

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 2018****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL
YEAR RESULTS**

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

| | Group | | | Group | | |
|---|--------------------|----------------|----------------|------------------|-----------------|----------------|
| | Three Months Ended | | | Six Months Ended | | |
| | 30 September | 30 September | Change | 30 September | 30 September | Change |
| | 2018 | 2017 | | 2018 | 2017 | |
| (Unaudited) | (Unaudited) | % | (Unaudited) | (Unaudited) | % | |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Revenue | 91,870 | 17,526 | 424.2 | 174,383 | 17,526 | 895.0 |
| Cost of sales | (64,855) | (13,192) | 391.6 | (123,208) | (13,192) | 834.0 |
| Gross profit | 27,015 | 4,334 | 523.3 | 51,175 | 4,334 | 1,080.8 |
| Interest income | 658 | 670 | (1.8) | 1,282 | 1,373 | (6.6) |
| Other income | 215 | - | 100.0 | 459 | - | 100.0 |
| Marketing and distribution costs | (3,120) | (2,477) | 26.0 | (6,009) | (2,885) | 108.3 |
| Administrative expenses | (9,064) | (6,818) | 32.9 | (17,601) | (15,080) | 16.7 |
| Other operating expenses | - | (120) | (100.0) | (390) | (170) | 129.4 |
| Finance costs | (304) | (217) | 40.1 | (607) | (417) | 45.6 |
| Profit/(Loss) before income tax | 15,400 | (4,628) | (432.8) | 28,309 | (12,845) | (320.4) |
| Income tax expense | (4,389) | - | 100.0 | (6,217) | - | 100.0 |
| Profit/(Loss) for the period, net of tax | 11,011 | (4,628) | (337.9) | 22,092 | (12,845) | (272.0) |
| Other comprehensive income: | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange differences on translating foreign operations | 251 | 9 | 2,688.9 | 350 | 9 | 3,788.9 |
| Total comprehensive income/(loss) for the period | 11,262 | (4,619) | (343.8) | 22,442 | (12,836) | (274.8) |

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

| Profit/(Loss) for the financial period is stated after charging/(crediting) the following: | Group | | Group | |
|---|--------------------|--------------|------------------|--------------|
| | Three Months Ended | | Six Months Ended | |
| | 30 September | 30 September | 30 September | 30 September |
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Amortisation of intangible assets | 878 | 879 | 1,757 | 1,756 |
| Depreciation of property, plant and equipment | 2,636 | 1,309 | 4,904 | 2,435 |
| Interest expense | 304 | 217 | 607 | 417 |
| Interest income | (658) | (670) | (1,282) | (1,373) |
| Property, plant and equipment written off | - | - | 59 | - |

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

| | Group | | Company | |
|--|---|---------------------------------------|---|---------------------------------------|
| | 30 September 2018 (Unaudited) RMB'000 | 31 March 2018 (Audited) RMB'000 | 30 September 2018 (Unaudited) RMB'000 | 31 March 2018 (Audited) RMB'000 |
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 114,466 | 111,285 | - | - |
| Intangible assets | 38,237 | 39,994 | - | - |
| Investment in subsidiaries | - | - | 803,636 | 803,636 |
| Other receivables, non-current | 6,051 | 6,051 | - | - |
| Other assets, non-current | 81,830 | 81,938 | - | - |
| Deferred tax assets | 7,162 | 7,162 | - | - |
| Total non-current assets | 247,746 | 246,430 | 803,636 | 803,636 |
| <u>Current assets</u> | | | | |
| Inventories | 3,495 | 1,720 | - | - |
| Trade and other receivables | 44,740 | 45,792 | 13,364 | 12,259 |
| Other assets, current | 25,493 | 29,059 | 241 | 193 |
| Cash and cash equivalents | 162,853 | 126,578 | 5,243 | 200 |
| Total current assets | 236,581 | 203,149 | 18,848 | 12,652 |
| Total assets | 484,327 | 449,579 | 822,484 | 816,288 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity</u> | | | | |
| Share capital | 130,362 | 113,154 | 829,786 | 812,578 |
| Retained earnings/(accumulated losses) | 246,691 | 224,599 | (56,567) | (52,945) |
| Other reserves | 41,647 | 41,297 | 46,830 | 45,876 |
| Total equity | 418,700 | 379,050 | 820,049 | 805,509 |
| <u>Non-current liability</u> | | | | |
| Deferred tax liability | 451 | 451 | - | - |
| Total non-current liability | 451 | 451 | - | - |
| <u>Current liabilities</u> | | | | |
| Income tax payable | 4,390 | 1,397 | - | - |
| Trade and other payables | 40,486 | 46,181 | 2,435 | 6,079 |
| Other financial liabilities | 20,300 | 22,500 | - | 4,700 |
| Total current liabilities | 65,176 | 70,078 | 2,435 | 10,779 |
| Total liabilities | 65,627 | 70,529 | 2,435 | 10,779 |
| Total equity and liabilities | 484,327 | 449,579 | 822,484 | 816,288 |

