CHINA STAR FOOD GROUP
中国之星食品集团

(Incorporated in the Republic of Singapore with Unique Entity No.: 200718683N)
Website: www.zixinshuye.com
SGX Stock Code: **42W**

PROPOSED PLACEMENT OF 290,000,000 NEW ORDINARY SHARES IN THE SHARE CAPITAL OF THE COMPANY

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1. INTRODUCTION

1.1. The Board of Directors (the "**Board**" or the "**Directors**") of China Star Food Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company had, on 22 January 2021, entered into subscription agreements (each a "**Subscription Agreement**", and collectively the "**Subscription Agreements**") with each of the subscribers set out in paragraph 2.2. of this announcement (the "**Subscribers**").

1.2. Subject to and upon the terms of the respective Subscription Agreements, the Subscribers have agreed to subscribe and pay for, and the Company will allot and issue to the Subscribers, an aggregate of 290,000,000 new ordinary shares in the share capital of the Company (each a "**Subscription Share**", and collectively the "**Subscription Shares**") at an issue price of S$0.021 (the "**Issue Price**") for each Subscription Share, amounting to an aggregate sum of S$6,090,000 (the "**Proposed Placement**").

2. DETAILS OF THE PROPOSED PLACEMENT

2.1. The Issue Price

2.1.1. The Issue Price of S$0.021 is equivalent to the volume weighted average price of S$0.021[(1)] per Share, based on trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 22 January 2021, being the last full market day on which the shares of the Company (the "**Shares**") were traded preceding the date and up to the time the Subscription Agreements were signed.

Note:

(1) Rounded to the nearest three (3) decimal places.

2.2. Details of the Subscribers and their respective subscriptions

2.2.1. *Shareholders should note that information relating to the Subscribers in this paragraph and elsewhere in this announcement were provided by the Subscribers. The Company and the Directors have not independently verified the accuracy and correctness of such information herein.*

2.2.2. The details of the Subscribers and their respective subscription of the Subscription Shares are as follows:

Name of Subscriber	Number of existing Shares held	Number of Subscription Shares subscribed	Shareholding prior to the completion of the Proposed Placement ("Completion") as a percentage of the existing issued share capital of the Company[(1)]	Shareholding (including the number of Subscription Shares subscribed for) as a percentage of enlarged issued share capital of the Company after Completion[(2)]	Subscription consideration payable (S$)[(3)]
Liu Nailin	2,832,900	40,000,000	0.48%	4.85%	840,000
Luo Fangfen	8,223,075	35,000,000	1.38%	4.89%	735,000
Zou Jiashui	1,850,000	40,000,000	0.31%	4.74%	840,000
Yang Qibin	729,800	40,000,000	0.12%	4.61%	840,000
Wu Yunhai	599,800	15,000,000	0.10%	1.77%	315,000
Luo Weilong	-	40,000,000	-	4.53%	840,000
An Junwei	-	40,000,000	-	4.53%	840,000
Liu Xiaohua	-	40,000,000	-	4.53%	840,000
Total		**290,000,000**	**2.39%**	**34.45%**	6,090,000

Notes:

(1) Based on the number of Subscription Shares divided by the existing issued and paid-up share capital of the Company of 593,818,100 fully paid-up ordinary shares immediately before the Proposed Placement.

(2) Based on the number of Subscription Shares divided by the enlarged issued and paid-up share capital of the Company of 883,818,100 fully paid-up ordinary shares immediately after the Proposed Placement.

(3) Please refer to paragraph 2.2.3. of this announcement for further information.

2.2.3. Further information about the Subscribers is set out below:

Name of Subscriber	Background of the Subscriber and the rationale for their respective subscription
Liu Nailin	Mr Liu Nailin, an existing shareholder of the Company, is a businessman with business interests in the People's Republic of China (the "**PRC**").
Luo Fangfen	Mr Luo Fangfen, an existing shareholder of the Company, is a businessman with business interests in the PRC.
Zou Jiashui	Mr Zou Jiashui, an existing shareholder of the Company, is a businessman with business interests in the PRC.
Yang Qibin	Mr Yang Qibin, an existing shareholder of the Company, is a businessman with business interests in the PRC.
Wu Yunhai	Mr Wu Yunhai is an employee of the Group.
Luo Weilong	Mr Luo Weilong is an employee of the Group.
An Junwei	Mr An Junwei is a private investor.
Liu Xiaohua	Ms Liu Xiaohua is a private investor.

