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 31 December 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			Group		
	Three Months Ended			Nine Months Ended		
	31 December 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000	Change %	31 December 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000	Change %
Revenue	113,300	92,264	22.8	287,683	109,790	162.0
Cost of sales	(82,626)	(67,066)	23.2	(205,834)	(80,258)	156.5
Gross profit	30,674	25,198	21.7	81,849	29,532	177.2
Interest income	956	649	47.3	2,238	2,022	10.7
Other income	213	-	100.0	672	-	100.0
Marketing and distribution costs	(7,928)	(7,978)	(0.6)	(13,937)	(10,863)	28.3
Administrative expenses	(8,733)	(9,483)	(7.9)	(26,334)	(24,563)	7.2
Other operating expenses	(84)	-	100.0	(474)	(170)	178.8
Finance costs	(365)	(351)	4.0	(972)	(768)	26.6
Profit/(Loss) before income tax	14,733	8,035	83.4	43,042	(4,810)	(994.8)
Income tax expense	(2,942)	-	100.0	(9,159)	-	100.0
Profit/(Loss) for the period, net of tax	11,791	8,035	46.7	33,883	(4,810)	(804.4)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	7	57	(87.7)	357	66	440.9
Total comprehensive income/(loss) for the period	11,798	8,092	45.8	34,240	(4,744)	(821.8)

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 31 December 2018 (Unaudited) RMB'000	Group Three Months Ended 31 December 2017 (Unaudited) RMB'000	Group Nine Months Ended 31 December 2018 (Unaudited) RMB'000	Group Nine Months Ended 31 December 2017 (Unaudited) RMB'000
Amortisation of intangible assets	878	878	2,635	2,634
Depreciation of property, plant and equipment	2,656	1,187	7,560	3,622
Interest expense	365	351	972	768
Interest income	(956)	(649)	(2,238)	(2,022)
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	
	31 December 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000	31 December 2018 (Unaudited) RMB'000	31 March 2018 (Audited) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	117,004	111,285	-	-
Intangible assets	37,359	39,994	-	-
Investment in subsidiaries	-	-	803,636	803,636
Other receivables, non-current	-	6,051	-	-
Other assets, non-current	163,709	81,938	-	-
Deferred tax assets	7,162	7,162	-	-
Total non-current assets	325,234	246,430	803,636	803,636
Current assets				
Inventories	4,135	1,720	-	-
Trade and other receivables	38,767	45,792	16,015	12,259
Other assets, current	31,763	29,059	14	193
Cash and cash equivalents	124,197	126,578	3,556	200
Total current assets	198,862	203,149	19,585	12,652
Total assets	524,096	449,579	823,221	816,288
EQUITY AND LIABILITIES				
Equity				
Share capital	130,362	113,154	829,786	812,578
Retained earnings/(accumulated losses)	254,637	224,599	(58,034)	(52,945)
Other reserves	45,499	41,297	46,926	45,876
Total equity	430,498	379,050	818,678	805,509
Non-current liability				
Deferred tax liability	451	451	-	-
Total non-current liability	451	451	-	-
Current liabilities				
Income tax payable	2,942	1,397	-	-
Trade and other payables	68,181	46,181	2,019	6,079
Other financial liabilities	22,024	22,500	2,524	4,700
Total current liabilities	93,147	70,078	4,543	10,779
Total liabilities	93,598	70,529	4,543	10,779
Total equity and liabilities	524,096	449,579	823,221	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 31 December 2018 (Unaudited)		As at 31 March 2018 (Audited)	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
9,000	13,024	9,800	12,700

Amount repayable after one year

As at 31 December 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 RMB 9,000,000 (31 March 2018: RMB 9,800,000) is secured by (i) mortgages of a leasehold building and land use rights of a Group's subsidiary; (ii) corporate guarantee given by its holding company and; (iii) guarantee 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		Group	
	Three Months Ended		Nine Months Ended	
	31 December 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000	31 December 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000
Cash flows from operating activities				
Profit/(Loss) before income tax	14,733	8,035	43,042	(4,810)
Interest income	(956)	(649)	(2,238)	(2,022)
Interest expense	365	351	972	768
Depreciation of property, plant and equipment	2,656	1,187	7,560	3,622
Property, plant and equipment written-off	-	-	59	-
Amortisation of intangible assets	878	878	2,635	2,634
Exchange differences on translating functional to presentation currency	7	57	357	66
Operating cash flow before changes in working capital	17,683	9,859	52,387	258
Inventories	(640)	(2,286)	(2,415)	(2,502)
Trade and other receivables	10,236	(21,567)	14,773	(29,855)
Other assets	(25,679)	11,010	(22,005)	13,238
Trade and other payables	27,695	14,604	22,000	19,215
Net cash flows from operations	29,295	11,620	64,740	354
Income tax paid	(4,390)	-	(7,614)	-
Net cash flows from operating activities	24,905	11,620	57,126	354
Cash flows from investing activities				
Purchase of property, plant and equipment	(5,194)	(919)	(13,338)	(1,628)
Advance payment for supplies of sweet potatoes	(43,865)	-	(46,500)	(67,882)
Payment for soil improvement project	(8,969)	-	(8,969)	-
Payment for land lease	(7,001)	-	(7,001)	-
Payment for property tax and stamp duty of land use rights	-	-	-	(821)
Interest income received	108	51	541	233
Net cash flows used in investing activities	(64,921)	(868)	(75,267)	(70,098)
Cash flows from financing activities				
Proceeds from new bank loans	11,525	9,800	20,525	16,300
Repayment of bank loans	(9,800)	(9,800)	(16,300)	(12,800)
Proceeds from issuance of new shares	-	-	14,196	-
Proceeds of loan from director and shareholder	-	3,130	-	4,200
Repayment of loan to director and shareholder	-	-	(1,689)	-
Increase in pledged fixed deposits	(12)	-	(2,524)	-
Interest expense paid	(365)	(327)	(972)	(744)
Net cash flows from financing activities	1,348	2,803	13,236	6,956
Net change in cash and cash equivalents	(38,668)	13,555	(4,905)	(62,788)
Cash and cash equivalents at beginning of financial period	160,341	68,755	126,578	145,098
Cash and cash equivalents at end of financial period (Note A)	121,673	82,310	121,673	82,310

