CHINA STAR FOOD GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200718683N)

Unaudited Financial Statements and Dividend Announcement
For the Three Months Ended 30 September 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	Three Months Ended			Six Months Ended		
	30 September 2017 (Unaudited) RMB'000	30 September 2016 (Unaudited) RMB'000	Change %	30 September 2017 (Unaudited) RMB'000	30 September 2016 (Unaudited) RMB'000	Change %
Revenue	17,526	120,723	(85.5)	17,526	244,235	(92.8)
Cost of sales	(13,192)	(65,910)	(80.0)	(13,192)	(134,958)	(90.2)
Gross profit	4,334	54,813	(92.1)	4,334	109,277	(96.0)
Interest income	670	894	(25.1)	1,373	1,789	(23.3)
Other income	-	-	n.m.	-	1	n.m.
Marketing and distribution costs	(2,477)	(21,601)	(88.5)	(2,885)	(39,820)	(92.8)
Administrative expenses	(6,818)	(8,846)	(22.9)	(15,080)	(15,502)	(2.7)
Finance costs	(217)	(218)	(0.5)	(417)	(433)	(3.7)
Other operating expenses	(120)	(1,500)	(92.0)	(170)	(2,260)	(92.5)
Other losses	-	-	n.m.	-	(99)	n.m.
(Loss)/profit before income tax	(4,628)	23,542	(119.7)	(12,845)	52,953	(124.3)
Income tax expense	-	(6,474)	n.m.	-	(14,078)	n.m.
(Loss)/profit for the period, net of tax	(4,628)	17,068	(127.1)	(12,845)	38,875	(133.0)
Other comprehensive income/(loss)						
Items that will or may be reclassified subsequently to profit or loss						
Foreign currency translation differences, net of tax	9	(19)	(147.4)	9	15	(40.0)
Total comprehensive (loss)/income for the period	(4,619)	17,049	(127.1)	(12,836)	38,890	(133.0)

n.m. – not meaningful

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

(Loss)/profit for the financial period is stated after charging/(crediting) the following:	Group		Group	
	Three Months Ended		Six Months Ended	
	30 September 2017 (Unaudited) RMB'000	30 September 2016 (Unaudited) RMB'000	30 September 2017 (Unaudited) RMB'000	30 September 2016 (Unaudited) RMB'000
Amortisation of intangible assets	879	737	1,756	1,475
Depreciation of property, plant and equipment	1,309	904	2,435	1,746
Foreign exchange gain, net	-	(383)	-	(387)
Interest expense	217	218	417	433
Interest income	(670)	(894)	(1,373)	(1,789)
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 September 2017 (Unaudited) RMB'000	31 March 2017 (Audited) RMB'000	30 September 2017 (Unaudited) RMB'000	31 March 2017 (Audited) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	104,287	106,013	-	-
Intangible assets	41,752	42,686	-	-
Investments in subsidiaries	-	-	803,636	803,636
Other receivables, non-current	11,312	11,312	-	-
Other assets, non-current	130,044	64,176	-	-
Total non-current assets	287,395	224,187	803,636	803,636
Current assets				
Inventories	216	-	-	-
Trade and other receivables	24,340	14,861	12,456	12,577
Other assets, current	15,633	15,848	146	148
Cash and cash equivalents	68,755	145,098	3	946
Total current assets	108,944	175,807	12,605	13,671
Total assets	396,339	399,994	816,241	817,307
EQUITY AND LIABILITIES				
Equity				
Share capital	113,154	113,154	812,578	812,578
Retained earnings / (accumulated losses)	200,443	213,288	(48,936)	(44,605)
Other reserves	40,057	40,048	46,027	46,163
Total equity	353,654	366,490	809,669	814,136
Non-current liability				
Deferred tax liability	451	451	-	-
Total non-current liability	451	451	-	-
Current liabilities				
Trade and other payables	24,223	19,612	4,861	2,530
Other financial liabilities	18,011	13,441	1,711	641
Total current liabilities	42,234	33,053	6,572	3,171
Total liabilities	42,685	33,504	6,572	3,171
Total equity and liabilities	396,339	399,994	816,241	817,307

