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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 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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## A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Note | Group | | |
|---|---|---|---|---|
| | | 30-Sep-2021 Unaudited RMB'000 | 30-Sep-2020 Unaudited RMB'000 | Change % |
| **Revenue** | **4** | 130,985 | 128,472 | 2.0 |
| Cost of sales | | (95,652) | (98,368) | (2.8) |
| Gross profit | | 35,333 | 30,104 | 17.4 |
| Interest income | | 317 | 171 | 85.4 |
| Other income | | 73 | 579 | (87.4) |
| Marketing and distribution costs | | (17,164) | (18,168) | (5.5) |
| Administrative expenses | | (14,610) | (22,073) | (33.8) |
| Other losses | | - | (2) | n.m. |
| Finance costs | | (724) | (786) | (7.9) |
| **Profit/(Loss) before income tax** | **5** | 3,225 | (10,175) | n.m. |
| Income tax credit/(expense) | **6** | 436 | (544) | n.m. |
| **Profit/(Loss) for the period, net of tax** | | 3,661 | (10,719) | n.m. |
| **Other comprehensive loss:** | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | |
| Exchange differences on translating foreign operations | | (101) | (29) | n.m. |
| **Total comprehensive income/(loss) for the period** | | 3,560 | (10,748) | n.m. |
| **Profit/(Loss) for the period, net of tax, attributable to:** | | | | |
| Owners of the Company | | 3,661 | (10,719) | n.m. |
| Non-controlling interests | | - | - | n.m. |
| Profit/(Loss) for the period | | 3,661 | (10,719) | n.m. |
| **Total comprehensive income/(loss) for the period, attributable to:** | | | | |
| Owners of the Company | | 3,560 | (10,748) | n.m. |
| Non-controlling interests | | - | - | n.m. |
| Total comprehensive income/(loss) for the period | | 3,560 | (10,748) | n.m. |
| **Earnings/(Losses) per share for profit/(loss) for the period attributable to the owners of the Company during the years:** | | | | |
| Basic (RMB in cent) | **7** | 0.47 | (1.81) | n.m. |
| Diluted (RMB in cent) | **7** | 0.47 | (1.81) | n.m. |

n.m. - not meaningful

## B. Condensed Interim Consolidated Statement of Financial Position

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 30-Sep-2021 (Unaudited) RMB'000 | 31-Mar-2021 (Audited) RMB'000 | 30-Sep-2021 (Unaudited) RMB'000 | 31-Mar-2021 (Audited) RMB'000 |
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | **8** | 120,309 | 127,300 | 394 | 394 |
| Intangible assets | **9** | 37,792 | 37,287 | – | – |
| Investment in subsidiaries | | – | – | 803,636 | 803,636 |
| Other receivables, non-current | | 12 | 9 | – | – |
| Other assets, non-current | **10** | 19,311 | 35,316 | – | – |
| Deferred tax assets | | 8,007 | 7,571 | – | – |
| **Total Non-Current Assets** | | 185,431 | 207,483 | 804,030 | 804,030 |
| **Current Assets** | | | | | |
| Inventories | | 2,797 | 3,472 | – | – |
| Trade and other receivables | **11** | 39,983 | 46,987 | 53,085 | 54,546 |
| Other assets, current | **10** | 65,924 | 61,397 | 60 | 61 |
| Cash and bank balances | | 219,170 | 196,387 | 257 | 1,777 |
| **Total Current Assets** | | 327,874 | 308,243 | 53,402 | 56,384 |
| **Total Assets** | | 513,305 | 515,726 | 857,432 | 860,414 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | | 182,572 | 182,572 | 881,996 | 881,996 |
| Retained earnings/(accumulated losses) | | 229,983 | 226,322 | (69,989) | (67,065) |
| Other reserves | | 44,920 | 45,021 | 41,712 | 42,979 |
| **Total Equity** | | 457,475 | 453,915 | 853,719 | 857,910 |
| Non-Current Liabilities | | | | | |
| Lease liability, non-current | | 163 | 166 | 163 | 166 |
| **Current Liabilities** | | | | | |
| Trade and other payables | **12** | 22,634 | 28,106 | 3,317 | 2,099 |
| Lease liability, current | | 233 | 239 | 233 | 239 |
| Other financial liabilities | **13** | 32,800 | 33,300 | – | – |
| **Total Current Liabilities** | | 55,667 | 61,645 | 3,550 | 2,338 |
| **Total Liabilities** | | 55,830 | 61,811 | 3,713 | 2,504 |
| **Total Equity and Liabilities** | | 513,305 | 515,726 | 857,432 | 860,414 |

