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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2016 ("**9M2017**") refer to the enlarged group which included the results of the CSFH Group from 1 April 2016 to 31 December 2016 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 1 April 2016 to 31 December 2016.

(ii) The Group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the nine months ended 31 December 2015 ("**9M2016**") refer to the enlarged group which included the results of the CSFH Group from 1 April 2015 to 31 December 2015 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 23 September 2015 to 31 December 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 31 December 2016 ("**3Q2017**") refer to the enlarged group which included the results of the CSFH Group from 1 October 2016 to 31 December 2016 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 1 October 2016 to 31 December 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 31 December 2015 ("**3Q2016**") refer to the results of the CSFH Group from 1 October 2015 to 31 December 2015 and the results of China Star Food Group Limited (formerly known as Brooke Asia Limited) for the period from 1 October 2015 to 31 December 2015.

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

(vi) The Company's statement of financial position as at 31 December 2016 and 31 March 2016 and the statement of changes in equity for 3Q2017 and 3Q2016 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			Nine Months Ended		
	31 December 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000	Change %	31 December 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000	Change %
Revenue	122,575	131,438	(6.7)	359,817	352,537	2.1
Cost of sales	(68,600)	(73,277)	(6.4)	(199,614)	(195,985)	1.9
Gross profit	53,975	58,161	(7.2)	160,203	156,552	2.3
Other gains	-	-	-	-	1,464	n.m.
Interest income	1,639	1,141	43.7	3,428	3,384	1.3
Other income	-	-	-	1	246	n.m.
Marketing and distribution costs	(32,924)	(17,401)	89.2	(69,695)	(38,707)	80.1
Administrative expenses	(6,966)	(19,436)	(64.2)	(22,468)	(30,981)	(27.5)
Finance costs	(150)	(230)	(34.8)	(583)	(808)	(27.8)
Other operating expenses	-	-	-	(2,260)	(401)	463.6
Other losses	-	-	-	(99)	(2,814)	(96.5)
Other expenses	-	-	-	-	(70,554)	n.m.
Profit before income tax	15,574	22,235	(30.0)	68,527	17,381	294.3
Income tax expense	(3,450)	(5,320)	(35.2)	(17,528)	(23,336)	(24.9)
Profit /(loss) for the period, net of tax	12,124	16,915	(28.3)	50,999	(5,955)	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	(21)	(112)	(81.3)	(6)	317	n.m.
Total comprehensive income/(loss) for the period	12,103	16,803	(28.0)	50,993	(5,638)	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		Group	
	Three Months Ended		Nine Months Ended	
	31 December 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000
Amortisation of intangible assets	738	664	2,213	1,993
Depreciation of property, plant and equipment	1,025	1,329	2,771	2,755
Foreign exchange loss/(gain), net	96	30	(291)	(96)
Interest expense	150	230	583	808
Interest income	(1,639)	(1,141)	(3,428)	(3,384)
Gain on transfer of leased farmland	-	-	-	(1,464)
Property, plant and equipment written off	-	-	99	2,814
Other expenses				
Goodwill written-off	-	-	-	36,660
RTO expenses	-	-	-	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	
	31 December 2016 (Unaudited) RMB'000	31 March 2016 (Audited) RMB'000	31 December 2016 (Unaudited) RMB'000	31 March 2016 (Audited) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	114,071	93,187	-	-
Intangible assets	43,971	46,184	-	-
Other receivables, non-current	15,887	15,887	-	-
Other assets, non-current	64,230	560	-	-
Investment in subsidiaries	-	-	806,382	803,636
Total non-current assets	238,159	155,818	806,382	803,636
Current assets				
Inventories	13,182	6,521	-	-
Trade and other receivables	68,972	25,822	12,240	-
Other assets, current	25,272	15,911	144	-
Cash and cash equivalents	123,810	184,122	1,091	1
Total current assets	231,236	232,376	13,475	1
Total assets	469,395	388,194	819,857	803,637
EQUITY AND LIABILITIES				
Equity				
Share capital	113,154	88,109	812,578	787,533
Retained earnings / (accumulated losses)	241,790	202,950	(42,391)	(37,188)
Other reserves	40,993	26,024	48,600	42,948
Total equity	395,937	317,083	818,787	793,293
Non-current liability				
Deferred tax liability	574	362	-	-
Total non-current liability	574	362	-	-
Current liabilities				
Income tax payable	2,451	7,226	-	-
Trade and other payables	54,641	48,963	1,070	10,344
Other financial liabilities	12,800	13,000	-	-
Other liabilities	2,992	1,560	-	-
Total current liabilities	72,884	70,749	1,070	10,344
Total liabilities	73,458	71,111	1,070	10,344
Total equity and liabilities	469,395	388,194	819,857	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 31 December 2016 (Unaudited)		As at 31 March 2016 (Audited)	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
9,800	3,000	10,000	3,000

