
Second Quarter Financial Statements Announcement for the Period Ended 30-June-2016

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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-16	30-Jun-15		30-Jun-16	30-Jun-15	
	*Re-presented		*Re-presented			
	S\$ '000	S\$ '000	%	\$ '000	\$ '000	%
Continuing operations						
Revenue	4,340	4,127	5%	7,866	6,115	29%
Cost of sales	(3,957)	(3,762)	5%	(7,234)	(5,609)	29%
Gross profit	383	365	5%	632	506	25%
Other income	127	6	2005%	137	85	61%
Selling & Distribution costs	(400)	(243)	64%	(795)	(580)	37%
Administrative expenses	(595)	(645)	-8%	(1,189)	(1,191)	0%
Other expenses	(24)	(19)	29%	(258)	(25)	932%
Finance costs	(1)	-	n.m	(1)	-	n.m
Loss before income tax	(510)	(536)	-5%	(1,474)	(1,205)	22%
Income tax expense	-	-	n.m	-	-	n.m
Loss from continuing operations for the period, net of income tax	(510)	(536)	-5%	(1,474)	(1,205)	22%
Discontinued operations						
(Loss)/profit from discontinued operations for the period, net of income tax*	(407)	602	n.m	(920)	1,345	n.m
Total (loss)/profit for the period	(917)	66	n.m	(2,394)	140	n.m
Other comprehensive income :						
Exchange difference on translating foreign operations	(91)	(86)	6%	(421)	369	n.m
Total comprehensive income for the period	(1,008)	(20)	5035%	(2,815)	509	n.m
EBITDA	(878)	360	n.m	(2,134)	826	n.m
Profit/(loss) for the period included the following						
Depreciation of property, plant & equipment	(61)	(244)		(206)	(469)	
Interest expenses	(28)	(51)		(32)	(97)	
Income tax refund/(expenses)	50	1		(22)	(120)	
Other income included:						
- Government grant	56	-		60	14	
- Dividend income	61	-		61	-	
- Interest income	4	-		4	-	
- Disposal of scrap material	-	-		-	2	
- Franchise income	6	6		12	12	
- Net gain on foreign exchange	-	-		-	57	
	<u>127</u>	<u>6</u>		<u>137</u>	<u>85</u>	
Other operating expenses						
- Net loss on foreign exchange	24	19		258	25	
	<u>24</u>	<u>19</u>		<u>258</u>	<u>25</u>	

*The comparative figures are represented due to the discontinued operations in dehydrated business since July 2015.

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

	Group		Company	
	As at 30-Jun-16	As at 31-Dec-15	As at 30-Jun-16	As at 31-Dec-15
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	11,375	13,834
Property, plant and equipment	216	4,146	-	-
Total non-current assets	216	4,146	11,375	13,834
Current assets				
Cash and cash equivalents	4,850	5,290	265	390
Held-for-trading financial asset	49	52	-	-
Trade receivables	6,268	9,246	-	-
Other receivables and prepayments	868	542	193	187
Property, plant & equipment held-for-sales	-	-	-	-
Inventories	741	539	-	-
	12,776	15,669	458	577
Non-current assets held-for-sales	3,586	-	-	-
Total current assets	16,362	15,669	458	577
Total assets	16,578	19,815	11,833	14,411
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	2,172	2,593	-	-
Asset revaluation reserve	2,510	2,510	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	(142,341)	(139,947)	(138,222)	(137,341)
Total equity	8,378	11,193	4,670	5,551
Current liabilities				
Bank loan - secured	2,031	632	-	-
Loan from investors	-	-	-	-
Trade payables	1,355	1,477	-	-
Other payables	4,709	6,513	2,067	3,062
Amount owing to subsidiary	-	-	5,096	5,798
Finance leases obligation	105	-	-	-
Total current liabilities	8,200	8,622	7,163	8,860
Total liabilities	8,200	8,622	7,163	8,860
Total liabilities and equity	16,578	19,815	11,833	14,411

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-16		As At 31-Dec-15	
	Secured	Unsecured	Secured	Unsecured
Bank loans	2,031	-	632	-

Details of any collateral

In April 2016, the Group's subsidiary in People's Republic of China ("PRC"), Taian FHTK Foodstuffs Co Ltd (Taian FHTK) obtained a RMB 10 million loan facility from the Communication Bank of China ("CBC"). The loan facility is secured by mortgages on leasehold properties of Taian FHTK.

