

China Star Food records RMB 3.7 million net profit for 1H FY2022

- The Group is on the recovery track and will continue to strive towards achieving higher sales revenue and profitability for FY2022.
- The Group is well-positioned to ride on the trend of rising health awareness of Chinese consumers and rise above the intense competition in the snack food industry in China

Key Financial Highlights:

For year ended 31 March (RMB'000)	1H FY2022	1H FY2021	YoY Change	FY2021
Revenue	130,985	128,472	+ 2.0%	287,388
Gross profit	35,333	30,104	+ 17.4%	69,616
Gross margin	27.0%	23.4%	+ 3.6 pp	24.2%
Profit / (Loss) before tax	3,225	(10,175)	n.m.	(12,129)
Profit / (Loss) after tax ¹	3,661	(10,719)	n.m.	(11,459)

** pp denotes percentage points and n.m. denotes not meaningful

Note:

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

For Immediate Release

SINGAPORE, 12 November 2021 – China Star Food Group Limited 中国之星食品集团 (“China Star Food” or the “Company” and together with its subsidiaries, the “Group”), a leading snack food company in China, achieved a net profit after tax of approximately RMB 3.7 million for the six months ended 30 September 2021 (“1H FY2022”), a reversal from a net loss after tax of approximately RMB 10.7 million a year ago. The financial performance was bolstered by the recovery of economic activities in China as life returns to normalcy from the adverse impacts of the COVID-19 pandemic since early February 2020.

Said Mr Liang Chengwang (梁承旺), the Executive Chairman and CEO of China Star Food, “**We are appreciative of the support of our stakeholders, in particular, our employees, customers, and business partners, during our trying times. Whilst the pandemic spurred us to quicken our pace to adopt and transform into an efficient integrated agri-tech operator, we have to continue to step up our efforts to realise our vision – providing consistent supply of safe, higher nutritional value and healthier choice of snack products to consumers.**”

As an integrated value chain operator, managing upstream agriculture, snack food processing and manufacturing, to building brand awareness, marketing and sales, requires concurrent efforts to calibrate the interconnected processes. This set of financial performance is an indication that we are on track to not only recover from the adverse impact of the pandemic, but also to realise our commitment in delivering sustainable value for our stakeholders. We will continue to work relentlessly in our three core business areas to broaden our earnings base and further strengthen our business foundation and financial position.”

For 1H FY2022, the Group registered a marginal 2.0% increase in revenue to RMB 131.0 million, which saw higher contribution from the sale of sweet potato snack products of RMB 109.8 million and lower contribution from the sale of fresh sweet potatoes of RMB 21.2 million. The lower contribution from the sale of fresh sweet potatoes was due to the lower quantity of fresh sweet potatoes supplied in 1H FY2022 because harvests are usually carried out during the second half of the financial year.

Gross profit increased by approximately 17.4% year-on-year from RMB 30.1 million in 1H FY2021 to RMB 35.3 million in 1H FY2022. While the increase was in tandem with the increase in sales, better operational efficiency in the production of sweet potato snack products, coupled with higher sales from higher margin snack product categories, lifted gross margin from 23.4% in 1H FY2021 to 27.0% in 1H FY2022.

Interest income increased by approximately 85.4% year-on-year from RMB 0.171 million in 1H FY2021 to RMB 0.317 million in 1H FY2022, resulting from an increase in interest received from banks on the back of an increase in cash and bank balances held by the Group in 1H FY2022.

Other income decreased from RMB 0.6 million in 1H FY2021 to RMB 0.1 million in 1H FY2022, which was mainly due to the absence of rental income received from third parties for the factory premise that was disposed in late FY2021.

Marketing and distribution costs decreased by 5.5% to RMB 17.2 million in 1H FY2022 as compared to RMB 18.2 million 1H FY2021. This was mainly due to the decrease in advertisement expenses and publicity expenses of RMB 1.7 million and RMB 0.8 million respectively, which was partially offset against the increase in delivery charges, employee benefits expenses and operating expenses of RMB 0.4 million, RMB 0.6 million and RMB 0.5 million respectively.

Administrative expenses decreased by 33.8% from RMB 22.1 million in 1H FY2021 to RMB 14.6 million in 1H FY2022. This mainly stemmed from a decrease in audit fees (overprovision in the previous year) of RMB 1.2 million, depreciation expenses of RMB 1.3 million and research and developments expenses of RMB 6.5 million, which was partially offset against the increase in director's remunerations of RMB 0.7 million, consultation fee of RMB 0.4 million, nursery fee of RMB 0.4 million and employee benefit expenses of RMB 0.5 million in 1H FY2022.

Taking into account the aforementioned, the Group recorded net profit after tax of RMB 3.7 million in 1H FY2022, a reversal from a net loss after tax of RMB 10.7 million in 1H FY2021. Net asset value per share for the Group (based on share capital of the Company of 883.8 million issued shares) increased marginally from RMB 0.51 as at 31 March 2021 to RMB 0.52 as at 30 September 2021.

