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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The Board of Directors (the "**Board**" or the "**Directors**") of China Star Food Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement dated 29 May 2019 in relation to the unaudited financial results for the financial year ended 31 March ("**FY**") 2019 (the "**Announcement**"). Please refer to the Announcement for further information.

The Board of Directors of the Company would like to respond to the following queries raised by the SGX-ST on 27 June 2019, 8 July 2019 and 18 July 2019 respectively, in respect of the Announcement.

SGX Queries on 27 June 2019

SGX Queries	**Responses**
Key / Clarification Issues in relation to FY2019 results announcement	
1. Significant Cash Payments In FY2019, the Group recorded a significant (~50%) decline in its cash and bank balances from RMB126.6m to RMB62.5m. The reasons stated were due to increase in advance payments for supplies of sweet potatoes, acquisition of new PPE, publicity and advertising expenses, payment for land improvement project and payment for land lease. From the cash flow statements, the Company made payments comprising RMB71.5m, RMB33.8m and RMB7m for (i) advance payment for supplies of sweet potatoes, (ii) payment for soil improvement project, and (iii) payment for land lease respectively. (i) Advance Payment for Supplies of Sweet Potatoes – RMB71.5m Based on the results announcement, advance payments to suppliers were for three 5-year supply contracts of sweet potatoes.	
a. Do these suppliers own the lands to plant and harvest the potatoes to be delivered to the Group? If the suppliers do not own the land, who are these suppliers and how do they supply the potatoes to the Group? On what basis are they receiving advance payments from the Group?	Land in China is state-owned. These suppliers own the land use rights in respect of planting and harvesting of raw sweet potatoes on the lands, which would subsequently be supplied to the Group. Pursuant to the terms of the supply contracts entered by the Group with the respective suppliers, the Group is required to make the advance payments to secure the supply of raw sweet potatoes.
b. Is there any concentration risk for the advance payments to suppliers i.e. advance payments concentrated with one or a few	At present, the Group has entered into supply contracts with such advance payments made to five (5) suppliers. The Group believes that any

suppliers?	concentration risk in relation to such advance payments to suppliers has been effectively mitigated given that (a) the Group is continually sourcing for new suppliers of raw sweet potatoes, and (b) in the event that a supplier is unable or does not fulfil the delivery quantity under the supply contract, the Group has the right, pursuant to the terms of the supply contract to legally take over the land use rights and management of the land assets or assign such rights to third parties to manage these lands.
c. How do these long-term supply arrangement works?	The Group will receive a fixed quantity of raw sweet potatoes from these suppliers yearly at quality levels and prices agreed upon between the parties and stipulated in the supply contracts. These supplies are offset against the advance payments made to the suppliers. Under the terms of the supply contract, the Group is also granted priority to purchase any excess output of raw sweet potatoes at a discounted price.
d. have these suppliers been fulfilling their delivery obligations under the contracts thus far?	The suppliers have been fulfilling their delivery obligations under the contracts thus far and there has been no breach of any contractual obligations on the part of the suppliers.
e. Given the huge amount of advance payments, what is the legal recourse or safeguard available to the Group if the suppliers default in their delivery obligations or refuse to pay back/abscond the advance payments?	The advance payments were made for the purposes of renting the land for the plantation. As such, there will be no repayment of the advance payments. In the event of default in suppliers' delivery obligations or breach of contract or other default on the part of the suppliers, the Group has the right, pursuant to the terms of the supply contracts, to legally take over the land involved and hand it over to a third party or directly appoint a professional to manage it. The Group further seeks to increase its number of suppliers to decentralise its reliance on any one supplier. In addition, should the Group incur additional significant costs in the event of a breach of contract, the Group will be able to take legal action against the supplier on the basis of the contracts entered into with the suppliers, which are governed under the laws of the People's Republic of China. The precondition of entrusting a third party to intervene is a breach of contract, including the default of delivery obligations.
f. Relating to these payments are the balance sheet items of "Other Assets, non-current" of RMB197m and "Other Assets, current" of RMB21m as at 31 March 2019. As disclosed,	Land in China is state-owned. In addition, farmers in China own land through a land-lease program. In this regard, the co-op model between farmers and companies are a common

