CHINA STAR FOOD GROUP
中国之星食品集团

(Incorporated in the Republic of Singapore with Unique Entity No.: 20071863N)
Website: www.zixinshuye.com
SGX Stock Code: **42W**

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. ("**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 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.

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

1(a)(i) A statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Financial Year Ended		
	31-Mar-2020 Unaudited RMB'000	31-Mar-2019 Audited RMB'000	Change %
Revenue	323,141	357,001	(9.5)
Cost of sales	(252,982)	(254,701)	(0.7)
Gross profit	70,159	102,300	(31.4)
Interest income	376	621	(39.5)
Other income	713	32	n.m.
Marketing and distribution costs	(40,402)	(22,311)	81.1
Administrative expenses	(39,571)	(39,287)	0.7
Other losses	(34)	(391)	(91.3)
Finance costs	(1,831)	(1,326)	38.1
(Loss)/Profit before income tax	(10,590)	39,638	(126.7)
Income tax income/(expense)	4,123	(15,963)	(125.8)
(Loss)/Profit for the period, net of tax	(6,467)	23,675	(127.3)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(372)	301	n.m.
Total comprehensive (loss)/income for the period	(6,839)	23,976	(128.5)

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:	**Financial Year Ended**	
	31-Mar-2020	**31-Mar-2019**
	(Unaudited)	**(Audited)**
	RMB'000	**RMB'000**
Amortisation of intangible assets	1,417	3,514
Depreciation of property, plant and equipment	20,847	10,311
Interest expense	1,831	1,326
Interest income	(376)	(621)
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	
	31-Mar-2020 (Unaudited) RMB'000	31-Mar-2019 (Audited) RMB'000	31-Mar-2020 (Unaudited) RMB'000	31-Mar-2019 (Audited) RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	146,638	157,617	-	-
Intangible assets	39,383	40,800	-	-
Investment in subsidiaries	-	-	803,636	803,636
Other receivables, non-current	4	-	-	-
Other assets, non-current	71,186	112,266	-	-
Deferred tax assets	7,199	-	-	-
Total Non-Current Assets	264,410	310,683	803,636	803,636
Current Assets				
Inventories	3,988	4,074	-	-
Trade and other receivables	26,664	31,429	33,175	14,981
Other assets, current	106,956	60,307	62	400
Cash and bank balances	71,130	62,475	20	2,480
Total Current Assets	208,738	158,285	33,257	17,861
Total Assets	473,148	468,968	836,893	821,497
EQUITY AND LIABILITIES				
Equity				
Share capital	152,980	130,362	852,404	829,786
Retained earnings/(accumulated losses)	238,998	243,552	(65,308)	(59,577)
Other reserves	44,035	46,320	46,275	46,454
Total Equity	436,013	420,234	833,371	816,663
Current Liabilities				
Income tax payable	226	140	-	-
Trade and other payables	8,602	26,638	3,522	2,378
Other liabilities	2,807	-	-	
Other financial liabilities	25,500	21,956	-	2,456
Total Current Liabilities	37,135	48,734	3,522	4,834
Total Liabilities	37,135	48,734	3,522	4,834
Total Equity and Liabilities	473,148	468,968	836,893	821,497

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

	As at 31-Mar-2020 (Unaudited)		As at 31-Mar-2019 (Audited)	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amount repayable in one year or less, or on demand	5,500	20,000	9,000	12,956
Amount repayable after one year	-	-	-	-
Total borrowings	5,500	20,000	9,000	12,956

Details of any collateral

As at 31 March 2020 and 31 March 2019, the Group's borrowings were secured by:

(i) mortgages of a leasehold building and land use rights held by a subsidiary of the Company (the "**Subsidiary**");
(ii) corporate guarantee given by the Subsidiary; and
(iii) personal guarantee provided 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

