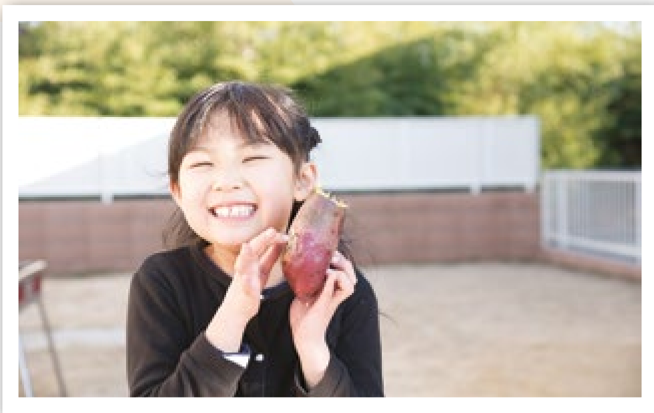
CHINA STAR FOOD
GROUP LIMITED
中国之星

MAKING A
Healthier Choice
做出更健康的选择

ANNUAL REPORT 2019



This annual report has been prepared by **China Star Food Group Limited** ("**Company**") and reviewed by the sponsor, **Novus Corporate Finance Pte. Ltd.** ("**Sponsor**") in compliance with Rule 226(2)(b) of the **Singapore Exchange Securities Trading Limited** (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.

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Corporate Profile

China Star Food Group Limited 中国之星食品集团 ("**CSFG**" or the "**Company**", and together with its subsidiaries, the "**Group**"), is a leading healthy snack foods manufacturer in the People's Republic of China (the "**PRC**").

Through its wholly-owned subsidiaries, the Group operates three business segments to support the supply chain of its focused product – sweet potatoes. The business segments include (i) sweet potato seedlings cultivation, (ii) manufacture of sweet potato snack products in six broad product categories, and (iii) marketing and sales of sweet potato snack products under distinguished proprietary brand names.

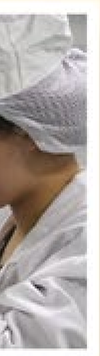
Based in Liancheng County of Fujian Province in the PRC, the Group controls the quality of its sweet potato products through its involvement in the cultivation process of a specific specie of sweet potato seedlings, with the farmers to whom the Group leases the farmlands. With a secure supply of quality sweet potatoes, the Group processes the sweet potatoes and manufactures a wide range of sweet potato snack products under distinguished proprietary brand names such as “Starpie” 「星派」, “Ledi” 「乐地」, “Delijia” 「德丽佳」, “Shu Gong Fang” 「薯工坊」 and “Purple Tiger” 「紫老虎」in its own manufacturing facilities. These sweet potato snack products are marketed and distributed through more than 300 distributors and wholesalers, who in turn distribute to supermarkets, petrol kiosks, convenience stores and specialty shops throughout the PRC.

CSFG was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited under the stock code 42W.

>300

distributors and wholesalers, who in turn distribute to supermarkets, petrol kiosks, convenience stores and specialty shops throughout the PRC.

CULTIVATING GROWTH




星派
Starpay
星品质 心生活
粗粮有益
COARSE FOOD GRAIN
BENEFICIAL
紫心Q薯
陈皮味
PurpleYam
净含量：116克

Chairman's Letter To Shareholders

REVENUE
(RMB'000)

RMB357.0 million

61.3% from FY2018's RMB221.3 million

NET PROFIT
(RMB'000)

RMB23.6 million

88.8% from FY2018's RMB12.5 million

DEAR FELLOW SHAREHOLDERS

The recent financial year ended 31 March 2019 ("**FY2019**") saw the Group ramp up production at our Zilaohu manufacturing facility, which is the key manufacturing hub for our range of sweet potato snack products, following the commencement of the centralised waste water treatment facility in Liancheng County in August 2018.

The temporary production halt at our manufacturing facility and the interim waste water treatment arrangement by the Liancheng County government in September 2017 disrupted our production and impacted the Group's financial performance adversely. Over the last year, the sweet potato snack food industry in the People's Republic of China ("**PRC**") had also undergone consolidation as companies grappled to comply with the stringent environmental measures implemented by the government.

As one of the leading players in the sweet potato snack food industry, we are glad that the Group managed to overcome the difficulties and challenges, and we will strive to become stronger. We aim to scale up our production efficiency for our broad categories of sweet potato snack products, for both existing and new products, according to consumer demand. The higher volume produced will be complemented by a strategised marketing campaign promoting our proprietary brands of sweet potato snacks to improve brand recognition and drive sales through our various distribution platforms.

The Group also seized the opportunity to broaden our business operations by moving upstream into seedlings cultivation and farming with an initial intention to ensure consistency in the quality raw sweet potatoes supplied by our contracted suppliers. Through our wholly-owned subsidiary, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. ("**Dizhongbao**"), we started our inhouse research and development with an initial lease of 300 mu of cultivation farmland. Our intention to ensure consistency in high-quality snack products led us to collaborate with research agencies to identify specific sweet potato varieties and the farming techniques to increase crop yield, which turned out to be an opportunity

"We aim to **scale up our production efficiency** for our broad categories of sweet potato snack products, for both existing and new products, according to consumer demand. The higher volume produced will be complemented by a strategised marketing campaigns promoting our proprietary brands of sweet potato snacks to **improve brand recognition and drive sales** through our various distribution platforms."

LIANG CHENGWANG
Executive Chairman & Chief Executive Officer

for us to broaden our operations. We aim to transfer that knowledge and techniques to the farmers from whom we have contracted their farmland output to secure quality sweet potato supply. Sales of the sweet potato seedlings as well as the adopted farming techniques will create mutual benefits for both the farmers and the Group. The farmers will benefit from higher yields in farming and sales of raw sweet potatoes, whilst the Group will have an additional source of revenue as well as consistent quality of raw sweet potato supplies for our snack products.

For the financial year under review

The ramp up of our production in September 2018 lifted the Group's revenue by 61.3% from RMB221.3 million in the financial year ended 31 December 2018 ("**FY2018**") to RMB357.0 million in FY2019 on the back of higher volume and sales of our sweet potato snack products. In tandem with the higher revenue due to higher production efficiency, we also saw a surge in our gross profit from RMB59.9 million in FY2018 to RMB102.3 million in FY2019. Operating expenses comprising marketing and distribution costs as well as administrative expenses increased by 48.5% or RMB7.3 million and 26.3% or RMB8.2 million respectively, which was in line with the change in channel management strategy adopted by the Group and increased advertisement spending, as well as an increase in ad-hoc research and development expenses for new products. Overall, the Group's net profit for the year increased more than 80%, from RMB12.5 million in FY2018 to RMB23.7 million in FY2019.

The Group's financial position remains strong. As at 31 March 2019, the Group reported a positive working capital of RMB109.6 million and net asset value per share was approximately RMB1.42 (equivalent to approximately 28 Singapore cents), based on 296.9 million shares.

Chairman's Letter To Shareholders

At end FY2019, we secured 8,568.64 mu[1] of farmland to ensure consistent supplies of raw sweet potatoes for our snack food manufacturing and direct sales of raw sweet potatoes.

During the financial year, the Group had undertaken a renounceable non-underwritten rights issue (the "**Rights Issue**") and raised net proceeds of S$4.32 million (the "**Net Proceeds**") from the allotment and issuance of 296,909,050 new ordinary shares in the capital of the Company in connection with the Rights Issue. We are heartened by the overwhelming support from our shareholders.

Approximately 81.0% of the Net Proceeds amounting to S$3.50 million has been utilised for the partial capital contribution to the Group's wholly-owned Chinese subsidiary, Fujian Zixin Biological Potato Co., Ltd. The balance of the Net Proceeds of S$0.82 million will be used for the working capital of the Group.

Stable and sustainable expansion enhances prospects

At the end FY2019, we had secured 8,568.64 mu of farmland to ensure consistent supplies of raw sweet potatoes for our snack food manufacturing and direct sales of raw sweet potatoes. As we continue to ramp up productivity and increase the range of sweet potato snack products, we are likely to require more supply of raw sweet potatoes. As

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(1) The Board refers to the announcement of the Company's fourth quarter and full year unaudited financial statements and dividend announcement for the financial year ended 31 March 2019 that was released on 29 May 2019 (the "**Q4FY2019 Results Announcement**"). The Board wishes to inform the shareholders of the Company that there was an inadvertent clerical error to paragraph 10 of the Q4FY2019 Results Announcement in which the reference to the raw sweet potato supply secured to date by the Group amounting to 7,600 mu should be read as follows:

*"In this regard, the Group has to date secured raw sweet potato supply amounting to **8,568.64 mu**, and the Group might continue to acquire new plantations."*

Save for this inadvertent clerical error, there are no other changes to the Q4FY2019 Results Announcement.

such, we are targeting to lease an additional 2,000 mu of farmland, bringing the total to an aggregate of 10,568.64 mu of farmland, to raise the supply of raw sweet potatoes for our Zilaohu manufacturing facility.

To position the Group for further growth and expansion, we will continue to build on our initial success of sweet potato seedlings cultivation under Dizhongbao to increase the current 300 mu cultivation farmland. Part of the additional farmland to be leased this year will be used for sweet potato seedlings cultivation. This will further enhance (i) the quality of sweet potatoes for our own manufacturing requirements, (ii) our multiple revenue streams, and (iii) the Group's brand awareness. We will also continue to expand and diversify our sales channels through greater advertising and sales promotional activities.

We believe that our stable and sustainable expansion across the supply chain will continue to drive growth for the Group amidst the rising awareness of healthy living and healthier food choices. While the Group's products are currently produced and sold in China, we are also exploring opportunities for our sweet potato snack products to be made available in overseas markets.

We will continue to keep our stakeholders updated on our progress as and when appropriate.

Acknowledgements and Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our stakeholders including our consumers, shareholders, business partners, and dedicated employees for your support over the years.

I would also like to convey my sincere appreciation to the Board and, on its behalf, thank our former board member, Mr Leow Yong Kin, as well as former Deputy Chief Executive Officer, Mr Yeo Choon Tat, for their commitments and invaluable contributions to the Group. Mr Luo Jiachang has stepped down from the Board to focus on overseeing the Group's operations in China as a General Manager, with effect from 1 February 2019. We also extend our welcome to Mr Chen Hua Jing who joined the Group as an Executive Director on 8th January 2019.

Last, but not least, we extend our warmest gratitude to our shareholders for their support and confidence in us, and we look forward to your continued support and faith as we strive to strengthen the Group and enhance shareholder value.

Liang Chengwang 梁承旺

Executive Chairman & Chief Executive Officer

主席致股民的信

REVENUE
(RMB'000)

RMB357.0 million

61.3% from FY2018's RMB221.3 million

NET PROFIT
(RMB'000)

RMB23.6 million

88.8% from FY2018's RMB12.5 million

诸位股东：

随着连城县的中央废水处理厂于2018年8月投入运作，我们在最近截至2019年3月31日的财政年度（“**FY2019**”）把紫老虎厂房的生产提高。紫老虎厂房是我们生产一系列红薯零食产品的重要基地。

我们厂房停产及县政府于2017年9月安排临时废水处理影响了生产活动，并对集团的财务表现造成严重冲击。在过去一年，中国的红薯零食业也经过整合，由于业者设法满足政府实施的严格环保举措。

作为红薯零食业的领先业者之一，我们对集团得以排除万难与挑战感到欣慰，而我们也将努力壮大我们的事业。我们将根据消费市场需求把各种红薯零食产品的生产效率提高，包括既有及新产品。为配合产量的增加，我们将采取营销策略来推广我们的专利品牌红薯零食，以提高品牌知名度，以及通过各个分销平台来推动销售。

集团为确保承包供应商提供的红薯能保持优良素质的初衷让我们也获得了把业务拓展至上游活动的良机，得以涉足于幼苗培植及种植业务。我们通过独资子公司连城县地中宝现代农业发展有限公司（“**地中宝**”）展开了自家的研发工作，如今租赁的培植农地面积为300亩。确保零食产品保持优良素质的宗旨促使我们与研究机构合作找出特定品种的红薯及种植技术来提高农作物收成，甚至为我们带来了拓展业务的机会。我们希望能把相关知识与技术传授给承包农作物供应的农人，以取得高素质红薯供应。出售红薯幼苗及相关农耕技术将让我们及农人互惠互利。这些农人将受惠于更好的收成及红薯售卖，而集团将获得额外收入来源，同时确保用于生产零食的红薯保持稳定素质。

财政年度回顾

我们在2018年9月把生产提高后，集团的收入从截至2018年12月31日的财政年度（“**FY2018**”）的2亿2,130万人民币增加61.3%至FY2019的3亿5,700万人民币，由于红薯零食产品产量及销售均上升。随着生产效率提高令收入增加，毛利也从FY2018的5,990万人民币激增至FY2019的1亿零230万人民币。营运开支栏目下的营销与分销成本及行政开支分别提高48.5%（或相等于730万人民币）及26.3%（或相等于820万人民币），由于集团改变渠道管理策略和广告开支增加，以及按新产品需要而定的不定时研发开支提高。整体而言，集团的净利增加超过80%，从FY2018的1,250万人民币提高至FY2019的2,360万人民币。

集团的FY2019资产负债表保持稳健。截至2019年3月31日，集团报营运资本为1亿零960万人民币，而按2亿9,690万股得出的每股净资产值约为1.42人民币（相等于约28新加坡分）。

在FY2019，集团进行了可弃权非包销附加股发行活动，通过配售及发行2亿9,690万零9,050股公司的新普通股筹得432万新元净收益（“**净收益**”）。我们为股东们的热烈支持感到十分高兴。

净收益的约81.0%资金（350万新元）已用于作为中国独资子公司福建紫心生物薯业有限公司的部份资本。其余净收益（82万新元）将充当集团的营运资本。

稳定及持续的扩张提升前景

截至FY2019年度末，我们已取得8,568.64亩的农地，来为我们的零食生产及红薯直接销售提供稳定的红薯供应。由于我们不断提高生产力及增加红薯零食产品系列，我们对红薯的需求量料将提高。因此，我们在这财年计划租赁额外的2,000亩农地，以便把农地总面积增加至1万零568.64亩，进而为我们的紫老虎厂房逐渐增加供应。

为了集团进一步的增长及扩张，我们将乘胜追击，把地中宝的红薯幼苗培植规模从目前的300亩培植农逐渐扩大。今年将增租的部分农田将用于红薯幼苗培植。这将进一步加强（I）我们生产活动所需的高素质红薯供应，（II）我们的多种收入来源，以及（III）集团的品牌知名度。我们还将会通过更广泛的广告和促销活动继续扩大和多样化我们的销售渠道。

随着健康生活意识与日提高及消费者作出更健康的食品选择，相信我们在整个供应链中稳定及持续的扩张行动将继续推动集团增长。集团的产品目前只在中国生产与销售，但是我们正在探索把红薯零食产品销往海外市场的商机。

我们将在适当时候向集团的相关人士报告进展。

鸣谢

我代表董事会，向我们集团的各界相关人士致以万二分的谢意，包括我们的消费者、股东、商业伙伴及忠诚的员工，感谢你们这些年来的支持。

我也借此机会向我们的董事会致以由衷的感谢，并代表董事会，向我们的前董事廖荣进先生，以及前副总裁杨俊达先生致谢，感谢他们对集团的付出与宝贵贡献。2019年2月1日起，罗家长先生卸下其董事职务，并成为集团中国业务的总经理。我们也欢迎陈华京先生加入我们的集团，他在2019年1月8日成为执行董事。

与此同时，我们向各位股东致以热诚的谢意，感谢你们给予的支持与信心，在我们致力于进一步巩固集团业务及提升股东价值之际，希望能继续获得你们的支持与信任。

梁承旺

执行董事长兼首席执行总裁

Corporate Structure

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

100%
ZIXIN INTERNATIONAL PTE. LTD.
紫心国际

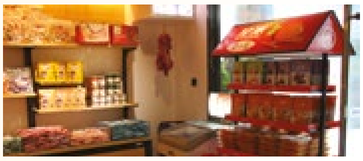
100%

FUJIAN ZIXIN BIOLOGICAL POTATO CO., LTD.
福建紫心生物薯业
Research, production and distribution of sweet potato snack products.

100%

FUJIAN ZILAOHU FOOD CO., LTD.
福建紫老虎食品
R&D of sweet potato snack products, production and distribution of sweet potato snack products.

100%



FUJIAN XINGPAI FOOD CO., LTD.
福建星派食品
Marketing and sales of sweet potato snack products.

100%

LIANCHENG DIZHONGBAO MODERN AGRICULTURE DEVELOPMENT CO., LTD.
连城县地中宝现代农业
Seedlings cultivation, farming techniques, and sales of raw sweet potatoes.

Financial Highlights

For the financial year ended 31 March	2019	2018	2017
Income Statement (RMB'000)			
Revenue	357,001	221,334	392,722
Gross profit	102,300	59,872	158,261
Profit before tax	39,638	15,358	31,957
Net profit after tax	23,675	12,475	21,575
Balance Sheet (RMB'000)			
Shareholders' equity	420,234	379,050	366,490
Total assets	468,968	449,579	399,994
Net asset value	420,234	379,050	366,490
Net tangible asset value	379,434	339,056	323,804
Per Share [1] (RMB Cents)			
Basic earnings	8.00	4.86	8.44
Net asset value	141.54	147.54	143.35
Net tangible asset value	127.79	131.98	126.65
Financial Ratios			
Return on equity [2]	5.92%	3.35%	6.31%
Return on assets [3]	5.15%	2.94%	5.47%
Net gearing ratio [4]	Net Cash	Net Cash	Net Cash

Notes:

(1) Basic earnings per share, net asset value per share and net tangible asset per share were computed based on the weighted average number of 295,923,000 ordinary shares for FY2019, 256,909,000 ordinary shares for FY2018 and 255,660,374 ordinary shares for FY2017.

(2) Return on equity was computed based on net profit attributable to owners of the Company as a percentage of average shareholders' equity.

(3) Return on assets was computed based on net profit attributable to owners of the Company as a percentage of average total assets.

(4) Net gearing ratio was computed based on total bank borrowings less cash as a percentage of shareholders' equity. The Group is in a net cash position.

BUILDING EFFICIENCY

Business and Financial Performance Review

NET ASSET VALUE PER SHARE
(RMB)

RMB1.42

4.0% from FY2018's RMB1.48

NET CASH AND CASH EQUIVALENTS
(RMB'000)

RMB62.5 million

50.6% from FY2018's RMB126.6 million

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 a 61.3% year-on-year growth in revenue from RMB221.3 million for the financial year ended 31 March 2018 ("**FY2018**") to RMB357.0 million for the financial year ended 31 March 2019 ("**FY2019**"). The increase was due mainly to higher in-house production volumes as well as sales of candies and crisps snack food products, as the Group resumed most of its production operation after the Liancheng Country centralised waste water treatment facility commenced operations in August 2018.

As a result, the production halt and subsequent interim waste water treatment arrangement for the Group's production facilities since September 2017, which saw a significant decline in its production volume and sales revenue in FY2018, has since been resolved. The Group will continue to strive to raise the production efficiency for all its snack food products categories and improve its market reach through various marketing and distribution channels.

In the financial year under review, the Group continued to build on its success in the manufacturing and sales of sweet potato snack products by moving upstream to tap on its research and development initiatives in sweet potato seedlings cultivation, as well as research and development on new sweet potato snack products. The initiatives are part of the Group's investments to develop sustainable growth with multiple earning streams over the long run.

In tandem with higher revenue, gross profit increased by 70.9% or RMB42.4 million year-on-year to RMB102.3 million in FY2019, up from RMB59.9 million in FY2018. Composite gross margin increased marginally from 27.1% in FY2018 to 28.7% in FY2019, as a result of the sales mix across the Group's various product categories which commanded different profit margins.

"The Group was able to further **raise its production efficiency** at the Zilaohu Factory in September 2018 following the completion of Liancheng County's centralised waste water treatment facility in August 2018. The higher production efficiency resulted in higher production volume for its wide variety of snack food products for FY2019."

The Group's operating expenses increased by 33.6% or RMB15.5 million year-on-year from an aggregate of RMB46.1 million in FY2018 to RMB61.6 million on the back of higher marketing and distribution costs as well as administrative expenses. In line with its channel management strategy to drive sales, marketing and distribution costs (comprising delivery charges, employee benefits for sales personnel, and marketing and promotional campaigns) increased by 48.5% or RMB7.3 million from RMB15.0 million in FY2018 to RMB22.3 million in FY2019. Administrative expenses increased by 26.4% or RMB8.2 million from RMB31.1 million in FY2018 to RMB39.3 million in FY2019 mainly due to an increase in research and development expenses for new snack food products.

Finance costs increased by 23.9% or RMB0.3 million year-on-year from RMB1.1 million in FY2018 to RMB1.3 million in FY2019, mainly due to higher interest charges on bank loans.

As a result of the resumption of its production operations in September 2018, the Group managed to increase more than 80% its net profit, from RMB12.5 million in FY2018 to RMB23.7 million in FY2019.

Financial Position Analysis

As at 31 Mar (RMB million)	FY2019	FY2018	YoY Change
Non-current Assets	310.7	246.4	+26.1%
Current Assets	158.3	203.1	-22.1%
Non-current Liabilities	–	0.5	-100%
Current Liabilities	48.7	70.1	-30.5%
Working Capital	109.6	133.1	-17.66%
Total Equity	420.2	379.1	+10.8%
Net Asset Value Per Share (RMB)	1.42	1.48	-4.0%

Business and Financial Performance Review

In the year under review, the Group continued to build on its success in the manufacturing and sales of sweet potato snack products by **moving upstream to drive initiatives** in sweet potato seedlings cultivation, as well as **research and development on new sweet potato snack products**. The initiatives are part of the Group's investments to **develop sustainable growth** with multiple earning streams over the long run.

The Group's balance sheet remains sound for FY2019, notwithstanding that working capital was lower for the financial year under review. As at 31 March 2019, the Group reported a positive working capital of RMB109.6 million and net assets of RMB420.2 million, which translated into a net asset value per share of approximately RMB1.42 (equivalent to approximately S$0.28), based on 296.9 million shares.

Non-current assets increased by 26.1% or RMB64.3 million year-on-year to RMB310.7 million as at 31 March 2019, mainly due to (i) a net increase in property, plant and equipment of approximately RMB4.6 million with additions in new production equipment, and (ii) advance payments to suppliers for the three 5-year supply contracts of sweet potatoes recorded under other assets. The increase was partially offset by the amortisation of intangible assets.

Current assets decreased by 22.1% or RMB44.8 million year-on-year to RMB158.3 million as at 31 March 2019. This was mainly attributable to:

(i) the decrease in trade and other receivables of 31.4% or RMB14.4 million to RMB31.4 million, due to higher successful collections from customers;

(ii) the decrease in cash and cash equivalents of 50.6% or RMB64.1 million to RMB62.5 million, due to increase in advance payments for supplies of sweet potatoes, acquisition of fixed assets and payments for land improvement projects and land lease;

which was offset by

(i) the increase of 136.9% or RMB2.4 million in inventories of both direct materials and finished goods produced for delivery, from RMB1.7 million as at 31 March 2018 to RMB4.1 million as at 31 March 2019.

(ii) the increase in other assets of 107.53% or RMB31.2 million to RMB60.3 million, due to the advance payments to suppliers for the three 5-year supply contracts of sweet potatoes.

