
Second Quarter Financial Statements Announcement for the Period Ended 30-June-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			Group		
	2nd Quarter Ended		Change	Half Year Ended		Change
	30-Jun-13	30-Jun-12		30-Jun-13	30-Jun-12	
	S\$ '000	S\$ '000	%	S\$ '000	S\$ '000	%
Revenue	12,133	8,182	48.3%	19,962	14,746	35.4%
Cost of sales	(10,563)	(7,033)	50.2%	(16,745)	(12,472)	34.3%
Gross profit	1,570	1,149	36.6%	3,217	2,274	41.5%
Other income	226	1,456	-84.5%	554	2,794	-80.2%
Distribution costs	(377)	(349)	8.0%	(700)	(697)	0.4%
Administrative expenses	(1,154)	(1,345)	-14.2%	(2,444)	(2,523)	-3.1%
Other expenses	(13)	24	-45.8%	-20	-	n.m
Finance costs	(748)	(673)	11.1%	(1,487)	(1,346)	10.5%
(Loss)/Profit before tax	(496)	262	89.3%	(880)	502	75.3%
Income tax expenses	(12)	(45)	-73.3%	(13)	(45)	-71.1%
(Loss)/Profit for the period	-508	217	134.1%	-893	457	95.4%
Other comprehensive income :						
Exchange difference on translating foreign operations	297	62	n.m	528	(550)	-4.0%
Total comprehensive (loss)/profit for the period	(211)	279	n.m	(365)	(93)	292.5%
EBITDA	526	1,244	-57.7%	1,163	2,451	-52.5%
(Loss)/Profit for the period included the following:						
Depreciation of property, plant and equipment	-274	-309		-556	-603	
Interest expense	-748	-673		-1,487	-1,346	
Other income 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	
- Income from disposal of scrap material	8	9		14	23	
- Franchise income	6	6		12	12	
- Government grant	20	-		40	-	
- Interest income	-	1		1	2	
- Dividend income	102	5		102	5	
- Write-back of provision for inventories	12	12		12	102	
- Write-back of impaired assets which is subject to bank guarantees	78	-		373	5	
Other expenses						
- Exchange (loss)/gain	-11	30		-18	6	

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

	Group		Company	
	As at	As at	As at	As at
	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	17,793	18,165
Other investments	17	17	17	17
Property, plant and equipment	5,524	5,716	35	46
Total non-current assets	5,541	5,733	17,845	18,228
Current assets				
Cash and cash equivalents	6,471	2,765	377	247
Trade receivables	3,955	2,746	-	-
Other receivables and prepayments	551	409	44	48
Income tax recoverable	525	279	-	-
Inventories	10,665	12,818	-	-
Total current assets	22,167	19,017	421	295
Total assets	27,708	24,750	18,266	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	1,493	965	-	-
Asset revaluation reserve	2,596	2,596	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	(147,694)	(146,801)	(141,688)	(139,978)
Total equity	(21,568)	(21,203)	(22,796)	(21,086)
Current liabilities				
Bank loans - secured	1,028	981	-	-
Loans from investors	24,424	24,424	24,424	24,424
Trade payables	5,437	3,936	-	-
Other payables	18,387	16,612	16,638	15,185
Provision for taxation	-	-	-	-
Total current liabilities	49,276	45,953	41,062	39,609
Total liabilities	49,276	45,953	41,062	39,609
Total liabilities and equity	27,708	24,750	18,266	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)

	As At 30-Jun-13		As At 31-Dec-12	
	Secured	Unsecured	Secured	Unsecured
Bank Loans	1,028	-	981	-
Loans from Investors	24,424	-	24,424	-

Details of any collateral

The loans from investors of \$24.42 million as at 30 June 2013 (31 December 2012: \$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 \$14.04 million as at 30 June 2013 were converted into shares, the Company would issue 3.85 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.

