CHINA STAR FOOD GROUP
中国之星食品集团

(Incorporated in the Republic of Singapore with Unique Entity No.: 20071863N)
Website: www.zixinshuye.com
SGX Stock Code: **42W**

China Star Food Group records RMB323 million in revenue for FY2020

- **Group accelerated e-commerce development and "live-streaming" online sales platform to complement traditional marketing and distribution channels to drive sales amid pandemic**
- **Bright prospects with rising awareness of health benefits of sweet potatoes, including supporting a healthy immune system**

Key Financial Highlights:

FYE 31 Mar (RMB'000)	FY2020	FY2019	YoY Change
Revenue	323,141	357,001	- 9.5%
Gross profit	70,159	102,300	- 31.4%
Gross profit margin	21.7%	28.7%	- 7.0 pp
(Loss) / Profit before tax	(10,590)	39,638	- 126.7%
(Loss) / Profit after tax[1]	(6,467)	23,675	- 127.3%

*** pp means percentage points.*

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

For Immediate Release

SINGAPORE, 30 July 2020 – China Star Food Group Limited 中国之星食品集团 ("**CSFG**" or the "**Company**", and together with its subsidiaries, the "**Group**"), registered an 9.5% decrease in revenue to RMB 323.1 million for the financial year ended 31 March 2020 ("**FY2020**"), compared to RMB 357.0 million in FY2019. The lower revenue was mainly due to the decrease in sales and a one-off discount to the Group's distributors amid the uncertain global market conditions and aggravated by the coronavirus outbreak. The outbreak of the coronavirus pandemic in the last quarter of FY2020, resulting in an extension of the Lunar New Year holiday and temporary suspension of business operations following the lockdown of cities in China, led to lower productivity and sales revenue. The Group resumed its operations gradually from February and provided a one-off discount to its distributors to help them tide over the challenging period.

Gross profit decreased by 31.4% from RMB 102.3 million in FY2019 to RMB 70.2 million on the back of lower output and at relatively higher costs amid the pandemic and travel restrictions, and higher sales of lower margin snack product categories. Consequently, gross margin declined from 28.7% in FY2019 to 21.7% in FY2020.

Loss after tax was RMB 6.5 million in FY2020, a reversal from profit after tax of RMB 23.7 million a year ago. This was mainly due to (i) the lower revenue recorded in FY2020 as a result of the aforementioned, (ii) higher marketing and distribution costs which increased by 81.1% to RMB 40.4 million with higher publicity expenses and advertisement costs in support of the new distribution channel management strategy, and (iii) slightly higher administrative expenses which increased by 0.7% to RMB 39.6 million with the increases in (a) staff welfare and employment benefit expenses, and (b) depreciation expenses in the financial year under review.

Mr. Liang Chengwang, Executive Chairman and CEO of the Group said, "**The disruptions that arose from the unexpected coronavirus pandemic brought our operations to a standstill, which had an adverse impact on our business and financial performance in FY2020. We are appreciative of the support from our stakeholders, in particular, our employees and business partners including our customers and suppliers during these trying times, when our strategic plans in targeted publicity campaigns and new distribution channels to drive sales for our proprietary brands of quality snack products were derailed.**

Lockdowns of cities in China disrupted the conventional way a consumer made purchase at physical stores and supermarkets. This prompted the Group to accelerate our e-commerce development and "live-streaming" online sales platform to market our fresh sweet potatoes and proprietary branded snack food. These online sales channels are to complement our entrenched traditional marketing and distribution channels, offering alternative options to distributors and consumers. We believe e-commerce and online sales allow the Group to reach out to younger and more tech-savvy consumers.

As the situation in China stabilises, our co-operative farming arrangements through contracted farmland to secure supplies of quality fresh sweet potatoes have resumed operations to normal levels. We will continue to employ safety measures in our snack food production facilities to keep our employees safe and minimise the risk of transmission during this pandemic. At the same time, we will continue the necessary work to reconfigure the production lines for the streamlined snack food product range."

Business Outlook

Despite the coronavirus pandemic bringing businesses to a standstill, the pandemic has also brought about greater awareness of the health benefits of sweet potatoes, including supporting a healthy immune

system[1]. The rising awareness has also led to more sales enquiries.

With reference to the research report "Sweet Potato (Fresh, Frozen, Dried) Markets to 2027 – Growing Demand for Plant-based Products Drives the World Market", the global sweet potato market accounted for US$48.63 billion in 2018 and is expected to grow at a compounded annual growth rate of 2.1% during the forecast period of 2019-2027, to account to US$58.47 billion by 2027[2].

"**We have identified the specific sweet potato species for our sweet potato seedlings cultivation and fresh sweet potato supplies, and continue to make progress in a few key areas of our businesses – (i) R&D of sweet potato seedlings and cultivation techniques to improve harvesting yield, and (ii) new overseas markets expansion.**"

The Group remains cautiously optimistic and continues to be committed to overcoming the challenges with all stakeholders in this pandemic crisis. The Company will make further announcements to update shareholders as and when appropriate.

---

1 https://www.healthline.com/nutrition/sweet-potato-benefits

2 https://www.globenewswire.com/news-release/2019/10/16/1930628/0/en/Global-Sweet-Potato-Fresh-Frozen-Dried-Markets-to-2027-Growing-Demand-for-Plant-based-Products-Drives-the-World-Market.html

###

This media release is to be read in conjunction with the Company's unaudited full-year results announcement posted on the SGX website on 30 July 2020.

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

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

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

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

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

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

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

Issued for and on behalf of **China Star Food Group Limited** by:

富登财经 FinComm
OCTAVE

Investor relations contact:

Rosalina Soh 苏沛熙
Office : (65) 6955 7767
Mobile : (65) 9677 6683
Email : rosalina@octavecomms.com

*This media release has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**") in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.