Current liabilities decreased by 30.5% or RMB21.3 million from RMB70.1 million as at 31 March 2018 as a result of (i) the decrease in trade and other payables of 42.3% or RMB19.5million to RMB26.6 million, and (ii) the decrease in income tax payable of 90% or RMB1.3 million to RMB0.1 million.

The improved financial performance for FY2019 resulted in an increase in the Group's shareholders' equity, comprising share capital, reserves and retained earnings, by 10.9% or RMB41.1 million to RMB420.2 million (equivalent to approximately S$85.0 million) as at 31 March 2019.

Cash Flow Analysis

As at 31 Mar (RMB million)	FY2019	FY2018	YoY Change
Net Cash used in Operating Activities	16.5	16.3	+1.2%
Net Cash used in Investing Activities	65.4	10.4	+528.8%
Net Cash from Financing Activities	15.3	8.1	+88.9%
Net Cash and Cash Equivalents	62.5	126.6	-50.6%

The Group's cash and cash equivalents amounted to RMB62.5 million as at 31 March 2019. The net decrease in cash and cash equivalents during the financial year under review was mainly due to the following:

- Net cash used in operating activities of RMB16.5 million was mainly due to the increase in advance payments for supplies of sweet potatoes of RMB 65.7 million, which was partially offset by the decrease in trade and other receivables of RMB 37.8 million.
- Net cash used in investing activities of RMB65.4 million was due to acquisition of fixed assets of RMB56.7 million as well as payments for land lease amounting to RMB6.8 million; and
- Net cash generated from financing activities of RMB15.3 million was due to the net increase in bank borrowings of RMB21.9 million undertaken by the Group's subsidiary in China in FY2019.

DEVELOPING SUSTAINABILITY


2016全国春季糖酒会
明星新品发布盛典


福建紫心生物薯业有限公司


星派
Sharpie


星派

Board of Directors

MR LIANG CHENGWANG
Executive Chairman and CEO

Date of first appointment as a director:
22 September 2015

Date of last re-appointment as a director:
28 July 2017

Present Directorships:
Other Listed Companies – Nil
Other Principal Commitments – Nil

Past Directorships in listed companies held over the preceding three years: Nil

Mr Liang is primarily responsible in oversight and management of the Group's businesses and corporate developments, as well as formulate the overall business and corporate strategies for the Group. He also supervises major financing plans and the appointment of key executives.

He is the co-founder of Fujian Zixin Biological Potato Co., Ltd. and had previously been engaged in the sweet potato food products business as a general manager of Liancheng Tianhe Food Factory.

Mr Liang completed his education with the Open University of Fujian in 1998 with a Bachelor in Accounting and Finance and attended the Peking University Strategic Private Equity Investment and Capital Operation Seminar for Chairmen at the Peking University School of Electronics Engineering and Computer Science, Executive Education Center in December 2014.

MR CHEN HUA JING
Executive Director

Date of first appointment as a director:
8 January 2019

Date of last re-appointment as a director:
NA

Present Directorships:
Other Listed Companies – Nil
Other Principal Commitments – Nil

Past Directorships in listed companies held over the preceding three years: Nil

Mr Chen Hua Jing is primarily responsible for the Group's corporate finance matters, including but not limited to fundraising activities. Mr Chen undertook similar responsibilities when he was with the Group from November 2014 to April 2016.

Mr Chen has more than 25 years of experience in various accounting and finance positions. From August 2006 to September 2012, he was an investment officer with DEG – The German Investment and Development Corporation, Beijing and Mongolia Office, where he identified, negotiated and monitored potential debt and equity projects. From May 2004 to July 2006, he was a Vice President (Finance) of China Risun Coking Group Ltd during the company's attempted listing on the SGX-ST. From January 2002 to May 2004, Chen Huajing was a Vice President (Finance and Administration) of Dawncom Business Technology & Service Co. Ltd., a company listed on the Shenzhen Stock Exchange.

Mr Chen graduated with a Bachelor degree in English/International Business from the Beijing Foreign Studies University (北京外國語大學) and a Master of Business Administration specialising in finance from the University of Maryland, Baltimore, USA.

MR NG POH KHOON

Lead Independent Director

Date of first appointment as a director:
31 May 2018

Date of last re-appointment as a director:
30 July 2018

Present Directorships:
Other Listed Companies – STAR Pharmaceuticals Ltd, Nutryfarm International Limited

Other Principal Commitments – Guangdong Chengde Financial Advisory Co Ltd (Director)

Past Directorships in listed companies held over the preceding three years: Nil

Mr Ng Poh Khoon is the Lead Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

Mr Ng is currently a project director with Guangdong Chengde Financial Advisory Co., Ltd and a member of Financial Advisory committee with the Entrepreneur Capital Management Association of Guangdong Province.

He has over 20 years of experience in auditing, financial management, sales & business development, investor relations, fund raising and M&A activities. Mr Ng is also currently the Independent Director and the Chairman of the Audit Committee of Star Pharmaceutical Limited and Nutryfarm International Limited, both companies listed on the mainboard of SGX-ST.

Mr Ng is a Chartered Accountant and member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. He is also a fellow member of the Association of Chartered Certified Accountants, UK.

MS HE JING

Independent Director

Date of first appointment as a director:
9 February 2017

Date of last re-appointment as a director:
30 July 2018

Present Directorships:
Other Listed Companies – Nil
Other Principal Commitments – BDO China Shu Lun Pan Certified Public Accountants LLP (Partner)

Past Directorships in listed companies held over the preceding three years: Nil

Ms He Jing is the Independent Director of the Company, Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Ms He is currently a Partner of BDO China Shu Lun Pan Certified Public Accountants LLP. With over 15 years of auditing experiences in China and US, she has in-depth knowledge of various financial reporting and regulatory standards such as the US GAAP, IFRS, SOX Compliance and SEC reporting. Ms He focuses on assisting Chinese companies with their listing process on the US and European capital markets. She provides professional advisory on the initial public offering process for various industries for public listings in the US and Germany. She also has extensive experiences in cross-border mergers & acquisitions transaction support.

Ms He holds a Master in Accounting from Boston College and a Bachelor in Economics from Nankai University. She is also a member of the American Institute of Certified Public Accountants and a CPA of Massachusetts, US.

MR CHONG YANG KAN

Independent Director

Date of first appointment as a director:
12 November 2018

Date of last re-appointment as a director:
NA

Present Directorships:
Other Listed Companies – Nil
Other Principal Commitments – Sports Lifestyle Initiatives Pte Ltd, Opulence Investment Pte Ltd

Past Directorships in listed companies held over the preceding three years: Nil

Mr Chong Yang Kan was appointed to the Board as the Independent Director of the Company, Chairman of the Nominating Committee, and a member of the Audit and Remuneration Committees.

Mr Chong brings with him a wealth of experience from his prior experience as a key management personnel in both Singapore and foreign listed companies. He is currently a Senior Advisor of Tangent Holdings (Pvt) Ltd.

Prior appointments include Managing Director of Asia Petroleum Technology Pte Ltd, President & CEO of China New Energy Group Company (listed in the US), and Group Deputy CEO of China EnerSave Limited.

Mr Chong holds a Master of Science from the National University of Singapore and a Bachelor of Engineering from the University of Singapore.

Key Management

MR YI MING
Chief Financial Officer

Mr Yi Ming joined the Company as the Chief Financial Officer on 3 January 2019.

Mr Yi is responsible for overseeing the Group's accounting and finance functions, including financial reporting, management of the finance team, and reviewing internal controls. He is also responsible in ensuring the Group is compliance with the listing and regulatory requirements.

Mr Yi brought with him more than 15 years of working experience to the Group. He started his career as a Tax Consultant with Liao Ning Jie Xin Certified Accountants Co. Ltd. in 2001, and accumulated work experience as an Accountant & Supervisor with N. G. Australia Pty Ltd and Senior Accountant with Ernst & Young, before he was appointed as the Chief Financial Officer in Wave Sync Corp and SSLJ.Com Ltd.

Mr Yi holds a Bachelor of Science in Accountancy from the School of Business Administration of Liaoning University, and a Master of Science in Accounting and Finance from Victory University in Australia. He is also a Certified Public Accountant in Australia.

Sustainability Report

BOARD STATEMENT

The Board of Directors (the "**Board**") of China Star Food Group Limited ("**CSFG**" or the "**Company**") and together with its subsidiaries, the "**Group**"), is committed to doing business in a responsible manner. The Board oversees the management and monitoring of the economic, environmental, social and governance ("**EESG**") factors and takes these into consideration in the determination of the Group's strategic direction and policies.

While we are thankful for the resumption of operations in our key production facility in the previous financial year, the productivity was significantly below its efficient level due to the interim waste water treatment arrangement imposed by the country government. The delay in completion of the centralised wastewater treatment facility impeded our expansion plan. Nevertheless, we continued to overcome the challenges by prudent expansion to maintain profitability during that phase, where we had to manage the limitations on the volume and range of sweet potato snack products we produced and sold.

Now with the centralised wastewater treatment facility completed and commenced operations in August 2018, we gradually commenced our production lines for the variety of sweet potato snack products, ramping up productivity to generate sales revenue in the financial year ended 31 March 2019 ("**FY2019**"). This allowed us to start anew and strengthen our engagements with some of our stakeholders including suppliers, research collaborators, and employees.

As the Group continues to grow and pursue growth opportunities within the sweet potato industry, we will also carry on with our sustainability journey by focusing on improving our disclosures on EESG practices as well as progressively including metrics and targets that are material to our business.

ABOUT THE REPORT

This sustainability report is prepared with reference to the guidelines of Global Reporting Initiative ("**GRI**") and in compliance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). The report also makes references to the guidance set out in the SGX-ST's Sustainability Reporting Guide under Practice Note 7F of the Catalist Rules. We have chosen the GRI framework as it is a well-known and globally-recognised sustainability reporting standard. In particular, this sustainability report references the following disclosures from the GRI Standards:

- Disclosures 302-1 and 302-3 from GRI 303: Energy 2016
- Disclosure 303-1 from GRI 303: Water and Effluents 2018
- Disclosures 305-2 and 305-4 from GRI 305: Emissions 2016
- Disclosure 403-2 from GRI 403: Occupational Health and Safety 2018
- Disclosure 404-1 from GRI 404: Training and Education 2016

This sustainability report highlights the key EESG related initiatives carried out throughout the 12-month period, from 1 April 2018 to 31 March 2019, focusing on the Group's manufacturing facility in China as well as operations in China and Singapore. Taking into consideration that the centralised waste water treatment facility commenced in August 2018, the Group will require time to collect data to better reflect and set meaningful targets for the identified material factors under normal operational circumstances.

No external assurance was sought for this report.

We welcome stakeholders to provide us with feedback and suggestions on our sustainability practices and reporting. You may contact us at sr@zixinshuye.com.

Sustainability Report

SUSTAINABILITY APPROACH

The Group's sustainability approach is focused on generating stable and sustainable value for our stakeholders by managing the EESG impact, as well as risks and opportunities present in our businesses.

The Group has in place a Sustainability Committee which is led by key management executives including the Chief Financial Officer ("**CFO**") and a Corporate Social Responsibility Coordinator, who will be supported by representatives from the various departments in the Group. The Sustainability Committee reports to the Board and is responsible for reviewing the Group's sustainability performance, material topics, stakeholder concerns, setting of targets for material topics, and establishing systems to collect, verify, and monitor information required for the sustainability reports.

The Group takes a strategic and comprehensive approach towards sustainability. Any key issues relating to the sustainability framework will be raised by the Sustainability Committee during board meetings, where the Board will review and consider the sustainability issues. The Board approves the Group's general policies and strategies including those relating to sustainability.

The Group strives to continuously improve our sustainability approach and performance through regular policy and operations reviews to contribute positively to our business growth in the long term.

Sustainability Report

STAKEHOLDERS AND ENGAGEMENT PLATFORMS

We acknowledge the need for our shareholders to be engaged in our sustainable growth strategies and practices. The Group is committed to establishing mutually beneficial relationships with our stakeholders through regular engagement and various communication platforms, to develop better understanding and address their concerns.

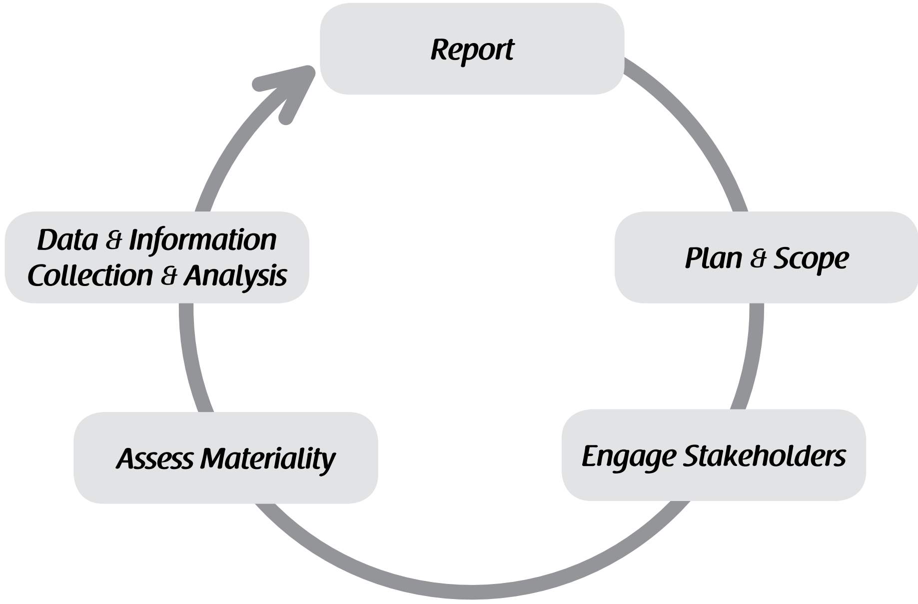
Our engagements with our key stakeholders are summarised below:

Key Stakeholders	Stakeholders' Expectations	Mode of Engagement	Our Initiatives
Customers	• Tasty and innovative snack products • High quality and nutritional standards • Compliance with food safety and environmental issues • On-time delivery and services • Competitive pricing	• Focus groups with consumers • Market survey on consumer tastes • Regular sales calls and meetings with distributors	• Actively follow-up on customers' preferences • Regular internal meetings to review customer fulfilment and new requirements • Update customers on new products and improved packaging • Provide timely feedback to customers • Ensure all relevant food safety requirements and standards are met for all products manufactured and sold
Employees	• Career growth • Training opportunities • Competitive salaries and incentives • A pleasant and safe working environment	• Regular internal communications • Employee caring sessions • Employee feedback	• Ensure effective implementation of HR policies • Regular internal meetings to review safety and healthy work environment • Annual performance review
Government & Regulators	• Regulatory compliance • Food safety compliance • Occupational health & safety • Environmental issues • Social issues	• Meetings • Electronic communications • Through external professionals and agencies • Announcements on SGXNET	• Ensure compliance with applicable laws • Meetings/interactions with relevant authorities as and when necessary • Consistent update on relevant laws and regulations through seminars and trainings
Shareholders & Investors	• Higher financial returns • Industry conditions • Market presence • Profitability • Transparency & corporate governance	• Announcements on SGXNET • Shareholders' meeting • Annual report • Company website	• Ensure all public disclosures are disclosed accurately and timely via announcements as and when required • Ensure sustainable business growth
Suppliers/ Business Partner	• Timely payment and adherence to agreed terms • Assistance in the farming and logistics for raw sweet potatoes	• Regular visits and interactions with suppliers • Electronic communications	• Regular feedback on quality or other issues • Ensure compliance with food safety standards and environmental laws and regulations • Perform periodic evaluation

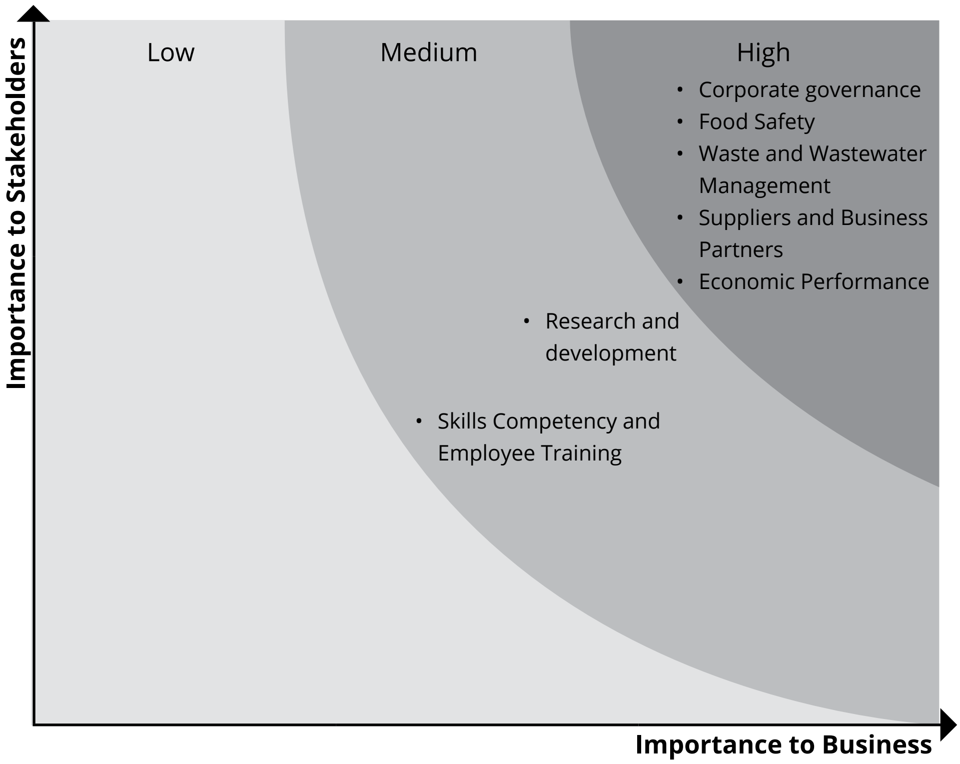
Sustainability Report

MATERIALITY ASSESSMENT

The Board and the Sustainability Committee conducted an evaluation of the Group's risk and corporate strategies in line with the materiality determination process tools as set out in the SGX-ST Sustainability Reporting Guide under Practice Note 7F of the Catalist Rules. The assessment was to identify the EESG risks and opportunities that could have a positive and/or negative impact on the Group's businesses.



The material topics identified show the most relevant concerns for the Group during FY2019 which are evaluated and plotted in the materiality matrix according to their impact on the Group's business performance. We will continue to review and adjust the material issues and relevant matrices each year, as the external and business context changes.



Sustainability Report

As the Group stabilises its business operations following the resumption and ramp up of our snack food manufacturing facility, we will look into sharing more information on performance and targets in our subsequent reports.

KEY MATERIAL TOPICS

Corporate Governance
The Group recognises the importance of observing a high standard of corporate governance and transparency in ensuring the sustainability of our businesses and safeguarding our stakeholders' interests and value for the long term.

We are committed to upholding best practices in corporate governance and transparency, and we have in place a set of procedures and policies governing our compliance with applicable legislation to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Group and its value to our shareholders.

We complied with the principles and guidelines set out in the Code of Corporate Governance 2012, where appropriate. Our corporate governance report can be found on pages 35-67 of the annual report.

Economic Performance
The Group seeks to achieve sustainable growth through strengthening our business segments: (i) sweet potato seedlings cultivation, (ii) manufacture of sweet potato snack products in six broad product categories, and (iii) raise consumer awareness for our sweet potato snack products under distinguished proprietary brand names, particularly following the commencement of the centralised wastewater treatment facility.

As the Group's snack food manufacturing facility ramped up productivity in the second half of FY2019, we also saw our revenue and profitability increase. The Group recorded more than double of our net profit from RMB12.5 million in FY2018 to RMB33.4 million in FY2019, on the back of a 61.3% year-on-year growth in revenue from RMB221.3 million in FY2018 to RMB357.0 million in FY2019.

For detailed financial performance, please refer to The Business and Financial Performance Review and Financial Statements found on pages 16-19 and 79-136 of the annual report.

We are well-placed to garner market share in the Chinese market in the near future as the sweet potato industry underwent consolidation in the last two (2) years when the government implemented stringent environmental regulations on waste and waste water treatment.

At CSFG, we aim to create highly nutritional, convenient and affordable snack products for our customers. We believe prudent management of the supply chain and constant innovation in (i) seedlings cultivation and farming techniques, and (ii) snack products, as well as tapping on the various marketing and distribution channels, will continue to place the Group in the forefront of the snack products industry.

Research and Development
The Group aims to constantly develop new sweet potato snack food products to cater to the ever-changing taste of modern consumers. Besides snack food product development, the Group is dedicated to researching and implementing advanced technologies in our production processes and product design, including collaborations with research institutes.

We continue to be in partnerships with Longyan Agricultural Science Research Institution and Jiangnan University to focus on new product development as well as improvement of the existing products.

Sustainability Report

Through our inhouse research and development, we have also developed effective and efficient farming techniques to raise the yield and quality of the sweet potatoes.

As at FY2019, the Group maintained a total of nine (9) registered patents, including seven (7) technology patents and two (2) invention patents.

Suppliers and Business Partners
The Group is committed to developing mutually beneficial partnerships with our suppliers. We have entered into long-term agreements with our suppliers as part of our strategy to ensure sustainable supply of quality sweet potatoes at an agreed preferential rate.

Our purchases of raw sweet potatoes from reliable local suppliers in the PRC increased from 70% in FY2018 to 80% in FY2019 as we continued to ramp up our productivity. To further ensure smooth and uninterrupted operation of our production activities, we are committed to equipping our suppliers with quality sweet potato seedlings as well as farming techniques so that they can also enjoy sustainable harvests. This will also subsequently open up another revenue source, thereby enhancing the economic performance of the Group.

Compliance on Health and Safety
The Group operates our businesses in compliance with the relevant regulations and standards relating to food safety, environmental, social and economic through internal checks and balances. We believe that compliance with legislative requirements is a minimum standard that should be achieved whilst striving to perform beyond these requirements.

We seek to continue our track record of zero food safety incidents, serious incidents and workplace injuries in the current financial year.

Food Safety
Food safety and quality are core to our commercial reputation and consumers' expectations. We are committed to responsible sourcing as it assures safety and quality of our snack products. Our snack product manufacturing facility complies with the requirements of the International Organisation for Standardisation 9001:2008 Quality Management and Hazard Analysis and Critical Control Point system certification.

Our food products are packed using approved food-grade materials and all our products passed the tests required by the Chinese national food safety standards, which is regulated by the China Food and Drug Administration.

We have also in place our quality control teams to undergo regular food safety management training to maintain awareness and management of food safety risks in the production process. Regular audits on our operations to monitor the management and performance relating to hygiene, sanitation, and housekeeping are carried out to ensure the quality of our snack products.

Occupational Health & Safety
GRI 403-2
We view our workforce as an important asset to the Group. Our approach to safety focuses on creating a culture which requires all members of our workforce to be leaders in creating a safe work environment. The health and wellbeing of our people is equally important. Hence, we seek to identity and manage occupational exposure risks, minimise occurrences of occupational illnesses and promote healthy lifestyles. The Group is committed to provide a healthy and safe working environment for our workforce.

