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.zixingroup.com.sg
SGX Stock Code: 42W

China Star Food Group delivers net profit of RMB 6.6 million for FY2022

- **The Group will continue to focus on its biotech-focused research & development ("R&D") efforts in achieving a circular economy for its entrenched sweet potato value chain.**
- **The Group is well-positioned to ride on the macro trends of food safety and food security, and nutrient-rich functional foods**

Key Financial Highlights:

FYE 31 March (RMB'000)	FY2022	FY2021	YoY Change
Revenue	289,132	285,474	+ 1.3%
Gross profit	77,981	69,616	+ 12.0%
Gross margin	27.0%	24.4%	+ 2.6pp
Profit / (Loss) before tax	6,281	(13,002)	n.m.
Profit / (Loss) after tax[1]	6,588	(12,676)	n.m.

*** FYE denotes financial year ended, pp denotes percentage points, and n.m. denotes not meaningful*

[1] (Loss) after tax attributable to owners of the Company

For Immediate Release

SINGAPORE, 30 MAY 2022 – China Star Food Group Limited 中国之星食品集团 ("**China Star Food Group**" or the "**Company**" and together with its subsidiaries, the "**Group**"), a leading sweet potato biotech-focused value chain operator, registered a net profit after tax of RMB 6.6 million for the financial year ended 31 March 2022 ("**FY2022**"), a reversal from a net loss after tax of RMB 12.7 million for the financial year ended 31 March 2021 ("**FY2021**"). Notwithstanding a 1.3% increase in revenue from RMB 285.5 million in FY2021 to RMB 289.1 million in FY2022, the Group's financial performance was mainly underscored by (i) an improvement in the efficiency of operating cost of sales of its sweet potato snack products and stronger sales of higher-margin snack product categories, and (ii) a decrease in administrative expenses due to the overprovision of audit fees, depreciation expenses and R&D expenses.

Commenting on the financial performance, Mr. Liang Chengwang (梁承旺), the Executive Chairman and Chief Executive Officer of China Star Food Group said, "**We are appreciative of the trust and support from our employees, business partners and shareholders, as we work relentlessly to bring about higher value through our entrenched sweet potato value chain with our prior investments and efforts in biotechnology R&D and capabilities.**

It took time to implement our R&D capabilities, ensuring food safety, stability and sustainability, right from the selection and cultivation of seedlings from our patented sweet potato varieties, to providing farmers with our biotech farming solutions and techniques, to manufacturing snack products with minimal processing to lock-in the nutritional content of the sweet potatoes, and establishing distribution and sales channels to market and sell the products under our proprietary brands.

Whilst the process has been arduous and the payback is slow, we are heartened to be able to make a positive difference to our consumers, giving them healthier snack food options."

Recently, the Group completed its scheduled planting of sweet potato seedlings in the contracted 8,268.6mu (approximately 5,512,427.6m^2) farmland through the Liancheng County Cooperatives, to grow the chosen varieties of sweet potatoes using the sweet potato seedlings that it cultivated in-house. These sweet potatoes are expected to be ready for harvest from October 2022 and may be sold fresh for consumption or processed into snack products under the Group's proprietary brands in its snack food manufacturing facilities.

The Group has also achieved new milestones from its R&D efforts on the production of functional food and waste materials such as sweet potato skins, leaves, and stems, following its announcement on 17 August 2021. While waiting for construction of the first phase of the high-tech manufacturing facility which is expected to be completed by end December 2022, the Group has completed its R&D in producing purple sweet potato powder and retaining its nutrients with minimal processing, as well as turning the waste materials, through a fermentation process using probiotics, into nutritional and safe feeds for poultry. The poultry feeds are currently undergoing feed trials before they can be sold commercially to poultry farms in China.



Source: Company, taken in early May 2022.

Mr. Liang adds, "**We are thankful to be supported by like-minded researchers and business partners who have worked towards the common goal of food safety and food security. We have utilised our supposed waste (sweet potato skins, stems and leaves) to produce feeds for poultry animals. The results from field trials have been encouraging and extending our biotech R&D capabilities into waste reduction and recycling put us steps closer to achieving a circular economy in our sweet potato value chain.**

We believe that we are well-positioned to ride on the macro trends of food safety, food security, and nutrient-rich functional foods."