RMB197m mainly comprise advance payments to suppliers for the three 5-year supply contracts. The RMB21m also related to such advance payments to suppliers. These "Other Assets" make up a significant portion (~40-50%) of the Group's net asset and total assets as at 31 March 2019. There are significant economic and financial risks associated with these assets or advance payments. What is the Board's assessment of these risks and how have the Group addressed and mitigated these risks?	practice in China. The Board has assessed the risks associated with these assets and is of the view that such risks have been adequately addressed and/or mitigated as a result of the following considerations: • The Group adopts a stringent criteria in its selection of suppliers and only shortlists local suppliers with whom it has established long-term business-relations, and who have strong credibility and credit standing. • The Group conducts due diligence on its counterparties prior to the signing of contracts. • The Group continually seeks to vary its procurement by increasing the number of suppliers. • As mentioned above, in the event of any breach of contract or default on the part of the suppliers, the Group has the right, pursuant to the terms of the supply contracts, to legally take possession of the land asset in question. • For FY2019, the Audit Committee has reviewed the Group's internal controls and risk management policies and processes, including those policies and processes in relation to these assets, and based on its assessment and reports of the external and internal auditors, the Audit Committee is assured that adequate and effective internal controls and risk management systems in place.
(ii) Payment for Soil Improvement Project – RMB33.8m The payment was accumulated over the last 2 quarters of the Company's FY2019 results, and represent new payments or expenditure for FY2019. Noted that there were no such payments made in the last financial year. There was no additional information provided for these payments or expenditures.	
a. What exactly is the nature of these payments?	The payment for soil improvement project was for the purposes of improving the soil quality of the land used for sweet potato plantation, in particular, to reduce heavy metal contamination and increase the organic ingredients contained in the soil.
b. Why did the Group incur such expenditure	The Group incurred such expenditure in

and make these payments?	response to increased consumer awareness on sustainable farming, healthy living and healthier food choices, in particular with regards to organic agricultural products or agricultural products which generate lower chemical pollution. As such, the Group was of the view that such an investment was necessary in order to ensure that its supply of raw sweet potatoes and final manufactured consumer products are able to satisfy consumers' demands and meet both local and international standards. In addition, this investment would strengthen the Group's quality control over its raw sweet potatoes supply and will enable the Group to obtain and/or continue to maintain the necessary certifications and qualifications, such as but not limited to, Hazard Analysis and Critical Control Point system ("HAAP"), International Organisation for Standardisation 9001:2008 Quality Management ("ISO"), organic-product certification, and this would lead to the enhancement of consumer confidence in the Group as well as an improvement of the Group's image.
c. Does the Group own any agricultural land? If not, the soil improvement works were meant for whose lands?	The Group does not own any agricultural land and as such the soil Improvement plan is only implemented in respect of the agricultural land leased by the Group. The Group will grow its own sweet potato on these lands and as such, the soil improvement works is for the Group's benefit.
d. Who are the recipients of these payments?	The recipient of these payments is a third-party service provider known as, 连城县田野农机服务专业合作社, or the following is the literal translation of the name: Liancheng County Field Agricultural Machinery Service Professional Cooperative. The nature of their business is to provide social agricultural enterprises with all kinds of agricultural machinery services they need.
e. How was the basis of payments determined? Was it based on pre-determined fixed fee or rate, or a variable fee or rate depending on certain factors?	The provider of the services is to improve the soil condition in a manner as specified by the Group, including fertilising and aerating the soil. The payments are then determined based on the size of the land area which had been improved within a stipulated time frame as well as the fulfillment of the conditions for soil improvement in accordance with the terms of the agreement.
f. How had these payments been recorded and reflected in the financial statements?	The expenses are recorded as non-current assets under "Other assets, non-current". Such assets are amortized on a straight-line basis over the duration of the soil improvement project.

g. Whether the payments represent only a partial amount of a larger amount of capital expenditure or commitment? If so, what is the total capital commitments for this project (i.e. how much more of such payments are expected in the next few quarters/years)?	The payment amount represents the total capital expenses in relation to the soil improvement project. As of now, the company does not expect any such additional capital commitments to be incurred.
(iii) Payment for Land Lease – RMB7m Noted that there were no such payments made in the last financial year. a. What is the nature of these land lease payments?	The payment is for the lease for the new R&D center of seedling rand breeding.
b. Why did the Group make such lease payments?	The payment is for the additional lease of farmland from local farmers to raise the supply of raw sweet potatoes in support of the stabilisation of the Group's manufacturing operations.
c. What is the Group doing with the leased land?	The land is for the Group's new research and development ("R&D") laboratory, which is being contemplated for the purposes of research and development for seedling and breeding conditions.
d. Are there any changes in the Group's business model or diversification of business activities?	There is no change in the Group's business model or any diversification of business activities. Through its R&D initiatives, the Group intends to gradually expand upstream into sweet potato seedlings cultivation and farming to ensure consistency in the quality and supply of its raw sweet potatoes.
e. Who are the recipients of these payments?	The recipients are the farmers (lease holder of the leased land) of the land contracted by the Group to supply raw sweet potatoes.
f. How had these payments been recorded and reflected in the financial statements?	Such payments have been recorded as non-current assets under "Other assets, non-current". Such assets are amortized on a straight-line basis over the duration of 15 years of the land lease period.
g. What is the total outstanding capital commitment for these land leases?	There is no outstanding capital commitment for these land leases as it has been paid in full in the amount of RMB7 million. In this regard, the Group is entitled to use the land for a duration of 15 years.
2. Dividend The FY2019 results announcement states that no dividend has been declared or recommended for FY2019 in view of the Group's current capital commitment plan. Noted that the Group had been profitable and with healthy cash position.	
a. What are these "current capital commitment	The current capital commitment plan of the

