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 June 2019

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		
	Three Months Ended		
	30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000	Change %
Revenue	100,659	82,513	22.0
Cost of sales	(71,644)	(58,353)	22.8
Gross profit	29,015	24,160	20.1
Interest income	704	624	12.8
Other income	213	244	(12.7)
Marketing and distribution costs	(8,996)	(2,889)	211.4
Administrative expenses	(11,307)	(8,537)	32.4
Other operating expenses	(30)	(390)	(92.3)
Finance costs	(438)	(303)	44.6
Profit before income tax	9,161	12,909	(29.0)
Income tax income/(expense)	988	(1,828)	(154.0)
Profit for the period, net of tax	10,149	11,081	(8.4)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(123)	99	(224.2)
Total comprehensive income for the period	10,026	11,180	(10.3)

n.m. - not meaningful

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

Profit for the financial period is stated after charging/(crediting) the following:	Group	
	Three Months Ended	
	30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000
Amortisation of intangible assets	879	879
Depreciation of property, plant and equipment	5,649	2,268
Interest expense	438	303
Interest income	(704)	(624)
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 June 2019 (Unaudited) RMB'000	31 March 2019 (Audited) RMB'000	30 June 2019 (Unaudited) RMB'000	31 March 2019 (Audited) RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	152,397	157,617	-	-
Intangible assets	39,921	40,800	-	-
Investment in subsidiaries	-	-	803,636	803,636
Other receivables, non-current	-	-	-	-
Other assets, non-current	107,653	112,266	-	-
Deferred tax assets	-	-	-	-
Total non-current assets	299,971	310,683	803,636	803,636
Current assets				
Inventories	6,628	4,074	-	-
Trade and other receivables	36,014	31,429	33,723	14,981
Other assets, current	55,224	60,307	584	400
Cash and cash equivalents	109,341	62,475	4,506	2,480
Income tax receivables	1,205	-	-	-
Total current assets	208,412	158,285	38,813	17,861
Total assets	508,383	468,968	842,449	821,497
EQUITY AND LIABILITIES				
Equity				
Share capital	152,980	130,362	852,404	829,786
Retained earnings/(accumulated losses)	253,701	243,552	(61,601)	(59,577)
Other reserves	46,197	46,320	46,866	46,454
Total equity	452,878	420,234	837,669	816,663
Non-current liability				
Deferred tax liability	-	-	-	-
Total non-current liability	-	-	-	-
Current liabilities				
Income tax payable	-	140	-	-
Trade and other payables	27,466	26,638	2,241	2,378
Other financial liabilities	28,039	21,956	2,539.00	2,456
Total current liabilities	55,505	48,734	4,780	4,834
Total liabilities	55,505	48,734	4,780	4,834
Total equity and liabilities	508,383	468,968	842,449	821,497

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 June 2019 (Unaudited)		As at 31 March 2019 (Audited)	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
8,039	20,000	9,000	12,956

Amount repayable after one year

As at 30 June 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 RMB8,039,000 (31 March 2019: RMB 9,000,000) is secured by (i) certain pledged fixed deposits; (ii) mortgages of a leasehold building and land use rights held by a subsidiary; (iii) 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	
	Three Months Ended	
	30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000
Cash flows from operating activities		
Profit before income tax	9,161	12,909
Interest income	(704)	(624)
Interest expense	438	303
Depreciation of property, plant and equipment	5,649	2,268
Property, plant and equipment written-off	-	59
Amortisation of intangible assets	879	879
Exchange differences on translating functional to presentation currency	(123)	99
Operating cash flow before changes in working capital	15,300	15,893
Inventories	(2,554)	(1,666)
Trade and other receivables	(3,936)	10,188
Other assets	9,697	1,723
Trade and other payables	827	(13,002)
Net cash flows from operations	19,334	13,136
Income tax paid	(355)	(1,397)
Net cash flows from operating activities	18,979	11,739
Cash flows from investing activities		
Purchase of property, plant and equipment	(429)	(5,749)
Interest income received	53	200
Net cash flows used in investing activities	(376)	(5,549)
Cash flows from financing activities		
Proceeds from issuance of new shares	22,619	14,196
Proceeds from new bank loans	6,083	-
Repayment of loan to director and shareholder	-	(1,689)
Increase in pledged fixed deposits	(83)	-
Interest expense paid	(438)	(303)
Net cash flows from financing activities	28,181	12,204
Net change in cash and cash equivalents	46,784	18,394
Cash and cash equivalents at beginning of financial period	60,019	126,578
Cash and cash equivalents at end of financial period	106,803	144,972
Comprising:		
Cash at bank and in hand	106,803	104,862
Fixed deposits with banks	2,538	40,110
Less: Fixed deposits pledged for bank facility	(2,538)	-
	106,803	144,972

