CHINA STAR FOOD GROUP LIMITED (formerly known as Brooke Asia Limited)
(Incorporated in the Republic of Singapore)
(Company Registration No. 200718683N)

Unaudited Financial Statements and Dividend Announcement
For the Three Months Ended 30 June 2016

*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.

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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**") which primarily engaged in the production and sale of sweet potato snack food products in the People's Republic of China. 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.

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.

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 three months ended 30 June 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 and 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 and 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 three months ended 30 June 2016 ("**1Q2017**") refer to the enlarged group which included the results of the CSFH Group from 1 April 2016 to 30 June 2016 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 1 April 2016 to 30 June 2016.

(ii) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the three months ended 30 June 2015 ("**1Q2016**") refer to the results of the CSFH Group from 1 April 2015 to 30 June 2015.

(iii) The Group's consolidated statement of financial position as at 30 June 2016 and 31 March 2016 refers to the enlarged group which consists of the assets and liabilities of the CSFH Group and China Star Food Group Limited (formerly known as Brooke Asia Limited) as at 30 June 2016 and 31 March 2016.

(iv) The Company's statement of financial position as at 30 June 2016 and 31 March 2016 and the statement of changes in equity for the three months period ended 30 June 2016 and 31 March 2016 refer to that of China Star Food Group Limited (formerly known as Brooke Asia Limited).

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 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000	Change %
Revenue	123,512	114,508	7.9
Cost of sales	(69,048)	(64,792)	6.6
Gross profit	54,464	49,716	9.6
Other gains	-	1,464	n.m.
Interest income	895	1,117	(19.9)
Other income	1	-	n.m.
Marketing and distribution costs	(18,219)	(10,664)	70.8
Administrative expenses	(6,656)	(3,656)	82.1
Finance costs	(215)	(288)	(25.3)
Other operating expenses	(760)	-	n.m.
Other losses	(99)	-	n.m.
Profit before income tax	29,411	37,689	(22.0)
Income tax expense	(7,604)	(10,258)	(25.9)
Profit for the period, net of tax	21,807	27,431	(20.5)
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Foreign currency translation differences, net of tax	34	349	(90.3)
Total comprehensive income for the period	21,841	27,780	(21.4)

n.m. – not meaningful

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

Profit for the financial period is stated after charging/(crediting) the following:	Group	
	Three Months Ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Amortisation of intangible assets	738	664
Depreciation of property, plant and equipment	842	534
Foreign exchange gain, net	(4)	(126)
Interest expense	215	288
Interest income	(895)	(1,117)
Gain on transfer of leased farmland	-	(1,464)
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 2016 (Unaudited) RMB'000	31 March 2016 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 March 2016 (Audited) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	108,151	93,187	-	-
Intangible assets	45,446	46,184	-	-
Other receivables, non-current	15,887	15,887	-	-
Other assets, non-current	506	560	-	-
Investment in subsidiaries	-	-	827,939	803,636
Total non-current assets	169,990	155,818	827,939	803,636
Current assets				
Inventories	11,758	6,521	-	-
Trade and other receivables	24,536	25,822	12,213	-
Other assets, current	28,423	15,911	-	-
Cash and cash equivalents	201,947	184,122	5,745	1
Total current assets	266,664	232,376	17,958	1
Total assets	436,654	388,194	845,897	803,637
EQUITY AND LIABILITIES				
Equity				
Share capital	113,154	88,109	812,578	787,533
Retained earnings / (accumulated losses)	224,757	202,950	(38,899)	(37,188)
Other reserves	28,874	26,024	70,518	42,948
Total equity	366,785	317,083	844,197	793,293
Non-current liability				
Deferred tax liability	474	362	-	-
Total non-current liability	474	362	-	-
Current liabilities				
Income tax payable	6,118	7,226	-	-
Trade and other payables	48,082	48,963	1,700	10,344
Other financial liabilities	13,000	13,000	-	-
Other liabilities	2,195	1,560	-	-
Total current liabilities	69,395	70,749	1,700	10,344
Total liabilities	69,869	71,111	1,700	10,344
Total equity and liabilities	436,654	388,194	845,897	803,637