2.2.4. The Company was introduced to Mr Liu Nailin, Mr Luo Fangfen, Mr Yang Qibin and Mr Zou Jiashui through the business contacts and connections of Mr Liang Chengwang, the Executive Chairman and Chief Executive Officer of the Company ("**Mr Liang**"). In addition, the Company was introduced to Mr An Junwei and Ms Liu Xiaohua through the business contacts and connections of Mr Liang and Ms Duanmu Xiaoyi, the Executive Director of the Company. The aforementioned Subscribers had expressed an interest to invest in the Company through the Proposed Placement for their own respective financial investment purposes.

2.2.5. Mr Wu Yunhai and Mr Luo Weilong are existing employees of the Group and have expressed their interest to invest in the Company through the Proposed Placement as a form of support and also for their own private investment purposes.

2.2.6. Save as disclosed as in paragraphs 2.2.3., 2.2.4. and 2.2.5., the Subscribers currently do not have any connections or relationships (including business relationships) with the Group, any of the Directors and/or substantial shareholders of the Company.

2.2.7. The Subscribers have each represented and warranted to the Company, *inter alia*, that:

(i) each of them is independent of, and not acting in concert (as defined in The Singapore Code on Take-overs and Mergers) with any other party to obtain or consolidate effective control in the Company through the subscription of the Subscription Shares;

(ii) each of them is not a Director or a substantial shareholder of the Company, an interested person as defined in Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") or any other person in the categories set out in Rule 812(1) of the Catalist Rules; and

(iii) each of them is subscribing for the Subscription Shares solely for the purposes of investment and solely for their own benefit and as principal (and not as an underwriter or a placement agent or a nominee or a trustee for any person) and has not entered into any arrangement or agreement to sell or otherwise dispose of any of the Subscription Shares to any person.

2.3. Payment of the consideration by the respective Subscribers

2.3.1. As at the date of this announcement, the Company has the following outstanding interest-free loans owing to:

(i) Mr Luo Fangfen ("**Mr Luo**") amounting to S$248,000; and

(ii) Mr Liu Nailin ("**Mr Liu**") amounting to S$150,000

(collectively, the "**Outstanding Sums**").

2.3.2. Each of Mr Luo and Mr Liu have agreed to capitalise the Outstanding Sums in full (the "**Capitalisation of the Outstanding Sums**"). In this regard, the consideration payable by Mr Luo will be partially satisfied by way of a cash amount of S$487,000 and capitalisation of the outstanding sum of S$248,000. The consideration payable by Mr Liu will be partially satisfied by way of a cash amount of S$690,000 and capitalisation of the outstanding sum of S$150,000. For the avoidance of doubt, the total Subscription Shares to be allotted and issued to each of Mr Luo and Mr Liu will include the respective Subscription Shares to be allotted and issued to them in connection with the Capitalisation of the Outstanding Sums.

2.3.3. Save for Mr Luo and Mr Liu, all the other Subscribers will be paying for their respective Subscription Shares fully by way of cash.

2.4. The Subscription Shares

2.4.1. Following Completion, the Company's issued share capital will increase from 593,818,100 Shares as at the date of this announcement to 883,818,100 Shares. The Subscription Shares represent approximately 48.84% of the existing issued share capital of the Company comprising 593,818,100 Shares as at the date of this announcement and will represent approximately 32.81% of the enlarged issued share capital of the Company of 883,818,100 Shares, based on the assumption that there will be no changes to the number of Shares (excluding treasury shares and subsidiary holdings) before Completion. The Company does not hold any treasury Shares.

2.4.2. The Subscription Shares, when issued and delivered, will be free from all pre-emption rights, charges, liens and other encumbrances and with all rights and benefits attaching thereto and shall rank *pari passu* in all respects with the Shares existing as at the date of the issuance of the Subscription Shares save for dividends, rights, allotments or other distributions, the record date of which falls on or before the date of allotment and issuance of all of the Subscription Shares.

2.4.3. The Subscription Shares have not been placed to any person who is a Director or a substantial shareholder of the Company, an interested person as defined in Chapter 9 of the Catalist Rules or any other person in the categories set out in Rule 812(1) of the Catalist Rules.