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 April 2019	130,362	46,320	243,552	420,234
Total comprehensive income for the period				
Profit for the period	-	-	10,149	10,149
Other comprehensive income	-	(123)	-	(123)
Total comprehensive (loss)/income for the period	-	(123)	10,149	10,026
Transactions with owners, recognised directly in equity				
Rights issue	22,618	-	-	22,618
Total transactions with owners	22,618	-	-	22,618
Balance as at 30 June 2019	152,980	46,197	253,701	452,878
Balance at 1 April 2018	113,154	41,297	224,599	379,050
Total comprehensive income for the period				
Profit for the period	-	-	11,081	11,081
Other comprehensive income	-	99	-	99
Total comprehensive income for the period	-	99	11,081	11,180
Transactions with owners, recognised directly in equity				
Issuance of new shares	17,208	-	-	17,208
Total transactions with owners	17,208	-	-	17,208
Balance as at 30 June 2018	130,362	41,396	235,680	407,438

Company

	Share capital (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Accumulated losses (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance at 1 April 2019	829,786	46,454	(59,577)	816,663
Total comprehensive income/(loss) for the period				
Loss for the period	-	-	(2,024)	(2,024)
Total comprehensive income	-	412	-	412
Total comprehensive income/(loss) for the period	-	412	(2,024)	(1,612)
Transactions with owners, recognised directly in equity				
Issuance of new shares	22,618	-	-	22,618
Total transactions with owners	22,618	-	-	22,618
Balance as at 30 June 2019	852,404	46,866	(61,601)	837,669
Balance at 1 April 2018	812,578	45,876	(52,945)	805,509
Total comprehensive income/(loss) for the period				
Loss for the period	-	-	(2,005)	(2,005)
Total comprehensive income	-	278	-	278
Total comprehensive income/(loss) for the period	-	278	(2,005)	(1,727)
Transactions with owners, recognised directly in equity				
Issuance of new shares	17,208	-	-	17,208
Total transactions with owners	17,208	-	-	17,208
Balance as at 30 June 2018	829,786	46,154	(54,950)	820,990

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.

On 23 May 2019, the Company completed a renounceable non-underwritten rights issue with the listing and quotation of 296,909,050 rights shares at S$0.015 for each rights share, amounting to an aggregate sum of S$4,450,000. Following the allotment and issuance of the 296,909,050 rights shares, the number of issued and paid-up shares in the capital of the Company has increased from 296,909,050 shares to 593,818,100 shares.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 June 2019 and 31 March 2019. 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 June 2019 and 31 March 2019.

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 June 2019	As at 31 March 2019
Total number of issued shares	593,818,100	296,909,050

The Company did not have any treasury shares as at 30 June 2019 and 31 March 2019.

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 2019 as set out in the Company's annual report.

