



MEDIA RELEASE

For Immediate Release

China Star Food Group Reports Both Revenue Growth and Gross Margin Expansion for Financial Year Ended 31 March 2016

Highlights

- Revenue grew by 12.4% with better market penetration
- Gross profit margin improved by 2.9 percentage points to 44.3%
- Robust outlook for sweet potato snack food industry in China

SINGAPORE, 26 May 2016: CATALIST-LISTED China Star Food Group Limited (the “Company” together with its subsidiaries, the “Group”) (中国之星食品集团有限公司) today announced a 12.4% increase in revenue to RMB470.9 million for the financial year ended 31 March 2016 (“FY2016”), as compared to RMB418.9 million for the financial year ended 31 March 2015 (“FY2015”).

Increase in revenue resulted from higher sales of candies, baked goods, preserved foods and crisps, which was partially offset by a decrease in sales of pastries and roasted sweet potato nuts, as a result of new products launched and revamped product packaging on certain product categories. The overall increase in revenue was also attributable to increased advertising and sales promotional activities in FY2016.

Mr Liang Chengwang (梁承旺), Executive Chairman and Chief Executive Officer, said: “We are continuously expanding new product mix which has successfully reaped in higher revenue growth in financial year 2016. During our first year as a listed company, we aim to chart our long term expansion road

map by ramping up our marketing strategy to enhance our brand awareness, and the research and development investment for new product development. Meanwhile, we strive to improve cost management and operational efficiency to support our growth strategy.”

Of the six product segments, candies was the highest revenue contributor at 31.6%, followed by baked goods (28.0%), pastries (13.4%), preserved foods (10.3%), roasted sweet potato nuts (8.7%), and crisps (8.0%).

Gross profit increased by 20.5% from RM173.3 million in FY2015 to RM208.8 million in FY2016. This is largely attributable to 1) the increase in sales in four product categories which commanded higher profit margin; and 2) introduction of new products and revamped product packaging to cater to premium customer segments, which attained higher profit margins. Gross profit margin came in at 44.3% in FY2016, as compared to 41.4% in FY2015.

Net profit decreased to RMB15.8 million in FY2016 as compared to RMB93.4 million in FY2015 because of one-off RTO expenses and goodwill written off; higher research and development expenses for new products to generate future sales; and higher marketing and distribution costs for advertisement, publicity and sales and promotional activities. Increase in research and development expenses and marketing and distribution costs were made in line with the Group's long term expansion strategy.

Excluding one-off RTO expenses and goodwill written-off, net profit would have been RMB86.3 million in FY2016, only a decrease of RMB7.1 million or 7.6% from FY2015, notwithstanding significant increase in research and development expenses and marketing and distribution costs in FY2016.

Financial Position

The Group's financial position remains strong. As at 31 March 2016, the Group held net assets of RMB 316.6 million, translating into a net asset value per share of 136.95 RMB cents, up from 91.9 RMB cents as at 31 March 2015. Cash and cash equivalents increased to RMB184.1 million as at 31 March 2016, from RMB121.2 million as at 31 March 2015.

Business Update

The Group has commenced partial trial production in the new factory, and expects full production to commence only after completion of the centralised waste water treatment facilities by the local government. The construction of the centralised waste water treatment facilities is still undergoing as at to-date. Occupying 13,910 sqm plot of land in the Food Processing Zone of Liancheng Industrial Park, the new factory will add another approximately 30,000 tonnes of production capacity to the Group.

We have also embarked upon a new phase of our research and development strategy by partnering with Longyan Agricultural Science Research Institution and Jiangnan University to focus on new product development (such as frozen sweet potato product range) and the improvement of the texture of existing products.

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This press release is to be read in conjunction with the Company's announcement posted on the SGX website on 26 May 2016.

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About China Star Food Group Limited

China Star Food Group Limited (中国之星食品集团有限公司), together with its subsidiaries, is one of the leading manufacturers of healthy food snacks in People's Republic of China.

The Group is engaged in the production and sale of sweet potato snack food products processed from purple and orange-fleshed sweet potatoes across the People's Republic of China.

Based in Liancheng County of Fujian Province, the Group sells its wide range of sweet potato snack food products to more than 300 distributors and wholesalers, who in turn distribute the sweet potato snack food products, through e-commerce portals, supermarkets, petrol kiosks, convenience stores and specialty stores throughout the People's Republic of China.

Through its wholly-owned subsidiary, Fujian Zixin Biological Potato Co., Ltd. (福建紫心生物薯业有限公司), the Group operates three wholly-owned subsidiaries incorporated in China, namely Fujian Zilaohu Food Co., Ltd (福建紫老虎食品有限公司), Liancheng Dizhongbao Modern Agriculture Development Co., Ltd.(连城县地中宝现代农业发展有限公司), and Fujian Xingpai Food Co., Ltd. (福建星派食品有限公司).

China Star Food Group Limited is listed on the Catalist of the Singapore Stock Exchange via a reverse takeover of Brooke Asia Limited.

Issued on behalf of China Star Food Group Limited by Waterbrooks Consultants Pte Ltd

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This press release 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 press release.

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

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