2.4.4. The Proposed Placement will not result in a transfer of controlling interest of the Company within the definition of Rule 803 of the Catalist Rules and there are no share borrowing arrangements for the Proposed Placement. The Proposed Placement is not expected to give rise to any material conflicts of interest.

2.5. Mandate for the allotment and issuance of all of the Subscription Shares

2.5.1. The Subscription Shares will be allotted and issued pursuant to the general share issue mandate (the "**General Mandate**") granted by shareholders of the Company (the "**Shareholders**") to the Directors pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore by way of an ordinary resolution passed at the annual general meeting of the Company held on 29 September 2020 (the "**2020 AGM**").

2.5.2. The General Mandate grants authority to the Directors to, *inter alia*, allot and issue new Shares not exceeding 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the 2020 AGM, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to existing Shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the 2020 AGM.

2.5.3. As at the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate and accordingly, the Company is authorised to issue up to 296,909,050 Subscription Shares other than on a pro-rata basis. The proposed allotment and issuance of 290,000,000 Subscription Shares falls within the limit of the General Mandate obtained at the 2020 AGM, and represents approximately 48.84% of the issued share capital of the Company of 593,818,100 Shares at the time the approval for the General Mandate was granted.

2.6. Additional Listing Confirmation

The Company will be making an application, through its continuing sponsor, Novus Corporate Finance Pte. Ltd., to the SGX-ST for the listing of and quotation of all of the Subscription Shares on the Catalist Board of the SGX-ST. The Company will make the necessary announcements in due course upon obtaining the listing and quotation notice in respect of all of the Subscription Shares from SGX-ST (the "**Listing and Quotation Notice**").

2.7. No payment of introducer fee or placement commission

No introducer fee or placement commission has been paid or will be payable by the Company in connection with the Proposed Placement and no placement agent has been appointed for the Proposed Placement.

2.8. Exemption from the prospectus requirement

The offer and allotment and issuance of the Subscription Shares is made pursuant to the exemption under Section 272B of the Securities and Futures Act, Chapter 289 of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Subscription.

3. OTHER SALIENT TERMS OF THE SUBSCRIPTION AGREEMENTS

3.1. Completion

3.1.1. Subject to the terms and conditions of the Subscription Agreements, Completion shall take place on the date falling no later than the fifth (5th) business day after the satisfaction of the last of the conditions precedent to the Subscription Agreements have been satisfied or waived in accordance with the terms of the Subscription Agreements (as the case may be), or such other date as may be agreed in writing between the parties to the Subscription Agreements may mutually agree (the "**Completion Date**").

3.1.2. On the Completion Date, the Subscribers shall make payment to, or procure that payment is made to, the Company for their respective consideration in respect of their respective Subscription Shares.

3.2. Conditions Precedent

Completion is conditional upon, *inter alia*, the following conditions:

(i) the approval in-principle from the SGX-ST being obtained for the Listing and Quotation Notice of the Subscription Shares and such approval not having been revoked or amended as at the Completion Date, and if the approval is granted subject to conditions, such conditions being reasonably acceptable to the Company, and to the extent that any conditions for the listing and quotation of all of the Subscription Shares are required to be fulfilled on or before Completion Date, they are so fulfilled;

(ii) the Company obtaining such approval(s) from its Board in connection with the Subscription Agreements and the transactions contemplated herein as may be necessary;

(iii) the allotment, issue, and subscription of all of the Subscription Shares by the Subscribers not being prohibited by any statute, order, rule, regulation or directive promulgated or issued hereafter by any legislative, executive or regulatory body or authority of Singapore;

(iv) the representations and warranties of the Company in the Subscription Agreements being true, accurate, and correct as if repeated on and as of the Completion Date, with reference to the then existing circumstances and the Company having performed in all of its obligations set out in the respective Subscription Agreements on or before the Completion Date;

(v) the representations and warranties of the Subscribers in the Subscription Agreements being true, accurate and correct as if repeated on and as of the Completion Date, with reference to the then existing circumstances and each of the Subscribers having performed in all of its obligations set out in their respective Subscription Agreements on or before the Completion Date; and

(vi) there having occurred no material adverse change, or any development reasonably likely to involve a prospective material adverse change, in the financial condition, prospects, earnings, business, undertakings, assets or properties of the Group, whether or not arising from transactions in the ordinary course of business subsequent to the date of the Subscription Agreements.