	Financial Year Ended	
	31-Mar-2020 (Unaudited) RMB'000	31-Mar-2019 (Audited) RMB'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(10,590)	39,638
Interest income	(376)	(621)
Interest expense	1,831	1,326
Depreciation of property, plant and equipment	20,847	10,311
Property, plant and equipment written-off	-	60
Amortisation of intangible assets	1,417	3,514
Impairment of intangible assets	-	2,565
Exchange differences on translating functional to presentation currency	(374)	301
Operating cash flow before changes in working capital	**12,755**	**57,094**
Inventories	86	(2,355)
Trade and other receivables	4,761	37,775
Other assets	(5,569)	(78,922)
Trade and other payables	(18,036)	(19,542)
Other liabilities	2,807	-
Net cash flows used in operations	**(3,196)**	**(5,950)**
Income tax paid	(2,989)	(10,509)
Net cash flows used in operating activities	**(6,185)**	**(16,459)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,868)	(63,588)
Interest income received	376	606
Increase in pledged fixed deposits	2,456	(2,456)
Net cash flows used in investing activities	**(7,036)**	**(65,438)**
Cash flows from financing activities		
Proceeds from issuance of new shares	22,619	17,208
Proceeds from new bank loans	22,633	21,956
Repayment of bank loans	(19,089)	(17,800)
Repayment of loan to director and shareholder	-	(4,700)
Interest expense paid	(1,831)	(1,326)
Net cash flows from financing activities	**24,332**	**15,338**
Net change in cash and cash equivalents	11,111	(66,559)
Cash and cash equivalents at beginning of financial period	60,019	126,578
Cash and cash equivalents at end of financial period	**71,130**	**60,019**
Comprising:		
Cash and cash equivalents	71,130	60,019
Fixed deposits with banks	-	2,456
Less: Fixed deposits pledged for bank facility	-	(2,456)
Cash and bank balances	**71,130**	**60,019**

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 loss for the year				
Loss for the year	-	-	(6,467)	(6,467)
Other comprehensive loss	-	(372)	-	(372)
Total comprehensive loss for the year	-	(372)	(6,467)	(6,839)
Transactions with owners, recognised directly in equity				
Issuance of new shares pursuant to rights issue	22,618	-	-	22,618
Transferred to retained earnings	-	(1,913)	1,913	-
Total transactions with owners	22,618	(1,913)	1,913	22,618
Balance as at 31 March 2020	152,980	44,035	238,998	436,013

	Share capital (Audited) RMB'000	Other reserves (Audited) RMB'000	Retained earnings (Audited) RMB'000	Total equity (Audited) RMB'000
Balance at 1 April 2018	113,154	41,297	224,599	379,050
Total comprehensive income for the year				
Profit for the year	-	-	23,675	23,675
Other comprehensive income	-	301	-	301
Total comprehensive income for the year	-	301	23,675	23,976
Transactions with owners, recognised directly in equity				
Issuance of new shares	17,208	-	-	17,208
Transferred from retained earnings	-	4,722	(4,722)	-
Total transactions with owners	17,208	4,722	(4,722)	17,208
Balance as at 31 March 2019	130,362	46,320	243,552	420,234

Company

	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	829,786	46,454	(59,577)	816,663
Total comprehensive loss for the year				
Loss for the year	-	-	(5,731)	(5,731)
Other comprehensive loss	-	(179)	-	(179)
Total comprehensive loss for the year	-	(179)	(5,731)	(5,910)
Transactions with owners, recognised directly in equity				
Issuance of new shares	22,618	-	-	22,618
Transferred to retained earnings	-	(2,816)	2,816	-
Total transactions with owners	22,618	(2,816)	2,816	22,618
Balance as at 31 March 2020	852,404	43,459	(62,492)	833,371

	Share capital (Audited) RMB'000	Other reserves (Audited) RMB'000	Retained earnings (Audited) RMB'000	Total equity (Audited) RMB'000
Balance at 1 April 2018	812,578	45,876	(52,945)	805,509
Total comprehensive loss for the year				
Loss for the year	-	-	(6,632)	(6,632)
Other comprehensive income	-	578	-	578
Total comprehensive income/(loss) for the year	-	578	(6,632)	(6,054)
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 31 March 2019	829,786	46,454	(59,577)	816,663

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 31 December 2019 to 31 March 2020.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 31 March 2020 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 31 March 2020 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 31 March 2020	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 31 March 2020 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, as 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, as 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.
This is not required for any audit issue that is material uncertainty relating to going concern.

(a) Not applicable.

(b) Not applicable.

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
(a) based on the weighted average number of ordinary shares in issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).

Earnings per share ("EPS")	Financial Year Ended	
	31-Mar-2020 (Unaudited)	31-Mar-2019 (Audited)
(Loss)/Profit for the period (RMB'000)	(6,467)	23,675
Weighted average number of ordinary shares in issue (in thousands)	551,634	295,923
Basic EPS (RMB cents)	(1.17)	8.00
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	551,634	295,923
Fully diluted EPS (RMB cents)	(1.17)	8.00

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

Net asset value ("NAV")	Group		Company	
	31-Mar-2020 (Unaudited)	31-Mar-2019 (Audited)	31-Mar-2020 (Unaudited)	31-Mar-2019 (Audited)
NAV (RMB'000)	436,013	420,234	833,371	816,663
Number of ordinary shares in issue (in thousands)	593,818	296,909	593,818	296,909
NAV per ordinary share (RMB)	0.73	1.42	1.40	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 include a discussion of the following:

(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.