## C. Condensed Interim Consolidated 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 2020 | 152,980 | 44,035 | 238,998 | 436,013 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | – | – | (10,719) | (10,719) |
| Other comprehensive loss | – | (29) | – | (29) |
| Total comprehensive loss for the period | – | (29) | (10,719) | (10,748) |
| Balance as at 30 September 2020 | 152,980 | 44,006 | 228,279 | 425,265 |
| | | | | |
| Balance at 1 April 2021 | 182,572 | 45,021 | 226,322 | 453,915 |
| Total comprehensive loss for the period | | | | |
| Profit for the period | – | – | 3,661 | 3,661 |
| Other comprehensive loss | – | (101) | – | (101) |
| Total comprehensive loss for the period | – | (101) | 3,661 | 3,560 |
| Balance as at 30 September 2021 | 182,572 | 44,920 | 229,983 | 457,475 |

**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 2020 | 852,404 | 43,459 | (62,492) | 833,371 |
| Total comprehensive income/(loss) for the period | | | | |
| Loss for the period | – | – | (1,631) | (1,631) |
| Other comprehensive income | – | 16 | – | 16 |
| Total comprehensive income/(loss) for the period | – | 16 | (1,631) | (1,615) |
| Balance as at 30 September 2020 | 852,404 | 43,475 | (64,123) | 831,756 |
| | | | | |
| Balance at 1 April 2021 | 881,996 | 42,979 | (67,065) | 857,910 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | – | – | (2,924) | (2,924) |
| Other comprehensive income | – | (1,267) | – | (1,267) |
| Total comprehensive loss for the period | – | (1,267) | (2,924) | (4,191) |
| Balance as at 30 September 2021 | 881,996 | 41,712 | (69,989) | 853,719 |

## D. Condensed Interim Consolidated Statement of Cash Flow

| | Note | Group | |
|---|---|---|---|
| | | 30-Sep-2021 (Unaudited) RMB'000 | 30-Sep-2020 (Unaudited) RMB'000 |
| **Cash flows from operating activities** | | | |
| Profit/(Loss) before income tax | | 3,225 | (10,174) |
| Interest income | **5** | (317) | (171) |
| Interest expense | **5** | 724 | 786 |
| Depreciation of property, plant and equipment | | 10,616 | 9,686 |
| Amortisation of intangible assets | | 695 | 708 |
| Exchange differences on translating functional to presentation currency | | (101) | (29) |
| **Operating cash flow before changes in working capital** | | **14,842** | **806** |
| Inventories | | 675 | 462 |
| Trade and other receivables | | 7,000 | (390) |
| Other assets | | 11,480 | 57,101 |
| Trade and other payables | | (5,472) | 11,563 |
| Net cash flows generated from operations | | **28,525** | **69,542** |
| Income tax refunded | | – | 1,001 |
| **Net cash flows from operating activities** | | **28,525** | **70,543** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | **8** | (3,625) | (2,636) |
| Purchase of manufacturing patent | **9** | (1,200) | – |
| Interest income received | | 317 | 171 |
| **Net cash flows used in investing activities** | | **(4,508)** | **(2,465)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from new borrowings | **11** | 30,800 | 28,800 |
| Repayment of borrowings | **11** | (31,300) | (23,000) |
| Lease liability, net | | (10) | – |
| Interest expense paid | | (724) | (786) |
| **Net cash flows (used in)/from financing activities** | | **(1,234)** | **5,014** |
| | | | |
| Net change in cash and cash equivalents | | 22,783 | 73,092 |
| Cash and cash equivalents at beginning of financial period | | 196,387 | 71,130 |
| **Cash and cash equivalents at end of financial period** | | **219,170** | **144,222** |

## E. Notes to the Condensed Interim Consolidated Financial Statements for the Six-Months Financial Period Ended 30 September 2021

### 1. Corporate information

China Star Food Group Limited (the "**Company**") is a limited liability company incorporated in Singapore. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). These condensed interim consolidated financial statements as at and for the six-month financial period ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the "**Group**").

The registered office of the Company is located at 24 Raffles Place #20-03 Clifford Centre Singapore 048621. The principal place of business of the Company is located at 10 Anson Road International Plaza #27-06B, Singapore 540193.