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

Amount repayable in one year or less, or on demand

| As at 30 September 2018 (Unaudited) | | As at 31 March 2018 (Audited) | |
|--|----------------------|--|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| 9,800 | 10,500 | 9,800 | 12,700 |

Amount repayable after one year

| As at 30 September 2018 (Unaudited) | | As at 31 March 2018 (Audited) | |
|--|----------------------|--|----------------------|
| Secured RMB'000 | Unsecured RMB'000 | Secured RMB'000 | Unsecured RMB'000 |
| - | - | - | - |

Details of any collateral

The bank loan of RMB 9,800,000 (31 March 2018: RMB 9,800,000) is secured by (i) mortgages of a leasehold building and land use rights of a Group's subsidiary; (ii) corporate guarantee given by its holding company and; (iii) guarantee by one of the Company's directors and his spouse.

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

Consolidated Statement of Cash Flows

| | Group | | Group | |
|---|--------------------|-----------------|------------------|-----------------|
| | Three Months Ended | | Six Months Ended | |
| | 30 September | 30 September | 30 September | 30 September |
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | | |
| Profit/(Loss) before income tax | 15,400 | (4,628) | 28,309 | (12,845) |
| Interest income | (658) | (670) | (1,282) | (1,373) |
| Interest expense | 304 | 217 | 607 | 417 |
| Depreciation of property, plant and equipment | 2,636 | 1,309 | 4,904 | 2,435 |
| Property, plant and equipment written-off | - | - | 59 | - |
| Amortisation of intangible assets | 878 | 879 | 1,757 | 1,756 |
| Exchange differences on translating functional to presentation currency | 251 | 9 | 350 | 9 |
| Operating cash flow before changes in working capital | 18,811 | (2,884) | 34,704 | (9,601) |
| Inventories | (109) | (216) | (1,775) | (216) |
| Trade and other receivables | (5,651) | (13,545) | 4,537 | (8,288) |
| Other assets | 1,951 | 2,810 | 3,674 | 2,228 |
| Trade and other payables | 7,307 | 10,301 | (5,695) | 4,611 |
| Net cash flows from/(used in) operations | 22,309 | (3,534) | 35,445 | (11,266) |
| Income tax paid | (1,827) | - | (3,224) | - |
| Net cash flows from/(used in) operating activities | 20,482 | (3,534) | 32,221 | (11,266) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (2,395) | (709) | (8,144) | (709) |
| Advance payment for supplies of sweet potatoes | (2,635) | (67,882) | (2,635) | (67,882) |
| Payment for property tax and stamp duty of land use rights | - | - | - | (821) |
| Interest income received | 233 | 75 | 433 | 182 |
| Net cash flows used in investing activities | (4,797) | (68,516) | (10,346) | (69,230) |
| Cash flows from financing activities | | | | |
| Proceeds from new bank loans | 3,000 | 6,500 | 3,000 | 6,500 |
| Repayment of bank loans | (500) | (3,000) | (500) | (3,000) |
| Proceeds from issuance of new shares | - | - | 14,196 | - |
| Proceeds of loan from director and shareholder | - | 75 | - | 1,070 |
| Repayment of loan to director and shareholder | - | - | (1,689) | - |
| Increase in pledged fixed deposits | (2,512) | - | (2,512) | - |
| Interest expense paid | (304) | (217) | (607) | (417) |
| Net cash flows (used in)/ from financing activities | (316) | 3,358 | 11,888 | 4,153 |
| Net change in cash and cash equivalents | 15,369 | (68,692) | 33,763 | (76,343) |
| Cash and cash equivalents at beginning of financial period | 144,972 | 137,447 | 126,578 | 145,098 |
| Cash and cash equivalents at end of financial period (Note A) | 160,341 | 68,755 | 160,341 | 68,755 |

