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**

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

*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-2021 Unaudited RMB'000	31-Mar-2020 Audited RMB'000	Change %
Revenue	287,388	323,141	(11.1)
Cost of sales	(217,772)	(252,982)	(13.9)
Gross profit	69,616	70,159	(0.8)
Interest income	418	376	11.2
Other income	720	713	1.0
Marketing and distribution costs	(36,608)	(40,402)	(9.4)
Administrative expenses	(44,776)	(39,571)	13.2
Other losses	(951)	(34)	n.m.
Finance costs	(1,421)	(1,831)	(22.4)
Loss before income tax	(13,002)	(10,590)	22.8
Income tax income	326	4,123	(92.1)
Loss for the year, net of tax	(12,676)	(6,467)	96.0
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	593	(372)	(259.4)
Total comprehensive loss for the year	(12,083)	(6,839)	76.7

n.m. - not meaningful

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

Loss for the year is stated after charging/(crediting) the following:	Financial Year Ended	
	31-Mar-2021 (Unaudited) RMB'000	31-Mar-2020 (Audited) RMB'000
Amortisation of intangible assets	1,402	1,417
Depreciation of property, plant and equipment	18,726	20,847
Impairment of property, plant and equipment	1,249	-
Interest expense	1,421	1,831
Interest income	(418)	(376)
Loss of disposal of property, plant and equipment	913	-
Property, plant and equipment written off	32	-

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-2021 (Unaudited) RMB'000	31-Mar-2020 (Audited) RMB'000	31-Mar-2021 (Unaudited) RMB'000	31-Mar-2020 (Audited) RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	126,906	146,638	-	-
Intangible assets	37,287	39,383	-	-
Rights of use assets	394	-	394	
Investment in subsidiaries	-	-	803,636	803,636
Other receivables, non-current	9	4	-	-
Other assets, non-current	35,316	71,186	-	-
Deferred tax assets	7,571	7,199	-	-
Total Non-Current Assets	207,483	264,410	804,030	803,636
Current Assets				
Inventories	3,472	3,988	-	-
Trade and other receivables	46,630	26,664	54,546	33,175
Other assets, current	61,754	106,956	61	62
Cash and bank balances	196,387	71,130	1,777	20
Total Current Assets	308,243	208,738	56,384	33,257
Total Assets	515,726	473,148	860,414	836,893
EQUITY AND LIABILITIES				
Equity				
Share capital	182,572	152,980	881,996	852,404
Retained earnings/(accumulated losses)	226,322	238,998	(67,065)	(62,492)
Other reserves	44,628	44,035	42,979	43,459
Total Equity	453,522	436,013	857,910	833,371
LIABILITIES				
Non-Current Liabilities				
Lease liability, non-current	166	-	166	-
Current Liabilities				
Income tax payable	1,688	226	-	-
Trade and other payables	26,811	11,409	2,099	3,522
Lease liability, current	239	-	239	-
Other financial liabilities	33,300	25,500	-	-
Total Current Liabilities	62,038	37,135	2,338	3,522
Total Liabilities	62,204	37,135	2,504	3,522
Total Equity and Liabilities	515,726	473,148	860,414	836,893

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

	As at 31-Mar-2021 (Unaudited)		As at 31-Mar-2020 (Audited)	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Amount repayable in one year or less, or on demand	25,800	7,500	15,000	10,500
Amount repayable after one year	-	-	-	-
Total borrowings	25,800	7,500	15,000	10,500

Details of any collateral

As at 31 March 2021, the Group's borrowings of RMB 25.8 million were secured by:

(i) mortgages of a leasehold building and land use rights held by a subsidiary of the Company; and
(ii) personal guarantee provided by one of the Company's directors and his spouse.

The above collaterals had previously secured RMB 12.0 million of the Group's borrowings as at 31 March 2020, which have been repaid as at 31 March 2021.

In addition to the foregoing, the Group had, through a subsidiary within the Group, additional borrowings of RMB 3.0 million as at 31 March 2020, which was secured by the corporate guarantee given by the subsidiary's immediate holding company.

