

**CHINA STAR FOOD GROUP LIMITED (formerly known as Brooke Asia Limited)**

(Incorporated in the Republic of Singapore)

(Company Registration No. 200718683N)

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**Unaudited Financial Statements and Dividend Announcement  
For the Three Months Ended 30 September 2015**

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

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**Background**

China Star Food Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), formerly known as Brooke Asia Limited, was formed through a reverse takeover ("**RTO**") of 100% equity interest in China Star Food Holdings Pte. Ltd. ("**CSFH**" and together with its subsidiaries, the "**CSFH Group**"). The RTO was completed on 22 September 2015 and the Company was renamed China Star Food Group Limited on the same day. Please refer to the Company's circular dated 26 June 2015 for further details of the RTO.

The CSFH Group is primarily engaged in the production and sales of sweet potato snack food products in the People's Republic of China.

Following the completion of the RTO, the presentation currency of the Company's financial statements was changed from Singapore Dollars ("**SGD**") to Chinese Renminbi ("**RMB**"). The exchange rates of SGD1.00 to RMB4.5235 (as at 30 June 2015) and SGD1.00 to RMB4.5265 (as at 22 September 2015) were used for the conversion of the balances denominated in SGD.

The financial year end of CSFH is 31 March. Pursuant to the completion of the RTO, the financial year end of the Company has been changed from 30 June to 31 March to align with the same financial year end of CSFH. Furthermore, the Company is required to announce its unaudited financial results on a quarterly basis moving forward as its market capitalization upon completion of the RTO had exceeded the SGD75 million threshold.

## **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

### At Group Level

The acquisition of CSFH has been accounted as a RTO in accordance with Financial Reporting Standard 103 Business Combinations (“**FRS 103**”). Under FRS 103, the legal subsidiary, CSFH, is regarded as the accounting acquirer and the Company as the accounting acquiree, for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of the CSFH Group.

The above accounting treatment is only applied to the consolidated financial statements of the Group. At the Company level, the investment in CSFH is accounted for as an investment in a subsidiary.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the second quarter period ended 30 September 2015 have been presented as a continuation of the CSFH Group’s financial results and operations.

Since such consolidated financial statements represent a continuation of the CSFH Group:

- (a) the assets and liabilities of the CSFH Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amounts;
- (b) the assets and liabilities of the Company, the accounting acquiree, are recognised and measured in accordance with FRS 103;
- (c) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the CSFH Group immediately before the business combination;
- (d) the amount recognised as issued equity interest in the consolidated financial statements is determined by adding to the issued equity of the CSFH Group immediately before the business combination to the fair value of the Company determined based on the share price of the Company at the acquisition date. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) shall reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent (i.e. the Company) to effect the combination; and
- (e) the comparative figures presented in these consolidated financial statements are that of consolidated financial statements of the CSFH Group.

Consolidated financial statements prepared following the RTO shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (i.e. the accounting acquiree for accounting purposes). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent (i.e. the Company) that satisfy the recognition criteria at their fair values as at 22 September 2015. The excess of the cost of the RTO over the net fair value of the identifiable assets and liabilities is recognised as goodwill on the consolidated statement of financial position.

### At Company Level

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. Therefore, in the Company’s separate financial statements, the investment in the legal subsidiaries (CSFH Group) is accounted for at cost less accumulated impairment losses, if any.