The principal activity of the Company is that of an investment holding company. The principal activities of the Company's subsidiaries are disclosed in the Group's annual consolidated financial statements as at 31 March 2021. The Group is a leading sweet potato-focused integrated snacks supply chain operator in the People's Republic of China (the "**PRC**" or "**China**"). Through its wholly-owned subsidiaries, the Group leverages on advanced technology to strengthen its three core business areas: (i) cultivation and supply – sweet potato seedling cultivation base and fresh sweet potato supply, (ii) product innovation and snacks production – sweet potato snacks product innovation and production of broad categories of snacks innovation and production of broad categories of snacks, and (iii) brand building, marketing and distribution – to build propriety brands of heathier snacks through targeted marketing campaigns and various distribution platforms (traditional and modern) throughout China.

### 2. Basis of preparation

The condensed interim consolidated financial statements for the six-month financial period ended 30 September 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the financial year ended 31 March 2021.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim consolidated financial statements are presented in Chinese Renminbi dollars ("**RMB**"), which is the Company's functional currency, and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

#### 2.1. New and amended standards adopted by the Group

The Group and the Company have adopted the new and revised SFRS(I)s, and interpretations of SFRS(I) that are effective for the annual period beginning on 1 April 2021. The Group did not have to change its accounting policies or make any retrospective adjustments as a result of adopting those standards.

#### 2.2. Use of judgement and estimates

In preparing the condensed interim consolidated financial statement, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## 3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

## 4. Segment and revenue information

Not applicable. The Group only has one operating segment (sweet potatoes related products) and one geographical segment (the PRC). There are no operating segments or reportable segments disclosed as required by SFRS(I) 8.

| | Group | |
|---|---|---|
| | **30-Sep-2021 (Unaudited) RMB'000** | **30-Sep-2020 (Unaudited) RMB'000** |
| Revenue: | | |
| Sweet potato processed products | 109,821 | 94,037 |
| Sweet potatoes | 21,164 | 34,435 |
| | 130,985 | 128,472 |
| Timing of transfer of goods or service: | | |
| At a point in time | 130,985 | 128,472 |

## 5. Profit/(Loss) before income tax

Profit/(Loss) before income tax is stated after charging the following:

| | Group | |
|---|---|---|
| | **30-Sep-2021 (Unaudited) RMB'000** | **30-Sep-2020 (Unaudited) RMB'000** |
| Amortisation of intangible assets | 695 | 708 |
| Depreciation of property, plant and equipment | 10,616 | 9,686 |
| Research and development expenses | 464 | 6,914 |
| Employee benefits expense | 5,302 | 4,218 |
| Nursery fees | 1,368 | 940 |

## 6. Income tax credit/(expense)

The Group calculates the period income tax credit/(expense) using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax credit/(expense) in the condensed interim consolidated statement of profit or loss are:

| | Group | |
|---|---|---|
| | **30-Sep-2021 (Unaudited) RMB'000** | **30-Sep-2020 (Unaudited) RMB'000** |
| **Current tax credit/(expense):** | | |
| Current year | – | (544) |
| Overprovision in prior financial year | 436 | – |
| Total income tax credit/(expense) | 436 | (544) |

## 7. Earnings/(Losses) per share

The basic earnings/(losses) per share is calculated based on the consolidated earnings/(losses) attributable to equity holders of the Company divided by the weighted average number of shares in issue of 786,092,000 (30 September 2020: 593,818,100) shares during the financial year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings/(losses) per share:

| | Group | |
|---|---|---|
| | **30-Sep-2021 (Unaudited) RMB'000** | **30-Sep-2020 (Unaudited) RMB'000** |
| **Basic earnings/(losses) per share** | | |
| Profit/(Losses), net of tax attributable to owners of the Company | 3,661 | (10,719) |
| Weighted average number of ordinary shares in issue ('000) | 786,092 | 593,818 |
| Basic earnings/(losses) per share (RMB cents) | 0.47 | (1.81) |

As the Company does not have any dilutive potential ordinary shares, the basic earnings/(losses) per share and diluted earnings/(losses) per share for 30 September 2021 were the same i.e., RMB 0.47 cents (30 September 2020: (RMB 1.81) cents) per share.

## 8. Property, plant and equipment

During the six-month financial period ended 30 September 2021, the Group acquired assets (mainly plant and machinery) amounting to RMB 461,000 (30 September 2020: RMB 2,636,000).

