

CHINA STAR FOOD GROUP LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200718683N)

**Unaudited Financial Statements and Dividend Announcement
For the Three Months Ended 30 June 2018****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 | | |
|---|--|--|-------------|
| | Three Months Ended | | |
| | 30 June 2018 (Unaudited) RMB'000 | 30 June 2017 (Unaudited) RMB'000 | Change % |
| Revenue | 82,513 | - | n.m. |
| Cost of sales | (58,353) | - | n.m. |
| Gross profit | 24,160 | - | n.m. |
| Interest income | 624 | 703 | (11.24) |
| Other income | 244 | - | n.m. |
| Marketing and distribution costs | (2,889) | (408) | 608.09 |
| Administrative expenses | (8,537) | (8,262) | 3.33 |
| Other operating expenses | (390) | (50) | 680.00 |
| Finance costs | (303) | (200) | 51.50 |
| Profit/(Loss) before income tax | 12,909 | (8,217) | (257.10) |
| Income tax expense | (1,828) | - | n.m. |
| Profit/(Loss) for the period, net of tax | 11,081 | (8,217) | (234.85) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | 99 | - | n.m. |
| Total comprehensive income/(loss) for the period | 11,180 | (8,217) | (236.06) |

n.m. – not meaningful

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

| Profit/(Loss) for the financial period is stated after charging/(crediting) the following: | Group | |
|---|---|---|
| | Three Months Ended | |
| | 30 June 2018 (Unaudited) RMB'000 | 30 June 2017 (Unaudited) RMB'000 |
| Amortisation of intangible assets | 879 | 877 |
| Depreciation of property, plant and equipment | 2,268 | 1,126 |
| Interest expense | 303 | 200 |
| Interest income | (624) | (703) |
| Property, plant and equipment written off | 59 | - |

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 June 2018 (Unaudited) RMB'000 | 31 March 2018 (Audited) RMB'000 | 30 June 2018 (Unaudited) RMB'000 | 31 March 2018 (Audited) RMB'000 |
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 114,705 | 111,285 | - | - |
| Intangible assets | 39,116 | 39,994 | - | - |
| Investment in subsidiaries | - | - | 803,636 | 803,636 |
| Other receivables, non-current | 6,051 | 6,051 | - | - |
| Other assets, non-current | 81,884 | 81,938 | - | - |
| Deferred tax assets | 7,162 | 7,162 | - | - |
| Total non-current assets | 248,918 | 246,430 | 803,636 | 803,636 |
| <u>Current assets</u> | | | | |
| Inventories | 3,386 | 1,720 | - | - |
| Trade and other receivables | 36,030 | 45,792 | 12,445 | 12,259 |
| Other assets, current | 27,389 | 29,059 | 196 | 193 |
| Cash and cash equivalents | 144,972 | 126,578 | 6,708 | 200 |
| Total current assets | 211,777 | 203,149 | 19,349 | 12,652 |
| Total assets | 460,695 | 449,579 | 822,985 | 816,288 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity</u> | | | | |
| Share capital | 130,362 | 113,154 | 829,786 | 812,578 |
| Retained earnings/(accumulated losses) | 235,680 | 224,599 | (54,950) | (52,945) |
| Other reserves | 41,396 | 41,297 | 46,154 | 45,876 |
| Total equity | 407,438 | 379,050 | 820,990 | 805,509 |
| <u>Non-current liability</u> | | | | |
| Deferred tax liability | 451 | 451 | - | - |
| Total non-current liability | 451 | 451 | - | - |
| <u>Current liabilities</u> | | | | |
| Income tax payable | 1,828 | 1,397 | - | - |
| Trade and other payables | 33,178 | 46,181 | 1,995 | 6,079 |
| Other financial liabilities | 17,800 | 22,500 | - | 4,700 |
| Total current liabilities | 52,806 | 70,078 | 1,995 | 10,779 |
| Total liabilities | 53,257 | 70,529 | 1,995 | 10,779 |
| Total equity and liabilities | 460,695 | 449,579 | 822,985 | 816,288 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

| As at 30 June 2018 (Unaudited) | | As at 31 March 2018 (Audited) | |
|---|----------------------|--|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| 9,800 | 8,000 | 9,800 | 12,700 |

Amount repayable after one year

| As at 30 June 2018 (Unaudited) | | As at 31 March 2018 (Audited) | |
|---|----------------------|--|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| - | - | - | - |

Details of any collateral

The bank loan of RMB9,800,000 is secured by mortgages of a leasehold building and land use rights of the Group and guaranteed by one of the Company's directors and his spouse.

