CHINA STAR FOOD GROUP LIMITED

中国之星

Recipe for Expansion

Annual Report 2017

Tasty Treats:

Perfect
Take Anywhere
Healthy

Leading the Healthy Lifestyle

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

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

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

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两大名品之约，缔造传奇美味。
薯脆生香！
闽台特产
Sweet Potato
净含量：180克

Corporate Profile

China Star Food Group Limited (中国之星食品集团有限公司) ("CSFG" or the "Company"), together with its subsidiaries (the "Group"), is one of the leading manufacturers of healthy snack foods in the People's Republic of China ("PRC"). The Group is engaged in the production and sale of sweet potato snack food products across PRC, processed from purple and orange-fleshed sweet potatoes.

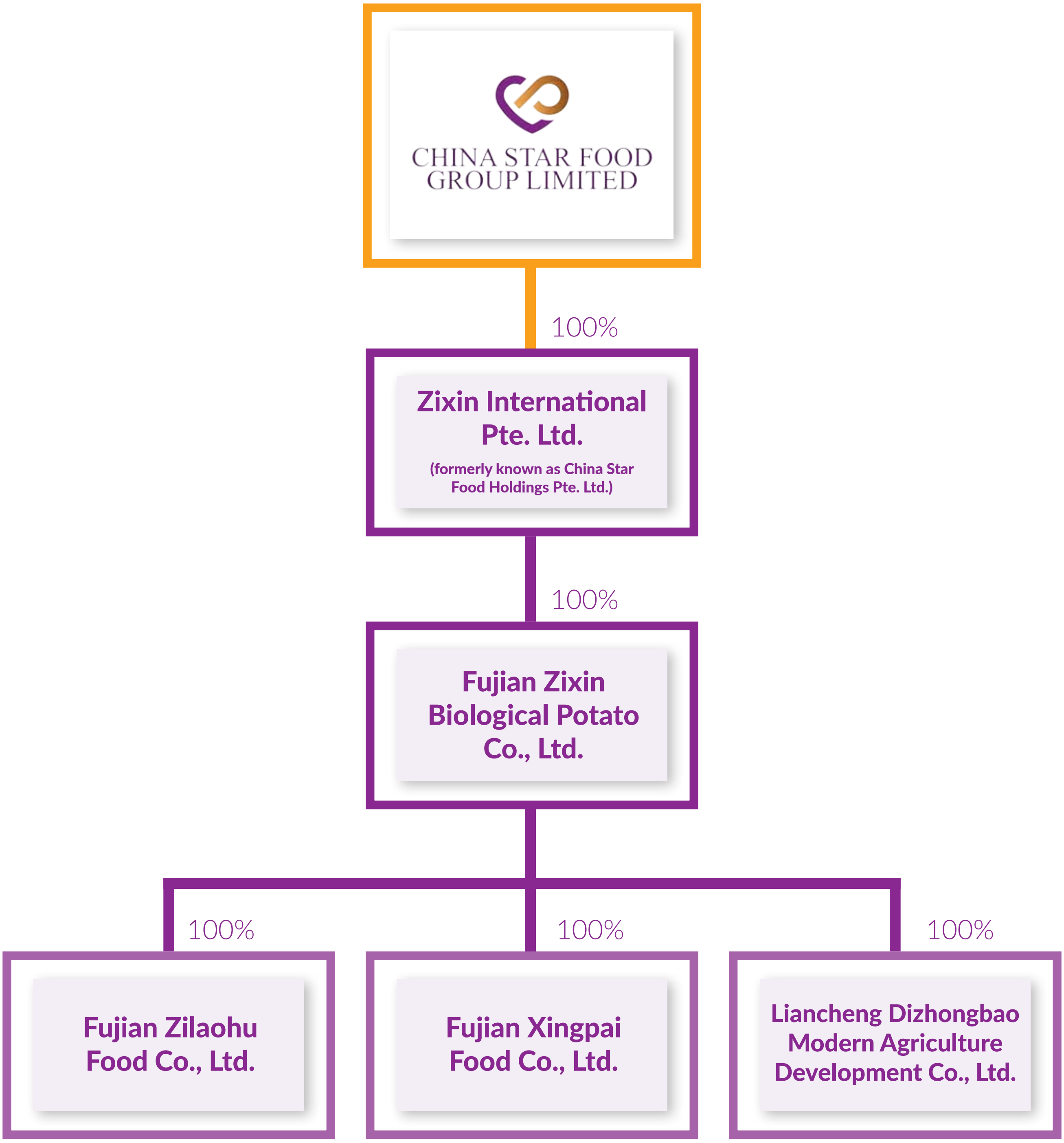
Based in Liancheng county of Fujian Province, the Group sells its wide range of sweet potato snack food products to more than 300 distributors and wholesalers, who in turn distribute the sweet potato snack food products, through e-commerce portals and to supermarkets, petrol kiosks, convenience stores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

The Group's six broad product categories include sweet potato pastries, candies, crisps, baked goods, roasted sweet potato nuts and preserved foods. The Group also has a series of proprietary product brands, such as "Starpie" (星派), "Ledi" (乐地), "Delijia" (德丽佳) and "Zilaohu" (紫老虎). "Zilaohu" and "Starpie" were recognised as a "Famous Trademark of Fujian Province" in 2013 and 2015 respectively.

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

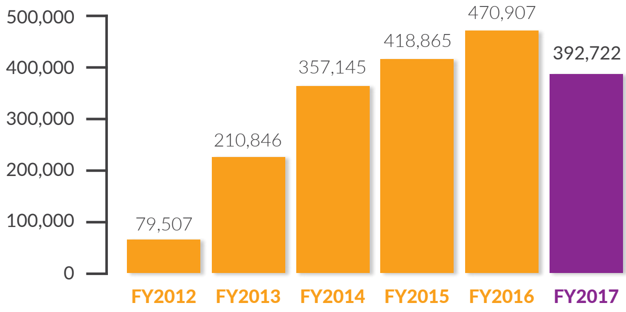
CSFG was listed on the Catalist board of Singapore Exchange via a reverse takeover of Brooke Asia Limited on 22 September 2015.

Corporate Structure

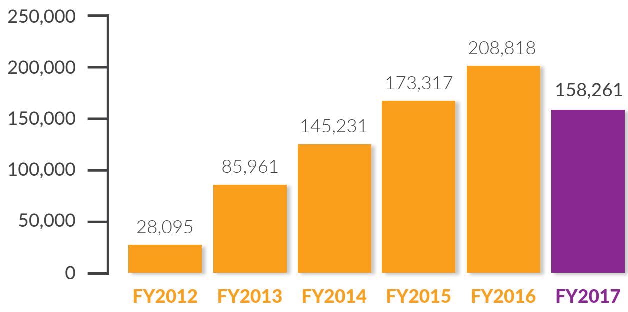


Key Financial Highlights

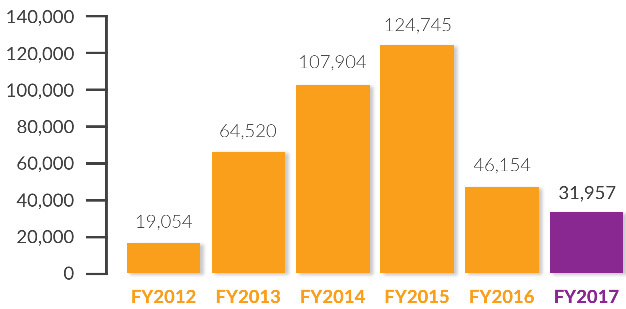
Revenue (RMB'000)
RMB392.7 million



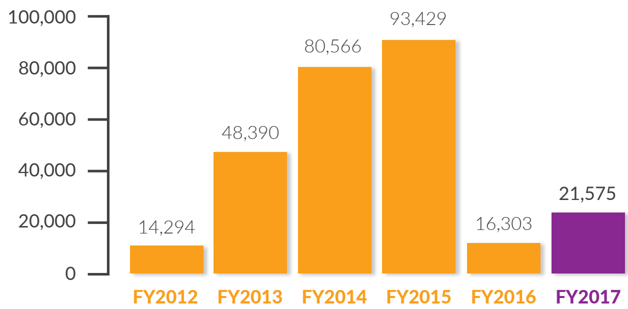
Gross Profit (RMB'000)
RMB158.3 million



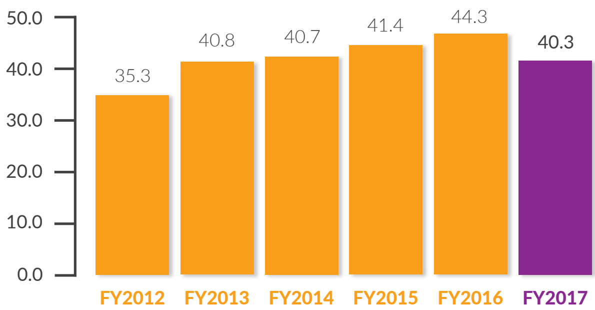
Profit Before Tax (RMB'000)
RMB32.0 million



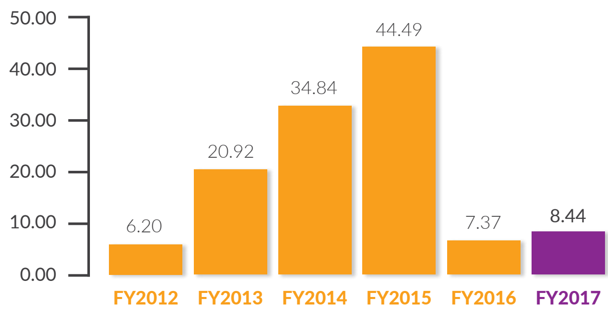
Profit After Tax (RMB'000)
RMB21.6 million



Gross Profit Margin (%)
40.3%



Basic Earnings Per Share (RMB cents)
RMB8.44 cents



Our Quality Products

Savour the Natural Goodness of Sweet Potato

Sweet potato offers a healthy and rich source of nutrients, of which the orange-coloured flesh varieties are the most common, is rich in complex carbohydrates, dietary fibre, beta carotene, vitamins A, B6 and C[1].