plan" that the Company was referring to?	Group is to the full contribution of all unpaid share capital of its Chinese subsidiaries as well as completion of part one of the second phase of construction of its plant for Zixin. The second phase involves the construction of甘肃产业园 (Gansu Industrial Park), where part one involved the construction of the foundation and the first floor.
b. How much of these capital commitments had been incurred and how much are still unfulfilled as of 31 March 2019?	There is still RMB42.71 million of registered capital that has not been paid-up and the work in respect of the second phase of the plant construction for Zixin has not yet been paid, amounting to RMB111m.
c. Is the Board/Company implying that shareholders should not expect dividends if the Group's capital commitment plan is not fulfilled? And if so, will the Board confirm and disclose this position clearly to shareholders so that they can make an informed decision on whether to keep or sell their shares in the Company?	Under PRC Law, any declaration of dividends is not allowed unless the capital commitments for register of share capital had been fulfilled. As the cash generated from the Group's operations is held by its China subsidiaries, the Company is not able to pay out dividends (assuming that the Board were to declare and recommend such a decision) until the aforementioned requirements is met.
3. Issue Proceeds发行价款 The Company has recently completed its rights issue exercise to raise net proceeds of about S$4.32m. As disclosed, 81% of the proceeds will be used for partial contributions to the unpaid share capital of Fujian Zixin, the Group's subsidiary in China, with the remaining 19% used for working capital for the Company. The Company had also attempted to justify the reasons for sending the bulk of the proceeds back to China in the announcements and OIS. The Company also stated that even with the partial capital contributions to Fujian Zixin, there will still be a shortfall of approximately S$5m in the share capital of Fujian Zixin.	
a. Is it that until such time when the Company can raise new money in excess of S$5m to fully pay up Fujian Zixin's share capital, shareholders will not expect to receive any dividends? And if so, will the Board confirm and disclose this position clearly to shareholders so that they can make an informed decision on whether to keep or sell their shares in Company?	The Group intends to fulfil the capital commitment of Fujian Zixin's registered share capital in this coming financial year. Pursuant to which, the Board will then assess the Group's financial performance and position in determining whether to declare or recommend dividends in respect of the relevant financial year / period.
b. Is the outstanding share capital contribution to Fujian Zixin part of the capital commitment plan mentioned under 2(a) above or is this a separate priority for the Company, in addition to the "current capital commitment plan" by the Company? And are all these priorities expected to be fulfilled before dividends can be distributed to its shareholders?	Under PRC Law, any declaration of dividend is not allowed unless the capital commitments for register of share capital had been fulfilled. As the cash generated from the Group's operations is held by its China subsidiaries, the Company is not able to pay out dividends (assuming that the Board were to declare and recommend such a decision) until the aforementioned requirements is met.
4. Going Concern of the Company (i.e. Listco) The Company stated that it would keep 19% of the rights issue proceeds i.e. S$820,000, to meet its operating expenses and other obligations in Singapore.	

