
Second Quarter Financial Statements Announcement for the Period Ended 30-June-2012

Table of Contents	Page No:
1 (a) Consolidated Statement of Comprehensive Income	1
1 (b) (i) Statement of Financial Position	2
1 (b) (ii) Note on Borrowings and Debt Securities	3
1 (c) Consolidated Statement of Cash Flows	4
1 (d) Statement 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.

	Group			Group		
	2nd Quarter Ended		Change	Half Year Ended		Change
	30-Jun-12	30-Jun-11		30-Jun-12	30-Jun-11	
	S\$ '000	S\$ '000	%	S\$ '000	S\$ '000	%
Revenue	8,182	7,184	13.9%	14,746	14,507	1.6%
Cost of sales	-7,033	-5,073	38.6%	-12,472	-10,234	21.9%
Gross profit	1,149	2,111	-45.6%	2,274	4,273	-46.8%
Other income	1,501	493	204.5%	2,794	664	320.8%
Distribution costs	-349	-333	4.8%	-697	-687	1.5%
Administrative expenses	-1,345	-1,308	2.8%	-2,523	-2,358	7.0%
Other expenses	-21	-142	-85.2%	-	-222	n.m
Finance costs	-673	-630	6.9%	-1,346	-1,263	6.6%
Profit before tax	262	191	37.2%	502	407	23.3%
Income tax expenses	-45	-90	-50.0%	-45	-82	-45.1%
Profit for the period	217	101	114.9%	457	325	40.6%
Other comprehensive income :						
Exchange difference on translating foreign operations	62	-114	n.m	-550	-392	40.3%
Total comprehensive profit/(loss) for the period	279	-13	n.m	-93	-67	38.8%
EBITDA	1,244	1,095	13.6%	2,451	2,222	10.3%

Profit for the period included the following:

Depreciation of property, plant and equipment	-309	-274		-603	-552	
Other income & expenses include :						
- Write-back of overaccrued professional fee	938	-		1,887	-	
- Write-back of overaccrued potential liabilities	500	-		500	-	
- Compensation from customer for trademark infringement	-	-		251	-	
- Write-back of provision for quality claim	-	-		-	65	
- Income from disposal of scrap material	9	8		23	12	
- Franchise income	6	6		12	12	
- Government grant	-	-		-	72	
- Interest income	1	7		2	11	
- Dividend income	5	3		5	3	
- Write-back of provision for inventories	12	469		102	469	
- Write-back of impaired assets which is subject to bank guarantees	-	-		5	-	
- Exchange gain/(loss)	30	-141		6	-221	
Interest expense	-673	-630		-1,346	-1,263	

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

	Group		Company	
	As at 30-Jun-12	As at 31-Dec-11	As at 30-Jun-12	As at 31-Dec-11
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	21,220	22,385
Other investments	17	17	17	17
Property, plant and equipment	6,371	7,149	63	76
Total non-current assets	6,388	7,166	21,300	22,478
Current assets				
Cash and cash equivalents	3,635	2,935	214	509
Trade receivables	3,480	3,477	-	-
Other receivables and prepayments	474	665	126	147
Income tax recoverable	338	195	-	-
Inventories	9,689	13,156	-	-
Total current assets	17,616	20,428	340	656
Total assets	24,004	27,594	21,640	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	1,483	2,033	-	-
Asset revaluation reserve	2,596	2,596	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	-143,808	-144,265	-135,373	-135,156
Total equity	-17,692	-17,599	-16,481	-16,264
Current liabilities				
Loans from investors	24,424	24,424	24,424	24,424
Trade payables	2,013	4,833	-	-
Other payables	15,259	15,876	13,697	14,974
Provision for taxation	-	60	-	-
Total current liabilities	41,696	45,193	38,121	39,398
Total liabilities	41,696	45,193	38,121	39,398
Total liabilities and equity	24,004	27,594	21,640	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 30-Jun-12		As At 31-Dec-11	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	-	-	-	-
Loans from Investors	24,424	-	24,424	-

Details of any collateral

The loans from investors of \$24.42 million as at 30 June 2012 (31 December 2011: \$24.42 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 \$11.19 million as at 30 June 2012 were converted into shares, the Company would issue 3.56 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. The company is now seeking the various regulatory approvals.

