
Second Quarter Financial Statements Announcement for the Period Ended 30-June-2014

Table of Contents	Page No:
1 (a) Consolidated Statement of Comprehensive Income	1
1 (b) (i) Statements of Financial Position	2
1 (b) (ii) Note on Borrowings and Debt Securities	3
1 (c) Consolidated Statement of Cash Flows	4
1 (d) Statements 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		Change	Group		Change
	2nd Quarter Ended			Half Year Ended		
	30-Jun-14	30-Jun-13		30-Jun-14	30-Jun-13	
	S\$ '000	S\$ '000	%	\$ '000	\$ '000	%
Revenue	8,735	12,133	-28%	18,684	19,962	-6%
Cost of sales	Note 1 -7,554	-10,416	-27%	-15,604	-16,470	-5%
Gross profit	Note 1 1,181	1,717	-31%	3,080	3,492	-12%
Other income	413	226	83%	511	554	-8%
Selling & Distribution costs	Note 1 -597	-524	14%	-1,264	-975	30%
Administrative expenses	-1,264	-1,154	10%	-2,415	-2,444	-1%
Other expenses	-91	-13	600%	-102	-20	410%
Finance costs	-21	-748	-97%	-42	-1,487	-97%
Loss before tax	-379	-496	-24%	-232	-880	-74%
Income tax expense	-86	-12	617%	-90	-13	592%
Loss for the period	-465	-508	-8%	-322	-893	-64%
Other comprehensive income :						
Exchange difference on translating foreign operations	-87	297		-228	528	n.m
Total comprehensive income for the period	-552	-211	162%	-550	-365	51%
EBITDA	-132	526	n.m	266	1,163	-77%

Profit/(loss) for the period included the following

Depreciation of property, plant & equipment	-226	-274	-456	-556
Interest expenses	-21	-748	-42	-1,487
Allowance for doubtful debts	-	-	-10	-

Other income included:

- Government grant	2	20	10	40
- Dividend income	10	102	10	102
- Interest income	1	-	2	1
- Provision written-back inventories	1	12	1	12
- Impairment written-back on assets subject to bank guarantees	378	78	459	373
- Disposal of scrap material	5	8	7	14
- Franchise income	6	6	12	12
- Net gain on foreign exchange	10	-	10	-
	413	226	511	554

Other expenses included:

- Net loss on foreign exchange	-	-	-	-18
- Refund to government rebate	-	-	-41	-
- PRC local tax expenses	-90	-	-94	-

Note 1

Comparative figures reclassification due to direct freight cost reclassified from cost of sales to distribution expenses

	2Q13 (reclassified)	2Q13 (Previously announced)
Cost of sales	-10,416	-10,563
Gross profit	1,717	1,570
Distribution costs	-524	-377

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

	Group		Company	
	As at 30-Jun-14	As at 31-Dec-13	As at 30-Jun-14	As at 31-Dec-13
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	16,653	17,831
Other investments	329	17	17	17
Property, plant and equipment	4,609	5,089	13	24
Total non-current assets	4,938	5,106	16,683	17,872
Current assets				
Cash and cash equivalents	3,142	2,387	673	222
Trade receivables	5,233	3,910	-	-
Other receivables and prepayments	460	621	21	57
Income tax recoverable	257	1	-	-
Inventories	8,715	11,447	-	-
Total current assets	17,807	18,366	694	279
Total assets	22,745	23,472	17,377	18,151
Equity attributable to equity holders of the Company				
Share capital	124,508	124,508	124,508	124,508
Capital reserve	944	944	-	-
Capital reduction reserve	18,384	18,384	18,384	18,384
Foreign currency translation reserve	1,295	1,523	-	-
Asset revaluation reserve	2,510	2,510	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	-136,062	-135,740	-128,068	-127,668
Total equity	13,780	14,330	14,824	15,224
Current liabilities				
Bank loan - secured	1,007	1,045	-	-
Trade payables	3,276	2,599	-	-
Other payables	4,682	5,485	2,553	2,927
Provision for taxation	-	13	-	-
Total current liabilities	8,965	9,142	2,553	2,927
Total liabilities	8,965	9,142	2,553	2,927
Total liabilities and equity	22,745	23,472	17,377	18,151

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-14		As At 31-Dec-13	
	Secured	Unsecured	Secured	Unsecured
Bank loans	1,007	-	1,045	-

Details of any collateral

On 1 August 2013, one of the subsidiaries of the Group had obtained short term working capital loan of RMB5 million (approximately \$1 million) 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 in August 2014.