a. As disclosed, there is S$500,000 of fixed deposit pledged for bank facility. Are these restricted cash set aside to settle the bank facility upon its maturity? Is this fixed deposit referring to the Company's cash and cash equivalent of about RMB2.5m (approximately S$0.5m) as at 31 March 2019? And if so, does this mean that the Company has zero free cash as at 31 March 2019?	The fixed deposit of S$0.5million is to be pledged for the bank facility. The fixed deposit is renewable every twelve months. The management intends to repay the loan with the fixed deposit when it reaches maturity in September 2019. As of 31 March 2019, the Company had a low free cash position. In light this, Mr Liang has also provided an undertaking to provide financial assistance to the Company to meet the Company's obligations as and when they fall due.
b. The Company reported annual loss of RMB6.6m (approximately S$1.3m) and RMB8.3m (approximately S$1.7m) for FY2019 and FY2018 respectively. The average annual net loss is therefore about S$1.5m. Given that the Company does not generate revenue/income on its own, are the reported annual losses equivalent to the Company's total annual operating expenses for the respective financial years?	The reported annual losses at the Company level for FY2019 and FY2018 represent the total annual operating expenses during the respective financial years. The Company wishes to clarify that it had reported annual losses for the past two financial years mainly due to one-off expenses incurred by the Company as a result of conducting fund-raising activities in the market as well as legal expenses incurred by the Company in defending the litigation lawsuit brought by Mr Cheong Chee Hwa, of which the Singapore High Court had awarded judgement in favour of the Company and is now the subject of appeal by Mr Cheong.
c. With average annual operating expenses of approximately S$1.5m and trade and other payables of about S$0.5m (RMB2.4m) as at 31 March 2019, would the Company be able to sustain its operations with only the rights issue proceeds of S$820,000? The Company has also recently announced that it had since utilised S$300,000 i.e. left with S$520,000 on 10 June 2019.	The Company is of the view that it has sufficient funds from rights issue to sustain its operations. Mr Liang, who is a substantial shareholder, has provided an undertaking to provide financial assistance to the Company to meet the Company's obligations as and when they fall due.
d. Till date, the Company's China subsidiaries, citing stringent foreign exchange controls in China as the reason, have not remitted any monies – whether as dividends, loans or advances – to the Company. In this case, would the China subsidiaries be able to remit monies to the Company and come to the Company's assistance when needed?	The Company is in discussions with its local and foreign legal counsels to explore possible routes to remit funds held by its subsidiaries to the Company.
e. Given the above, please provide the Board's assessment on the adequacy of the Company's working capital for the next 12 months.	The Board is of the reasonable opinion that, after having made due and careful enquiry and taking into account the considerations set out in paragraph 4(d) above, the working capital available to the Company is sufficient for the present requirements and for the next 12 months.
f. Please provide the Board's assessment on whether there will be any going concern	The Board is not aware of any ongoing issue which will affect the going concern status of the

issues with the Company.	Company.

SGX Queries on 8 July 2019

No.	SGX Queries	Responses
Advance payment for supplies of sweet potatoes – RMB 71.5m		
1.	Do the suppliers supply exclusively to the Group?	The Group currently have 5 suppliers and they are Jin Lao (金老), Jin Bu Huan (金不换), Xiong Feng (雄峰), Yong An Fu Chang (永安福昌) and Wan Mu Yuan (万亩园). The suppliers do not supply exclusively to the Group. The Group's suppliers also serve other sweet potato or other agriculture food manufacturing companies.
2.	When did this practice of making advance payment for supplies of sweet potatoes start?	This practice has been ongoing since 2016. Please refer to Note 18 in the annual report for FY2018 and Note 19 in the annual report for FY2017.
3.	What is the quantity and price agreed based on the contracts with each of the suppliers? What is the estimated yearly quantity of sweet potato the Group requires for its operations/production?	The current contract states that the supplier should supply 2.3 tons of fresh sweet potato for every mu of land. In the event of a shortage of output, the supplier is required to make up for the shortage using the same breed of sweet potatoes with similar qualities from other sources. The agreed price for every kilogram of fresh red sweet potato and fresh purple sweet potato is RMB0.85 and RMB1.20 respectively. If the market price is higher than the agreed price, the supply price will be adjusted. In this regard, the adjusted price shall be the agreed price plus an additional 70% of the price difference between the market price and the agreed price. The annual requirement of fresh sweet potato for the Group's operations/production is approximately 30,000 tons.
4.	What is the breakdown of "cost of sales"? To provide breakdown for the past 3 FYs.	

The breakdown is as follows:

Description	**2019 (RMB)**	**2018 (RMB)**	**2017 (RMB)**
Raw Material Cost			
Fresh Sweet Potato	29,545,062.12	33,037,661.63	10,182,177.59
Sweet Potato Raw Material	1,987,355.26	537,800.26	48,150,392.96
Sweet Potato Semi Product	114,954,524.84	57,503,297.51	-
Others Raw Material	83,790,841.59	48,218,239.51	141,801,365.98
Labour and Manufacturing Cost	26,627,289.90	23,440,407.42	32,090,094.10
	256,905,073.71	**162,737,406.33**	**232,224,030.63**
Other Cost	890,216.88	188,881.56	-