Sweet potato is rich in beta-carotene, which the body converts into Vitamin A. Beta-carotene is an antioxidant that has numerous health benefits. Besides its antioxidant properties protecting the cell from damage, people who have consumed high levels of beta carotene have been shown to have a reduced risk of developing cancer, heart disease and various diseases [2].

Notes:

1. Mitra S (2012) Nutritional Status of Orange-Fleshed Sweet Potatoes in Alleviating Vitamin A Malnutrition through a Food-Based Approach. Journal of Nutrition and Food Sciences 2:160.
2. Council for Responsible Nutrition (CRN) – www.crnusa.org/safety.

The purple variation of the sweet potato also contains anthocyanin, which is responsible for the root's brilliant purple colour. Anthocyanins have been demonstrated to improve eyesight, reduce blood pressure, contain strong anti-inflammatory properties and suppress the spread of human cancer cells[3]. Thus, purple sweet potato is a highly beneficial crop.

Sweet potato also offer one of the lowest glycemic index (GI) rating. Low glycemic index of sweet potato makes it an ideal alternative food for China's large population of diabetics.

The Center for Science in the Public Interest (CSPI) in the United States highly recommended sweet potato as one of the most nutritious food. It was found that sweet potatoes are rich in dietary fibre, sugars, vitamins, minerals and other essential nutrients, as compared to common vegetables.

Notes:

3. Izabela Konczak and Wei Zhang, "Anthocyanins – More Than Nature's Colours," Journal of Biomedicine and Biotechnology,vol. 2004, no. 5, pp. 239-240, 2004.

Growth through *Innovation*

We constantly innovate to develop new products, expand our product range and build up our customer base. Together with our enhanced production capabilities, we look forward to achieve greater growth and lead the way to expansion in terms of branding as well as geographical coverage.


紫老虎
PURPLE TIGER
脆脆の薯薯
紫薯
牛轧糖
淨含量:150克



非你莫薯

Providing the Healthy Choice for Snacks

Greatness comes in bite-sized pieces!

Tasty and convenient, our sweet potato food snacks are produced from both purple and orange-fleshed sweet potatoes rich in nutrients and vitamins that are beneficial to health, making it the perfect choice of treat for the modern day health-conscious consumers.

Chairman's Statement

Liang Chengwang
Executive Chairman & Chief Executive Officer

Dear valued shareholders,

The financial year ended 31 March 2017 ("FY2017") was a challenging year, during which our sales were affected by the tightening of regulations by the Government of the People's Republic of China ("PRC") to curb rising pollution and we have also felt the effects of a market slowdown in the PRC. However, I am hopeful of the silver lining presented by every crisis–opportunities to transform and strengthen ourselves for the long-term future.

Meanwhile, we remain cognisant of the prevailing challenges in our operating environment and have taken steps to address the rising competition and the need to further improve our operational productivity and efficiency, while continuing our focus on product innovation as we strive to grow domestically and beyond the PRC.

Financial Year Under Review

With increasing awareness of environmental pollution within the country, the Government of the PRC has implemented a series of stringent rules and regulation across all industries nationwide. Provinces have raised their level of enforcement efforts which has included restricting factory/industrial operations that do not meet the environmental pollution control standards. As a result, production at our two factories (Henggang and Hengming) was halted before the Chinese New Year period (the "Factories Closure"), which in turn affected our sales for the last quarter of the financial year. The Group has since decided not to restart the said factories' production and to relocate all production operations to our new Zilaohu plant.

Against this backdrop, the Group's revenue declined by 16.6% to RMB392.7 million for FY2017 from RMB470.9 million for the financial year ended 31 March 2016 ("FY2016") due to lower sales from baked goods, pastries, roasted sweet potato nuts, preserved foods and crisps as a result of the Factories Closure. Overall, the Group recorded net profits of RMB21.6 million in FY2017 as compared to RMB16.3 million in FY2016.

The Zilaohu plant has approximately 30,000 tonnes of production capacity which exceeds the combined capacity of our previous Henggang and Hengming factories. However, commercial productions have since been halted due to a delay in the construction of the Liancheng county's centralised waste water treatment plant and can only resume upon completion of the treatment plant, expected by the third quarter of 2017.

The Group is also exploring direct sales of its committed raw sweet potato supply, which are obtained at a lower

Backed by the rising trend of consumers being more health conscious, we are also seeing a higher demand for sweet potato snacks as reflected in the rising prices of sweet potato over the years.

cost compared to the market, to other demand sources e.g. supermarket, to generate interim sales and profits and to offset its operating expenses, should the current production halt continue for an extended period.

With healthy cash reserves and accessible credit facilities, the Group will be able to tide over these challenging times.

Silver Linings

Despite these challenges, there remain bright spots representing exciting growth opportunities for the Group. The nationwide pollution control curbs will accelerate the consolidation of the sweet potato snack food industry as smaller players are inevitably forced out due to their inability to comply with the strict pollution control requirements. Competition will become less intensive as a result and we view this as a good opportunity to expand and gain higher market share.

Backed by the rising trend of consumers being more health-conscious, we are also seeing a higher demand for sweet potato snacks as reflected in the rising prices of sweet potato over the years. In recent years, sweet potato has been increasingly known for its health benefits which include weight reduction, lowering of blood cholesterol and softening of blood vessels.

During the financial year, we worked hard to create brand awareness for our products and to gain consumers' mindshare through a series of advertisements, sales promotional activities and event sponsorships. In addition, we have also marked our first breakthrough into a national hypermarket chain by venturing into Walmart China. To date, five of our bestselling products are being sold in 419 Walmart stores in China and our products are now available in more than 19 Chinese provinces. This is just the beginning of our sales channel expansion strategy, and we will continue to expand our footprint into other supermarket chains in China such as Ren Ren Le and Yonghui etc.

Building a Strong Foundation for Growth

Rather than step back and wait for the storm clouds to pass over, we took the deliberate decision to identify three main pillars of growth as we seek to transform ourselves into a leading global brand.

Transformation via E-commerce and M-commerce

In China, the rapid growth of E-commerce platforms as well as smartphone ownership is a trend that all businesses cannot ignore. We realised the need to transform our "brick and mortar" business into a "click and mortar" business model which includes having an online presence and the requisite back-end operation. To tap on this positive trend, the Group will also increase our investment in the respective E and M commerce segments.

Investing in Product Supply, Quality and Innovation

Quality is a core value which we uphold closely through our commitment to providing quality sweet potato snacks to our consumers. Since the founding of the Group, we have prided ourselves in selecting the highest quality sweet potato as our key raw material. We are also expanding the depth of our supply chain to allow for a long-term sustainable supply of quality raw materials to the Group.

We will also continue to invest in research and development, with an aim to create new products and expand our product offering amidst the ever-changing consumer tastes today. In FY2017, we rolled out the steamed sweet potato snack which has been well-received by the market. In the coming financial year, we will be introducing sweet potato nougats to the market. Beyond that, we have a strong pipeline of new products

Chairman's Statement

including rice cake, Japanese-styled mochi, batter biscuit, frozen sweet potato and fried dough twist.

Spearheading expansion into Asia Pacific

We have also outlined plans to expand into new markets regionally, which involves exploring opportunities to work with distributors and licensed subcontractors within the Asia Pacific region. In addition, we are actively on the lookout for other quality lifestyle snack food products to be introduced into the Chinese market.

Singapore, being a reputable international financial hub, will serve as a spring board for us to further expand our business operations into the rapidly growing Asia Pacific markets. To this end, we have set up a new business office in Singapore which will function as our operations headquarter as we chart expansion into new markets.

Looking Ahead

While FY2017 proved to be a challenging year for the Group, our management and staff had worked tirelessly and stayed the course to put in place a strong foundation as we strive to improve our performance in the coming financial year. Forging ahead, we remain focused on our key strategies as we continue to navigate the changing industry landscape and to build a strong consumer brand.

Note of Appreciation

First of all, the Board would like to thank Ms Huang Lu, Mr Danny Lim Teck Chai and Mr Loh Wei Ping for their contributions during their respective terms of service as Non-Executive Director and Independent Directors and wishes them success in their future endeavours.

I would like to welcome Ms He Jing, Mr Kuan Cheng Tuck and Ms Chen Zhen who recently joined the Group as an Independent Directors. Ms He has taken on the roles of the Chairman of the Remuneration Committee and a member of the Audit Committee. Mr Kuan has taken on the roles of the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Ms Chen joined as a member of the Audit, Nominating and Remuneration Committees.

In addition, I would like to welcome Mr Yeo Choon Tat, our Chief Financial Officer who is responsible for the smooth running of the Singapore office, supervision of the Group's financial reporting, management of the finance team, compliance with listing and regulatory requirements, and review of internal controls. Mr Yeo has more than 30 years of experience in senior management roles for multi-national corporations across diverse industries.

On behalf of the Board, I would like to express my sincere gratitude to our staff for their persistent efforts and unwavering dedication. I would like to extend our gratitude to our customers, business associates and shareholders for their unwavering support and trust in us. Besides that, I would like to thank the Board for their guidance and counsel, and for steering the Group's future strategic direction.