We are committed to conducting our business with integrity and safeguarding the interest of all stakeholders. We have recorded nil incidents of non-compliance with the relevant laws and regulations in the areas of food safety and economic area that could potentially result in internal disciplinary action or public allegation.

Sustainability Report

We will continue to stay vigilant and observe compliance with all applicable laws and regulations to maintain our record of nil incidents of non-compliance.

Environmental Sustainability

Environmental protection has been one of the key priorities of the Chinese government. The enforcement and compliance with the national environmental regulations prompted the Group to develop and implement internal policies group-wide. These policies are targeted towards environmental protection, reducing carbon emissions, preventing pollution, and minimising waste in our daily operations.

With the operational commencement of the centralised wastewater treatment facility, the Group will continue to work on our efforts to improve the ecosystem in our sweet potato supply chain to achieve better environmental protection.

GHG Emissions

GRI 305-2, GRI 305-4

We are committed to take positive and proactive action on climate change and to reduce carbon emission in our daily operations. Our employees are reminded to save electricity through regular internal communications.

We collected energy usage data from our business operations and computed the total annual greenhouse gas emissions. The emission mainly arises from purchased electricity from the national grid and used in the production process.

In FY2019, the Group generated a carbon footprint of 3,377.62 tonnes of carbon dioxide emission ("**tCO2e**") with a carbon emission intensity of 9.5 tCO2e per million yuan of revenue. While the carbon footprint in FY2019 was 44.2% higher than the carbon footprint of 2,342.66 tCO2e in FY2018, the carbon emission intensity in FY2019 was lower than the 10.5 tCO2e per million yuan of revenue in FY2018. This was due to higher production volume and efficiency as well as higher revenue in FY2019.

Energy Efficiency

GRI 302-1, GRI 302-3

We are committed to promote energy conservation, particularly in electricity, in our Group's operations as an effort towards environmental protection and to lower our operating expenses.

The Group has in place polices and procedures to reduce energy consumption in the offices and factory. To ensure effective use of electricity, the Group continue to conduct the following practices:

- to turn off lights, computers and air conditioning systems before clocking out
- place energy saving reminder labels next to switches
- clean office equipment such as refrigerator and air-conditioner regularly to maintain better efficiency
- use energy saving equipment
- set temperature of air-conditioners to 25°C

In FY2019, the total electricity consumption intensity of the Group is 1.1 MWh per million yuan of revenue. This was significantly lower than 13.4 MWh per million yuan of revenue recorded in FY2018, due mainly to the higher production volume that resulted in the significant increase of revenue in FY2019.

The Group will continue to monitor energy consumption and to ensure the energy efficiency level to be maintained.

Saving Water

GRI 303-1

We are committed to address the concern in water consumption, which is an essential input in the food industry, in particular in our snack food product manufacturing operations. Our employees are also reminded of the importance to save water in their daily activities.

Sustainability Report

The Group recorded a water consumption intensity of 317m^3 per million yuan of revenue in FY2019, which was 59% lower than the water consumption intensity of 769 m^3 per million yuan of revenue in FY2018. This was due to higher production volume and efficiency as well as higher revenue in FY2019.

The Group will continue to monitor the performance on the water consumption reduction as we continue to ramp up our productivity gradually in the current financial year.

Waste and Wastewater Management

The Group is in compliance with the waste and wastewater management, in particular, our snack food product manufacturing operations.

Waste materials from our production activities are separated for proper handling and disposal through proper channels. The amount and types of waste materials disposed are currently not measured. With the commencement of the centralised wastewater treatment facility managed by the Liancheng County government, the Group will be able to meet the requirements of the wastewater emission standard of the Fujian Province.

Social Contribution

The Group values working relationships as we need sustainable partnerships to assist in building our success and propel growth going forward.

Employee development and investment in building capabilities and skills are our priorities. Learning and development opportunities enable our employees and contractors to build the appropriate skills, knowledge and behaviours to fulfil their roles and responsibilities safely and effectively.

The Group plans to develop a framework to support the building of talent within our organisation as well as that of our suppliers of sweet potatoes. We view our success as a good working partnership between external contractors and internal workforce.

Skills Competency and Employee Training

GRI 404-1

We view our employees as the lifeline of our organisation and we believe human capital management is essential to increasing the value of our employees who contribute to the success of our businesses. The Group has incorporated and adhered to the legislation and guidelines in the country of operations.

Every employee is given equal opportunity to upgrade and sharpen their skills through formal and on-the-job training programs. The Group aims to achieve an average of 14 hours of training for each employee annually. We will continue to look into ways to allow our employees to grow with the organisation.

With the recommencement of our snack food manufacturing facility, we have given priority to recruit former employees who had to be let go in 2017. As of FY2019, we have a staff strength of 368 employees.

Performance Appraisal

The Group's Human Resource department has in place various methods to carry out performance appraisal for every individual employee for their roles and responsibilities in the Group.

The employee performance appraisal comprises mainly quantifiable evaluation criteria. In addition, we also actively collect performance information on every employee on a monthly basis through inputs from direct supervisors and feedbacks, as well as periodical employee communication sessions. Through this information, we will have the knowledge and opportunities to develop training programs to address the needs of each team and the individual employee. We believe keeping ourselves attuned to the growth and development of our employees, will enhance the overall growth of the Group.

We continue to conduct at least an annual performance appraisal for all our employees every financial year.

Sustainability Report

Equal Opportunity

We have always been an equal opportunity employer to provide a fair workplace for employees, following the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, marital status, pregnancy, disability, age or family status.

We attract talent through fair and flexible recruitment strategy that includes recruitment application, job description, job applications, interview, selection, approval and job offer. Promotion is based on performance and suitability.

We offer competitive remuneration to attract and retain talented staff members. Remuneration packages (which includes the necessary social benefits) are reviewed periodically to ensure consistency with employment market. Dismissal also complies with employment laws and regulations relating to non-discrimination.

In FY2019, female employees comprise 77% of our entire workforce, with female representation in management at 13%.

Sustainability Report

SUSTAINABILITY SCORECARD

Economic contribution

Performance Indicators	Units	FY2018	FY2019
Total Revenue	¥'million	221	357
Number of technology patents (since 2014)	Number	7	7
Number of invention patents (since 2014)	Number	2	2
Purchases from local suppliers	Percentage	70	80

Compliance on Health and Safety

Performance Indicators	Units	FY2018	FY2019
Food safety incidents	Number	0	0
Fines on contravention of food safety regulations	¥'000	0	0
Serious incidents	Number	0	0
Workplace injuries	Number	0	0
Incidents of non-compliance concerning product and service information and labelling	Number	0	0
Incidents of non-compliance concerning marketing communications	Number	0	0

Environmental Sustainability

Performance Indicators	Units	FY2018	FY2019
Environmental incidents	Number	0	0
Fines on contravention of environmental regulations	¥'000	0	0
Total carbon footprint	tCO_2e	2,342.66	3,377.62
Carbon emission intensity	tCO_2e/¥'million	10.5	9.5
Electricity consumption intensity	MWh/¥'million	13.4	1.1
Water consumption intensity	m^3/¥'million	769	317
Wastewater discharge that meets local emission standards	Percentage	100	100

Social Contribution

Performance Indicators	Units	FY2018	FY2019
Training hours per staff	Hours	14	14
Employees subject to regular performance appraisal	Percentage	100	100
Female representation in workforce	Percentage	66	77
Female representation in management	Percentage	14	13

Corporate Governance Report

The Board of Directors (the "**Board**" or the "**Directors**") and the management team ("**Management**") of China Star Food Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining a high level of corporate governance to promote greater transparency and safeguard the interests of shareholders, employees, and other stakeholders as well as to promote investors' confidence.

In accordance with Rule 710 of the Listing Manual – Section B: Rules of the Catalist (the "**Catalist Rules**"), this Corporate Governance Report (the "**Report**") outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 March 2019 ("**FY2019**"), with specific reference made to the principles of the Code of Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 to aid companies in compliance with the Code (the "**SGX Guide**") through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders.

The Company believes that it has substantially complied with the principles and guidelines as set out in the Code and/or the SGX Guide where appropriate. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the SGX Guide.

I. BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

As at the date of this annual report, the Board comprises of the following Directors:

Name of Directors	Designation
Liang Chengwang	Executive Chairman and Chief Executive Officer
Chen Hua Jing	Executive Director
Ng Poh Khoon	Lead Independent Director
He Jing	Independent Director
Chong Yang Kan	Independent Director

The profiles of the Directors are set out on pages 22 and 23 of this Annual Report.

The Board's principal roles include promoting long-term shareholder value, setting the strategic direction and establishing goals for the management team of the Company ("**Management**"). In this regard, the Board oversees the business affairs of the Group and works with Management to achieve these goals for the Group.

Corporate Governance Report

In addition, the principal functions of the Board are as follows:

Guideline 1.1 of the Code: The Board's role

(a) approving strategies (taking into consideration sustainability issues) and financial objectives of the Group and monitoring the performance of Management;

(b) ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

(c) evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

(d) ensuring the Group's compliance with laws, regulations, policies, directives and guidelines;

(e) establishing an ethical corporate culture that is reflective of the Company's values, standards, policies and practices and encouraging adherence to the Group's internal code of conduct;

(f) approving the nomination of Board members and the appointment of key management personnel;

(g) reviewing the performance of Management;

(h) approving annual budgets, major funding, investments and divestment proposals; and

(i) ensuring accurate, adequate and timely reporting to, and communication with shareholders and other key stakeholder groups.

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to make objective decisions as fiduciaries in the interest of the Group. In exercising its duties and responsibilities, the Board draws on the competencies, experience and judgments of each and every director. The presence of three (3) independent directors on the Board ensures a strong element of independence in the Board's decision.

Guideline 1.2 of the Code: Directors to act in the interests of the Company

To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees and Management. In particular, the Board has set up three committees to assist it in effectively discharging its duties. These three committees are the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**").

Guideline 1.3 of the Code: Disclosure on delegation of authority by Board to Board Committees

Each of the Board Committees are given specific responsibilities and they are empowered by the Board to deal with matters within the limits of authority set out in their respective terms of reference, which are reviewed on a regular basis by the Board. The Board Committees thus facilitate the Board's oversight of the Group.

The Board has delegated the day-to-day operations to the Management while reserving key matters for Board approval. Such key matters include, among others, approving the consolidated financial statements for the Group, conflict of interest checks for directors, disposal of assets, strategic planning and material acquisitions, share issuances, dividends. In addition, the Board is free to request for further clarification and information from Management on all matters within their purview.

Notwithstanding the above delegation of authority by the Board, the ultimate responsibility on all matters lies with the Board.

Corporate Governance Report

Generally, the Board convenes scheduled meetings on a quarterly basis, and ad-hoc meetings will be arranged when required (for example to consider proposed corporate actions by the Company or to review corporate action documents). If the Directors are unable to attend Board meetings physically, such meetings may be conducted via telephone conference, video conference, audio visual or by means of a similar communication equipment where all the Directors participating in the meeting are able to hear each other. In addition, decisions of the Board and the Board Committees may also be obtained through circular resolutions.

Guideline 1.4 of the Code: Board to meet regularly

Directors' attendance at the Board and the Board Committee meetings during FY2019 and up to the date of this report is as follows:

	Board of Directors' Meeting		Audit Committee			Remuneration Committee			Nominating Committee		
				Meetings			Meetings			Meetings	
Name of Directors	**No. held**	**No. attended**	**Membership**	**No. held**	**No. attended**	**Membership**	**No. held**	**No. attended**	**Membership**	**No. held**	**No. attended**
Present Directors											
Liang Chengwang	4	4	No	4	4*	No	1	1*	No	1	1*
Chen Hua Jing[(1)]	2	2	No	2	2*	No	1	1*	No	1	1*
Ng Poh Khoon[(2)]	4	4	Yes (Chairman)	4	4	Yes	1	1	Yes	1	1
He Jing	4	4	Yes	4	4	Yes (Chairman)	1	1	Yes	1	1
Chong Yang Kan[(3)]	2	2	Yes	2	2	Yes	1	1	Yes (Chairman)	1	1
Past Directors											
Luo Jiachang[(4)]	2	2	No	2	2	No	1	–	No	1	–
Leow Yongkin[(5)]	2	–	Yes (Chairman)	2	–	Yes	1	–	Yes	1	–

* By invitation

Notes:

(1) Appointed as Executive Director on 8 January 2019

(2) Re-designated as Lead Independent Director, as well as appointed Chairman of both the AC and NC on 13 August 2018. Relinquished appointment of Chairman of the NC to Mr Chong Yang Kan on 12 November 2018

(3) Appointed as Independent Director and Chairman of the NC on 12 November 2018

(4) Resigned as Executive Director on 8 January 2019

(5) Resigned as Lead Independent Director on 13 August 2018

Corporate Governance Report

Guideline 1.5 of the Code: Matters requiring Board approval

The Company has documented internal guidelines for matters that require Board approval. Transactions exceeding certain threshold limits must be approved by the Board while transactions below these threshold limits are to be approved by the Board Committees and/or the Management. This delegation of authority is done for the purposes of optimising operational efficiency.

Matters and transactions requiring the Board's approval include:

(a) major investments;

(b) material acquisitions and disposals of assets;

(c) corporate and financial restructuring;

(d) share issuance, dividends and other returns to shareholders;

(e) budgets, financial results announcements, annual report and audited financial statements;

(f) capital expenditures;

(g) capital borrowings and financial commitments; and

(h) material interested person transactions.

Each Board member has extensive experience and knowledge in his/her respective area of work, thus providing valuable contribution to the decision-making process of the Board.

Guideline 1.6 of the Code: Directors to receive appropriate training

The Company has a training budget for its Directors to attend courses and seminars, which can be utilised by Directors as and when it is required. In this regard, information on courses or seminars in relation to the roles and responsibilities as a director of a Singapore listed company as well as revision to laws or regulations (which are applicable to the Group) are disseminated to the Directors. In addition, news releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board.

The Company also has in place an orientation program in which all new Directors are given guidance and orientation including onsite visits to get them familiarised with the Group's business, organization structure, corporate strategies and policies and corporate governance practices to facilitate the effective discharge of their duties. In this regard, the Lead Independent Director, together with the Chief Financial Officer ("CFO") had conducted a site visit to the Group's factories in Liancheng, China in May 2019.

Further to this, for new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organized by the Singapore Institute of Directors ("SID") or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. The Company would arrange for the Directors to attend the relevant courses organised by SID to familiarise themselves with the roles and responsibilities of Directors of a listed company.

Corporate Governance Report

During FY2019, the Company had arranged for the Company Secretary to conduct a half day training session for the then Management team (comprising of Mr Yeo Choon Tat, Ms Khor Shu Wen) and the Directors (comprising of Mr Liang Chengwang, Mr Luo Jia Chang, and Ms He Jing). This training session was to ensure that the Management and Directors were familiar with the compliance requirements under the Catalist Rules and the Code of Corporate Governance 2012 as well as the various legislation in relation to securities. Further to this, Mr Chong Yang Kan, who does not have prior experience as a director of a listed company, has attended the "BDF - Board & Director Fundamentals" course conducted by the SID. Mr Chong Yang Kan will endeavor to undergo and complete the rest of the training as prescribed under Rule 406(3)(a) and Practice Note 4D within one (1) year from the date of his appointment to the Board.

A formal letter of appointment is provided to every new Director, setting out his/her duties and obligations.

Guideline 1.7 of the Code: Formal letter to be provided to Directors setting out their duties

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

In FY2019, the Board comprises five Directors, two of whom are Executive Directors and three of whom are Non-Executive Independent Directors.

Guideline 2.1 of the Code: One-third of Directors to be independent

As recommended by the Code, as the Chairman is not an independent director, the Company maintains a strong and independent element on the Board with the Independent Directors constituting at least half of the Board. The Independent Directors are able to exercise independent judgement in the best interests of the Company and the Group, and this enables Management to benefit from their external and objective perspectives of issues that are brought before the Board.

Guideline 2.2 of the Code: Independent Directors to make up at least half of the Board in certain circumstances

The independence of each Director is reviewed by the NC annually. The NC has adopted the definition in the Code and the Catalist Rules of what constitutes an independent director in its review of the independence of each Director. In assessing the independence of the Independent Directors, the NC is satisfied that there are no relationships identified by the Code which would deem any of them not to be independent.

Guideline 2.3 of the Code: Disclosure of Directors considered to be independent

Rigorous review is recommended by the Code when assessing the continued independence of a Director who has served for more than nine years from the date of first appointment. In this regard, none of the Independent Directors has served the Board beyond nine (9) years from the date of his/her first appointment.

Guideline 2.4 of the Code: Independence of Director who has served on the Board beyond nine years should be subject to rigorous review

Corporate Governance Report

The Board, through the NC, reviews the size and composition of the Board to ensure that the size of the Board is conducive to effective discussion and decision-making and that there is an appropriate balance of skills and experience. In this regard, for FY2019, the Board is of the opinion that its current board size and composition is reasonably effective and efficient considering the nature, scope and size of the Group's business operations.

Guideline 2.5 of the Code: Board to determine its appropriate size

Further to this, the composition of the Board is also reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise, skill, knowledge, experience and gender diversity, and collectively possess the necessary core competencies for the effective functioning of and informed decision making in the Company.

The Board and the NC is of the view that the existing composition of the Board possesses the appropriate diversity – being a mix of skill, gender, knowledge, expertise and experience to provide core competencies in areas such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and experience or knowledge that are relevant to the direction of the expansion of the Group. The profile of all the Board members are set out in the section entitled "Board of Directors" on pages 22 and 23 of this Annual Report

Guideline 2.6 of the Code: Board to comprise Directors with core competencies

In particular, the Independent Directors comprise seasoned professionals with a diversity of expertise and skills, including strategic planning, management, financial and accounting experience.

The combined wealth and diversity of experience of all the Directors enable them to contribute effectively to the strategic growth and governance of the Group.

The Non-Executive Independent Directors constructively challenge and participate in setting strategies and goals for the Company and review as well as monitor Management's performance in the implementation of the agreed strategies and goals. Where necessary, the Non-Executive Independent Directors will have meetings amongst themselves without the presence of Management.

Guideline 2.7 of the Code: Role of non-executive directors

The Non-Executive Independent Directors meet regularly on an informal basis to discuss any matters without the presence of Management as and when circumstances require.

Guideline 2.8 of the Code: Regular meetings of Non-Executive directors

Corporate Governance Report

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

As at the date of this Report, Mr Liang Chengwang is the Executive Chairman and the Chief Executive Officer ("CEO") of the Company.

Guideline 3.1 of the Code: Chairman and CEO should be separate persons

The role of the Chairman and the CEO should principally be separated to maintain an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board. However, the Board is of the view that the existing leadership arrangement is effective as it does not hinder the decision-making process of the Company unnecessarily.

The Board's view is based on the fact that Mr Liang Chengwang has actively promoted and emphasised the need to have in place a strong corporate governance culture. This is evident from the presence of the three (3) Independent Directors as well as the appointment of Mr Ng Poh Khoon as the Lead Independent Director to ensure that a channel of communication is always available to shareholders where they have concerns and where contact through normal channels of the Group's Executive Chairman, or the CFO, has failed to resolve the concerns

Further to this, the three (3) Independent Directors participate actively in matters relating to business, finance, corporate governance, risk management, remuneration and appointment of Board members. In addition, the Board Committees comprise only the Independent Directors.

Hence, the Board believes that there are sufficient safeguards against an uneven concentration of power and authority in a single individual, and that no one (1) individual or group(s) of individuals dominates any decision-making process. Accordingly, the Board is of the view that the existing leadership arrangement is effective. Notwithstanding this, as a matter of prudence, the Board will continually review the role of the Executive Chairman and the CEO as well as the composition of the Board to ensure that it does not impede the principles of independence and objectivity in decision making.

As the Executive Chairman, Mr Liang Chengwang assumes responsibilities for, amongst others, the effective function of the Board and exercise control over the quality, quantity and timeliness of the flow of information between Management and the Board and assisting in ensuring compliance with the Company's guidelines on corporate governance.

Guideline 3.2 of the Code: Chairman's role

Corporate Governance Report

Mr Liang Chengwang is assisted by the Management in the daily operations and administration of the Group's business activities and in the effective implementation of the Group's business strategies including but not limited to the following:

(a) ensuring the Board's effectiveness and managing the relationship with shareholders and other key stakeholder groups;

(b) ensuring that Board meetings are held when necessary and to approve the meeting agenda;

(c) providing accurate and clear information contained in the Board papers;

(d) allowing sufficient time for the discussion of the agenda items;

(e) monitoring communications and relations within the Board and between the Board and Management to facilitate constructive dialogue;

(f) facilitating effective contribution of the Non-Executive Directors; and

(g) ensuring compliance with the guidelines set out in the Code.

Mr Liang Chengwang, as the Executive Chairman and the CEO, remains involved in significant corporate matters, particularly those of strategic nature. Mr Liang Chengwang is responsible for the Group's overall management, including overseeing the Group's operation, setting directions for new growth areas and developing business strategies. He plays an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision.

Taking into account the size, scope and nature of the operations of the Group, the roles of the Executive Chairman and the CEO are not separated as the Board is of the view that it is currently in the best interests of the Group to adopt a single leadership structure given the adequate level of accountability and transparency within the Group.

Guideline 3.3 of the Code: Appointment of Lead Independent Director

To promote a high standard of corporate governance, Mr Ng Poh Khoon had been appointed as the Lead Independent Director. As the Lead Independent Director, he shall make himself available to the shareholders where they have concerns which contact through normal channels of the Executive Chairman and CEO or the Management has failed to resolve or for which such contact is inappropriate.

Mr Ng Poh Khoon as the Lead Independent Director also assists the Board in ensuring effective corporate governance in managing the affairs of the Board and the Company.

Guideline 3.4 of the Code: Led by the Lead Independent Director, Independent Directors to meet periodically

The Lead Independent Director and the other Independent Directors meet regularly on an informal basis to discuss any matters without the presence of Management as and when circumstances require. The Lead Independent Director will provide feedback to the Executive Chairman following such meetings, if it is necessary.

Corporate Governance Report

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Company has established the NC which is guided by the terms of reference approved by the Board. As at the date of this Report, the NC comprises of three (3) members all of whom, including its Chairman, are Independent Directors. The members of the NC are:

Guideline 4.1 of the Code: NC to recommend all Board appointments

(a)	Chong Yang Kan *(appointed on 12 November 2018)*	Chairman
(b)	He Jing	Member
(c)	Ng Poh Khoon	Member

The NC is responsible for making recommendations to the Board on all Board appointments and re-appointments through a formal and transparent process, which includes internal guidelines to address the conflict of competing time commitments that are faced by Directors with multiple board representations.

In respect of re-nominations, the NC will consider the individual Director's contribution and performance and whether the Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations.