No.	SGX Queries	Responses		
	VAT	2,019,273.95	892,993.72	1,863,353.26
	Marketing Cost	22,310,929.81	25,165,474.44	89,564,110.97
	Total COS	**282,125,494.35**	**188,984,756.05**	**323,651,494.86**
5.	What is the rationale for entering into the supply contracts with sweet potato farmers? Is this common market practice? Is sweet potato a food resource that is in shortage or an item which is difficult to procure?	The Group has entered into the supply contracts for the following reasons: 1) To ensure the continuous and stable supply of the main raw materials of the Group's products over the tenure years; 2) To ensure the high-quality sweet potato supply as raw materials; 3) To stabilise the price of raw materials and reduce the price risk that is caused by seasonal fluctuations in sweet potato yield. Supply contracts of such nature is a common market practice. This is because land in China is state-owned. In addition, there is a continuous practice where the State, farmers and enterprises collaborate under a stable "company + cooperative + farmers (base)" land contracting model. Sweet potatoes as a food resource is high in demand. The reason for such high demand is attributed to the fact that cultivation of sweet potatoes is a seasonal process. In order to cultivate raw sweet potatoes, the farmers will have to first seed the seed potatoes during the period from December to January before planting them over the period from March to July. The sweet potatoes are then harvested from August onwards. Throughout this entire process, the quantity and quality of the sweet potatoes would vary and as such there could be shortages of sweet potatoes for the purposes of making sweet potato snacks during certain periods. In addition, the global demand for sweet potatoes is growing as people are more conscious about their health and the need to eat healthily. In this regard, people are increasingly aware of the health benefits of sweet potatoes and this has led to a strong demand for raw sweet potatoes as a source of food and for sweet potatoes to be used in the production of sweet potato snacks. In order to make the high quality sweet potato snacks that are produced by the Group, the supply of raw sweet potatoes must be of a certain quality. In this regard, supplies of such sweet potatoes for making sweet potato snacks are generally only found in Liancheng where the Group operates. However, the Group faces intense competition from other competitors for		

No.	SGX Queries	Responses
		such supplies. The amount of land available for cultivating such sweet potatoes is approximately 100,000 mu but the Group estimates that there are more than approximately 53 competitors trying to secure such supplies for their own business operations. Accordingly, the Group is of the view that the supply of quality sweet potatoes is a resource that is in high demand.
6.	It seems that the advance payment is to help the suppliers pay its operating costs of leasing the land. What is the size of the land and rental rate? Why was the payment plan not staggered over a shorter and more regular period of time instead of a huge upfront payment in advance (for the next 3-5 years) from day 1?	The tenure of the lease agreements with local farmers are typically 10, 20 or 30 years. The farmers are only willing to lease out their land after receiving a huge upfront payment. The Group is able to shorten the payment period to 5 years instead of 10 years as the Group works directly with Co-Op and not directly with the farmers. In addition, the advance payments will be offset by the payment for the sweet potato supply every year. In this regard, under Chinese laws, a Co-Op is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. A cooperative is known as农村合作社in Chinese. So far, the size of the sweet potato plantation land utilised by the Group is 8,268.64 mu and is rented at a rate of RMB 130 per mu per month.
7.	Although the Group has built in safeguard in the form of being able to take over the land and planting of the sweet potatoes in the event the supplier is unable to fulfill its obligations under the supply contract, does this cover all events during the period of the contract? What if the supplier goes under / faces liquidation etc?	The contractual clauses regarding the rights of the Group to take over the land and planting of sweet potatoes cover situations when the suppliers fail to perform their obligations. This covers the entire duration of the contract. With regards to the query as to what happens in the event a supplier goes under/undergoes liquidation, there is a clause in the contract that entitles the Group to take over the land together with its remaining lease agreement and the supplier will have to compensate the Group in due course.
8.	Under the Company's response to Q1(i)(e), *the precondition of entrusting a third party to intervene is a breach of contract, including the default of delivery obligations* - What does this mean?	Pursuant to the contractual terms and conditions between the Group and its suppliers, this refers to the suppliers' default in delivering the quantity and quality of sweet potatoes that it is obligated to. However, the suppliers' default will be evaluated on a case-by-case basis. The Group might not immediately exercise its rights to have a third party intervene as it might wish to ensure good long-term relationships. The intervention of third parties is likely to happen only in extreme cases.

