
First Quarter Financial Statements Announcement for the Period Ended 31-March-2014

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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-14	31-Mar-13	
	\$ '000	\$ '000	%
Revenue	9,949	7,829	27.1%
Cost of sales	Note 1 -8,050	-6,054	33.0%
Gross profit	Note 1 1,899	1,775	7.0%
Other income	132	328	-59.8%
Selling &Distribution costs	Note 1 -667	-451	47.9%
Administrative expenses	-1,151	-1,290	-10.8%
Other expenses	-45	-7	542.9%
Finance costs	-21	-739	-97.2%
Profit/(loss) before tax	147	-384	n.m
Income tax expense	-4	-1	300.0%
Profit/(loss) for the period	143	-385	n.m
Other comprehensive income :			
Exchange difference on translating foreign operations	-141	231	n.m
Total comprehensive income for the period	2	-154	n.m
EBITDA	398	637	-37.5%

Profit/(loss) for the period included the following

Depreciation of property, plant & equipment	-230	-282
Interest expenses	-21	-739
Allowance for doubtful debts	-10	-22

Other income included:

- Government grant	8	20
- Interest income	1	1
- Provision written-back on inventories	1	-
- Impairment written-back on assets subject to bank guarantees	81	295
- Disposal of scrap material	2	6
- Franchise income	6	6
- Net gain on foreign exchange	33	-
	132	328

Other expenses included:

- Net loss on foreign exchange	-	-7
- Refund to government rebate	-41	-
- PRC local tax expenses	-4	-
	-45	-7

Note 1

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

	1Q13 (reclassified)	1Q13 (previously announced)
Cost of sales	-6,054	-6,182
Gross profit	1,775	1,647
Distribution costs	-451	-323

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

	Group		Company	
	As at	As at	As at	As at
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	17,805	17,831
Other investments	332	17	17	17
Property, plant and equipment	4,757	5,089	18	24
Total non-current assets	5,089	5,106	17,840	17,872
Current assets				
Cash and cash equivalents	3,119	2,387	29	222
Trade receivables	5,106	3,910	-	-
Other receivables and prepayments	488	621	31	57
Income tax recoverable	85	1	-	-
Inventories	9,129	11,447	-	-
Total current assets	17,927	18,366	60	279
Total assets	23,016	23,472	17,900	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	1,382	1,523	-	-
Asset revaluation reserve	2,510	2,510	-	-
General reserve	2,201	2,201	-	-
Accumulated losses	-135,597	-135,740	-127,594	-127,668
Total equity	14,332	14,330	15,298	15,224
Current liabilities				
Bank loan - secured	1,013	1,045	-	-
Trade payables	2,702	2,599	-	-
Other payables	4,956	5,485	2,602	2,927
Provision for taxation	13	13	-	-
Total current liabilities	8,684	9,142	2,602	2,927
Total liabilities	8,684	9,142	2,602	2,927
Total liabilities and equity	23,016	23,472	17,900	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		31-Mar-14	As At	31-Dec-13
Secured		Unsecured	Secured	Unsecured
Bank loans	1,013	-	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 \$1.013million) 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	
	1st Quarter Ended	
	31-Mar-14	31-Mar-13
	\$'000	\$'000
Operating activities		
Profit/(loss) before taxation	147	-384
Adjustments for:		
Interest expense	21	739
Interest income	-1	-1
Depreciation	230	282
Write-back of provision for inventories	-1	-
Allowance for doubtful debts	10	22
Impairment written back for assets subject to bank guarantees	-81	-295
Operating profit before working capital changes	325	363
Change in working capital:		
Trade and other receivables	-1,157	-540
Inventories	2,400	2,442
Trade and other payables	-426	-2,538
Cash generated from /(used in) operations	1,142	-273
Income tax paid	-4	-104
Net cash generated from /(used in) operating activities	1,138	-377
Investing activities		
Interest received	1	1
Interest paid	-21	-20
Purchase of property, plant and equipment	-46	-6
Other investments purchased	-315	-
Net cash used in investing activities	-381	-25
Net increase/(decrease) in cash and cash equivalents	757	-402
Cash and cash equivalents at beginning of the period	2,387	2,765
Effect of exchange rate fluctuations on cash and cash equivalents	-25	166
Cash and cash equivalents at end of of the period	3,119	2,529

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.

