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**

BUSINESS UPDATE ON THE GROUP'S OPERATIONS

The Board of Directors (the "**Board**") of China Star Food Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to provide an update to shareholders on our business operations, underpinned by the recovery of the Chinese economy amid the global COVID-19 pandemic.

The Group operates an integrated value chain for its mainstay product – sweet potatoes, in Liancheng County, the People's Republic of China ("**China**"). It 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** – building of proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and e-commerce) throughout China.

Currently, the Group's overall operations have resumed to normal, following gradual resumption in early 2020, as it complied with the government's directives and continues to take precautionary measures to minimise the risk of COVID-19 transmission.

1. Cultivation and supply

The Group's wholly-owned subsidiary, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd (连城县地中宝现代农业有限公司) ("**Dizhongbao**") focuses on (i) research and development of new sweet potato varieties, (ii) seedlings cultivation, (iii) farming solutions and techniques which are also beneficial to third party farmers through the provision of cultivation technical support and supply of dedicated agricultural materials, and (iv) sales of fresh sweet potatoes.

Currently, Dizhongbao has a dedicated area of 300mu (approximately 200,001m^2) for seedlings cultivation, to satisfy the Group's contracted farmland of 8,268.6mu (approximately 5,512,427.6m^2) through the Liancheng County Cooperative, to grow and produce its chosen varieties of sweet potatoes.



Sweet potato seedlings cultivation

The investments in cultivating sweet potato seedlings and developing in-house cultivation solutions are aimed at ensuring food safety and a consistent supply of high-quality sweet potatoes with improved harvest yields to support the Group's snack manufacturing operations for its own proprietary brands.



Harvesting of sweet potatoes

The cultivation solutions developed relating to soil improvement, fertilizers, and seedlings could also be marketed and sold to assist other individual farmers to increase their crop yields and produce high-quality fresh sweet potatoes.

The planting of the sweet potato seedlings has commenced following the end of the Lunar New Year festive holidays.

2. Product innovation and snacks production

The Group's wholly-owned subsidiary, Fujian Zilaohu Food Co., Ltd. (福建紫老虎食品有限公司) ("**Zilaohu**") focuses on research and development ("**R&D**") of snack products, particularly sweet potatoes, production and distribution of sweet potato snack products. Zilaohu operates a comprehensive suite of functions within the manufacturing facility comprising one level each for a testing centre, a packaging assembly department, and a warehouse for finished goods, as well as three levels for snacks production. The total installed annual production capacity of the Group is approximately 13,440 tonnes of snack products.



Selected bestselling sweet potato snacks

The gradual resumption of operations following the lockdown of cities in China in early 2020 saw Zilaohu's production and sales volume reaching pre-COVID-19 levels recently.

The Group continues to utilise high-tech techniques in product innovation to produce healthier snacks that keep up with consumer snack food trends, and invest in R&D on higher value products to broaden its product range and potential income stream.

3. Brand building, marketing and distribution

The Group's wholly-owned subsidiary, Fujian Xingpai Food Co., Ltd (福建星派食品有限公司) focuses on brand building, marketing and distribution of the snack products.

The lockdowns of cities in China not only derailed the Group's traditional approach in marketing campaigns and distribution, but also changed the conventional way a consumer makes purchases at physical stores and supermarkets. This has spurred the Group to accelerate its e-commerce development and "live-streaming" online sales platforms to market its fresh sweet potatoes and proprietary branded snack products.



"Live-streaming" by Liancheng County's Director of Commerce and e-commerce platforms
连城县商务局长直播带货，以及电商
Source: Tian Mao and Douyin

These online sales platforms will continue to complement the Group's conventional marketing campaigns and distribution channels, offering alternative options to distributors and consumers.

4. Expansion into high-tech manufacturing and research capabilities

The Group's wholly-owned subsidiary, Fujian Zixin Biological Potato Co., Ltd (福建紫心生物薯业有限公司) ("**Zixin**") intends to develop a plot of land with an area of 56,019.31m^2 located at the Food Processing Zone SP-F1-4 (连城县食品加工区 SP-F1-4) in Liancheng County, China to further expand its production and research capabilities.

The intended developments will be undertaken in three phases, with the first phase comprising several buildings expected to commence construction at end of March 2021 and complete by end December 2022, as announced with the recent placement of 290 million new shares dated 22 January 2021. These new facilities are to cater for R&D as well as to increase the Group's production capability for new products developed by the Group.

Mr Liang Chengwang (梁承旺), Executive Chairman and CEO of China Star Food Group said, "**We are appreciative of the confidence our stakeholders have in us, supporting us in our ambition of becoming an agri-tech operator in sweet potatoes. Our prior years of investment in building an integrated value chain with our proprietary brands take time to bear fruits, and the pandemic accelerated the business environment to embrace digitalisation. Being the first-mover in Liancheng County, we believe the Group is well-placed for the next level of growth.**

At China Star Food, we believe in providing safe and highly nutritious products to our consumers, and as an integrated sweet potato value chain snack food company, R&D on sweet potatoes, from seedlings to products, has always been part of our business. Our quality sweet potatoes, particularly, purple sweet potato (紫薯), through high-tech extraction techniques, can also be found in powder form. The purple sweet potato powder can be used as an additive for those in the confectionery and baking industries to enhance the nutritional values of their baked products.

Currently, we are at the final stage of R&D of the purple sweet potato powder and the trial production will commence once the new manufacturing facilities are ready. We will continue to leverage on our collaboration with research expertise to expand our product range beyond our mainstay – sweet potatoes, which could potentially broaden our earnings base going forward."

The Company will release its full year financial results ending 31 March 2021 by 30 May 2021. Nevertheless, the Company will continue to update shareholders on material developments as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. Persons who are in doubt as to the action they should take, should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers before trading in or making any investment decision regarding the Company's securities.

By Order of the Board
China Star Food Group Limited

Liang Chengwang
Executive Chairman and Chief Executive Officer

2 March 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.

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