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-2021 (Unaudited) RMB'000	31-Mar-2020 (Audited) RMB'000
Cash flows from operating activities		
Loss before income tax	(13,002)	(10,590)
Interest income	(418)	(376)
Interest expense	1,421	1,831
Depreciation of property, plant and equipment	18,726	20,847
Property, plant and equipment written-off	32	-
Amortisation of intangible assets	1,402	1,417
Impairment of property, plant and equipment	1,249	-
Loss on disposal of property, plant and equipment	913	-
Exchange differences on translating functional to presentation currency	593	(372)
Operating cash flow before changes in working capital	**10,916**	**12,757**
Inventories	516	86
Trade and other receivables	(19,971)	4,761
Other assets	81,071	(5,569)
Trade and other payables	15,403	(15,229)
Net cash flows from/(used in) operations	**87,935**	**(3,194)**
Income tax refunded/(paid)	1,415	(2,990)
Net cash flows from/(used in) operating activities	**89,350**	**(6,184)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,228)	(9,868)
Proceed from disposal of property, plant and equipment	3,735	-
Interest income received	418	376
Increase in pledged fixed deposits	-	2,456
Net cash flows used in investing activities	**(75)**	**(7,036)**
Cash flows from financing activities		
Proceeds from issuance of new shares	29,592	22,618
Proceeds from new bank loans	30,300	25,500
Repayment of bank loans	(22,500)	(21,956)
Lease liability, net	11	-
Interest expense paid	(1,421)	(1,831)
Net cash flows from financing activities	**35,982**	**24,331**
Net change in cash and cash equivalents	125,257	11,111
Cash and cash equivalents at beginning of financial year	71,130	60,019
Cash and cash equivalents at end of financial year	**196,387**	**71,130**

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 as at 1 April 2020	152,980	44,035	238,998	436,013
Total comprehensive loss for the year				
Loss for the year	-	-	(12,676)	(12,676)
Other comprehensive gain	-	593	-	593
Total comprehensive gain/(loss) for the year	-	593	(12,676)	(12,083)
Transactions with owners, recognised directly in equity				
Issuance of new shares through placement	29,592	-	-	29,592
Total transactions with owners	29,592	-	-	29,592
Balance as at 31 March 2021	182,572	44,628	226,322	453,522

	Share capital (Audited) RMB'000	Other reserves (Audited) RMB'000	Retained earnings (Audited) RMB'000	Total equity (Audited) RMB'000
Balance as 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

Company

	Share capital (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Retained earnings (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance as at 1 April 2020	852,404	43,459	(62,492)	833,371
Total comprehensive loss for the year				
Loss for the year	-	-	(4,573)	(4,573)
Other comprehensive loss	-	(480)	-	(480)
Total comprehensive loss for the year	-	(480)	(4,573)	(5,053)
Transactions with owners, recognised directly in equity				
Issuance of new shares through placement	29,592	-	-	29,592
Total transactions with owners	29,592	-	-	29,592
Balance as at 31 March 2021	881,996	42,979	(67,065)	857,910

	Share capital (Audited) RMB'000	Other reserves (Audited) RMB'000	Retained earnings (Audited) RMB'000	Total equity (Audited) RMB'000
Balance as 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 at 31 March 2020	852,404	43,459	(62,492)	833,371

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 1 February 2021, the Company completed a placement of 290,000,000 new ordinary shares (each a "**Subscription Share**") in the share capital of the Company at the issue price of S$0.021 for each Subscription Share amounting to an aggregate of S$6,090,000. Following the allotment and issuance of the 290,000,000 new ordinary shares, the share capital of the Company has increased from approximately RMB153.0 million (as at 30 September 2020) to RMB182.6 million (as at 31 March 2021), and the number of issued and paid-up shares in the capital of the Company has increased from 593,818,100 shares (as at 30 September 2020) to 883,818,100 shares (as at 31 March 2021).

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 31 March 2021 and 31 March 2020. 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 2021 and 31 March 2020.

