
Third Quarter Financial Statements Announcement for the Period Ended 30-September-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		
	3rd Quarter Ended		Change	Year-To-Date		Change
	30-Sep-12	30-Sep-11		30-Sep-12	30-Sep-11	
	S\$ '000	S\$ '000	%	S\$ '000	S\$ '000	%
Revenue	7,802	8,139	-4.1%	22,548	22,646	-0.4%
Cost of sales	-6,785	-6,360	6.7%	-19,257	-16,594	16.0%
Gross profit	1,017	1,779	-42.8%	3,291	6,052	-45.6%
Other income	73	2,104	-96.5%	2,867	2,768	3.6%
Distribution costs	-311	-280	11.1%	-1,008	-967	4.2%
Administrative expenses	-1,086	-1,125	-3.5%	-3,609	-3,483	3.6%
Other expenses	-341	-114	199.1%	-341	-336	1.5%
Finance costs	-690	-631	9.4%	-2,036	-1,894	7.5%
(Loss)/profit before tax	-1,338	1,733	n.m	-836	2,140	n.m
Income tax expenses	-528	-329	60.5%	-573	-411	39.4%
(Loss)/profit for the period	-1,866	1,404	n.m	-1,409	1,729	n.m
Other comprehensive income :						
Exchange difference on translating foreign operations	-526	954	n.m	-1,076	562	n.m
Total comprehensive (loss)/profit for the period	-2,392	2,358	n.m	-2,485	2,291	n.m
EBITDA	-318	2,645	n.m	2,133	4,867	-56.2%
<u>(Loss)/profit for the period included the following:</u>						
Depreciation of property, plant and equipment	-331	-281		-933	-833	
Interest expense	-690	-631		-2,036	-1,894	
Allowance for doubtful debts	-4	-		-4	-	
Other income include :						
- Write-back of overaccrued professional fee	-	-		1,887	-	
- Write-back of overaccrued potential liabilities	-	-		500	-	
- Compensation from customer for trademark infringement	-	-		251	-	
- Write-back of provision for quality claim	-	-		0	65	
- Income from disposal of scrap material	-	-		24	-	
- Franchise income	6	-		18	-	
- Government grant	-	-		0	72	
- Interest income	2	4		4	15	
- Dividend income	-	-		5	3	
- Write-back of provision for inventories	-	271		102	740	
- Write-back of impaired assets which is subject to bank guarantees	38	2,100		43	2,100	
- Exchange gain/(loss)	27	37		33	-184	
Other expenses include:						
-Withholding tax paid	-341	-		-341	-	

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

	Group		Company	
	As at 30-Sep-12	As at 31-Dec-11	As at 30-Sep-12	As at 31-Dec-11
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	18,685	22,385
Other investments	17	17	17	17
Property, plant and equipment	5,934	7,149	57	76
Total non-current assets	5,951	7,166	18,759	22,478
Current assets				
Cash and cash equivalents	2,802	2,935	579	509
Trade receivables	2,836	3,477	-	-
Other receivables and prepayments	1,062	665	108	147
Income tax recoverable	2	195	-	-
Inventories	12,042	13,156	-	-
Total current assets	18,744	20,428	687	656
Total assets	24,695	27,594	19,446	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	957	2,033	-	-
Asset revaluation reserve	2,596	2,596	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	-145,674	-144,265	-138,199	-135,156
Total equity	-20,084	-17,599	-19,307	-16,264
Current liabilities				
Bank loans - secured	974	-	-	-
Loans from investors	24,424	24,424	24,424	24,424
Trade payables	3,819	4,833	-	-
Other payables	15,562	15,876	14,329	14,974
Provision for taxation	-	60	-	-
Total current liabilities	44,779	45,193	38,753	39,398
Total liabilities	44,779	45,193	38,753	39,398
Total liabilities and equity	24,695	27,594	19,446	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)

	30-Sep-12		31-Dec-11	
	As At Secured	Unsecured	As At Secured	Unsecured
Bank loans	974	-	-	-
Loans from investors	24,424	-	24,424	-

Details of any collateral

The loans from investors of \$24.42 million as at 30 Sep 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 \$11.87 million as at 30 Sep 2012 were converted into shares, the Company would issue 3.63 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.

On 1 August 2012, one of the subsidiaries of the Group had obtained short term working capital loan of RM5 million (approximately \$974k) from Bank of China in the People's Republic of China ("PRC"). The loan is secured by mortgages on leasehold land and buildings of the PRC subsidiary and repayable on 31 July 2013.