Note A: Cash and cash equivalents at end of financial period comprise:		
Cash and bank balances	121,673	47,310
Fixed deposits	2,524	35,000
	124,197	82,310
Less: Fixed deposits pledged for bank facility	(2,524)	-
Cash and cash equivalents	121,673	82,310

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 October 2018	130,362	41,647	246,691	418,700
Total comprehensive income for the period				
Profit for the period	-	-	11,791	11,791
Other comprehensive income	-	7	-	7
Total comprehensive income for the period	-	7	11,791	11,798
Transactions with owners, recognised directly in equity				
Transferred from retained earnings	-	3,845	(3,845)	-
Total transactions with owners	-	3,845	(3,845)	-
Balance as at 31 December 2018	130,362	45,499	254,637	430,498
Balance at 1 October 2017	113,154	40,057	200,443	353,654
Total comprehensive income for the period				
Profit for the period	-	57	8,035	8,092
Total comprehensive income for the period	-	57	8,035	8,092
Transactions with owners, recognised directly in equity				
Transferred from retained earnings	-	356	(356)	-
Total transactions with owners	-	356	(356)	-
Balance as at 31 December 2017	113,154	40,470	208,122	361,746

Company

	Share capital (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Accumulated losses (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance at 1 October 2018	829,786	46,830	(56,567)	820,049
Total comprehensive loss for the period				
Loss for the period	-	-	(1,467)	(1,467)
Total comprehensive income	-	96	-	96
Total comprehensive loss for the period	-	96	(1,467)	(1,371)
Balance as at 31 December 2018	829,786	46,926	(58,034)	818,678
Balance at 1 October 2017	812,578	46,027	(48,936)	809,669
Total comprehensive loss for the period				
Loss for the period	-	34	(1,981)	(1,947)
Balance as at 31 December 2017	812,578	46,061	(50,917)	807,722

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 30 September 2018 to 31 December 2018.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 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 31 December 2018 and 31 December 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 31 December 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 31 December 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		Nine Months Ended	
Earnings/(Loss) per share ("EPS" or "LPS")	**31 December 2018 (Unaudited)**	**31 December 2017 (Unaudited)**	**31 December 2018 (Unaudited)**	**31 December 2017 (Unaudited)**
Profit/(Loss) for the period (RMB'000)	11,791	8,035	33,883	(4,810)
Weighted average number of ordinary shares in issue (in thousands)	296,909	256,909	296,909	256,909
Basic EPS/(LPS) (RMB cents)	3.97	3.13	11.41	(1.87)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	296,909[(1)]	256,909[(2)]	296,909[(1)]	256,909[(2)]
Fully diluted EPS/(LPS) (RMB cents)	3.97	3.13	11.41	(1.87)

Notes:

(1) There is no dilutive effect as the warrants had 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 3Q2018.

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

	Group		Company	
Net asset value ("NAV")	**31 December 2018 (Unaudited)**	**31 March 2018 (Audited)**	**31 December 2018 (Unaudited)**	**31 March 2018 (Audited)**
NAV (RMB'000)	430,498	379,050	818,678	805,509
Number of ordinary shares in issue (in thousands)	296,909	256,909	296,909	256,909
NAV per ordinary share (RMB)	1.45	1.48	2.76	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 31 December 2018 ("3Q2019") as compared to the three months ended 31 December 2017 ("3Q2018").

Consolidated Statement of Comprehensive Income

Revenue

The increase in revenue of approximately RMB 21.0 million or 22.8% was mainly attributable to the increase in sales from candies and crisps as a result of better market penetration from the increased effort in higher in-house production volume.