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 2021	As at 31 March 2020
Total number of issued shares	883,818,100	593,818,100

The Company does not have any treasury shares as at 31 March 2021 and 31 March 2020.

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 2020 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 2020. 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-2021 (Unaudited)	**31-Mar-2020 (Audited)**
Loss for the period (RMB'000)	(12,676)	(6,467)
Weighted average number of ordinary shares in issue (in thousands)	640,695	551,634

Basic EPS (RMB cents)	(1.98)	(1.17)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	640,695	551,634
Fully diluted EPS (RMB cents)	(1.98)	(1.17)

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-2021 (Unaudited)	31-Mar-2020 (Audited)	31-Mar-2021 (Unaudited)	31-Mar-2020 (Audited)
NAV (RMB'000)	453,522	436,013	857,910	833,371
Number of ordinary shares in issue (in thousands)	883,818	593,818	883,818	593,818
NAV per ordinary share (RMB)	0.51	0.73	0.97	1.40

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 2021 ("**FY2021**") has been a challenging year for the Group. The Group's financial performance has been adversely impacted since February 2020, having experienced a brief production halt amid strict preventative measures implemented by the Chinese government to combat the spread of COVID-19, including full or partial lockdowns. These measures resulted in the Group's distribution channels being affected as well. Whilst China was able to emerge from the crisis, the recovery of its economy and business activities has been gradual. Strict precautionary measures continue to be in place to minimize the risk of COVID-19 transmission. The Group resumed its operations gradually during FY2021 and adopted e-commerce and online marketing strategies to complement its traditional marketing and distribution campaigns to drive sales in the second half of FY2021. Sales reported for the second half year of FY2021 had increased by approximately RMB 33.6 million or 26.8% as compared to the previous corresponding period, from approximately RMB 125.3 million to RMB 158.9 million. However, in respect of FY2021, the overall revenue had decreased by approximately RMB 35.8 million or 11.1%, from RMB 323.1 million for the financial year ended 31 March 2020 ("**FY2020**"), to RMB 287.4 million for FY2021. The decrease in revenue was mainly due to the reasons relating to the COVID-19 pandemic as well as the slowdown in China's economy, as set out above.

Gross Profit and Gross Profit Margin

Gross profit of approximately RMB 69.6 million in FY2021 was slightly lower as compared to RMB 70.2 million in FY2020. The decrease in gross profit of approximately RMB 0.5 million or 0.8% was mainly due to lower revenue recorded in FY2021 as compared to FY2020. Notwithstanding this, the Group's gross profit margin increased from approximately 21.7% in FY2020 to 24.2% in FY2021. The increase was due to (i) lower cost of sales incurred on the back of cheaper raw materials as the impact on the global supply chain due to the COVID-19 pandemic gradually stabilized and (ii) the absence of one-off discounts extended to the Group's distributors for FY2021. In addition, the increase in production volume during FY2021 has contributed to the decrease in the fixed overhead cost per unit of production, resulting in the overall increase in gross profit margin.

Interest Income

Interest income had increased by approximately RMB 42,000 or 11.2% from approximately RMB 376,000 in FY2020 to RMB 418,000 in FY2021. This was mainly due to the increase in interest received from banks on the back of an increase in cash and bank balances held by the Group in FY2021 as compared to FY2020.

Marketing and Distribution Costs

Marketing and distribution costs decreased by approximately RMB 3.8 million or 9.4% in FY2021 as compared to FY2020. This was mainly due to the decrease in employee benefit expenses, publicity expenses, delivery charges and entertainment expenses of approximately RMB 1.9 million, RMB 1.2 million, RMB 1.0 million and RMB 0.1 million respectively for FY2021 as the COVID-19 pandemic prohibited, among others, travels and large-scale marketing and promotional events. This was partially offset against the increased in general operating expenses of approximately RMB 0.4 million as compared to FY2020.

