
First Quarter Financial Statements Announcement for the Period Ended 31-March-2013

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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-13	31-Mar-12	
	\$ '000	\$ '000	%
Revenue	7,829	6,564	19.3%
Cost of sales	-6,182	-5,439	13.7%
Gross profit	1,647	1,125	46.4%
Other income	328	1,338	-75.5%
Distribution costs	-323	-348	-7.2%
Administrative expenses	-1,290	-1,178	9.5%
Other expenses	-7	-24	-70.8%
Finance costs	-739	-673	9.8%
(Loss)/Profit before tax	-384	240	n.m
Income tax expense	-1	-	n.m
(Loss)/Profit for the period	-385	240	n.m
Other comprehensive income :			
Exchange difference on translating foreign operations	231	-612	n.m
Total comprehensive (loss)/income for the period	-154	-372	-58.6%
EBITDA	637	1,207	-47.2%

(Loss)/Profit for the period included the following

Depreciation & amortization of property, plant & equipment	-282	-294
Interest expenses	-739	-673
Allowance for doubtful debts	-22	-

Other income include:

- Compensation from customer for trademark infringement	-	251
- Government grant	20	-
- Write-back of provision for inventories	-	90
- Write- back long over -accrued professional fee	-	949
- Interest income	1	1
- Impairment written-back on assets subject to bank guarantees	295	5
- Disposal of scrap material	6	14
- Franchise income	6	6

Other expense include:

- Loss on foreign exchange	-7	-24
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No.1(b)(i) Statements of financial position as at :

	Group		Company	
	As at 31-Mar-13	As at 31-Dec-12	As at 31-Mar-13	As at 31-Dec-12
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	18,077	18,165
Other investments	17	17	17	17
Property, plant and equipment	5,543	5,716	41	46
Total non-current assets	5,560	5,733	18,135	18,228
Current assets				
Cash and cash equivalents	2,529	2,765	154	247
Trade receivables	3,127	2,746	-	-
Other receivables and prepayments	546	409	56	48
Income tax recoverable	382	279	-	-
Inventories	10,671	12,818	-	-
Total current assets	17,255	19,017	210	295
Total assets	22,815	24,750	18,345	18,523
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	1,196	965	-	-
Asset revaluation reserve	2,596	2,596	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	-147,186	-146,801	-140,939	-139,978
Total equity	-21,357	-21,203	-22,047	-21,086
Current liabilities				
Bank loan - secured	999	981	-	-
Loan from investors	24,424	24,424	24,424	24,424
Trade payables	1,754	3,936	-	-
Other payables	16,995	16,612	15,968	15,185
Provision for taxation	-	-	-	-
Total current liabilities	44,172	45,953	40,392	39,609
Total liabilities	44,172	45,953	40,392	39,609
Total liabilities and equity	22,815	24,750	18,345	18,523

No.1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

(\$ '000)

	31-Mar-13		31-Dec-12	
	As At Secured	Unsecured	As At Secured	Unsecured
Bank loans	999	-	981	-
Loans from investors	24,424	-	24,424	-

Details of any collateral

The loans from investors of \$24.4 million as at 31 March 2013 (31 December 2012: \$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 \$13.32 million as at 31 March 2013 were converted into shares, the Company would issue 3.78 billion new shares (at the conversion price of \$ 0.01 per share) to the investors.

As announced on 18 March 2013, the Company has entered into, amongst others, a revised convertible loan agreement (which is secured by a debenture granted by the Company) with First Alverstone Capital Limited and a revised settlement agreement, with FACT 2006 Pte. Ltd. (as agent to the investors) and the investors. The objective of the Transaction Agreements is to restructure the outstanding convertible loan owing to the investors.

On 1 August 2012, one of the subsidiaries of the Group had obtained short term working capital loan of RMB5 million (approximately \$999k) from Bank of China in the People's Republic of China ("PRC"). The loan is secured by mortgages on leasehold properties 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.

	Group	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	\$'000	\$'000
Operating activities		
(Loss)/Profit before taxation	-384	240
Adjustments for:		
Interest expense	739	673
Interest income	-1	-1
Depreciation	282	294
Write-back of provision for inventories	-	-90
Impairment written back on assets subjects to bank guarantees	-295	-5
(Gain)/Loss on unrealised currency translation	101	-300
Operating profit before working capital changes	<u>442</u>	<u>811</u>
Change in working capital:		
Trade and other receivables	-518	568
Inventories	2,442	2,531
Trade and other payables	-2,538	-3,546
Cash used in operations	<u>-172</u>	<u>364</u>
Income tax paid	-104	-111
Net cash (used in)/generated from operating activities	<u>-276</u>	<u>253</u>
Investing activities		
Interest received	1	1
Purchase of property, plant and equipment	-6	-12
Net cash used in investing activities	<u>-5</u>	<u>-11</u>
Net (decrease)/increase in cash and cash equivalents	-281	242
Cash and cash equivalents at beginning of the period	2,765	2,935
Effect of exchange rate fluctuations on cash and cash equivalents	45	-89
Cash and cash equivalents at end of of the period	<u><u>2,529</u></u>	<u><u>3,088</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	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 01/01/2013	100,508	944	18,384	965	2,596	2,201	-146,801	-21,203
Loss for the period	-	-	-	-	-	-	-385	-385
<u>Other comprehensive loss</u>								
Currency translation difference arising from consolidation	-	-	-	231	-	-	-	231
Total comprehensive loss for the period	-	-	-	231	-	-	-385	-154
Bal at 31/03/2013	100,508	944	18,384	1,196	2,596	2,201	-147,186	-21,357
COMPANY								
Bal at 01/01/2013	100,508	-	18,384	-	-	-	-139,978	-21,086
Total comprehensive loss for the period	-	-	-	-	-	-	-961	-961
Bal at 31/03/2013	100,508	-	18,384	-	-	-	-140,939	-22,047
	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
<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
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

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 2012, 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 31 March 2013.