No.	SGX Queries	Responses
Payment for Soil Improvement Project – RMB33.8m		
9.	Under the Company's response to Q1(ii)(c), *the soil improvement plan is only implemented in respect of the agricultural land leased by the Group. The Group will grow its own sweet potato on these lands and as such, the soil improvement works is for the Group's benefit* - in addition to entering into supply contracts with suppliers, the Group has also leased land to grow its own sweet potato? When did the Group start leasing land to grow its own sweet potato?	The Group's leased land is through the arrangements with the suppliers as discussed in the earlier questions. The Group engages the Co-Op to grow its own sweet potato and this practice started in July 2017. By the end of March 2019, the Group has secured 8,568.64 mu of farmland to ensure consistent supplies of sweet potatoes. The land comprises 8,268.56 mu of land area which is utilised for plantation, and the remaining 300 mu of land area which is utilised for seedling and cultivation.
10.	What is the production capacity of the Group? What is the utilisation level over the years?	The current production capacity of the Group is 28,700 tons per year. However, for FY2019, the production capacity was 18,500 tons and the utilisation rate is approximately 65%.
11.	What does the soil improvement payment pertain to? What is the market rate for such services? To provide detailed breakdown of this expenditure.	Payment for the soil improvement mainly involves: (i) leveling each piece of land with topsoil to make it flat. (ii) Use of a deep tiller to cut the flattened land. (iii) Apply a proper amount of organic compound fertilizer per acre. (iv) The excavated surface soil is evenly filled back into the cultivated land. (v) The improved land is turned over and so on. The detailed classification of the expenditure is mainly as follows, where Party B is the provider of soil improvement services and Party A is the Group: (i) Party B will dig up the surface soil in the open space and fill it back. Party A will pay 700 yuan per mu for Party B to pile up the surface layer (0cm-60cm) soil first, and after the second layer is improved, the soil is backfilled, fertilized and evenly mixed to tamper the land. Party A further pays 600 yuan per mu for Party B to dig deep into the second layer (60cm-130cm) of land without burying and loosening the soil before it is fertilized and mixed evenly to tamper the land.

No.	SGX Queries	Responses
		(ii) Party B's agent purchases and applies fertilizer. The price per mu is 2100.00 yuan. (iii) After the completion of the improvement, the land will be loosened, mixed and leveled at 550.00 yuan per mu. (iv) In summary, Party A will pay Party B an improvement price of 3950.00 yuan per mu of land. The Company understands that the price set out above is the supplier's market price for all their customers.
12.	How often will such soil improvement be required?	Any decision on soil improvement activities will be based on the operational needs of the Group. Factors that the Group will consider are the quantity and quality of the sweet potato. In this regard, based on the Group's testing and on-the-spot inspection, it is anticipated that soil improvement will be done every 8 -10 years to ensure the high quantity and quality of the sweet potatoes.
13.	Is the Group responsible for the soil improvements works of its suppliers?	The Group is only responsible for the soil improvement project over the land area used by the Group for cultivating its sweet potatoes.
14.	Why are soil improvement expenses recorded as "other non-current assets" and amortised over the life of the soil improvement project? What is the duration of the soil improvement project?	Under FRS16 and 36, the land improvement work will benefit the land for a period of between 8-10 years, therefore management has taken the position that these soil improvement expenses should be recorded under Property, Plant and Equipment instead of "Other Non-Current Assets". The earlier statement of classification under "Other Non-Current Assets" was not 100% accurate, because under China GAAP, the expenses had been recorded under "Other Non-Current Assets", however it had been reclassified to "Property, Plant and Equipment" according to FRS.
15.	Is the Group's leased land heavily contaminated or unsuitable for growing crops…etc. resulting in the need for soil improvement project?	As part of the natural use of land for agricultural purposes, soil is bound to lose is nutrients over time. Accordingly, regular soil conservation, weeding and soil improvement is a continuing activity in the agriculture industry. This to ensure that there is a sustainable supply of plant nutrition needs for generations to come, and to ensure sustainable development of the land itself.

