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 September 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 and six months ended 30 September 2015 have been presented as a continuation of the CSFH Group's financial results and operations.

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

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

Consolidated financial statements prepared following the RTO shall reflect the fair values of the assets 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 six months ended 30 September 2016 ("**6M2017**") refer to the enlarged group which included the results of the CSFH Group from 1 April 2016 to 30 September 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 September 2016.

(ii) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six months ended 30 September 2015 ("**6M2016**") refer to the enlarged group which included the results of the CSFH Group from 1 April 2015 to 30 September 2015 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 23 September 2015 to 30 September 2015.

(iii) 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 September 2016 ("**2Q2017**") refer to the enlarged group which included the results of the CSFH Group from 1 July 2016 to 30 September 2016 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 1 July 2016 to 30 September 2016.

(iv) 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 September 2015 ("**2Q2016**") refer to the results of the CSFH Group from 1 July 2015 to 30 September 2015 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 23 September 2015 to 30 September 2015.

(v) The Group's consolidated statement of financial position as at 30 September 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 September 2016 and 31 March 2016.

(vi) The Company's statement of financial position as at 30 September 2016 and 31 March 2016 and the statement of changes in equity for 2Q2017 and 2Q2016 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			Group		
	Three Months Ended			Six Months Ended		
	30 September 2016 (Unaudited) RMB'000	30 September 2015 (Unaudited) RMB'000	Change %	30 September 2016 (Unaudited) RMB'000	30 September 2015 (Unaudited) RMB'000	Change %
Revenue	120,723	106,591	13.3	244,235	221,099	10.5
Cost of sales	(65,910)	(57,916)	13.8	(134,958)	(122,708)	10.0
Gross profit	54,813	48,675	12.6	109,277	98,391	11.1
Other gains	-	-	-	-	1,464	n.m.
Interest income	894	1,126	(20.6)	1,789	2,243	20.2
Other income	-	246	n.m.	1	246	n.m.
Marketing and distribution costs	(21,601)	(10,642)	103.0	(39,820)	(21,306)	86.9
Administrative expenses	(8,846)	(7,889)	12.1	(15,502)	(11,545)	34.3
Finance costs	(218)	(290)	(24.8)	(433)	(578)	(25.1)
Other operating expenses	(1,500)	(401)	274.1	(2,260)	(401)	463.6
Other losses	-	(2,814)	n.m.	(99)	(2,814)	(96.5)
Other expenses	-	(70,554)	n.m.	-	(70,554)	n.m.
Profit /(loss) before income tax	23,542	(42,543)	n.m.	52,953	(4,854)	n.m.
Income tax expense	(6,474)	(7,758)	(16.6)	(14,078)	(18,016)	(21.9)
Profit /(loss) for the period, net of tax	17,068	(50,301)	n.m.	38,875	(22,870)	n.m.
Other comprehensive (loss)/income						
Items that will or may be reclassified subsequently to profit or loss						
Foreign currency translation differences, net of tax	(19)	80	n.m.	15	429	(96.5)
Total comprehensive income/(loss) for the period	17,049	(50,221)	n.m.	38,890	(22,441)	n.m.

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 September 2016 (Unaudited) RMB'000	Group Three Months Ended 30 September 2015 (Unaudited) RMB'000	Group Six Months Ended 30 September 2016 (Unaudited) RMB'000	Group Six Months Ended 30 September 2015 (Unaudited) RMB'000
Amortisation of intangible assets	737	665	1,475	1,329
Depreciation of property, plant and equipment	904	892	1,746	1,426
Foreign exchange gain, net	(383)	-	(387)	(126)
Interest expense	218	290	433	578
Interest income	(894)	(1,126)	(1,789)	(2,243)
Gain on transfer of leased farmland	-	-	-	(1,464)
Property, plant and equipment written off	-	2,814	99	2,814
Other expenses				
Goodwill written-off	-	36,660	-	36,660
RTO expenses	-	33,894	-	33,894

