162**	-48.0%
Other income	1,338	171	682.5%
Distribution costs	(348)	(354)	-1.7%
Administrative expenses	(1,178)	(1,050)	12.2%
Other expenses	(24)	(80)	-70.0%
Finance costs	(673)	(633)	6.3%
Profit before tax	**240**	**216**	11.1%
Income tax recovered	-	8	n.m
Profit for the period	**240**	**224**	7.1%
Other comprehensive income :			
Exchange difference on translating foreign operations	(612)	(278)	n.m
Total comprehensive income for the period	**(372)**	**(54)**	n.m
EBITDA	**1,207**	**1,127**	7.1%

Profit before tax included the following:		
Depreciation of property, plant and equipment	-294	-278
Other income & expenses include :		
- Write-back of overaccrued professional fee	949	-
- Compensation from customer for trademark infringement	251	-
- Income from scrap disposal	14	4
- Franchise income	6	6
- Government grant	-	72
- Write back of provision for quality claim	-	65
- Write-back of provision for inventories	90	-
- Write-back of impaired assets which is subject to bank guarantees	5	-
- Exchange loss	-24	-80
Interest expense	-673	-633

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

	Group		Company	
	As at 31-Mar-12	As at 31-Dec-11	As at 31-Mar-12	As at 31-Dec-11
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	21,536	22,385
Other investments	17	17	17	17
Property, plant and equipment	6,644	7,149	69	76
Total non-current assets	6,661	7,166	21,622	22,478
Current assets				
Cash and cash equivalents	3,088	2,935	231	509
Trade receivables	3,063	3,477	-	-
Other receivables and prepayments	511	665	150	147
Income tax recoverable	246	195	-	-
Inventories	10,720	13,156	-	-
Total current assets	17,628	20,428	381	656
Total assets	24,289	27,594	22,003	23,134
Equity attributable to equity holders of the Company				
Share capital	100,508	100,508	100,508	100,508
Capital reserve	944	944	-	-
Capital reduction reserve	18,384	18,384	18,384	18,384
Foreign currency translation reserve	1,421	2,033	-	-
Asset revaluation reserve	2,596	2,596	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	(144,025)	(144,265)	(135,779)	(135,156)
Total equity	(17,971)	(17,599)	(16,887)	(16,264)
Current liabilities				
Loans from investors	24,424	24,424	24,424	24,424
Trade payables	1,988	4,833	-	-
Other payables	15,848	15,876	14,466	14,974
Current tax payable	-	60	-	-
Total current liabilities	42,260	45,193	38,890	39,398
Total liabilities	42,260	45,193	38,890	39,398
Total liabilities and equity	24,289	27,594	22,003	23,134

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-12	As at	31-Dec-11
	Secured	Unsecured	Secured	Unsecured
Bank Loans	-	-	-	-
Loans from Investors	24,424	-	24,424	-

Amount repayable after one year

($ '000)

	As at	31-Mar-12	As at	31-Dec-11
	Secured	Unsecured	Secured	Unsecured
Bank Loans	-	-	-	-
Loans from Investors	-	-	-	-

Details of any collateral

The loans from investors of $24.4 million as at 31 March 2012 (31 December 2011: $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 $10.5 million as at 31 March 2012 were converted into shares, the Company would issue 3.49 billion new shares (at the conversion price of $0.01 per share) to the investors. As announced on 4 April 2012, 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 year.

	Group	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	$'000	$'000
Operating activities		
Profit before tax	240	216
Adjustments for:		
Interest expense	673	633
Interest income	(1)	(4)
Depreciation of property, plant and equipment	294	278
Write-back of provision for inventories	(90)	-
Impairment written back on assets subject to bank guarantees	(5)	-
Unrealised exchange gain	(300)	(89)
Operating profit before working capital changes	811	1,034
Change in working capital:		
Trade receivables and other receivables and prepayments	568	392
Inventories	2,531	1,747
Trade payables and other payables	(3,546)	(199)
Cash generated in operations	364	2,974
Income tax (paid)/refunded	(111)	8
Net cash flows from operating activities	253	2,982
Investing activities		
Interest received	1	4
Purchase of property, plant and equipment	(12)	-
Net cash flows (used in)/generated from investing activities	(11)	4
Net increase in cash and cash equivalents	242	2,986
Cash and cash equivalents at beginning of period	2,935	5,384
Effect of exchange rate fluctuations on cash held	(89)	(89)
Cash and cash equivalents at end of period	3,088	8,281

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 year.

	Share capital	Capital reserve	Capital reduction reserve	Foreign currency translation reserve	Revaluation Reserve	General reserve	Accu-mulated losses/ (income)	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
<u>GROUP</u>								
Bal at 01/01/2012	**100,508**	**944**	**18,384**	**2,033**	**2,596**	**2,201**	**(144,265)**	**(17,599)**
Total comprehensive income for the period	-	-	-	(612)	-	-	240	(372)
Bal at 31/03/2012	**100,508**	**944**	**18,384**	**1,421**	**2,596**	**2,201**	**(144,025)**	**(17,971)**
<u>COMPANY</u>								
Bal at 01/01/2012	**100,508**	**-**	**18,384**	**-**	**-**	**-**	**(135,156)**	**(16,264)**
Total comprehensive income for the period	-	-	-	-	-	-	(623)	(623)
Bal at 01/03/2012	**100,508**	**-**	**18,384**	**-**	**-**	**-**	**(135,779)**	**(16,887)**

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 year.