**9. Intangible assets**

| Group: | Right-of-use assets RMB'000 | Manufacturing patents RMB'000 | Software RMB'000 | Favourable supply contracts RMB'000 | Goodwill RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 1 April 2020 | 43,116 | 1,562 | 338 | 12,822 | 36,660 | 94,498 |
| Disposal | (901) | – | – | – | – | (901) |
| At 31 March 2021 | 42,215 | 1,562 | 338 | 12,822 | 36,660 | 93,597 |
| Additions | – | 1,200 | – | – | – | 1,200 |
| At 30 September 2021 | 42,215 | 2,762 | 338 | 12,822 | 36,660 | 94,797 |
| Accumulated amortisation: | | | | | | |
| At 1 April 2020 | 4,312 | 1,039 | 282 | 10,257 | – | 15,890 |
| Amortisation for the year | 1,190 | 156 | 56 | – | – | 1,402 |
| Disposal | (207) | – | – | – | – | (207) |
| At 31 March 2021 | 5,295 | 1,195 | 338 | 10,257 | – | 17,085 |
| Amortisation for the year | 587 | 108 | – | – | – | 695 |
| At 31 March 2021 | 5,882 | 1,303 | 338 | 10,257 | – | 17,780 |
| Accumulated impairment: | | | | | | |
| At 1 April 2020 and 31 March 2021 | – | – | – | 2,565 | 36,660 | 39,225 |
| Impairment for the year | – | – | – | – | – | – |
| At 30 September 2021 | – | – | – | 2,565 | 36,660 | 39,225 |
| Carrying amount: | | | | | | |
| At 31 March 2021 | 36,920 | 367 | – | – | – | 37,287 |
| At 30 September 2021 | 36,333 | 1,459 | – | – | – | 37,792 |

**9. Intangible Assets (cont'd)**

**Right-of-use assets**

The right-of-use assets are the land use rights for four parcels of land located in Liancheng County of Fujian Province, the People's Republic of China.

As at 30 September 2021, the land use rights of the Group for two parcels of land with carrying amount of RMB 6,054,000 and RMB 24,563,000 respectively (31 March 2021: RMB 6,125,000 and RMB 24,845,000 respectively) are mortgaged for bank loan.

In September 2018, Liangcheng Dizhongbao Modern Agriculture Development Co., Ltd ("**Dizhongbao**"), a subsidiary in the Group, entered into Land Use Rights Transfer Agreements (the "**Agreements**") with 86 farmers to lease 91 plots of farmland (certain farmers are contracted to lease more than 1 plot of farmland) for 15 years as a base for research and development to cultivate new breed of sweet potatoes and to nurture the sweet potatoes seedlings. The seedlings are collected from the farmers after sprout and distributed to the contracted suppliers to grow on their own land to ensure better control of the end product quality. Under the terms of the Agreements, Dizhongbao had made upfront full payments of approximately RMB 7,000,000 to the contract farmers for 15 years.

**Goodwill arising on consolidation**

In the financial year 2016, a determination of the recoverable amount of goodwill subsequent to the completion of the reverse takeover exercise of Brooke Asia Limited on 22 September 2015 revealed a shortfall of RMB 36,660,000 in future cash flow to support the purchase consideration paid of RMB 36,661,000 as the Company did not have operation or subsidiaries at the time when the reverse acquisition was completed. Accordingly, an impairment charge of RMB 36,660,000 was recorded against goodwill and disclosed under "other expenses" in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2016.

**Manufacturing patents**

During the six-month financial period ended 30 September 2021, the Group acquired an intangible asset, which relates to a manufacturing patent from third parties amounting to RMB 1,200,000 (30 September 2020: Nil).

**10. Other assets**

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 |
| Advance payments for supplies of sweet potatoes (Note A) | 51,701 | 70,899 | – | – |
| Prepayment | 33,534 | 25,814 | 60 | 61 |
| | 85,235 | 96,713 | 60 | 61 |
| Presented in the statements of financial position as: | | | | |
| Other assets, non-current | 19,311 | 35,316 | – | – |
| Other assets, current | 65,924 | 61,397 | 60 | 61 |
| | 85,235 | 96,713 | 60 | 61 |

Note A: Advance payment for supplies of sweet potatoes

The Group, through one of its subsidiaries, Dizhongbao, had entered into various purchase contracts with few suppliers to secure the supply of quality raw sweet potatoes at reasonable prices.

During the financial year ended 31 March 2018, Dizhongbao had entered into the purchase contracts with three suppliers to guarantee the supply of an aggregate of 12,190 tons of raw sweet potatoes on a yearly basis. Total prepayments made to the three suppliers amounted to an aggregate of RMB 131,715,000.

**10. Other Assets (cont'd)**

During the financial year ended 31 March 2019, Dizhongbao entered into purchase contracts with another two suppliers for the supply of an aggregate of 6,900 tonnes of sweet potatoes on a yearly basis. An aggregate upfront payment of RMB 71,500,000 were paid to the two suppliers.