Amount repayable after one year

As at 31 December 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 RMB9,800,000 is secured by mortgages of a leasehold building and land use rights of the Group, and guaranteed by one of the Company's directors and his spouse.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Cash Flows

	Group		Group	
	Three months Ended		Nine months Ended	
	31 December 2016 (Unaudited) RMB´000	31 December 2015 (Unaudited) RMB´000	31 December 2016 (Unaudited) RMB´000	31 December 2015 (Unaudited) RMB´000
Cash flows from operating activities				
Profit before income tax	15,574	22,235	68,527	17,381
Interest income	(1,639)	(1,141)	(3,428)	(3,384)
Interest expense	150	230	583	808
Depreciation of property, plant and equipment	1,025	1,329	2,771	2,755
Property, plant and equipment written-off	-	-	99	2,814
Amortisation of intangible assets	738	664	2,213	1,993
Gain on transfer of leased farmland	-	-	-	(1,464)
Goodwill written-off	-	-	-	36,660
RTO professional fees paid in shares	-	-	-	28,064
Exchange differences on translating functional to presentation currency	(21)	(111)	(6)	345
Operating cash flows before changes in working capital	**15,827**	**23,206**	**70,759**	**85,972**
Inventories	(2,295)	(2,408)	(6,661)	(3,329)
Trade and other receivables	(38,293)	(2,966)	(40,170)	(3,985)
Other assets	(4,673)	(8,162)	(9,198)	2,659
Trade and other payables	(5,966)	12,570	5,740	16,144
Other liabilities	(903)	(4,468)	1,432	2,876
Net cash flows (used in)/from operations	(36,303)	17,772	21,902	100,337
Income taxes paid	(6,383)	(7,232)	(22,090)	(27,571)
Net cash flows (used in)/from operating activities	**(42,686)**	**10,540**	**(188)**	**72,766**
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,744)	(1,863)	(23,755)	(17,683)
Acquisition of intangible assets	-	-	-	(119)
Cash inflow from RTO	-	-	-	1
Repayment of loan from directors	-	-	-	(15,064)
Advance pre-payments for leasing of farmland	(63,833)	-	(63,833)	-
Interest income received	149	130	448	352
Net cash flows used in investing activities	(66,428)	(1,733)	(87,140)	(32,513)
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	9,800	-	12,800	3,000
Repayment of bank loan	(10,000)	-	(13,000)	(3,000)
Proceed of loan from a director	-	-	-	1,131
Repayment of loan from a director	-	-	(62)	-
Interest expense paid	(150)	(230)	(583)	(808)

Net cash flows (used in)/from financing activities	(350)	(230)	27,016	9,250
Net change in cash and cash equivalents	(109,464)	8,577	(60,312)	49,503
Cash and cash equivalents at beginning of financial period	233,274	162,135	184,122	121,209
Cash and cash equivalents at end of the financial period	123,810	170,712	123,810	170,712

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 2016	113,154	28,855	241,825	383,834
Total comprehensive income	-	(21)	12,124	12,103
Transfer to other reserves	-	12,159	(12,159)	-
Balance as at 31 December 2016	113,154	40,993	241,790	395,937
Balance at 1 October 2015	88,109	11,868	178,113	278,090
Total comprehensive income	-	(112)	16,915	16,803
Transfer to other reserves	-	14,688	(14,688)	-
Balance as at 31 December 2015	88,109	26,444	180,340	294,893

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 2016	812,578	63,726	(40,608)	835,696
Total comprehensive loss	-	(15,126)	(1,783)	(16,909)
Balance as at 31 December 2016	812,578	48,600	(42,391)	818,787
Balance at 1 October 2015	787,533	(12,405)	(34,186)	740,942
Total comprehensive income/(loss)	-	22,754	(911)	21,843
Balance as at 31 December 2015	787,533	10,349	(35,097)	762,785

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 September 2016 to 31 December 2016.

