

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 2017****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 | | Change % |
| | 30 June 2017 (Unaudited) RMB'000 | 30 June 2016 (Unaudited) RMB'000 | |
| Revenue | - | 123,512 | n.m. |
| Cost of sales | - | (69,048) | n.m. |
| Gross profit | - | 54,464 | n.m. |
| Interest income | 703 | 895 | (21.45) |
| Other income | - | 1 | n.m. |
| Marketing and distribution costs | (408) | (18,219) | (97.8) |
| Administrative expenses | (8,262) | (6,656) | 24.1 |
| Finance costs | (200) | (215) | (7.0) |
| Other operating expenses | (50) | (760) | (93.4) |
| Other losses | - | (99) | n.m. |
| (Loss)/profit before income tax | (8,217) | 29,411 | (127.9) |
| Income tax expense | - | (7,604) | n.m. |
| (Loss)/profit for the period, net of tax | (8,217) | 21,807 | (137.7) |
| Other comprehensive income | | | |
| <i>Items that will or may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences, net of tax | - | 34 | n.m. |
| Total comprehensive (loss)/income for the period | (8,217) | 21,841 | (137.6) |

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 | |
|---|---|---|
| | Three Months Ended | |
| | 30 June 2017 (Unaudited) RMB'000 | 30 June 2016 (Unaudited) RMB'000 |
| Amortisation of intangible assets | 877 | 738 |
| Depreciation of property, plant and equipment | 1,126 | 842 |
| Foreign exchange gain, net | - | (4) |
| Interest expense | 200 | 215 |
| Interest income | (703) | (895) |
| Property, plant and equipment written off | - | 99 |

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 2017 (Unaudited) RMB'000 | 31 March 2017 (Audited) RMB'000 | 30 June 2017 (Unaudited) RMB'000 | 31 March 2017 (Audited) RMB'000 |
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 104,887 | 106,013 | - | - |
| Intangible assets | 42,630 | 42,686 | - | - |
| Other receivables, non-current | 11,312 | 11,312 | - | - |
| Other assets, non-current | 64,122 | 64,176 | - | - |
| Investments in subsidiaries | - | - | 803,636 | 803,636 |
| Total non-current assets | 222,951 | 224,187 | 803,636 | 803,636 |
| <u>Current assets</u> | | | | |
| Trade and other receivables | 10,200 | 14,861 | 12,564 | 12,577 |
| Other assets, current | 16,484 | 15,848 | 217 | 148 |
| Cash and cash equivalents | 137,447 | 145,098 | 294 | 946 |
| Total current assets | 164,131 | 175,807 | 13,075 | 13,671 |
| Total assets | 387,082 | 399,994 | 816,711 | 817,307 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity</u> | | | | |
| Share capital | 113,154 | 113,154 | 812,578 | 812,578 |
| Retained earnings / (accumulated losses) | 205,071 | 213,288 | (46,748) | (44,605) |
| Other reserves | 40,048 | 40,048 | 46,149 | 46,163 |
| Total equity | 358,273 | 366,490 | 811,979 | 814,136 |
| <u>Non-current liability</u> | | | | |
| Deferred tax liability | 451 | 451 | - | - |
| Total non-current liability | 451 | 451 | - | - |
| <u>Current liabilities</u> | | | | |
| Trade and other payables | 13,922 | 19,612 | 4,732 | 2,530 |
| Other financial liabilities | 14,436 | 13,441 | - | 641 |
| Total current liabilities | 28,358 | 33,053 | 4,732 | 3,171 |
| Total liabilities | 28,809 | 33,504 | 4,732 | 3,171 |
| Total equity and liabilities | 387,082 | 399,994 | 816,711 | 817,307 |

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 2017 (Unaudited) | | As at 31 March 2017 (Audited) | |
|---|----------------------|--|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| 9,800 | 4,636 | 9,800 | 3,641 |

Amount repayable after one year

| As at 30 June 2017 (Unaudited) | | As at 31 March 2017 (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 2017 | 30 June 2016 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Cash flows from operating activities | | |
| (Loss)/profit before income tax | (8,217) | 29,411 |
| Interest income | (703) | (895) |
| Interest expense | 200 | 215 |
| Depreciation of property, plant and equipment | 1,126 | 842 |
| Property, plant and equipment written-off | - | 99 |
| Amortisation of intangible assets | 877 | 738 |
| Exchange differences on translating functional to presentation currency | - | 34 |
| Operating cash flows before changes in working capital | (6,717) | 30,444 |
| Inventories | - | (5,237) |
| Trade and other receivables | 5,257 | 2,031 |
| Other assets | (582) | (12,458) |
| Trade and other payables | (5,690) | (818) |
| Other liabilities | - | 635 |
| Net cash flows (used in)/from operations | (7,732) | 14,597 |
| Income taxes paid | - | (8,601) |
| Net cash flows (used in)/from operating activities | (7,732) | 5,996 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - | (15,905) |
| Payment for property tax and stamp duty of land use rights | (821) | - |
| Interest income received | 107 | 150 |
| Net cash flows used in investing activities | (714) | (15,755) |
| Cash flows from financing activities | | |
| Proceeds from issuance of shares and free warrants | - | 27,051 |
| Proceeds from conversion of warrants | - | 810 |
| Proceeds from loan from a shareholder | 995 | - |
| Repayment of loan from a director | - | (62) |
| Interest expense paid | (200) | (215) |
| Net cash flows from financing activities | 795 | 27,584 |
| Net change in cash and cash equivalents | (7,651) | 17,825 |
| Cash and cash equivalents at beginning of financial period | 145,098 | 184,122 |
| Cash and cash equivalents at end of the financial period | 137,447 | 201,947 |