GROUP**Bal at 01/01/2014**

Profit for the period

Other comprehensive income

Currency translation difference arising from consolidation

Total comprehensive income for the period

Bal at 31/03/2014**COMPANY****Bal at 01/01/2014**

Total comprehensive income for the period

Bal at 31/03/2014

	Share capital \$ '000	Capital reserve \$ '000	Capital reduction reserve \$ '000	Foreign currency translation reserve \$ '000	Revaluation reserve \$ '000	General reserve \$ '000	Accu- mulated (losses) \$ '000	Total equity \$ '000
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

GROUP**Bal at 01/01/2013**

Loss for the period

Other comprehensive income

Currency translation difference arising from consolidation

Total comprehensive income for the period

Bal at 31/03/2013**COMPANY****Bal at 01/01/2013**

Total comprehensive income for the period

Bal at 31/03/2013

	Share capital \$ '000	Capital reserve \$ '000	Capital reduction reserve \$ '000	Foreign currency translation reserve \$ '000	Revaluation reserve \$ '000	General reserve \$ '000	Accu- mulated (losses) \$ '000	Total equity \$ '000
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

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 31 March 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 to 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 operations 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 31 March 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 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 31 March 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	
	1st Quarter Ended	
	31-Mar-14	31-Mar-13
	\$ '000	\$ '000
Earnings/(loss) attributable to shareholders	143	-385
Earnings/(loss) used to determine diluted earnings per share	143	-385
Weighted average number of ordinary shares applicable to basic earnings per share ('000)	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
Earnings/(loss) per ordinary share, in cents :		
- basic	0.0004	-0.0049
- fully diluted	0.0004	-0.0049

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-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 31 March 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.

1Q14 vs. 1Q13

- (1) The Group's revenue increased 27.1% from \$7.83million in 1Q13 to \$9.95million in 1Q14. Sales of dehydrated products increased 19.2% from \$4.74million in 1Q13 to \$5.65million in 1Q14, while sales of fresh fruits & processed fruits increased 10.3% from \$3.09million in 1Q13 to \$4.30million in 1Q14.
- (2) Gross profit for 1Q14 was \$1.90million (margin 19.1%), compared with gross profit of \$1.78million (margin 22.7%) for 1Q13. The higher gross profit margin in 1Q13 was mainly due to favourable VAT regulation changes in PRC for dehydrated garlic export that resulted in a one-off VAT cost saving.
- (3) Selling & Distribution expenses for 1Q14 were higher than 1Q13 by \$0.22million (47.9%) mainly due to increased marketing expenses, staff costs, and logistics related expenses. Administrative expenses (including depreciation) for 1Q14 were lower than 1Q13 by \$0.14million (10.8%).
- (4) Profit/Loss for the period
The Group's net profit for 1Q14 was \$0.14million compared with a net loss of \$0.39million for 1Q13.
- (5) EBITDA
The Group's EBITDA for 1Q14 was \$0.40million, compared to \$0.64million for 1Q13, mainly due to a lower write-back amount of impaired inventories in 1Q14.
- (6) Operating cash flow
Net cash inflow from operating activities for 1Q14 was \$1.14million compared to net cash outflow of \$0.38million for 1Q13.
- (7) Material fluctuation in balance sheet items
There was no material fluctuation in balance sheet items except for the following items:
 - (a) Increase in other investments 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 was mainly due to increase in sales;
 - (c) Decrease in other receivables and prepayments was mainly due to reduced advance payments to suppliers as goods were shipped in 1Q14;
 - (d) Increase in income tax recoverable was due to prepaid income tax by US subsidiary for the tax year ending on 30 June 2014;
 - (e) Decrease in inventories was mainly due to inventories sold in 1Q14 and no production of dehydrated flakes during routine shut-down in 1Q14;
 - (f) Increase in bank loan was due to exchange rate fluctuations;
 - (g) Increase in trade payables was mainly due to increase in purchases of fresh fruits; and
 - (f) Decrease in other payables was mainly due to increased payments made to non-trade creditors in 1Q14.

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 marketing efforts for its range of processed fruit products in Singapore and Indonesia.

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 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 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 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

15 May 2014