There were 50,000,000 warrants outstanding as at 31 December 2016 (31 December 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 31 December 2016 and 31 December 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 31 December 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 31 December 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		Nine Months Ended	
Earnings/(Loss) per share ("EPS" or "LPS")	**31 December 2016 (Unaudited)**	**31 December 2015 (Unaudited)**	**31 December 2016 (Unaudited)**	**31 December 2015 (Unaudited)**
Profit/(Loss) for the period (RMB'000)	12,124	16,915	50,999	(5,955)
Weighted average number of ordinary shares in issue (in thousands)	256,909	210,930[1]	255,250[2]	210,930[1]
Basic EPS/(LPS) (RMB cents)	4.72	8.02	19.98	(2.82)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	306,909[4]	210,930[3]	305,250[4]	210,930[3]
Fully diluted EPS/(LPS) (RMB cents)	3.95	8.02	16.71	(2.82)

Notes:

(1) Adjusted for share consolidation exercise completed on 22 December 2015.

(2) 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**").

(3) 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 31 December 2015.

(4) 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.

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	
	31 December 2016 (Unaudited)	31 March 2016 (Audited)	31 December 2016 (Unaudited)	31 March 2016 (Audited)
NAV (RMB'000)	395,937	317,083	818,787	793,293
Number of ordinary shares in issue (in thousands)	256,909	231,159	256,909	231,159
NAV per ordinary share (RMB)	1.54	1.37	3.19	3.43

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 2016 ("3Q2017") as compared to the three months ended 31 December 2015 ("3Q2016").

Consolidated Statement of Comprehensive Income

Revenue

The decrease in revenue of approximately RMB8.9 million or 6.7% was mainly attributable to the decrease in sales from baked goods, pastries and roasted sweet potato nuts as a result of stiffer competition and current weaker consumer market conditions in the PRC.

Gross profit

Gross profit decreased by approximately RMB4.2 million or 7.2% on the back of the decrease in revenue.

Gross profit margin decreased slightly from 44.2% in 3Q2016 to 44.0% in 3Q2017 mainly attributable to the sales mix in the product categories which commanded different profit margins.

Interest income

Interest income increased by approximately RMB0.5 million mainly due to higher unwinding amount of the finance income amounting to RMB1.4 million (3Q2016 : 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 page C-46 of Company's circular to shareholders dated 26 June 2015 and page 105 of the FY2016 Annual Report for further details of the transfer of leased farmland arrangement.

Marketing and distribution costs

Marketing and distribution costs increased by RMB15.5 million or 89.2% primarily due to increase in sales promotional expenses (RMB11.3 million) and advertisement costs (RMB6.7 million). This was partially offset by the decrease in sales personnel salaries and bonuses (RMB1.8 million) and publicity expenses (RMB0.9 million). The increase in marketing and distribution costs was in line with the Group's marketing strategy to continue increasing brand awareness to retain market share in light of the current weaker economic environment and stiffer competition.

Administrative expenses

Administrative expenses decreased by RMB12.5 million or 64.2% mainly due to decrease in ad-hoc research and development costs for new products (RMB14.1 million).

Income tax expense

Income tax expense comprised income tax expense and deferred income tax of RMB3.4 million and RMB0.1 million respectively. The decrease in income tax expense of approximately RMB1.9 million or 35.2% was due to lower profit from operations.

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 2016 and 31 March 2016.

Non-current assets

The increase in property, plant and equipment of RMB20.8 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**"). This is in line with the scheduled commissioning of the new factory, which will house the entire Group's production going forward.

The increase in other assets (non-current) of RMB63.7 million was mainly due to advance pre-payments made in relation to on-going negotiations to secure the use of up to 8000 mu of farmland from local cooperatives for the planting of sweet potatoes for a 15-year period. This is an expansion of the Group's current strategy to better control of our supply, pricing and quality of fresh sweet potatoes. As in the past, the cultivation of sweet potatoes on these farmlands will be undertaken by the local agricultural cooperatives that are more experienced and have dedicated resources in managing the cultivation of sweet potatoes. Please refer to paragraph 10 for a further discussion on the Group's strategy going forward.

Current assets

Inventories increased by RMB6.7 million were mainly due to (i) higher level of raw materials arising from bulk purchase of auxiliary materials and fresh sweet potatoes to enjoy preferential discounts from suppliers; (ii) higher level of finished goods due to more orders placed from customers to be delivered in January 2017.

