CHINA STAR FOOD GROUP LIMITED

(Company Registration No. 200718683N)
(Incorporated in Republic of Singapore)
(the "**Company**")

PROPOSED PLACEMENT OF 40,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT S$0.09 FOR EACH SUBSCRIPTION SHARE

1. INTRODUCTION

1.1 The Board of Directors (the "**Board**" or "**Directors**") of the Company and together with its subsidiaries (the "**Group**") wish to announce the proposed subscription of 40,000,000 new ordinary shares in the capital of the Company (each a "**Subscription Share**" and collectively the "**Subscription Shares**") at S$0.09 (the "**Subscription Price**") for each Subscription Share, amounting to an aggregate sum of S$3,600,000 (the "**Placement**").

2. THE PROPOSED SUBSCRIPTION

2.1 The Company has on 9 March 2018 entered into five (5) separate subscription agreements (collectively, the "**Subscription Agreements**") with each of Mr Liu Nai Lin, Mr Pan Ruliang, Mr Jiang Benwei, Mr Luo Fangfen and PTS Capital Pte Ltd (each, a "**Subscriber**" and collectively, the "**Subscribers**"), pursuant to which the Subscribers have agreed to subscribe for, and the Company has agreed to allot and issue the Subscription Shares subject to the terms and conditions of the respective Subscription Agreements, as set out below:

Name of Subscriber	**Number of Subscription Shares**	**As a percentage of Existing Share Capital (as defined herein) (%)**	**As a percentage of Enlarged Share Capital (as defined herein) (%)**	**Total amount of Subscription Price Payable (S$)**
Mr Liu Nai Lin	1,000,000	0.39	0.34	90,000
Mr Pan Ruliang	2,000,000	0.78	0.67	180,000
Mr Jiang Benwei	10,000,000	3.89	3.37	900,000
Mr Luo Fangfen	7,000,000	2.73	2.36	630,000
PTS Capital Pte Ltd	20,000,000	7.79	6.74	1,800,000
Total	**40,000,000**	**15.57**	**13.47**	**3,600,000**

a) Based on the issued and paid-up share capital of the Company as at the date of this announcement comprising 256,909,000 ordinary shares in the capital of the Company ("**Shares**")("**Existing Share Capital**").

b) Based on the issued and paid-up share capital of the Company pursuant to the allotment and issuance of the Subscription Shares comprising 296,909,000 Shares ("**Enlarged Share Capital**").

2.2 The Subscription Shares collectively represent (i) approximately 15.57% of the Existing Share Capital; and (ii) approximately 13.47% of the Enlarged Share Capital. The Company does not have any treasury shares or subsidiary holdings as at the date of this announcement.

2.3 The Subscription Price of S$0.09 represents a premium of 4.33% to the volume weighted average price of S$0.0861 per Share, based on trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 9 March 2018, being the full market day on which the Subscription Agreements were signed.

2.4 The Subscription Shares shall be issued free from all claims, charges, liens and other encumbrances and shall rank pari passu in all respects with and shall carry all rights similar to the existing Shares as at their date of issue, except for any dividends, distributions or entitlements the record date of which falls on or before the date of the issue of the Subscription Shares.

2.5 As at the date hereof, the Company has sums outstanding and owing to Mr Luo Fangfen amounting to S$632,097 (the "**Sums Owing**"), of which S$630,000 will be capitalised by way of an issuance and allotment of 7,000,000 new Shares at the Subscription Price ("**Capitalisation of Loan**"). Save for Mr Luo, the other Subscribers would be paying for their respective Subscription Shares by way of cash.

2.6 The Subscription Shares will not result in a transfer of controlling interest of the Company and none of the Subscription Shares will be issued to any person who is an existing director or substantial shareholder of the Company, or any other person falling within the categories set out in Rule 812(1)(a) to (d) of Section B: Rules of Catalist of the SGX-ST Listing Manual (the "**Catalist Rules**").

2.7 The Placement will be undertaken by way of private placement in accordance with Section 272B of the Securities and Futures Act (Cap. 289 of Singapore). As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

2.8 The Company confirms that its Directors and/or substantial shareholders do not have, to the best of their knowledge, any connection (including business relationship) with the Subscribers.

3. SALIENT TERMS OF THE SUBSCRIPTION AGREEMENTS

Conditions Precedent

3.1 Completion of the Placement under the Subscription Agreements is conditional upon, *inter alia*, the following:

(a) the approval in-principle from the continuing sponsor of the Company, PrimePartners Corporate Finance Pte. Ltd. (the "**Continuing Sponsor**"), and/or the SGX-ST (as the case may be), being obtained for the listing and quotation of the Subscription Shares on the SGX Catalist and, if the approval is granted subject to conditions, such conditions being reasonably acceptable to the Subscribers and to the Company, and such approval in-principle not having been revoked or amended, and the same being in full force and effect, as at the Completion Date;

(b) the allotment, issue and subscription of the Subscription Shares by the Subscribers not being prohibited by any statute, order, rule, or regulation promulgated or issued hereafter by any legislative, executive or regulatory body or authority of Singapore;

(c) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct in all material respects as if made on the Completion Date, with reference to the then existing circumstances and the Company having performed in all material respects all of its obligations herein to be performed on or before the Completion Date (as defined below); and

(d) there having occurred no material adverse change, or any development reasonably likely to involve a prospective material adverse change, in the financial condition, prospects, earnings, business, undertakings, assets or properties of the Group,

whether or not arising from transactions in the ordinary course of business subsequent to the date of this Subscription Agreements.