Note A: Cash and cash equivalents at end of financial period comprise:

| | | | | |
|--|--|--|----------------|---------------|
| Cash and bank balances | | | 160,332 | 68,755 |
| Fixed deposits | | | 2,521 | - |
| | | | 162,853 | 68,755 |
| Less: Fixed deposits pledged for bank facility | | | (2,512) | - |
| Cash and cash equivalents | | | 160,341 | 68,755 |

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 2018 | 130,362 | 41,396 | 235,680 | 407,438 |
| Total comprehensive income for the period | | | | |
| Profit for the period | - | - | 11,011 | 11,011 |
| Other comprehensive income | - | 251 | - | 251 |
| Total comprehensive income for the period | <u>-</u> | <u>251</u> | <u>11,011</u> | <u>11,262</u> |
| Balance as at 30 September 2018 | <u>130,362</u> | <u>41,647</u> | <u>246,691</u> | <u>418,700</u> |
| Balance at 1 July 2017 | 113,154 | 40,048 | 205,071 | 358,273 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | 9 | (4,628) | (4,619) |
| Balance as at 30 September 2017 | <u>113,154</u> | <u>40,057</u> | <u>200,443</u> | <u>353,654</u> |

Company

| | Share capital (Unaudited) RMB'000 | Other reserves (Unaudited) RMB'000 | Accumulated losses (Unaudited) RMB'000 | Total equity (Unaudited) RMB'000 |
|--|--|---|---|---|
| Balance at 1 July 2018 | 829,786 | 46,154 | (54,950) | 820,990 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (1,617) | (1,617) |
| Total comprehensive income | - | 676 | - | 676 |
| Total comprehensive loss for the period | <u>-</u> | <u>676</u> | <u>(1,617)</u> | <u>(941)</u> |
| Balance as at 30 September 2018 | <u>829,786</u> | <u>46,830</u> | <u>(56,567)</u> | <u>820,049</u> |
| Balance at 1 July 2017 | 812,578 | 46,149 | (46,748) | 811,979 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | (122) | (2,188) | (2,310) |
| Balance as at 30 September 2017 | <u>812,578</u> | <u>46,027</u> | <u>(48,936)</u> | <u>809,669</u> |

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 2018 to 30 September 2018.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 September 2018 and 30 September 2017. Accordingly, the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding is nil% as at 30 September 2018 and 30 September 2017.

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

| | As at 30 September 2018 | As at 31 March 2018 |
|-------------------------------|-------------------------|---------------------|
| Total number of issued shares | 296,909,050 | 256,909,000 |

The Company did not have any treasury shares as at 30 September 2018 and 31 March 2018.

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

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

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

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

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

The figures have not been audited or reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter)

Not applicable. The figures have not been audited or reviewed by the Company's auditor.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those in the most recently audited consolidated financial statements for the financial year ended 31 March 2018 as set out in the Company's annual report 2018.

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

The Group has adopted all the applicable new and revised Financial Reporting Standards ("**FRS**") in Singapore and the related Interpretations to FRS ("**INT FRS**") that are relevant to its operation and effective for the accounting periods beginning on or after 1 April 2018. The adoption of these new and revised FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

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

| Earnings/(Loss) per share ("EPS" or "LPS") | Group | | | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three Months Ended | | Six Months Ended | |
| | 30 September 2018 (Unaudited) | 30 September 2017 (Unaudited) | 30 September 2018 (Unaudited) | 30 September 2017 (Unaudited) |
| Profit/(Loss) for the period (RMB'000) | 11,011 | (4,628) | 22,092 | (12,845) |
| Weighted average number of ordinary shares in issue (in thousands) | 296,909 | 256,909 | 296,909 | 256,909 |
| Basic EPS/(LPS) (RMB cents) | 3.71 | (1.80) | 7.44 | (5.00) |
| Weighted average number of ordinary shares in issue on fully diluted basis (in thousands) | 296,909 ⁽¹⁾ | 256,909 ⁽²⁾ | 296,909 ⁽¹⁾ | 256,909 ⁽²⁾ |
| Fully diluted EPS/(LPS) (RMB cents) | 3.71 | (1.80) | 7.44 | (5.00) |