The responsibilities and principal functions of the NC, as set out in its terms of reference, include:

(a) reviewing, assessing, making recommendations to the Board on the appointment of Directors, including making recommendations on the composition of the Board generally (taking into account Guidelines 2.1, 2.2, 2.3 and 3.3 of the Code, progressive renewal of the Board, each Director's qualifications, competencies, the number of other listed company board representations and whether he/she is independent) and providing to all newly appointed Directors a formal letter setting out his/her duties and obligations;

(b) regularly reviewing the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the Directors as a group and recommending to the Board with regards to any adjustment that may be deemed necessary;

(c) reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and considering his/her competency, commitment, contribution, performance and whether or not he/she is independent;

(d) making plans for succession, in particular, for the Chairman of the Board and the CEO;

(e) preparing and recommending, for approval of the Board, written guidelines on the division of responsibilities of the Chairman of the Board and the CEO;

(f) determining, on an annual basis, if a Director is independent bearing in mind the circumstances set forth in Guidelines 2.3 and/or 2.4 of the Code and other salient factors;

Corporate Governance Report

(g) recommending Directors who are retiring by rotation to be put forward for re-election;

(h) deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments;

(i) recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold;

(j) assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board and recommending to the Board the development of a process for evaluation and deciding how the performance of the Board may be evaluated and proposing objective performance criteria. The Chairman of the NC should act on the results of the performance evaluation and where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors, in consultation with the members of the NC; and

(k) recommending to the Board comprehensive induction training programs for new Directors and reviewing the training and professional development programs for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risk.

The NC is responsible for reviewing board succession plans for Directors, and will seek to refresh the Board membership in an orderly manner where it deems necessary. The NC will also ensure that the Company has succession planning for its Executive Directors and key management personnel, including appointing, training and mentoring successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the CEO or any of the top management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team.

Guideline 4.2 of the Code: NC to recommend to the Board on certain relevant matters

Further to the above, the Board has implemented a formal annual process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board. For FY2019, the Directors participated in the evaluation by providing feedback to the NC in the form of completing:

(a) a Board Performance Evaluation checklist which covers several parameters such as Board composition, conduct of meetings, Board process, Board accountability, risk management and internal control, measuring and monitoring performance as well as communication with Shareholders; and

(b) an Individual Director Performance Evaluation checklist which covers several parameters such as the Director's interactive skills, industry knowledge, contribution and workload requirements, sense of independence and preparation at the Board and Board Committees meetings.

Corporate Governance Report

To ensure confidentiality, the evaluation checklists completed by the Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the performance and the effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board for FY2019. The NC has reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that based on the results collated from the evaluation checklists:

(a) the Board Committees have consistently performed well and effectively; and

(b) each individual Director has discharged his or her roles and responsibilities effectively and has contributed towards the effectiveness of the Board for the financial year.

The NC will continue to review formal assessment processes for evaluating the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

In accordance with Articles 99(1) and (2) of the Company's Constitution, one-third of the Directors shall retire from office by rotation at each annual general meeting ("**AGM**"). In addition, Articles 99(3) and (4) provide that the Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and that the retiring Directors are eligible to offer themselves for re-election. All Directors are required to retire from office at least once in every three (3) years and, if applicable, submit themselves for re-nomination and re-election. In addition, Articles 81 and 100 provide that all new Directors who are appointed as additional directors or to fill up the vacancy occurring in the Board of Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

The retiring Directors at the forthcoming AGM of the Company are Mr Liang Chengwang who will retire pursuant to Article 99 of the Company's Constitution as well as Mr Chong Yang Kan and Mr Chen Hua Jing who will retire pursuant to Article 100 of the Company's Constitution. After assessing the contributions of Mr Liang Chengwang, and Mr Chong Yang Kan, the Board has accepted the NC's recommendation that the respective retiring Directors who have given their consent for re-nomination and re-election at the forthcoming AGM of the Company, be put forth for re-nomination and re-election. Mr Chen Hua Jing has decided to retire from his position and not seek for re-election as an Executive Director at the forthcoming AGM in order for him to focus on his new position as the Vice President (Corporate Finance) of the Group. In his capacity as the Vice President (Corporate Finance), Mr Chen Hua Jing will be responsible for fund raising activities, merger and acquisition activities and investor/investment analyst relation and as such, these activities will take up a majority of his time and hence his retirement as an Executive Director will allow him to focus on his new role.

Corporate Governance Report

The task of assessing the independence of Independent Directors is delegated to the NC. The NC reviews the independence of each Independent Director annually, and as and when the circumstances require. Annually, each Independent Director is required to complete a Director's Independence Checklist (the "**Independence Checklist**") to confirm his independence. The Independence Checklist is drawn up based on the guidelines provided in the Code. Thereafter, the NC reviews the Independence Checklist completed by each of the Independent Directors, assesses the independence of each of the Independent Directors and recommends its assessment to the Board. The Independent Directors have confirmed their independence in accordance with the Code. The Board, after taking into account the views of the NC and having considered the confirmations of independence provided by the Independent Directors, is of the view that Mr Ng Poh Khoon, Ms He Jing, and Mr Chong Yang Kan are independent.

Guideline 4.3 of the Code: NC to determine Directors' independence annually

As the ability to commit time and attention to the Group's affairs is essential for the individual Director's contribution and performance, the NC has considered the number of listed directorship each of its Directors can hold after taking into considerations factors such as the expected and/or competing time commitments of the Directors, the size and composition of the Board as well as the nature and scope of the Group's operations and size.

Guideline 4.4 of the Code: Ensure Directors with multiple board representations give sufficient time and attention to the Company

Based on the Directors' contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the Board believes that at present, it would not be meaningful to define the maximum limit on the number of listed company board representations and other principal commitments which any Director may hold, and has instead tasked the NC to review if a Director with multiple board representations is devoting sufficient time and attention to the affairs of the Company.

During FY2019, each individual Director had provided their confirmation to the NC on his/her ability to carry out his/her duties as a Director of the Company and to address any competing time commitments. The NC had evaluated and is satisfied that each of the Directors had spent sufficient time and attention on the affairs of the Group to fulfill their responsibilities, notwithstanding their other commitments.

The NC would continue to review from time to time on the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately

As at the date of this Report, the Company does not have any alternate directors.

Guideline 4.5 of the Code: Boards should avoid approving the appointment of alternate directors

Corporate Governance Report

Guideline 4.6 of the Code: Description of process for selection, appointment and re-appointment of Directors to be disclosed

Appointment of new directors

The NC will conduct an annual review on the composition of the Board as well as identifying the skill sets that will enhance the Board's overall effectiveness. In this regard, the NC may, if it deems appropriate, recommend the appointment of new directors to strengthen the composition of the Board.

If the appointment of new directors is required, the NC will identify potential candidates from various sources. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration.

Once the suitable candidate has been identified, the NC will deliberate on the background, skills, qualification and experience of that candidate. The factors taken into consideration by the NC could include, among other things, the new director's ability to add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions.

The Board will subsequently review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidate's independence, expertise, background and right skills will be considered before the Board makes its final decision on the appointment.

Re-appointment of existing directors

For re-appointment of existing directors to the Board, the NC will take into consideration, amongst others, the director's integrity, competencies, independence, commitment, contribution and performance (such as attendance, participation, preparedness and candour).

All directors are entitled to submit themselves for re-appointment. The re-appointment is subject to the satisfactory assessment of the NC. If NC is satisfied with its assessment of the re-appointment, the NC would recommend the proposed re-appointment of the incumbent director to the Board for its consideration and approval.

In accordance with Articles 99(1) and 99(2) of the Company's Constitution, one-third of the Directors shall retire from office by rotation at each annual general meeting ("**AGM**"). In addition, Articles 99(3) and 99(4) provide that the Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and that the retiring Directors are eligible to offer themselves for re-nomination and re-election and Articles 81 and 100 provide that all new Directors who are appointed as additional directors or to fill up the vacancy occurring on the Board of Directors shall hold office only until the next AGM and are eligible to offer themselves for re-nomination and re-election.

Corporate Governance Report

Information in respect of the academic and professional qualification, date of first appointment as a director, date of last re-appointment as a director, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, and other principal commitments, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Statement by Directors" section of the Annual Report.

Guideline 4.7 of the Code: Key information regarding Directors

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

In evaluating the Board's performance, the NC implements a self-assessment process that requires each Director to submit the assessment of the performance of the Board as a whole during the year under review. The Company Secretary and his representatives will collate the Board evaluations and provide the summary observations to the NC.

The NC discusses the report and concludes the performance results during a NC meeting. In consultation with the NC, the Chairman will act on the results of the performance evaluation with a view to strengthening the Board with new members and/or seeking the resignation of Directors where appropriate, and enhancing the effectiveness of the Board as a whole, and the Board Committees.

Guidelines 5.1 of the Code: Board to implement process to address how the Board's performance may be evaluated and disclose the process in the Annual Report

The NC, guided by its terms of reference, decides on how the Board's performance is to be evaluated and has developed objective performance criteria, which address how the Board has enhanced long-term shareholders' value and the effectiveness of the Board as a whole.

As part of the performance criteria, the Board will take into account financial indicators such as share price performance and return-on-equity as these factors allow for benchmarking of the Board's performance relative to that of competitors and industry peers. However, the Board will also consider non-financial indicators such as feedback received from investors (institutional and/or retail) and market analysts as these considerations also serve as useful qualitative analysis by external parties.

Further to this, the Board will also take into account, inter alia, the Board size and composition, maintenance of independence, Board information, Board process, Board accountability, communication with top Management and standard of conduct.

Guidelines 5.2 of the Code: Board to approve the performance criteria proposed by the NC

Corporate Governance Report

Reviews of each individual Board member's performance and effectiveness, as well as the performance and effectiveness of the Board Committees and the Board are undertaken on a continuous basis by the NC with inputs from the various Board members. Renewals or replacements of Directors do not necessarily reflect their contributions to date but may be driven by the need to position and shape the Board in line with the medium-term needs of the Company and its business.

Guideline 5.3 of the Code: Evaluation of each Director whether he/she continues to contribute effectively

For the long-term success and value creation of the Group, the Board believes that its performance and that of individual Board members is reflected in, and evidenced by, proper guidance, diligent oversight and able leadership of the Company, and the support that it lends to Management in steering the Company and the Group to achieve strategic goals. Having regard to its composition and mix, the Board has endeavoured through each Director's unique contributions and diversity of experience, to ensure that balanced and well-considered decisions are made in the best interests of the Group.

After evaluation, the NC has considered the performance and effectiveness of each individual Director and the Board as a whole, to be satisfactory in respect of FY2019. The Board as a whole considered the performance of the NC to be satisfactory. For the avoidance of doubt, each member of the NC abstains from voting on any resolution in respect of the assessment of his performance or re-nomination as Director.

Principle 6: Access to information

Board members should be provided with complete, adequate and timely information.

To enable the Board to function effectively and to fulfill its responsibilities, Management recognises its obligation to supply the Board and Board Committees with complete, adequate and timely information prior to Board meetings and on an on-going basis. In addition, all relevant information on budgets, forecasts, monthly accounts, material events and transactions complete with background and explanations are circulated to the Directors as and when they are available. In respect of projections (budgets and forecasts), any material variance between the projections and actual results are disclosed and explained by the CFO at Board meetings.

Guidelines 6.1 and 6.2 of the Code: Board should have separate and independent access to the Management and Management is obliged to provide Board with adequate and timely information and include background and explanatory information

The Directors have separate and independent access to the Company's Management and the advice of the Company Secretary, who also attends meetings of the Board and the Board Committees. The duties of the Company Secretary include minute-taking, assisting the Chairman in ensuring that Board procedures are followed and communicating changes in the Listing Manual of the SGX-ST or other regulations affecting corporate governance and compliance where appropriate. The Company Secretary's responsibilities also include facilitating orientation and assisting with professional development as required.

Guideline 6.3 of the Code: Directors should have separate and independent access to Company Secretary; role of Company Secretary to be clearly defined

The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Guideline 6.4 of the Code: Appointment and removal of Company Secretary

Corporate Governance Report

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense, subject to approval by the Board.

Guideline 6.5 of the Code: Procedure for Board to take independent professional advice at the Company's cost

II REMUNERATION MATTERS

Principle 7: The Board's Conduct of its Affairs

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Company has established the RC which is guided by the terms of reference approved by the Board. As at the date of this Report, the RC comprises of three members all of whom, including its Chairman, are Independent Directors. The members of the RC are:

Guideline 7.1 of the Code: RC to consist entirely of Non-Executive Directors

(a) He Jing Chairman

(b) Chong Yang Kan Member
(appointed on 12 November 2018)

(c) Ng Poh Khoon Member

The primary function of the RC is to advise the Board on compensation issues. In particular, in relation to the Directors and key management personnel, the RC bears in mind that a meaningful portion of their compensation should be contingent upon the financial performance of the Company, in order to foster the creation of long-term shareholder value.

Corporate Governance Report

The responsibilities and principal functions of the RC, as set out in its terms of reference, include:

(a) reviewing and recommending to the Board for endorsement by the entire Board, a general framework of remuneration for the Board, the specific remuneration packages and terms of employment for each Director, the CEO (if the CEO is not a Director) and key management personnel including but not limited to senior executive/divisional directors/those reporting directly to the Managing Director/Chairman/CEO/employee related to the Executive Directors or controlling shareholders of the Group;

(b) reviewing and recommending for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also evaluating the cost and benefits of such scheme and to do all acts necessary in connection therewith;

(c) functioning as the committee referred to in the China Star Employee Share Option Scheme ("**China Star ESOS**") and the China Star Performance Share Plan ("**China Star PSP**") (collectively referred to as the "**Schemes**") and shall have all the power as set out in the Schemes;

(d) carrying out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time;

(e) ensuring that all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in- kind are covered; and

(f) reviewing shall take into consideration Guidelines 8.1 to 8.4 of the Code, that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and key management personnel's performance; the remuneration packages of employees related to Executive Directors, CEO (if CEO is not a Director) and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility; and the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

Corporate Governance Report

As part of its review, the RC will take into consideration the salary and employment conditions of similar roles within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the Group CEO and key management personnel. This remuneration framework is recommended by the RC to the Board to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximize shareholder value.

Guideline 7.2 of the Code: RC to review and recommend to the Board a general framework of remuneration for the Board and key management personnel

There is a formal and transparent procedure for fixing the remuneration packages of the Directors. No individual Director is involved in deciding his/her own remuneration. All Non-Executive Directors are paid Directors' fees annually on a standard fee basis.

Each member of the RC abstains from making any recommendation on or voting on any resolution in respect of his/her own Director's fees payable to them, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

The RC is entitled to seek expert advice from external consultants on remuneration of all directors whenever required. No external consultant was engaged in 2019 to provide remuneration advice.

Guideline 7.3 of the Code: RC to seek expert advice

The RC reviews the terms and conditions of the respective service agreements of the Executive Directors as well as the key management personnel before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of any of the Executive Directors and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance. In this regard, the RC has reviewed the terms of the service agreements for the Executive Directors as well as the key management personnel and they are of the view that the Executive Directors and the key management personnel have service agreements which include fair and reasonable terms for termination under appropriate notice and these service agreements are in line with market practices and are not overly generous.

Guideline 7.4 of the Code: RC to review the Company's obligations in the event of termination of Executive Directors and key management personnel

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

Guideline 8.1 of the Code: Package should align Executive Directors' interest with shareholders' interest

The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. The Executive Directors do not receive Directors' fees.

The remuneration of the Executive Directors and the key management personnel primarily comprise a basic salary component and a variable component which is inclusive of bonuses and other benefits.

Corporate Governance Report

The RC administers the China Star ESOS and the China Star PSP, which were approved by the Company's shareholders by way of members' resolution on 20 July 2015.

Guideline 8.2 of the Code: Long-term incentive schemes are encouraged

The performance related elements of remuneration are designed to align the interests of Executive Directors, Management and staff with those of shareholders and to link their rewards to corporate and individual performance. In this regard, the China Star ESOS and China Star PSP serve as long-term incentive schemes for the Company to provide greater flexibility in structuring market-competitive compensation packages for eligible Group employees, Group Executive Directors and Group Non-Executive Directors (including the Independent Directors), including those who are also controlling shareholders.

These schemes provide an additional tool for the Company to reward, retain and motivate a core group of Directors, executives and employees so as to build sustainable businesses in the long term.

The Directors' fees for Non-Executive and Independent Directors are set in accordance with a remuneration framework based on the level of responsibility and scope of work.

Guideline 8.3 of the Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

The Non-Executive Directors are paid Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Board has endorsed the remuneration framework.

The Company is of the view that it is currently not necessary to use contractual provisions to allow it to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company as the Executive Directors owe a fiduciary duty to the Company.

Guideline 8.4 of the Code: To consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors

Accordingly, the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Principle 9: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

An annual remuneration report is not included in this report as the matters required to be disclosed therein have been disclosed above, in the Directors' Statement and in the Notes to the Financial Statements. The Board responds to queries from shareholders at AGMs on matters pertaining to remuneration policies and directors' remuneration.

Guidelines 9.1, 9.2 9.3 of the Code: Remuneration of Directors and top five key management personnel

The Company does not disclose the aggregate remuneration of the respective key management personnel (who are not directors or the CEO) to the nearest thousand, but in bands of S$250,000 (with a breakdown of the components in percentage) for confidentiality reasons so as to prevent competitors from knowing salaries offered by the Company to its Directors and key management personnel of similar status in the Company.

Corporate Governance Report

The Company believes that disclosures in relation to the aggregate remuneration of the respective Directors and key management personnel may be prejudicial to its business interests given the highly competitive and niche sweet potato snack industry it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

Disclosure on Directors' Fees and Remuneration

A breakdown of the level and mix of the remuneration payable to each individual Director in FY2019 are as follows:

Name of Director	Remuneration Band	Salary %	Director's Fees %	Performance Based Bonuses %	Other Benefits %	Total %
			Present Directors			
Liang Chengwang	<$250,000	100	–	–	–	100
Chen Hua Jing[1]	<$250,000	100	–	–	–	100
Ng Poh Khoon	<$250,000	–	100	–	–	100
He Jing	<$250,000	–	100	–	–	100
Chong Yang Kan[2]	<$250,000	–	100	–	–	100
			Past Directors			
Luo Jiachang[3]	<$250,000	100	–	–	–	100
Leow Yong Kin[4]	<$250,000	–	100	–	–	100

Notes:

(1) Appointed as Independent Director on 12 November 2018

(2) Appointed as Executive Director on 8 January 2019

(3) Resigned as Executive Director on 8 January 2019

(4) Resigned as Lead Independent Director on 13 August 2018

Corporate Governance Report

Disclosure on Key Management Personnel's Remuneration

During FY2019, there were only two (2) key management personnel (who are not Directors or the CEO) in the Company.

A breakdown of the remuneration bands payable to the top two (2) key management personnel in FY2019 was as follows:

Name of Key Management Personnel	Remuneration Band	Salary %	Performance Based Bonuses %	Other Benefits %	Total %
Yeo Choon Tat[1]	<$250,000	100	–	–	100
Yi Ming[2]	<$250,000	100	–	–	100

Notes:

(1) Resigned as Chief Financial Officer on 3 January 2019

(2) Appointed as Chief Financial Officer on 3 January 2019

Total remuneration for the Directors and the top two (2) key management personnel in FY2019 amounted to S$195,000 and S$165,000 respectively.

There were no termination, retirement and post-employment benefits granted to the Directors and key management personnel.

None of the employees in the Group whose remuneration exceeds S$50,000 during FY2019 is an immediate family member of any of the Directors and/or the CEO.

Guideline 9.4 of the Code: Disclosure of remuneration of employees who are immediate family members of Director and whose remuneration

The Company has adopted the China Star ESOS and the China Star PSP which will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Such Schemes form an internal component of the compensation plan and are designed to primarily reward and retain Directors and employees whose services are vital to the growth and performance of the Group. As at the date of this Annual Report, no options and/or awards have been granted under the China Star ESOS and China Star PSP respectively.

Guideline 9.5 of the Code: Details of employees share schemes

Further details of the Schemes are set out in the "Statement by Directors" section of the Annual Report.

Corporate Governance Report

A significant and appropriate proportion of the Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. The Executive Directors are paid a basic salary and and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills.

Guideline 9.6 of the Code: To disclose information on the link between remuneration paid to the Executive Directors and key management personnel, and performance

On top of their basic salary, key management personnel are paid a variable bonus which is determined annually based firstly on the Company's performance and secondly on the performance of the personnel which contributes to the Company's performance. Such performance-related remuneration is aligned with the interests of shareholders and promotes the long-term success of the company.

For FY2019, no performance bonuses were paid to the Executive Directors and key management personnel.

III. ACCOUNTABILITY AND AUDIT

Principle 10: Disclosure on Remuneration

The Board should present a balanced and understandable assessment of the company's performance, position, and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish adequate and reliable information on a timely basis to shareholders, and to ensure full disclosure of material information in compliance with statutory requirements and the Catalist Rules. In this regard, the Board is responsible for presenting a balanced and comprehensive assessment of the Company's performance, position and prospects, including interim and other price-sensitive public reports and reports to the regulators (if required). Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET and the Company's website.

Guideline 10.1 of the Code: Board's responsibility to provide balances, understandable assessment of the Company's performance and position on interim basis

To assist the Board in discharging its responsibility, the Company has established a system whereby business and finance heads of individual subsidiaries and business units provide written representations, to Management who would in turn furnish an overall representation to the AC and the Board confirming, *inter alia*, the integrity of the Group's financial statements.

The Board, with the assistance of the Company Secretary and its legal advisers, ensures compliance with the disclosure requirements under the Catalist Rules. In line with the Catalist Rules, the Board provides a negative assurance statement to the shareholders in respect of its quarterly year financial results announcement. The Company is not required to issue a negative assurance statement for its full year results announcement.

Guideline 10.2 of the Code: Board to take adequate steps to ensure compliance with legislative and regulatory requirements

Corporate Governance Report

Management provides the Board with information, including management accounts and updates on performance on a quarterly basis, in order that the Board may effectively discharge its duties by making a balanced and informed assessment of the performance, position, and prospects of the Company. Such reports include information on:

Guideline 10.3 of the Code: Management should provide the Board with management accounts on a monthly basis

(a) the Group's actual performance against the approved budget and where appropriate, against forecast; and

(b) key business indicators and major issues that is relevant to the Group's performance.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board is responsible for the Group's overall internal control framework and ensures that the Management regularly reviews and improves the Group's internal controls and implements effective risk management policies to control and mitigate any identified areas of significant business and operational risks so as to safeguard shareholders' interest and the Company's assets.

Guideline 11.1 of the Code: Board to determine the Company's levels of risk tolerance and risk policies

The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, that there is maintenance of proper accounting records, that financial information is reliable and that assets are safeguarded.

Notwithstanding this, the Board also recognises that all risk management and internal control systems contain inherent limitations and that no cost-effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against misstatements or losses.

For FY2019, the Board, with the assistance of independent internal auditors and external auditors, has reviewed the adequacy and effectiveness of the Group's risk management and system of internal controls addressing key financial, operational and compliance risks.

Guideline 11.2 of the Code: Board to review adequacy and effectiveness of risk management and internal control systems

Corporate Governance Report

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, AC, and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls (including financial, operational, compliance risks, and information technology controls) and risk management systems were adequate and effective for FY2019.

Guideline 11.3 of the Code: Board to comment on the adequacy and effectiveness of the internal controls

This is supported by the assurances that the Board and the AC had received from the CEO and the CFO that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances; and

(b) the risk management system and internal controls in place within the Group are adequate and effective in addressing the key financial, operational and compliance risks in the Group.

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. Having considered the Company's business operations and taking into account its nature, scope and scale, as well as the existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

Guideline 11.4 of the Code: Board to assess appropriate means to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies

Principle 12: Audit Committee

The Board has an AC with written terms of reference which clearly set out its authority and duties.