3.3. Long-Stop Date

Each of the Subscription Agreements is subject to the long-stop date falling six (6) months after the date of the respective Subscription Agreements or any other date that the Subscribers may agree with the Company (the "**Long-Stop Date**"). The Subscription Agreements will terminate on or before the Long-Stop Date (or such later date as the Company and the Subscriber may agree in writing) if any of the conditions precedent set out in paragraph 3.2. of this announcement are not satisfied or otherwise mutually waived by the Company and the respective Subscribers, or the time for performance is not extended by the respective Subscribers. In respect of which, neither of such Subscriber nor the Company shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the subscription of the Subscription Shares by the Subscriber, save for any other rights or liabilities which have accrued prior to such termination or which are expressed to apply after such termination.

4. RATIONALE OF THE PROPOSED PLACEMENT

4.1. To partially fund the construction of phase 1 of the project that will be undertaken by Fujian Zixin Biological Potato Co., Ltd.

4.1.1. Fujian Zixin Biological Potato Co., Ltd. ("**Fujian Zixin**"), an indirect wholly-owned subsidiary of the Company, intends to develop a plot of land with an area of 56,019.31 square metres located at Food Processing Zone SP-F1-4, Liancheng County, People's Republic of China (连城县食品加工区 SP-F1-4) (the "**Land**") for the purposes of increasing the Group's production and research capacities (the "**Project**"). Fujian Zixin had acquired the land use rights to the Land on 18 September 2014.

4.1.2. The Project will be undertaken in three (3) phases. The first phase of the Project is anticipated to commence sometime in the first quarter of 2021 and the remaining two (2) phases will be undertaken in due course. In this regard, the first phase of the Project entails the construction of several buildings which will be used for research and development as well as to increase the production capability of the Group to subsequently produce the new products developed by the Group.

4.1.3. The Company intends to use part of the Net Cash Proceeds (as defined below) to fund a portion of the construction costs that will be incurred by Fujian Zixin, for phase 1 of the Project ("**Phase 1 of the Project**"). The remaining construction costs for Phase 1 of the Project will be funded by the Group's internal resources.

4.2. General working capital of the Company

4.2.1. The Company also intends to use part of the Net Cash Proceeds for its Singapore office's working capital purposes including funding, *inter alia*, administrative expenses, employees' benefits and wages, other operating expenses as well as other future expansions which the Directors deem to be in the interest of the Company and the Group.

4.2.2. Further, the Proposed Placement is part of the Company's ongoing and prudent balance sheet management to strengthen its financial position, enlarge its capital base and further enhance the financial flexibility of the Group.

5. USE OF THE NET CASH PROCEEDS

5.1. The estimated net cash proceeds to be raised from the Proposed Placement, if and when completed, after deducting estimated expenses to be incurred in connection with the Proposed Placement of S$58,000 and taking into account the Capitalisation of the Outstanding Sums of S$398,000, would be S$5,634,000 (the "**Net Cash Proceeds**").

5.2. The Company intends to use the Net Cash Proceeds in the manner set out below:

Intended Use of Net Cash Proceeds	**Amount (S$'000)[(1)]**	**As a % of the Net Cash Proceeds[(2)]**
To partially fund the construction of Phase 1 of the Project	4,515	80.14
Working capital for the Group's Singapore office	1,119	19.86
Total	5,634	**100.00**

Notes:

(1) Rounded to the nearest thousand.

(2) Rounded to the nearest two (2) decimal places.

5.3. Pursuant to Rule 704(30) and Rule 1204(22) of the Catalist Rules, the Company will make periodic announcements on the utilisation of the Net Cash Proceeds as and when the Net Cash Proceeds are materially disbursed or utilised, and whether such use is in accordance with the stated use. The Company will also provide a status report on the use of the Net Cash Proceeds in the Company's interim and full year financial statements and the annual report of the Company. Where there is any material deviation from the stated use of the Net Cash Proceeds, the Company will announce the reasons for such deviation. Where the Net Cash Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Cash Proceeds for working capital in its announcements and annual reports.