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 September 2017 (Unaudited)		As at 31 March 2017 (Audited)	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
9,800	8,211	9,800	3,641

Amount repayable after one year

As at 30 September 2017 (Unaudited)		As at 31 March 2017 (Audited)	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

Details of any collateral

The bank loan of RMB9,800,000 (31 March 2017: 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		Six months Ended	
	30 September 2017 (Unaudited) RMB´000	30 September 2016 (Unaudited) RMB´000	30 September 2017 (Unaudited) RMB´000	30 September 2016 (Unaudited) RMB´000
Cash flows from operating activities				
(Loss)/profit before income tax	(4,628)	23,542	(12,845)	52,953
Interest income	(670)	(894)	(1,373)	(1,789)
Interest expense	217	218	417	433
Depreciation of property, plant and equipment	1,309	904	2,435	1,746
Property, plant and equipment written-off	-	-	-	99
Amortisation of intangible assets	879	737	1,756	1,475
Exchange differences on translating functional to presentation currency	9	(19)	9	15
Operating cash flows before changes in working capital	**(2,884)**	**24,488**	**(9,601)**	**54,932**
Inventories	(216)	871	(216)	(4,366)
Trade and other receivables	(13,545)	(3,908)	(8,288)	(1,877)
Other assets	2,810	7,933	2,228	(4,525)
Trade and other payables	10,301	12,524	4,611	11,706
Other liabilities	-	1,700	-	2,335
Net cash flows (used in)/from operations	(3,534)	43,608	(11,266)	58,205
Income taxes paid	-	(7,106)	-	(15,707)
Net cash flows (used in)/from operating activities	**(3,534)**	**36,502**	**(11,266)**	**42,498**
Cash flows from investing activities				
Purchase of property, plant and equipment	(709)	(5,106)	(709)	(21,011)
Advance payment for supplies of sweet potatoes	(67,882)	-	(67,882)	-
Payment for property tax and stamp duty of land use rights	-	-	(821)	-
Interest income received	75	149	182	299
Net cash flows used in investing activities	(68,516)	(4,957)	(69,230)	(20,712)
Cash flows from financing activities				
Proceeds from issuance of shares and free warrants	-	-	-	27,051
Proceeds from conversion of warrants	-	-	-	810
Proceeds of new bank loan	6,500	3,000	6,500	3,000
Repayment of bank loan	(3,000)	(3,000)	(3,000)	(3,000)
Proceeds of loan from a shareholder	(17)	-	978	-
Proceeds of loan from a director	92	-	92	-
Repayment of loan from a director	-	-	-	(62)
Interest expense paid	(217)	(218)	(417)	(433)
Net cash flows from/(used in) financing activities	3,358	(218)	4,153	27,366
Net change in cash and cash equivalents	(68,692)	31,327	(76,343)	49,152

Cash and cash equivalents at beginning of financial period	137,447	201,947	145,098	184,122
Cash and cash equivalents at end of the financial period	68,755	233,274	68,755	233,274

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 2017	113,154	40,048	205,071	358,273
Total comprehensive income/(loss)	-	9	(4,628)	(4,619)
Balance as at 30 September 2017	113,154	40,057	200,443	353,654
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

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 2017	812,578	46,149	(46,748)	811,979
Total comprehensive loss	-	(122)	(2,188)	(2,310)
Balance as at 30 September 2017	812,578	46,027	(48,936)	809,669
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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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

There were 50,000,000 warrants outstanding as at 30 September 2017 (30 September 2016: 50,000,000), each warrant carries with the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S$0.33.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 September 2017 and 30 September 2016. Accordingly, the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding was nil as at 30 September 2017 and 30 September 2016.