Liang Chengwang
Executive Chairman &
Chief Executive Officer

执行董事长致词

尊敬的股东们，

截至2017年3月31日的财政年度(简称“2017财年”)对集团来讲是个具有挑战性的一年。在这期间，中国中央政府严厉执行环保政策以遏制国内污染问题已影响了我们的业绩。此外，我们也受到了国内市场放缓的影响。不过，我还是保持乐观的态度，坚信每一个危机将会为我们带来了新一轮的际遇和机会。

与此同时，我们也了解到当前经营大环境的挑战。我们也将采取相应的措施来应对日益激烈的竞争，提高生产和运营效率并继续推动产品创新，并尽全力巩固和发展国内及海外市场。

财政年度回顾

在上财政年度里，中国中央政府对国内所有行业实施了一系列严格的环保政策和监督， 各省市地方政府也积级配合整治所有省内环保不达标的工业活动。因此，我们的两间工厂亨明厂和林坊厂也受影响，导致在农历新年前停产，从而影响了上财年第四季度的销售。集团已决定把所有生产活动迁移到新的紫老虎厂。

由于旧厂的停产，导致粗粮糕点，粗粮点心，休闲点心，果脯系列和果酥系列销售的下降，集团的整体销售也从2016财年的人民币4.709亿元下滑至2017财年的人民币3.927亿元，较去年同期下降了16.6%。总体而言，集团于2017财年实现净利润人民币2160万元，而去年同期净利润则为人民币1630万元。

新工厂拥有约30,000吨的生产能力，超过了我们前两间亨明和林坊工厂的总产能。但由于连城工业区中央污水处理厂完工延误，现新厂的正常运营被迫暂停，预计只能在2017年九月份中央污水处理厂完工后，才能恢复运营。在这期间，集团也会探讨通过直销渠道将已承诺订购的低成本甜薯原材料转卖给其他使用者，如超市和卖场，以帮忙补贴集团的日常开支。

本集团凭着充足的现金储备和备用信贷额度，将能够安稳渡过这艰难的时期。

危机隐藏着机会

以上这些挑战也为集团带来了成长的契机。国家对环保不达标企业的整顿将加快甜薯零食行业的整合，因为小规模企业将被迫关闭，我们认为这是加强和提高我们市场份额的最佳时机。

随着国内消费者的健康意识上升的趋势，消费者对于甜薯零食的需求已逐年增加。这也反映在这几年甘薯价格的上涨。近年来，甜薯以其减肥、降胆固醇、软化血管功能被消费者接受认可。

在上个财年年，我们通过一系列的广告，促销活动和赞助活动已加强了品牌意识和在消费者心中竖立根深蒂固的品牌形象。此外，集团成功进军中国沃尔玛也标志着我们打进大型超市市场的首个突破。当前我们五款畅销产品已在中国超过19个省和419间沃尔玛超市销售。这是集团扩张销售渠道的开始，我们会继续扩展我们的业务至其他连锁超市如人人乐和永辉超市。

建立坚固的成长基础

与其守株待兔等待雨过天晴的时候，我们早已拟定三个主要增长战略，力求将自己改造成一个全球领先的品牌。

通过电子商务和移动电子商务进行转型

在中国，电子商务平台的快速发展及智能手机的高度普及是企业不能忽视的趋势。为了推动集团的增长，我们了解有必要从传统商业模式转至线上线下的业务模式。为了抓住这趋势，集团也将加大在电商务平台领域的投资。这包括了如何加强前端平台产品的吸睛率和简易操作以及后方物流后勤的支撑。

产品供应，质量和创新

质量是我们的核心价值。我们致力于为消费者提供优质的甜薯食品。自成立以来，我们一直都选择最优质的甜薯为主要原料。我们也正在加强我们主要原材料供应链的支持能力，为集团提供长期性的，可持续的平价优质原料供应。

我们将继续加大对新产品的研发力度，好在消费者口味不断变化下扩大产品供应。我们在2017财年推出了蒸甘薯，受到市场好评。在未来的一年里，我们也计划推出另一新产品，薯味牛扎糖。我们也已成功研发一系列的新产品如年糕，带有日本风格的麻糬，饼干，冷冻甘薯，麻花等等。

“质量” 是我们的核心价值

执行董事长致词

扩展业务到亚太市场

我们也计划开拓新的市场，这包括寻找与亚太地区的同行分销商或和食品制造厂商合作的机会。此外，我们也积极寻找在国外的优质其他零食品以引进中国市场。

新加坡是一个信誉良好的国际中心，是我们进一步将业务运营扩展到正在快速增长的亚太市场的跳板。因此，我们也已在新加坡设立了营运办事处作为本集团拓展业务到新市场的营运总部。

展望未来

虽过去的一年，充满了挑战，但管理层及员工勤奋努力地为明年的业务建立起坚固的基础。我们将会继续全力执行我们的关键战略，同时也会继续关注行业动态并打造强大的品牌。

鸣谢

在此，董事会衷心感谢黄璐女士，林德才先生和罗伟斌先生在担任非执行董事和独立董事期间的贡献，并祝他们今后的事业成功。

我也欢迎何静小姐，关正德先生和陈瑱小姐加入我们的集团，成为独立董事。何小姐担任薪酬委员会主席也是审计委员会的成员。关先生担任审计委员会主席也是薪酬委员会及提名委员会的成员。陈小姐是审计委员会，薪酬委员会和提名委员会的成员。

此外，我也欢迎杨俊达先生加入我们的集团，成为集团财务长。他负责新加坡办事处的顺利运作，财务报告的监督，财务团队的管理，符合上市和监管要求，以及内部控制的审查。他拥有超过30年在不同行业的跨国公司担任高级管理职位的经验。

我谨代表董事会衷心感谢工作人员的不懈努力和为公司奉献的精神。我也要感谢客户，业务伙伴和股东对我们的坚定支持和信任。除此之外，我还要感谢董事会的指导和建议，指引着集团未来的方向。

梁承旺
执行董事长兼首席执行总裁

Business and Financial Review

Financial Review

China Star Food Group Limited (the "Company" together with its subsidiaries, the "Group") (中国之星食品集团有限公司) recorded a 16.6% decrease in revenue to RMB392.7 million for the financial year ended 31 March 2017 ("FY2017"), as compared to RMB470.9 million for the financial year ended 31 March 2016 ("FY2016").

The decrease in revenue was due to a decrease in sales from baked goods, pastries, roasted sweet potato nuts, preserved foods and crisps as a result of the closure of its two manufacturing plants since the end of January 2017, following a directive from the Chinese government due to tighter pollution control requirements.

In tandem with the decline in revenue, gross profit declined 24.2% year on year ("yoy") to RMB158.3 million in FY2017. Gross profit margin decreased from 44.3% in FY2016 to 40.3% in FY2017 mainly attributable to higher cost of sales as a result of the direct sales promotional activities in FY2017.

Marketing and distribution costs increased by RMB21.3 million or 38.2% yoy primarily due to higher advertisement costs, as part of the Group's marketing strategy to drive brand awareness to retain market share in view of a weaker economic environment and stiff market competition. These expenses were partially offset by lower indirect sales promotional expenses, delivery charges, sales personnel salaries and bonuses and which were in line with the decrease in revenue.

Other losses totalled RMB14.5 million in FY2017 compared with RMB2.9 million in FY2016. It comprised mainly a loss on disposal of property, plant and equipment of RMB5.6 million, write-off of obsolete packaging materials of RMB2.5 million and additional expenses of RMB4.2 million relating to VAT on promotional sales items that are not claimable.

As a result of the above-mentioned, the Group recorded a net profit of RMB21.6 million in FY2017 as compared to a net profit of RMB16.3 million in FY2016.

Financial Position

The Group's financial position remains strong. As at 31 March 2017, the Group held net assets of RMB366.5 million, translating into a net asset value per share of RMB1.43, up from RMB1.37 as at 31 March 2016.

Total assets comprised non-current assets of RMB224.2 million and current assets of RMB175.8 million as at 31 March 2017.

As at 31 March 2017, the Group held net assets of RMB366.5 million, translating into a net asset value per share of RMB1.43, up from RMB1.37 as at 31 March 2016.

TOTAL REVENUE

RMB392.7 million

-16.6%

NET PROFIT

RMB21.6 million

+32.5%

Non-current assets increased to RMB224.2 million as at 31 March 2017, from RMB155.8 million as at 31 March 2016. This was mainly due to:

- Net increase in property, plant and equipment of RMB12.8 million mainly arose from the purchase of new production equipment and the construction work-in-progress for the new Zilaohu factory and office building in Liancheng County, People's Republic of China. Old equipment arising from the closure of two of the Group's factories since the end of January 2017 following the local government general directive to tighten the pollution control requirements (the "Factories Closure"), the net book values totalling RMB9.32 million were disposed during the financial year and a loss on disposal of RMB5.39 million recognised.

- Advance payments of RMB63.8 million for the supplies of sweet potatoes. In line with the Group's current strategy to better control the source, pricing and quality of fresh sweet potatoes, a key raw material for the Group's products, the Group has been undergoing negotiations to secure the use of up to 8,000 mu of farmland from local cooperatives for the planting of sweet potatoes over a 15 years period. The aforesaid advance payment was made to secure the use of 4,300 mu of farmland and a discounted minimum supply of sweet potatoes from local cooperatives for 15 years of which RMB107 million is payable every five-year period.

Current assets decreased to RMB175.8 million as at 31 March 2017 from RMB232.4 million as at 31 March 2016 due to the following key contributing factors:

- There were no inventories as of 31 March 2017 as there were no production following the Factories Closure.

- Trade and other receivables decreased by RMB11.0 million mainly due to lower revenue in the last quarter of FY2017 as a result of the Factories Closure.

- Cash and cash equivalents decreased to RMB145.1 million as at 31 March 2017, from RMB184.1 million as at 31 March 2016.

Total liabilities comprised non-current liability of RMB451,000 and current liabilities of RMB33.1 million as at 31 March 2017.

Current liabilities decreased to RMB33.1 million as at 31 March 2017 from RMB70.7 million as at 31 March 2016. This was mainly due to:

- *Nil* income tax payable in the last quarter of FY2017 as the Group was in a loss making position for the last quarter of FY2017 due to the Factories Closure.
- Trade and other payables decreased by RMB29.4 million mainly due to the reduced purchase of raw materials which is in line with lower revenue in last quarter of FY2017 as a result of the Factories Closure.
- Other liabilities decreased by RMB1.6 million due to no advances for sales orders placed by the customers as a result of the Factories Closure.