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

	Group		Company	
	30 September 2016 (Unaudited) RMB'000	31 March 2016 (Audited) RMB'000	30 September 2016 (Unaudited) RMB'000	31 March 2016 (Audited) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	112,353	93,187	-	-
Intangible assets	44,709	46,184	-	-
Other receivables, non-current	15,887	15,887	-	-
Other assets, non-current	451	560	-	-
Investment in subsidiaries	-	-	821,263	803,636
Total non-current assets	173,400	155,818	821,263	803,636
Current assets				
Inventories	10,887	6,521	-	-
Trade and other receivables	29,189	25,822	12,291	-
Other assets, current	20,545	15,911	49	-
Cash and cash equivalents	233,274	184,122	2,941	1
Total current assets	293,895	232,376	15,281	1
Total assets	467,295	388,194	836,544	803,637
EQUITY AND LIABILITIES				
Equity				
Share capital	113,154	88,109	812,578	787,533
Retained earnings / (accumulated losses)	241,825	202,950	(40,608)	(37,188)
Other reserves	28,855	26,024	63,726	42,948
Total equity	383,834	317,083	835,696	793,293
Non-current liability				
Deferred tax liability	566	362	-	-
Total non-current liability	566	362	-	-
Current liabilities				
Income tax payable	5,393	7,226	-	-
Trade and other payables	60,607	48,963	848	10,344
Other financial liabilities	13,000	13,000	-	-
Other liabilities	3,895	1,560	-	-
Total current liabilities	82,895	70,749	848	10,344
Total liabilities	83,461	71,111	848	10,344
Total equity and liabilities	467,295	388,194	836,544	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 September 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 September 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		Group	
	Three months Ended		Six months Ended	
	30 September 2016 (Unaudited) RMB´000	30 September 2015 (Unaudited) RMB´000	30 September 2016 (Unaudited) RMB´000	30 September 2015 (Unaudited) RMB´000
Cash flows from operating activities				
Profit/(loss) before income tax	23,542	(42,543)	52,953	(4,854)
Interest income	(894)	(1,126)	(1,789)	(2,243)
Interest expense	218	290	433	578
Depreciation of property, plant and equipment	904	892	1,746	1,426
Property, plant and equipment written-off	-	2,814	99	2,814
Amortisation of intangible assets	737	665	1,475	1,329
Gain on transfer of leased farmland	-	-	-	(1,464)
Goodwill written-off	-	36,660	-	36,660
RTO professional fees paid in shares	-	28,064	-	28,064
Exchange differences on translating functional to presentation currency	(19)	78	15	456
Operating cash flows before changes in working capital	**24,488**	**25,794**	**54,932**	**62,766**
Inventories	871	(455)	(4,366)	(921)
Trade and other receivables	(3,908)	(2,124)	(1,877)	(1,019)
Other assets	7,933	10,976	(4,525)	10,821
Trade and other payables	12,524	6,561	11,706	3,574
Other liabilities	1,700	8,123	2,335	7,344
Net cash flows from operations	43,608	48,875	58,205	82,565
Income taxes paid	(7,106)	(9,119)	(15,707)	(20,339)
Net cash flows from operating activities	**36,502**	**39,756**	**42,498**	**62,226**
Cash flows from investing activities				
Purchase of property, plant and equipment	(5,106)	(6,531)	(21,011)	(15,820)
Acquisition of intangible assets	-	(119)	-	(119)
Cash inflow from RTO	-	1	-	1
Repayment of loan from directors	-	-	-	(15,064)
Interest income received	149	116	299	222
Net cash flows used in investing activities	(4,957)	(6,533)	(20,712)	(30,780)
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 new bank loan	3,000	3,000	3,000	3,000
Repayment of bank loan	(3,000)	(3,000)	(3,000)	(3,000)
Proceed of loan from a director	-	-	-	1,131
Repayment of loan from a director	-	-	(62)	-
Interest expense paid	(218)	(290)	(433)	(578)
Net cash flows (used in)/from financing activities	(218)	(290)	27,366	9,480

Net change in cash and cash equivalents	31,327	32,933	49,152	40,926
Cash and cash equivalents at beginning of financial period	201,947	129,202	184,122	121,209
Cash and cash equivalents at end of the financial period	233,274	162,135	233,274	162,135