Gross profit

Gross profit increased by approximately RMB 5.4 million or 21.7% on the back of the increase in revenue.

Gross profit margin slightly decreased from 27.1% in 3Q2019 to 27.3% in 3Q2018 mainly attributable to the sales mix in the product categories which commanded different profit margins.

Interest income

Interest income increased by approximately RMB 0.3 million mainly due to unwinding amount of the finance income which arose from the discounting of five annual repayments for the transfer of leased farmland by the Group to a sweet potatoes supplier.

Other income

Other income of RMB 0.2 million in 3Q2019 was derived from rental income generated from an old factory.

Administrative expenses

Administrative expenses decreased by RMB 0.75 million or 7.9% mainly due to decrease in ad-hoc research and development costs for new products.

Income tax expense

Income tax expense increased by 100.0% to RMB 2.9 million in 3Q2019. This was due to improved profits of the Group in the period under review when compared to losses in 3Q2018.

Consolidated Statement of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 31 December 2018 and 31 March 2018.

Non-current assets

The increase in property, plant and equipment of RMB 5.7 million was mainly due to addition in construction work in progress for R&D laboratory, vacuum fryer and production facilities. There was also addition in new production equipment. The increase was partially offset by the depreciation of property, plant and equipment during the financial period.

Intangible assets reduced by RMB 2.6 million from RMB 40.0 million as at FY2018 to RMB 37.4 million as at 3Q2019 was due to the amortisation in the period under review.

Other assets (non-current) of RMB 163.7 million mainly comprise advance payment of the three 5-year supply contracts of sweet potatoes.

Current assets

Inventories increased by RMB 2.4 million from RMB 1.7 million as at FY2018 to RMB 4.1 million as at 3Q2019 due to (i) stocking of direct materials following the Production Resumption; (ii) finished goods awaiting delivery.

Trade and other receivables decreased by RMB 7.0 million from RMB 45.8 million as at FY2018 to RMB 38.8 million as at 3Q2019 was mainly due to (i) decrease in trade receivables as a result of successful collections from few major customers; (ii) offset by the increase in trade receivables; (iii) offset by the increase in other receivables related to a second advance payment to a supplier of sweet potatoes.

Other assets under current assets increased by RMB 2.7 million from RMB 29.1 million as at FY2018 to RMB 31.8 million as at 3Q2019 was mainly due to (i) recognition of cost of sales upon the delivery of sweet potato from contracted suppliers; (ii) amortisation of prepaid research and development expenses.

Current liabilities

Trade and other payables increased by RMB 22.0 million or 47.6% from RMB 46.2 million as at FY2018 to RMB 68.2 million as at 3Q2019, mainly due to (i) settlement of trade payables; (ii) settlement of other payables for Singapore office operations; (iii) offset by the operating costs accrual in the period under review.

Income tax payable increased by RMB 1.5 million from RMB 1.4 million as at FY2018 to RMB 2.9 million as at 3Q2019, which was in line with the increase in income tax expenses as a result of improved profits of the Group in the period under review.

Consolidated Statement of Cash Flows

Net cash generated from operating activities was RMB 24.9 million in 3Q2019, mainly due to the profit before income tax, adjustments for PPE depreciation and changes in working capital.

Net cash used in investing activities was RMB 64.9 million mainly due to increase in advance payment for supplies of sweet potatoes, acquisition of property, plant and equipment, payment for land improvement project and payment for land lease.

Net cash from financing activities was RMB 1.3 million, mainly due to the net increase in bank borrowings by subsidiary in China in 3Q2019.

As a result of the above, the Group's net decrease in cash and cash equivalents during 3Q2019 was RMB 38.7 million, stood at RMB 121.7 million as at 31 December 2018.

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.

The operations of the Group has stabilized since the factory has resumed operations. Net profit has also improved in this quarter as there was lesser sub-contracting production supply and effective cost control measures in the quarter under review. As previously disclosed, the Group had, in September 2018, renewed a supply contract with an existing supplier which allowed for another 5 years supply of raw sweet potato from 2,000 mu of cultivated land. Further to this, the Group has to date secured raw sweet potato supply amounting to 7,600 mu, and the Group might continue to acquire new plantations.

Barring any unforeseen circumstances, the Group remains optimistic about the business outlook for the sweet potato snack food industry in China despite increased competition. The Group continues to position itself for the growth from (i) product varieties arising from continuing investment in research and development; (ii) production capacity expansion to meet the growing demand in PRC for sweet potato snack food; and (iii) sales channel expansion through greater advertising and sales promotional activities.

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 and the reason(s) for the decision.

No dividend has been declared or recommended for 3Q2019 in view of the Group's current capital commitment plan.

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 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:

Item	**Amount (S$)**
Net Proceeds	2,586,000
Less:	
Working capital (Corporate office expenses)	(1,893,000)
	693,000
Fixed deposit pledged for bank facility	(500,000)
Balance	193,000

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 3Q2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
14 February 2019

*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 Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)