Cash Flow

Net cash from operating activities of RMB19.1 million in FY2017 as compared to net cash from operating activities of RMB82.8 million in FY2016 was mainly due to lower operating profit in FY2017.

Net cash used in investing activities of RMB85.6 million in FY2017 as compared to net cash used in investing activities of RMB28.9 million in FY2016 was mainly due to purchase of property, plant and equipment (including an increase in construction-in-progress) of RMB26.2 million and advance payment for supplies of sweet potatoes of RMB63.8 million in FY2017.

Net cash from financing activities of RMB27.4 million in FY2017 as compared to net cash from financing activities of RMB9.0 million in FY2016 was mainly attributable to the proceeds from issuance of new shares and warrants.

In FY2017, the Group expanded its sales channel into Walmart China with five of the Group's bestselling products being sold in 419 Walmart stores in China.

Business and Financial Review

Operations Review

In FY2017, the Group expanded its sales channel into Walmart China with five of the Group's bestselling products being sold in 419 Walmart stores in China. As such, the Group's products are now available in more than 19 Chinese provinces. To ensure operational efficiency, the Group has engaged a distributor specialising in snack food distribution and familiar with the operational processes of Walmart China. With the help of a real-time monitoring system, the distributor will be able to proactively manage the Group's stock-keeping units (SKU) at stores nationwide by assigning promoters to move sales whenever necessary as well as replenishing the products on the shelves in a timely manner.

The Group has changed the name of its wholly-owned subsidiary, China Star Food Holdings Pte Ltd. to Zixin International Pte. Ltd. ("Zixin"). Concurrently, Zixin has set up a new business office in Singapore which will function as the operations headquarters for the Group's business expansion into the Asia Pacific markets.

In addition, the Group has been granted the operating license from Lonyan City Food, Drug Supervision & Administration Bureau for our Zilaohu factory in Liancheng, China. However, its operations have been halted as the completion of Lian Cheng county's centralised waste water treatment plant has been delayed. The new plant can only resume operations upon completion of the construction of the treatment plant which is expected by third quarter of 2017, as announced previously through SGXNET.

Board of Directors

Liang Chengwang
Executive Chairman and Chief Executive Officer

Date of first appointment as a director:
22 September 2015

Date of last re-appointment as a director:
Not applicable

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments
Nil

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

Aged 39, Mr Liang Chengwang is responsible for formulating and implementing the development strategy and annual business plans of the Group. He also supervises major financing plans and the appointment of key executives. Mr Liang was a 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 of 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.

Koh Eng Kheng Victor
Lead Independent Director

Date of first appointment as a director:
22 September 2015

Date of last re-election as a director:
29 July 2016

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments
Nil

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

Aged 56, Mr Koh Eng Kheng Victor has over 26 years of experience with Asia ex-Japan equity markets, mainly in the area of portfolio management. His longest term of employment service was 18 years with AIG Global Investment Corporation (Singapore) Ltd (subsequently renamed PineBridge Investments Singapore Limited) where he served as Managing Director of Asia ex-Japan equities and subsequently as Chairman and Chief Executive Officer of the company. After leaving PineBridge Investments Singapore Limited in 2012, he spent a short stint at Aglaia Investment Management Pte Ltd as a Managing Director of fund management.

Mr Koh graduated from the National University of Singapore in 1986 with a Bachelor of Business Administration (Honours). He was awarded the designation of Chartered Financial Analyst in 1992, and is a member of CFA Society Singapore.

He Jing
Independent Director

Date of first appointment as a director:
9 February 2017

Date of last re-election as a director:
Not applicable

Present Directorship:
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

Aged 39, Ms He Jing 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, Ms He has in-depth knowledge of various financial reporting and regulatory standards such as the US GAAP, IFRS, SOX Compliance, SEC reporting and she is focusing on assisting Chinese companies with their listing process on the US and European capital markets. Ms He provides professional guidance for various industries on the US and German IPO process and has extensive experiences in cross-border mergers & acquisitions transaction support.

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

Board of Directors

Kuan Cheng Tuck
Independent Director

Date of first appointment as a director:
3 July 2017

Date of last re-election as a director:
Not applicable

Present Directorship:
Other Listed Companies
CNMC Goldmine Holdings Limited
Kori Holdings Limited
Green Build Technology Limited
CW Group Holdings Limited

Other Principal Commitments
KCT Consulting Pte Ltd (Director)
Kreston Consulting Pte Ltd (Director)

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

Aged 45, Mr Kuan Cheng Tuck has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory. Mr Kuan had worked with various international accounting firms in Singapore and Malaysia between 1994 and early 2004. He has since been running and managing his own business and financial consulting firms and accounting practice.

Mr Kuan holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) degree from the University of London and a Master of Laws (Corporate and Financial Services Law) degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a member of the Institute of Singapore Chartered Accountants, as well as an associate member of the Chartered Secretaries Institute of Singapore.

Chen Zhen
Independent Director

Date of first appointment as a director:
3 July 2017

Date of last re-election as a director:
Not applicable

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments
RHTLaw Taylorwessing LLP (Partner)

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

Aged 42, Ms Chen Zhen has been working as a registered foreign lawyer in Singapore since late 2003, specialised in the laws of the People's Republic of China ("PRC"). Her main area of expertise lies in transactions with PRC elements, including initial public offerings, mergers and acquisitions, joint ventures and foreign direct investments. She is currently a partner with RHTLaw Taylorwessing LLP and heads their International China Practice. Prior to 2017, Ms Chen was a Registered Professional with RHT Capital Pte. Ltd. overseeing five Catalist issuers.

Ms Chen graduated with a Bachelor of Law degree from Huaqiao University in China in 1998 and a Master of Commercial Law degree from Macquarie University in Australia in 2004. She was admitted as a PRC lawyer in 2000.

Key Management

Yeo Choon Tat
Chief Financial Officer

Mr Yeo Choon Tat joined the group as Deputy CEO on 1 December 2016 and was re-deisgnated to be Chief Financial Officer on 31 May 2017.

Mr Yeo is a finance professional with more than 30 years of regional experience in senior management roles for multi-national corporations and local organisations across diverse industries, such as electronics manufacturing, venture capital investment, portfolio management, and managing turnaround operations in Hong Kong, China and Singapore.

His past principal appointments includes, *inter alia*, Vice President (Finance and Asia-Pacific Operations) at Creative Technology Ltd.; Senior Vice President (Head of Greater China Investment) at Vertex Management Pte. Ltd.; Chief Operating Officer at Jolimark Holdings Ltd., Hong Kong; Executive Director of ASA Holdings Ltd., Singapore; and Group Financial Controller of Intraco Limited.

Mr Yeo is an accountancy graduate of the University of Singapore. He is also a fellow member of the Institute of Singapore Chartered Accountants (FCA), CPA Australia (FCPA Australia) and ACCA U.K. (FCCA).

Corporate Information

Board of Directors

Executive:
Mr Liang Chengwang
(Executive Chairman and Chief Executive Officer)

Non-Executive:
Mr Koh Eng Kheng Victor
(Lead Independent Director)

Ms He Jing
(Independent Director)

Mr Kuan Cheng Tuck
(Independent Director)

Ms Chen Zhen
(Independent Director)

Audit Committee

Mr Kuan Cheng Tuck
(Chairman)

Mr Koh Eng Kheng Victor

Ms He Jing

Ms Chen Zhen

Nominating Committee

Mr Koh Eng Kheng Victor
(Chairman)

Mr Liang Chengwang

Mr Kuan Cheng Tuck

Ms Chen Zhen

Remuneration Commitee

Ms He Jing
(Chairman)

Mr Koh Eng Kheng Victor

Mr Kuan Cheng Tuck

Ms Chen Zhen

Company Secretary

Ms Kelly Kiar Lee Noi

Registered Office

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 6536 1360

Business Office

20 Collyer Quay #09-04
Singapore 049319
Tel : (65) 6225 9987

Share Registrar/Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : 6536 5355
Fax : 6536 1360

Sponsor

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

Auditors

RSM Chio Lim LLP
8 Wilkie Road
#04-08 Wilkie Edge
Singapore 228095

Audit Partner-In-Charge

Mr Chan Weng Keen
(Appointed since the financial year ended 31 March 2015)

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Corporate Governance Report

The Board of Directors (the "**Board**" or the "**Directors**") 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.

This report outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 March 2017 ("**FY2017**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**"), issued by Monetary Authority of Singapore on 2 May 2012, 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 Group 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

The Board's Conduct of its Affairs

Principle 1: Effective Board to lead and control the Company

As at the date of this report, the Board has five members and comprises the following:

Name of Director	**Designation**
Liang Chengwang	Executive Chairman and Chief Executive Officer
Koh Eng Kheng Victor	Lead Independent Director
He Jing *(appointed on 9 February 2017)*	Independent Director
Kuan Cheng Tuck *(appointed on 3 July 2017)*	Independent Director
Chen Zhen *(appointed on 3 July 2017)*	Independent Director

The profiles of the Directors are set out on pages 21 and 22 of this Annual Report.

The Board oversees the business affairs of the Group and is responsible for setting the strategic direction and establishing goals for the management team of the Company ("**Management**"). In addition, the Board works with Management to achieve these goals set for the Group. To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees (the "**Board Committees**") and Management. The Board Committees and Management remain accountable to the Board.

The principal functions of the Board are as follows:

Guideline 1.1 of the Code: The Board's role

(a) Approving strategies 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, guidelines and internal code of conduct;

(e) Approving the nomination of Board members and the appointment of key management personnel;

(f) Reviewing the performance of Management;

(g) Approving annual budgets, major funding, investments and divestment proposals; and

(h) Ensuring accurate, adequate and timely reporting to, and communication with shareholders.