As at 30 June 2016, the loan from Cathay Bank of US\$447,018 (approximate to S\$632,000) has been fully repaid. The Cathay Bank Facility is fully guaranteed by UGC 2003, Inc.'s holding company, SunMoon Food Company Limited.

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-16	30-Jun-15	Half Year Ended 30-Jun-16	30-Jun-15
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Loss before income tax from continuing operations	(510)	(536)	(1,474)	(1,205)
(Loss)/profit from discontinued operations before tax	(457)	601	(898)	1,465
Adjustments for:				
Interest expense	28	51	32	97
Interest income	(2)	(1)	(4)	(1)
Dividend income	(61)	-	(61)	-
Depreciation	61	244	206	487
Operating (loss)/profit before working capital changes	(941)	359	(2,199)	843
Change in working capital:				
Trade and other receivables	(1,469)	(1,566)	2,652	(81)
Inventories	(239)	692	(202)	2,830
Trade and other payables	280	329	(1,926)	(4,643)
Cash used in operations	(2,369)	(186)	(1,675)	(1,051)
Income tax refund/(paid)	44	-	(22)	(121)
Net cash used in operating activities	(2,325)	(186)	(1,697)	(1,172)
Investing activities				
Interest received	2	1	4	1
Dividend received	61	-	61	-
Purchase of property, plant and equipment	(19)	(200)	(20)	(200)
Other investments purchased	3	-	3	-
Net cash generated from/(used in) investing activities	47	(199)	48	(199)
Financing activities				
Interest paid	(28)	(52)	(32)	(97)
Finance Lease	(3)	-	(3)	-
Proceed from bank loan	2,031	34	2,031	902
Repayment of bank loan	(115)	-	(632)	(68)
Cash generated from/(used in) financing activities	1,885	(18)	1,364	737
Net decrease in cash and cash equivalents	(393)	(403)	(285)	(634)
Cash and cash equivalents at beginning of the period	5,230	2,870	5,290	2,703
Effect of exchange rate fluctuations on cash and cash equivalents	13	(98)	(155)	300
Cash and cash equivalents at end of of the period	4,850	2,369	4,850	2,369

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 \$ '000	Capital reserve \$ '000	Capital reduction reserve \$ '000	Foreign currency translation reserve \$ '000	Revaluation reserve \$ '000	General reserve \$ '000	Accumulated (losses) \$ '000	Total equity \$ '000
GROUP								
Bal at 01/01/2016	124,508	944	18,384	2,593	2,510	2,201	(139,947)	11,193
Profit/(loss) for the period	-	-	-	-	-	-	(1,477)	(1,477)
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	(330)	-	-	-	(330)
Total comprehensive income for the period	-	-	-	(330)	-	-	(1,477)	(1,807)
Bal at 31/03/2016	124,508	944	18,384	2,263	2,510	2,201	(141,424)	9,386
Profit/(loss) for the period	-	-	-	-	-	-	(917)	(917)
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	(91)	-	-	-	(91)
Total comprehensive income for the period	-	-	-	(91)	-	-	(917)	(1,008)
Bal at 30/06/2016	124,508	944	18,384	2,172	2,510	2,201	(142,341)	8,378
COMPANY								
Bal at 01/01/2016	124,508	-	18,384	-	-	-	(137,341)	5,551
Total comprehensive income for the period	-	-	-	-	-	-	(553)	(553)
Bal at 31/03/2016	124,508	-	18,384	-	-	-	(137,894)	4,998
Total comprehensive income for the period	-	-	-	-	-	-	(328)	(328)
Bal at 30/06/2016	124,508	-	18,384	-	-	-	(138,222)	4,670
	Share capital \$ '000	Capital reserve \$ '000	Capital reduction reserve \$ '000	Foreign currency translation reserve \$ '000	Revaluation reserve \$ '000	General reserve \$ '000	Accumulated (losses) \$ '000	Total equity \$ '000
GROUP								
Bal at 01/01/2015	124,508	944	18,384	1,971	2,510	2,201	(137,846)	12,672
Profit/(loss) for the period	-	-	-	-	-	-	74	74
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	455	-	-	-	455
Total comprehensive income for the period	-	-	-	455	-	-	74	529
Bal at 31/03/2015	124,508	944	18,384	2,426	2,510	2,201	(137,772)	13,201
Profit/(loss) for the period	-	-	-	-	-	-	66	66
<u>Other comprehensive income</u>								
Currency translation difference arising from consolidation	-	-	-	(86)	-	-	-	(86)
Total comprehensive income for the period	-	-	-	(86)	-	-	66	(20)
Bal at 30/06/2015	124,508	944	18,384	2,340	2,510	2,201	(137,706)	13,181
COMPANY								
Bal at 01/01/2015	124,508	-	18,384	-	-	-	(127,401)	15,491
Total comprehensive income for the period	-	-	-	-	-	-	135	135
Bal at 31/03/2015	124,508	-	18,384	-	-	-	(127,266)	15,626
Total comprehensive income for the period	-	-	-	-	-	-	(859)	(859)
Bal at 30/06/2015	124,508	-	18,384	-	-	-	(128,125)	14,767