## Notes:

- (i) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six months ended 30 September 2015 refer to the enlarged group which included the results of the CSFH Group from 1 April 2015 to 30 September 2015 and the results of the Brooke Asia Limited for the period from 23 September 2015 to 30 September 2015.
- (ii) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six months ended 30 September 2014 refer to the results of the CSFH Group from 1 April 2014 to 30 September 2014.
- (iii) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the second quarter ended 30 September 2015 refer to the enlarged group which included the results of the CSFH Group from 1 July 2015 to 30 September 2015 and the results of the Brooke Asia Limited for the period from 23 September 2015 to 30 September 2015.
- (iv) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period from 1 July 2014 to 30 September 2014 refer to the results of the CSFH Group from 1 July 2014 to 30 September 2014.
- (v) The Group's consolidated statement of financial position as at 30 September 2015 refers to the enlarged group which consists of the assets and liabilities of the CSFH Group and Brooke Asia Limited as at 30 September 2015.
- (vi) The Group's consolidated statement of financial position as at 30 September 2014 refers to the consolidated statement of financial position of the CSFH Group.
- (vii) The Company's statement of financial position as at 30 September 2015 and the statement of changes in equity for the three months ended 30 September 2015 refer to that of the Company.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group			Group		
	Three Months Ended			Six Months Ended		
	30	30		30	30	
	September	September		September	September	
	2015	2014		2015	2014	
	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Revenue</b>	106,591	86,578	23.1	221,099	175,260	26.2
Cost of sales	(57,916)	(55,197)	4.9	(122,708)	(109,973)	11.6
Gross profit	48,675	31,381	55.1	98,391	65,287	50.7
<b>Other items of income</b>						
Interest income	1,126	63	1,687.3	2,243	117	1,817.1
Other income	246	-	n.m.	246	-	n.m.
<b>Other items of expense</b>						
Marketing and distribution costs	(10,642)	(5,277)	101.7	(21,306)	(13,680)	55.7
Administrative expenses	(7,889)	(1,807)	336.6	(11,545)	(3,786)	204.9
Finance costs	(290)	(100)	190.0	(578)	(223)	159.2
Other operating expenses	(3,215)	(42)	n.m.	(4,928)	(42)	n.m.
<b>Profit from operation</b>	28,011	24,218	15.7	62,523	47,673	31.1
Non-operating expenses	(70,554)	-	n.m.	(70,554)	-	n.m.
<b>(Loss)/Profit before income tax</b>	(42,543)	24,218	n.m.	(8,031)	47,673	n.m.
Income tax expense	(7,758)	(6,113)	26.9	(18,016)	(12,117)	48.7
<b>(Loss)/Profit for the period, net of tax</b>	(50,301)	18,105	n.m.	(26,047)	35,556	n.m.
<b>Other comprehensive income</b>						
<i>Items that will or may be reclassified subsequently to profit or loss</i>						
Exchange differences on translating foreign operation, net of tax	80	200	(60.0)	429	313	37.1
<b>Total comprehensive (loss)/income for the period</b>	(50,221)	18,305	n.m.	(25,618)	35,869	n.m.

n.m. – not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

(Loss)/Profit for the financial period is stated after charging/(crediting) the following:	Group		Group	
	Three Months Ended		Six Months Ended	
	30 September 2015 (Unaudited) RMB'000	30 September 2014 (Unaudited) RMB'000	30 September 2015 (Unaudited) RMB'000	30 September 2014 (Unaudited) RMB'000
Amortisation of intangible assets	665	48	1,329	88
Amortisation of leased farmland	-	600	-	1,200
Depreciation of property, plant and equipment	892	485	1,426	804
Foreign exchange (gain)/loss, net	-	-	(126)	175
Interest expense	290	100	578	223
Interest income	(1,126)	(63)	(2,243)	(117)
Loss on transfer of leased farmland	-	-	1,713	-
Property, plant and equipment written off	2,814	42	2,814	42
<b>Non-operating expenses</b>				
Goodwill written-off	36,660	-	36,660	-
RTO expenses	33,894	-	33,894	-

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	30 September 2015 (Unaudited) RMB'000	31 March 2015 (Unaudited) RMB'000	30 September 2015 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	92,746	81,166	-	611
Intangible assets	19,578	9,093	-	-
Other receivables, non-current	18,360	-	-	-
Other assets, non-current	27,373	64,500	-	-
Investment in subsidiaries	-	-	747,920	-
<b>Total non-current assets</b>	<b>158,057</b>	<b>154,759</b>	<b>747,920</b>	<b>611</b>
<b><u>Current assets</u></b>				
Inventories	6,435	5,514	-	-
Trade and other receivables	15,433	11,160	-	1,303
Other assets, current	2,491	10,169	-	-
Cash and cash equivalents	162,135	121,209	1	19,917
<b>Total current assets</b>	<b>186,494</b>	<b>148,052</b>	<b>1</b>	<b>21,220</b>
<b>Total assets</b>	<b>344,551</b>	<b>302,811</b>	<b>747,921</b>	<b>21,831</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share capital	88,109	5	787,533	28,834
Retained earnings / (accumulated losses)	174,936	200,983	(34,186)	(10,006)
Other reserves	11,868	11,439	(12,405)	(19)
<b>Total equity</b>	<b>274,913</b>	<b>212,427</b>	<b>740,942</b>	<b>18,809</b>
<b><u>Non-current liability</u></b>				
Deferred tax liability	1,198	-	-	-
<b>Total non-current liability</b>	<b>1,198</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Income tax payable	7,062	10,584	-	-
Trade and other payables	38,274	49,764	6,979	3,022
Other financial liabilities	13,000	27,276	-	-
Other liabilities	10,104	2,760	-	-
<b>Total current liabilities</b>	<b>68,440</b>	<b>90,384</b>	<b>6,979</b>	<b>3,022</b>
<b>Total liabilities</b>	<b>69,638</b>	<b>90,384</b>	<b>6,979</b>	<b>3,022</b>
<b>Total equity and liabilities</b>	<b>344,551</b>	<b>302,811</b>	<b>747,921</b>	<b>21,831</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