All Directors exercise reasonable diligence and independent judgement when making decisions and are obliged to act honestly and consider the interests of the Company at all times.

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

To efficiently discharge its responsibilities, the Board has established several Board Committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). These 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 the terms of reference, which are reviewed on a regular basis by the Board. They assist the Board operationally without the Board losing authority over major issues.

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

The Board is free to request for further clarification and information from Management on all matters within their purview. The schedule of all Board Committees' meetings for the financial year is usually given to all Directors well in advance. The Board conducts meetings on a quarterly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions.

In FY2017, the Board met four times to review the Company's financial results and to consider proposed corporate actions by the Company. Ad-hoc meetings are held to address significant issues or transactions. The Company's Constitution (the "**Constitution**") allows Board meetings to be conducted by way of telephone conference and/or by means of similar communication equipment where all Directors participating in the meeting are able to hear each other. Decision of the Board and the Board Committees may also be obtained through circular resolutions.

Guideline 1.4 of the Code: Board to meet regularly

Corporate Governance Report

Directors' attendance at the Board and the Board Committee meetings during FY2017 and up to the date of this report is as follows:

	Board of Directors' Meeting		Audit Committee			Nominating Committee			Remuneration 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	5	5	No	5	5*	Yes	3	3	No	2	2*
Koh Eng Kheng Victor	5	5	Yes#	5	5	Yes (Chairman)	3	3	Yes	2	2
He Jing(1)	5	2	Yes	5	2	No	3	–	Yes (Chairman)	2	1
Kuan Cheng Tuck(2)	5	–	Yes (Chairman)	5	–	Yes	3	–	Yes	2	–
Chen Zhen(3)	5	–	Yes	5	–	Yes	3	–	Yes	2	–
Past Directors											
Chen Huajing(4)	5	–	No	5	–	No	3	–	No	2	–
Loh Wei Ping(5)	5	3	Yes (Chairman)	5	3	No	3	2*	Yes	2	1
Lim Teck Chai, Danny(6)	5	4	Yes	5	4	Yes	3	2	Yes (Chairman)	2	1
Huang Lu(7)	5	–	No	5	–	No	3	–	Yes	2	–

* By invitation

\# Relinquished his position as the Chairman of the AC and remained as Member of the AC on 3 July 2017

Notes:

(1) Appointed as Independent Director on 9 February 2017

(2) Appointed as Independent Director on 3 July 2017

(3) Appointed as Independent Director on 3 July 2017

(4) Resigned as Executive Director on 7 April 2016

(5) Resigned as Independent Director on 24 January 2017

(6) Resigned as Independent Director on 26 April 2017

(7) Resigned as Non-Executive Director on 5 May 2017

The Company has documented internal guidelines for matters that require Board approval. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below these limits to the Board Committees and/or Management to optimize operational efficiency guided by internal policies and limits of authority.

Guideline 1.5 of the Code: Matters requiring Board approval

Matters and transactions requiring Board's approval include (i) major investments; (ii) material acquisitions and disposals of assets; (iii) corporate and financial restructuring; (iv) share issuance, dividends and other returns to shareholders; (v) budgets, financial results announcements, annual report and audited financial statements; (vi) capital expenditures; (vii) capital borrowings and financial commitments; and (viii) 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.

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. The Lead Independent Director had conducted site visit to the Group's factories in Liancheng, China in May 2017.

Guideline 1.6 of the Code: Directors to receive appropriate training

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 the Directors to attend the relevant courses organised by SID to familiarise themselves with the roles and responsibilities of Directors of a listed company.

All Directors have access to information and further training on new developments, including new laws, regulations and changing commercial risks, at the Company's expense. During FY2017, the Directors were briefed by the external auditors on changes and amendments to the Singapore Financial Reporting Standards and the Company Secretary on changes and amendments to the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") and the Companies (Amendment) Act 2017.

News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated 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

Board Composition and Balance

Principle 2: Strong and independent element on the Board

In FY2017, the Board comprises seven Directors, two of whom are Executive Directors and five of whom are Non-Executive Directors of which four are Independent Directors.

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

Corporate Governance Report

Name of Director	Designation
Liang Chengwang	Executive Chairman and Chief Executive Officer
Chen Huajing*	Executive Director
Huang Lu**	Non-Executive Director
Loh Wei Ping*	Independent Director
Koh Eng Kheng Victor	Lead Independent Director
Lim Teck Chai, Danny**	Independent Director
He Jing*	Independent Director

**In FY2017, Mr Chen Huajing resigned as Executive Director on 7 April 2016, Mr Loh Wei Ping resigned as Independent Director on 24 January 2017 and Ms He Jing appointed as Independent Director on 9 February 2017 respectively.*

***After FY2017, Mr Lim Teck Chai, Danny resigned as Independent Director on 26 April 2017 and Ms Huang Lu resigned as Non-Executive Director on 5 May 2017 respectively.*

The Executive Chairman and the Chief Executive Officer ("**CEO**") is the same person. In view that the Executive Chairman and the CEO is also part of the management team and is not an Independent Director, the Company met the Code's recommendation as the Independent Directors make up more than half of the Board.

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

The NC conducted its annual review of the Directors' independence in accordance with the Code's definition of what constitutes an Independent Director. In its deliberation as to the independence of a Director, the NC took into consideration whether a Director has any relationships with the Company, its related companies, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

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

For FY2017, the NC has reviewed and determined that the Independent Directors of the Company are independent according to the Code.

None of the Independent Directors of the Company has served the Board beyond nine 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

For FY2017, 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

The Directors of the Company come from diverse backgrounds and possess core competencies, qualifications and skills, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group.

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

The Non-Executive Directors constructively challenge and assist in the development of proposals on strategies, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of such performance.

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

The Non-Executive Directors meet regularly and as and when circumstances required, to discuss any matters without the presence of Management. During FY2017, the Non-Executive Directors have met informally at least once without the presence of Management.

Guideline 2.8 of the Code: Regular meetings of non-executive directors

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities and balance of power and authority

Mr Liang Chengwang is the Executive Chairman and the 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 Chairman and the CEO promotes high standards of corporate governance on the Board and within the Group. In FY2017, the presence of the four Independent Directors also provides a strong independent and objective element to the Board. They participate actively in matters relating to business, finance, corporate governance, risk management, remuneration and appointment of Board members. The Board Committees comprise primarily Independent Non-Executive members.

Hence, the Board believes that there are sufficient safeguards against an uneven concentration of power and authority in a single individual, and that the existing leadership arrangement is effective. 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.

<u>Roles of the Executive Chairman and the CEO</u>

Guideline 3.2 of the Code: Chairman's role

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. He will be assisted by 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:

(i) ensuring the Board's effectiveness and managing the relationship with shareholders;

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

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

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

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

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

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

The Executive Chairman and the CEO remains involved in significant corporate matters, especially those of strategic nature. As the CEO, 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 played 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.

To promote a high standard of corporate governance, Mr Koh Eng Kheng Victor was the Lead Independent Director of the Company in FY2017, who has made himself available to shareholders at the Company's general meetings and by way of appointment where they have concerns for which contact through the normal channels of the Executive Chairman and the CEO or the Chief Financial Officer ("**CFO**") have failed to resolve or for which such contact is inappropriate.

Guideline 3.3 of the Code: Appointment of Lead Independent Director

During FY2017, the Independent Directors have met informally at least once to discuss the Company's matters without the presence of Management and has provided feedback to the Executive Chairman.

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

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

As at the date of this report, the NC comprises the following four members, three of whom, including the Chairman, are Independent Directors.

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

Koh Eng Kheng Victor	Chairman
Liang Chengwang	Member
Kuan Cheng Tuck *(appointed on 3 July 2017)*	Member
Chen Zhen *(appointed on 3 July 2017)*	Member

The NC is regulated by a set of written terms of reference and 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;

(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 programmes for new Directors and reviewing the training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risk.

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 and 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.

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

Subsequent to the end of FY2017, the NC had met once to:

(a) assess and review the Board's size and competency mix;

(b) assess and evaluate effectiveness of the Board and the Board's performance as a whole;

(c) assess and review the independence of each Non-Executive Independent Director, including those with multiple directorships in other companies; and

(d) review and recommend the re-election of Directors.

The Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. 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 and Ms He Jing, Mr Kuan Cheng Tuck and Ms Chen Zhen who will retire pursuant to Article 100 of the Company's Constitution.

Mr Koh Eng Kheng Victor has indicated he would be retiring as a Director of the Company after the conclusion of the forthcoming AGM to focus on his other commitments. With his retirement, he will relinquish his position in the respective Board Committees, namely Chairman of the NC and member of the AC and RC respectively.

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

The NC reviews the independence of each Director annually in accordance with the Code's definition of independence. In respect of the Company's current Independent Directors, Mr Koh Eng Kheng Victor, Ms He Jing, Mr Kuan Cheng Tuck and Ms Chen Zhen, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code and any other salient factors. The Independent Directors had also confirmed their independence in accordance with the Code.

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

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. 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 FY2017, 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.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/her not to be independent.

Currently, the Company does not have alternate directors.

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

Appointment of new Directors

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

When the need for a new Director is identified, either to replace a retiring Director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. 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.

The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.

Re-appointment of incumbent Directors

The NC would access the contributions and performance of the incumbent Director and would also review the range of expertise, skills and attributes of current Board members and consider the current needs of the Board.

Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the incumbent Director to the Board for its consideration and approval.

Guideline 4.7 of the Code: Key information regarding Directors

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.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

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.

Guidelines 5.1 and 5.2 of the Code: Board to implement process to address how the Board's performance may be evaluated and disclose the process in Annual Report

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. This self-assessment process takes 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. The Company Secretary and her representatives will collate the Board evaluations and provide the summary observations to the NC. The NC would then discuss the evaluation and conclude the performance results during the NC meeting.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for FY2017 and is of the view that the Board as a whole has met its performance objectives.