The Company has established the AC which is guided by the terms of reference approved by the Board. As at the date of this Report, the AC comprises of three (3) members all of whom, including its Chairman, are Independent Directors. The members of the AC are:

Guideline 12.1 of the Code: AC should comprise at least three Directors, all non-executive, and the majority of whom, including the chairman, are independent

(a) Ng Poh Khoon — Chairman
(appointed on 13 August 2018)

(b) He Jing — Member

(c) Chong Yang Kan — Member
(appointed on 12 November 2018)

Corporate Governance Report

The AC's primary function is to provide assistance to the Board of Directors by fulfilling its responsibilities relating to corporate accounting and auditing reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company's system of internal controls regarding finance, accounting, legal compliance and ethics as established by the management and the Board.

The responsibilities and principal functions of the AC, as set out in its terms of reference, include:

(a) reviewing with the external auditors on the audit plan, the evaluation of the system of internal accounting controls that are relevant to the audit, the audit report and the management letter and Management's response;

(b) ensuring co-ordination where more than one audit firm is involved;

(c) reviewing the quarterly and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval;

(d) reviewing any formal announcements relating to the Company's financial performance;

(e) discussing problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary;

(f) meeting with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;

(g) reviewing the assistance given by Management to the external auditors;

(h) reviewing annually the scope and results of the external audit and its cost effectiveness and the nature and extent of non-audit services (if any) to the Company as well as the independence and objectivity of the external auditors;

(i) reviewing the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal auditors and the external auditors and Management;

(j) overseeing and advising the Board in formulating its risk policies to effectively identify and manage the Company's current (and future) risks in its financial, operational, compliance and information technology systems and all strategic transactions to be undertaken by the Company;

(k) overseeing the design and implementation of the overall risk management systems and internal control systems (including financial, operational, compliance and information technology controls);

(l) reviewing the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually;

Corporate Governance Report

(m) reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit functions and ensuring that such function is adequately resourced and has appropriate standing within the Company;

(n) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspect infringement of any law, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;

(o) investigating any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

(p) reviewing arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken;

(q) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(r) reviewing interested person transactions falling within the scope of the Catalist Rules;

(s) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation which the internal audit function is outsourced and ensuring that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their function according to the standards set by nationally or internationally recognized professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;

(t) recommending to the Board the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(u) reviewing the audit representation letters before consideration by the Board, giving particular consideration to matters related to non-standard issues;

(v) undertaking such other reviews and projects as may be requested by the Board; and

(w) undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

All members of the AC have many years of experience in senior management positions and relevant accounting or related financial management expertise or experience. The Board is of the view that the AC members, having accounting and related financial management expertise and experience, are appropriately qualified to discharge their responsibilities.

Guideline 12.2 of the Code: Board to ensure AC members are qualified

Corporate Governance Report

The Board has delegated to the AC the authority to investigate any matter within its terms of reference. The AC has full access to and the cooperation of Management. It has full discretion to invite any Director or executive officer, including any Director from any subsidiary board within the Group, to attend its meetings and has various resources, including external consultants, to enable it to discharge its responsibilities properly. The auditors, both internal and external, have unrestricted access to the AC.

Guideline 12.3 of the Code: AC to have explicit authority to investigate and have full access to Management and reasonable resources

The duties of the AC will entail fulfilling its terms of reference as set out above. During FY2019, the AC reviewed the quarterly financial results, the quality and reliability of information prepared for inclusion in financial reports, policies and practices put in place by Management, results of the audits performed by internal and external auditors, and the register of interested person transactions. In addition, the AC also reviewed risk profiles and adequacy of the internal audit function, audit plans and scope, and the effectiveness of the internal audit.

Guideline 12.4 of the Code: Duties of the AC

The AC has full access to and the co-operation of Management and reasonable resources to enable it to discharge its functions properly. The AC meetings are held with the external auditors and by invitation, any Director and representatives from Management.

The AC also meets with the external auditors and the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.

Guideline 12.5 of the Code: AC to meet external and internal auditors without the presence of Management, annually

The AC reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. RT LLP ("**RT**") has not been engaged to perform any non-audit services for the Group. In this regard, the amount of fees that have been paid to RT for audit services for FY2019 is S$90,000.

Guideline 12.6 of the Code: AC to review independence of external auditors

RT was also appointed in FY2019 to audit the accounts of the Company's subsidiaries. The Company is therefore in compliance with Rule 712 and Rule 715 of the Catalist Rules.

The AC, having reviewed the independence and objectivity of the external auditors as required under Section 206(1A) of the Companies Act, is satisfied that the independency and objectivity of the external auditors is not affected. Further to this, after taking into account the resources and experience of RT and the audit engagement partner assigned to the audit, RT's other audit engagements, the size and complexity of the audit for the as well as the number and experience of the staff assigned by RT for the audit, the Board and the AC is of the view that RT is able to meet its audit obligations and as such, the AC has recommended to the Board that RT be nominated for re-appointment as the auditor of the Company at the forthcoming AGM.

Corporate Governance Report

The AC has in place "Whistleblowing" arrangements by which staff may, in confidence, raise concerns either verbally or in writing (via email) about possible improprieties in matters of financial reporting or other matters within the Company to the members of the AC directly. The objective is to ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action to be taken.

Guideline 12.7 of the Code: AC to review arrangements for staff to raise concerns/ possible improprieties to AC

In accordance with the rules of the whistle-blowing policies, following investigation and evaluation of the complaint, the AC will decide on recommended disciplinary or remedial action, if any. The action so determined by the AC to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively. There were no whistle-blowing reports received in FY2019.

The external auditors also brief the AC members on the developments in accounting standards (where applicable) during AC meetings to keep the AC members abreast of changes to the accounting standards and issues which have a direct impact on financial statements.

Guideline 12.8 of the Code: AC to keep updated on changes to accounting standards

None of the Committee members of the AC are former partners or directors of the Company's existing audit firm:

(a) within a period of 12 months commencing on the date of their ceasing to be a partner of the audit firm; and

(b) for as long as they have any financial interest in the auditing firm

Guideline 12.9 of the Code: Director of the Company's existing auditing firm should not act as member of the AC

Principle 13: Internal Audit

The company has established an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises that it has responsibility to maintain a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. Periodic review and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed for.

Guideline 13.1 of the Code: IA to report to AC Chairman

While the importance of working internal controls cannot be discounted, the Board also recognised that the size of the Group may not warrant and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup. Accordingly, the Company has outsourced its internal audit function to ShineWing LLP Singapore ("**ShineWing**"). ShineWing reports functionally to the AC and administratively to the CEO and the CFO

Corporate Governance Report

The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly.

To ensure adequacy of the internal audit function, the AC also reviews and approves the internal auditor's scope of work. Non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal control system. The AC also ensures that the approved audit recommendations are adequately performed.

Guideline 13.2 of the Code: AC to ensure internal audit function is adequately resourced

In assessing the engagement of ShineWing for the internal audit function, the AC has reviewed the profile of ShineWing as well as its employees in order to ensure that the internal audit function will be staffed with qualified and experienced personnel.

Guideline 13.3 of the Code: Internal audit function staffed with relevant experienced personnel

The internal auditor's activities are guided by its internal auditing methodology which is in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors

Guideline 13.4 of the Code: Internal auditor should meet standards set by internationally recognized professional bodies

The AC has reviewed the adequacy and effectiveness of the Group's internal audit function annually and is satisfied that the Group's internal audit function was independent, adequately resourced and had the appropriate standing in the Company to discharge its duties effectively (given, *inter alia*, its adherence to standards which is in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as well as the internal auditor's unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC). Accordingly, the AC is of the view that the Group's internal audit function was effective for FY2019.

Guideline 13.5 of the Code: AC to ensure adequacy and effectiveness of the internal audit function

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 14: Shareholder Rights

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights.

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group including, but not limited to, results announcements, any other material information or press release made available to the public through the SGXNET in accordance with the Catalist Rules.

Guideline 14.1 of the Code: To facilitate the exercise of ownership rights by all shareholders

Corporate Governance Report

The Company encourages shareholders' participation during the general meetings. Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters during the general meetings. In this regard, in order to ensure that Shareholders are able to participate effectively in the general meetings, notices of general meetings are dispatched to the shareholders at least 14 days before the meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before the meeting if special businesses are to be transacted at the meeting.

Guideline 14.2 of the Code: Company to ensure the shareholders have the opportunity to participate effectively in and vote at general meetings

Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders.

Guideline 14.3 of the Code: Company to allow certain corporations to appoint more than two proxies

Principle 15: Communications with shareholders

The Company communicates regularly with its shareholders and provides them with the opportunity to communicate their views on matters affecting the Company

The Board values dialogue with the Company's shareholders and believes in regular, effective and fair communication with them and is committed to hearing shareholders' views and addressing their concerns where possible. Accordingly, it is the Board's policy that all shareholders should be equally and timely informed of all major developments that impact the Group. In this regard, information is communicated to shareholders on a timely basis via SGXNET through:

Guideline 15.1 of the Code: Company to devise an effective investor relations policy to regularly convey pertinent information to shareholders

(a) annual reports that are issued to all shareholders;

(b) quarterly financial results containing a summary of the financial information and affairs of the Group;

(c) timely announcements pursuant to the Catalist Rules; and

(d) notices of general meetings.

Further to this, Management also addresses queries raised by institutional and retail investors via phone calls or e-mails.

The Board does not practise selective disclosure and adheres to the continuous disclosure obligations of the Company pursuant to the Catalist Rules as well its policy set out above. All disclosures will be made on a timely basis through SGXNET.

Guideline 15.2 of the Code: Company to disclose information on a timely basis through SGXNET

Corporate Governance Report

The Board also regards the general meetings as opportunities to communicate directly with the shareholders and encourages greater shareholder participation. As such, the shareholders are encouraged to attend general meetings of the Company to grasp a better understanding of the Group's businesses and be informed of the Group's strategic goals and objectives. During these general meetings, Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters.

Guideline 15.3 of the Code: Company to establish and maintain regular dialogue with shareholders

The Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

Guideline 15.4 of the Code: Steps that the Company takes to solicit and understand the views of the shareholders

The Company does not have a formal dividend policy. The form, frequency and number of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET. However, there can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

Guideline 15.5 of the Code: Companies are encouraged to have a dividend policy

The Board, after much deliberation and consideration, has decided not to recommend that the Company declare dividends for FY2019 as the operations of the Group has only just stabilised. This decision has been made as the Board is of the view that it should conserve the financial resources of the Group for the purposes of funding the Group's operations and that it is a commercially prudent approach.

In addition, under the relevant laws of the People's Republic of China, Fujian Zixin Biological Potato Co., which is directly and wholly-owned by the Company, cannot declare any dividends up to the Company as its share capital has not been fully paid up.

Principle 16: Conduct of shareholder meetings

The Company facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders. The Company's Constitution states that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies. However, as the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

Guideline 16.1 of the Code: Shareholders should be allowed to vote in absentia

Corporate Governance Report

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed.

"Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one (1) significant proposal and only where there are reasons and material implications justifying the same are explained.

Guideline 16.2 of the Code: Company should avoid "bundling" resolutions

The Board and Management, as well as external auditors, will be in attendance at the general meetings to address shareholders' questions on issues relevant to the Group and resolutions proposed at the general meetings. The Chairmen of the respective Board Committees would also be present at the general meetings to answer those questions relating to the work of these committees.

Guideline 16.3 of the Code: Board Committees Chairman and external auditors to be present at AGM

The Company Secretary and/or representatives from the Company Secretary's office prepares the minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management. The minutes of such meetings are then circulated to the Board for approval. Thereafter, the minutes are available to shareholders upon request.

Guideline 16.4 of the Code: Minutes to be available to shareholders

In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders will be put to vote by poll, using polling slips, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders. The results of the poll are announced by the Company in detail, showing the number of votes cast for and against each resolution and the respective percentages.

Guideline 16.5 of the Code: Company to put all resolutions to vote by poll

DEALING WITH THE COMPANY'S SECURITIES

Pursuant to Rule 1204(19) of the Catalist Rules, the Company has adopted an internal policy on dealings in the securities to provide guidance to its Directors and officers with regard to dealings in the Company's securities.

The Company, its Directors and officers are prohibited from dealing in the Company's securities during the period commencing two (2) weeks and one (1) month before the date of announcement of the Company's quarterly and full-year financial results respectively and ending on the date of announcement of the relevant results, or when they are in possession of the unpublished price sensitive information of the Group. Notifications of the 'closed window' periods are sent to all Directors and officers concerned.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the internal policy. In addition, the Company, its Directors and officers are discouraged from dealing in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of the CEO, any Director or controlling shareholder of the Company, which are either still subsisting at the end of FY2019, or if not then subsisting, entered into since the end of the previous financial year.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the Catalist Rules on interested person transactions, the Company has established internal control procedures to ensure that any interested person transaction proposed to be entered into is regularly reviewed by the Board and Audit Committee and if so, to ensure that the Company complies with the requisite rules under Chapter 9.

If the Company does enter into an interested party transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

There were no new interested person transactions which were more than S$100,000 entered into during FY2019. The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Catalist Rules for the current financial year.

NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") was previously the continuing sponsor of the Company until 19 April 2019 when Novus Corporate Finance Pte. Ltd. ("**Novus**") was appointed as the Company's Continuing Sponsor with effect from 20 April 2019.

As at the date of this report, there was a professional fee of S$15,377.08 paid to PPCF for non-sponsor related work. In addition, there was a professional fee of S$18,864.10 paid to Novus for non-sponsor related work

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed a renounceable non-underwritten rights issue, with the listing and quotation of the 296,909,050 rights shares on 23 May 2019. The Board wishes to provide an update on the usage of the net proceeds of S$4,320,000 as at 10 June 2019 as follows:

	Allocation of the net proceeds (S$)	Amount utilised as at the date of this announcement (S$)	Balance (S$)
Partial Capital Contribution	3,500,000	3,500,000[(1)]	–
Working capital for the Company	820,000	300,000[(2)]	520,000
Total	4,320,000	3,800,000	520,000

Notes:

(1) Utilised for the partial satisfaction of Fujian Zixin Biological Potato Co., Ltd.'s registered capital.

(2) Utilised for the funding of the salaries of its employees, administrative expenses and other operating expenses.

The above utilisation of the net proceeds from the Rights Issue is consistent with the intended use as disclosed in the Company's offer information statement dated 25 April 2019 in relation to the Rights Issue.

Directors' Statement

The directors of the Company are pleased to present the accompanying audited consolidated financial statements of China Star Food Group Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Group, and statement of changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Liang Chengwang	Executive Chairman and Chief Executive Officer
Chen Hua Jing	Executive Director (Appointed on 8 January 2019)
Ng Poh Khoon	Lead Independent Director
He Jing	Independent Director
Chong Yang Kan	Independent Director (Appointed on 12 November 2018)

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

	Direct Interest	
Name of directors and Company in which interests are held	**At beginning of the financial year**	**At end of the financial year**
The Company	Number of shares of no par value	
Mr Liang Chengwang	80,283,000	80,283,000

The director interests as at 21 April 2019 were same as those as at the end of the financial year.

By virtue of section 7 of the Act, Mr Liang Chengwang is deemed to have an interest in all the related body corporates of the Company.

Directors' Statement

4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except as disclosed in Paragraph 5 in this statement.

5. SHARE OPTIONS AND PERFORMANCE SHARES

Share options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

At the end of the reporting year, there were no unissued shares of the Company or other body corporate in the Group under option.

China Star Employee Share Option Scheme

The China Star Employee Share Option Scheme (the "Scheme") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Scheme shall continue to be in force at the discretion of the Remuneration Committee ("RC"), subject to a maximum period of 10 years commencing on the date the Scheme was adopted by the Company in the general meeting i.e. 20 July 2015, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by an ordinary resolution in a general meeting and any relevant authorities which may then be required.

The Scheme may be terminated at any time by the RC or by a resolution of the Company in a general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further option shall be offered by the Company.

The Scheme provides for the grant of ordinary shares of the Company to employees, executive directors, non-executive directors (including independent directors) of the Company and its subsidiaries, including those who may be the controlling shareholders.

The Scheme is administered by the RC comprising three directors, namely, Ms He Jing, Mr Ng Poh Khoon and Mr Chong Yang Kan in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the options. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the options granted, or to be granted, to him/her or his/her associate(s).

The aggregate number of new shares that may be allotted and issued from time to time upon the exercise of the options granted pursuant to the Scheme ("Option Shares") over which the RC may grant options on any date (including the number of Option Shares which have been and are to be issued upon the exercise of the options in respect of all options granted under the Scheme and any other share scheme then in force) shall not exceed 15% of the total number of shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

Directors' Statement

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

China Star Employee Share Option Scheme (cont'd)

The aggregate number of Option Shares over which options may be granted under the Scheme to controlling shareholders and/or their associates shall not exceed 25% of the Option Shares available under the Scheme, and the number of Option Shares over which an option may be granted under the Scheme to each controlling shareholder or his/her associate shall not exceed 10% of the Option Shares available under the Scheme.

Subject to any adjustment pursuant to Rule 10 of the Rules of the Scheme, the exercise price for each share in respect of which an option is exercisable shall be payable upon the exercise of the option and shall be determined by the RC in its absolute discretion, on the date of grant, and fixed by the RC at:

(a) the market price; or

(b) a price which is set at a discount to the market price, provided that:

  (i) the maximum discount shall not exceed 20% of the market price. The RC shall have the sole and absolute discretion to determine the exact amount of discount to each participant; and

  (ii) the shareholders in a general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option, and options granted with the exercise price set at a discount to market price shall only be exercisable by a participant after 2 years from the date of grant of that option.

Group employees (including executive directors) who are granted options must exercise their options before the 10th anniversary from the date of grant and Group non-executive directors (including independent directors) who are granted Options must exercise their options before the 5th anniversary from the date of grant, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Since the approval of the Scheme by the shareholders of the Company, no option was granted.

China Star Performance Share Plan

The China Star Performance Share Plan (the "Plan") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date the Plan was adopted by the Company in the general meeting i.e. 20 July 2015, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by an ordinary resolution in a general meeting and any relevant authorities which may then be required.

The Plan may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Plan is terminated, no further award shall be vested in the Company.

Directors' Statement

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

China Star Performance Share Plan (cont'd)

The Plan is administered by the RC comprising three directors, namely, Ms He Jing, Mr Ng Poh Khoon and Mr Chong Yang Kan, in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the awards. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the awards granted, or to be granted, to him/her or his/her associate(s).

The Company will be delivering shares pursuant to the award granted under the Plan in the form of existing shares held as treasury shares and/or an issue of new shares that may be allotted and issued from time to time upon the vesting of an award granted pursuant to the Plan. The performance shares issued under the Plan, when added to all awards granted under any other share option, share incentive, performance share or restructured share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company from time to time.

In determining whether to issue performance share or to purchase existing shares for delivery to participants upon vesting of their award, the Company will take into account factors such as (but not limited to) the number of shares to be delivered, the prevailing market price of the shares and the financial effect on the Company of either issuing performance shares or purchasing existing shares.

Insofar as in relation to the number of treasury shares that may be held pursuant to the Act as amended by the Companies (Amendment) Act 2014, such a method is not subject to any further limit under prevailing legislation and Singapore Exchange Securities Trading Limited ("SGX-ST") guidelines as it does not involve the issuance of any performance shares.

An award letter confirming the award and specifying, *inter alia*, in relation to the award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be satisfied and the date by which the award shall be vested, will be sent to each participant as soon as reasonably practicable after the award is finalised. Notwithstanding that a participant may have met his/her performance targets, no award shall vest in a participant in the following circumstances:

(a) upon the bankruptcy of a participant or the happening of any other event which results in his/her being deprived of the legal or beneficial ownership of such award;

(b) in the event of any misconduct of a participant as determined by the RC in its discretion;

(c) in the event that the RC shall, in its discretion, deems it appropriate that such award shall so lapse on the grounds that any of the objectives of the Plan have not been met; or

(d) in the event that the participant ceases to be employed by the Company before vesting of the award to him/her.

The intention is to award shares based on pre-determined dollar amounts such that the quantum of shares comprised in award is dependent on the closing price of shares transacted on the market day the award is vested. The RC will also monitor the grant of award carefully to ensure that the size of the Plan complies with the relevant rules of the SGX-ST.

Since the approval of the Plan by the shareholders of the Company, no award was granted.

Directors' Statement

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

Warrants

On 18 April 2016, the Company issued 50,500,000 warrants pursuant to the compliance placement on the basis of two warrants for every placement share subscribed. Each Warrant carries the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S$0.33 for each ordinary share payable in cash. Each warrant may be exercised at any time during the period of two years commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the second anniversary of the date of issue of the warrants. The warrants which have not been exercised after the exercise period shall lapse and cease to be valid for any purpose.

The movements of the warrants during the reporting year and the unissued ordinary shares in the Company under warrants at the end of the reporting year were as follows:

Date of issue	Exercise price	No. of warrants on date of issue	Warrants exercised	No. of warrants on 31.3.2018	Expiry date
18 April 2016	S$0.33	50,500,000	(500,000)	50,000,000	17 April 2018

On 17 April 2018, the Warrants expired and were de-listed from the Official List of the SGX-ST.

There were no Awards granted by the Company during the financial year ended 31 March 2019.

6. REPORT OF AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Mr Ng Poh Khoon	Chairman
Ms He Jing	Member
Mr Chong Yang Kan	Member

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

(a) reviewed with the independent external auditors their audit plan;

(b) reviewed with the independent external auditors their evaluation of the Company's internal accounting controls that are relevant to their statutory audit, their report on the financial statements and the assistance given by the management to them;

(c) reviewed with the internal auditors their scope and results of the internal audit procedures (including those relating to financial, operational, compliance and information technology controls and risk management) and the assistance given by management to them;

(d) reviewed the financial statements of the Group and the Company prior to their submission to the board of directors of the Company for adoption; and

(e) reviewed the interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual Section B: Rule of Catalist).

Directors' Statement

6. REPORT OF AUDIT COMMITTEE (CONT'D)

Other functions performed by the audit committee are described in the Corporate Governance Report included in the Annual Report of the Company. It also includes an explanation of how independent auditors' objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RT LLP, be nominated for re-appointment as the independent auditors at the next annual general meeting of the Company.

7. INDEPENDENT AUDITOR

RT LLP has expressed willingness to accept re-appointment.

8. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 29 May 2019, which would materially affect the group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

....	....
Liang Chengwang	Chen Hua Jing
Director	Director

5 July 2019

Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of China Star Food Group Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2019 and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and the financial position of the Company as at 31 March 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

Key audit matters (cont'd)

Key Audit Matters	How the matter was addressed in the audit
Advance payments for supplies of sweet potatoes	
As stated in Note 17, the carrying amount of the upfront payments to five sweet potatoes suppliers amounted to RMB155,874,000 as at 31 March 2019. This represented 33.2% of total assets as at 31 March 2019 and was a significant balance during the year. The wholly-owned subsidiary of the Company, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. ("Dizhongbao") had paid five years upfront payments amounting to an aggregate of RMB132,170,000. The three suppliers are to supply an aggregate of 12,190 tons of raw sweet potatoes yearly based on the contracts entered into in the last year. During the FY2019, Dizhongbao made the following advance payments to another two additional suppliers for five years: (a) RMB46,500,000 for an agreement with a supplier supplying Dizhongbao at least 4,600 tonnes of sweet potatoes per year. They had mutually agreed to replace this new supply contract with the existing favourable supply contract signed in April 2015 (Note 14C). As the RMB5,848,000 paid by Dizhongbao in the existing favourable supply contract is used as partial payment under the new contract, the total cash payment for this new contract is RMB40,652,000; and (b) RMB25,000,000 for an agreement with a supplier supplying Dizhongbao at least 2,300 tons of sweet potatoes per year. In all of the above five agreements, the suppliers agreed to sell all the harvested sweet potatoes to Dizhongbao with the first right of refusal at 30% discount of the prevailing market price at the point of sale for 15 years.	Our audit procedures focused on evaluating the business rationale of these transactions and the financial ability of the suppliers to fulfil their commitments to supply the sweet potatoes to the Group. These procedures include: • Assessed the financial standings of the suppliers on whether they are able to fulfil their commitments to supply the sweet potatoes to the Group; • Assessed the suppliers' abilities to deliver the yield as per contract based on historical data; • Evaluated whether the Group had secured the supplies of sweet potatoes at 30% discount of the harvested sweet potatoes compared to the prevailing market price at the point of sale; • Sighted to the agreements and discussed the business rationale with management in entering into these agreements with the objective of securing the supplies in the future; and • Assessed whether the advance payments are related party transactions.

Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

(a) Corporate Profile;
(b) Chairman's Letter to Shareholders;
(c) Corporate Structure;
(d) Financial Highlights;
(e) Business and Financial Performance Review;
(f) Board of Directors & Management;
(g) Sustainability Report;
(h) Corporate Governance Report;
(i) Directors' Statement;
(j) Statistics of Shareholdings;
(k) Notice of Annual General Meeting;
(l) Proxy Form; and
(m) Corporate Information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

Auditor's responsibilities for the audit of the financial statements (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

5 July 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	357,001	221,334
Cost of sales		(254,701)	(161,462)
Gross profit		102,300	59,872
Finance income	6	621	2,790
Other income		32	70
Marketing and distribution costs	7	(22,311)	(15,025)
Administrative expenses	8	(39,287)	(31,109)
Other losses	9	(391)	(170)
Finance costs	6	(1,326)	(1,070)
Profit before income tax		39,638	15,358
Income tax expense	11	(15,963)	(2,883)
Profit for the year, net of tax		23,675	12,475
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		301	85
Total comprehensive income for the year		23,976	12,560

		2019 RMB cents	2018 RMB cents
Earnings per share			
Basic and diluted earnings per share	12	8.00	4.86

The accompanying notes form an integral part of these financial statements

Statements of Financial Position

As at March 2019

		Group		Company	
	Notes	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	157,617	111,285	–	–
Intangible assets	14	40,800	39,994	–	–
Investments in subsidiaries	15	–	–	803,636	803,636
Other receivables, non-current	16	–	6,051	–	–
Other assets, non-current	17	112,266	81,938	–	–
Deferred tax assets	11	-	7,162	–	–
Total non-current assets		310,683	246,430	803,636	803,636
Current assets					
Inventories	18	4,074	1,720	–	–
Trade and other receivables	19	31,429	45,792	14,981	12,259
Other assets, current	20	60,307	29,059	400	193
Cash and bank balances	21	62,475	126,578	2,480	200
Total current assets		158,285	203,149	17,861	12,652
Total assets		468,968	449,579	821,497	816,288
EQUITY AND LIABILITIES					
Equity					
Share capital	22	130,362	113,154	829,786	812,578
Retained earnings/ (accumulated losses)		243,552	224,599	(59,577)	(52,945)
Other reserves	23	46,320	41,297	46,454	45,876
Total equity		420,234	379,050	816,663	805,509
Non-current liability					
Deferred tax liability	11	–	451	–	–
Total non-current liability		–	451	–	–
Current liabilities					
Income tax payable		140	1,397	–	–
Trade and other payables	24	26,638	46,181	2,378	6,079
Other financial liabilities	25	21,956	22,500	2,456	4,700
Total current liabilities		48,734	70,078	4,834	10,779
Total liabilities		48,734	70,529	4,834	10,779
Total equity and liabilities		468,968	449,579	821,497	816,288

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity
Year Ended 31 March 2019

Group:	**Total equity RMB'000**	**Share capital RMB'000**	**Other reserves RMB'000**	**Retained earnings RMB'000**
Opening balance at 1 April 2017	366,490	113,154	40,048	213,288
Total comprehensive income for the year				
Profit for the year	12,475	–	–	12,475
Other comprehensive income	85	–	85	–
Total comprehensive income for the year	12,560	–	85	12,475
Transactions with owners, recognised directly in equity				
Transfer from retained earnings	–	–	1,164	(1,164)
Closing balance at 31 March 2018	379,050	113,154	41,297	224,599
Opening balance at 1 April 2018	379,050	113,154	41,297	224,599
Total comprehensive income for the year				
Profit for the year	23,675	–	–	23,675
Other comprehensive income	301	–	301	–
Total comprehensive income for the year	23,976	–	301	23,675
Transactions with owners, recognised directly in equity				
Issuance of new shares	17,208	17,208	–	–
Transfer from retained earnings	–	–	4,722	(4,722)
Closing balance at 31 March 2019	420,234	130,362	46,320	243,552

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity (cont'd)

Year Ended 31 March 2019

Company:	**Total equity RMB'000**	**Share capital RMB'000**	**Other reserves RMB'000**	**Accumulated losses RMB'000**
Opening balance at 1 April 2017	814,136	812,578	46,163	(44,605)
Total comprehensive loss for the year				
Loss for the year	(8,340)	–	–	(8,340)
Other comprehensive loss	(287)	–	(287)	–
Total comprehensive loss for the year	(8,627)	–	(287)	(8,340)
Closing balance at 31 March 2018	805,509	812,578	45,876	(52,945)
Opening balance at 1 April 2018	805,509	812,578	45,876	(52,945)
Total comprehensive loss for the year				
Loss for the year	(6,632)	–	–	(6,632)
Other comprehensive income	578	–	578	–
Total comprehensive loss for the year	(6,054)	–	578	(6,632)
Transactions with owners, recognised directly in equity				
Issuance of new shares	17,208	17,208	–	–
Closing balance at 31 March 2019	816,663	829,786	46,454	(59,577)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 March 2019

	2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from operating activities		
Profit before income tax	39,638	15,358
Interest income	(621)	(2,790)
Interest expense	1,326	1,070
Depreciation of property, plant and equipment	10,311	7,222
Amortisation of intangible assets	3,514	3,513
Impairment of intangible asset	2,565	–
Loss on disposal/ written off of property, plant and equipment	60	–
Exchange differences on translating functional to presentation currency	301	85
Operating cash flows before changes in working capital	57,094	24,458
Inventories	(2,355)	(1,720)
Trade and other receivables	37,775	(23,287)
Advance payments for supplies of sweet potatoes	(65,652)	(67,882)
Other assets	(13,270)	26,381
Trade and other payables	(19,542)	26,429
Net cash flows used in operations	(5,950)	(15,621)
Income taxes paid	(10,509)	(637)
Net cash flows used in operating activities	(16,459)	(16,258)
Cash flows from investing activities		
Additions to property, plant and equipment	(56,703)	(10,089)
Additions to land use rights	(6,885)	(821)
Proceeds from disposal of property, plant and equipment	–	113
Movement in fixed deposits maturing beyond 90 days	(2,456)	–
Interest income received	606	407
Net cash flows used in investing activities	(65,438)	(10,390)
Cash flows from financing activities		
Proceeds from issuance of shares	17,208	–
Proceeds from new bank loans	21,956	17,800
Repayment of bank loans	(17,800)	(12,800)
Proceeds of loan from director and shareholder	–	4,059
Repayment of payables to director and shareholder	(4,700)	–
Interest expense paid	(1,326)	(931)
Net cash flows from financing activities	15,338	8,128
Net decrease in cash and cash equivalents	(66,559)	(18,520)
Cash and cash equivalents, beginning balance	126,578	145,098
Cash and cash equivalents, ending balance (Note 21)	60,019	126,578

Consolidated Statement of Cash Flows (cont'd)

Year Ended 31 March 2019

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non- cash changes		
	As at 1 April 2018	**Cash flows**	**Interest payable**	**Interest expense**	**As at 31 March 2019**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
Bank loans	17,800	2,830	–	1,326	21,956
Loan from director and shareholder	4,700	(4,700)	–	–	–
	22,500	(1,870)	–	1,326	21,956

			Non- cash changes		
	As at 1 April 2017	**Cash flows**	**Interest payable**	**Interest expense**	**As at 31 March 2018**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
Bank loans	12,800	4,069	–	931	17,800
Loan from director and shareholder	641	4,059	(139)	139	4,700
	13,441	8,128	(139)	1,070	22,500

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year Ended 31 March 2019

1. GENERAL

1.1 The Company

China Star Food Group Limited (the "Company") is incorporated in Singapore with limited liability. It is listed on the Catalist of the Singapore Exchange Securities Trading Limited.

The financial statements for the reporting year ended 31 March 2019 comprise those of the Company and its subsidiaries (collectively, the "Group"). All financial information presented in Chinese Renminbi have been rounded to the nearest thousand ("RMB'000"), unless when otherwise indicated.

The financial statements were approved and authorised for issue by the board of directors on the date of statement by directors.

The principal activities of the Company are those of an investment holding company. The principal activities of the Company's subsidiaries are disclosed in Note 15 to the financial statements below.

The registered office of the Company is located at 24 Raffles Place #19-05 Clifford Centre Singapore 048621. The principal place of business of the Company is located at 20 Collyer Quay, #09-04, Singapore 049319.

During the financial year ended 31 March 2016, the Company acquired Zixin International Pte Ltd (formerly known as China Star Food Holdings Pte Ltd) in a reverse takeover exercise.

1.2 Resumed operation of the Group's production facilities

In January 2017, the Group received a local government general directive requiring sweet potato factories within the Liancheng County that did not meet pollution control requirements to halt production. The Group was affected by the general directive and had halted the production in its current factories, namely, the Hengming Factory and the Henggang Factory, since January 2017.

As at the date of this Annual Report, the Zilaohu factory has resumed operation and is currently operating at 100% capacity.

1.3 Accounting convention

Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2B.

Notes to the Financial Statements

Year Ended 31 March 2019

1. GENERAL (CONT'D)

1.4 Adoption of SFRS(I)s

These financial statements for the year ended 31 March 2019 are the first the Group and the Company have prepared in accordance with SFRS(I)s. Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I)s applicable as at 31 March 2019, together with the comparative period data for the year ended 31 March 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 April 2018, the Group's and the Company's date of transition to SFRS(I)s.

The principal adjustments made by the Group on adoption of SFRS(I)s and the adoption of the new standards that are effective on 1 April 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)s

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I)s. The Group has applied the following exemptions:

- SFRS (I) 3 Business Combinations had not been applied to either acquisitions of subsidiaries that are considered business under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 April 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS (I) 1-21 The Effects of Changes in Foreign Exchanges Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquire. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 April 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 April 2018. The adoption of these standards does not have any impact to the financial performance or position of the Group and the Company.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 April 2018.

With respect to new SFRS(I) 15, management has assessed and concluded that there has no significant impact on its revenue recognition policy due to the following reasons:

There is no variation consideration involved as the contracts does not provide customers with (a) right of returns; (b) trade discounts; (c) volume rebates.
There is no service-type of warranties nor the option to purchase extended warranties.
There is no contract that are recognised upon completion basis.
There is no capitalised of contract cost.

Accordingly, the initial application of SFRS(I) 15 have no significant impact to the Group's Financial Statements.

Notes to the Financial Statements
Year Ended 31 March 2019

1. GENERAL (CONT'D)

1.4 Adoption of SFRS(I)s (cont'd)

SFRS(I) 9 Financial Instruments

On 1 April 2018, the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 April 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 due to there is no significant impact on the comparative amounts of the financial statements for the financial year ended 31 March 2018. The Group has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 April 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

The classification and measurement requirements of SFRS(I) 9 did not have a significant impact to the Group.

The Group has assessed which business model apply to the financial assets held by the Group at 1 April 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

The Group and the Company has not designed any financial liabilities at FVPL. There are no changes in classification and measurement for the Group's and Company's financial liabilities.

In summary, upon the adoption of SFRS(I) 9, the Group had the following required or elected reclassification as at 1 April 2018.

		SFRS(I) 9 measurement category		
FRS 39 Measurement category		**FVPL**	**FVOCI**	**Amortised cost**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loan and receivables				
Other receivables	6,051	–	–	6,051
Trade and other receivables	45,792	–	–	45,792
		–	–	51,843

Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECLs") on its financial assets measured at amortised cost, debt securities at FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group did not recognise any additional impairment on the Group's trade and other receivables as the computed amount is deemed immaterial by the Group.

Notes to the Financial Statements

Year Ended 31 March 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.5 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 April 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 April 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Notes to the Financial Statements

Year Ended 31 March 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.5 Standards issued but not yet effective (cont'd)

SFRS(I) 16 Leases (continued)

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects an increase in total assets and total liabilities, EBITDA and gearing ratio.

1.6 Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Singapore Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Foreign currency transactions

The functional currency of the Company is the Singapore Dollars ("S$") as it reflects the primary economic environment in which the Company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

The presentation currency of the Company's financial statements is Chinese Renminbi ("RMB"). For the RMB financial statements, assets and liabilities are translated at year end exchange rates and the income and expense items, and other comprehensive income or loss in the statement of comprehensive income are translated at average exchange rates for the reporting year. The resulting translation differences (if any) are recognised in other comprehensive income and accumulated in a separate component of equity.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the profit or loss items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue excludes VAT and is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The Group's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

The Group also contributes to a local pension scheme in the People's Republic of China, under which the Group pays fixed contributions into a defined contribution retirement scheme organised by the local municipal government for eligible employees, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Contributions to the scheme are charged to profit or loss as they fall due.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Employee benefits (cont'd)

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Share-based compensation

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws by the end of the reporting year; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the financial entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold buildings	–	3.33% - 5%
Renovation	–	33.33%
Plant and machinery	–	10%
Office equipment	–	20%
Research & production equipment	–	20%
Motor vehicles	–	25%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Construction work-in-progress is carried at cost, less any recognised impairment loss until construction is completed.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Land use rights

Cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease terms of the land use rights of between 46 and 50 years.

Manufacturing patents

Cost of acquisition of patents is capitalised and amortised on a straight-line basis over the useful lives of 10 years.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Intangible assets (cont'd)

Software

Cost of acquisition of software is capitalised and amortised on a straight-line basis over the useful lives of 5 years.

Favourable supply contracts

Favourable supply contracts acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over 5 years.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b) whereby (a) being the aggregate of (i) the consideration transferred measured at acquisition date fair value; (ii) the amount of any non-controlling interests in the acquiree measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets; and (iii) in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interests in the acquiree; and (b) being the net of the identifiable assets acquired and the liabilities assumed measured at acquisition date fair values in accordance with SFRS(I) 3 – Business Combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment at least annually. Impairment on goodwill is not reversed in any circumstances.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Company and the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the Company has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the Company controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each reporting year, non-financial assets with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Financial assets

The accounting for financial assets before 1 April 2018 are as follows:

The Group classifies its financial assets in loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

(a) Initial recognition, measurement and derecognition: (cont'd)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(b) Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.

#4. Available-for-sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

(c) Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the differences between the carrying amount and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the financial period generally established by regulation or convention in the marketplace concerned.

The accounting for financial assets after 1 April 2018 are as follows:

Classification and measurement

Financial assets are classified in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise cash and bank balances and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

Impairment of financial assets

The accounting for financial assets before 1 April 2018 are as follows:

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired and recognises an allowance for impairment when such evidence exists.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amounts of the loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying values of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amounts of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the assets does not exceed its amortised cost at the reversal date. The amounts of reversal are recognised in profit or loss.

The accounting for financial assets after 1 April 2018 are as follows:

The Group has the following type of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Company has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction, if any.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement and classification

The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the profit or loss in the reporting year they occur.

Leases

#1. When the Group is the lessee.

The Group leases office and factory buildings under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Leases (cont'd)

#2. When the Group is the lessor.

The Group leases factory building and portions of office under operating leases to non-related parties.

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2B. Critical judgments, assumptions and estimation uncertainties

The critical judgments made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

(a) Provision for expected credit losses ("ECLs") of trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group mainly comprised a few large balances from a few trade debtors as at 31 March 2019.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 19.

The carrying amounts of trade receivables at the end of the reporting period was Nil (2018: Nil).

(b) Property, plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value-in-use calculations. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of property, plant and equipment of the Group are disclosed in Note 13.

Notes to the Financial Statements

Year Ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2B. Critical judgments, assumptions and estimation uncertainties (cont'd)

(c) Intangible assets:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value-in-use calculations. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of intangible assets of the Group are disclosed in Note 14.

(d) Income tax amounts:

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgment is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 11 on income tax.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

SFRS(I) 1-24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Mr Liang Chengwang.

3A. Related companies

Related companies in these financial statements relate to the Company's subsidiaries.

There are transactions and arrangements between the Company and its related companies and the effects of these on the basis determined between the companies are reflected in these financial statements. The related company balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

Notes to the Financial Statements

Year Ended 31 March 2019

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3B. Key management compensation

	Group	
	2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits	2,850	2,618
Contributions to defined benefits plans	54	69

The above amount is included under employee benefits expense. Included in the above amount are the following items:

	Group	
	2019 RMB'000	2018 RMB'000
Remuneration of directors	2,058	1,340

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

3C. Other payables and other financial liabilities to related parties

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the consolidated financial statements.

The movements in other payables to related parties are as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Director/shareholder:				
Balance at beginning of the year	1,432	964	1,432	964
Repayments	(1,432)	(964)	(1,432)	(964)
Salary payables	164	1,432	164	1,432
Balance at end of the year (Note 24)	164	1,432	164	1,432

Notes to the Financial Statements

Year Ended 31 March 2019

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3C. Other payables and other financial liabilities to related parties

The movements in other financial liabilities payable to related parties are as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Directors/shareholders:		
Balance at beginning of the year	4,700	641
Advances from a shareholder	–	2,474
Advances from a director	–	1,585
Repayment to a shareholder	(3,115)	–
Repayment to a director	(1,585)	–
Balance at end of the year (Note 25)	–	4,700

4. FINANCIAL INFORMATION BY SEGMENT

4A. Primary analysis by business segment

For management purposes, the focus is on one operating segment, that is, sweet potato foods. Sweet potato foods segment includes research, production and distribution of sweet potato food products.

4B. Geographical information

As the business activities of the Group are mainly conducted in the People's Republic of China, the reporting format by geographical segment is not presented.

4C. Information about major customers

There are no customers with revenue transactions of over 10% of the Group's revenue.

5. REVENUE

	Group	
	2019	2018
Revenue:		
Sweet potato processed products	314,366	177,158
Sweet potatoes	42,635	44,176
	357,001	221,334
Timing of transfer of goods or service		
At a point in time	357,001	221,334
Over time	–	–
	357,001	221,334

Notes to the Financial Statements

Year Ended 31 March 2019

6. FINANCE INCOME AND FINANCE COSTS

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Interest income from banks	621	407
Unwinding of discount on other receivables from a supplier (Note 14C)	–	2,383
Finance income	621	2,790
Interest expense	1,326	1,070
Finance expense	1,326	1,070

7. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Advertisement cost	4,492	7,519
Delivery charges	5,883	2,936
Publicity expenses	3,683	1,054
Employee benefits expense (Note 10)	6,104	1,836

8. ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Amortisation of intangible assets (Note 14)	3,514	3,513
Impairment of intangible asset (Note 14)	2,565	–
Depreciation of property, plant and equipment (Note 13)	7,734	5,709
Research and development expenses	6,892	1,626
Employee benefits expense (Note 10)	10,614	9,484

Notes to the Financial Statements

Year Ended 31 March 2019

9. OTHER LOSSES

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Loss on disposal of property, plant and equipment	60	–
Donation	331	170
	391	170

10. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Salaries, bonuses and other employees' benefits	16,308	19,915
Contributions to defined contribution plans	3,277	1,740
Other benefits	1,652	651
	21,237	22,306
The employee benefits expenses are charged as follows:		
Cost of sales	4,519	10,986
Marketing and distribution costs (Note 7)	6,104	1,836
Administrative expenses (Note 8)	10,614	9,484
	21,237	22,306

11. INCOME TAX

11A. Components of income tax expense recognised in profit or loss

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
<u>Current tax expense:</u>		
Current tax expense	9,252	2,246
Under adjustments in respect of prior years	-	637
	9,252	2,883
Deferred income tax – net charge to profit or loss	6,711	–
Total income tax expense	15,963	2,883

Notes to the Financial Statements

Year Ended 31 March 2019

11. INCOME TAX (CONT'D)

11A. Components of income tax expense recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying the People's Republic of China corporate income tax rate, where the main operations of the Group take place. The income tax in profit or loss varied from the amount of income tax amount determined by applying the People's Republic of China corporate income tax rate of 25% (2018: 25%) to profit before income tax as a result of the following differences:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Profit before income tax	39,638	15,358
Income tax expense at the above rate	9,909	3,840
Effect of different tax rates in different countries	534	673
Non-deductible items	5,520	1,477
Utilisation of previously unrecognised tax losses	–	(3,107)
Total income tax expense	15,963	2,883

There are no income tax consequences of dividends to owners of the Company.

The amount of income tax payable outstanding as at end of the reporting year was RMB140,000 (2018: RMB1,397,000). Such an amount is net of tax advances, which, according to the tax rules in the People's Republic of China, were paid before the end of the financial year.

According to the prevailing tax rules and regulation in the People's Republic of China, one of the subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd., is exempted from enterprise income tax for taxable profit from its agricultural business activities in the People's Republic of China.

11B. Deferred tax liabilities balance in the statement of financial position

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Withholding tax on potential dividends from a wholly-owned subsidiary in the People's Republic of China	–	451

The wholly-owned subsidiaries, Fujian Zixin Biological Potato Co., Ltd and Fujian Zilaohu Food Co., Ltd., have undistributed profits of RMB314,093,000 and RMB16,026,000 respectively (2018: RMB295,180,000 and RMB4,431,000) as at the end of the financial year. The directors of the Company have determined that these undistributed profits are intended for reinvestment purposes and will not to be distributed as dividends in the foreseeable future. In addition, the Company is able to control the timing of the dividend distributions of these subsidiaries.

Notes to the Financial Statements

Year Ended 31 March 2019

11. INCOME TAX (CONT'D)

11B. Deferred tax liabilities balance in the statement of financial position (cont'd)

	Group	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	451	451
Reversal of withholding tax on potential dividends from a wholly-owned subsidiary in the People's Republic of China	(451)	–
Balance at end of the year	–	451

11C. Deferred tax assets balance in the statement of financial position

	Group	
	2019	2018
	RMB'000	RMB'000
Unutilised tax losses	–	7,162

The Group has tax losses of RMBNIL (2018: RMB28,647,000) at the end of financial year which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The Group has recognised deferred tax assets on the basis that there are sufficient estimated future taxable profits and taxable temporary differences against which the tax benefits can be utilised, based on the management projection of surplus from operations.

