
PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 AND AN UPDATE ON THE GROUP'S OPERATIONS

(A) PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The board of directors (the “**Board**” or the “**Directors**”) of China Star Food Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce an update on the Group’s outlook for 2020.

On 14 February 2020, the Company had, in its announcement of the Group’s financial results for the third quarter ended 31 December 2019, stated that “the Company is of the view that the Group’s financial performance will be affected in the near term”. In this regard, the Board wishes to announce that, following a preliminary review of the unaudited financial results of the Group for the full financial year ended 31 March 2020 (“**FY2020**”), the Group is expected to report a net loss for FY2020 for the reasons set out below:

(1) Impact of the restriction measures put in place by the Chinese government on the Group and its distributors

In light of the outbreak of COVID-19, the Chinese government had implemented strict measures including but not limited to the control of human traffic in each city with the aim of reducing the flow and concentration of people as well as the issuance of directives mandating the temporary closure of business operations of all enterprises, including the Group’s Chinese subsidiaries (the “**Government Directives**”).

The effect of the Government Directives meant that the distributors of the Group had to temporarily cease operations and as such, they were unable to distribute the Group’s products. In addition, the Group also had to temporarily cease its operations which resulted in the Group’s inability to continue manufacturing its products for sale.

(2) Assistance offered to the Group’s distributors

In light of the COVID-19 outbreak in China, the Group had, in the fourth quarter of FY2020, decided to provide certain assistance to its distributors who had been adversely affected by COVID-19. Details of the assistance are set out below:

- (i) a one-off discount to its distributors; and
- (ii) the extension of credit terms to its distributors for the repayment of purchases.

These measures have been voluntarily undertaken by the Group as a sign of solidarity with its distributors. In addition, the amount of assistance provided varies for each distributor based on factors such as, but not limited to, their credit standing and business relationship with the Group.

The temporary cessation of the operations of the Group and its distributors as well as the one-off discount granted by the Group to its distributors have led to a significant decline in the sales revenue of the Group.

Notwithstanding the temporary cessation of the operations of the Group and its distributors as well as assistance offered by the Group to its distributors, the Company does not expect any material adverse impact on the cashflow and/or balance sheet of the Group.

The Company is still in the process of finalising the financial results of the Group for FY2020. Further details of the Group's financial performance will be disclosed when the unaudited financial results of the Group for FY2020 are announced on or before 30 May 2020.

(B) UPDATE ON THE GROUP'S OPERATIONS

With the rapid spread of the COVID-19 pandemic globally, strict government containment measures have been implemented in the People's Republic of China where the Group operates major subsidiaries with sizeable teams, in many instances resulting in full or partial national lockdowns, states of emergency, elevated social distancing and travel restrictions in varying stages.

The Group had, in February 2020, received the relevant approvals from the Chinese government to restart its operations and had since taken steps to gradually resume its operations. The gradual resumption in its operations was due to the fact that the Group needed time to implement the necessary COVID-19 mitigation measures, mandated by the Chinese government, at its factories and other operation sites to protect employees and reduce the risk of any spread of COVID-19 infections. At the same time, the Group is working closely with its suppliers to minimise disruption of supply of raw and packaging materials. The Company is also working closely with customers, distributors, and other trade partners to minimise disruption to the supply of the Group's products while adhering to the various directives and conditions imposed by the Chinese government as well as the provincial authorities in which the Group operates in.

Barring any unforeseen circumstances, the expected losses and any impact on the cashflow and/or balance sheet of the Group arising from the circumstances set out in Section A above are not expected to affect the Group's ability to continue as going concern and its ability to fulfil its near-term obligations taking into account, among others, the Group's financial position in terms of its positive working capital as well as strong cash and bank balances available to the Group.

The Company will provide further updates as and when there are any material developments concerning the situation.

(C) CAUTION IN TRADING

In the meantime, the Board wishes to advise shareholders of the Company and investors to exercise caution when dealing in the shares of the Company. If in doubt about the action that they should take, shareholders and investors should consult their stockbrokers, bankers, solicitors, accountants, tax advisers and/or other professional advisers.

BY ORDER OF THE BOARD

CHINA STAR FOOD GROUP LIMITED

Liang Cheng Wang
Executive Chairman and Chief Executive Officer

24 April 2020

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

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

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