Notes:

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

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

| Net asset value ("NAV") | Group | | Company | |
|--|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| | 30 September 2018 (Unaudited) | 31 March 2018 (Audited) | 30 September 2018 (Unaudited) | 31 March 2018 (Audited) |
| NAV (RMB'000) | 418,700 | 379,050 | 820,049 | 805,509 |
| Number of ordinary shares in issue (in thousands) | 296,909 | 256,909 | 296,909 | 256,909 |
| NAV per ordinary share (RMB) | 1.41 | 1.48 | 2.76 | 3.14 |

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

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review for the performance of the Group for the three months ended 30 September 2018 ("2Q2019") as compared to the three months ended 30 September 2017 ("2Q2018").

Consolidated Statement of Comprehensive Income

Revenue and gross profit

The Group's revenue increased by 424.2% from RMB 17.5 million for the three-months period ended 30 September 2017 ("2Q2018") to RMB 91.9 million for the corresponding period ended 30 September 2018 ("2Q2019"). The increase was mainly as a result of the increase in Group's Zilaohu factory production. Whereas in 2Q2018, the Group's Zilaohu factory had just commenced its production in mid-September 2017 after a halt in the Group's production activities.

Gross profit increased by 523.3% from RMB 4.3 million for 2Q2018 to RMB 27.0 million for 2Q2019 as a result of increase in revenue. Gross profit margin improved by five percentage points from 25% in 2Q2018 to 29% in 2Q2019 mainly due to higher in-house production volume.

Other income

Other income of RMB 0.2 million in 2Q2019 was derived from rental income generated from an old factory.

Marketing and distribution costs

Marketing and distribution costs increased by 26.0% from RMB 2.5 million for 2Q2018 to RMB 3.1 million for 2Q2019 primarily due to increase in delivery charges of RMB 1.7 million, publicity expenses of RMB 0.3 million, sales personnel salaries and bonuses of RMB 0.3 million, offset by decrease in advertisement costs of RMB 1.7 million in the period under review. The increase was in line with the increase in revenue.

Administrative expenses

Administrative expenses increased by 32.9% from RMB 6.8 million for 2Q2018 to RMB 9.1 million for 2Q2019. The increase was mainly due to the increase in research and development expenses of RMB 1.8 million, being provisions made for future development of an improved strain of sweet potato seeds and a higher depreciation expense of RMB 0.8 million in the period under review.

Other operating expenses

Other operating expenses of RMB 0.1 million in 2Q2018 was attributed to a charitable donation made to a local charity fund.

Income tax expense

Income tax expense increased by 100.0% to RMB 4.4 million for 2Q2019. This was due to improved profits of the Group in the period under review.

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 2018 and 31 March 2018.

Non-current assets

Property, plant and equipment increased by RMB 3.2 million from RMB 111.3 million as at 31 March 2018 ("FY2018") as compared to RMB 114.5 million as at 30 September 2018 ("2Q2019"), mainly due to cost incurred for the construction of R&D laboratory, vacuum fryer and production facilities amounted RMB 4.5 million. There was also addition in new production equipment of RMB 3.0 million and factory renovation of RMB 0.6 million. The increase was offset by depreciation of property, plant and equipment of RMB 4.9 million during the financial period.

Intangible assets reduced by RMB 1.8 million from RMB 40.0 million as at FY2018 to RMB 38.2 million as at 2Q2019 was due to the amortisation in the period under review.

Other assets under non-current assets of RMB 81.8 million mainly comprise advance payment of the three 5-year supply contracts of sweet potatoes.

Current assets

Inventories increased by RMB 1.8 million from RMB 1.7 million as at FY2018 to RMB 3.5 million as at 2Q2019 due to (i) stocking of direct materials following the Production Resumption of RMB 1.0 million; (ii) finished goods awaiting delivery of RMB 0.8 million.

Trade and other receivables decreased by RMB 1.1 million from RMB 45.8 million as at FY2018 to RMB 44.7 million as at 2Q2019 was mainly due to (i) decrease in trade receivables as a result of successful collections from few major customers amounted RMB 11.6 million; (ii) offset by the increase in trade receivables of RMB 8.3 million; (iii) offset by the increase in other receivables RMB 2.6 million related to a second advance payment of RMB 2.6 million to a supplier of sweet potatoes.

