CHINA STAR FOOD GROUP LIMITED
中国之星食品集团

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200718683N)
SGX Stock Code: **42W**

China Star Food Group Posts RMB 104 Million Revenue for Q3 FY2020

- **Group invests in targeted marketing campaigns and various distribution platforms to drive demand and sales for its range of branded snacks, as production stabilises**
- **Group is committed to building sustainable long-term growth by utilising advanced technology to its integrated sweet potato focused supply chain operations**

Key Financial Highlights:

FYE 31 Mar (RMB'000)	Q3 FY2020	Q3 FY2019	YoY Change	9M FY2020	9M FY2019	YoY Change
Revenue	104,063	113,300	- 8.2%	301,856	287,683	+ 4.9%
Gross profit	25,584	30,674	- 16.6%	81,351	81,849	- 0.6%
Gross profit margin	24.6%	27.1%	- 2.5 pp	27.0%	28.5%	- 1.6 pp
Profit before tax	629	14,733	- 95.7%	17,199	43,042	- 60.0%
Profit after tax (1)	579	11,791	- 95.1%	15,729	33,883	- 53.6%

** Q3 denotes three months ended 31 December and 9M denotes nine months ended 31 December.*

*** pp means percentage points.*

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

For Immediate Release

SINGAPORE, 14 February 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**"), recorded an 8.2% decrease in revenue to RMB 104.1 million for the third quarter ended 31 December 2019 ("**Q3 FY2020**"), compared to RMB 113.3 million in Q3 FY2019. The lower revenue was attributed to the Group's initiatives to adjust some of its production lines, taking into consideration older range of snack products with lower consumer preferences such as preserved fruits, sweet potato candies, whole grain snacks and candies, to produce snacks with better health benefits. This production adjustment resulted in lower output and led to lower sales in Q3 FY2020.

In tandem with the decline in revenue, cost of sales decreased by 5.0% from RMB 82.6 million in Q3 FY2019 to RMB 78.5 million in Q3 FY2020. As a result of relatively higher costs and different profit margins across its range of snack product categories, gross profit decreased by 16.6% from RMB 30.7 million in Q3 FY2019 to RMB 25.6 million in Q3 FY2020. Consequently, gross margin reduced from 27.1% in Q3 FY2019 to 24.6% in Q3 FY2020.

Total operating expenses, which include marketing and distribution costs, administrative expenses and other operating expenses, increased by 48.3% from RMB 16.7 million in Q3 FY2019 to RMB 24.8 million in Q3 FY2020. For the quarter under review, marketing and distribution costs increased 73.1% to RMB 13.7 million as a result of higher publicity expenses and advertisement costs of approximately RMB 6.5 million, while administrative expenses increased 27.2% to RMB 11.1 million due to increases in (i) staff welfare and employment expenses, (ii) research and development expenses, particularly on provisions for future development of an improved strain of sweet potato seedlings, and (iii) depreciation expenses.

Finance costs increased by approximately RMB 73,000 or 20.0% to RMB 0.4 million in Q3 FY2020 due to higher interest expenses incurred on bank loans.

Taking into account the above, the Group recorded a 95.1% decrease in net profit attributable to shareholders from RMB 11.8 million in Q3 FY2019 to RMB 0.6 million in Q3 FY2020.

Commenting on the results, Mr. Liang Chengwang, Executive Chairman and CEO of the Group said, "**We have been working hard at stabilising our food processing and snacks production facilities following the temporary disruptions arising from the stringent environmental measures that were implemented by the Liancheng County government on the sweet potato industry over the last few years.**

Having achieved stability at our production facilities, we are focusing on (i) product innovation on our broad categories of snacks, keeping up with the consumer snack food trends, and (ii) brand building and distribution expansion, to raise consumer awareness of and preference for our brands of healthier sweet potato snacks. We believe that constant product innovation to meet evolving snack food trends, complemented with targeted publicity campaigns to promote and drive sales for our proprietary brands of quality snack products through various distribution channels, will drive the Group forward in garnering market share in both existing and new markets.

We are committed to building sustainable long-term growth for the Group with our strategised plan to utilise advanced technology into our integrated sweet potato focused supply chain operations, bringing innovation to a traditional industry. The Group is progressing prudently to achieve its ambition of becoming 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."

Business Outlook

The recent outbreak of the Wuhan Coronavirus had prompted the Chinese government to extend the Lunar New Year holiday to 9 February 2020 and strict preventive measures have since been put in place to combat the epidemic. Due to this epidemic, economic activities are expected be affected and economic growth in China is also expected to be lower than the 6.1% recorded in 2019.

Due to the preventive measures taken by the Chinese government, the Group will be resuming its operations gradually, taking extra precautions for all its employees and complying to the government's directives. As of the current situation, the Company is of the view that the Group's financial performance will be affected in the near term.

Despite the ongoing epidemic, the Group remains committed to build growth through investing in targeted marketing campaigns to promote and drive sales for its proprietary range of sweet potato snack food and to increase market penetration in both existing and new markets.

Added Mr. Liang, "**We are appreciative of the patience and support of our stakeholders. The Group will continue to work towards enhancing value for all our stakeholders especially during this trying time.**"

The Group will monitor the evolving situation in China and endeavour to provide regular and timely updates in due course.

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This media release is to be read in conjunction with the Company's unaudited financial statements and dividend announcement for Q3 FY2020 posted on the SGX website on 14 February 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:

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*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) 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.

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