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	
	3rd Quarter Ended 30-Sep-12	30-Sep-11	Year-To-Date 30-Sep-12	30-Sep-11
	\$'000	\$'000	\$'000	\$'000
Operating activities				
(Loss)/profit before taxation	-1,338	1,733	-836	2,140
Adjustments for:				
Interest expense	690	631	2,036	1,894
Interest income	-2	-4	-4	-15
Dividend income	-	-	-5	-3
Depreciation expense	331	281	933	833
Write-back of provision for inventories	-	-271	-102	-740
Impairment written back on assets subjects to bank guarantees	-38	-2,100	-43	-2,100
Loss/(gain) on unrealised currency translation	282	2,539	-642	2,250
Operating (loss)/profit before working capital changes	-75	2,809	1,337	4,259
Changes in working capital:				
Trade receivables and other receivables and prepayments	56	-1,223	244	-654
Inventories	-2,391	-3,976	1,259	-4,097
Trade payables and other payables	1,419	832	-3,364	1,327
Cash generated (used in)/generated from operations	-991	-1,558	-524	835
Income tax paid	-192	-435	-440	-519
Net cash flows (used in)/generated from operating activities	-1,183	-1,993	-964	316
Investing activities				
Interest received	2	4	4	15
Dividends received	-	-	5	3
Purchase of property, plant and equipment	-8	-152	-29	-182
Net cash flows used in investing activities	-6	-148	-20	-164
Financing activities				
Proceed from bank loan	974	-	974	-
Repayment of bank loan	-	-	-	-979
Net cash flows generated from/(used in) financing activities	974	-	974	-979
Net decrease in cash and cash equivalents	-215	-2,141	-10	-827
Cash and cash equivalents at beginning of the period	3,088	6,767	2,935	5,384
Effect of exchange rate fluctuations on cash held	-71	15	-123	84
Cash and cash equivalents at end of of the period	2,802	4,641	2,802	4,641

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 period	-	-	-	-	-	-	240	240
Other comprehensive loss								
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 period	-	-	-	-	-	-	217	217
Other comprehensive income								
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
Profit for the period	-	-	-	-	-	-	-1,866	-1,866
Other comprehensive loss								
Currency translation difference arising from consolidation	-	-	-	-526	-	-	-	-526
Total comprehensive loss for the period	-	-	-	-526	-	-	-1,866	-2,392
Bal at 30/09/2012	100,508	944	18,384	957	2,596	2,201	-145,674	-20,084
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
Total comprehensive loss for the period	-	-	-	-	-	-	-2,826	-2,826
Bal at 30/09/2012	100,508	-	18,384	-	-	-	-138,199	-19,307
	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
Profit for the period	-	-	-	-	-	-	224	224
Other comprehensive loss								
Currency translation difference arising from consolidation	-	-	-	-278	-	-	-	-278
Total comprehensive income for the period	-	-	-	-278	-	-	224	-54
Bal at 31/03/2011	100,508	944	18,384	853	2,596	2,201	-144,587	-19,325
Profit for the period	-	-	-	-	-	-	101	101
Other comprehensive loss								
Currency translation difference arising from consolidation	-	-	-	-114	-	-	-	-114
Total comprehensive income for the period	-	-	-	-114	-	-	101	-13
Bal at 30/06/2011	100,508	944	18,384	739	2,596	2,201	-144,385	-19,338
Profit for the period	-	-	-	-	-	-	1,404	1,404
Other comprehensive income								
Currency translation difference arising from consolidation	-	-	-	954	-	-	-	954
Total comprehensive income for the period	-	-	-	954	-	-	1,404	2,358
Bal at 30/09/2011	100,508	944	18,384	1,693	2,596	2,201	-141,577	-16,980
COMPANY								
Bal at 01/01/2011	100,508	-	18,384	-	-	-	-135,772	-16,880
Total comprehensive income for the period	-	-	-	-	-	-	-4,426	-4,426
Bal at 31/03/2011	100,508	-	18,384	-	-	-	-140,198	-21,306
Total comprehensive income for the period	-	-	-	-	-	-	129	129
Bal at 30/06/2011	100,508	-	18,384	-	-	-	-140,069	-21,177
Total comprehensive income for the period	-	-	-	-	-	-	2,321	2,321
Bal at 30/09/2011	100,508	-	18,384	-	-	-	-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 2011, the total number of ordinary shares issued by the Company were 7,878,441,114. There was no change to the number of ordinary shares during the period ended 30 September 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 based on the legal opinion. 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 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 3Q12, a reversal of \$38k impaired inventories that are subject to bank guarantee, as compare to a reversal of S\$2.1 million in 3Q11.