Consolidated Statement of Comprehensive Income

Revenue

The financial year ended 31 March 2020 ("**FY2020**") has been a challenging year for the Group. In view of the uncertain global market conditions coupled with the COVID-19 outbreak, the Group's supply chain ranging from the sourcing of raw materials to the distributing of its final products has been severely impacted. The trade dispute between The People's Republic of China ("**PRC**" or "**China**") and the United States ("**US**"), and the consequent increase in tariffs, have placed upward pressure on the prices of raw materials. In addition, the outbreak of COVID-19 since January 2020 resulting in the extension of the Lunar New Year holiday and lockdown of many cities in China had heavily impacted the Group's operations. Between February 2020 to March 2020, while the Group had gradually resumed its operations, some of the workers in the Group remained hindered by local travel restrictions on their return journey to the factory.

In view of the abovementioned matters, revenue had decreased by approximately RMB 33.9 million or 9.5%, from RMB 357.0 million for financial year ended 31 March 2019 ("**FY2019**"), to RMB 323.1 million for the financial year ended 31 March 2020 ("**FY2020**"). The decrease in revenue was mainly due to the decrease in sales and a one-off discount extended to the Group's distributors as mentioned in the profit guidance and update announcement released by the Company on 24 April 2020.

Gross Profit and Gross Profit Margin

Gross profit of approximately RMB 70.2 million in FY2020 was lower as compared to RMB 102.3 million in FY2019. The decrease in gross profit of approximately RMB 32.1 million or 31.4% was mainly due to lower revenue recorded in FY2020 as compared to FY2019. The Group's gross profit margin decreased from approximately 28.7% in FY2019 to 21.7% in FY2020. The decrease was due to higher costs and different profit margins across the range of product categories. The higher costs also include additional expenses incurred to comply with the local government's safety measures of

ensuring a safe working environment for workers in order for the Group to continue operating amidst the COVID-19 outbreak. It includes, amongst others, the procurement of masks, goggles and temperature screening items.

Interest Income

Interest income decreased by approximately RMB 0.2 or 39.5% from RMB 0.6 million to RMB 0.4 million in FY2020. This was mainly due to decrease in interest earning in cash and bank balances as compared to FY2019.

Other Income

Other income increased from RMB 32,000 in FY2019 to RMB 713,000 in FY2020. The increase was due to rental income received from third parties for renting out a factory premise.

Marketing and Distribution Costs

Marketing and distribution costs increased by approximately RMB 18.1 million or 81.1% in FY2020 as compared to FY2019. This was mainly due to the increase in advertisement costs and publicity expenses of approximately RMB 14.2 million and RMB 3.0 million for FY2020 as compared to FY2019. The increase was in line with the change in channel management strategy adopted by the Group.

Administrative Expenses

Administrative expenses increased from approximately RMB 39.3 million in FY2019 to RMB 39.6 million in FY2020. The increase of approximately RMB 0.3 million or 0.7% was due to an increase in staff welfare and employment benefit expenses and higher depreciation expenses recorded in FY2020.

Other losses

The decrease in other losses of approximately RMB 0.4 million in FY2020 was mainly due to a one-off charitable donation of RMB 0.3 million recorded in FY2019.

Finance Costs

Finance costs increased by approximately RMB 0.5 million or 38.1% to RMB 1.8 million in FY2020 as compared to FY2019. The increase in finance costs was due to higher interest expenses incurred on bank loans.

Income Tax Income/Expense

Income tax expense decreased by approximately RMB 20.0 million or 125.8% to record a tax income of approximately RMB 4.1 million in FY2020. This was mainly due to (a) the overall loss before income tax position recorded by the Group in FY2020 as compared to a profit before income tax recorded in FY2019, and (b) deferred income tax assets as a result of unutilized tax losses brought forward for subsequent financial periods.

Consolidated Statement of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 31 March 2020 and 31 March 2019.

Non-current Assets

There was a decrease in the Group's total non-current assets of approximately RMB 46.3 million or 14.9%, from RMB 310.7 million as at 31 March 2019 to RMB 264.4 million as at 31 March 2020. This was mainly due to a decrease in other assets (non-current) of approximately RMB 41.1 million or 36.6%

arising from (i) amortisation of long-term deferred expenses and (ii) decrease in advance payments to suppliers whose delivered supplies of raw sweet potatoes will be recognised and offset against the payments over the contractual period. As at 31 March 2020, other assets (non-current) amounted to approximately RMB 71.2 million, comprising mainly advance payments to suppliers for the three long-term supply contracts of raw sweet potatoes.