No.	SGX Queries	Responses
Payment for Land Lease – RMB7m		
16.	The Group is intending to build a R&D laboratory using the leased land? Has the Group started building the laboratory? Is the building of the laboratory expected to be another additional capital commitment for the Group?	The R&D work is to be done directly on the leased land and the manner in which it would be done is by using the leased land to develop new varieties of sweet potatoes and cultivate seedlings. Accordingly, there is no additional building required. As there is no building of a R&D laboratory, the Group does not anticipate that there will be further capital commitment for the Group.
17.	RMB7m for Leasing of land – Is this leasing of land for both R&D and for the Group to grow own sweet potatoes? Is this to supplement the supply from the suppliers?	This 300mu of leased land is solely for the purposes of research and development of new sweet potato varieties and the cultivation of new seedlings. It is not for the purposes of plantation and production.
18.	The RMB7m is to lease the land for a duration of 15 years. What is the leasing rate and size of land?	The leasing rate is approximately RMB130 per mu of land per month. Total amount of the leased land is 300 mu.
19.	Other than sweet potato related snacks, what other products are produced? What raw materials are required for these other products? Are there other supply contracts entered into for these other raw materials?	Other than sweet potato related snacks, our Group also produces the following: (i) okra crisp; (ii) crispy mushrooms; (iii) crispy Pleurotus Eryngii (type of mushroom); (iv) crispy purple potato peanuts and other products. The main materials required for these other products are okra, shiitake mushrooms, Pleurotus Eryngii, citron, peanuts and other related auxiliary materials. These raw materials are obtained through regular raw material supply contracts. These side products are available on a seasonal basis and production volume is quite limited, so the Group does not need to secure the supply through advance payment.
20.	Are any of the suppliers/ service providers (advance payment, leasing of land, soil improvement service…etc) related to the Company, its subsidiaries, substantial shareholders, directors or key management?	As stated in our Company's Corporate Governance report, our substantial shareholder, Directors and management have no relationship to our major suppliers and customers.
Use of Rights Issue Proceeds		
21.	Under the Company's response to Q3(a), *the Group intends to fulfil the capital commitment of Fujian Zixin's registered*	The Group plans to fulfill this capital commitment through fund raising either by debt or by equity from the capital markets.

No.	SGX Queries	Responses
	share capital in this coming financial year - How does the Group intend to fulfil the capital commitment?	
Going Concern of the Company (i.e. Listco)		
22.	Under the Company's response to Q4(a), *as of 31 March 2019, the Company had a low free cash position* - What is the quantum?	As of 31 March 2019, the Company has about SGD5,000 in the bank.
23.	Has the Company assessed the ability of Mr Liang to provide financial assistance to the Company to meet its obligations as and when they fall due?	Mr Liang was the owner of China Star Food Holdings Pte. Ltd. that was ultimately acquired by Brooke Asia Limited as part of a reverse takeover. Mr Liang has provided an undertaking to provide financial assistance to the Company as and when the Company requires financial assistance. Further to this, as evidence of Mr Liang's commitment to the Company, he has previously provided a loan of S$1,200,000 to the Company for working capital purposes in April 2019. In this regard, based on Mr Liang's track record, the Company is of the view that Mr Liang has the ability to provide financial assistance. Further to this, the Company wishes to highlight that it has recently completed a rights issue that was oversubscribed.
24.	Under the Company's response to Q4(d), *the Company is in discussions with its local and foreign legal counsels to explore possible routes to remit funds held by its subsidiaries to the Company* - What is the progress of such discussions? When does the Company envisage that remitting of funds will be possible?	No firm timeline can be provided by the Company at this point in time as the regulations on outbound capital flows from China is a matter of public policy. Accordingly, the Company has no control over this issue.
25.	The Company stated that it is not allowed to pay out dividend until capital commitments for register of share capital had been fulfilled. Even with this condition being fulfilled, can we confirm that dividend will still not be able to be paid out unless the Company is able to resolve the issue of remitting funds held by its China subsidiaries to the Company?	Yes, the Company is unable to payout dividends. The reason for this is again due to the capital controls which are in place. In addition, the Company wishes to highlight that any declaration of dividends will be based on the performance and operational needs of the Group. The Company is of the view that as of now, any cash it has can be put to better use by developing the business.
26.	Under the Company's response to Q4(e), *the Board is of the reasonable opinion that, after having made due and careful enquiry and taking into account the considerations set out in paragraph 4(d) above, the working capital available to the*	The Company wishes to highlight that its opinion is based on the fact that it has previously received financial support from Mr Liang. Mr Liang has also provided a loan of S$1,200,000 in April 2019.

No.	SGX Queries	Responses
	Company is sufficient for the present requirements and for the next 12 months - What did the Company take into consideration in paragraph 4d? What is the Company's basis for this working capital confirmation?	In addition, as at 31 March 2019, the Company was in the process of its rights issue and it was of the view at that point in time, that there would be fresh funds available to the Company. Further, in light of the fact that the rights issue was oversubscribed, the Company will, moving forward, also consider the option of tapping the capital markets (be it debt or equity) if required.