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		Group	
	2nd Quarter Ended 30-Jun-14	30-Jun-13	Half Year Ended 30-Jun-14	30-Jun-13
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Loss before taxation	-379	-496	-232	-880
Adjustments for:				
Interest expense	21	748	42	1,487
Interest income	-1	-	-2	-1
Dividend income	-10	-102	-10	-102
Depreciation	226	274	456	556
Write-back of provision for inventories	-1	-12	-1	-12
Allowance for doubtful debts	-	-	10	-
Impairment written back for assets subjects to bank guarantees	-378	-78	-459	-373
Operating (loss)/ profit before working capital changes	-522	334	-196	675
Change in working capital:				
Trade and other receivables	-271	-997	-1,428	-1,351
Inventories	793	-82	3,192	2,538
Trade and other payables	300	4,327	-126	1,789
Cash generated from operations	300	3,582	1,442	3,651
Income tax receover/(paid)	-99	8	-103	-259
Net cash generated from operating activities	201	3,590	1,339	3,392
Investing activities				
Interest received	1	-	2	1
Interest paid	-21	-	-42	-
Dividend received	10	102	10	102
Purchase of property, plant and equipment	-108	-100	-154	-106
Other investments purchased	-	-	-312	-
Net cash (used in)/from investing activities	-118	2	-496	-3
Net increase in cash and cash equivalents	83	3,592	843	3,389
Cash and cash equivalents at beginning of the period	3,119	2,529	2,387	2,765
Effect of exchange rate fluctuations on cash and cash equivalents	-60	350	-88	317
Cash and cash equivalents at end of of the period	3,142	6,471	3,142	6,471

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 01/01/2014	124,508	944	18,384	1,523	2,510	2,201	-135,740	14,330
Profit for the period	-	-	-	-	-	-	143	143
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	-141	-	-	-	-141
Total comprehensive income for the period	-	-	-	-141	-	-	143	2
Bal at 31/03/2014	124,508	944	18,384	1,382	2,510	2,201	-135,597	14,332
Profit for the period	-	-	-	-	-	-	-478	-478
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	-87	-	-	-	-87
Total comprehensive income for the period	-	-	-	-87	-	-	-478	-565
Bal at 30/06/2014	124,508	944	18,384	1,295	2,510	2,201	-136,075	13,767
COMPANY								
Bal at 01/01/2014	124,508	-	18,384	-	-	-	-127,668	15,224
Total comprehensive income for the period	-	-	-	-	-	-	74	74
Bal at 31/03/2014	124,508	-	18,384	-	-	-	-127,594	15,298
Total comprehensive income for the period	-	-	-	-	-	-	-474	-474
Bal at 30/06/2014	124,508	-	18,384	-	-	-	-128,068	14,824

	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 income</u>								
Currency translation difference arising from consolidation	-	-	-	231	-	-	-	231
Total comprehensive income 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>								
Currency translation difference arising from consolidation	-	-	-	297	-	-	-	297
Total comprehensive income 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 income for the period	-	-	-	-	-	-	-961	-961
Bal at 31/03/2013	100,508	-	18,384	-	-	-	-140,939	-22,047
Total comprehensive income for the period	-	-	-	-	-	-	-749	-749
Bal at 30/06/2013	100,508	-	18,384	-	-	-	-141,688	-22,796

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 2013, the total number of ordinary shares issued by the Company was 31,878,441,114. There was no change to the number of ordinary shares during the period ended 30 June 2014.

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 guarantees to support the Loans. These three subsidiaries have ceased operations, do not possess significant assets and are presently dormant. These corporate guarantees may be called upon by the Bank. The three remaining subsidiaries are still subject to corporate guarantees with 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, a legal opinion was obtained and the Company is of the view that any action that may be taken 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 respect of any contingent claim arising from the above-mentioned corporate guarantees is limited to the net assets of these three dormant subsidiaries.

As at 30 June 2014, the three dormant 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 guarantees have been fully impaired since 31 December 2009 and no further impairment has been made during this period with respect of these claims.

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 the consolidated results for the quarter ended 30 June 2014 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.

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 2014. The adoption of the new/amended FRS have no significant impact on the Group's accounting policy and 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-14	30-Jun-13	30-Jun-14	30-Jun-13
	\$ '000	\$ '000	\$ '000	\$ '000
Earnings/(loss) attributable to shareholders	-465	-508	-322	-893
Earnings/(loss) used to determine diluted earnings per share	-465	-508	-322	-893
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	31,878,441	7,878,441	31,878,441	7,878,441
Weighted average number of ordinary shares applicable to diluted earnings per share ('000)	31,878,441	7,878,441	31,878,441	7,878,441
Earnings/(loss) per ordinary share, in cents :				
- basic	-0.001	-0.006	-0.001	-0.011
- fully diluted	-0.001	-0.006	-0.001	-0.011

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-14	31-Dec-13
	cents	cents
Group	0.04	0.04
Company	0.05	0.05
No of issued shares ('000)	31,878,441	31,878,441

The calculation of net asset value per ordinary share is based on the number of ordinary shares of the Company as at 30 June 2014 and 31 December 2013 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.