Plant, property and equipment ("**PPE**") decreased by approximately RMB 11.0 million or 7.0%, from RMB 157.6 million as at 31 March 2019 to RMB 146.6 million as at 31 March 2020. This was due to lower additions to PPE as well as higher depreciation expense recorded on PPE in FY2020.

Intangible assets decreased by approximately RMB 1.4 million or 3.5%, from RMB 40.8 million as at 31 March 2019 to RMB 39.4 million as at 31 March 2020. This was mainly due to lower amortisation expense recorded in FY2020.

Current Assets

Trade and other receivables decreased by approximately RMB 4.8 million or 15.2% from RMB 31.4 million as at 31 March 2019 to RMB 26.7 million as at 31 March 2020. This is in line with the decrease in revenue and sales in the fourth quarter of FY2020.

Other assets (current) increased by approximately RMB 46.6 million or 77.4% from RMB 60.3 million as at 31 March 2019 to RMB 107.0 million as at 31 March 2020. This was mainly due to increase in advance payments made by the Group for the delivery of raw sweet potato supplies from contracted suppliers. The increase is in line with the overall decrease in other assets, non-current, as a result of the advance payments to contracted suppliers being recognised and offset against the payments over the contractual period.

Cash and bank balances increased by approximately RMB 8.7 million or 13.9% as a result of proceeds from the rights issue completed in May 2019 and proceeds from short-term bank loans taken up by the Group and offsetting net cash flow used in operating activities and investing activities. Please refer to the "Consolidated Statement of Cash Flows" section below for more details on the change in cash and cash equivalents of the Group. In particular, the significant decrease in the Group's cash and balances in the fourth quarter of FY2020 were mainly due to the Group's operations recording a significant loss before income tax position, increase in advance payments made by the Group and the settlement of trade and other payables.

As a result of the above, the Group's total current assets increased by approximately RMB 50.5 million or 31.9% from RMB 158.3 million as at 31 March 2019 to RMB 208.7 million as at 31 March 2020.

The Company wishes to highlight that the free cash position at the company level as at 31 March 2020 amounted to approximately RMB 20,000, which was mainly due to the use of approximately RMB 2.6 million of fixed deposits pledged for bank facility to pay down the same revolving loan taken up with the relevant banking institution. Notwithstanding, (a) Mr Liang, Executive Chairman and Chief Executive Officer, has provided an undertaking to provide financial assistance to the Company as and when the Company requires it, and (b) the Company will be assessing its options of raising additional funds from the capital markets in the event that is required. In this regard, the Company note that the recent rights issue was fully subscribed by its shareholders. In view of the above and taking into consideration the Company's outgoing cashflow requirements for the next 12 months, the Board is of the reasonable opinion that the Company is able to operate as a going concern and that the working capital available to the Company is sufficient for its present requirements and for the next 12 months.

Current Liabilities

Trade and other payables decreased by approximately RMB 18.0 million or 67.7% from RMB 26.6 million as at 31 March 2019 to RMB 8.6 million as at 31 March 2020. This was mainly due to settlement of trade and other payables, as well as a decrease in purchases which is line with the decrease in revenue and sales.

Other financial liabilities increased by approximately RMB 3.5 million or 16.1% from RMB 22.0 million as at 31 March 2019 to RMB 25.5 million as at 31 March 2020. This was mainly due to the increase in unsecured short-term borrowings obtained by the Group as at 31 March 2020.

Other liabilities increased from nil as at 31 March 2019 to approximately RMB 2.8 million as at 31 March 2020. This was mainly due to the advance payments received from customers.

Consolidated Statement of Cash Flows

The Group recorded net cash used in operating activities of approximately RMB 6.2 million in FY2020 as compared to net cash used in operating activities of RMB 16.5 million in FY2019. This comprised of positive operating cash flow before changes in working capital of approximately RMB 12.8 million, adjusted by net working capital outflow of RMB 16.0 million and income tax paid of RMB 3.0 million.

Net cash used in investing activities amounted to approximately RMB 7.0 million in FY2020 as compared to RMB 65.4 million in FY2020. The decrease is mainly due to the significant reduction in the purchase of PPE.

Net cash from financing activities was approximately RMB 24.3 million in FY2020 as compared to net cash from financing activities of RMB 15.3 million in FY2019. This was mainly due to an increase in proceeds from short-term borrowings, issuance of new shares pursuant to the rights issue carried out in May 2019 as well as the absence of repayment of loan to director and shareholder in FY2020, which was partially offset by an increase in the repayment of bank loans and the interest expense paid.

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

There is no variance between the actual unaudited results for FY2020 and the profit guidance statement which was announced on 24 April 2020.