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 2019. 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	
Earnings per share ("EPS")	**30 June 2019 (Unaudited)**	**30 June 2018 (Unaudited)**
Profit for the period (RMB'000)	10,149	11,081
Weighted average number of ordinary shares in issue (in thousands)	424,156	296,909
Basic EPS (RMB cents)	2.39	3.73
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	424,156	296,909
Fully diluted EPS (RMB cents)	2.39	3.73

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 June 2019 (Unaudited)	**31 March 2019 (Audited)**	**30 June 2019 (Unaudited)**	**31 March 2019 (Audited)**
NAV (RMB'000)	452,878	420,234	837,669	816,663
Number of ordinary shares in issue (in thousands)	593,818	296,909	593,818	296,909
NAV per ordinary share (RMB)	0.76	1.42	1.41	2.75

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 June 2019 ("1Q2020") as compared to the three months ended 30 June 2018 ("1Q2019").

Consolidated Statement of Comprehensive Income

Revenue and gross profit

The increase in revenue of approximately RMB 18.1 million or 22.0% was mainly attributable to the increase in sales from candies and crisps as a result of better market penetration from the increased effort in higher in-house production volume. The Group's sales of candy products increased by approximately RMB 2.5 million or 21.6%, while sales of crisps products increased by approximately RMB 1.3 million or 10.3% as compared to 1Q2019.

Gross profit increased by approximately RMB 4.9 million or 20.1% mainly on the back of the increase in revenue.

The Group's overall gross profit margin decreased slightly from 29.2% in 1Q2019 to 28.8% in 1Q2020 mainly attributable to the higher costs incurred in the mix of product categories sold in 1Q2020 which commanded different profit margins.

Marketing and distribution costs

Marketing and distribution costs increased by approximately RMB 6.1 million or 211.4% primarily due to an increase in: (i) delivery charges of approximately RMB 1.6 million; and (ii) publicity expenses of RMB 4.3 million. Such increase in marketing and distribution costs was in line with the change in channel management strategy adopted by the Group and increased advertisement spending in 1Q2020 to increase the market penetration of its sweet potato snack products.

Administrative expenses

Administrative expenses increased by approximately RMB 2.8 million or 32.4% mainly due to an increase in (i) costs incurred for land levelling and soil improvement works which are amortized for three (3) years of RMB 2.8 million and (ii) administrative staff salaries of RMB 0.3 million. This was partially offset by a decrease in research and development expenses of approximately RMB 0.8 million.

Other operating expenses

The decrease in other operating expenses of RMB 0.4 million was mainly due to a one-off charitable donation of RMB 0.3 million recorded in 1Q2019.

Finance costs

Finance costs increased by approximately RMB 0.1 million or 44.6% due to higher interest rates on bank loans in 1Q2020.

Income tax expense

Income tax expense decreased by approximately RMB 2.8 million or 154.0% in 1Q2020. This was due to tax returns of the Group recognized during the period under review as a result of certain tax deductibles on the Group's advertisement expenses assessed for the calendar year ended 31 December 2017, which were carried forward and recognized during 1Q2020 in respect of the Group's tax assessment for the calendar year ended 31 December 2018.

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 June 2019 and 31 March 2019.

Non-current assets

There was a slight decrease in the Group's total non-current assets of approximately RMB 10.7 million or 3.4% from RMB 310.7 million as at 31 March 2019 to RMB 300.0 million as at 30 June 2019, mainly due to depreciation expenses and amortization expenses recorded on plant, property and equipment ("**PPE**") and intangible assets respectively.

Other assets (non-current) of approximately RMB 107.6 million as at 30 June 2019 mainly comprise advance payments to suppliers for the three 5-year supply contracts of sweet potatoes, and recorded a slight decrease of approximately RMB 4.6 million or 4.1% due to the supply of sweet potatoes by the suppliers in fulfilment of the advance payments pursuant to the supply contracts.

Current assets

Inventories increased by approximately RMB 2.5 million or 62.7% from RMB 4.1 million as at 31 March 2019 to RMB 6.6 million as at 30 June 2019 mainly due to the stocking of direct materials following the Production Resumption in order to meet the production demand.