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 2017 | 113,154 | 40,048 | 213,288 | 366,490 |
| Total comprehensive loss | - | - | (8,217) | (8,217) |
| Balance as at 30 June 2017 | 113,154 | 40,048 | 205,071 | 358,273 |
| Balance at 1 April 2016 | 88,109 | 26,024 | 202,950 | 317,083 |
| Total comprehensive income | - | 34 | 21,807 | 21,841 |
| Issuance of new shares | 24,978 | - | - | 24,978 |
| Issuance of free warrants | - | 2,844 | - | 2,844 |
| Conversion of warrants | 810 | (28) | - | 782 |
| Expenses on issuance of new shares | (743) | - | - | (743) |
| Balance as at 30 June 2016 | 113,154 | 28,874 | 224,757 | 366,785 |

Company

| | Share capital (Unaudited) RMB'000 | Other reserves (Unaudited) RMB'000 | Accumulated losses (Unaudited) RMB'000 | Total equity (Unaudited) RMB'000 |
|------------------------------------|--|---|---|---|
| Balance as at 1 April 2017 | 812,578 | 46,163 | (44,605) | 814,136 |
| Total comprehensive loss | - | (14) | (2,143) | (2,157) |
| Balance as at 30 June 2017 | 812,578 | 46,149 | (46,748) | 811,979 |
| Balance as at 1 April 2016 | 787,533 | 42,948 | (37,188) | 793,293 |
| Total comprehensive income/(loss) | - | 24,754 | (1,711) | 23,043 |
| Issuance of new shares | 24,978 | - | - | 24,978 |
| Issuance of free warrants | - | 2,844 | - | 2,844 |
| Conversion of warrants | 810 | (28) | - | 782 |
| Expenses on issuance of new shares | (743) | - | - | (743) |
| Balance as at 30 June 2016 | 812,578 | 70,518 | (38,899) | 844,197 |

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.

There were no changes in the issued share capital of the Company since 31 March 2017 to 30 June 2017.

There were 50,000,000 warrants outstanding as at 30 June 2017 (30 June 2016: 50,000,000), 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.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 June 2017 and 30 June 2016. 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 2017 and 30 June 2016.

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 2017 | As at 31 March 2017 |
|-------------------------------|--------------------|---------------------|
| Total number of issued shares | 256,909,000 | 256,909,000 |

The Company did not have any treasury shares as at 30 June 2017 and 31 March 2017.

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 2017 as set out in the Company's annual report 2017.

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 2017. 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 2017 (Unaudited) | 30 June 2016 (Unaudited) |
| Earnings per share (“EPS”) | | |
| (Loss)/Profit for the period (RMB’000) | (8,217) | 21,807 |
| Weighted average number of ordinary shares in issue (in thousands) | 256,909 | 251,859 ⁽¹⁾ |
| Basic (LPS)/ EPS (RMB cents) | (3.20) | 8.66 |
| Weighted average number of ordinary shares in issue on fully diluted basis (in thousands) | 256,909 ⁽³⁾ | 301,859 ⁽²⁾ |
| Fully diluted (LPS)/ EPS (RMB cents) | (3.20) | 7.22 |

Notes:

- (1) Adjusted for the issuance of 25,250,000 new ordinary shares from the completion of compliance placement on 18 April 2016 (“**Compliance Placement**”) and the issuance of 500,000 new ordinary shares upon the exercise of 500,000 warrants (“**Warrants Conversion**”).
- (2) Adjusted for the Compliance Placement, Warrants Conversion and the remaining 50,000,000 outstanding warrants fully exercised and converted into 50,000,000 new ordinary shares.
- (3) 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 2017 (Unaudited) | 31 March 2017 (Audited) | 30 June 2017 (Unaudited) | 31 March 2017 (Audited) |
| NAV (RMB’000) | 358,273 | 366,490 | 811,979 | 814,136 |
| Number of ordinary shares in issue (in thousands) | 256,909 | 256,909 | 256,909 | 256,909 |
| NAV per ordinary share (RMB) | 1.39 | 1.43 | 3.16 | 3.17 |

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 2017 ("1Q2018") as compared to the three months ended 30 June 2016 ("1Q2017").