3.2 For the purposes of paragraph 3.1 above, "**Completion Date**" means (unless otherwise agreed between the Company and the relevant Subscriber) being a date on which:

(a) each of the Subscribers having paid the total Subscription Price respectively, save for Mr Luo Fangfen;

(b) the Company having allotted and issued the Subscription Shares to The Central Depository (Pte) Limited ("**CDP**") for the account of each Subscriber (or the depository agent notified by each Subscriber to the Company), instruct CDP to credit the Subscription Shares into the direct account of each Subscriber (or the securities account of the depository agent notified by the Subscriber to the Company), and despatch to CDP the share certificate(s) in respect of the Subscription Shares and all other documents required by CDP for such purpose; and

(c) the Company having delivered to the SGX-ST/Continuing Sponsor such documents and confirmations as may be required by the SGX-ST/Continuing Sponsor for the purposes of admission and quotation of the Subscription Shares to the Official List of the Catalist of the SGX-ST (the "**Catalist**").

3.3 The Continuing Sponsor will be submitting an application on behalf of the Company to the SGX-ST for the listing and quotation of the Subscription Shares on the Catalist and the Company will make the necessary announcement upon receipt of the approval in-principle for the same from the SGX-ST.

4. DETAILS REGARDING THE SUBSCRIBERS

4.1 Mr Liu Nai Lin, Mr Jiang Benwei, Mr Luo Fangfen and PTS Capital Pte Ltd are existing shareholders of the Company. Each of the Subscribers is a private investor who was introduced to the Company by Mr Liang Chengwang, the Executive Chairman and Chief Executive Officer of the Company, and is subscribing for the Subscription Shares for own investment purposes. PTS Capital Pte. Ltd. is a Singapore-incorporated investment holding company with its principal business in investment holding. The beneficial owners of PTS Capital Pte. Ltd. are Zhang Haibo (NRIC: S2764062A) and Yu Lei (NRIC: S2764063Z), both of 7 Anthony Road, #13-33 Orchard Scotts, Singapore 229955. Zhang Haibo and Yu Lei are independent third parties with no prior connection (including business relationships) with the Company, its directors or substantial shareholders.

4.2 As at the date of this Announcement and prior to Completion of the Placement, the shareholdings of the Subscribers are as follows:

Name of Subscriber	**Number of existing Shares held**	**As a percentage of Existing Share Capital (%)**
Mr Liu Nai Lin	6,316,200	2.46
Mr Pan Ruliang	-	-
Mr Jiang Benwei	500,800	0.19
Mr Luo Fangfen	90,200	(negligible)
PTS Capital Pte Ltd	9,687,400	3.77

None of the Subscribers hold any warrants in the Company as at the date of this Announcement.

4.3 Assuming that Completion of the Placement has taken place, the shareholdings of the Subscribers will be as follows:

Name of Subscriber	**Number of Shares held**	**As a percentage of Enlarged Share Capital (%)**
Mr Liu Nai Lin	7,316,200	2.46
Mr Pan Ruliang	2,000,000	0.67
Mr Jiang Benwei	10,500,800	3.54
Mr Luo Fangfen	7,090,200	2.39
PTS Capital Pte Ltd	29,687,400	10.0

4.4 No introducer fee or placement commission has been paid or will be payable by the Company for the Placement.

4.5 The Subscribers other than Mr Luo have no connection (including business relationships) with the Company, its directors and substantial shareholders, and is each not a person to whom the Company is prohibited from issuing shares to, as provided for by Rule 812 of the Listing Manual.

Mr Luo, through his wholly-owned company by the name of Liancheng County Jinlong Food Factory, has in the current financial year ending 31 March 2018, purchased from the Group a total of 3,081,254 kg of sweet potatoes for which the Group has received an aggregate consideration of RMB 7,169,222.94. Save for the above and the Sums Owing, Mr Luo has no other connection (including business relationships) with the Company, its directors and substantial shareholders, and is each not a person to whom the Company is prohibited from issuing shares to, as provided for by Rule 812 of the Catalist Rules.

4.6 Under the terms of the Subscription Agreements, the Subscribers have each represented, warranted and undertaken to the Company that he is not regarded as a Person Acting In Concert with each other, and is not aware of any reason or circumstance which may result in the Subscriber being regarded as a Person Acting in Concert with each other.

For the purpose of this paragraph, "**Person Acting in Concert**" has the meaning ascribed to it under the Singapore Code of Take-Overs and Mergers.

4.7 None of the Subscribers will hold directly or indirectly 15% or more of the Enlarged Share Capital upon completion of the Placement and the Placement will not cause a transfer of a controlling interest in the Company in contravention of Rule 803 of the Catalist Rules.