Trade and other receivables increased by approximately RMB 4.6 million or 14.6% from RMB 31.4 million as at 31 March 2019 to RMB 36 million as at 30 June 2019 mainly due to an increase in receivables recognized between April to June due to the Group's transactions with some customers.

Other assets (current) decreased by approximately RMB 5.1 million or 8.4% from RMB 60.3 million as at 31 March 2019 to RMB 55.2 million as at 30 June 2019 mainly due to the recognition of advance payments upon delivery of sweet potato supplies from suppliers.

Cash and cash equivalents increased by approximately RMB 46.9 million or 75.0% as a result of increase in proceeds from the rights issue and new short-term bank loans.

Income tax receivables increased by approximately RMB 1.2 million or 100.0% as at 30 June 2019 as compared to nil as at 31 March 2019 mainly due to a tax-deductible return for year of assessment ended 31 December 2018 of approximately RMB3.6 million recognized in 1Q2020.

Current liabilities

Other financial liabilities increased by approximately RMB 6.1 million or 27.7% mainly due to an increase in unsecured short-term borrowings obtained by the Group as at 30 June 2020.

Trade and other payables increased slightly by approximately RMB 0.8 million or 3.1% from RMB 26.6 million as at 31 March 2019 to RMB 27.5 million as at 30 June 2019 due to an increase in trade payables as a result of increased purchases of raw materials.

Consolidated Statement of Cash Flows

The Group recorded net cash from operating activities of approximately RMB 18.9 million in 1Q2020 as compared to net cash from operating activities of RMB 11.7 million in 1Q2019 mainly due to adjustments for depreciation of PPE and working capital changes in other assets as well as trade and other payables.

Net cash used in investing activities of approximately RMB 0.4 million in 1Q2020 as compared to net cash used in investing activities of RMB 5.5 million in 1Q2019 was mainly due to the lower purchases of PPE in 1Q2020.

Net cash from financing activities of approximately RMB 28.1 million in 1Q2020 as compared to net cash from financing activities of RMB 12.2 million in 1Q2019 was mainly attributable to proceeds from the issuance of the new rights shares of RMB 22.6 million and new short-term bank loans by the Group of RMB 6.0 million in 1Q2020.

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

No forecast or prospect statement has been previously disclosed.

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.

To position the Group for further growth and expansion, we will continue to build on our initial success of sweet potato seedlings cultivation under Dizhongbao to increase the current 300 mu of cultivation farmland used for our inhouse research and development efforts. Part of the additional farmland to be leased this year will be used for sweet potato seedlings cultivation. This will further enhance (i) the quality of sweet potatoes for our own manufacturing requirements, (ii) our multiple revenue streams, and (iii) the Group's brand awareness. We will also continue to expand and diversify our sales channels through greater advertising and sales promotional activities.

We believe that our stable and sustainable expansion across the supply chain will continue to drive growth for the Group amidst the rising awareness of healthy living and healthier food choices. While the Group's products are currently produced and sold in China, we are also exploring opportunities for our sweet potato snack products to be made available in overseas markets.

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 and the reason(s) for the decision

No dividend has been declared or recommended for 1Q2020. The Group intends to fulfil the capital commitment of Fujian Zixin's registered share capital within this current 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 period.

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 had raised approximately S$4,320,000 in net proceeds from the right issue of 296,909,050 new ordinary shares in the Company which was completed on 22 May 2019 (the "**Rights Issue Proceeds**"). The status on the use of the Rights Issue Proceeds is as follows:

Item	**Amount (S$)**
Net Proceeds	4,320,000
Less:	
Partial capital contribution	(3,500,000)
Working capital for the Company (Corporate office expenses)	(433,000)
Balance	387,000

The above utilisation of the Rights Issue Proceeds is consistent with the intended use as disclosed in the offer information statement of the Company dated 25 April 2019.

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 1Q2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman and Chief Executive Officer
14 August 2019

*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 ("**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 assumes 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.