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 | |
|---|---------------------------|---------------------|
| | Three Months Ended | |
| | 30 June 2018 | 30 June 2017 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Cash flows from operating activities | | |
| Profit/(Loss) before income tax | 12,909 | (8,217) |
| Interest income | (624) | (703) |
| Interest expense | 303 | 200 |
| Depreciation of property, plant and equipment | 2,268 | 1,126 |
| Property, plant and equipment written-off | 59 | - |
| Amortisation of intangible assets | 879 | 877 |
| Exchange differences on translating functional to presentation currency | 99 | - |
| Operating cash flow before changes in working capital | 15,893 | (6,717) |
| Inventories | (1,666) | - |
| Trade and other receivables | 10,188 | 5,257 |
| Other assets | 1,723 | (582) |
| Trade and other payables | (13,002) | (5,690) |
| Net cash flows from/(used in) operations | 13,136 | (7,732) |
| Income tax paid | (1,397) | - |
| Net cash flows from/(used in) operating activities | 11,739 | (7,732) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,749) | - |
| Payment for property tax and stamp duty of land use rights | - | (821) |
| Interest income received | 200 | 107 |
| Net cash flows used in investing activities | (5,549) | (714) |
| Cash flows from financing activities | | |
| Proceeds from issuance of new shares | 14,196 | - |
| Proceeds from loan from a shareholder | - | 995 |
| Repayment of loan to director and shareholder | (1,689) | - |
| Interest expense paid | (303) | (200) |
| Net cash flows from financing activities | 12,204 | 795 |
| Net change in cash and cash equivalents | 18,394 | (7,651) |
| Cash and cash equivalents at beginning of financial period | 126,578 | 145,098 |
| Cash and cash equivalents at end of financial period | 144,972 | 137,447 |
| Comprising: | | |
| Cash at bank and in hand | 104,862 | 137,447 |
| Fixed deposits with banks | 40,110 | - |
| | 144,972 | 137,447 |

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**

| | Share capital (Unaudited) RMB'000 | Other reserves (Unaudited) RMB'000 | Retained earnings (Unaudited) RMB'000 | Total equity (Unaudited) RMB'000 |
|--|--|---|--|---|
| Balance at 1 April 2018 | 113,154 | 41,297 | 224,599 | 379,050 |
| Total comprehensive income for the period | | | | |
| Profit for the period | - | - | 11,081 | 11,081 |
| Other comprehensive income | - | 99 | - | 99 |
| Total comprehensive income for the period | <u>-</u> | <u>99</u> | <u>11,081</u> | <u>11,180</u> |
| Transactions with owners, recognised directly in equity | | | | |
| Issuance of new shares | 17,208 | - | - | 17,208 |
| Total transactions with owners | <u>17,208</u> | <u>-</u> | <u>-</u> | <u>17,208</u> |
| Balance as at 30 June 2018 | <u>130,362</u> | <u>41,396</u> | <u>235,680</u> | <u>407,438</u> |
| Balance at 1 April 2017 | 113,154 | 40,048 | 213,288 | 366,490 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (8,217) | (8,217) |
| Balance as at 30 June 2017 | <u>113,154</u> | <u>40,048</u> | <u>205,071</u> | <u>358,273</u> |