5.4. Pending deployment of the Net Cash Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem fit from time to time.

6. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

6.1. Assumptions

6.1.1. The *pro forma* financial effects of the Proposed Placement on the Group are set forth below and have been computed based on (a) the audited financial statements of the Group for its financial year ended 31 March 2020 ("**FY2020"**).

6.1.2. The financial effects of the Proposed Placement are based on the following bases and assumptions:

(i) the Subscription Shares are fully placed out;

(ii) the estimated fees and expenses (including professional fees in relation to the Proposed Placement) incurred by the Company in connection with the Proposed Placement is approximately S$58,000;

(iii) the financial effect on the net tangible asset (the "**NTA**") per Share is computed based on the assumption that the Proposed Placement was completed on 31 March 2020;

(iv) the financial effect on the loss per Share (the "**LPS**") is computed based on the assumption that the Proposed Placement was completed on 1 April 2019; and

(v) the use of the MAS Currency Exchange Rate as of 22 January 2021 of S$1.00 to RMB4.88[1].

Note:

(1) Rounded to the nearest two (2) decimal places.

6.2. Share capital

Details on the share capital of the Company before and after the allotment and issuance of all of the Subscription Shares are as follows:

	Before the allotment and issuance of all Subscription Shares	**After the allotment and issuance of all Subscription Shares**
Issued and paid-up share capital (S$'000)	188,226	194,316
Number of Shares as at 31 March 2019 (excluding treasury shares)(1)	593,818,100	883,818,100

Note:

(1) As at the date of this announcement, the Company does not hold any treasury shares.

6.3. Net Tangible Assets ("**NTA")**

Details on the Net Tangible Assets per Share of the Group before and after the allotment and issuance of all of the Subscription Shares are as follows:

	Before the allotment and issuance of all Subscription Shares	**After the allotment and issuance of all Subscription Shares**
NTA of the Group as at 31 March 2020 (RMB'000)	396,630	426,350
Total number of issued and paid-up Shares (excluding treasury shares)(1)	593,818,100	883,818,100
NTA per Share of the Group (RMB cents)	66.79	48.24

Note:

(1) As at the date of this announcement, the Company does not hold any treasury shares.

6.4. Loss per Share ("**LPS**")

Details on the Loss per Share of the Group before and after the allotment and issuance of all of the Subscription Shares are as follows:

	Before the allotment and issuance of all Subscription Shares	**After the allotment and issuance of all Subscription Shares**
Net loss for FY2020 (RMB'000)	6,467	6,467
Weighted average number of Shares	551,634	841,634
LPS (RMB cents)	1.17	0.77

6.5. The *pro forma* financial effects of the Proposed Placement are presented solely for illustrative purposes only and are not intended to be indicative or reflective of the actual financial position of the Group after Completion.

7. CONFIRMATION BY DIRECTORS

In accordance with Rule 810(1)(c) of the Catalist Rules, the Directors are of the opinion that after taking into consideration:

(i) the present bank facilities available to the Group, the working capital available to the Group is sufficient to meet its present requirements, and the Proposed Placement is being undertaken for reasons provided in paragraph 5. above; and

(ii) the present bank facilities available to the Group and the Net Cash Proceeds arising from the Proposed Placement, the working capital available to the Group is sufficient to meet its present requirements.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and their respective associates, and to the best of the knowledge of the Directors, none of the substantial shareholders of the Company, as well as their respective associates, has any interest, whether direct or indirect, in the Proposed Placement (other than in his capacity as Director or Shareholder of the Company, as the case may be).

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Placement, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the Subscription Agreements are available for inspection during the normal business hours at the registered office of the Company at 24 Raffles Place, #20-03 Clifford Centre, Singapore 048621 for a period of three (3) months from the date of this announcement.

11. FURTHER ANNOUNCEMENTS

The Company will continue to keep Shareholders updated and release announcements relating to the Proposed Placement (including any material developments and progress made) as may be appropriate from time to time.

12. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Placement is subject to the fulfilment of, *inter alia*, the conditions precedent set out above, and accordingly, should exercise caution when trading in the Shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Liang Chengwang
Executive Chairman and Chief Executive Officer

22 January 2021

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*This announcement 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 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 Andrew Leo, Chief Executive Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.