Trade and other receivables increased by RMB43.2 million mainly due an increase in trade receivables of RMB45.0 million. This was a result of a strategic review by the Group to extend longer credit terms to its key customers with good past credit standing, from an average of 45 days to 60 or 90 days depending of customer. Such longer credit terms are normally required for major customers and are in line with standard market norms. Despite the increase in trade debtors, all the debts are still within the credit terms.

Other assets (current) increased by RMB9.4 million due to the increase in prepaid expenses for advertisement costs (RMB7.0 million), renovation costs (RMB2.1 million) and pest control expenses (RMB0.3 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. Deferred tax liability has increased by RMB.2 million mainly due to recognition of current financial period's deferred tax expense.

Current liabilities

Income tax payable as at 31 December 2016 consists of income tax payable for 3Q2017 as the income tax is payable on a quarterly basis. As at 31 December 2016, income tax payable has decreased by RMB4.8 million mainly due to lower profit subjected to income tax as compared to the previous corresponding period.

Trade and other payables increased by RMB5.7 million mainly due to the increase in trade payables of RMB8.9 million arising from the purchase of sweet potatoes from the leased farmland, partially offset by the decrease in other payables of RMB3.2 million as a result of settlement of RTO professional fees.

Other reserves

Other reserves increased by RMB15.0 million due to (i) increase in statutory common reserve of RMB12.2 million as a result of transfer from net profit after tax during the period; (ii) increase in warrant reserve of RMB2.8 million arising from the issuance of warrants.

Consolidated Statement of Cash Flows

Net cash used in operating activities of RMB42.7 million in 3Q2017 as compared to net cash from operating activities of RMB10.5 million in 3Q2016 was mainly due to (i) lower profit before changes in working capital recorded in 3Q2017; and (ii) increase in amount due from customers and prompt settlement of payables. This was partially offset by the decrease in prepaid expenses and increase in receipt of advance payments from customers in 3Q2017.

Net cash used in investing activities of RMB66.4 million in 3Q2017 as compared to net cash used in investing activities of RMB1.7 million in 3Q2016 was mainly due to the advance pre-payments to secure the use of farmland and increase in purchase of property, plant and equipment (including construction-in-progress) in 3Q2017.

Net cash used in financing activities of RMB0.4 million in 3Q2017 as compared to net cash used in financing activities of RMB0.2 million in 3Q2016 was mainly due to higher net repayment of bank borrowing in 3Q2017.

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

The Group had submitted all the papers necessary to support the application for permits to allow the new factory by Fujian Zilaohu on a 13,910 sqm plot of land in Liancheng Industrial Park, Food Processing Area, to commence operations (Liancheng Plant). It expects to receive approval from the authorities by the end of March 2017.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Operations

The Group has made plans for the relocation of all production operations from its existing two plants to the new Liancheng Plant once the approvals set out in paragraph 9 above had been obtained.

During the Chinese New Year period, the Group received a local government general directive requiring sweet potato factories within the county that doesn't meet pollution control requirements to halt production. It is understood that this directive is due to the increased awareness in the need to reduce environmental pollution, to which the government of the People's Republic of China has implemented a series of rules & regulation and begin enforcing them rigorously.

The Group's production in its current factories affected by the general directive had already been halted for the Chinese New year holidays. In light of the general directive, the Group has decided not to restart production but accelerate the relocation of all production operations to the new Liancheng Plant, which meets the pollution control requirements set out in the general directive.

In view of the above, it is envisaged that the production volume in the fourth quarter of FY2017 will be heavily impacted, which will in turn affect the Group's sales due to the lack of finished products for sale. However, given that the effect of this general directive is industry wide, management believes that it will benefit the Group in the long run as many smaller competitors may not be able to meet the stringent requirements and continue operations going forward and the Group will be able to continue production in a more sustainable manner.

Outlook

Despite the current stiff competition and current weak consumer market environment, the Group remains optimistic about the mid to long term business outlook for the sweet potato snack food industry.

As such, the Group has increased its efforts in advertising, sales and promotions to retain and hopefully increase in its market share in the lifestyle food snack industry.

The Group is also taking steps to secure a long term steady supply of its raw material, namely fresh sweet potatoes and in this respect, negotiations are close to finalisation for the Group to secure up to 8,000 mu of farmland dedicated to the cultivation and supply of sweet potatoes for the Group. With this, the Group's control of its required key raw material will increase from its current 10% to approximately 60%. An announcement will made to update shareholders once the agreements have been finalised.

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 3Q2017.

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	(2,825)	-
Total	4,160	(4,160)	-

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 3Q2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
13 February 2017