All the above-mentioned agreements carry similar terms. The agreements last for 15 years and grant Dizhongbao with the first right of refusal of the supply of sweet potatoes. In return, Dizhongbao pays prepayments to the suppliers once every five years. The prepayments are used to offset the purchase within the five years. In case of the prepayments are fully utilised within the five years, the payment of subsequent purchase is due according to the agreed terms per respective contract.

**11. Trade and other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 |
| Trade receivables: | | | | |
| Outside parties | 39,503 | 46,678 | – | – |
| Less: Allowance for impairment loss on receivables | (243) | (243) | – | – |
| | 39,260 | 46,435 | – | – |
| Other receivables: | | | | |
| Outside parties | – | – | – | 147 |
| Subsidiaries | 687 | 513 | 53,037 | 54,351 |
| Refundable deposits | 48 | 48 | 48 | 48 |
| | 735 | 561 | 53,085 | 54,546 |
| Total trade and other receivables | 39,995 | 46,996 | 53,085 | 54,546 |
| Presented in the condensed interim consolidated statement of financial position as: | | | | |
| Other receivables, non-current | 12 | 9 | – | – |
| Trade and other receivables, current | 39,983 | 46,987 | 53,085 | 54,546 |
| | 39,995 | 46,996 | 53,085 | 54,546 |

**12. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 |
| Trade payables: | | | | |
| Outside parties | 15,238 | 13,472 | – | – |
| Other payables: | | | | |
| Outside parties | 6,650 | 12,003 | 2,077 | 903 |
| Other taxes payables | – | 1,688 | – | – |
| Subsidiaries | – | – | 494 | 253 |
| Director/shareholder | 746 | 943 | 746 | – |
| | 7,396 | 14,634 | 3,317 | 2,099 |
| Total trade and other payables | 22,634 | 28,106 | 3,317 | 2,099 |

## 13. Other financial liabilities

| | Group | |
|---|---|---|
| | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 |
| Bank loans A (unsecured) (Note 13.1) | 7,500 | 7,500 |
| Bank loans B (secured) (Note 13.2) | 25,300 | 25,800 |
| | 32,800 | 33,300 |

### 13.1. Bank loans A (unsecured)

The bank loans are repayable within 12 months and renewable annually. The bank loans' fixed interest rates were 4.15% - 4.35% (31 March 2021: 4.15% - 4.35%) per annum respectively and are repayable within 12 months.

The bank loans are unsecured, guaranteed by a local credit guarantee company and/or one of the Company's directors and his spouse.

### 13.2. Bank loans B (secured)

The loans are secured by mortgages of a leasehold building and land use rights of the Group. The bank loans bear fixed interest rate at 3.35% - 4.60% (2020: 3.35% - 4.56%) per annum and are repayable within 12 months.

A summary of the Group's borrowings and debt securities is as follows:

| | **As at 30-Sep-2021 (Unaudited)** | | **As at 31-Mar-2021 (Audited)** | |
|---|---|---|---|---|
| | **Secured RMB'000** | **Unsecured RMB'000** | **Secured RMB'000** | **Unsecured RMB'000** |
| Amount repayable in one year or less, or on demand | 7,500 | 25,300 | 7,500 | 25,800 |
| Amount repayable after one year | – | – | – | – |
| Total borrowings | 7,500 | 25,300 | 7,500 | 25,800 |

## 14. Financial assets and financial liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded as at 30 September 2021 and 31 March 2021:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 | 30 September 2021 (Unaudited) RMB'000 | 31 March 2021 Audited RMB'000 |
| Financial assets: | | | | |
| At amortised cost:- | | | | |
| Cash and cash equivalents | 219,170 | 196,387 | 257 | 1,777 |
| Trade and other receivables | 39,995 | 46,996 | 53,085 | 54,546 |
| | 259,165 | 243,383 | 53,342 | 56,323 |
| Financial liabilities: | | | | |
| At amortised cost:- | | | | |
| Trade and other payables | 22,634 | 28,106 | 3,317 | 2,099 |
| Other financial liabilities | 32,800 | 33,300 | – | – |
| Lease liability | 396 | 405 | 396 | 405 |
| | 55,830 | 61,811 | 3,713 | 2,504 |

## 15. Subsequent events

There are no known subsequent events from 1 October 2021 to the date of this announcement, which led to adjustments to this set of condensed interim consolidated financial statements.

**Other Information Required pursuant to Listing Rule Appendix 7C for the Six-Months Ended 30 September 2021**

**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 from 31 March 2021 to 30 September 2021.

Save for the above, the Company does not have any outstanding options, convertibles, treasury shares and subsidiary holdings as at 30 September 2021 and 30 September 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 30 September 2021 and 30 September 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 30 September 2021 | As at 31 March 2021 |
|---|---|---|
| Total number of issued shares | 883,818,100 | 883,818,100 |

The Company did not have any treasury shares as at 30 September 2021 and 31 March 2021.