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

Financial Review

The recovery of economic activities has been gradual following the prolonged impact of the COVID-19 pandemic since February 2020, which was subsequently disrupted with the emergence of new COVID-19 variants in China in February 2022. This resulted in a slight improvement in the Group's revenue from RMB 285.5 million in FY2021 to RMB 289.1 million in FY2022 as the decline in sales of fresh sweet potatoes was buffered by the increase in sales of sweet potato snack products.

Revenue Analysis by Products

FYE 31 March (RMB'000)	FY2022	FY2021	Variance
Sweet potato processed snack products	235,551	216,797	+ 8.7%
Fresh sweet potatoes	53,581	68,677	(22.0%)
Total	**289,132**	**285,474**	**+ 1.3%**

The higher sales of higher-margin snack product categories and improvement in the efficiency of operating cost of sales of sweet potato snack products led to the increase in gross profit by 12.0%, from RMB 69.6 million in FY2021 to RMB 78.0 million in FY2022. Correspondingly, gross profit margin increased from 24.4% in FY2021 to 27.0% in FY2022.

Interest income increased 63.2% from RMB 0.4 million in FY2021 to RMB 0.7 million in FY2022. This was mainly due to the increase in interest received on the back of an increase in average cash and bank balances in FY2022.

Other income decreased from RMB 0.7 million in FY2021 to RMB 0.1 million in FY2022 due to the absence of rental income for the factory premise that was disposed of in late FY2021.

Marketing and distribution costs increased by 2.0% from RMB 36.6 million in FY2021 to RMB 37.3 million in FY2022. The increase was mainly due to the increase in advertisement expenses, delivery charges, operating expenses and employee benefit expenses relating to marketing and distribution functions, which was partially offset by the decrease in publicity expenses.

Administrative expenses decreased by 25.8% from RMB 44.6 million in FY2021 to RMB 33.1 million in FY2022. The decrease was mainly due to lower audit fees arising from overprovision in the previous year, depreciation expenses, R&D expenses and other expenses, which were partially offset against the increase in director's remuneration, consultant fee, nursery fee, and employee benefit expenses.

Other losses decreased by 52.1% from RMB 1.1 million in FY2021 to RMB 0.5 million in FY2022, mainly due to the loss on disposal of property, plant and equipment in the year under review. Finance costs increased by 2.5% to RMB 1.5 million in FY2022 due to higher interest charged by the bank for the borrowings taken in the year under review.

Taking into account the tax credit of RMB 0.3 million in FY2022, the Group registered a net profit of RMB 6.6 million in FY2022, a reversal from a net loss of RMB 12.7 million in FY2021. The Group remains in a strong net cash position of RMB 0.2 million, with net assets having increased from RMB 453.9 million as at 31 March 2021 to RMB 516.9 million as at 31 March 2022.

No dividend has been declared for FY2022. The Group intends to conserve the cash resources in anticipation of unpredictable market conditions for the financial year ahead. These conditions stem mainly from the resurgence of COVID-19 cases in China since February 2022, which has resulted in the further lockdown of affected cities. The lockdowns have had an impact on the operations and logistics of the Company, such as the shipping of products to consumers in those affected areas. Accordingly, conserving its cash resources will ensure that the operations of the Group as well as the upcoming phases of its construction projects are not significantly affected. The Group aims to keep the progress of its construction projects undisturbed, as any prolonging of the construction time will result in an increase in construction costs.

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This media release is to be read in conjunction with the Company's announcement posted on the SGXNet on 30 May 2022.

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

(Stock code – 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 biotech-focused value chain operator in China. Through its wholly-owned subsidiaries, the Group leverages on its biotechnology capabilities to strengthen and support its core business areas: **(a) cultivation and supply** – (i) research and development of sweet potato varieties, (ii) cultivate sweet potato seedlings, (iii) provide farming solutions and technique, and (iv) fresh sweet potato supply, **(b) product innovation and snacks production** – research and development to produce snack products with higher nutritional content, and **(c) 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 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 has 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 in its 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 sweet potato farmers in China, which could potentially broaden its earnings base.

The Group has also adopted advanced marketing and distribution approaches 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.zixingroup.com.sg for more information.

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

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*This media release has been 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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