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 2016 (Unaudited)		As at 31 March 2016 (Audited)	
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

As at 30 June 2016 (Unaudited)		As at 31 March 2016 (Audited)	
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	
	Three months Ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	RMB´000	RMB´000
Cash flows from operating activities		
Profit before income tax	29,411	37,689
Interest income	(895)	(1,117)
Interest expense	215	288
Depreciation of property, plant and equipment	842	534
Property, plant and equipment written-off	99	-
Amortisation of intangible assets	738	664
Gain on transfer of leased farmland	-	(1,464)
Exchange differences on translating functional to presentation currency	34	378
Operating cash flows before changes in working capital	**30,444**	**36,972**
Inventories	(5,237)	(466)
Trade and other receivables	2,031	1,105
Other assets	(12,458)	(155)
Trade and other payables	(818)	(2,987)
Other liabilities	635	(779)
Net cash flows from operations	14,597	33,690
Income taxes paid	(8,601)	(11,220)
Net cash flows from operating activities	**5,996**	**22,470**
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,905)	(9,289)
Repayment of loan from directors	-	(15,064)
Interest income received	150	106
Net cash flows used in investing activities	(15,755)	(24,247)
Cash flows from financing activities		
Proceed of convertible loan	-	8,927
Proceed of issuance of shares and free warrants	27,051	-
Proceed of conversion of warrants	810	-
Proceed of loan from a director	-	1,131
Repayment of loan from a director	(62)	-
Interest expense paid	(215)	(288)
Net cash flows from financing activities	27,584	9,770
Net change in cash and cash equivalents	17,825	7,993
Cash and cash equivalents at beginning of financial period	184,122	121,209
Cash and cash equivalents at end of the financial period	201,947	129,202

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 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
Balance at 1 April 2015	5	11,439	200,983	212,427
Total comprehensive income	-	349	27,431	27,780
Issuance of new shares	24,363	-	-	24,363
Balance as at 30 June 2015	24,368	11,788	228,414	264,570

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 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
Balance as at 1 April 2015	28,834	-	(3,609)	25,225
Total comprehensive loss	-	-	(2,995)	(2,995)
Effect of change in functional currency	-	(19)	(3,402)	(3,421)
Balance as at 30 June 2015	28,834	(19)	(10,006)	18,809

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

	Number of issued shares	Issued and paid-up share capital (RMB'000)
Balance as at 31 March 2016	231,159,000	787,533
Issuance of compliance placement shares	25,250,000	24,978
Conversion of warrants	500,000	810
Expenses on issuance of new shares	-	(743)
Balance as at 30 June 2016	**256,909,000**	**812,578**

On 18 April 2016, the Company completed a compliance placement exercise to issue 25,250,000 new ordinary shares with 50,500,000 free warrants.

During 1Q2017, 500,000 warrants were converted into 500,000 new ordinary shares.

Save for the above, there were no changes in the issued share capital of the Company since 31 March 2016 to 30 June 2016.

There were 50,000,000 warrants outstanding as at 30 June 2016 (30 June 2015: Nil), each warrant carries with the right to subscribe for one new share at the exercise price of S$0.33.

Save for the above, the Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2016 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 June 2016	As at 31 March 2016
Total number of issued shares	256,909,000	231,159,000

The Company did not have any treasury shares as at 30 June 2016 and 31 March 2016.

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 consolidated financial statements for the financial year ended 31 March 2016 as set out in the Company's annual report 2016.

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 Singapore Financial Reporting Standards ("**FRS**") 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 2016. 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	
Earnings per share ("EPS")	**30 June 2016 (Unaudited)**	**30 June 2015 (Unaudited)**
Profit for the period (RMB'000)	21,807	27,431
Weighted average number of ordinary shares in issue (in thousands)	251,859[(1)]	210,000[(2)]
Basic EPS (RMB cents)	8.66	13.06
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	301,859 [(3)]	210,000 [(4)]
Fully diluted EPS (RMB cents)	7.22	13.06

Notes:

(1) The weighted average number of ordinary shares used for the calculation of basic earnings per share has been 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) The weighted average number of ordinary shares used for the calculation of basic earnings per share has been adjusted for share consolidation exercise completed on 22 December 2015.