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 July 2016	113,154	28,874	224,757	366,785
Total comprehensive income	-	(19)	17,068	17,049
Balance as at 30 September 2016	113,154	28,855	241,825	383,834
Balance at 1 July 2015	24,368	11,788	228,414	264,570
Total comprehensive income	-	80	(50,301)	(50,221)
Issuance of consideration shares pursuant to the RTO	36,660	-	-	36,660
RTO professional fees paid in shares	28,064	-	-	28,064
Expenses on issuance of new shares	(983)	-	-	(983)
Balance as at 30 September 2015	88,109	11,868	178,113	278,090

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 July 2016	812,578	70,518	(38,899)	844,197
Total comprehensive loss	-	(6,792)	(1,709)	(8,501)
Balance as at 30 September 2016	812,578	63,726	(40,608)	835,696
Balance as at 1 July 2015	28,834	(19)	(10,006)	18,809
Total comprehensive loss	-	(12,386)	(36,375)	(48,761)
Capital reduction	(28,834)	-	12,195	(16,639)
Issuance of consideration shares pursuant to the RTO	760,452	-	-	760,452
RTO professional fees paid in shares	28,064	-	-	28,064
Expenses on issuance of new shares	(983)	-	-	(983)
Balance as at 30 September 2015	787,533	(12,405)	(34,186)	740,942

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.

There were no changes in the issued share capital of the Company since 30 June 2016 to 30 September 2016.

There were 50,000,000 warrants outstanding as at 30 September 2016 (30 September 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 September 2016 and 30 September 2015.

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

	As at 30 September 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 September 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		Six Months Ended	
Earnings/(Loss) per share ("EPS" or "LPS")	**30 September 2016 (Unaudited)**	**30 September 2015 (Unaudited)**	**30 September 2016 (Unaudited)**	**30 September 2015 (Unaudited)**
Profit/(Loss) for the period (RMB'000)	17,068	(50,301)	38,875	(22,870)
Weighted average number of ordinary shares in issue (in thousands)	254,412[(1)]	210,930[(2)]	254,412[(1)]	210,930[(2)]
Basic EPS/(LPS) (RMB cents)	6.71	(23.85)	15.28	(10.84)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	304,412[(3)]	210,930[(4)]	304,412[(3)]	210,930[(4)]
Fully diluted EPS/(LPS) (RMB cents)	5.61	(23.85)	12.77	(10.84)

Notes:

(1) The weighted average number of ordinary shares used for the calculation of basic EPS or LPS 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 EPS or LPS 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 EPS or LPS 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 September 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 September 2016 (Unaudited)	31 March 2016 (Audited)	30 September 2016 (Unaudited)	31 March 2016 (Audited)
NAV (RMB'000)	383,834	317,083	835,696	793,293
Number of ordinary shares in issue (in thousands)	256,909	231,159	256,909	231,159
NAV per ordinary share (RMB cents)	149.40	137.17	325.29	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 September 2016 ("2Q2017") as compared to the three months ended 30 September 2015 ("2Q2016").

Consolidated Statement of Comprehensive Income

Revenue

The increase in revenue of approximately RMB14.1 million or 13.3% was mainly attributable to the increase in sales from candies and crisps as a result of better market penetration from the increased effort in advertising and sales promotional events.

Gross profit

Gross profit increased by approximately RMB6.1 million or 12.6% on the back of the increase in revenue.

Gross profit margin slightly decreased from 45.7% in 2Q2016 to 45.4% in 2Q2017 mainly attributable to the sales mix in the product categories which commanded different profit margins.

Interest income

Interest income decreased by approximately RMB0.2 million mainly due to lower unwinding amount of the finance income amounting to RMB0.8 million (2Q2016 : RMB1.0 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 RMB11.0 million or 103.0% primarily due to increase in advertisement costs (RMB6.0 million), sales promotional expenses (RMB4.1 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, expand sales channels and market penetration.