The Board announced that some amendments to the Revised New CL Agreement, which were clarificatory in nature, were made pursuant to a supplemental agreement dated 16 July 2013 entered into between the Company and FACL ("Supplemental Agreement"). The Supplemental Agreement does not alter any of the principal terms of the Revised New CL Agreement set out in the Revised Transaction Announcement.

On 1 August 2012, one of the subsidiaries of the Group obtained short term working capital loan of RMB5 million (approximately \$1,028k) 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 was repaid in July 2013 and renewed in August 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	
	2nd Quarter Ended 30-Jun-13	30-Jun-12	Half Year Ended 30-Jun-13	30-Jun-12
	\$'000	\$'000	\$'000	\$'000
Operating activities				
(Loss)/Profit before taxation	-496	262	-880	502
Adjustments for:				
Interest expense	748	673	1,487	1,346
Interest income	-	-1	-1	-2
Dividend income	-102	-5	-102	-5
Depreciation expense	274	309	556	603
Write-back of provision for inventories	-12	-12	-12	-102
Impairment written back on assets subjects to bank guarantees	-78	-	-373	-5
Gain on unrealised currency translation	295	-2	216	-302
Operating profit before working capital changes	629	1,224	891	2,035
Change in working capital:				
Trade receivables and other receivables and prepayments	-997	-380	-1,351	188
Inventories	-82	1,043	2,538	3,574
Trade payables and other payables	4,327	-1,237	1,789	-4,783
Cash generated from operations	3,877	650	3,867	1,014
Income tax recover/(paid)	8	-137	-259	-248
Net cash flows generated from operating activities	3,885	513	3,609	766
Investing activities				
Interest received	-	1	1	2
Dividends received	102	5	102	5
Purchase of property, plant and equipment	-100	-9	-106	-21
Net cash flows generated from/(used in) investing activities	2	-3	-3	-14
Financing activity				
Interest paid	-	-	-	-
Proceed from bank loan	-	-	-	-
Net Cash flows used in financing activity	-	-	-	-
Net increase in cash and cash equivalents	3,887	510	3,606	752
Cash and cash equivalents at beginning of the period	2,529	3,088	2,765	2,935
Effect of exchange rate fluctuations on cash held	55	37	100	-52
Cash and cash equivalents at end of of the period	6,471	3,635	6,471	3,635

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)
Profit 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
Loss for the period	-	-	-	-	-	-	-508	-508
<u>Other comprehensive income</u>								
difference arising from consolidation	-	-	-	297	-	-	-	297
Total comprehensive loss for the period	-	-	-	297	-	-	(508)	(211)
Bal at 30/06/2013	100,508	944	18,384	1,493	2,596	2,201	(147,694)	(21,568)
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)
the period	-	-	-	-	-	-	(749)	(749)
Bal at 30/06/2013	100,508	-	18,384	-	-	-	(141,688)	(22,796)
GROUP								
	capital	reserve	reduction	currency	reserve	reserve	mulated	equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
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)
Profit for the period	-	-	-	-	-	-	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 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 30 June 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 30 June 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 2Q13, there was \$76k reversal of impaired inventories that are subject to bank guarantee, while there was no such reversal in 2Q12.

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 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 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 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		Group	
	2nd Quarter Ended		Half Year Ended	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
	\$ '000	\$ '000	\$ '000	\$ '000
Earnings attributable to shareholders	-508	217	-893	457
Earnings used to determine diluted earnings per share	-508	217	-893	457
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	(0.006)	0.003	(0.011)	0.006
- fully diluted*	(0.006)	0.003	(0.011)	0.006

*The convertible loans from investors including unpaid interest amounting to approximately \$38.47 million as at 30 June 2013 (30 June 2012 : \$35.62 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-13	31-Dec-12
	cents	cents
Group	(0.27)	(0.27)
Company	(0.29)	(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 30 June 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.