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

	As at 30 September 2017	As at 31 March 2017
Total number of issued shares	256,909,000	256,909,000

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

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's 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 in the most recently audited consolidated financial statements for the financial year ended 31 March 2017 as set out in the Company's annual report 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the applicable new and revised Financial Reporting Standards ("**FRS**") in Singapore and the related Interpretations to FRS ("**INT FRS**") that are relevant to its operation and effective for the accounting periods beginning on or after 1 April 2017. The adoption of these new and revised FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group			
	Three Months Ended		Six Months Ended	
Earnings/(Loss) per share ("EPS" or "LPS")	**30 September 2017 (Unaudited)**	**30 September 2016 (Unaudited)**	**30 September 2017 (Unaudited)**	**30 September 2016 (Unaudited)**
(Loss)/profit for the period (RMB'000)	(4,628)	17,068	(12,845)	38,875
Weighted average number of ordinary shares in issue (in thousands)	256,909	254,412[(1)]	256,909	254,412[(1)]
Basic (LPS)/EPS (RMB cents)	(1.80)	6.71	(5.00)	15.28
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	256,909[(3)]	304,412[(2)]	256,909[(3)]	304,412[(2)]
Fully diluted (LPS)/EPS (RMB cents)	(1.80)	5.61	(5.00)	12.77

Notes:

(1) Adjusted for the issuance of 25,250,000 new ordinary shares from the completion of compliance placement on 18 April 2016 ("**Compliance Placement**") and the issuance of 500,000 new ordinary shares upon the exercise of 500,000 warrants ("**Warrants Conversion**").

(2) Adjusted for the Compliance Placement, Warrants Conversion and the remaining 50,000,000 outstanding warrants fully exercised and converted into 50,000,000 new ordinary shares.

(3) There is no dilutive effect from the 50,000,000 outstanding warrants as the exercise price of the warrants is higher than the average market price of ordinary shares of the Company in 2Q2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the
(a) Current period reported on; and
(b) Immediately preceding financial year

	Group		Company	
Net asset value ("NAV")	**30 September 2017 (Unaudited)**	**31 March 2017 (Audited)**	**30 September 2017 (Unaudited)**	**31 March 2017 (Audited)**
NAV (RMB'000)	353,654	366,490	809,669	814,136
Number of ordinary shares in issue (in thousands)	256,909	256,909	256,909	256,909
NAV per ordinary share (RMB)	1.38	1.43	3.15	3.17

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the three months ended 30 September 2017 ("2Q2018") as compared to the three months ended 30 September 2016 ("2Q2017").

Consolidated Statement of Comprehensive Income

Revenue

Revenue and gross profit decreased by approximately RMB103.2 million or 85.5% and RMB50.5 million or 92.1% respectively from 2Q2017 as the Group's Zilaohu factory had only commenced its production in mid-September 2017 after a halt in the Group's production activities. Average group profit margin for the quarter decreased by 20 percentage points to 25% mainly as a result of (i) lower sale prices due to a change in channel management strategy which corresponds to lower outbound freight charges and market promotional expenses as the distributors have now absorbed such expenses for the Group (see further analysis in the "Marketing and Distribution costs" paragraph below); and (ii) higher cost of sales as the Group had subcontracted bulk of its production in the quarter under review so as to catch up on the loss of revenue while getting its Zilaohu plant into normal production.

Marketing and distribution costs

Marketing and distribution costs decreased by RMB19.1 million or 88.5% due primarily to decreases in sales promotional expenses of RMB4.1 million, advertisement costs of RMB7.4 million, sales personnel salaries and bonuses of RMB1.3 million and delivery charges of RMB6.1 million. Such decreases in marketing and distribution costs were mainly due to a change in the channel management strategy and minimal advertisement spending in the quarter under review.

Administrative expenses

Administrative expenses decreased by RMB2.0 million or 22.9% mainly due to a one-time retrenchment fees of RMB2.5 million previously paid to workers in 2Q2017, this was partially offset by the increase in depreciation of property, plant and equipment of RMB0.6 million in 2Q2018.