	Group	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	7,162	8,011
Utilisation of previously recognised tax losses	(7,162)	(849)
Balance at end of the year	–	7,162

Notes to the Financial Statements

Year Ended 31 March 2019

12. EARNINGS PER SHARE

The basic earnings per share is calculated based on the consolidated profit attributable to equity holders of the Company divided by the weighted average number of shares in issue of 295,923,000 (2018: 256,909,000) shares during the financial year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Basic earnings per share		
Profit, net of tax attributable to owners of the Company	23,675	12,475
Weighted average number of ordinary shares in issue ('000)	295,923	256,909
Basic earnings per share (RMB cents)	8.00	4.86

As the Company does not have dilutive potential ordinary shares, the earnings per share and diluted earnings per share for FY2019 are thus RMB 8.00 cents (2018: RMB 4.86 cents) per share.

Notes to the Financial Statements

Year Ended 31 March 2019

13. PROPERTY, PLANT AND EQUIPMENT

Group:	Leasehold buildings	Renovation	Office equipment	Plant and machinery	Research & production equipment	Motor vehicles	Construction work-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 31 March 2017	76,793	3,622	881	19,806	158	272	15,925	117,457
Additions	–	5,918	–	3,072	–	–	1,099	10,089
Disposal	–	–	–	(122)	–	–	–	(122)
Reclassification	426	1,000	–	–	–	–	(1,426)	–
At 31 March 2018	77,219	10,540	881	22,756	158	272	15,598	127,424
Additions	1,615	35,008	9	3,757	–	–	16,314	56,703
Disposal	–	–	(187)	–	–	–	–	(187)
Reclassification	1,224	3,662	–	1,853	–	–	(6,739)	–
	80,058	49,210	703	28,366	158	272	25,173	183,940
Accumulated depreciation:								
At 31 March 2017	7,054	1,104	258	378	8	124	–	8,926
Depreciation for the year	2,634	2,257	166	2,082	31	52	–	7,222
Disposal	–	–	–	(9)	–	–	–	(9)
At 31 March 2018	9,688	3,361	424	2,451	39	176	–	16,139
Depreciation for the year	3,652	3,818	142	2,615	32	52	–	10,311
Disposal	–	–	(127)	–	–	–	–	(127)
	13,340	7,179	439	5,066	71	228	–	26,323
Carrying amount:								
At 31 March 2018	67,531	7,179	457	20,305	119	96	15,598	111,285
At 31 March 2019	66,718	42,031	264	23,300	87	44	25,173	157,617

As at 31 March 2019, the leasehold building and construction work-in-progress of the Group with carrying amount of RMB58,614,000 (2018: RMB59,744,000) are mortgaged as securities for bank loans (See Note 25C).

Notes to the Financial Statements

Year Ended 31 March 2019

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is charged as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Cost of sales	2,577	1,513
Administrative expenses (Note 8)	7,734	5,709
	10,311	7,222

Notes to the Financial Statements

Year Ended 31 March 2019

14. INTANGIBLE ASSETS

Group:	Land use rights (Note 14A)	Manufacturing patents	Software	Favourable supply contracts (Note 14C)	Goodwill (Note 14B)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 April 2017	35,410	1,562	338	12,822	36,660	86,792
Additions	821	–	–	–	–	821
At 31 March 2018	36,231	1,562	338	12,822	36,660	87,613
Additions	6,885	–	–	–	–	6,885
At 31 March 2019	43,116	1,562	338	12,822	36,660	94,498
Accumulated amortisation:						
At 1 April 2017	1,667	571	79	5,129	–	7,446
Amortisation for the year	724	157	68	2,564	–	3,513
At 31 March 2018	2,391	728	147	7,693	–	10,959
Amortisation for the year	728	155	67	2,564	–	3,514
At 31 March 2019	3,119	883	214	10,257	–	14,473
Accumulated impairment:						
At 1 April 2017	–	–	–	–	36,660	36,660
Impairment for the year	–	–	–	–	–	–
At 31 March 2018	–	–	–	–	36,660	36,660
Impairment for the year	–	–	–	2,565	–	2,565
At 31 March 2019	–	–	–	2,565	36,660	39,225
Carrying amount:						
At 31 March 2018	33,840	834	191	5,129	–	39,994
At 31 March 2019	39,997	679	124	–	–	40,800

Amortisation expenses are charged under administrative expense.

Notes to the Financial Statements

Year Ended 31 March 2019

14. INTANGIBLE ASSETS (CONT'D)

14A. Land use rights

The land use rights are for three parcels of land located in Liancheng County of Fujian Province, the People's Republic of China.

As at 31 March 2019, the land use rights of the Group for a parcel of land with carrying amount of RMB6,410,000 (2018: RMB6,553,000) is mortgaged for bank loan (See Note 25C).

In September 2018, Liangcheng Dizhongbao Modern Agriculture Development Co., Ltd ("Dizhongbao"), a subsidiary in the Group, entered into Land Use Rights Transfer Agreements (the "Agreements") with 91 farmers to lease their farmland for 15 years to plant the sweet potatoes. Under the terms of the Agreements, Dizhongbao had made upfront full payments with the farmers with a 15 years upfront payment amounting to RMB7,000,890. The land used right was amortised as an expense in profit or loss on a straight-line basis over the term of the relevant leases.

14B. Goodwill arising on consolidation

In the previous reporting year, a determination of the recoverable amount of goodwill subsequent to the RTO revealed a shortfall of RMB36,660,000 in future cash flow to support the purchase consideration paid of RMB36,661,000 as the Company did not have operation or subsidiaries at the time when the reverse acquisition was completed. Accordingly, an impairment charge of RMB36,660,000 was recorded against goodwill and disclosed under "other expenses" in the consolidated statement of profit or loss and other comprehensive income for the reporting year ended 31 March 2016.

14C. Favourable supply contracts

In January 2014, the subsidiary, Liancheng Dizhongbao Modern Agriculture Development Co, Ltd. ("Dizhongbao") signed lease agreements with several farmers to lease their farmland for 16 years as part of the Group's business strategy to secure supplies of sweet potatoes. Under the terms of the lease agreements, Dizhongbao had made upfront full payments of the leases. The advance payments for leasing of farmland were amortised as an expense in profit or loss on a straight-line basis over the term of the relevant leases.

In April 2015, Dizhongbao entered into Land Use Rights Transfer Agreements (the "Agreements") with a third party sweet potatoes supplier (the "Supplier").

In return, the Supplier agreed to pay Dizhongbao a sum of RMB34,790,000, which Dizhongbao will receive in 5 equal yearly installments payable before 31 December every year and the first installment was due on 31 December 2015. In addition, the Supplier also agreed to sell all the harvested sweet potatoes from the transferred farmland exclusively to the Dizhongbao with the first right of refusal at 30% discount of the prevailing market price at the point of sale for 5 years (collectively, the "Consideration").

The Agreements also state that in the event of default/delay of repayments of installments of more than one month or non-compliance with any specified clauses in the Agreements, Dizhongbao has the right to resume usage of the farmland or re-assign its rights and responsibilities to another party.

Notes to the Financial Statements
Year Ended 31 March 2019

14. INTANGIBLE ASSETS (CONT'D)

14C. Favourable supply contracts (cont'd)

Management measured and recognised the fair value of the Consideration using the following parameters:

(a) the rate used for the discounting of receivable from the Supplier and future benefits arising from the favourable supply contracts was 15%; and

(b) the supply of sweet potatoes from the transferred farmland is 5,000 tons per year.

The carrying amounts of the assets and impact to profit or loss resulting from the Disposal are as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Other receivables, non-current (Note 16)	–	6,051
Other receivables, current (Note 19)	–	5,262
Intangible asset - favourable supply contracts (Note 14)	–	5,129
Impact to profit or loss:		
Amortisation of intangible asset (Note 14)	(2,564)	(2,564)
Unwinding of discount on other receivable (Note 6)	–	2,383
Impairment of intangible asset (Note 14)	(2,565)	–

Management had used the value-in-use (discounted cash flow) method to determine the recoverable amount of the favourable supply contracts. The recoverable amount was determined based on estimates of forecast cash inflows from other receivables and discounted to present value at 15%. No impairment loss was made in the prior year as the recoverable amount was higher than the carrying amount as at 31 March 2018.

Dizhongbao and the Supplier had entered into a new contract during financial year ended 31 March 2019. Dizhongbao had paid five years upfront payments amounting to RMB46,500,000 (to supply at least 4,600 tons of raw sweet potatoes yearly). They had mutually agreed to replace this new supply contract with the existing favourable supply contract signed in April 2015. As the RMB5,848,000 paid by Dizhongbao in the existing favourable supply contract is used as partial payment under the new contract, the total cash payment for this new contract is RMB40,652,000.

As such, there was an impairment charge of RM2,565,000 in the current financial year.

Notes to the Financial Statements

Year Ended 31 March 2019

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	RMB'000	RMB'000
Unquoted equity shares, at cost	803,636	803,636

The subsidiaries held by the Company are listed below:

Names of subsidiaries, country of incorporation, place of operations and principal activities	Cost		Effective equity held	
	2019 RMB'000	2018 RMB'000	2019 %	2018 %
Held through the Company:				
Zixin International Pte Ltd (formerly known as China Star Food Holdings Pte Ltd) [(a)] Singapore Investment holdings	803,636	803,636	100	100
Held through Zixin International Pte Ltd:				
福建紫心生物薯业有限公司 Fujian Zixin Biological Potato Co., Ltd [(b)] People's Republic of China Research, production and distribution of sweet potato food products			100	100
Held through Fujian Zixin Biological Potato Co., Ltd:				
福建紫老虎食品有限公司 Fujian Zilaohu Food Co., Ltd. [(b)] People's Republic of China Research, production and distribution of sweet potato food products			100	100
连城县地中宝现代农业发展有限公司 Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. [(b)] People's Republic of China Cultivation, processing and sale of sweet potatoes			100	100
福建星派食品有限公司 Fujian Xingpai Food Co., Ltd. [(b)] People's Republic of China Sale of sweet potato food products			100	100

(a) Audited by RT LLP.

(b) Audited by Pan-China for consolidation purpose.

Notes to the Financial Statements

Year Ended 31 March 2019

16. OTHER RECEIVABLES, NON-CURRENT

	Group	
	2019	2018
	RMB'000	RMB'000
Other receivables from a supplier (Note 14C)	–	6,051
Presented in the statement of financial position as:		
Non-current	–	6,051
Current (Note 19)	–	5,262
	–	11,313

17. OTHER ASSETS, NON-CURRENT

	Group	
	2019	2018
	RMB'000	RMB'000
Advance payments for supplies of sweet potatoes	112,266	81,812
Deferred expenses	–	126
	112,266	81,938
Advance payment for suppliers of sweet pototaes presented in the statement of financial position as:		
Non-current	112,266	81,812
Current (Note 20)	43,608	25,630
	155,874	107,442

In October 2016, Dizhongbao entered into lease agreements and potatoes plantation management agreements (collectively, the "Agreements") with 2 third party sweet potato suppliers (the "Suppliers"). Under the Agreements, Dizhongbao paid a total sum of RMB63,833,000 to these Suppliers.

In June 2017, Dizhongbao and the Suppliers cancelled the Agreements and signed new raw sweet potatoes purchase contracts ("Purchase Contracts") with the Suppliers. Under the Purchase Contracts, the 2 Suppliers will supply Dizhongbao with an aggregate amount of 9,890 tons of raw sweet potatoes yearly over a period of 5 years at quality and prices stipulated in the Purchase Contracts.

The Purchase Contracts require Dizhongbao to make 2 upfront payments of RMB52,500,000 and RMB55,000,000 respectively to the Suppliers, subject to meeting certain conditions by the Suppliers. The amount of RMB63,833,000 paid by Dizhongbao in the reporting year ended 31 March 2017 is used as partial payments under the Purchase Contracts.

In September 2017, Dizhongbao entered into a new purchase contract with a new supplier. The supplier will supply Dizhongbao with 2,300 tons of raw sweet potatoes yearly over a period of 5 years at quality and prices stipulated in the Purchase Contracts. Under the agreements, Dizhongbao paid a total sum of RMB24,612,000 to the Supplier.

Notes to the Financial Statements

Year Ended 31 March 2019

17. OTHER ASSETS, NON-CURRENT (CONT'D)

During FY2019, Dizhongbao had entered into the following agreements with the suppliers:

(a) RMB46,500,000 for an agreement with a supplier supplying Dizhongbao at least 4,600 tonnes of sweet potatoes per year (for five years). They had mutually agreed to replace this new supply contract with the existing favourable supply contract signed in April 2015 (Note 14C). As the RMB5,848,000 paid by Dizhongbao in the existing favourable supply contract is used as partial payment under the new contract, the total cash payment for this new contract is RMB40,652,000; and

(b) RMB25,000,000 for an agreement with a supplier supplying Dizhongbao at least 2,300 tons of sweet potatoes per year (for five years).

In all of the above five agreements, the suppliers agreed to sell all the harvested sweet potatoes to Dizhongbao with the first right of refusal at 30% discount of the prevailing market price at the point of sale for 15 years.

Management has entered into the abovementioned agreements/contracts to secure the supply of quality raw sweet potatoes at reasonable prices.

18. INVENTORIES

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Finished goods	63	213
Work-in-process	–	175
Raw materials	4,011	1,332
	4,074	1,720
Changes in inventories of finished goods	(150)	213
The amounts of inventories included in cost of goods sold	227,777	147,798

There were no inventories pledged as security for liabilities.

Notes to the Financial Statements

Year Ended 31 March 2019

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	31,167	38,890	–	–
Other receivables:				
Subsidiary	–	–	14,931	12,111
Deposits to secure goods and services	262	1,640	50	148
Other receivables from a supplier	–	5,262	–	–
Subtotal	262	6,902	14,981	12,259
Total	31,429	45,792	14,981	12,259

Expected credit losses

The Group assessed the expected credit losses of trade receivables based on lifetime ECL by using debtor by debtor basis. The Group has no history of significant bad debts and neither was allowance for trade receivables considered necessary in prior years. Accordingly, no provision for doubtful debts are provided at the end of the financial year ended 31 March 2019.

20. OTHER ASSETS, CURRENT

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid expenses	16,341	2,872	7	193
Advance payments for supplies of sweet potatoes (Note 17)	43,608	25,630	–	–
Others	358	557	393	–
	60,307	29,059	400	193

Notes to the Financial Statements

Year Ended 31 March 2019

21. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	72	92	–	3
Cash at bank	59,947	91,361	24	197
	60,019	91,453	24	200
Fixed deposit				
- Maturing within 3 months	–	35,125	–	–
- Maturing more than 3 months	2,456	–	2,456	–
	2,456	35,125	2,456	–
Cash and bank balances	62,475	126,578	2,480	200

Cash at bank bears weighted average effective interest rate of 0.30% (2018: 0.30%) per annum during the financial year.

The fixed deposit earned interest at 1.40% (2018: 1.43%) per annum have maturity of more than 3 months.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	2,509	216	2,480	200
Renminbi	59,966	126,362	–	–
	62,475	126,578	2,480	200

22. SHARE CAPITAL

	Group		Company	
	Number of shares issued	Share capital	Number of shares issued	Share capital
	'000	RMB'000	'000	RMB'000
Ordinary shares:				
Balance at 1 April 2017, 31 March 2018 and 1 April 2018	256,909	113,154	256,909	812,578
Issuance of private placement shares	40,000	17,208	40,000	17,208
Balance at 31 March 2019	296,909	130,362	296,909	829,786

Notes to the Financial Statements

Year Ended 31 March 2019

22. SHARE CAPITAL (CONT'D)

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid, with no par value. The Company is not subject to any externally imposed capital requirements.

On 9 April 2018, the Company had completed a private placement, and 40,000,000 new ordinary shares were allocated and issued to each of the shareholders in accordance with the terms and conditions of the subscription agreements. The new shares rank pari passu in all respects with the existing shares of the Company in issue.

Capital management:

The objectives when managing capital are: to safeguard the financial entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The Group's cash as at 31 March 2019 and 31 March 2018 exceeded its borrowing as of these dates. Therefore, the debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

In order to maintain its listing on the Singapore Exchange, the Company has to have share capital with a public float of at least 10% of the shares. The Company met the capital requirement on its listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

22A. China Star Food Employee Share Option Scheme

The China Star Food Employee Share Option Scheme (the "Scheme") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Scheme shall continue to be in force at the discretion of the Remuneration Committee ("RC"), subject to a maximum period of 10 years commencing on the date the Scheme was adopted by the Company in general meeting i.e. 20 July 2015, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and any relevant authorities which may then be required.

The Scheme may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further option shall be offered by the Company.

The Scheme provides for the grant of ordinary shares of the Company to employees, executive directors, non-executive directors (including independent directors) of the Company and its subsidiaries, including those who may be the controlling shareholders.

The Scheme is administered by the RC of the Company in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the options. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the options granted, or to be granted, to him/her or his/her associate(s).

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22. SHARE CAPITAL (CONT'D)

22A. China Star Food Employee Share Option Scheme (cont'd)

The aggregate number of new shares that may be allotted and issued from time to time upon the exercise of the options granted pursuant to the Scheme ("Option Shares") over which the RC may grant options on any date (including the number of Option Shares which have been and are to be issued upon the exercise of the options in respect of all options granted under the Scheme and any other share scheme then in force) shall not exceed 15% of the total number of shares (excluding treasury shares) on the day preceding that date.

The aggregate number of Option Shares over which options may be granted under the Scheme to controlling shareholders and/or their associates shall not exceed 25% of the Option Shares available under the Scheme, and the number of Option Shares over which an option may be granted under the Scheme to each controlling shareholder or his/her associate shall not exceed 10% of the Option Shares available under the Scheme.

Subject to any adjustment pursuant to Rule 10 of the Rules of the Scheme, the exercise price for each share in respect of which an option is exercisable shall be payable upon the exercise of the option and shall be determined by the RC in its absolute discretion, on the date of grant, and fixed by the RC at:

(a) the market price; or

(b) a price which is set at a discount to the market price, provided that:

(i) the maximum discount shall not exceed 20% of the market price. The RC shall have the sole and absolute discretion to determine the exact amount of discount to each participant; and

(ii) the shareholders in a general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option, and options granted with the exercise price set at a discount to market price shall only be exercisable by a participant after 2 years from the date of grant of that option.

Group employees (including executive directors) who are granted options must exercise their options before the 10th anniversary from the date of grant and Group non-executive directors (including independent directors) who are granted Options must exercise their options before the 5th anniversary from the date of grant, failing which all unexercised options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

Since the approval of the Scheme by the shareholders of the Company, no option was granted.

Notes to the Financial Statements

Year Ended 31 March 2019

22. SHARE CAPITAL (CONT'D)

22B. China Star Performance Share Plan

The China Star Performance Share Plan (the "Plan") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date the Plan was adopted by the Company in general meeting i.e. 20 July 2015, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and any relevant authorities which may then be required.

The Plan may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Plan is terminated, no further award shall be vested in the Company.

The Plan is administered by the RC comprising three directors, namely, Ms He Jing, Mr Ng Poh Khoon and Mr Chong Yang Kan, in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the awards. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the awards granted, or to be granted, to him/her or his/her associate(s).

The Company will be delivering shares pursuant to the award granted under the Plan in the form of existing shares held as treasury shares and/or an issue of new shares that may be allotted and issued from time to time upon the vesting of an award granted pursuant to the Plan. The performance shares issued under the Plan, when added to all awards granted under any other share option, share incentive, performance share or restructured share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company from time to time.

In determining whether to issue performance share or to purchase existing shares for delivery to participants upon vesting of their award, the Company will take into account factors such as (but not limited to) the number of shares to be delivered, the prevailing market price of the shares and the financial effect on the Company of either issuing performance share or purchasing existing shares.

Insofar as in relation to the number of treasury shares that may be held pursuant to the Act as amended by the Companies Amendment Act, such a method is not subject to any further limit under prevailing legislation and Singapore Exchange Securities Trading Limited ("SGX-ST") guidelines as it does not involve the issuance of any performance shares.

An award letter confirming the award and specifying, inter alia, in relation to the award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be satisfied and the date by which the award shall be vested, will be sent to each participant as soon as reasonably practicable after the award is finalised. Notwithstanding that a participant may have met his/her performance targets, no award shall vest in a participant in the following circumstances:

(a) upon the bankruptcy of a participant or the happening of any other event which results in his/her being deprived of the legal or beneficial ownership of such award;

(b) in the event of any misconduct of a participant as determined by the RC in its discretion;

(c) in the event that the RC shall, in its discretion, deems it appropriate that such award shall so lapse on the grounds that any of the objectives of the Plan have not been met; or

Notes to the Financial Statements

Year Ended 31 March 2019

22. SHARE CAPITAL (CONT'D)

22B. China Star Performance Share Plan (cont'd)

(d) in the event that the participant ceases to be employed by the Company before vesting of the award to him/her.

The intention is to award shares based on pre-determined dollar amounts such that the quantum of shares comprised in award is dependent on the closing price of shares transacted on the market day the award is vested. The RC will also monitor the grant of award carefully to ensure that the size of the Plan complies with the relevant rules of the SGX-ST.

Since the approval of the Plan by the shareholders of the company, no award was granted.

22C. Warrants

On 18 April 2016, the Company issued 50,500,000 warrants pursuant to the compliance placement on the basis of two warrants for every placement share subscribed. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S$0.33 for each ordinary share payable in cash. Each warrant may be exercised at any time during the period of two years commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the second anniversary of the date of issue of the warrants. The warrants which have not been exercised after the exercise period shall lapse and cease to be valid for any purpose.

The movements of the warrants during the reporting year and the unissued ordinary shares in the Company under warrants at the end of the reporting year were as follows:

Date of issue	Exercise price	No. of warrants on date of issue	Warrants exercised	No. of warrants on 31.3.2019	Expiry date
18 April 2016	S$0.33	50,500,000	(500,000)	50,000,000	17 April 2018

On 17 April 2018, the Warrants expired and were de-listed from the Official List of the SGX-ST.

Notes to the Financial Statements

Year Ended 31 March 2019

23. OTHER RESERVES

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Warrant reserve (Note 23A)	2,816	2,816	2,816	2,816
Statutory common reserve (Note 23B)	41,573	36,851	–	–
Foreign currency translation reserve (Note 23C)	1,931	1,630	43,638	43,060
	46,320	41,297	46,454	45,876

23A. Warrant reserve

	Group and company	
	2019	2018
	RMB'000	RMB'000
Balance at beginning and end of the year	2,816	2,816

23B. Statutory common reserve

	Group	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	36,851	35,687
Transferred from retained earnings	4,722	1,164
Balance at end of the year	41,573	36,851

Under the regulations in People's Republic of China, the company's subsidiaries are required to set up a statutory reserve which represents a non-distributable reserve made at a rate of at least 10% of net profit after tax until the reserve reaches 50% of the registered paid up capital in accordance with their Articles of Association. The transfer to this reserve must be made before the payment of dividends to shareholders.

The statutory common reserve can only be used to set off against losses, to expand the entities' production operations or to increase its share capital. The Company and its subsidiaries may convert its statutory common reserve into share capital provided that the remaining balance of such reserve is not less than 25% of the share capital.

The subsidiaries may transfer a portion of its net profit to the statutory welfare reserve in accordance with their Articles of Association, as recommended by directors and approved by shareholders.

The statutory welfare reserve can only be used for the collective welfare of the employees of the subsidiaries.