(3) The weighted average number of ordinary shares used for the calculation of fully diluted earnings per share has been 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.

(4) The weighted average number of ordinary shares in issue on basic and fully diluted basis were the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2015.

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 2016 (Unaudited)	31 March 2016 (Audited)	30 June 2016 (Unaudited)	31 March 2016 (Audited)
NAV (RMB'000)	366,785	317,083	844,197	793,293
Number of ordinary shares in issue (in thousands)	256,909	231,159	256,909	231,159
NAV per ordinary share (RMB cents)	142.77	137.17	328.60	343.18

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 2016 ("1Q2017") as compared to the three months ended 30 June 2015 ("1Q2016").

Consolidated Statement of Comprehensive Income

Revenue

The increase in revenue of approximately RMB9.0 million or 7.9% was mainly attributable to the increase in sales from candies and baked goods as a result of better market penetration from the increased effort in advertising and sales promotional events.

Gross profit

Gross profit increased by approximately RMB4.7 million or 9.6% on the back of the increase in revenue.

Gross profit margin improved from 43.4% in 1Q2016 to 44.1% in 1Q2017 mainly attributable to the sales mix in the product categories which commanded higher profit margins.

Other gains

There were no other gains in 1Q2017 mainly due to the absence of gain on transfer of leased farmland of RMB1.5 million in 1Q2016. Please refer to the Company's circular to shareholders dated 26 June 2015 for further details of the transfer of leased farmland arrangement.

Interest income

Interest income decreased by approximately RMB0.2 million due mainly to lower unwinding amount of the finance income amounting to RMB0.8 million (1Q2016 : RMB1.1 million) which arose from the discounting of five annual repayments for the transfer of leased farmland by the Group to a sweet potatoes supplier in April 2015. Please refer to the Company's circular to shareholders dated 26 June 2015 for further details of the transfer of leased farmland arrangement.

Marketing and distribution costs

Marketing and distribution costs increased by RMB7.6 million or 70.8% primarily due to increase in sales promotional expenses (RMB4.2 million), advertisement costs (RMB2.3 million) and sales personnel salaries and bonuses (RMB0.9 million). The increase in marketing and distribution costs was in line with the Group's marketing strategy in continuing to create brand awareness and expand sales channels and market penetration.

Administrative expenses

Administrative expenses increased by RMB3.0 million or 82.1% mainly due to increase in depreciation of property, plant and equipment (RMB0.4 million), director's remuneration (RMB0.3 million), directors' fees (RMB0.3 million), consultancy fees (RMB0.3 million), certification expenses (RMB0.2 million), listing and service expenses (RMB0.2 million), research and development costs (RMB0.2 million), amortisation of intangible assets (RMB0.1 million), and audit fees (RMB0.2 million). The increase in amortisation of intangible assets and depreciation of property, plant and equipment was due to the recognition of intangible assets from the transfer of leased farmland arrangement (please refer to the Company's circular to shareholders dated 26 June 2015 for further details of the transfer of leased farmland arrangement) and purchase of new production equipment respectively.

Finance costs

The decrease in finance costs of RMB73,000 or 25.3% was mainly due to lower interest rate on bank loans in 1Q2017.

Other operating expenses

Other operating expenses in 1Q2017 consisted of charitable donations of RMB0.8 million to local schools and flood aid.

Other losses

Other losses of RMB99,000 in 1Q2017 consisted of property, plant and equipment written-off arising from the obsolescence of property, plant and equipment.

Income tax expense

Income tax expense comprised income tax expense and deferred income tax of RMB7.5 million and RMB0.1 million respectively. The decrease in income tax expense of approximately RMB2.7 million or 25.9% was due to lower profit from operation in 1Q2017.

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 2016 and 31 March 2016.

Non-current assets

The increase in property, plant and equipment of RMB15.0 million mainly arose from the purchase of new production equipment and construction work-in-progress for the new factory and office building in Liancheng County, People's Republic of China ("**PRC**"), which was partially offset by the depreciation of property, plant and equipment and written-off of property, plant and equipment.