Other operating expenses

The decrease in other operating expenses of RMB1.4 million or 92.0% was due to a charitable donation of RMB1.5 million for typhoon aid paid 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 2017 and 31 March 2017.

Non-current assets

The decrease in property, plant and equipment of RMB1.7 million was mainly due to the depreciation of property, plant and equipment of RMB2.4 million, which was partially offset by the addition of new production equipment of RMB0.7 million for the new factory.

Other assets (non-current) of RMB130.0 million mainly comprise advance payments totalling RMB129.0 million in relation to three 5-year supply contracts of sweet potatoes.

The increase in other assets (non-current) of RMB65.9 million was mainly due to (i) the payment of RMB43.2 million, being balance payment for a 5-year supply of sweet potatoes pursuant to two supply contracts for the use of 4,300 mu of farm land for 15 years as previously announced in March 2017; and (ii) the full upfront payment of RMB24.6 million for a 5-year supply of sweet potatoes at discounted price pursuant to another supply contract for the use of 984 mu of farm land for 15 years. Consequently, the total farm land secured for key raw material supply to date is 7,284 mu.

Current assets

Trade and other receivables increased by RMB9.5 million mainly due to (i) increase in trade receivables of RMB5.5 million relating to September sale and (ii) increase in other receivables of RMB3.9 million mainly arose from a prepayment of RMB3.5 million to a supplier of sweet potatoes.

Current liabilities

Trade and other payables increased by RMB4.6 million mainly due to an increase in trade payables of RMB5.4 million for the purchase of the raw materials, partially offset by a decrease in other payables of RMB0.8 million.

Other financial liabilities increased by RMB4.6 million mainly due to an increase in bank loan of RMB3.5 million, loan from a shareholder of RMB1.0 million and loan from a director of RMB0.1 million.

Consolidated Statement of Cash Flows

Net cash used in operating activities was RMB3.5 million in 2Q2018 as compared to net cash from operating activities of RMB36.5 million in 2Q2017. The increase was mainly due to loss incurred in 2Q2018 as a result of production halt.

Net cash used in investing activities was RMB68.5 million in 2Q2018 as compared to RMB5.0 million in 2Q2017 mainly due to a final payment of RMB43.2 million was made against 2 sweet potatoes supply contracts signed in FY2017 and an advance payment of RMB24.6 million to a new sweet potatoes supplier. Additional investment in property, plant and equipment during 2Q2018 amounting to RMB0.7 million.

Net cash from financing activities was RMB3.4 million in 2Q2018 as compared to net cash used in financing activities of RMB0.2 million in 2Q2017 mainly due to a proceed from new bank loan of RMB3.5 million, renewal of existing bank loan of RMB3.0 million and loan from a director of RMB0.1 million in 2Q2018.

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

The Group's unaudited Q22018 results presented herein are in line with the commentary given in Paragraph 10 of the Group's FY2017 results previously announced on 30 May 2017.

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

Operations

The Group's Zilaohu factory has commenced production in mid-September 2017 following an arrangement made with the waste water treatment plant contractor/operator whom has now taken over the treatment and disposal of waste water generated by Zilaohu factory. The Group will also provide an update upon the completion of the waste water treatment plant in due course.

Outlook

The Group expects the Zilaohu factory will gradually achieve normal production in the next few months and is currently focusing on its revenue recovery action plan.

The Group has by now managed to secure the supply of sweet potato from 7,284 mu of farm land. Hence the Group's requirement for constant supply of key raw materials is secured for at least the next 5 years.

With the waste water treatment issue now behind us, the Group plans to devote its energy in the next twelve months in building its product brands, strengthening its channel management and increasing new products offering through ongoing R & D efforts to meet the everchanging taste of consumers for healthy snack food.

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 2Q2018.

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

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 2Q2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
13 November 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)