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		Group	
	2nd Quarter Ended 30-Jun-12	30-Jun-11	Half Year Ended 30-Jun-12	30-Jun-11
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit before taxation	262	191	502	407
Adjustments for:				
Interest expense	673	630	1,346	1,263
Interest income	-1	-7	-2	-11
Dividend income	-5	-3	-5	-3
Depreciation expense	309	274	603	552
Write-back of provision for inventories	-12	-469	-102	-469
Impairment written back on assets subjects to bank guarantees	-	-	-5	-
Gain on unrealised currency translation	-2	-70	-302	-159
Operating profit before working capital changes	1,224	546	2,035	1,580
Change in working capital:				
Trade receivables and other receivables and prepayments	-380	177	188	569
Inventories	1,043	-1,868	3,574	-121
Trade payables and other payables	-1,237	696	-4,783	497
Cash generated from/(used) in operations	650	-449	1,014	2,525
Income tax paid	-137	-82	-248	-82
Net cash flows generated from/(used in) operating activities	513	-531	766	2,443
Investing activities				
Interest received	1	7	2	11
Dividends received	5	3	5	3
Purchase of property, plant and equipment	-9	-30	-21	-30
Net cash flows used in investing activities	-3	-20	-14	-16
Financing activity				
Repayment of bank loan	-	-979	-	-979
Net Cash flows used in financing activity	-	-979	-	-979
Net increase/(decrease) in cash and cash equivalents	510	-1,530	752	1,448
Cash and cash equivalents at beginning of the period	3,088	8,281	2,935	5,384
Effect of exchange rate fluctuations on cash held	37	16	-52	-65
Cash and cash equivalents at end of of the period	3,635	6,767	3,635	6,767

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 01/01/2012	100,508	944	18,384	2,033	2,596	2,201	-144,265	-17,599
Profit for the year	-	-	-	-	-	-	240	240
<u>Other comprehensive loss</u>								
Currency translation difference arising from consolidation	-	-	-	-612	-	-	-	-612
Total comprehensive loss 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
Profit for the year	-	-	-	-	-	-	217	217
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	62	-	-	-	62
Total comprehensive profit for the period	-	-	-	62	-	-	217	279
Bal at 30/06/2012	100,508	944	18,384	1,483	2,596	2,201	-143,808	-17,692
COMPANY								
Bal at 01/01/2012	100,508	-	18,384	-	-	-	-135,156	-16,264
Total comprehensive loss for the period	-	-	-	-	-	-	-623	-623
Bal at 31/03/2012	100,508	-	18,384	-	-	-	-135,779	-16,887
Total comprehensive profit for the period	-	-	-	-	-	-	406	406
Bal at 30/06/2012	100,508	-	18,384	-	-	-	-135,373	-16,481

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 2011, 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 June 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 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 guarantee to support the Loans. These corporate guarantee may be called upon by the Bank. The three remaining subsidiaries are still subject to corporate guarantee 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 guarantee or otherwise, a legal opinion was obtained and 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 June 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 2Q12, there was no reversal of impaired inventories that are subject to bank guarantee, as compare to a reversal of S\$0.23 million in 2Q11.

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 second quarter ended 30 June 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 (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 new/amended Financial Reporting Standard ("FRS") which are relevant to the Group with effect from 1 January 2012. 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 period, after deducting any provision for preference dividends.

	Group		Group	
	2nd Quarter Ended		Half Year Ended	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
	\$ '000	\$ '000	\$ '000	\$ '000
Earnings attributable to shareholders	217	101	457	325
Earnings used to determine diluted earnings per share	217	101	457	325
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)	7,878,441	7,878,441	7,878,441	7,878,441
Earnings per ordinary share, in cents :				
- basic	0.003	0.001	0.006	0.004
- fully diluted	0.003	0.001	0.006	0.004

The convertible loans from investors including unpaid interest amounting to approximately \$35.62 million as at 30 June 2012 (30 June 2011 : \$32.9 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 period reported on and (b) immediately preceding financial period.