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 31 March 2013, 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 1Q13, a write-back of \$295k impaired inventories that are subject to bank guarantee was recorded, as compare to a reversal of \$5k in 1Q12.

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 quarter ended 31 March 2013 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 new/amended Financial Reporting Standards ("FRS") which are relevant to the Group with effect from 1 January 2013. 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	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	\$ '000	\$ '000
(Loss)/Earnings attributable to shareholders	-385	240
(Loss)/Earnings used to determine diluted earnings per share	-385 #	240 #
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
(Loss)/Earnings per ordinary share, in cents :		
- basic	(0.005)	0.003
- fully diluted	(0.005) #	0.003 #

The convertible loans from investors including unpaid interest amounting to approximately \$37.76million as at 31 March 2013 and \$37.04 million as at 31 December 2012, 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
	31-Mar-13	31-Dec-12
	cents	cents
Group	(0.27)	(0.27)
Company	(0.28)	(0.27)
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 2013 and 31 December 2012 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.

1Q13 vs. 1Q12

- (1) The Group's 1Q13 revenue of \$7.83 million was \$1.27million higher than \$6.56 million in 1Q12. Sales of dehydrated products increased from \$3.99 million (1Q12) to \$4.74 million (1Q13), while sales of fresh fruits & processed fruits increased from \$2.57 million (1Q12) to \$3.09 million (1Q13).
- (2) Gross profit for 1Q13 was \$1.65 million (21.04%), compared with gross profit of \$1.13 million (17.14%) for 1Q12. The increase in gross profit was mainly due to recent favourable VAT regulation changes in PRC for dehydrated garlic export resulting in a one-off VAT saving of \$549k.
- (3) Distribution expenses for 1Q13 were lower than 1Q12 by \$25k (7.18% decrease). Administrative expenses (including depreciation) for 1Q13 were higher than 1Q12 by \$112k (9.51%).
- (4) Profit/Loss for the period :
The Group's loss for 1Q13 was \$0.39 million compared with \$0.24 million net profit for 1Q12. This was mainly due to higher interest expenses incurred in 1Q13, while in 1Q12 write-back of over-accrued professional fee and trademark infringement compensation received totalled \$1.2 million.
- (5) EBITDA
The Group's EBITDA for 1Q13 was \$0.64 million, compared to \$1.21 million for 1Q12 due to above-mentioned reasons in No.8(4).
- (6) Operating cash flow
Net cash outflow from operating activities for 1Q13 was \$0.28 million compared to net cash inflow of \$0.25 million for 1Q12.
- (7) Material fluctuation in balance sheet items
There was no material fluctuation in balance sheet items except for the following items:
 - (a) Increase in trade receivables was mainly due to increase in sales;
 - (b) Increase in other receivables and prepayments was mainly due to advance payments made to suppliers;
 - (c) Increase in income tax recoverable mainly due to prepaid income tax of US subsidiary for the tax year ended on 30 June 2013;
 - (d) Decrease in inventories was mainly due to inventories sold out in 1Q13 and no production of dehydrated flakes during routine shut-down in 1Q13;
 - (e) Increase in bank loan was due to foreign exchange revaluation in SGD for a RMB5 million working capital loan in PRC;
 - (f) Decrease in trade payables was mainly due to payments made to suppliers and no purchase of raw materials for dehydrated production during routine shut-down of our dehydration lines in 1Q13;
 - (g) Increase in other payables was mainly due to accrual of convertible loan premium for 1Q13.

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. Shipments of fresh, processed and dehydrated products to our key Indonesian market have been affected by on-going food import regulatory and quota changes. The global economic and market volatility may also affect the demand for the Group's products.
- (ii) As announced on 18 March 2013, the Company and First Alverstone Capital Limited ("FACL"), a current shareholder in the Company, entered into a New \$18 million Convertible Loan Agreement and concurrently, the Company entered into a Settlement Agreement with the existing current Convertible Loan Lenders to settle the Outstanding Convertible Loans. Under the New \$18 million Convertible Loan Agreement, FACL will disburse \$12 million to the Company for the purpose of repaying the current Convertible Loan Lenders, and shall procure the discharge of \$6 million of debt presently owing by the Company to the current Convertible Loan Lenders. The transaction is subject to Shareholders' approval.

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 recommended.

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 2013 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 financial statements for the period ended 31 March 2013 to be false or misleading in any material aspect.

On behalf of the Directors

(signed)
Dr. Tan Eng Liang
Director

(signed)
Michael John Martin
Director

14 May 2013