SGX Queries on 18 July 2019

No.	SGX Queries	Responses
1.	How does the "company + cooperative + farmers" land contracting model work?	Land in China is state-owned. Accordingly, farmers in China are only able to own land through a land-lease program. In this regard, the farmers own the land use rights in respect of planting and harvesting of raw sweet potatoes on the lands, which would subsequently be supplied to the Group. In order to achieve scale, the farmers may come together to form a farmers' specialised co-operative (the "Co-Op"). In addition, the farmers will transfer their land use rights to the Co-Op. The Co-Op will also negotiate with parties who require supplies of these raw sweet potatoes and depending on the operational needs, the Co-Op will employ the appropriate number of farmers. Accordingly, the Co-Op will be the entity that will supply the sweet potatoes to the Group at the agreed price and the agreed quantum based on the contract.
2.	Can we have a better understanding of the relationship between the suppliers, farmers and Co-Op?	As mentioned above, the suppliers of the Group are the Co-Ops which represent the farmers. The Group works directly with these Co-Ops instead of with the individual farmers.
3.	Are the farmers referring to the suppliers? Or are they different parties?	Please refer to the response above in question 2.
4.	Is the 8,268.64 mu of land utilized by the Group to plant its own sweet potatoes? Or is the land actually leased by the Group for the suppliers to plant the sweet potatoes and subsequently supply to the Group?	The land is leased by the Group from the Co-Ops for the purposes of securing sweet potatoes supplies. The actual plantation of the raw sweet potatoes is done by the farmers who are part of the Co-Ops.
5.	Under the response to Q6 of our query on 8 July 2019, it appears that the farmer is the party leasing their land to the Group? In this case, the 8,268.64 mu of land is leased from the farmers?	The land is leased by the Group from the Co-Ops as the farmers have transferred their land use rights in respect of the land to the Co-Ops. The advance payment of RMB 71.5 million represents the entire payment for the land lease

No.	SGX Queries	Responses
	Is this land lease part of the RMB71.5m of advance payment for supplies of sweet potatoes? Or is this a separate payment?	to secure supplies of the raw sweet potatoes from the Co-Ops. Save for this RMB 71.5 million, there are no other payments to be made to the Co-Ops under the land lease arrangement.
6.	Under the response to Q3 of our query on 8 July 2019, the current contract states that the supplier should supply 2.3 tons of fresh sweet potato for every mu of land. This 'every mu of land' is based on whose land? The supplier? The farmer? The Group?	This is based on the land leased from the Co-Ops.
7.	The Co-Op is the party growing the sweet potato for the Group's leased land? Is the Co-op referring to the farmers or the suppliers?	The Co-Op is the entity with which the Group has entered into supply contracts for the supply of the sweet potatoes. The party that is responsible for growing the sweet potatoes is the farmers who are part of the Co-Op. The farmers will harvest and provide the sweet potatoes to the Co-Op who will then supply it the Group.
8.	As at 31 Mar 2019, the Company has about S$5,000 in the bank. A loan of S$1.2m was obtained from Mr Liang in Apr 2019 for working capital purposes. This is meant for the working capital for the Company itself? Or for the Group? How much of the S$1.2m has been utilized till date? How long can the S$1.2m last for its working capital?	The Company wishes to clarify that it had allowed Mr Liang to apply this loan of S$1.2 million for his entitlements to the rights shares and accordingly, the loan of S$1.2 million was fully capitalized into shares as part of the rights issue. In this regard, the amount of S$1.2 million was applied in accordance with the allocation of the net proceeds from the rights issue. As announced on 10 June 2019 in relation to the use of proceeds from the recent rights issue, the Company had allocated, among others, approximately S$0.8 million for working capital of which it had utilized S$0.3 million for its working capital, with a balance of approximately S$0.5 million remaining. As at 30 June 2019, the Company has a bank balance of S$387,000 and a fixed deposit of S$0.5 million. In this regard, the Company has done a cashflow forecast and is on the view that, based on its existing cash and bank balances, it has sufficient financial resources for its working capital requirements and will be able to operate as a going concern at least the next 12 months. The cashflow projection is based on the Company's existing operational expenses as well as an assumption that it will be able to tap the capital markets and/or the financial commitment from Mr Liang. The Company will continue to consider its options of raising additional funds from the

No.	SGX Queries	Responses
		capital markets as part of its long-term goal of ensuring that it is able to fully capitalizing the registered paid up capital of its subsidiary. Further to this, the Company is confident that any fund-raising activities will be fully supported by its existing shareholders as this is based on the fact that its recent rights issue was oversubscribed.
9.	What is the current cash position of the Company?	As at 30 June 2019, the Company has a bank balance of S$387,000 and a fixed deposit of S$500,000.

By Order of the Board

Liang Chengwang
Executive Chairman and Chief Executive Officer

1 August 2019

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*This announcement has been prepared by the Company and reviewed by the sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**") in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.