5. AUTHORITY FOR ISSUE OF SHARES

5.1 The Subscription Shares will be issued pursuant to the general share issue mandate approved by shareholders at the annual general meeting of the Company held on 28 July 2017 (the "**General Mandate**"), which authorises the Directors pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and Rule 806(2) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST (the "**Catalist Rules**"), to *inter alia*, allot and issue new Shares provided that the number of Shares to be issued other than on a *pro rata* basis to shareholders does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the General Mandate. The total number of issued Shares (excluding treasury shares and subsidiary holdings) as at 28 July 2017 (being the date of the General Mandate) was 256,909,000 Shares and the maximum of fifty per cent. (50%) of such Shares to be issued other than on a *pro rata* basis to shareholders would be 128,454,500 Shares.

5.2 As at the date hereof, the Company has not issued any new shares under the General Mandate.

6. RATIONALE AND USE OF PROCEEDS

6.1 The Company intends to use 100% of the net proceeds from this Placement for its working capital requirements for its Singapore corporate office, corporate advisory fees, legal and independent accountant fees, payment of operating expenses, and all additional fees, as the Company wishes to strengthen its cash position. Assuming completion, the net proceeds from the Placement, after netting off the following amounts as tabled below

Item		Amount (S$)
Total proceeds		3,600,000
Less:		
	Capitalisation of Sums Owing	(630,000)
	Amounts owing to director (Mr Liang Chengwang)	(363,000)
	Estimated Professional fees and expenses pertaining to Placement	(21,000)
Net proceeds		**2,586,000**

will be approximately S$2,586,000 ("**Placement Net Proceeds**").

6.2 The amounts owing to Mr Liang Chengwang is in respect of monies let by Mr Liang Chengwang to the Company in October 2017 for general working capital purposes, amounting to approximately S$450,000 (the "**Director's Loan**"). The Director's Loan bears an interest of 5% per annum, however the interest is the cost-of-funds in connection with the Director's Loan and Mr Liang Chengwang will not be beneficially receiving any proceeds from the interest.

6.3 In relation to the Sums Owing, the Company has approached Mr Luo Fangfen to capitalise the Sums Owing as an alternative to repayment via cash. This would reduce the debt burden of the Company by removing the need for any cash repayment in view of the Group's financial performance and the Company's current cash position and would further alleviate pressures on the Group's cash flow.

6.4 The Company will make periodic announcements as and when net proceeds from the Placement are materially disbursed and whether such a use is in accordance with the stated use. The Company will also provide a status report on the use of such proceeds in its quarterly and full year financial statements and the Company's annual report. Where the proceeds are used for working capital purposes, the Company will provide a breakdown with the specific details on how the proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

6.5 Pending deployment of the proceeds from the Placement, such proceeds may be placed as short term deposits with financial institutions and/or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may in their absolute discretion deem fit in the interest of the Company, from time to time.

7. FINANCIAL EFFECTS

7.1 The financial effects of the Placement are set out below are strictly for illustrative purposes and do not necessarily reflect the actual future financial position and results of the Group following the Placement.

7.2 As at the date of this announcement, the issued and paid-up share capital of the Company is S$180,172,501, comprising 256,909,000 shares. Assuming that all the Subscription Shares are

allotted and issued on Completion, the issued and paid-up share capital of the Company will increase to approximately S$183,772,501 comprising 296,909,000 shares.

7.3 Based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2017, the Group's net asset value ("**NAV**") per Share and earnings per Share ("**EPS**") were approximately S$0.2918 and S$0.0172 respectively. Assuming that the Placement was completed on 1 April 2016 with all the Subscription Shares being in issue during the period, the Group's EPS will be S$0.0157. Assuming that the Placement was completed on 31 March 2017, the Group's NAV after adjusting for the Subscription Shares will be S$0.2653. The exchange rate of RMB to SGD used for the above computations is RMB 4.90 : 1 SGD.

8. DIRECTORS' CONFIRMATION

The Directors are of the opinion that after taking into consideration, the present shareholder's loan, the working capital available to the Group, as at the date of this announcement is sufficient to meet its present requirements. Notwithstanding the above, the Company is undertaking the Placement to support additional working capital requirements for its Singapore corporate office and the Placement Net Proceeds will strengthen its cash position and balance sheet.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Placement (other than through their respective shareholdings in the Company).

10. DOCUMENTS FOR INSPECTION

Copies of the Subscription Agreements are available for inspection during the normal business hours at the registered office of the Company at 24 Raffles Place, #19-05 Clifford Centre, Singapore 048621 for a period of three (3) months from the date of this announcement.

11. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquires, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Placement, the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

12. TRADING CAUTION

Shareholders and potential investors should note that there is no certainty that the Placement will be completed as it is subject to the fulfilment of, inter alia, the terms and conditions as set out in the Subscription Agreements and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers immediately .

BY ORDER OF THE BOARD

Liang Chengwang
Executive Chairman & Chief Executive Officer
12 March 2018

---

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).