The NC had concurred that it was difficult to evaluate the performance of the Board Committees or individual Director given the changes to the composition of the Board and Board Committees during FY2017. As such, no assessment was carried out for the Board Committee and each individual Director for FY2017. The NC would consider implementing such performance evaluation for each Board Committee and individual Director at a time deemed appropriate.

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

The Board has not engaged any external consultant to conduct an assessment of the performance of the Board. Where relevant and when the need arise, the NC will consider such an engagement.

The NC reviewed the mix of skills and experiences of the Directors that the Board requires to function competently and efficiently in achieving the Group's strategic objectives. When reviewing the Board's performance for FY2017, the NC is satisfied that the Board has a good mix of skills and expertise to meet the needs of the Group and noted the following points:

(a) Feedback received from the Directors and acted on their comments accordingly; and

(b) Individual Director's attendance at meetings of the Board, Board Committees and general meetings, individual Director's functional expertise and his/her commitment of time to the Company.

The Executive Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

Each member of the NC has abstained from reviewing and voting on any resolution relating to his/her re-nomination as Director, or in any matter where he/she has an interest.

Access to Information

Principle 6: 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 information in a timely manner. In addition, all relevant information on the Group's annual budgets, financial statements, material events and transactions complete with background and explanations are circulated to Directors as and when they arise.

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

Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least one week prior to the meetings to allow sufficient time for the Directors' review.

Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.

Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Each Director has been provided with the up-to-date contact particulars of the Company's key management personnel and the Company Secretary to facilitate access to any required information.

All Directors have separate and independent access to the Company Secretary. The Company Secretary and her representatives attend all meetings of the Board and Board Committees and are responsible in ensuring that Board procedures and all relevant rules and regulations applicable to the Company are complied with. The Company Secretary also advises the Board on corporate governance matters and she is also the channel of communication between the Company and the SGX-ST.

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

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

Procedures for Developing Remuneration Policies

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

As at the date of this report, the RC comprises the following members, all of whom are Independent Directors.

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

He Jing	Chairman
Koh Eng Kheng Victor	Member
Kuan Cheng Tuck (appointed on 3 July 2017)	Member
Chen Zhen (appointed on 3 July 2017)	Member

The RC is regulated by a set of written terms of reference. Its key functions 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.

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

The RC recommends to the Board for endorsement, a framework of remuneration for the Board and key management personnel 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.

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.

Guideline 7.3 of the Code: RC to seek expert advice

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arise.

No remuneration consultants were engaged by the Company in FY2017.

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

The RC reviews the terms and conditions of service agreement of the Executive Director before his execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of Executive Director 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.

The service agreement entered into with Mr Liang Chengwang, the Executive Chairman and the CEO of the Company, is for a term of three years with effect from 22 September 2015 and will automatically renewed for a further term of three years unless otherwise terminated by either party giving not less than six months' notice in writing to the other in accordance with the terms of the said agreement.

None of the Non-Executive Directors is on a service agreement with the Company.

Level and Mix of Remuneration

Principle 8: Level of remuneration of Directors should be appropriate but not excessive

The annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Director 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. The performance of the Executive Director (together with other key management personnel) is reviewed periodically by the RC and the Board.

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

The Executive Director do not receive Directors' fee. The remuneration of the Executive Director and the key management personnel comprise primarily a basic salary component and a variable component which is inclusive of bonuses and other benefits.

The Company has adopted the China Star ESOS and China Star PSP on 20 July 2015.

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

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 Director and Group Non-Executive Directors (including the Independent Directors), including those who are also controlling shareholders. These Schemes provides 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 China Star ESOS and China Star PSP are administrated by the RC in its absolute discretion with such powers and duties as may be conferred on it by the Board.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. 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.

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

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

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

Disclosure on Remuneration

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top key management personnel (who are not Directors or the CEO of the Company) as the Board is of the view that the matters which are required to be disclosed in such annul remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

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

The remuneration of each individual Director and key management personnel is disclosed in bands of S$250,000 with a breakdown of the components in percentage. Their remuneration is however not disclosed as the Company believes that such disclosure 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 FY2017 are as follows:

Name of Director	Remuneration Band	Salary %	Director's Fees %	Performance Based Bonuses %	Other Benefits %	Total %
Present Directors						
Liang Chengwang	<$250,000	99.4	–	–	0.6	100.0
Koh Eng Kheng Victor	<$250,000	–	100.0	–	–	100.0
He Jing[1]	<$250,000	–	100.0	–	–	100.0
Kuan Cheng Tuck[2]	<$250,000	–	–	–	–	–
Chen Zhen[3]	<$250,000	–	–	–	–	–
Past Directors						
Chen Huajing[4]	<$250,000	–	–	–	–	–
Loh Wei Ping[5]	<$250,000	–	100.0	–	–	100.0
Lim Teck Chai, Danny[6]	<$250,000	–	100.0	–	–	100.0
Huang Lu[7]	<$250,000	–	100.0	–	–	100.0

Notes:

(1) Appointed as Independent Director on 9 February 2017

(2) Appointed as Independent Director on 3 July 2017

(3) Appointed as Independent Director on 3 July 2017

(4) Resigned as Executive Director on 7 April 2016

(5) Resigned as Independent Director on 24 January 2017

(6) Resigned as Independent Director on 26 April 2017

(7) Resigned as Non-Executive Director on 5 May 2017

Disclosure on Key Management Personnel's Remuneration

During FY2017, there were only four key management personnel (who are not Directors or the CEO) in the Company.

A breakdown of the remuneration bands payable to the top four key management personnel in FY2017 was as follows:

Name of Key Management Personnel	Remuneration Band	Salary %	Performance Based Bonuses %	Other Benefits %	Total %
Yeo Choon Tat[1]	<$250,000	96.1	–	3.9	100.00
Chan Siew Kit[2]	<$250,000	96.2	–	3.8	100.00
Xu Jianping[3]	<$250,000	92.5	–	7.5	100.00
Chen Xiyun[4]	<$250,000	92.5	–	7.5	100.00

Notes:

(1) Appointed as Deputy Chief Executive Officer on 1 December 2016 and subsequently re-designated as Chief Financial Officer on 31 May 2017

(2) Resigned as Chief Financial Officer on 31 May 2017

(3) Resigned as Vice General Manager (Sales) on 1 February 2017

(4) Resigned as Human Resource Director on 1 July 2016

Total remuneration for the Directors and the top four key management personnel in FY2017 amounted to S$273,000 and S$256,000 respectively.

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

No employee of the Group was an immediate family member of any of the Directors and/or the CEO whose remuneration exceeded S$50,000 in FY2017. Based on the Catalist Rules, "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

Guideline 9.4 of the Code: Disclosure of remuneration of employees who are immediate family members of Director and whose remuneration exceeds S$50,000

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.

The Company advocates a performance-based remuneration system for Executive Director and key management personnel that is flexible and responsive to the market, comprising a base salary 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. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

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

An assessment on the performance of the Executive Director and key management personnel for their entitlement to the variable performance bonus was done in FY2017. Due to the production halt in the second half of FY2017, certain performance conditions in regards to revenue and net profit were not met. The RC will review the performance of the Executive Director and key management personnel based on its performance conditions again in the next financial year.

III. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board ensures the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, financial position and prospects.

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 takes steps to ensure compliance with legislative and regulatory requirements with all of the Group's operational practices and procedures and relevant regulatory requirements under the Catalist Rules, where appropriate. The Independent Directors will also obtain advices from Management when establishing written policies for any particular matter that is deemed to be essential to form part of management control.

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

Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis to make a balanced and informed assessment of the Group's performance, position and prospects. Such reports include information on:

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

- The Group's actual performance against the approved budget and where appropriate, against forecast; and
- Key business indicators and major issues that is relevant to the Group's performance.

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks. Management highlights and discusses (if any) salient risk management matters to the Board on a quarterly basis.

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

For FY2017, the AC had reviewed the Group's internal controls and risk management policies and processes, and based on its assessment and reports of the external and internal auditors, the AC is assured that adequate and effective internal controls and risk management systems are in place.

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

The Board is committed to maintaining a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. To achieve this, regular internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or dispositions, transactions are properly authorised and proper financial records are being maintained.

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

As for the operational and compliance controls, the Group has periodically reviewed these control areas through the various heads of departments, and has continuously made improvements with the assistance of regular internal review.

For FY2017, the Board has received assurance from the CEO and the CFO that:

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

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

(b) the system of risk management and internal control in place within the Group (including financial, operational, compliance, and information technology) are sufficiently adequate and effective in addressing the material risks in the Group in its current business environment.

Based on the on-going review as well as the continuing efforts in enhancing controls and processes which are currently in place, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and the risk management systems, are adequate and effective as at 31 March 2017.

Catalist Rule 1207(10)

The Board has not established a separate risk committee and relies on internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the external auditors in carrying out its responsibility of overseeing the Company's risk management and policies.

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

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The Company has appointed Ernst & Young Advisory Pte. Ltd. as its internal auditors to perform the internal audit functions of the Group including the review and test of controls of its processes.

Corporate Governance Report

Audit Committee

Principle 12: Establishment of Audit Committee with written terms of reference

As at the date of this report, the AC comprises the following four members, all of whom are Independent Directors.

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

Kuan Cheng Tuck *(appointed on 3 July 2017)*	Chairman
Koh Eng Kheng Victor	Member
He Jing	Member
Chen Zhen *(appointed on 3 July 2017)*	Member

The Board is of the opinion that the members of the AC are appropriately qualified to discharge their responsibilities. All AC members, Mr Kuan Cheng Yuck, Mr Koh Eng Kheng Victor, Ms He Jing and Ms Chen Zhen have many years of experience in accounting, finance and/or legal related expertise and experience.