**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 2021 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 2021. 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).**

Please refer to paragraph E7 above.

**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 | |
|---|---|---|---|---|
| | 30-Sep-2021 (Unaudited) | 31-Mar-2021 (Audited) | 30-Sep-2020 (Unaudited) | 31-Mar-2021 (Audited) |
| NAV (RMB'000) | 457,475 | 453,915 | 853,719 | 857,910 |
| Number of ordinary shares in issue (in thousands) | 883,818 | 883,818 | 883,818 | 883,818 |
| NAV per ordinary share (RMB) | 0.52 | 0.51 | 0.97 | 0.97 |

**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 revenue of the Group for the financial period ended 30 September 2021 ("**1H FY2022**") increased by approximately RMB 2.5 million or 2.0% from RMB 128.5 million for the financial period ended 30 September 2020 ("**1H FY2021**") to RMB 131.0 million in 1H FY2022. The increase was mainly due to the recovery of economic activities from the prolonged impact of the COVID-19 pandemic since February 2020.

The increase in overall revenue was due to the increase in the revenue from the sale of sweet potato snack products from RMB 94.0 million in 1H FY2021 to RMB 109.8 million in 1H FY2022, representing an increase of approximately RMB 15.8 million or 16.8%; which was partially offset by the decrease in the sale of raw sweet potatoes by approximately RMB 13.3 million or 38.5% from RMB 34.4 million in 1H FY2021 to RMB 21.2 million in 1H FY2022.

**Gross Profit and Gross Profit Margin**

Gross profit increased by approximately RMB 5.2 million or 17.4% from RMB 30.1 million 1H FY2021 to RMB 35.3 million in 1H FY2022. The increase in gross profit was mainly due to the increase in revenue from the sale of sweet potato snack products recorded in 1H FY2022 as compared to 1H FY2021. The Group's gross profit margin increased from approximately 23.4% in 1H FY2021 to 27.0% in 1H FY2022. The increase was mainly due to an increase in efficiency of operating cost of sales of sweet potatoes snack product, coupled with higher sales of higher margin snack product categories.

**Interest Income**

Interest income increased by approximately RMB 0.1 million or 85.4% from RMB 0.2 million in 1H FY2021 to RMB 0.3 million in 1H FY2022. 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 1H FY2022 as compared to 1H FY2021.

**Other Income**

Other income decreased from RMB 0.6 million in 1H FY2021 to RMB 0.1 million in 1H FY2022. The decrease was due to the absence of rental income received from third parties for renting out a factory premise in 1H FY2022 as a result of the disposal of the said factory premise in late FY2021.

**Marketing and Distribution Costs**

Marketing and distribution costs decreased by approximately RMB 1.0 million or 5.5% to RMB 17.2 million in 1H FY2022 as compared to RMB 18.2 million in 1H FY2021. This decrease was mainly due to the decrease in advertisement expenses and publicity expenses of RMB 1.7 million and RMB 0.8 million respectively, which was partially offset against the increase in delivery charges, employee benefits expenses and operating expenses of RMB 0.4 million, RMB 0.6 million and RMB 0.5 million respectively.

**Administrative Expenses**

Administrative expenses decreased by approximately RMB 7.5 million or 33.8% from RMB 22.1 million in 1H FY2021 to RMB 14.6 million in 1H FY2022. The decrease of approximately RMB 7.5 million or 33.8% was mainly due to a decrease in audit fees (overprovision in the previous year) of RMB 1.2 million, depreciation expenses of RMB 1.3 million and research and developments expenses of RMB 6.5 million, which was partially offset against the increase in director's remunerations of RMB 0.7 million, consultation fee of RMB 0.4 million, nursery fee of RMB 0.4 million and employee benefit expenses of RMB 0.5 million in 1H FY2022. The decrease in research and developments expenses in 1H FY2022 from the corresponding period was mainly due to (a) certain one-off payments made to third parties in 1H FY2021 for services rendered to support the Group's research and development process, and (b) the purchase of relevant materials in 1H FY2021 for research and development purposes, where such materials are still being utilised by the Group in 1H FY2022.

**Finance Costs**

Finance costs decreased by approximately RMB 0.1 million or 7.9% to RMB 0.7 million in 1H FY2022 as compared to 1H FY2021. The decrease was due mainly to the decrease in interest expenses charged by the bank for the borrowing taken on by the Group for 1H FY2022.