Intangible assets decreased by RMB0.7 million mainly due to the amortisation of the intangible assets.

Other receivables (non-current) of RMB15.9 million relate to the receivables arising from the transfer of leased farmland (please refer to the Company's circular to shareholders dated 26 June 2015 for further details of the transfer of leased farmland arrangement).

The decrease in other assets (non-current) of RMB54,000 was mainly due to amortisation of deferred expenses relating to the factory's landscaping works.

Current assets

Inventories increased by RMB5.2 million were mainly due to higher level of raw materials arising from bulk purchase of auxiliary materials, packaging materials and additives to enjoy preferential discounts from suppliers.

Trade and other receivables decreased by RMB1.3 million mainly due to a decrease in trade receivables of RMB1.1 million as a result of prompt payments from customers.

Other assets (current) increased by RMB12.5 million due to (i) an increase of RMB10.2 million in prepaid expenses for advertisement costs, publicity expenses and renovation costs; and (ii) an advance payment of RMB2.3 million to a supplier for purchase of production equipment.

Non-current liability

Deferred tax liability relates to withholding tax on current period distributable earnings of one of the PRC subsidiaries. Dividends declared by a PRC subsidiary to its foreign investors are subject to withholding tax in the PRC.

Current liabilities

Income tax payable as at 30 June 2016 consisted of the income tax payable for 1Q2017 as the income tax is payable on a quarterly basis. As at 30 June 2016, income tax payable has decreased

by RMB1.1 million mainly due to lower profit from operation when compared to the previous corresponding period.

Trade and other payables decreased by RMB0.8 million mainly due to the settlement of trade payables of RMB3.5 million, partially offset by an increase in other payables of RMB2.7 million relating to advertisement costs and purchase of plant and machinery.

Other liabilities increased by RMB0.6 million were mainly due to the increase in advances for sales orders placed by the customers.

Consolidated Statement of Cash Flows

Net cash from operating activities of RMB6.0 million in 1Q2017 as compared to net cash from operating activities of RMB22.5 million in 1Q2016 was mainly due to (i) lower profit recorded in 1Q2017; and (ii) increase in payments for inventories, prepaid expenses and settlement of payables. This was partially offset by the prompt payments from customers and receipt of advance payments from customers.

Net cash used in investing activities of RMB15.8 million in 1Q2017 as compared to net cash used in investing activities of RMB24.2 million in 1Q2016 was mainly due to the absence of repayment of RMB15.1 million due to a director for the acquisition of a subsidiary in 1Q2016. This was partially offset by an increase in purchase of property, plant and equipment (including construction-in-progress) in 1Q2017.

Net cash from financing activities of RMB27.6 million in 1Q2017 as compared to net cash from financing activities of RMB9.7 million in 1Q2016 was mainly due to proceed from issuance of new shares and proceed from conversion of warrants in 1Q2017.

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 to shareholders dated on 26 June 2015, it was stated that the new factory to be 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.

However, 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 the local occupants. This is beneficial to the Group as such cost outlay would then be borne by the local government and the Group can save on the cost of building its own waste water treatment facilities.

The Group has commenced partial trial production in the new factory, and expects full production to commence only after completion of the centralised waste water treatment facilities by the local government. The construction of the centralised waste water treatment facilities is still ongoing as at to-date and is expected to be completed by end of calendar year 2016.

The delay in commencement of full 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 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 sale and promotional activities. 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 1Q2017.

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.

14. Use of proceeds

The Company refers to the net proceeds ("**Net Proceeds**") amounting to S$4.16 million raised from the Compliance Placement (as defined in the Company's announcement dated 13 April 2016).

As at the date of this announcement, the status on the use of the Net Proceeds is as follows:

Use of Net Proceeds	**Amount allocated (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	1,335	(1,335)	-
General working capital[(1)]	2,825	(1,577)	1,248
Total	4,160	(2,912)	1,248

Note:

(1) Mainly used for payment of advertisement costs and purchase of raw materials.

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:

Use of Warrant Proceeds	**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 1Q2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
1 August 2016