2Q13 vs. 2Q12

- (1) The Group's revenue of \$12.13 million in 2Q13 was \$3.95 million (48.2%) higher than revenue of \$8.18 million in 2Q12. Sales of dehydrated products increased from \$4.05 million (2Q12) to \$6.09 million (2Q13), while sales of fresh and processed fruits increased from \$4.13million (2Q12) to \$6.04million (2Q13).
- (2) Gross profit for 2Q13 was \$1.57 million, compared with 2Q12 gross profit of \$1.15 million. The increase in gross profit was mainly due to sales increase in 2Q13.
- (3) Distribution expenses of \$0.38 million for 2Q13 were higher than in 2Q12 by 8.02% as a result of increased sales volume. Administrative expenses (including depreciation) for 2Q13 was lower than 2Q12 by \$191k (14.2% decrease) mainly due to lower factory shut-down charge-out as a result of increased production activities and lower professional fees accrued and travel expenses in 2Q13.
- (4) Profit/Loss for the period :-
The Group's loss for 2Q13 was \$0.51 million compared with a net profit of \$0.22 million in 2Q12. Other Income of \$0.23 million in 2Q13 is mainly from dividend income, government grants, and write-back of impaired inventories that was subject to bank guarantees. Other income in 2Q12 was comparatively higher at \$1.5 million from the write-back of potential liabilities and excess professional fee accrued.
- (5) EBITDA
The Group's EBITDA for 2Q13 was \$0.53million, compared to \$1.24 million in 2Q12.
- (6) Operating cash flow
The net cash inflow from operating activities for 2Q13 was \$3.89 million, compared to a net cash inflow of \$0.51 million for 2Q12.

1H13 vs. 1H12

- (7) The Group's revenue of \$19.96 million (1H13) was higher than \$14.75 million (1H12) by 35.4%. Sales of dehydrated products increased from \$8.04 million (1H12) to \$10.83 million (1H13), while sales of fresh and processed fruits increased from \$6.71 million (1H12) to \$9.13 million (1H13). The overall revenue increased mainly due to the increase in sales volume.
- (8) Gross profit for 1H13 was \$3.22 million (16.12%), compared with \$2.27 million (15.42%) for 1H12.
- (9) Profit/Loss for the period :-
The Group's loss for 1H13 was \$0.89 million, compared to \$0.46 million net profit for 1H12. The difference was mainly due to the other income as above-mentioned in (4).
- (10) The Group's EBITDA for 1H13 was \$1.16 million compared to \$2.45 million for 1H12.
- (11) Operating cash flow
Net cash inflow from operating activities for 1H13 was \$3.61 million compared to the \$0.77 million for 1H12.
- (12) 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 mainly due to increased sales in 2Q13;
 - (b) Increase in other receivables and prepayments was mainly due to the advance payments made for professional fees;
 - (c) Increase in income tax recoverable was mainly due to prepaid income tax in a USA subsidiary in 2Q13;
 - (d) Decrease in inventories was mainly due to the sales of dehydrated products in 1H13;
 - (e) Increase in trade payables was mainly due to increased raw materials and production-related purchases; and
 - (f) Increase in other payable was mainly due to additional convertible loan interests accrued in 1H13.

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) While the Group continues to operate under competitive conditions, shipments of fresh fruits and dehydrated products to our key Indonesian market have started to recover despite the on-going food import regulatory and quota changes. The global economic and market volatility may still 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 at the coming Extraordinary General Meeting ("EGM") to be held on 30 August 2013.

The successful completion of the Revised New CL Agreement and the Revised Settlement Agreement will result in the full and final settlement of the outstanding loan of \$24.4 million, and the concurrent waiver of all corresponding accrued interest. Upon completion of the transactions, the Group and the Company will then be able to continue their business as a going concern.

- (iii) On 16 July 2013 and 18 July 2013, the Board announced that some amendments which were clarificatory in nature to the Revised New CL Agreement were made pursuant to a supplemental agreement entered into between the Company and FACL ("Supplemental Agreement"). The Supplemental Agreement does not alter any of the principal terms of the Revised New CL Agreement set out in the Revised Transaction Announcement.

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 June 2013.

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 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 interim financial statements for the period ended 30 June 2013 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 2013