Administrative Expenses

Administrative expenses increased from approximately RMB 39.6 million in FY2020 to RMB 44.8 million in FY2021. The increase of approximately RMB 5.2 million or 13.2% was mainly due to an increase in research and development expenses, impairment of property, plant and equipment, consultancy expenses, nursery fees (cultivation of own seedlings) and other expenses of approximately RMB 6.5 million, RMB 1.2 million, RMB 0.3 million, RMB 0.7 million and RMB 0.2 million respectively, which was partially offset by the decrease in employee benefit expenses, professional fees, entertainment expenses, office expenses, and audit fee of approximately RMB 1.4 million, RMB 0.9 million, RMB 0.4 million, RMB 0.5 million and RMB 0.5 million respectively for FY2021.

Other losses

The increase in other losses of approximately RMB 0.9 million in FY2021 was mainly due to the loss on disposal of property, plant and equipment which amounted to approximately RMB 0.9 million in FY2021.

Finance Costs

Finance costs decreased by approximately RMB 0.4 million or 22.4% to RMB 1.4 million in FY2021 as compared to RMB 1.8 million in FY2020. The decrease in finance costs was due to lower interest expenses incurred on bank loans.

Income Tax Income

Income tax income decreased by approximately RMB 3.8 million or 92.1% to record a tax income of approximately RMB 0.3 million in FY2021. This was mainly due to under provision of income tax expenses in respect of the Group's subsidiaries in FY2020 which was brought over to FY2021, and offset against deferred tax income in FY2021.

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 2021 and 31 March 2020.

Non-current Assets

There was a decrease in the Group's total non-current assets of approximately RMB 56.9 million or 21.5%, from RMB 264.4 million as at 31 March 2020 to RMB 207.5 million as at 31 March 2021. This was mainly due to a decrease in other assets (non-current) of approximately RMB 35.9 million or 50.4% arising from the decrease in advance payments to suppliers of approximately RMB 40.7 million whose delivered supplies of raw sweet potatoes will be recognised and offset against the payments over the contractual period, which was partially offset against the increase of other assets of approximately RMB 4.8 million. As at 31 March 2021, other assets (non-current) comprise mainly advance payments to suppliers for the five long-term supply contracts of raw sweet potatoes which amounted to approximately RMB 30.5 million.

Plant, property and equipment ("**PPE**") decreased by approximately RMB 19.7 million or 13.5%, from RMB 146.6 million as at 31 March 2020 to RMB 126.9 million as at 31 March 2021. This was due to lower additions to and disposal of PPE, as well as depreciation expense recorded on PPE in FY2021.

Intangible assets decreased by approximately RMB 2.1 million or 5.3%, from RMB 39.4 million as at 31 March 2020 to RMB 37.3 million as at 31 March 2021. This was mainly due to amortisation expense recorded and disposal of land use right together with disposal of PPE above in FY2021.

Rights of use assets increased by RMB 0.4 million mainly due to the underlying operating leases having a lease term of more than 12 months as of 31 March 2021. There were no rights of use assets recorded for the operating leases in FY2020.

Deferred tax assets increased by approximately RMB 0.4 million or 5.2% from RMB 7.2 million as at 31 March 2020 to RMB 7.6 million as at 31 March 2021. The increase in deferred tax assets was mainly due to the unutilised losses of the Company's subsidiary which was brought forward for future utilisation of income tax expenses/income.

Current Assets

Inventories decreased by approximately RMB 0.5 million or 12.9% from RMB 4.0 million as at 31 March 2020 to RMB 3.5 million as at 31 March 2021. Higher sales recorded towards the end of FY2021 as compared to the end of FY2020 had resulted in a higher utilisation of inventories, which had contributed to the overall decrease in inventories as at 31 March 2021 as compared to 31 March 2020.

Trade and other receivables increased by approximately RMB 20.0 million or 74.9% from RMB 26.7 million as at 31 March 2020 to RMB 46.6 million as at 31 March 2021. This is in line with the increase in revenue in the second half of FY2021, given that a major proportion of sales were generated towards the end of FY2021, and the Group typically offers a credit period of between 60 to 90 days to its purchasers.