Consolidated Statement of Comprehensive Income

Revenue and gross profit

There was no revenue and gross profit for 1Q2018 as the Group's Zilaohu factory has yet to commence production following the local government's general directive to tighten the pollution control requirements (the "Factory Production Halt"). The commercial production could only commence after the completion of Lian Cheng County's centralized waste water treatment facility. (Please refer to Paragraph 10 of the Group's unaudited financial statements for the financial year ended 31 March 2017 for further details on the said closure).

Marketing and distribution costs

Marketing and distribution costs decreased by RMB17.8 million or 97.8% primarily due to decrease in sales promotional expenses of RMB4.2 million, advertisement costs of RMB5.8 million, sales personnel salaries and bonuses of RMB1.3 million and delivery charges of RMB6.5 million. The decrease in marketing and distribution costs was due to the Factory Production Halt.

Administrative expenses

Administrative expenses increased by RMB1.6 million or 24.1% as compared with 1Q2017 mainly due to increases in depreciation of property, plant and equipment of RMB0.3 million and administrative staff salaries of RMB0.8 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 2017 and 31 March 2017.

Non-current assets

The decrease in property, plant and equipment of RMB1.1 million was mainly due to the depreciation of property, plant and equipment during the financial period.

Other assets (non-current) of RMB64.1 million mainly consists of advance payments of RMB63.0 million in relation to a 5-year supply contract of sweet potatoes for a total consideration of RMB107.0 million. (Please refer to Paragraph 8 of the Group's unaudited financial statements for the financial year ended 31 March 2017 for further details on the said advance payments). The remaining balance of the consideration of RMB44.0 million was settled in July 2017.

Current assets

Trade and other receivables decreased by RMB4.7 million as compared with RMB14.9 million as at 31 March 2017 due to collections. There were also no new trade receivables recorded in 1Q2018 as a result of the Factory Production Halt.

Current liabilities

Trade and other payables decreased by RMB5.7 million as compared with RMB19.6 million as at 31 March 2017. The reduced purchase of raw materials was in tandem with zero sales in 1Q2018 as a result of the Factory Production Halt.

Other financial liabilities increased by RMB1.0 million mainly due to the increase in loan from a shareholder. The loan from the shareholder is unsecured, interest free and repayable on demand.

Consolidated Statement of Cash Flows

Net cash used in operating activities of RMB7.7 million in 1Q2018 as compared to net cash from operating activities of RMB6.0 million in 1Q2017 was mainly due to the loss incurred in 1Q2018.

Net cash used in investing activities of RMB0.7 million in 1Q2018 as compared to net cash used in investing activities of RMB15.8 million in 1Q2017 was mainly due to the absence of purchase of property, plant and equipment of RMB15.9 million in 1Q2017, partially offset by the payment of RMB0.8 million being property tax and stamp duty relating to the land use rights of Zixin factory in 1Q2018.

Net cash from financing activities of RMB0.8 million in 1Q2018 as compared to net cash from financing activities of RMB27.6 million in 1Q2017 was mainly due to the absence of the proceeds from issuance of new shares and warrants of RMB27.9 million in 1Q2017, partially offset by the proceeds of loan from a shareholder of RMB1.0 million in 1Q2018.

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

The Group's unaudited Q12018 results presented herein are in line with the commentary given in Paragraph 10 of the Group's FY2017 results previously announced on 30 May 2017.

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 Group's Zilaohu factory has yet to commence production following the local government's general directive to tighten the pollution control requirements. The commercial production could only commence after the completion of Lian Cheng County's centralized waste water treatment facility. The independent contractor who has been awarded the construction project by the Lian Cheng County Government, has started ground preparation in late July 2017 and has represented that the waste water treatment plant would be completed by the end of third quarter of 2017.

Notwithstanding the above, as the construction of the centralized waste water treatment plant is being handled by the said third party independent contractor, the Company cautions that it has no control over the construction progress of the waste water treatment plant. As such, there is no assurance and certainty that the plant would be completed by the third quarter of 2017 based on the scheduled timeline provided by the said third party independent contractor.

Meanwhile, the Group has started the necessary preparatory works to commence its operations as soon as the waste water treatment plant is ready for operation.

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 1Q2018.

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 Company raised S\$165,000 from the conversion of warrants (“**Warrant Proceeds**”). The status on the use of Warrant Proceeds is as follows:

| <u>Use of Warrant Proceeds</u> | Maximum Amount to be allocated (S\$’000) | Amount Raised (S\$’000) | Amount utilised (S\$’000) | Balance (S\$’000) |
|---|---|--|--|------------------------------|
| Expansion of production capacity including the purchase of plant, machinery and equipment for the new factory and office building of Fujian Zixin | 14,665 | - | - | - |
| General working capital | 2,000 | 165 | - | 165 |
| Total | 16,665⁽¹⁾ | 165 | - | 165 |

Note:

- (1) Based on the maximum proceeds arising from the fully exercised and conversion of the 50,500,000 outstanding warrants at an exercise price of S\$0.33.

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 1Q2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
31 July 2017

*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)