	As at	As at
	30-Jun-12	31-Dec-11
	cents	cents
Group	(0.22)	(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 30 June 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.

2Q12 vs. 2Q11

- (1) The Group's 2Q12 revenue of \$8.18 million, was around \$1.0 million higher than \$7.18 million in 2Q11. The sales of dehydrated products increased from \$3.61 million (2Q11) to \$4.05 million (2Q12), while fresh fruits & processed fruits increased from \$3.57 million (2Q11) to \$4.13 million (2Q12). The increase in revenue (in SGD) was primarily due to shipped volume increase in 2Q12 as compared to 2Q11.
- (2) Gross profit for 2Q12 was \$1.15 million (14.04%), compared with 2Q11 gross profit of \$2.11 million (29.38%). The decrease of gross profit was mainly due to higher production cost of dehydrated products and higher effective VAT rate imposed on dehydrated onion export in PRC.
- (3) The distribution cost for 2Q12 was higher than 2Q11 by \$16k (4.8% increase) due to higher marketing expenses incurred in 2Q12. The administrative expenses (including depreciation) for 2Q12 was higher than 2Q11 by \$37k (2.8% increase).
- (4) Profit/Loss for the period :-
The Group's profit for 2Q12 was \$0.22 million compared with \$0.10 million net profit for 2Q11. Other income of \$1.5 million for 2Q12 was mainly due to write-back of excess accrued professional fee and potential liabilities.
- (5) EBITDA
The Group's EBITDA for 2Q12 was \$1.24 million, compared to \$1.10 million for 2Q11. EBITDA included write-back of excess accrued professional fee and potential liabilities as mentioned in No.8(4) above.
- (6) Operating cash flow
The net cash inflow from operating activities for 2Q12 was \$0.51 million compared with a net cash outflow of \$0.53 million for 2Q11.

1H12 vs. 1H11

- (7) The Group's revenue of \$14.75 million (1H12) was \$0.24 million higher than \$14.51 million (1H11). Sales of dehydrated products increased from \$7.72 million (1H11) to \$8.04 million (1H12). Sales of fresh fruits & processed fruits decreased from \$6.79 million (1H11) to \$6.71 million (1H12).
- (8) Gross profit for 1H12 was \$2.27 million (15.42%), compared with \$4.27 million (29.45%) for 1H11. The decrease of gross profit was mainly due to higher production cost of dehydrated products and higher effective VAT rate imposed on dehydrated onion export in PRC.
- (9) Profit/Loss for the period :-
The Group's profit for 1H12 was \$0.46 million, compared with \$0.33 million net profit for 1H11.
- (10) The Group's EBITDA for 1H12 was \$2.45 million compared to \$2.22 million for 1H11.
- (11) Operating cash flow
The net cash inflow from operating activities for 1H12 was \$0.77 million compared to the \$2.44 million for 1H11.
- (12) Material fluctuation in balance sheet items
There was no material fluctuation in balance sheet items except for the following items.
 - (a) Decrease in other receivables and prepayments was mainly due to release of bank deposit for L/C issuance and tax refund received by China subsidiary.
 - (b) Increase in income tax recoverable mainly due to prepayment income tax by USA subsidiaries during the period.
 - (c) Decrease in inventories was mainly due to no production of dehydrated flakes and lesser raw material processed in 2Q12.
 - (d) Decrease in trade payables was mainly due to prompt payment to suppliers and lesser procurement.
 - (e) Decrease in other payable was mainly due to write-back of excess accrual.

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. The increased production costs for dehydrated products and higher effective VAT rate imposed on dehydrated onion export in PRC may affect the price competitiveness of our dehydrated products. The global economic and market volatility may affect the demand for the group's products.

- (ii) 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 to be 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. The Company is now seeking the various regulatory approvals.

- (iii) The Company recently launched a new range of processed fruit products in Singapore, and plans to launch it in Indonesia in 3Q12. It is not expected to have a material impact on the current financial year.

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 June 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 30 June 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 pursuant to 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 interim financial statements for the period ended 30 June 2012 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

14 August 2012