2Q14 vs. 2Q13

- (1) The Group's revenue decreased to \$8.74 million in 2Q14 compared with \$12.13 million in 2Q13. This was mainly caused by two factors : a decrease in sales of dehydrated products to \$4.82 million in 2Q14 (compared with \$6.09 million in 2Q13) and a decrease in the sales of fresh and processed fruits from \$6.04 million in 2Q13 to \$3.91 million in 2Q14.

The decrease in sales of dehydrated products was a result of the lower selling price of garlic and onions in the comparative quarters, despite volumes being similar. The fall in sales of fresh fruits was mainly as a result of uncertainties in the key market of Indonesia brought about by the presidential elections.

- (2) Despite lower sales, the Group was able to maintain gross margins of 14%.
- (3) Selling and Distribution Expenses for 2Q14 were higher than 2Q13 by about \$77,000 as a result of increased marketing expenses and staff costs associated with promoting consumer products.
- (4) Other income increased by \$187,000 mainly resulting from increased write backs of previously impaired inventory.
- (5) Finance costs decreased significantly from \$748,000 in 2Q13 to \$21,000 in 2Q14 as a result of significantly reduced debts in the Group.

- (6) Profit/Loss for the period

The preceding factors resulted in the Group's net loss for 2Q14 being reduced to \$0.47 million compared with a net loss of \$0.51 million for 2Q13.

- (7) EBITDA

The Group's EBITDA for 2Q14 was a negative \$0.13 million, compared to a positive \$0.53 million for 2Q13, mainly as a result of the lower gross profit and higher selling, distribution and administrative expenses in 2Q14 compared with 2Q13.

1H14 vs. 1H13

- (8) The Group's revenue decreased to \$18.68 million in 1H14 compared with \$19.96 million in 1H13. This was caused by a marginal decrease in sales of dehydrated products to \$10.48 million in 1H14 (compared with \$10.83 million in 1H13) and a decrease in the sales of fresh and processed fruits from \$9.13 million in 1H13 to \$8.21 million in 1H14.

The decrease in sales of dehydrated products was marginal and resulted from slightly lower prices and volumes. The fall in sales of fresh fruits was mainly as a result of uncertainties in the key market of Indonesia brought about by the presidential elections.

- (9) Gross margins remained unchanged at about 16%.
- (10) Finance costs decreased significantly from \$1.49 million in 1H13 to \$42,000 in 1H14 as a result of significantly reduced debts in the Group over the course of the preceding period.
- (11) Profit/Loss for the period
- The resultant effect of the above factors was a reduction in the Group's loss for 1H14 to \$0.34 million, from a higher loss of \$0.89 million during 1H13.
- (12) The Group's EBITDA for 1H14 was lower at \$0.27 million compared to \$1.16 million for 1H13, as a result of the lower gross profit and overall higher expenses.

- (13) Material fluctuation in balance sheet items

Material fluctuations in balance sheet items include :

- a) Increase in other investments, which was due to the investment in convertible preferred stocks in True Drinks Holding, Inc, by the Company's wholly-owned US subsidiary UGC2003, Inc;
- (b) Increase in trade receivables, which was due primarily to the adjustment of some customers' terms and the generally slower pace of payments by customers;
- (c) Decrease in other receivables and prepayments, which was due to a reduction in advance payments to suppliers;
- (d) Increase in income taxes recoverable, which was due to a prepayment of income tax by a US subsidiary;
- (e) Decrease in inventories, which was a result of inventories being sold in 2Q14;
- (f) Increase in trade payables, which was mainly due to the increase in purchases of dehydrated products and fresh fruits, as well as slightly better payment terms from suppliers; and
- (g) Decrease in other payables, which was mainly due to payments made to non-trade creditors in 2Q14.

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.

The operating environment remains challenging and competitive. The Group will step up its brand-building and marketing efforts for its fresh and processed fruit products in our existing and new markets. The Group is focused on improving its overall sourcing of products from global markets and improving margins by dealing with higher value-added products. The Group is also currently exploring various joint-venture opportunities.

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 2014 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 30 June 2014 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 2014