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 outbreak of the coronavirus disease ("**COVID-19**") in early 2020, which escalated into the current global pandemic, exacerbated the challenging business environment. While the Chinese government allowed businesses to resume operations gradually from February 2020 onwards, other countries went into lockdowns. These unprecedented challenges have led to disruptions in the supply chain, as well as changes to our conventional lifestyles.

The Group has resumed its operations progressively since February 2020 and accelerated its e-commerce development and "live-streaming" online sales platform to market its fresh sweet potatoes and proprietary branded snack food. These online sales channels complement the Group's traditional marketing and distribution channels, offering alternative options to distributors and consumers amidst the pandemic while reaching out to younger and tech-savvy consumers.

The rising awareness of the health benefits of sweet potatoes, including supporting a healthy immunity system[1], saw the Group receive more sales enquiries during this pandemic. With reference to the research report "Sweet Potato (Fresh, Frozen, Dried) Markets to 2027 – Growing Demand for Plant-based Products Drives the World Market", the global sweet potato market accounted for US$48.63 billion in 2018 and is expected to grow at a compounded annual growth rate of 2.1% during the forecast period of 2019-2027, to account to US$58.47 billion by 2027[2].

The Group's supply of fresh sweet potatoes is secured through co-operative farming arrangements through its contracted farmland. The co-operative farming initiatives are targeted to maintain consistency in the quality and supply of the Group's chosen species of sweet potatoes to satisfy the production requirements of its proprietary branded range of snack food. The Group is continuing its efforts to streamline its proprietary branded range of sweet potato snack food while developing e-commerce and "live-streaming" online sales capabilities to broaden and deepen its sales and distribution network to ride on the positive trend for sweet potatoes.

The Group remains cautiously optimistic and continues to be committed to overcoming the challenges with all stakeholders in this pandemic crisis. The Company will make further announcements to update shareholders as and when appropriate.

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1 https://www.healthline.com/nutrition/sweet-potato-benefits

2 https://www.globenewswire.com/news-release/2019/10/16/1930628/0/en/Global-Sweet-Potato-Fresh-Frozen-Dried-Markets-to-2027-Growing-Demand-for-Plant-based-Products-Drives-the-World-Market.html

11. Dividend

If decision regarding dividend has been made:

(a) Whether an interim (final) dividend has been declared (recommended); and

No.

(b) Previous corresponding period

No.

(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.

No.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) 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 reason(s) for the decision.

No dividend has been declared or recommended for FY2020. The Company had intended to fulfill the capital commitment of Fujian Zixin's registered share capital through additional capital raising exercises (the "**Fund-Raising Plans**") in FY2020, before deciding on whether the Company should declare dividends. However, this process has been delayed due to the outbreak of COVID-19 and difficult global market conditions, which has resulted in the Company having to devote all its attention to the Group's operational and business needs, while putting the Fund-Raising Plans on hold. The Board will continue observe the situation and where applicable, make the necessary announcement(s) with regard to the Fund-Raising Plans. In deciding whether dividends are to be declared, the Board will assess, among others, the Group's financial performance and position 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 Company has not obtained an IPT mandate pursuant to Rule 920(1)(a)(ii) of the Listing Manual Section B: Rules of Catalist of the SGX-ST. There was no IPT of S$100,000 and above (or equivalent) for the current financial period reported on.

14. Negative confirmation pursuant to Rule 705(5).

Not applicable for full year results announcement.

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 its Directors and Executive Officers in accordance with Rule 720(1) of the Catalist Listing Rules.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable. The Group only has one operating segment (sweet potatoes snack foods) and one geographical segment (PRC).

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Not applicable. The Group only has one operating segment (sweet potatoes snack foods) and one geographical segment (PRC).

18. A breakdown of sales as follows:

	Group		
	FY2020 RMB'000	**FY2019 RMB'000**	**Increase / (Decrease) %**
(a) Sales reported for first half year	197,793	174,383	13.4
(b) Operating profit after tax before deducting minority interests reported for first half year	15,150	22,092	(31.4)
(c) Sales reported for second half year	125,348	182,618	(31.4)
(d) Operating (loss)/profit after tax before deducting minority interests reported for second half year	(21,617)	1,583	n.m.

n.m. - not meaningful

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

Not applicable. No dividend has been declared or recommended for FY2020 and FY2019.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There are no persons occupying managerial positions in the Company or any of its principal subsidiaries who are relatives of a director or chief executive officer or substantial shareholder of the Company.

By Order of the Board
China Star Food Group Limited

LIANG CHENGWANG
Executive Chairman and Chief Executive Officer

30 July 2020