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 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 Standards ("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	
	3rd Quarter Ended		Year-To-Date	
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11
	\$ '000	\$ '000	\$ '000	\$ '000
(Losses)/Earnings attributable to shareholders	-1,866	1,404	-1,409	1,729
(Losses)/Earnings used to determine diluted earnings per share	-1,866	1,926	-1,409	1,729
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	11,238,141	7,878,441	7,878,441
Earnings per ordinary share, in cents :				
- basic	(0.024)	0.018	(0.018)	0.022
- fully diluted	(0.024) #	0.017 *	(0.018) #	0.022 #

*The earnings of \$1.926 million for 3Q11 used to determine the diluted earnings per share was 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 \$36.3 million as at 30 September 2012 (30 September 2011 : \$33.60 million), which could be converted 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 30-Sep-12 cents	As at 31-Dec-11 cents
Group	(0.25)	(0.22)
Company	(0.25)	(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 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.

3Q12 vs. 3Q11

- (1) The Group's 3Q12 revenue of \$7.80 million, was \$0.34 million lower than \$8.14 million in 3Q11. The sales of dehydrated products decreased from \$4.34 million (3Q11) to \$4.05 million (3Q12), while fresh fruits & processed fruits decreased from \$3.79 million (3Q11) to \$3.74 million (3Q12).
- (2) Gross profit for 3Q12 was \$1.02 million (13.04%), compared with 3Q11 gross profit of \$1.78 million (21.86%). The decrease of gross profit was mainly due to higher production costs of dehydrated products and higher effective VAT rate imposed on dehydrated onion export in PRC.
- (3) The distribution cost for 3Q12 was higher than 3Q11 by \$31k (11.07% increase) due to higher marketing expenses and additional expenses for Indonesia import application fees for the newly launched processed fruit products incurred in 3Q12. The administrative expenses (including depreciation) for 3Q12 was lower than 3Q11 by \$39k (3.47% decrease).
- (4) Profit/Loss for the period :-
The Group's loss for 3Q12 was \$1.87 million compared with \$1.40 million net profit for 3Q11. This mainly due to lower gross profits in 3Q12 as above-mentioned in (2) and withholding tax paid.
- (5) EBITDA
The Group's EBITDA for 3Q12 was negative \$0.32 million, compared to positive \$2.65 million for 3Q11 due to lower gross profits and withholding tax paid.
- (6) Operating cash flow
The net cash outflow from operating activities for 3Q12 was \$1.18 million compared with a net cash outflow of \$1.99 million for 3Q11.

YTD12 vs. YTD11 (Nine Months)

- (7) The Group's revenue of \$22.55 million (YTD12) was \$0.10 million lower than \$22.65 million (YTD11). YTD12 Sales of dehydrated products remained stable at \$12.08 (YTD11 \$12.06 million). Sales of fresh fruits & processed fruits decreased from \$10.56 million (YTD11) to \$10.44 million (YTD12).
- (8) Gross profit for YTD12 was \$3.29 million (14.60%), compared with \$6.05 million (26.72%) for YTD11. The decrease of gross profit was mainly due to higher production costs of dehydrated products and higher effective VAT rate imposed on dehydrated onion export in PRC.
- (9) Profit/Loss for the period :-
The Group's loss for YTD12 was \$1.41 million, compared with \$1.73 million net profit for YTD11.
- (10) The Group's EBITDA for YTD12 was \$2.13 million compared to \$4.87 million for YTD11.
- (11) Operating cash flow
The net cash outflow from operating activities for YTD12 was \$0.96 million compared to a net cash inflow of \$0.32 million for YTD11.
- (12) Material fluctuation in balance sheet items
There was no material fluctuation in balance sheet items except for the following items:
 - (a) Decrease in trade receivables was mainly due to decrease in sales;
 - (b) Increase in other receivables and prepayments was mainly due to advance payment to suppliers to secure procurement;
 - (c) Decrease in income tax recoverable mainly due to recognition of finalised income tax expense for US subsidiary for the tax year ended on 30 June 2012;
 - (d) Decrease in inventories was mainly due to inventories sold out in 3Q12;
 - (e) Increase in bank loan was due to a new bank loan secured by a PRC subsidiary; and
 - (f) Decrease in trade payables was mainly due to payment to suppliers and less purchases.

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 as a result of government tax policy changes in PRC affect the price competitiveness and margins of our dehydrated products. The global economic and market volatility may affect the demand for the Group's products.
- (ii) We refer to the Company's announcement released on 4 April 2012, announcing, inter alia, that the Company has entered into (i) a new convertible loan agreement with First Alverstone Capital Limited 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.

As of the date of this announcement, the conditions to completion of the abovementioned agreements are still pending necessary regulatory approvals. Shareholders are cautioned that there remains no certainty that the conditions precedent to the completion of the agreements would be fulfilled, and when fulfilled, completion thereof. Shareholders should exercise due caution in trading of the Shares.

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 30 September 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 September 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 September 2012 to be false or misleading in any material aspect.

On behalf of the Directors

(signed)
Dr. Tan Eng Liang
Director

(signed)
Chee Wai Pong
Director

14 November 2012