**Income Tax Credit/(Expense)**

Income tax credit/(expense) decreased from an income tax expense of approximately RMB 0.5 million in 1H FY2021 to record an income tax credit of approximately RMB 0.4 million in 1H FY2022. This was mainly due to the over provision of income tax expenses for 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 30 September 2021 and 31 March 2021.**

**Non-current Assets**

There was a decrease in the Group's total non-current assets of approximately RMB 22.1 million or 10.6%, from RMB 207.5 million as at 31 March 2021 to RMB 185.4 million as at 30 September 2021. This was mainly due to a decrease in other assets (non-current) of approximately RMB 16.0 million or 45.3% arising from (i) amortisation of long-term deferred expenses and (ii) the 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 30 September 2021, other assets (non-current) amounted to approximately RMB 19.3 million, comprising mainly advance payments to suppliers for the long-term supply contracts of raw sweet potatoes.

Plant, property and equipment ("**PPE**") decreased by approximately RMB 7.0 million or 5.5%, from RMB 127.3 million as at 31 March 2021 to RMB 120.3 million as at 30 September 2021. This was due to lower additions to PPE as well as depreciation expense recorded on PPE in 1H FY2022.

Intangible assets increased by approximately RMB 0.5 million or 1.4%, from RMB 37.3 million as at 31 March 2021 to RMB 37.8 million as at 30 September 2021. This was mainly due to the purchase of a manufacturing patent of RMB 1.2 million which was offset against the amortisation expense recorded in 1H FY2022.

Deferred tax assets increased by approximately RMB 0.4 million or 5.8% from RMB 7.6 million as at 31 March 2021 to RMB 8.0 million as at 30 September 2021. The increase in deferred tax assets was mainly due to the underestimation of 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 0.7 million or 19.4% from RMB 3.5 million as at 31 March 2021 to RMB 2.8 million as at 31 March 2021. The decrease was mainly due to higher sales (and hence higher utilisation of inventories) during 1H FY2022 as compared to 1H FY2021.

Trade and other receivables decreased by approximately RMB 7.0 million or 14.9% from RMB 47.0 million as at 31 March 2021 to RMB 40.0 million as at 30 September 2021. The decrease was mainly due to the increase in collection of debts as compared to the previous period.

Other assets (current) increased by approximately RMB 4.5 million or 7.4% from RMB 61.4 million as at 31 March 2021 to RMB 65.9 million as at 30 September 2021. This was mainly due to the increase in advance payment to the construction company of approximately RMB14.0 million, which was offset against the decrease in prepayment to the suppliers or service provider and advance payment to suppliers who delivered supplies of raw sweet potatoes of approximately RMB 9.5 million.

Cash and bank balances increased by approximately RMB 22.8 million or 11.6% as a result of the decrease in trade and other receivables and in other assets (current and non-current) which were utilised to offset against the payments to the contracted suppliers. 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.

As a result of the above, the Group's total current assets increased by approximately RMB 19.6 million or 6.4% from RMB 308.2 million as at 31 March 2021 to RMB 327.9 million as at 30 September 2021.

**Current Liabilities**

Trade and other payables decreased by approximately RMB 5.5 million or 19.5% from RMB 28.1 million as at 31 March 2021 to RMB 22.6 million as at 30 September 2021. This was mainly due to the increase in settlement of trade payables to its suppliers as compared to the previous period.

Other financial liabilities decreased by RMB 0.5 million or approximately 1.5% from RMB 33.3 million as at 31 March 2021 to RMB 32.8 million as at 30 September 2021. This was mainly due to the decrease in short-term borrowings taken by the Group as at 30 September 2021.

**Consolidated Statement of Cash Flows**

The Group recorded net cash from operating activities of approximately RMB 28.5 million in 1H FY2022 as compared to net cash from operating activities of RMB 70.5 million in 1H FY2021. In respect of 1H FY2022, the net cash from operating activities comprised mainly the positive operating cash flow before changes in working capital of approximately RMB 14.8 million, adjusted by net working capital inflow of RMB 13.7 million.

Net cash used in investing activities amounted to approximately RMB 4.5 million in 1H FY2022 as compared to RMB 2.5 million in 1H FY2021. The increase was mainly due to the commencement of construction and redevelopment of a plot of land by Fujian Zixin Biological Potato Co., Ltd, and the purchase of a manufacturing patent.

Net cash used in financing activities was approximately RMB 1.2 million in 1H FY2022 as compared to net cash from financing activities of RMB 5.0 million in 1H FY2021. This was mainly due to an increase in repayment of short-term borrowings.