Notes to the Financial Statements
Year Ended 31 March 2019

23. OTHER RESERVES

23C. Foreign currency translation reserve

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Balance at beginning of the year	1,630	1,545	43,060	43,347
Exchange differences on translating functional to presentation currency	301	85	578	(287)
Balance at end of the year	1,931	1,630	43,638	43,060

The foreign currency translation reserve represents exchange differences arising from the translation of presentation currency from Singapore Dollars to Chinese Renminbi and it is not distributable.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Trade payables:				
Outside parties	20,403	34,427	–	–
Other payables:				
Outside parties	4,283	8,236	2,214	4,647
Salary payable	1,788	2,086	–	–
Director/shareholder (Note 3C)	164	1,432	164	1,432
Subtotal	6,235	11,754	2,378	6,079
Total trade and other payables	26,638	46,181	2,378	6,079

Notes to the Financial Statements

Year Ended 31 March 2019

25. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2018	**2018**	**2018**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank loans A (unsecured) (Note 25A)	7,500	8,000	–	–
Bank loan B (unsecured) (Note 25B)	3,000	–	–	–
Bank loan (secured) (Note 25C)	9,000	9,800	–	–
Revolving credit loan from a bank (Note 25D)	2,456	–	2,456	–
Loan from director and shareholder (unsecured) (Note 25E)	–	4,700	–	4,700
	21,956	22,500	2,456	4,700

25A. Bank loans A (unsecured)

The bank loans are repayable within 12 months and renewable annually. The bank loans' fixed interest rate were 6.34% (2018: 6.34%) per annum respectively and are repayable within 12 months.

The bank loans are unsecured, guaranteed by a local credit guarantee company.

25B. Bank loan B (unsecured)

The bank loan is repayable within 12 months and renewable annually. The bank loan's fixed interest rate were 6.53% (2018: NA) per annum respectively and is repayable within 12 months.

The bank loan is unsecured, guaranteed by a local credit guarantee company, a subsidiary of the Company and one of the company's directors.

25C. Bank loan (secured)

The loan is secured by mortgages of a leasehold building and land use rights of the Group (see Notes 13 and 14A) and guaranteed by two of the company's directors. It bears fixed interest rate at 6.03% (2018: 5.89%) per annum and is repayable within 12 months.

25D. Revolving credit loan from a bank (unsecured)

The revolving loan is unsecured, bear interest rate of 4.7% (2018: NA) per annum and are repayable on demand.

25E. Loan from director and shareholder

The loans from director and shareholder were unsecured, bear interest rate of 5% per annum and are repayable on demand.

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

26A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
At amortised cost:-				
Cash and cash equivalents	62,475	126,578	2,480	200
Trade and other receivables	31,429	51,843	14,981	12,259
	93,904	178,421	17,461	12,459
Financial liabilities:				
At amortised cost:-				
- Trade and other payables	26,638	46,181	2,378	6,079
- Other financial liabilities	21,956	22,500	2,456	4,700
	48,594	68,681	4,834	10,779

Further quantitative disclosures are included throughout these financial statements.

26B. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

26C. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26D. Credit risk on financial assets

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26D. Credit risk on financial assets (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit–impaired (in default).	Lifetime ECL - credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26D. Credit risk on financial assets (cont'd)

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

The Group	Note	Category	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				RMB'000	RMB'000	RMB'000
31 March 2019						
Trade receivables	19	II	Lifetime ECL (simplified)	31,167	–	31,167
Other receivables	19	I	12-month ECL	262	–	262
					–	
1 April 2018						
Trade receivables	19	II	Lifetime ECL (simplified)	38,890	–	38,890
Other receivables	19	I	12-month ECL	6,902	–	6,902
Other receivables, non-current	16	II	Lifetime ECL	6,051	–	6,051
					–	

The Company	Note	Category	12--month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				RMB'000	RMB'000	RMB'000
31 March 2019						
Other receivables	19	I	12-month ECL	14,981	–	14,981
					–	
1 April 2018						
Other receivables	19	I	12-month ECL	12,259	–	12,259
					–	

Trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group mainly comprised a few large balances from a few trade debtors as at 31 March 2019 and 1 April 2018.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26D. Credit risk on financial assets (cont'd)

Previous accounting policy for impairment of trade receivables

In financial year ended 31 March 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits placed with banks that management considers as reputable banks.

Other receivables that are neither past due nor impaired are mainly goods and services tax receivables and refundable deposits placed as required.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired are disclosed in Notes 16 and 19 respectively.

26E. Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non–derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

Group	**Less than 1 year RMB'000**
Financial assets	
Trade and other receivables	31,429
Cash and cash equivalents	62,475
As at 31 March 2019	93,904
Trade and other receivables	45,792
Cash and cash equivalents	126,578
As at 31 March 2018	172,370

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26E. Liquidity risk (cont'd)

	Less than 1 year RMB'000
Group	
Financial liabilities	
Trade and other payables	26,638
Other financial liabilities	21,956
As at 31 March 2019	48,594
Trade and other payables	46,181
Other financial liabilities	22,500
As at 31 March 2018	68,681
Total net financial assets/ (liabilities)	
At 31 March 2019	45,310
At 31 March 2018	103,689

	Less than 1 year RMB'000
Company	
Financial assets	
Trade and other receivables	14,981
Cash and cash equivalents	2,480
As at 31 March 2019	17,461
Trade and other receivables	12,259
Cash and cash equivalents	200
As at 31 March 2018	12,459
Financial liabilities	
Trade and other payables	2,378
Other financial liabilities	2,456
As at 31 March 2019	4,834
Trade and other payables	6,079
Other financial liabilities	4,700
As at 31 March 2018	10,779
Total net financial assets/ (liabilities)	
At 31 March 2019	12,627
At 31 March 2018	1,680

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. The ability of the Group to meet current obligations is also highly dependent on the ability of the Group to realise cash flows from the trade receivables and inventories.

Notes to the Financial Statements

Year Ended 31 March 2019

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

26F. Interest rate risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The interest from financial assets including cash balances is not significant.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2019 RMB'000	**2018 RMB'000**
Financial assets:		
Fixed rate	62,475	126,578
Financial liabilities:		
Fixed rate	21,956	22,500

The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

26G. Foreign currency risk

The Company and its subsidiaries are not exposed to significant foreign currency risk as their business are transacted in functional currencies, which are Singapore Dollars and Chinese Renminbi.

27. COMMITMENTS

27A. Operating lease commitments - as lessee

At the end of the reporting year, future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2019 RMB'000	**2018 RMB'000**
Not later than one year	–	440
Rental expense for the year	–	587

Operating lease payments are for rentals payable for office and factory buildings. The lease from the owner is renewable every May of the year.

Notes to the Financial Statements

Year Ended 31 March 2019

27. COMMITMENTS (CONT'D)

27B. Operating lease commitments - as lessor

The Group rents out factory building and portions of office under non-cancellable operating leases.

At the end of the financial year, the Group has the following future minimum lease receipts:

	Group	
	2019 RMB'000	2018 RMB'000
Not later than one year	–	882
Rental income for the year	–	43

27C. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Purchase of plant and equipment	–	2,153
Research & development expenditures	370	1,155
	370	3,308

28. CONTINGENT LIABILITIES

On 3 November 2016, a shareholder of the Company commenced legal suit against the Company for breaches of a Sales and Purchase Agreement dated 5 November 2014 (the "SPA") alleging the Company has breached certain clauses in the SPA and this cause a loss to the shareholder of S$2,544,696 (approximately RMB12,371,000). The shareholder's application for specific discovery of documents had been heard by the Court in Singapore and the Court had disallowed the shareholder's application save in respect of one document. The Singapore High Court had released its written judgement on 29 March 2019 dismissing the shareholder claims against the Company (the "Judgement"). On 26 April 2019, the shareholder had filed a Notice of Appeal with the Court of Appeal of Singapore against the Judgement.

Based on the facts and evidences made available and advice from the Company's external legal counsel, the Company believes that it is not probable that the entity will be found liable. Accordingly, no provision for any liability has been made in these financial statements in respect of the legal suit.

Notes to the Financial Statements

Year Ended 31 March 2019

29. EVENTS AFTER THE REPORTING PERIOD

The Company announced on 23 May 2019 that the 296,909,050 Rights Shares allotted and issued by the Company will be listed and quoted on Catalist on 23 May 2019. The Rights Shares were issued at an issue price of S$0.015 for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary share in the issued share capital of the Company (the "Shares"), held by shareholders of the Company.

The Rights Shares will rank pari passu in all respects with the then existing Shares in issue. Following the allotment and issuance of the 296,909,050 Rights Shares, the number of issued and paid up Shares in the capital of the Company has increased from 296,909,050 Shares to 593,818,100 Shares.

30. PRIOR PERIOD RESTATEMENTS

Reclassification of advance payments for supplies of sweet potatoes

In 2018, the advance payments for supplies of sweet potatoes were classified under cash flows used in investing activities. The Group reclassified the advance payments for supplies of sweet potatoes to cash flows used in operating activities because the advance payments relate to the core operating activities of the Group.

The effects of the reclassification in the consolidated statements of cash flows are as follows:

	Group		
	Previously reported	**Reclassification**	**As restated**
	2018 RMB'000	**2018 RMB'000**	**2018 RMB'000**
Cash flows from operating activities			
Advance payments for supplies of sweet potatoes	–	(67,882)	(67,882)
Net cash flows from/(used in) operation	52,261	(67,882)	(15,621)
Net cash flows from/(used in) operating activities	51,624	(67,882)	(16,258)
Cash flows from investing activities			
Advance payments for supplies of sweet potatoes	67,882	67,882	–
Net cash flows used in investing activities	(78,272)	67,882	(10,390)

Statistics of Shareholdings

As at 24 June 2019

Class of Shares	Number of issued shares excluding treasury shares	Voting Rights
Ordinary Shares	593,818,100	One vote per share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	7	1.32	350	0.00
100 - 1,000	22	4.14	10,575	0.00
1,001 - 10,000	82	15.41	435,575	0.07
10,001 - 1,000,000	389	73.12	58,603,525	9.87
1,000,001 AND ABOVE	32	6.01	534,768,075	90.06
TOTAL	**532**	**100.00**	**593,818,100**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct interest	%	Deemed interest	%
CGS-CIMB Securities (Singapore) Pte. Ltd.	178,473,300	30.06	–	–
Liang Chengwang[(1)]	–	–	160,566,000	27.04
United Overseas Bank Nominees (Private) Limited	115,926,000	19.52	–	–
KGI Securities (Singapore) Pte. Ltd.	99,963,075	16.83	–	–
Yu Lei[(2)]	–	–	44,791,600	15.09
Luo Fangfen[(4)]	7,000,000	1.18	24,728,475	4.16
PTS Capital Pte. Ltd.[(5)]	–	–	44,791,600	15.09

(1) Mr Liang Chengwang is deemed to be interested in 140,566,000 ordinary shares held by CGS-CIMB Securities (Singapore) Pte. Ltd. and 20,000,000 ordinary shares held by United Overseas Bank Nominees (Private) Limited respectively.

(2) As Yu Lei owns more than 20% of the voting rights in PTS Capital Pte. Ltd., Yu Lei is deemed to have an interest in the shares in the Company held by PTS Capital Pte. Ltd.

(3) Mr Luo Fangfen is deemed to be interested in 24,728,475 ordinary shares held by KGI Securities (Singapore) Pte. Ltd.

(4) PTS Capital Pte. Ltd. is deemed to be interested in 44,791,600 ordinary shares held by United Overseas Bank Nominees (Private) Limited.

Statistics of Shareholdings

As at 24 June 2019

No.	Name of Shareholders	Number of Shares	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	178,473,300	30.06
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	115,926,000	19.52
3	KGI SECURITIES (SINGAPORE) PTE. LTD.	99,963,075	16.83
4	LIANG WENSHU	23,000,000	3.87
5	RAFFLES NOMINEES (PTE.) LIMITED	19,543,150	3.29
6	PHILLIP SECURITIES PTE LTD	7,145,650	1.20
7	LUO FANGFEN	7,000,000	1.18
8	NG SENG HONG	6,500,000	1.09
9	HAN SOON JUAN	6,200,000	1.04
10	SHANE THAM FOOK WAI	6,000,000	1.01
11	UOB KAY HIAN PRIVATE LIMITED	5,673,000	0.96
12	OCBC SECURITIES PRIVATE LIMITED	5,344,450	0.90
13	ERIC TANN KAH HUAT	5,094,000	0.86
14	DBS NOMINEES (PRIVATE) LIMITED	5,070,800	0.85
15	ANGELA LEE AH LENG	5,000,100	0.84
16	EDWARD LIM CHIN WAH	4,175,800	0.70
17	CHEONG CHEE HWA	4,158,000	0.70
18	LEONG CHOON MENG	3,800,000	0.64
19	YEK SIEW LIONG	2,907,500	0.49
20	WONG PANG FEI	2,760,000	0.46
	TOTAL	**513,734,825**	**86.49**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 24 June 2019, the percentage of shareholding in the Company held in the hands of the public is approximately 52.53%. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of China Star Food Group Limited (the "**Company**") will be held at YMCA @ One Orchard, One Orchard Road, Tan Chin Tuan Function Room 2, Singapore 238824 on 30 July 2019 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2019 together with the Auditors' Report thereon. ***Resolution 1***

2. To re-elect Mr Liang Chengwang pursuant to Regulation 99 of the Company's Constitution. ***Resolution 2***

   [See Explanatory Note (i)]

3. To note the retirement of Mr Chen Hua Jing pursuant to Regulation 100 of the Company's Constitution.

   [See Explanatory Note (ii)]

4. To re-elect Mr Chong Yang Kan pursuant to Regulation 100 of the Company's Constitution. ***Resolution 3***

   [See Explanatory Note (iii)]

5. To approve the payment of Directors' fees of S$110,000 for the financial year ending 31 March 2020, payable annually in arrears.
   (FY2019: S$110,000). ***Resolution 4***

6. To re-appoint RT LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 5***

7. To transact any other ordinary business which may properly be transacted at an AGM.

SPECIAL BUSINESS

8. **Authority to issue and allot shares** ***Resolution 6***

   To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

   "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual (Section B: Rules of Catalist) ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

Notice of Annual General Meeting

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that:

(i) the aggregate number of shares (including shares to be issued pursuant to this Resolution) shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (iv)]

9. **Authority to allot and issue shares under the China Star Employee Share Option Scheme** ***Resolution 7***

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

(i) offer and grant options ("**Options**") from time to time in accordance with the rule of China Star Employee Share Option Scheme ("**China Star ESOS**"); and

(ii) allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted under the China Star ESOS,

Notice of Annual General Meeting

provided always that aggregate number of Shares to be issued and issuable pursuant to the China Star ESOS, China Star Performance Share Plan and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), on the day immediately preceding the date on which an offer to grant an Option is made and that the grant of Options can be made at any time and from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (v)]

10. **Authority to allot and issue shares under the China Star Performance Share Plan** ***Resolution 8***

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

(i) offer and grant awards ("**Awards**") from time to time in accordance with the rule of China Star Performance Share Plan ("**China Star PSP**"); and

(ii) allot and issue from time to time such number of shares as may be required to be issued pursuant to the vesting of Awards granted under the China Star PSP, provided always that aggregate number of shares to be issued and issuable pursuant to the China Star ESOS, China Star PSP and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vi)]

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 15 July 2019

Explanatory Notes:

(i) Mr Liang Chengwang will upon re-election as Director of the Company, remain as Executive Chairman and Chief Executive Officer. Key information on Mr Liang Chengwang can be found on page 22 of the Annual Report.

(ii) Mr Chen Hua Jing will retire as Director pursuant to Regulation 100 of the Company's Constitution at the AGM. Mr Chen Hua Jing has decided not to seek re-election at the AGM. His retirement from the Board will take effect upon the conclusion of the AGM.

(iii) Mr Chong Yang Kan will upon re-election as Director of the Company, remain as an Independent Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee. The Board considers Mr Chong Yang Kan to be independent for the purposes of Rule 704(7) of the Catalist Rules. Key information on Mr Chong Yang Kan can be found on page 23 of the Annual Report.

Notice of Annual General Meeting

(iv) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to Shareholders.

(v) The Ordinary Resolutions 7 and 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares pursuant to the exercise of Options and vesting of Awards under the China Star ESOS and China Star PSP, provided that the aggregate number of shares to be issued pursuant to the China Star ESOS and China Star PSP, when aggregated with the number of shares issued and issuable or transferred and to be transferred under any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time the Ordinary Resolutions 6, 7 and/or 8 is/are passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when the Ordinary Resolutions 6, 7 and/or 8 is/are passed and any subsequent consolidation or subdivision of shares.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one (1) or two (2) proxies to attend and vote in his stead.

   (b) A member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies shall in the case of an individual, be signed by the appointor or his attorney, and in the case of a corporation shall be either under the Common Seal or signed by its attorney or a duly authorised officer on behalf of the corporation.

4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time appointed for holding the Meeting.

5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to attend and vote at the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or by attending the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the Annual General Meeting and/or adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Mr. Liang Chengwang and Mr. Chong Yang Kan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 30 July 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual Section B: Rules of the Catalist of the SGX-ST: –

Name	**Liang Chengwang**	**Chong Yang Kan**
Date of Appointment	22 September 2015	12 November 2018
Date of last re-appointment	28 July 2017	N.A.
Age	42	64
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Liang Chengwang, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as the Executive Chairman and Chief Executive Officer of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Chong Yang Kan, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for oversight and management of the Group's businesses and corporate developments, and to formulate the overall business and corporate strategies for the Group. Supervises major financing plans and appointment of key executives.	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Executive Chairman • Chief Executive Officer	• Independent Director • Chairman of the Nominating Committee • Member of the Audit and the Remuneration Committee
Professional qualifications	Mr. Liang graduated from Open University of Fujian in 1998 with a Bachelor of Accounting and Finance.	Mr. Chong graduated from the National University of Singapore with a Degree of Bachelor of Engineering (Mechanical) and obtained a Degree of Master of Science (Mechanical Engineering) from the National University of Singapore in 1984 and 1980 respectively.

Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Name	Liang Chengwang	Chong Yang Kan
Working experience and occupation(s) during the past 10 years	• July 2009 to present: Chairman and Chief Executive Officer of Fujian Zixin Biological Potato Co., Ltd • August 2005 to July 2009: General Manager of Liancheng Tianhe Food Factory	• July 2012 to present: Senior Advisor of Tangent Holdings (Pvt) Ltd • May 2012 to July 2013: Managing Director of Asia Petroleum Technology Pte Ltd • May 2009 to July 2011: President & CEO of China New Energy Group Company (listed in the US) • March 2007 to May 2009: Group Deputy CEO of China EnerSave Ltd
Shareholding interest in the listed issuer and its subsidiaries	160,566,000 (27.04%)	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of Interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years)	N.A.	TJBH International Pte Ltd
Present	• China Star Food Group Limited • Zixin International Pte. Ltd. • Fujian Xingpai Food Co., Ltd • Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. • Fujian Zilaohu Food Co., Ltd. • Fujian Zixin Biological Potato Co., Ltd.	• China Star Food Group Limited • Sports Lifestyle Initiatives Pte Ltd • Opulence Investment Pte Ltd • Rev Power Technology Pte Ltd

Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Name		Liang Chengwang	Chong Yang Kan
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Name		Liang Chengwang	Chong Yang Kan
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Name	Liang Chengwang	Chong Yang Kan
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (continued) iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Name	Liang Chengwang	Chong Yang Kan
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Mr Liang Chengwang will be briefed on the duties, responsibilities and liabilities of directors of companies in Singapore, as well as the business operations and regulatory issues relating to the Company to ensure that he is familiar with the Company's business and governance practices. Furthermore, the Company will encourage Mr Liang Chengwang to participate in seminars and receive training to improve himself in the discharge of the duties as the Executive Chairman and Chief Executive Officer of the Company.	Mr Chong Yang Kan will be briefed on the duties, responsibilities and liabilities of directors of companies in Singapore, as well as the business operations and regulatory issues relating to the Company to ensure that he is familiar with the Company's business and governance practices. Furthermore, the Company will encourage Mr Chong Yang Kan to participate in seminars and receive training to improve himself in the discharge of the duties as an Independent Director of the Company.

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CHINA STAR FOOD GROUP LIMITED
(Company Registration No. 200718683N)

Proxy Form

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____________________ (full name in capital letters)

NRIC No./Passport No./Company No. ____________________

of ____________________ (full address)

being a member/members of **CHINA STAR FOOD GROUP LIMITED** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "**Meeting**") of the Company as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting to be held at **YMCA @ One Orchard, One Orchard Road, Tan Chin Tuan Function Room 2, Singapore 238824 on 30 July 2019 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2019 together with the Auditors' Report thereon		
2	Re-election of Mr Liang Chengwang as a Director of the Company		
3	Re-election of Mr Chong Yang Kan as a Director of the Company		
4	Approval of Directors' fees amounting to S$110,000 for the financial year ending 31 March 2020, payable annually in arrears		
5	Re-appointment of RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
6	Authority to allot and issue new shares		
7	Authority to issue shares under the China Star Employee Share Option Scheme		
8	Authority to issue shares under the China Star Performance Share Plan		

Dated this__________day__________of 2019

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Member(s)
or, Common Seal of Corporate Member

* Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. Except for a member who is a relevant intermediary (as defined under the Companies Act, Chapter 50 of Singapore (the "**Act**")), a member entitled to attend and vote at the general meeting is entitled to appoint one (1) or two (2) proxies to attend and vote in his stead. A member of the Company who is a relevant intermediary may appoint more than two (2) proxies to attend and vote at the general meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares.

3. Where a member who is not a relevant intermediary appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. Where a member who is a relevant intermediary appoints two (2) or more proxies, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the proxy form.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Act effective from 31 March 2017 is applicable at the Meeting.

8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Act.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/ her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

BOARD OF DIRECTORS

Mr Liang Chengwang
Executive Chairman & CEO

Mr Chen Hua Jing
Executive Director

Mr Ng Poh Khoon
Lead Independent Director

Ms He Jing
Independent Director

Mr Chong Yang Kan
Independent Director

AUDIT COMMITTEE

Mr Ng Poh Khoon (Chairman)
Ms He Jing
Mr Chong Yang Kan

NOMINATING COMMITTEE

Mr Chong Yang Kan (Chairman)
Mr Ng Poh Khoon
Ms He Jing

REMUNERATION COMMITTEE

Ms He Jing (Chairman)
Mr Ng Poh Khoon
Mr Chong Yang Kan

COMPANY SECRETARY

Mr Lim Kok Meng

REGISTERED OFFICE

24 Raffles Place
#19-05 Clifford Centre
Singapore 048621
Tel: (65) 6535 9887
Fax: (65) 6535 0680

BUSINESS OFFICE

10 Anson Road #27-06B
International Plaza
Singapore 079903

CONTINUING SPONSOR

Novus Corporate Finance Pte. Ltd.
9 Raffles Place #17-05
Republic Plaza Tower 1
Singapore 048619

AUDITORS

RT LLP
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge:
Ravinthran Arumugam
(Appointed since the financial year ended 31 March 2019)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

CHINA STAR FOOD GROUP LIMITED
GROUP LIMITED
中国之星

CHINA STAR FOOD GROUP LIMITED
UEN No.: 200718683N

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