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 2015, the total number of ordinary shares issued by the Company was 318,784,411.
There was no change to the number of ordinary shares during the period ended 30 June 2016.

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 (Dongguan Fook Huat Tong Kee Refrigeration & Foodstuffs Co., Ltd or 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 (Longkou Fook Huat Tong Kee Refrigeration Co.,Ltd or the "Collateral Subsidiary"). The Borrowing Subsidiary and the Collateral Subsidiary have since been disposed in FY2009.

There are three subsidiaries (Fook Huat Tong Kee Pte Ltd, Taian Fook Huat Tong Kee Foodstuffs Co., Ltd and Shanghai Fook Huat Tong Kee Cold Storage Co.,Ltd or the "these 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 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 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 in 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 2016, 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 in respect to 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 2016 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 or revised Financial Reporting Standards ("FRS") which are relevant to the Group with effect from 1 January 2016. The adoption of the new/revised FRS has 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 2nd Quarter Ended		Group Half Year Ended	
	(Continuing operation)		(Continuing operation)	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	\$ '000	\$ '000	\$ '000	\$ '000
Earnings/(loss) attributable to shareholders	(510)	(536)	(1,474)	(1,205)
Earnings/(loss) used to determine diluted earnings per share	(510)	(536)	(1,474)	(1,205)
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	318,784	318,784	318,784	318,784
Weighted average number of ordinary shares applicable to diluted earnings per share ('000)	318,784	318,784	318,784	318,784
Earnings/(loss) per ordinary share, in cents :				
- basic	(0.1599)	(0.1681)	(0.4624)	(0.3780)
- fully diluted	(0.1599)	(0.1681)	(0.4624)	(0.3780)

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-Jun-16	As at 31-Dec-15
	cents	cents
Group	2.63	3.51
Company	1.46	1.74
No of issued shares ('000)	318,784	318,784

The calculation of net asset value per ordinary share is based on the number of ordinary shares of the Company as at 30 June 2016 and 31 December 2015 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.