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

The AC is authorised by the Board to investigate any matters within its terms of reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AC to enable it to discharge its duties properly.

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

The AC is regulated by a set of written terms of reference. The principal functions of the AC include:

Guideline 12.4 of the Code: Duties of the AC

(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;

(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.

The AC met four times during FY2017 to review the audit plan/report, the audit findings, the reports on interested person transactions, and the announcements of the quarterly and full-year financial results before being approved by the Board for release to the SGX-ST.

The AC reviews the scope and results of the internal audit procedures, including the effectiveness of the internal audit functions and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company and the adequacy of the internal audit function. The CFO is tasked to oversee the implementation of any improvement to the weaknesses in the internal controls.

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 had met with the external auditors, Messrs RSM Chio Lim LLP, once in the absence of Management during FY2017.

The AC had undertaken a review of all non-audit services provided by the external auditors and was of the opinion that the provision of such services would not affect their independence.

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

Total fees paid by the Group to the external auditors for audit and non-audit services are as disclosed:

External auditor fees for FY2017	S$	% of Total
Total audit fees	169,700	99.1
Total non-audit fees	1,500	0.9
Total fees payable	171,200	100

The AC has reviewed the independence of the external auditors and is satisfied that the nature and extent of the non-audit services provided by the external auditors will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors' confirmation of their independence.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on annual basis. Messrs RSM Chio Lim LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with ACRA and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, given the size and complexity of the Group. The AC is satisfied that the appointment of external auditors is in compliance with the requirements of Catalist Rules 712 and 715. Accordingly, the AC has recommended the re-appointment of Messrs RSM Chio Lim LLP as external auditors for the ensuring year at the forthcoming AGM of the Company.

Catalist Rules 712 and 715

The Company has put in place a whistle-blowing policy whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters. The arrangement also provide for independent investigation of such matters and permit whistle blowers to report directly to any member of the AC of the Company either in person or in writing.

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

The AC has power to conduct or authorize investigations into any matter within the AC's scope of responsibility. On a regular basis, all whistle-blowing cases reported and the resolution would be reported to the AC. Depending on the nature of the concern raised or information provided, the investigation may be conducted. The details of the policy and the conduct details of the AC members have been disseminated and made available to all parties concerned.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the Group's external auditors.

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

None of the members of the AC were previous partners or directors of the Company's existing auditing firm within the previous 12 months or hold 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

Internal Audit

Principle 13: Effective and independent internal audit function

The Board recognizes the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets.

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

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Company has outsourced its internal audit function to an independent external service provider. As recommended by the AC, the Board has appointed Ernst & Young Advisory Pte. Ltd., a professional accounting firm providing internal audit, risk and compliance services as internal auditors to perform the internal audit functions of the Group including the review and test of controls of its processes. The internal auditors reported directly to the AC.

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

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC also reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management and the external auditors.

For FY2017, the internal auditors had carried out a review in the audit areas focusing on the Group's key operations, and to make recommendations for improvement.

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

The AC is satisfied that the appointed internal auditors are adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognized professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively (given, *inter alia*, involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC).

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

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

Corporate Governance Report

IV. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Board recognizes that it is accountable to shareholders for the Group's performance, believes in transparency and strives towards timeliness in the dissemination of material information to the Company's shareholders and the public. The information, including a review of the Group's performance and prospects in the quarterly and full-year results announcements, is disseminated to shareholders through the SGXNET.

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

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

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

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

In line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNET on an immediate basis.

Copies of the Annual Report and the Notice of the AGM and/or Extraordinary General Meetings, where applicable, are sent to every shareholder of the Company. The Notices of the general meetings are also advertised in the newspapers and released via SGXNET.

The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNET.

Guidelines 15.1 and 15.2 of the Code: Company to devise an effective investor relations policy to regularly convey pertinent information to shareholders and disclose information on a timely basis through SGXNET

Before and after every general meeting, the Chairman and other members of the Board will engage in dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

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 fixed dividend policy. The Company may, by ordinary resolution of the shareholders, declare dividends at a general meeting, but the Company may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors subject to the approval of the shareholders of the Company. The Directors may also declare an interim dividend without the approval of the shareholders. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

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

The Board has not declared or recommended dividends for FY2017 in view of the prolonged production halt and its impact on the Company's financial performance. The Board wants to ensure there are adequate resources for the Company's operations/expansion plans and to respond to any adverse changes in the industry and/or macroeconomic environment.

For the time being, the Board is of the view that authentication of shareholder identity information and other related security issues continue to be a concern and is not proposing to amend its Constitution to allow votes in absentia.

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

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 significant proposal and only where there are reasons and material implications justifying the same.

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

The Board, the Chairmen of the Board Committees, Management and the external auditors are available at general meetings to address any questions the shareholders may have concerning the Group.

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

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management. These are available to shareholders at their request.

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

All resolutions will be voted by way of poll and the Company will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages via the SGXNET after the conclusion of the general meeting. An independent voting agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.

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

DEALINGS IN SECURITIES

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 weeks and one 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.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control procedures to ensure the transactions with interested persons are properly reviewed and approved by the AC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company does not have a general mandate for Interested Person Transactions ("**IPTs**").

The following are IPTs with value more than S$100,000 transacted in FY2017:-

Liancheng Tianhe Food Factory	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**
	S$'000	**S$'000**
Rental expense	–	305

The AC has reviewed the above IPTs and is of the view that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholder.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of the CEO, any Director or controlling shareholder, which are either still subsisting at the end of FY2017, or if not then subsisting, entered into since the end of the previous financial year.

Corporate Governance Report

USE OF PROCEEDS

As at the date of this Report, the Company raised S$165,000 from the conversion of warrants ("**Warrant Proceeds**"). The status on the use of Warrant Proceeds is as follows:

Intended Use	Maximum Amount to be allocated (S$'000)	Amount Raised (S$'000)	Amount utilised	Balance amount (S$'000)
Expansion of production capacity including the purchase of plant, machinery and equipment for the new factory and office building of Fujian Zixin	14,665	–	–	–
General working capital	2,000	165	–	165
Total	**16,665**[(1)]	**165**	**–**	**165**

Note:

(1) Based on the maximum proceeds arising from the fully exercised and conversion of the 50,500,000 outstanding warrants at an exercise price of S$0.33.

The Company will make periodic announcements through SGXNET as and when the Warrant Proceeds are materially disbursed.

NON-SPONSOR FEES

In FY2017, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd., non-sponsor fees of S$145,188.

Statement by Directors

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 March 2017.

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 2017 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 reporting year ended on that date; and

(b) at the date of the 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:

Mr Liang Chengwang	Executive Chairman and Chief Executive Officer
Mr Koh Eng Kheng Victor	Lead Independent Director
Ms He Jing	Independent Director
Mr Kuan Cheng Tuck	Independent Director
Ms Chen Zhen	Independent Director

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested 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 reporting year	At end of the reporting 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 2017 were same as those as at the end of the reporting 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.

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 four directors, namely, Ms He Jing, Mr Koh Eng Kheng Victor, Mr Kuan Cheng Tuck and Ms Chen Zhen 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).

5. **Share options and performance shares (cont'd)**

China Star 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 and subsidiary holdings) 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.

5. **Share options and performance shares (cont'd)**

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.

The Plan is administered by the RC comprising four directors, namely, Ms He Jing, Mr Koh Eng Kheng Victor, Mr Kuan Cheng Tuck and Ms Chen Zhen 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;

5. **Share options and performance shares (cont'd)**

China Star Performance Share Plan (cont'd)

(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.

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 $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 31.3.2017	Expiry date
18 April 2016	$0.33	50,500,000	(500,000)	50,000,000	17 April 2018

6. **Report of audit committee**

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

Mr Kuan Cheng Tuck	Chairman
Mr Koh Eng Kheng Victor	
Ms He Jing	
Ms Chen Zhen	

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;

6. Report of audit committee (cont'd)

(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).

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, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditors at the next annual general meeting of the company.

7. Independent auditor

RSM Chio Lim 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 30 May 2017, 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	Koh Eng Kheng Victor
Director	Director

5 July 2017

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 consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2017, 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 reporting 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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 March 2017 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 reporting 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 company 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.

Key audit matters (cont'd)

Impairment assessment of non-current assets

As in more fully disclosed in Notes 1.2, the group has halted its production since January 2017 under the general directive of local government requiring sweet potato factories within the Liancheng County that did not meet pollution control requirements to halt production. Therefore, there are indications of probable impairment loss on the following non-current assets of the group and of the company as at 31 March 2017:

	Group	Company
	RMB'000	RMB'000
Property, plant and equipment (Note 15)	106,013	–
Intangible assets (Note 16)	42,686	–
Investments in subsidiaries (Note 17)	–	803,636

Management has utilised the value-in-use (discounted cash flow) method to determine the recoverable amount of the abovementioned non-current assets. The recoverable amount is determined based on estimates of forecast revenue, profit margins, long term growth rates and discount rate.

Management's impairment test showed that the value-in-use was higher than the total carrying amount of the abovementioned non-current assets. Consequently, no impairment loss was recognised.

We discussed with management the bases of the future business plans for the group and assessed the key assumptions applied by comparing them with historical performance.

We also independently recomputed the discount rate applied, using available industry data and considered the adequacy of the disclosures in these financial statements.

Other information

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

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 FRSs, 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.

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.

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

(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.