Other assets under current assets decreased by RMB 3.6 million from RMB 29.1 million as at FY2018 to RMB 25.5 million as at 2Q2019 was mainly due to (i) recognition of cost of sales upon the delivery of RMB 2.3 million of sweet potato from contracted suppliers; (ii) amortisation of RMB 1.9 million of prepaid research and development expenses; (iii) offset by a prepayment made for an advertisement contract of RMB 1.2 million.

Cash and cash equivalents increased from RMB 126.6 million to RMB 162.9 million as a result of increase in revenue. During the period under review, a fixed deposit of RMB 35.3 million placed with bank in China was retired to meet working capital needs.

Current liabilities

Trade and other payables decreased by RMB 5.7 million or 12.3% from RMB 46.2 million as at FY2018 to RMB 40.5 million as at 2Q2019, mainly due to (i) settlement of trade payables of RMB 2.8 million; (ii) settlement of other payables totalled RMB 3.6 million for Singapore office operations; (iii) offset by the operating costs accrual in the period under review.

Other financial liabilities decreased by RMB 2.2 million from RMB 22.5 million as at FY2018 to RMB 20.3 million as at 2Q2019 was due to (i) the repayment of RMB 1.7 million of loan to director and shareholder; (ii) capitalisation a shareholder loan of RMB 3.0 million to share capital; (iii) offset by a new bank loan obtained amounted RMB 3.0 million and also a repayment of RMB 0.5 million bank loan in the period under review.

Income tax payable increased by RMB 3.0 million from RMB 1.4 million as at FY2018 to RMB 4.4 million as at 2Q2019, which is in line with the increase in income tax expenses as a result of improved profits of the Group in the period under review.

Consolidated Statement of Cash Flows

Net cash flows generated from operating activities of RMB 20.5 million for 2Q2019 arose mainly from the operating cash flow before changes in working capital of RMB 18.8 million and inflow of working capital of RMB 3.5 million, offset by income tax payment of RMB 1.8 million.

Net cash flows used in investing activities of RMB 4.8 million for 2Q2019 were mainly attributed to the (i) purchase of property, plant and equipment of RMB 0.2 million and cost incurred for construction work of Zilaohu factory of RMB 2.2 million in 2Q2019; (ii) second advance payment made to a supplier of sweet potatoes of RMB 2.6 million.

Net cash flows used in financing activities of RMB 0.3 million for 2Q2019 mainly comprise a pledged fixed deposit of RMB 2.5 million for bank facility, offset by the net increase in bank borrowings of RMB 2.5 million by subsidiary in China.

As a result of the above, the Group's net increase in cash and cash equivalents during 2Q2019 was RMB 15.4 million, stood at RMB 160.3 million as at 30 September 2018.

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

No specific forecast was previously provided.

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

The operations of the Group has been progressing steadily since factory production resumed in last September 2017. Gross profit margin and net profit margin are now stabilised as there were lesser sub-contracting production supply during the period under review.

The Group has in September, renewed a supply contract with an existing supplier which allows for another 5 years supply of raw sweet potato from 2,000 mu of cultivated land. Full consideration of RMB 50 million will be paid in October 2018. The Group has to date secured raw sweet potato supply totaled 7,600 mu.

The Group will be investing in a sweet potato research laboratory. The first phase project which estimate to cost RMB 12 million is to fund the research and cultivation of new strain of sweet potato seeds. Another RMB 15 million will be invested during second phase to establish a standardised quality control system and procedure to be applied to the growing of sweet potato crop and development of new products.

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 2Q2019.

13. **If the group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have any existing general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii) of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

There were no IPT of S\$100,000 and above (or equivalent) for the current financial period reported on.

14. **Use of proceeds**

As at the date of this announcement, the Company raised approximately S\$2,586,000 in net proceeds from the placement of 40,000,000 new ordinary shares in the Company. It was completed on 9 April 2018 (the “**Placement Proceeds**”). The status on the use of Placement Proceeds is as follows:

| <u>Item</u> | <u>Amount (S\$)</u> |
|---|---------------------|
| Net Proceeds | 2,586,000 |
| Less: | |
| Working capital (Corporate office expenses) | (1,053,000) |
| Fixed deposit pledged for bank facility | <u>(500,000)</u> |
| Balance | <u>1,033,000</u> |

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 2Q2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
12 November 2018

*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)