<b>As at 30 September 2015 (Unaudited)</b>		<b>As at 31 March 2015 (Unaudited)</b>	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
10,000	3,000	10,000	3,000

**Amount repayable after one year**

<b>As at 30 September 2015 (Unaudited)</b>		<b>As at 31 March 2015 (Unaudited)</b>	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

**Details of any collateral**

The bank loan of RMB10,000,000 is secured by mortgages of a leasehold building and land use rights of the Group, and guaranteed by one of the Company's directors.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Statement of Cash Flows**

	Group		Group	
	Three months Ended		Six months Ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before income tax	(42,543)	24,218	(8,031)	47,673
Interest income	(1,126)	(63)	(2,243)	(117)
Interest expense	290	100	578	223
Depreciation of property, plant and equipment	892	485	1,426	804
Property, plant and equipment written-off	2,814	42	2,814	42
Amortisation of intangible assets	665	48	1,329	88
Amortisation of leased farmland	-	600	-	1,200
Loss on transfer of leased farmland	-	-	1,713	-
Goodwill written-off	36,660	-	36,660	-
RTO professional fees paid in shares	28,064	-	28,064	-
Exchange differences on translating functional to presentation currency	78	-	456	113
<b>Operating cash flows before changes in working capital</b>	<b>25,794</b>	<b>25,430</b>	<b>62,766</b>	<b>50,026</b>
Inventories	(455)	(1,575)	(921)	24,580
Trade and other receivables	(3,134)	(7,873)	(3,040)	10,062
Other assets	10,976	(43)	10,821	514
Trade and other payables	6,561	10,295	3,574	(5,554)
Other liabilities	8,123	1,538	7,344	1,498
Net cash flows from operations	47,865	27,772	80,544	81,126
Income taxes paid	(9,119)	(6,555)	(20,339)	(19,423)
<b>Net cash flows from operating activities</b>	<b>38,746</b>	<b>21,217</b>	<b>60,205</b>	<b>61,703</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(6,531)	(12,155)	(15,820)	(43,013)
Acquisition of intangible assets	(119)	-	(119)	-
Cash inflow from RTO	1	-	1	-
Repayment of loan from directors	-	-	(15,064)	-
Interest income received	1,126	63	2,243	117
<b>Net cash flows used in investing activities</b>	<b>(5,523)</b>	<b>(12,092)</b>	<b>(28,759)</b>	<b>(42,896)</b>
<b>Cash flows from financing activities</b>				
Proceed of convertible loan	-	-	8,927	-
Proceed of new bank loan	3,000	3,000	3,000	3,000
Repayment of bank loan	(3,000)	(3,000)	(3,000)	(3,000)
Proceeds of loan from directors	-	25	1,131	20,346
Advances from a related party	-	93	-	88
Interest expense paid	(290)	(100)	(578)	(223)
Adjustment pursuant to restructuring exercise	-	-	-	(15,000)
<b>Net cash flows (used in)/from financing activities</b>	<b>(290)</b>	<b>18</b>	<b>9,480</b>	<b>5,211</b>



Net change in cash and cash equivalents	32,933	9,143	40,926	24,018
Cash and cash equivalents at beginning of financial period	129,202	79,054	121,209	64,179
<b>Cash and cash equivalents at end of the financial period</b>	<b>162,135</b>	<b>88,197</b>	<b>162,135</b>	<b>88,197</b>