Other assets (current) decreased by approximately RMB 45.2 million or 42.3% from RMB 107.0 million as at 31 March 2020 to RMB 61.8 million as at 31 March 2021. This was mainly due to a decrease in advance payments made by the Group for the delivery of raw sweet potato supplies from contracted suppliers. The decrease 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 125.3 million or 176.1% as a result of proceeds from the issuance of new shares completed in February 2021, proceeds from short-term bank loans taken up by the Group and net cash generated from operating, investing and financing activities. Please refer to the "Consolidated Statement of Cash Flows" review section below for more details on the change in cash and cash equivalents of the Group. In particular, the significant increase in the Group's cash and balances of FY2021 were mainly due to the Group's net cash flows generated

from operating activities, attributable to the operating cash flow before changes in working capital and the recognition of other assets, which was partially offset by a decrease in settlement of trade and other payables.

As a result of the above, the Group's total current assets increased by approximately RMB 99.5 million or 47.7% from RMB 208.7 million as at 31 March 2020 to RMB 308.2 million as at 31 March 2021.

Non-current Liabilities

Lease liability (non-current) had increased to approximately RMB 0.2 million as at 31 March 2021, which was nil as at 31 March 2020. The increase is due to the recognition of new operating leases with a lease term of more than 12 months as of 31 March 2021 as compared to the absence of any long-term operating leases as at 31 March 2020.

Current Liabilities

Income tax payable had increased by approximately RMB 1.5 million or 646.9% from approximately RMB 0.2 million as at 31 March 2020 to approximately RMB 1.7 million as at 31 March 2021. This was mainly due to the under provision of income tax expenses in respect of the Group's subsidiaries in FY2020.

Trade and other payables increased by approximately RMB 15.4 million or 135.0% from RMB 11.4 million as at 31 March 2020 to RMB 26.83 million as at 31 March 2021. This was mainly due to a slower settlement of trade and other payables, as well as an increase in purchases which is line with the increase in revenue in the second half of FY2021.

Other financial liabilities increased by approximately RMB 7.8 million or 30.6% from RMB 25.5 million as at 31 March 2020 to RMB 33.3 million as at 31 March 2021. This was mainly due to the increase in secured short-term borrowings obtained by the Group as at 31 March 2021.

Lease liability (current) had increased by approximately RMB 0.2 million as at 31 March 2021, which was nil as at 31 March 2020. The recognition of lease liability (current) is due to the new operating leases with a lease term of less than 12 months as of 31 March 2021 as compared to the absence of any lease liability (current) recorded as at 31 March 2020.

Consolidated Statement of Cash Flows

The Group recorded net cash from operating activities of approximately RMB 89.4 million in FY2021 as compared to net cash used in operating activities of RMB 6.2 million in FY2020. This comprised positive operating cash flow before changes in working capital of approximately RMB 10.9 million, adjusted by net working capital inflow of RMB 77.0 million and income tax refunded of RMB 1.4 million.

Net cash used in investing activities amounted to approximately RMB 0.1 million in FY2021 as compared to approximately RMB 7.0 million in FY2020. The decrease in net cash used in investing activities for FY2020 was mainly due to the significant reduction in the purchase of PPE of approximately RMB 4.2 million in FY2021 as compared to RMB 9.9 million in FY2020, proceeds from disposal of PPE of approximately RMB 3.7 million, the absence of pledged fixed deposits for FY2021 as compared to approximately RMB 2.5 million in FY2020, as well as an increase in interest income received.

Net cash from financing activities was approximately RMB 36.0 million in FY2021 as compared to RMB 24.3 million in FY2020. This was mainly due to an increase in proceeds from short-term borrowings of approximately RMB 4.8 million and from the issuance of new shares of approximately RMB 7.0 million, as well as a decrease in interest expense paid of approximately RMB 0.4 million, which was offset slightly by an increase in the repayment of bank loans of approximately RMB 0.5 million.

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

Not applicable as no specific forecast or prospect statement was previously provided.

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.