As the Group appears to be back on the recovery track in 1H FY2022, it will continue to strive towards achieving higher sales revenue and profitability through its three core business areas for the full financial year. The Group remains focused on strengthening a comprehensive value chain in its three core business segments as a foundation through (i) **cultivation and supply** – sweet potato seedlings cultivation base and fresh sweet potatoes supply (优质紫薯苗研发与栽培基地以提高收成率和供应), (ii) **product innovation and snacks production** – sweet potato snacks product innovation and production of broad categories of snacks (采用技术开发新薯类以及健康的优良食品, 扩大食品种类), and (iii) **brand building, marketing and distribution** – the building of proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and e-commerce) throughout China (通过传统和电子商务平台培养对自主健康食品和品牌的认知和需求).

The Group is currently carrying out the harvesting of fresh sweet potatoes from contracted farmland of 8,268.6mu (approximately 5,512,427.6m²) through the Liancheng County Cooperative. These chosen varieties of sweet potatoes were grown from the Group's own cultivated sweet potato seedlings earlier this year. The harvested sweet potatoes can be marketed and sold fresh for consumption or processed into snack products under the Group's proprietary brands in its snack food manufacturing facilities.

The construction of the first phase of the Group's intended development of the high-tech manufacturing and research capabilities announced on 17 August 2021, is underway. The first phase is expected to be completed by end December 2022.

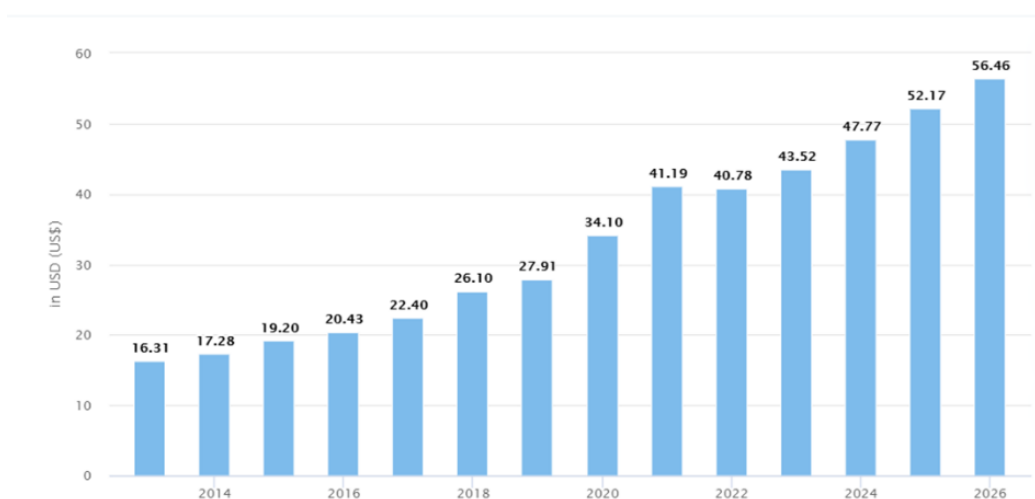


On 21 September 2021, the Company announced its entry into subscription agreements with identified subscribers for the issuance of an aggregate of 500 million new ordinary shares at an issue price of S\$ 0.024 per share to raise an aggregate gross amount of S\$ 12 million (the “**Proposed Placement**”). The Proposed Placement was approved by shareholders at the extraordinary general meeting of the Company convened on 29 October 2021. The Company will update shareholders on any material developments as and when they arise.

Business Outlook

The snack food industry is booming in China. According to Statista, revenue in China’s snack food segment is expected to amount to US\$59,793 million in 2021, and this market segment is expected to grow at a compounded annual growth rate of 6.75% from 2021 to 2026⁽¹⁾.

AVERAGE REVENUE PER CAPITA



Statista estimates the average consumption volume per person in the snack food segment in China is expected to amount to 3.7kg and the average revenue per capita to reach US\$41.19 in 2021.

The Group believes that it is well-placed to ride on the trend of rising health awareness of the Chinese consumers⁽²⁾ as it is the Group’s culture and motivation to tap on technology and innovation to improve the nutritional value of its proprietary sweet potato snack products, thereby offering a healthier choice for consumers.

“We will continue our efforts in raising brand awareness of our wide range of snack products through marketing campaigns, and further strengthen our distribution network capabilities for both e-commerce and conventional platforms to rise above the intense competition in the snack food industry,” Mr. Liang added.

Sources:

- (1) <https://www.statista.com/outlook/cmo/food/confectionery-snacks/snack-food/china>
- (2) <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20consumer%20report%202020%20the%20many%20faces%20of%20the%20chinese%20consumer/china-consumer-report-2020-vf.ashx>

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This news release is to be read in conjunction with the Company’s unaudited interim financial results announcement posted on the SGXNET website on 12 November 2021.

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 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 potato farmers in China, which could potentially broaden its earnings base.

The Group has also adopted modern 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.zixinshuye.com for more information.

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



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 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.*

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The contact person for the Sponsor is Mr Andrew Leo, Chief Executive Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.