**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 year**

**Statement of Changes in Equity Group**

<b>(Unaudited)</b>	<b>Share capital RMB'000</b>	<b>Other reserves RMB'000</b>	<b>Retained earnings RMB'000</b>	<b>Total equity RMB'000</b>
Balance as at 1 April 2015	5	11,439	200,983	212,427
Total comprehensive income	-	349	24,254	24,603
Issuance of new shares	24,363	-	-	24,363
Balance at 30 June 2015	24,368	11,788	225,237	261,393
Total comprehensive income	-	80	(50,301)	(50,221)
Issuance of consideration shares pursuant to the RTO	36,660	-	-	36,660
RTO professional fees paid in shares	28,064	-	-	28,064
Expenses on issuance of new shares	(983)	-	-	(983)
Balance as at 30 September 2015	88,109	11,868	174,936	274,913
Balance as at 1 April 2014	5	20,278	112,390	132,673
Total comprehensive income	-	113	17,451	17,564
Elimination of merger reserve arising from restructuring exercise	-	(15,000)	-	(15,000)
Transfer from other reserves	-	(343)	343	-
Balance at 30 June 2014	5	5,048	130,184	135,237
Total comprehensive income	-	200	18,105	18,305
Transfer to other reserves	-	5,701	(5,701)	-
Balance as at 30 September 2014	5	10,949	142,588	153,542

**Company**

<b>(Unaudited)</b>	<b>Share capital RMB'000</b>	<b>Other reserves RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total equity RMB'000</b>
Balance as at 1 July 2015	28,834	(19)	(10,006)	18,809
Total comprehensive loss	-	(12,386)	(36,375)	(48,761)
Capital reduction	(28,834)	-	12,195	(16,639)
Issuance of consideration shares pursuant to the RTO	760,452	-	-	760,452
RTO professional fees paid in shares	28,064	-	-	28,064
Expenses on issuance of new shares	(983)	-	-	(983)
Balance as at 30 September 2015	787,533	(12,405)	(34,186)	740,942
Balance as at 1 July 2014	28,834	(3,402)	(1,022)	24,410
Total comprehensive profit/(loss)	-	3,402	(3,895)	(493)
Balance as at 30 September 2014	28,834	-	(4,917)	23,917

**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 for 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

**Shares Capital – Ordinary Shares**

	<b>Number of issued shares</b>	<b>Issued and paid-up share capital (RMB’000)</b>
Balance as at 1 July 2015	53,636,000	28,834
Capital reduction	-	(28,834)
Issuance of Consideration Shares	840,000,000	760,452
Issuance of PPCF Shares and Arranger Shares	31,000,000	28,064
Expenses on issuance of new shares	-	(983)
<b>Balance as at 30 September 2015</b>	<b>924,636,000</b>	<b>787,533</b>

Save for the above, there were no changes in the issued share capital of the Company since 30 June 2015.

The Company did not have any outstanding options, convertibles or treasury shares as at 30 September 2015 and 30 June 2015.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	As at 30 September 2015	As at 30 June 2015
Total number of issued shares	924,636,000	53,636,000

The Company did not have any treasury shares as at 30 September 2015 and 30 June 2015.

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the most recently audited combined financial statements of the CSFH Group for the financial year ended 31 March 2014 as set out in the Company's circular dated 26 June 2015.

**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 all the applicable new and revised Financial Reporting Standards ("**FRS**") and Interpretation of FRS ("**INT FRS**") that are relevant to its operation and effective for the accounting periods beginning on or after 1 April 2015. The adoption of these new and revised FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Loss/Earnings per share ("LPS" or "EPS")	Group			
	Three Months Ended		Six Months Ended	
	30 September 2015 (Unaudited)	30 September 2014 (Unaudited)	30 September 2015 (Unaudited)	30 September 2014 (Unaudited)
(Loss)/Profit for the period (RMB'000)	(50,301)	18,105	(26,047)	35,556
Weighted average number of ordinary shares in issue	843,720,264	840,000,000	843,720,264	840,000,000
Basic (LPS)/EPS (RMB cents)	(5.96)	2.16	(3.09)	4.23
Fully diluted (LPS)/EPS (RMB cents)	(5.96)	2.16	(3.09)	4.23

The basic and fully diluted LPS/EPS were the same as there were no potentially dilutive ordinary shares in issue as at 30 September 2015 and 30 September 2014.