Administrative expenses

Administrative expenses increased by RMB1.0 million or 12.1% mainly due to increase in retrenchment fees (RMB2.5 million) paid to sweet potatoes peeling workers, director's remuneration (RMB0.4 million), water & electricity (RMB0.4 million), directors' fees (RMB0.3 million), administrative staff salaries (RMB0.3 million), consultancy fees (RMB0.3 million) and amortisation of intangible assets (RMB0.1 million), partially offset by the decrease in research and development costs (RMB3.5 million). The increase in amortisation of intangible assets was due to higher amortisation of intangible assets from the transfer of leased farmland arrangement in 2Q2017 (RMB0.7 million) compared to 2Q2016 (RMB0.6 million). Depreciation of property, plant and equipment for 2Q2017 and 2Q2016 remained constant at RMB0.5 million.

Finance costs

The decrease in finance costs of RMB72,000 or 24.8% was mainly due to lower interest rate on bank loans in 2Q2017.

Other operating expenses

The increase in other operating expenses of RMB1.1 million or 274.1% was due to a charitable donation of RMB1.5 million for typhoon aid.

Other losses

Other losses of RMB2.8 million in 2Q2016 consisted of property, plant and equipment written-off arising from the obsolescence of property, plant and equipment. There was no such write-off in 2Q2017.

Other expenses

Other expenses of RMB70.6 million in 2Q2016 comprised goodwill written off and RTO expenses of RMB36.7 million and RMB33.9 million respectively. These non-operating expenses were non-recurring in nature.

Income tax expense

Income tax expense comprised income tax expense and deferred income tax of RMB6.4 million and RMB0.1 million respectively. The decrease in income tax expense of approximately RMB1.3 million or 16.6% was due to lower profit subjected to income tax in 2Q2017.

Consolidated Statement of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 September 2016 and 31 March 2016.

Non-current assets

The increase in property, plant and equipment of RMB19.2 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 write-off of property, plant and equipment.

Intangible assets decreased by RMB1.5 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 RMB0.1 million was mainly due to amortisation of deferred expenses relating to the factory's landscaping works.

Current assets

Inventories increased by RMB4.4 million were mainly due to (i) higher level of raw materials arising from bulk purchase of auxiliary materials, coals and consumables to enjoy preferential discounts from suppliers; (ii) higher level of finished goods due to more orders placed from customers.

Trade and other receivables increased by RMB3.4 million mainly due to (i) increase in trade receivables of RMB2.8 million as a result of higher revenue in 2Q2017 and (ii) increase in other receivables of RMB0.6 million mainly 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).

Other assets (current) increased by RMB4.6 million due to the increase in prepaid expenses for advertisement costs (RMB1.6 million), renovation costs (RMB2.4 million) and pest control expenses (RMB0.6 million).

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 September 2016 consisted of the income tax payable for 2Q2017 as the income tax is payable on a quarterly basis. As at 30 September 2016, income tax payable has decreased by RMB1.8 million mainly due to lower profit subjected to income tax as compared to the previous corresponding period.

Trade and other payables increased by RMB11.6 million mainly due to the increase in trade payables of RMB15.5 million arising from the purchase of the sweet potatoes from the leased farmland, partially offset by the decrease in other payables of RMB3.8 million as a result of settlement of RTO professional fees.

Other liabilities increased by RMB2.3 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 RMB36.5 million in 2Q2017 as compared to net cash from operating activities of RMB39.8 million in 2Q2016 was mainly due to (i) lower profit before changes in working capital recorded in 2Q2017; and (ii) increase in amount due from customers, increase in prepaid expenses and decrease in receipt of advance payments from customers. This was partially offset by decrease in payments for inventories and settlement of payables.

Net cash used in investing activities of RMB5.0 million in 2Q2017 as compared to net cash used in investing activities of RMB6.5 million in 2Q2016 was mainly due to the decrease in purchase of property, plant and equipment (including construction-in-progress) in 2Q2017.

Net cash used in financing activities of RMB0.2 million in 2Q2017 as compared to net cash used in financing activities of RMB0.3 million in 2Q2016 was mainly due to lower interest expense paid in 2Q2017.

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 sales promotional activities. The Group also aims to tap into overseas export markets in FY2018.

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 2Q2017.

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 other IPT of S$100,000 and above (or equivalent) for the current financial period reported on.

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	(2,521)	304
Total	4,160	(3,856)	304

Note:

(1) Mainly used for payment of advertisement costs, purchase of raw materials and Singapore office operating expenses.

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 2Q2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
7 November 2016