Company

| | Share capital (Unaudited) RMB'000 | Other reserves (Unaudited) RMB'000 | Accumulated losses (Unaudited) RMB'000 | Total equity (Unaudited) RMB'000 |
|--|--|---|---|---|
| Balance at 1 April 2018 | 812,578 | 45,876 | (52,945) | 805,509 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (2,005) | (2,005) |
| Total comprehensive income | - | 278 | - | 278 |
| Total comprehensive loss for the period | <u>-</u> | <u>278</u> | <u>(2,005)</u> | <u>(1,727)</u> |
| Transactions with owners, recognised directly in equity | | | | |
| Issuance of new shares | 17,208 | - | - | 17,208 |
| Total transactions with owners | <u>17,208</u> | <u>-</u> | <u>-</u> | <u>17,208</u> |
| Balance as at 30 June 2018 | <u>829,786</u> | <u>46,154</u> | <u>(54,950)</u> | <u>820,990</u> |
| Balance at 1 April 2017 | 812,578 | 46,163 | (44,605) | 814,136 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | (14) | (2,143) | (2,157) |
| Balance as at 30 June 2017 | <u>812,578</u> | <u>46,149</u> | <u>(46,748)</u> | <u>811,979</u> |

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 the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

On 9 April 2018, the Company completed a placement of 40,000,000 new ordinary shares in the capital of the Company at S\$0.09 for each subscription share, amounting to an aggregate sum of S\$3,600,000.

Total warrants exercised was 50 number of shares, each warrant carries with the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S\$0.33. The balance of 49,999,950 number of warrants were expired on 17 April 2018.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 June 2018 and 30 June 2017. Accordingly, the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding is nil% as at 30 June 2018 and 30 June 2017.

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 June 2018 | As at 31 March 2018 |
|-------------------------------|--------------------|---------------------|
| Total number of issued shares | 296,909,050 | 256,909,000 |

The Company did not have any treasury shares as at 30 June 2018 and 31 March 2018.

1(d)(iv) A statement showing all sales, transfers, 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.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings 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 auditor.

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

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

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 in the most recently audited consolidated financial statements for the financial year ended 31 March 2018 as set out in the Company's annual report 2018.

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**") in Singapore and the related Interpretations to FRS ("**INT FRS**") that are relevant to its operation and effective for the accounting periods beginning on or after 1 April 2018. 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**

| | Group | |
|---|-----------------------------|-----------------------------|
| | Three Months Ended | |
| | 30 June 2018 (Unaudited) | 30 June 2017 (Unaudited) |
| Earnings per share (“EPS”) | | |
| Profit/(Loss) for the period (RMB’000) | 11,081 | (8,217) |
| Weighted average number of ordinary shares in issue (in thousands) | 296,909 | 256,909 |
| Basic EPS/(LPS) (RMB cents) | 3.73 | (3.20) |
| Weighted average number of ordinary shares in issue on fully diluted basis (in thousands) | 296,909 ⁽¹⁾ | 256,909 ⁽²⁾ |
| Fully diluted EPS/(LPS) (RMB cents) | 3.73 | (3.20) |

Notes:

(1) There is no dilutive effect as the warrants were expired.

(2) There is no dilutive effect from the 50,000,000 outstanding warrants as the exercise price of the warrants is higher than the average market price of ordinary shares of the Company in 1Q2018.

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 June 2018 (Unaudited) | 31 March 2018 (Audited) | 30 June 2018 (Unaudited) | 31 March 2018 (Audited) |
| NAV (RMB’000) | 407,438 | 379,050 | 820,990 | 805,509 |
| Number of ordinary shares in issue (in thousands) | 296,909 | 256,909 | 296,909 | 256,909 |
| NAV per ordinary share (RMB) | 1.37 | 1.48 | 2.77 | 3.14 |

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 June 2018 ("1Q2019") as compared to the three months ended 30 June 2017 ("1Q2018").

Consolidated Statement of Comprehensive Income

Revenue and gross profit

Following the resumption of the Group's Zilaohu factory production in mid-September 2017, the Group attained revenue of RMB83 million with gross profit of 29% in the period under review. Whereas in 1Q2018, there was no revenue as the Group's Zilaohu factory has yet to commence production due to the local government's general directive to tighten the pollution control requirements (the "Factory Production Halt").