The table below shows the EPS after adjusting for non-recurring one-off items pertaining to the RTO:-

	Group	
	Three Months Ended 30 September 2015 (Unaudited)	Six Months Ended 30 September 2015 (Unaudited)
(Loss)/Profit for the period (RMB'000)	(50,301)	(26,047)
Adjusting for non-recurring items:		
- Goodwill written off (RM'000)	36,660	36,660
- RTO expenses (RMB'000)	33,894	33,894
Profit for the period after adjusting for non-recurring items (RMB'000)	20,253	44,507
Basic EPS (RMB cents)	2.40	5.28
Fully diluted EPS (RMB cents)	2.40	5.28

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**  
**(a) Current period reported on; and**  
**(b) Immediately preceding financial year**

Net asset value ("NAV")	Group		Company	
	30 September 2015 (Unaudited)	31 March 2015 (Unaudited)	30 September 2015 (Unaudited)	30 June 2015 (Unaudited)
NAV per ordinary share (RMB cents)	29.7	23.0	80.1	35.1
Number of ordinary shares in issue	924,636,000	924,636,000 <sup>(1)</sup>	924,636,000	53,636,000

Note:

- (1) For comparable purpose, the NAV per share of the Group as at 31 March 2015 is computed based on total number of ordinary shares in issue at the date on the completion of the RTO.

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:-

- (a) 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; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the three months ended 30 September 2015 ("2Q2016") as compared to the three months ended 30 September 2014 ("2Q2015").

### Consolidated Statement of Comprehensive Income

#### Revenue

The detailed breakdown of revenue of the Group by product categories was as follows:

Revenue by product category	2Q2016 (RMB'000)	2Q2015 (RMB'000)	% change
Preserved foods	12,659	6,002	110.9
Crisps	6,034	4,302	40.3
Candies	26,393	15,977	65.2
Baked goods	38,520	37,633	2.4
Pastries	13,325	15,150	(12.0)
Roasted sweet potato nuts	9,660	7,514	28.6
<b>Total revenue</b>	<b>106,591</b>	<b>86,578</b>	<b>23.1</b>

Revenue increased by approximately RMB20.0 million or 23.1% was mainly attributable to the increase in sales from candies, preserved foods, roasted sweet potato nuts and crisps due to introduction of new products and new product packaging, which received positive response from customers, partially offset by a decrease in sales from pastries mainly due to shift of customers preferences toward new products launched in other product categories.

#### Gross profit

Gross profit increased by approximately RMB17.3 million or 55.1%. This was mainly attributable to the increase in sales in the product categories which commanded higher profit margins, introduction of new products and new product packaging to cater for premium customer segments, which earned higher profit margins and reduction in production of the old products which carry with lower profit margins.

As a result of the above, the overall gross profit margin improved from 36.2% to 45.7%.

## **Other items of income**

### *Interest income*

Interest income increased by approximately RMB1.1 million or 1,687.3% due mainly to recognition of interest income of RMB1.1 million from the unwinding of the finance income arising from the discounted five annual repayments relating to the transfer of leased farmland arrangement.

### *Other income*

Other income of RMB246,000 was mainly the claims from insurance company for damaged inventories as a result of flood in Liancheng County.

## **Other items of expense**

### *Marketing and distribution costs*

Marketing and distribution costs increased by RMB5.4 million or 101.7% was primarily due to increase in advertisement costs (RMB3.0 million), delivery charges (RMB1.0 million), exhibition expenses (RMB0.8 million) and publicity expenses (RMB0.4 million), in line with the increase in revenue and the Group's marketing strategy to create brand awareness and expand sales channels.

### *Administrative expenses*

Administrative expenses increased by RMB6.1 million or 336.6% was mainly due to increase in research and development costs (RMB3.1 million), amortisation of intangible assets (RMB0.6 million), administrative staff salaries (RMB0.4 million) and depreciation of property, plant and equipment (RMB0.4 million). The increase in amortisation of intangible assets and depreciation of property, plant and equipment was due to recognition of intangible assets from the transfer of leased farmland arrangement and completion of certain construction in progress, respectively.

### *Finance costs*

Finance costs increased by RMB0.2 million or 190.0% due to higher loan borrowing in 2Q2016.

### *Other operating expenses*

Other operating expenses increased by RMB3.2 million was due to increase in property, plant and equipment written off amounting to RMB2.8 million as a result of damages by the flood in Liancheng County and charity donation of RMB0.3 million.

### *Non-operating expenses*

Non-operating expenses comprised of goodwill written off and RTO expenses of RMB36.7 million and RMB33.9 million respectively. These non-operating expenses were non-recurring in nature.



### *Income tax expense*

Income tax expense comprised income tax expense and deferred income tax of RMB7.2 million and RMB0.5 million respectively. Income tax expense increased by approximately RMB1.6 million or 26.9% was due to higher profit from operation.