2Q16 vs. 2Q15

- (1) The Group's revenue increased from \$4.13 million in 2Q15 to \$4.34 million in 2Q16. This was mainly due to the increase in sales in Middle East and PRC market despite a decline in sales in the key market of Indonesia, due to government restrictions. The restrictions have since been lifted and sales have resumed in July 2016.
- (2) The Group's gross profit for 2Q16 was 5% higher at \$383,000 compared to \$365,000 in 2Q15. The gross profit margin remained constant at 8.8%.
- (3) Selling & Distribution expenses for 2Q16 were higher than 2Q15 by \$157,000 (64.6%) mainly due to the increase in staff cost, advertising & promotion and distribution costs.
- (4) Administrative expenses (including depreciation and amortisation) decreased by \$50,000 (7.8%) compared to 2Q15 mainly due to the higher professional fee incurred in 2Q15 and discontinued depreciation and amortisation for non-current assets reclassified as held-for-sale.
- (5) Depreciation for 2Q16 decreased by \$183,000, the main reason is stated in item (4) above.
- (6) Loss from continuing operations for the period
The Group's loss before tax for 2Q16 was \$510,000 compared to \$536,000 in 2Q15.
- (7) (Loss)/Profit from discontinued operations for the period
The Group's loss before tax from discontinued operations for 2Q16 was \$407,000 compared to profit before tax of \$602,000 for 2Q15. This was mainly due to the maintenance cost of existing property, plant and equipments.
- (8) The Group's total loss after tax for 2Q16 was \$917,000 compared to profit before tax of \$66,000 in 2Q15, the reason is stated in item (7) above.
- (9) EBITDA
The Group's EBITDA for 2Q16 was negative \$878,000, compared to a positive EBITDA of \$360,000 for 2Q15.
- (10) Operating cash flow
Net cash outflow from operating activities for 2Q16 was \$2.32 million compared to \$0.19 million for 2Q15.

1H16 vs.1H15

- (11) The Group's revenue increased from \$6.1 million in 1H16 to \$7.87 million in 1H16, the reason is stated in item (1) above.
- (12) The Group's gross profit for 1H16 was \$632,000 (margins: 8.0%) compared to gross profit of \$506,000 (margin: 8.3%) in 1H15.
- (13) Loss from continuing operations for the period :-
The Group's loss from continuing operations before tax for 1H16 was \$1.47 million, compared to \$1.20 million for 1H15.
- (14) (Loss)/Profit from discontinued operations for the period :-
The Group's loss before tax from discontinued operations for 1H16 was \$0.92 million compared to profit before tax of \$1.35 million for 1H15, the reason is stated in item (7) above.
- (15) The Group's total loss after tax for 1H16 was \$2.39 million compared to profit before tax of \$0.14 million in 1H15, the reason is stated in item (7) above.
- (16) The Group's EBITDA for 1H16 was negative \$2.13 million compared to positive \$0.83 million for 1H15.
- (17) Operating cash flow
The net cash outflow from operating activities for 1H16 was \$1.70 million compared to \$1.17 million for 1H15.
- (18) Material fluctuation in balance sheet items
There was no material fluctuation in balance sheet items except for the following items:
 - (a) Decrease in property, plant and equipment is mainly due to reclassified to non-current assets held-for-sale;
 - (b) Decrease in trade receivables was mainly due to one-off sales of dehydrated products towards end of financial year 2015 and the sales proceeds were fully collected in FY2016;
 - (c) Increase in other receivables and prepayments was mainly due to increased advance payments to suppliers for secure procurement;
 - (d) Increase in inventories was mainly due to increased consumer products;
 - (e) Increase in bank loan was due to borrowings from CBC in PRC offset by repayment of bank loan to Cathay bank in USA;
 - (f) Decrease in trade payables was mainly due to prompt payment to suppliers;
 - (g) Decrease in other payables was mainly due to payments made to non-trade creditors in 2Q16;
 - (h) The finance lease obligation arose from a new motor vehicle bought on hire purchase.

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 is aiming to step up its marketing and sales efforts for its range of processed fruit products in Singapore, China and Indonesia. In Indonesia, the Government restriction on 1July has since been lifted and sales have resumed in 2016.

As announced on 13 May 2016, the Company intends to sell property, plant & equipments relating to the Discontinued Dehydrated Produce Business. The Company had made a strategic decision to shift towards an asset-light consumer-centric, brand-focused business model, and had since 2015 been channelling resources from slow growth areas towards the new asset-light business model. In line with the shift in strategy, the Group had since late 2015 ceased the Dehydrated Produce Business. The Company continues to work on its brand value and build upon the transformation to an asset-light business model, leveraging on its strong network, wide geographical reach and extensive product offerings.

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 30 June 2016 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 2016 to be false or misleading in any material aspect.

On behalf of the Directors

(signed)
Mr Gary Loh Hock Chuan
Director

(signed)
Mrs Jessie Peh
Director

11 August 2016