Marketing and distribution costs

Marketing and distribution costs increased by RMB2.5 million primarily due to increase in delivery charges of RMB1.4 million, publicity expenses of RMB0.5 million, sales personnel salaries and bonuses of RMB0.4 million. The increase in marketing and distribution costs is in line with the increase in revenue following the resumption of factory production. There was no factory production in the same quarter last year.

Administrative expenses

Administrative expenses were in line when compared with 1Q2018. It mainly consisted research and development expenses of RMB1.8 million, depreciation of property, plant and equipment of RMB1.6 million and administrative staff salaries of RMB1.3 million.

Other operating expenses

The increase in other operating expenses of RMB0.34 million was due to charitable donation of RMB0.3 million.

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 June 2018 and 31 March 2018.

Non-current assets

The increase in property, plant and equipment of RMB3.4 million was mainly due to addition in construction work in progress for R&D laboratory, vacuum fryer and production facilities amounted RMB2.4 million. There was also addition in new production equipment of RMB3.3 million. The increase was partially offset by the depreciation of property, plant and equipment of RMB2.3 million during the financial period.

Other assets (non-current) of RMB81.9 million mainly comprise advance payment of the three 5-year supply contracts of sweet potatoes.

Current assets

Inventories increased by RMB1.7 million mainly due to stocking of direct materials following the Production Resumption in order to meet the production demand.

Trade and other receivables decreased by RMB9.8 million as compared with RMB45.8 million as at 31 March 2018 due to collections from one of the major customers amounted RMB8.1 million.

Current liabilities

Trade and other payables decreased by RMB13.0 million as compared with RMB46.1 million as at 31 March 2018, mainly due to (i) settlement of trade payables of RMB7.8 million for the purchase of raw materials following the Production Resumption; (ii) settlement of other payables of RMB4.1 million for Singapore office operations.

Other financial liabilities decreased by RMB4.7 million was due to the repayment of RMB1.7 million of loan to director and shareholder as well as capitalisation a shareholder loan of RMB3.0 million to share capital.

Consolidated Statement of Cash Flows

Net cash from operating activities of RMB11.7 million in 1Q2019 as compared to net cash used in operating activities of RMB7.7 million in 1Q2018 was mainly due to the profit before income tax and adjustments for PPE depreciation.

Net cash used in investing activities of RMB5.5 million in 1Q2019 as compared to net cash used in investing activities of RMB0.7 million in 1Q2018 was mainly due to the purchase of property, plant and equipment of RMB3.3 million and increase in construction work in progress of Zilaohu factory of RMB2.4 million in 1Q2019.

Net cash from financing activities of RMB12.2 million in 1Q2019 as compared to net cash from financing activities of RMB0.8 million in 1Q2018 was mainly due to the proceeds from issuance of new shares of RMB14.2 million, partially offset by the repayment of loan to director and a shareholder of RMB1.7 million in 1Q2019.

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

No specific forecast was previously provided.

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.

Barring unforeseen circumstances, the operations of the group will continue to improve over time. Gross profit margin and net profit have also improved as there was lesser sub-contracting production supply and effective cost control measures in the quarter under review.

The central waste water treatment plant is near completion and when operational ready will replace the temporary arrangement being put in place since last year.

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 1Q2019.

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.

There were no IPT of S\$100,000 and above (or equivalent) for the current financial period reported on.

14. **Use of proceeds**

As at the date of this announcement, the proceeds raised from the conversion of warrants (“**Warrant Proceeds**”) is negligible.

As at the date of this announcement, the Company raised approximately S\$2,586,000 in net proceeds from the placement of 40,000,000 new ordinary shares in the Company. It was completed on 9 April 2018 (the “**Placement Proceeds**”). The status on the use of Placement Proceeds is as follows:

| <u>Item</u> | <u>Amount (S\$)</u> |
|---|---------------------|
| Net Proceeds | 2,586,000 |
| Less: | |
| Working capital (Corporate office expenses) | <u>(1,205,000)</u> |
| Balance | <u>1,381,000</u> |

The use of proceeds is in line with that previously announced on 12 March 2018.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

16. 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 1Q2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
13 August 2018

*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.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)