As at 31 December 2011, the total number of ordinary shares isssued by the Company was 7,878,441,114.
There were no changes to the number of ordinary shares during the period ended 31 March 2012.

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 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 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 31 March 2012, the three 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 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 1Q12, a write back of impaired inventories which are subject to bank gurantees amounting to $5k as compare to 1Q11 was none.

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 2012 have not been audited nor reviewed by the Company's auditors.

No.3 Where the figures have been audited or reviewed, the auditors' report (incuding 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 period 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 new/amended Financial Reporting Standard ("FRS") which are relevant to the Group with effect from 1 January 2011.The adoption of the new /amended FRS have no significant impact on the Group's accounting policy and the 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 year, after deducting any provision for preference dividends.

	Group	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	$ '000	$ '000
Earnings attributable to shareholders	240	224
Earnings used to determine diluted earnings per share	240	224
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	7,878,441	7,878,441
Weighted average number of ordinary shares applicable to diluted earnings per share ('000)	7,878,441	7,878,441
Earnings per ordinary share, in cents :		
- basic	0.003	0.003
- fully diluted	0.003	0.003

The convertible loans from investors including unpaid interest amounting to approximately $34.9 million as at 31 March 2012 and $34.2 million as at 31 December 2011, 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 year.

	As at 31-Mar-12	As at 31-Dec-11
	cents	cents
Group	(0.23)	(0.22)
Company	(0.21)	(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 2012 and 31 December 2011 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 1Q12 revenue of $6.56 million was $0.76 million lower than the $7.32 million in 1Q11. The sales of dehydrated products decreased from $4.12 million (1Q11) to $3.99 million (1Q12), while fresh fruits decreased from $3.20 million (1Q11) to $2.57 million (1Q12).

(2) The Group's gross profit for 1Q12 was $1.13 million (17.1%) compared with gross profit of $2.16 million (29.5%) for 1Q11. The decrease in gross profit margin from 29.5% to 17.1%, was attributed to higher costs of dehydrated products, the recently-imposed increase in the net Value Added Tax payable (after rebate) in China for dehydrated onion export, and the loss from one-off sale of dehydrated by-products.

(3) The administrative expenses (including depreciation) increased from $1.05 million in 1Q11 to $1.18 million in 1Q12 partly due to increase in salary expenses and director remunerations.

(4) Profit for the period:
The Group's net profit for 1Q12 was $0.24 million compared to net profit of $0.22 million for 1Q11. Other income of $1.34 million (1Q12) was mainly due to write-back of over-accrued professional fee, impairment reversal upon the sale of impaired inventories, and compensations received for trademark infringements in Indonesia.

(5) EBITDA
The Group's EBITDA for 1Q12 was $1.21 million compared to $1.13 million for 1Q11. EBITDA included write-back of over-accrued professional fee, impairment written back, and compensations received as mentioned in No.8(4) above.

(6) Material fluctuation in balance sheet items
There was no material fluctuation in balance sheet items except for the following items.
(a) Decrease in inventories was mainly due to no production of dehydrated flakes during rountine shut-down in 1Q12.
(b) Decrease in trade receivables was due to higher sales of dehydrated products towards the end of 4Q11 compared to end of 1Q12.
(c) Decrease in deposit, prepayment and other receivables was mainly due to the release of bank deposit for LC issurance and VAT refund received in China in 1Q12.
(d) Increase in income tax recoverable was mainly due to the prepaid estimated income tax in USA.
(e) Decrease in trade payables was mainly due to payments made to suppliers and no purchase of raw materials for dehydrated production during routine shutdown of our dehydration lines in 1Q12.
(f) Decrease in income tax payable due to income tax paid in 1Q12.

(7) Operating cash flow
The net cash inflow from operating activities for 1Q12 was $0.25 million compared to a net cash inflow of $2.98 million for 1Q11.

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. The recent 6% increase in the net Value-Added-Tax payable (after rebate) in China for our dehydrated onion export may affect the price competitiveness compared to exporters from other countries.

(iii) As announced on 4 April 2012, the Company has entered into (i) a new convertible loan agreement with First Alverstone Capital Limited ("FACL") as the agent, security agent and investor for a convertible loan amounting to $12 million; and (ii) a settlement agreement with FACT 2006 Pte Ltd (as agent of the Lenders) and the Lenders. The New Loan is secured by a debenture granted by the Company in favour of FACL (as security agent) to charge all of the Company's assets by way of a fixed and floating charge.

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 declared or recommended for the period ended 31 March 2012.

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 2012 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 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	-	-

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 2012 to be false or misleading in any material aspect.

On behalf of the Directors

(signed)	(signed)
Gary Loh Hock Chuan	Michael John Martin
Director	Director

30 April 2012