### **Consolidated Statement of Financial Position**

**The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 September 2015 and 31 March 2015.**

#### *Non-current assets*

Property, plant and equipment increased by RMB11.6 million mainly arising from the construction work-in-progress for the new factory and office building in Liancheng County, People's Republic of China ("PRC"), partially offset by the depreciation of property, plant and equipment.

Intangible assets increased by RMB10.5 million was mainly due to recognition of intangible assets as a result of the agreed purchase discount given by a supplier to the Company's subsidiary arising from the contract term in the disposal of leased farmland, partially offset by amortisation of intangible assets.

Other receivables (non-current) of RMB18.4 million comprised the receivables arising from the disposal of leased farmland.

Other assets (non-current) decreased by RMB18.8 million was mainly due to the disposal of leased farmland.

#### *Current assets*

Inventories increased by RMB0.9 million was mainly due to increase in finished goods as a result of more sales orders received from customers.

Trade and other receivables increased by RMB4.3 million was in line with the increase in revenue.

Other assets (current) decreased by RMB7.7 million was due to decrease in advance payments to suppliers and amortisation of prepaid expenses to profit or loss.

#### *Non-current liability*

Deferred tax liability relates to our PRC subsidiary's current period distributable earnings. Distributable earnings declared by the PRC subsidiary as dividends to its foreign investor is subject to withholding tax in the PRC.

#### *Current liabilities*

Income tax payable decreased by RMB3.5 million was mainly due to higher profit in peak season from 1 January 2015 to 31 March 2015 compared to 2Q2016 resulted in higher income tax payable as at 31 March 2015.

Trade and other payables decreased by RMB11.5 million was mainly due to the settlement of an amount due to a director for acquisition of a subsidiary.

Other financial liabilities decreased by RMB14.3 million was mainly due to capitalisation of loan due to a director.

Other liabilities increased by RMB7.3 million was mainly due to increase in advances from customers for sales orders placed by the customers.

### **Consolidated Statement of Cash Flows**

Net cash flows from operating activities of RMB38.7 million was mainly due to a positive operating cash flows after adjusting for the non-cash items and positive movement in working capital.

Net cash flows used in investing activities of RMB5.5 million was mainly due to the purchase of property, plant and equipment (including increase in construction-in-progress).

Net cash flows used in financing activities of RMB0.3 million was due to the payment of interest expense.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

In the section titled “Prospects, Business Strategies and Future Plans – Strategy and Future Plans” of the Company’s circular dated on 26 June 2015, it was stated that the new factory constructed by Fujian Zilaohu on a 13,910 sqm plot of land in Liancheng Industrial Park, Food Processing Area, was expected to begin production in the second half of 2015.

In order to increase the attractiveness of Liancheng Industrial Park, the local government has since decided to construct centralised waste water treatment facilities for use by occupants. This is beneficial to the Group as such outlay would then be borne by the local government and the Group need not build its own waste water treatment facilities. Production at the Group’s new factory will therefore only commence after completion of the centralised waste water treatment facilities.

The delay in commencement of production in the Fujian Zilaohu’s factory will not have any material impact on the existing production capacity of the Group as the existing facilities of the Group are adequate to accommodate its current production requirements.

**10. A commentary at the date of the announcement of the significant trends and 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 business outlook for the sweet potato snack food industry in China remains robust and the Group is geared for growth both in our product range and production capacity to meet the growing demand in China for sweet potato snack food. The Group also aims to tap into overseas export markets.

## 11. Dividend

If a decision regarding dividend has been made:-

- (a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for the current financial period reported on.

- (b)(i) Amount per share (cents)  
(Optional) Rate (%)

Not applicable.

- (b)(ii) Previous corresponding period (cents)  
(Optional) Rate (%)

Not applicable. No dividend has been declared or recommended for the previous corresponding period.

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

- (d) The date the dividend is payable.

Not applicable.

- (e) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect**

No dividend has been declared or recommended for 2Q2016.

**13. If the group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have any existing general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii) of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

Save for the rental expense paid to Liancheng Tianhe Food Factory (连城天合食品厂) amounting to RMB318,000 in 2Q2016, details of which are set out in the Company’s circular to shareholders dated 26 June 2015, there were no other interested person transactions entered into by the Group in 2Q2016.

**14. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Listing Manual**

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for 2Q2016 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Liang Chengwang  
Executive Chairman and Chief Executive Officer  
13 November 2015