While the Chinese economy continues its recovery from the abrupt halt of business activities since last year, the brisk expansion recorded in the first quarter of this calendar year is expected to moderate for the remainder of the year.[1]

The Group remains cautiously optimistic as consumer spending continues to rise in China, in particular, the snack food segment. According to Research and Markets, the combination of consumption upgrades, healthy savoury snacks, and distribution channels created an aggregate output value of US$90.7 billion in 2020, and the snack food segment in China is expected to grow with a compounded annual growth rate of 6.7% from 2020 to 2027 with an approximate value of US$142.9 billion by 2027[2].

Amid the ongoing global pandemic, the Group continues to strengthen and enhance the integration of its comprehensive supply chain for its mainstay product – sweet potatoes, in Liancheng County, 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.

The Group is looking to build on its foundation in sweet potatoes and expand its healthy snack food portfolio both through its established marketing and distribution platforms, as well as through the utilisation of e-commerce. This will also complement the Group's commitment in the construction of new facilities for high-tech manufacturing and research capabilities in a bid to broaden its earnings base.

The Company will provide updates on any material developments in respect of the Group's business operations as and when they arise.

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Source:

1 https://www.reuters.com/world/china/chinas-q1-gdp-grows-record-pace-recovery-speeds-up-2021-04-16/

2 https://www.globenewswire.com/en/news-release/2021/04/30/2220618/28124/en/China-Snacks-Food-Market-2021-Market-is-Expected-to-be-142-9-Billion-by-2027-The-Industry-is-Entering-the-Fast-Growth-Lane.html#:~:text=China%20Snack%20Food%20Market%20is,US%24%2090.7%20Billion%20in%202020.

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 FY2021. 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 FY2021, 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 to 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 year reported on.

14. Use of proceeds

The Company had previously raised S$5,634,000 in net proceeds (the "**Net Cash Proceeds**") from the placement of 290,000,000 new ordinary shares in the Company, which was completed on 1 February 2021 (the "**Placement**"). Following the Company's previous announcement update on 17 March 2021 on the use of the proceeds from the Placement, the remaining balance of the Net Cash Proceeds amounted to S$4,932,000 as at 17 March 2021. As at the date of this announcement, the utilisation of the Net Cash Proceeds from the Placement is set out as follows:

	Allocation of the Net Cash Proceeds (S$'000)	**Balance brought forward from 17 March 2021[(1)] (S$'000)**	**Amount utilised as at the date of this announcement (S$'000)**	**Balance (S$'000)**
Partial funding towards the construction of	4,515	4,515	-	4,515

Phase 1 of the Project[2]				
Working capital for the Group's Singapore office	1,119	417	161[3]	256
	5,634	**4,932**	**161**	**4,771**

Notes:

(1) Please refer to the Company's announcement dated 17 March 2021 for further details.

(2) Please refer to the Company's announcement dated 22 January 2021 for further details.

(3) A breakdown of the amount utilised for the working capital for the Group's Singapore office is as follows:

	Working Capital (S$'000)
Summary of expenses:	
Employee benefit expenses (including director's remuneration)	**73**
Administrative and miscellaneous expenses	**41**
Directors' fee	**47**
Total	**161**

The above utilisation of the Net Cash Proceeds from the Placement is consistent with the intended use as disclosed in the Company's announcement dated 22 January 2021 in relation to the Placement.

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

Not applicable for full year results announcement.

16. 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

17. 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).

18. 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).

19. A breakdown of sales as follows:

	Group		
	FY2021 RMB'000	**FY2020 RMB'000**	**Increase / (Decrease) %**
(a) Sales reported for first half year	128,472	197,793	(35.0)
(b) Operating (loss)/profit after tax before deducting minority interests reported for first half year	(10,719)	15,150	n.m.
(c) Sales reported for second half year	158,916	125,348	26.8
(d) Operating loss after tax before deducting minority interests reported for second half year	(1,957)	(21,617)	(90.9)

n.m. - not meaningful

20. 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 FY2021 and FY2020.

21. 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

28 May 2021