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**

China Star Food Group records RMB 128 million in revenue for 1H FY2021

- **The Group accelerates in adopting technology in traditional agricultural business to transform into an efficient agri-tech supply chain operator in the sweet potato industry**

Key Financial Highlights:

For the Six Months Ended 30 Sep (RMB'000)	1H FY2021	1H FY2020	YoY Change
Revenue	128,472	197,793	- 35.0%
Gross profit	30,104	55,767	- 46.0%
Gross profit margin	23.4%	28.2%	- 4.8 pp
(Loss) / Profit before tax	(10,175)	16,569	n.m.
(Loss) / Profit after tax[1]	(10,719)	15,150	n.m.

*** pp denotes percentage points and n.m. denotes not meaningful*

1 (Loss) / Profit after tax attributable to owners of the Company

For Immediate Release

SINGAPORE, 13 November 2020 – China Star Food Group Limited 中国之星食品集团 ("**CSFG**" or the "**Company**" and together with its subsidiaries, the "**Group**"), registered a 35.0% decrease in revenue to RMB 128.5 million for the six months ended 30 September 2020 ("**1H FY2021**"), as compared to RMB 197.8 million for the six months ended 30 September 2019 ("**1H FY2020**"). The lower revenue was mainly attributed to the significant drop in consumer demand at the outset of the COVID-19 outbreak since February 2020, which led to a significant decline in consumer demand for fresh sweet potatoes and snack products. Despite the gradual resumption of its business operations after lockdowns were eased, the financial performance of the Group continued to be undermined during this financial period under review.

Gross profit decreased by 46.0% from RMB 55.8 million in 1H FY2020 to RMB 30.1 million in 1H FY2021 in tandem with lower revenue, as well as additional expenses incurred to comply with the local government's safety measures of ensuring a safe working environment for workers for the Group to continue operating amidst the global pandemic. The Group's gross margin decreased from 28.2% in 1H FY2020 to 23.4% in 1H FY2021 mainly due to the higher costs resulting from lower operating efficiency, coupled with higher sales of lower margin snack product categories.

Operating expenses comprising marketing and distribution costs and administrative expenses, increased by 2.1% from RMB 39.4 million in 1H FY2020 to RMB 40.2 million in 1H FY2021. The increase was mainly due to the deployment of resources to roll out the e-commerce and online marketing strategy adopted by the Group to complement traditional marketing campaigns, and increase in depreciation expenses and research and developments expenses. Taking into account lower finance costs and tax expenses, the Group recorded a loss after tax of RMB 10.7 million in 1H FY2021, a reversal from the profit after tax of RMB 15.2 million a year ago.

Mr. Liang Chengwang, Executive Chairman and CEO of the Group said, "**The pandemic, while derailing us from our initial plans, has also quickened our pace in adopting technology in our traditional agriculture business, transforming us into an efficient agri-tech supply chain operator in the sweet potato industry. Our focus in enhancing our integrated supply chain is clearly defined into three key areas – (i) R&D of quality sweet potato seedlings and cultivation techniques to improve harvesting yield (优质地瓜苗的研发与栽培技术以提高收成量), (ii) adopt technology to develop new products and broaden potential earnings base (采用技术开发新产品，扩大潜在收入基础), and (iii) cultivate demand for proprietary brands through e-commerce platforms (通过电子商务平台培养对自主品牌的需求). We believe our efforts in these areas will not only complement the Group's traditional marketing and distribution networks, but will also further strengthen the Group's overall foundation as the only integrated sweet potato supply chain operator in Liancheng County, China.**

We are appreciative of the patience and support from our stakeholders, and we will continue to deliver our best efforts to bring the Group towards sustainable growth and positive earnings in the near future."

Business Outlook

Amid the global pandemic, the Chinese economy is slowly recovering from the effects of the earlier lockdowns. The Group believes consumers are likely to curtail consumption in the near term, reeling from joblessness and the uncertainties stemming from the ongoing global pandemic. Nevertheless, the Group believes that the rising awareness of sweet potatoes as one of the popular and healthier choices amongst the staple foods in China, would continue to drive regular consumption of quality sweet potatoes and snack foods.

According to China Economic Vision (中经视野) in "Market Prospect Analysis and Forecast Report of China's Sweet Potato Industry 2020" (《中国甘薯行业市场前景分析预测报告》2020 版), it forecasts that the market size of sweet potatoes will continue to grow at a compound annual growth rate of 30.1% from RMB 74.1 billion in 2015 to RMB 1,026.0 billion in 2024.



Source: China Economic Vision

"**We will leverage our competencies to ride on this growth trend and we remain committed to deliver value to our shareholders**," added Mr Liang.

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This media release is to be read in conjunction with the Company's unaudited interim results announcement posted on the SGX website on 13 November 2020.

About China Star Food Group Limited 中国之星食品集团

(Stock codes – SGX: 42W | Bloomberg: CSFG SP | Reuters: CHIA.SI)

China Star Food Group Limited ("**CSFG**" or the "**Company**", and together with its subsidiaries, the "**Group**"), is a leading sweet potato focused integrated snacks supply chain operator in China. Through its wholly-owned subsidiaries, the Group leverages on advanced technology to strengthen its three core business segments: **(i) cultivation and supply** – sweet potato seedlings cultivation base and fresh sweet potatoes supply, **(ii) product innovation and snacks production** – sweet potato snacks product innovation and production of broad categories of snacks, and **(iii) brand building, marketing and distribution** – build proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and modern) throughout China.

The Group aims to be one of the global leaders in sweet potato focused snacks, leveraging on smart ecological agriculture, utilising hi-tech techniques in product innovation to produce healthier snacks, and deploying modern marketing and distribution methods for better market reach.

To ensure a consistent supply of high-quality sweet potatoes, the Group has established an upstream sweet potato cultivation division, Liancheng Dizhongbao Modern Agricultural Development Co., Ltd., that has identified specific sweet potato varieties for its cultivation bases. Through continual analysis and research and development, the Group developed comprehensive cultivation solutions including soil improvement, fertilizers, and seedlings, to assist farmers to increase crop yields and produce high-quality raw sweet potatoes. The Group has implemented the cultivation scheme to the existing farmlands, which it has leased through Liancheng County Cooperative in Fujian, China. The Group believes that its sweet potato cultivation solutions can also be provided to other potato farmers in China, which could potentially broaden its earnings base.

The Group has also adopted modern marketing and distribution approach such as online and retail e-commerce sales channels to complement its traditional wholesalers and distributors, to promote its proprietary brands and range of healthier sweet potato snacks.

Please visit the Company's website at www.zixinshuye.com for more information.

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*This media release has been prepared by the Company and reviewed by the Company's 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 media release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this media release, including the correctness of any of the statements or opinions made, or reports contained in this media release.

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