**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.**

As the Group appears to be back on the recovery track in 1H FY2022, it will continue to strive towards achieving higher sales revenue and profitability through its three core business areas for the full financial year.

The Group is currently carrying out the harvesting of fresh sweet potatoes from contracted farmland of 8,268.6mu (approximately 5,512,427.6m$^2$) through the Liancheng County Cooperative. These chosen varieties of sweet potatoes were grown from the Group's own sweet potato seedlings which were cultivated earlier this year. The harvested sweet potatoes can be marketed and sold fresh for consumption or processed into snack products under the Group's proprietary brands in its snack food manufacturing facilities.

The snack food industry is growing rapidly in China. According to Statista, revenue in China's snack food segment is expected to amount to US$ 59,793 million in 2021, and this market segment is expected to grow at a compounded annual growth rate of 6.75% from 2021 to 2026[(1)].

The Group believes that it is well-placed to ride on the trend of rising health awareness of the Chinese consumers[(2)] as it is the Group's culture and motivation to tap on technology and innovation to improve the nutritional value of its proprietary sweet potato snack products, thus providing a healthier choice for consumers. The Group will also continue to raise the brand awareness of its range of snack products through marketing campaigns, and further strengthen its distribution network capabilities for both e-commerce and conventional platforms to rise above the intense competition in the snack food industry.

On 21 September 2021, the Company announced its entry into subscription agreements with identified subscribers for the issuance of an aggregate of 500 million new ordinary shares at an issue price of S$ 0.024 per share to raise an aggregate gross amount of S$ 12 million (the "**Proposed Placement**"). The Proposed Placement was duly approved by shareholders at the extraordinary general meeting convened on 29 October 2021.

The Company will update shareholders on any material developments as and when they arise.

*Sources:*
1 https://www.statista.com/outlook/cmo/food/confectionery-snacks/snack-food/china
2 https://www.mckinsey.com/~/media/mckinsey/featured%20insights/china/china%20consumer%20report%202020%20the%20many%20faces%20of%20the%20chinese%20consumer/china-consumer-report-2020-vf.ashx

## 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 1H FY2022. With reference to the Company's announcement dated 28 May 2021 and responses to shareholders' question dated 28 October 2021, the Company intends to fulfill the capital commitment of its wholly-owned subsidiary, Fujian Zixin Biological Potato Co., Ltd.'s ("**Fujian Zixin**") registered share capital through additional capital raising exercises (the "**Fund-Raising Plans**") before it can consider declaring 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. With the recent shareholders' approval at the extraordinary general meeting held by way of electronic means on 29 October 2021 in respect of the proposed placement exercise, a portion of the net proceeds will be used to fulfill the capital commitment of Fujian Zixin. Please refer to the Company's circular dated 14 October 2021 for more information.

The board of directors of the Company (the "**Board**") will continue to observe the situation and assess, among others, the Group's financial performance and position in respect of the relevant financial period, before deciding on whether to declare dividends.

**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. Use of proceeds**

With reference to the Company's announcements dated 22 January 2021, 26 January 2021, and 1 February 2021 in relation to the placement exercise that was completed by the Company on 1 February 2021 (the "**Placement**") where the Company had raised S$5,634,000 in net proceeds (the "**Net Cash Proceeds**"), as well as the previous updates on the use of proceeds in respect of the Placement as announced by the Company on 17 March 2021, 28 May 2021, and 27 August 2021, and in Company's annual report for financial year ended 31 March 2021 on 16 August 2021, the Board wishes to provide the following update on the utilisation of the Net Cash Proceeds from the Placement as at the date of this announcement:

| | **Allocation of the Net Cash Proceeds (S$'000)** | **Balance brought forward from 27 August 2021 (S$'000)** | **Amount utilised as for the date of this announcement (S$'000)** | **Balance (S$'000)** |
|---|---|---|---|---|
| Partial funding towards the construction of Phase 1 of the Project[(1)] | 4,515 | 1,597 | – | 1,597 |
| Working capital for the Group's Singapore office | 1,119 | 82 | 82[(2)] | – |
| | **5,634** | **1,679** | **82** | **1,597** |

**Notes:**

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

(2) 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) | **29** |
| Administrative and miscellaneous expenses | **28** |
| Directors' fee | **25** |
| **Total** | **82** |

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).**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for 1H FY2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

| | |
|---|---|
| **Liang Chengwang** | **Duanmu Xiaoyi** |
| Executive Chairman and Chief Executive Officer | Executive Director |

**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.

**By Order of the Board**
**China Star Food Group Limited**

LIANG CHENGWANG
Executive Chairman and Chief Executive Officer

12 November 2021