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 a subsidiary corporation incorporated in Singapore of which we are the auditors 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 Chan Weng Keen.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

5 July 2017

Engagement partner - effective from year ended 31 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	392,722	470,907
Cost of sales		(234,461)	(262,089)
Gross profit		158,261	208,818
Other gains	6	–	1,464
Interest income	7	3,521	3,978
Other income		1	245
Marketing and distribution costs	8	(77,220)	(55,895)
Administrative expenses	9	(37,278)	(37,621)
Other losses	6	(14,520)	(2,858)
Finance costs	10	(808)	(1,022)
Other operating expenses		–	(401)
Other expenses	11	–	(70,554)
Profit before income tax from continuing operations		31,957	46,154
Income tax expense	13	(10,382)	(29,851)
Profit from continuing operations, net of tax		21,575	16,303
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(29)	249
Total comprehensive income for the year		21,546	16,552

	Notes	2017 RMB cents	2016 RMB cents
Earnings per share			
Basic and diluted earnings per share	14	8.44	7.37

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

Statements of Financial Position

As at 31 March 2017

	Notes	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	106,013	93,187	–	–
Intangible assets	16	42,686	46,184	–	–
Investments in subsidiaries	17	–	–	803,636	803,636
Other receivables, non-current	18	11,312	15,887	–	–
Other assets, non-current	19	64,176	560	–	–
Total non-current assets		224,187	155,818	803,636	803,636
Current assets					
Inventories	20	–	6,521	–	–
Trade and other receivables	21	14,861	25,822	12,577	–
Other assets, current	22	15,848	15,911	148	–
Cash and cash equivalents	23	145,098	184,122	946	1
Total current assets		175,807	232,376	13,671	1
Total assets		399,994	388,194	817,307	803,637
EQUITY AND LIABILITIES					
Equity					
Share capital	24	113,154	88,109	812,578	787,533
Retained earnings/(accumulated losses)		213,288	202,950	(44,605)	(37,188)
Other reserves	25	40,048	26,024	46,163	42,948
Total equity		366,490	317,083	814,136	793,293
Non-current liability					
Deferred tax liability	13	451	362	–	–
Total non-current liability		451	362	–	–
Current liabilities					
Income tax payable		–	7,226	–	–
Trade and other payables	26	19,612	48,963	2,530	10,344
Other financial liabilities	27	13,441	13,000	641	–
Other liabilities	28	–	1,560	–	–
Total current liabilities		33,053	70,749	3,171	10,344
Total liabilities		33,504	71,111	3,171	10,344
Total equity and liabilities		399,994	388,194	817,307	803,637

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

Statements of Changes in Equity

Year Ended 31 March 2017

Group:	Total equity RMB'000	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000
Current Year:				
Opening balance at 1 April 2016	317,083	88,109	26,024	202,950
Total comprehensive income for the year	21,546	–	(29)	21,575
Issuance of new shares (Note 24)	24,978	24,978	–	–
Issuance of warrants (Note 25A)	2,844	–	2,844	–
Conversion of warrants (Note 24)	782	810	(28)	–
Expenses on issuance of new shares (Note 24)	(743)	(743)	–	–
Transferred from retained earnings (Note 25B)	–	–	11,237	(11,237)
Closing balance at 31 March 2017	366,490	113,154	40,048	213,288
Previous Year:				
Opening balance at 1 April 2015	212,427	5	11,439	200,983
Total comprehensive income for the year	16,552	–	249	16,303
Issuance of new shares (Note 24)	24,362	24,362	–	–
Consideration shares pursuant to RTO (Note 17A)	36,661	36,661	–	–
RTO professional fees settled by issuance of new shares (Note 24)	28,064	28,064	–	–
Expenses on issuance of new shares (Note 24)	(983)	(983)	–	–
Transferred from retained earnings (Note 25B)	–	–	14,336	(14,336)
Closing balance at 31 March 2016	317,083	88,109	26,024	202,950

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

Statements of Changes in Equity

Year Ended 31 March 2017

Company	Total equity RMB'000	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000
Current Year:				
Opening balance at 1 April 2016	793,293	787,533	42,948	(37,188)
Total comprehensive income/(loss) for the year	(7,018)	–	399	(7,417)
Issuance of new shares (Note 24)	24,978	24,978	–	–
Issuance of warrants (Note 25A)	2,844	–	2,844	–
Conversion of warrants (Note 24)	782	810	(28)	–
Expenses on issuance of new shares (Note 24)	(743)	(743)	–	–
Closing balance at 31 March 2017	814,136	812,578	46,163	(44,605)
Prior Year:				
Opening balance at 1 July 2015	18,809	28,834	(19)	(10,006)
Total comprehensive income/(loss) for the period	3,582	–	42,967	(39,385)
Capital reduction (Note 24)	(16,631)	(28,834)	–	12,203
Issuance of consideration shares pursuant to the RTO (Note 24)	760,452	760,452	–	–
RTO professional fees settled by issuance of new shares (Note 24)	28,064	28,064	–	–
Expenses on issuance of new shares (Note 24)	(983)	(983)	–	–
Closing balance at 31 March 2016	793,293	787,533	42,948	(37,188)

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

Consolidated Statement of Cash Flows

Year Ended 31 March 2017

	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Profit before income tax	31,957	46,154
Interest income	(3,521)	(3,978)
Interest expense	808	1,022
Depreciation of property, plant and equipment	3,911	3,304
Property, plant and equipment written-off	–	2,858
Amortisation of intangible assets	3,498	3,442
Loss on disposal of property, plant and equipment	5,562	–
Gain on transfer of leased farmland	–	(1,464)
Impairment of goodwill	–	36,660
RTO professional fees settled by shares	–	28,064
Exchange differences on translating functional to presentation currency	(30)	278
Operating cash flows before changes in working capital	42,185	116,340
Inventories	6,521	(1,007)
Trade and other receivables	18,517	(5,408)
Other assets	8,290	(7,286)
Trade and other payables	(29,289)	14,200
Other liabilities	(1,560)	(1,200)
Net cash flows from operations	44,664	115,639
Income taxes paid	(25,530)	(32,846)
Net cash flows from operating activities	19,134	82,793
Cash flows from investing activities		
Acquisition of property, plant and equipment	(26,231)	(18,183)
Advance payment for supplies of sweet potatoes	(63,833)	–
Refund of payment for land use rights	–	4,127
Acquisition of intangible assets	–	(338)
Net cash flows from RTO (Note 34.2)	–	1
Repayment of payable to director/shareholder	–	(15,000)
Proceeds from disposal of property, plant and equipment	3,932	–
Interest income received	542	479
Net cash flows used in investing activities	(85,590)	(28,914)
Cash flows from financing activities		
Proceeds from issuance of shares and warrants	27,051	–
Proceeds from conversion of warrants	810	–
Proceeds from convertible loan	–	8,927
Proceeds from new bank loans	12,800	13,000
Repayment of bank loans	(13,000)	(13,000)
Proceeds of loan from director/shareholder	641	1,131
Repayment of payables to director/shareholder	(62)	(64)
Other payable to director/shareholder	–	62
Interest expense paid	(808)	(1,022)
Net cash flows from financing activities	27,432	9,034
Net (decrease)/increase in cash and cash equivalents	(39,024)	62,913
Cash and cash equivalents, beginning balance	184,122	121,209
Cash and cash equivalents, ending balance (Note 23)	145,098	184,122

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

Notes to the Financial Statements

Year Ended 31 March 2017

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 2017 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 18 to the financial statements below.

The registered office of the company is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The principal place of business of the company is located at 20 Collyer Quay, #09-04, Singapore 049319.

During the reporting year end 31 March 2016, the company acquired Zixin International Pte Ltd (formerly known as China Star Food Holdings Pte Ltd) in a reverse takeover exercise. See Note 34 for details.

1.2 Temporary halts 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 is 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.

Management believes that the directive to halt production is due to the increased awareness in the need to reduce environmental pollution, to which the government of the People's Republic of China has implemented a series of rules and regulations and begin enforcing them rigorously. In light of the general directive, management has decided not to restart production but accelerate the relocation of all production operations to the new Zilaohu Factory.

The group's Zilaohu Factory was granted its operating license on 13 March 2017 and was scheduled to commence production in April 2017. However, the group received an order from the Liancheng County government in May 2017 to halt its production operations at the Zilaohu Factory. The Liancheng County government also stipulates that the commercial production could only commence after the completion of Liancheng County's centralised waste water treatment facility. Management expects the waste water treatment facility to be completed by the third quarter of 2017 based on the scheduled timeline provided by the contractor awarded by the Liancheng County government.

1. General (cont'd)

1.2 Temporary halts of the group's production facilities (cont'd)

Since management decided not to restart production at the group's Hengming Factory and the Henggang Factory, the group sold the plant and machinery in these two factories that are not suitable for use in the Zilaohu Factory to a former employee in a subsidiary.

Management also did not renew the lease of Henggang Factory which is owned by the wife of Mr Liang Chengwang, the group's Chief Executive Officer, and laid off majority of the employees in the Hengming Factory and the Henggang Factory.

As the construction of centralised waste water treatment plant is being exclusively handled by a third party independent contractor appointed by the Liancheng County government, the group cautions that it has no control over the construction progress of the waste water treatment plant and there is no assurance and certainty that the plant will be completed by the third quarter of 2017 based on the scheduled timeline provided by the awarded contractor.

However, the group has a healthy cash reserve and has arranged for standby credit facilities to tide over these difficult times. The group is also exploring direct sales of its committed raw sweet potato supply, which are obtained at a lower cost compared to the market, to other demand sources e.g. supermarket, to generate interim sales and profits and to offset its operating expenses, should the current production halt continues for an extended period.

1.3 Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Singapore Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit or loss, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the current reporting year that were recognised in other comprehensive income in the current or previous reporting years.

1.4 Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgments in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgments, or areas where assumptions and estimates are significant to the financial statements, are disclosed at Note 2B below, where applicable.

1. General (cont'd)

1.5 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. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

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.

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

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the ordinary activities of the entity and it is shown net of any related sales taxes, estimated returns, discounts and volume rebates. Revenue from sale of goods are recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Interest income is recognised on accrual basis using the effective interest method.

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.

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.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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.

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%
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.

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 FRS 103 – 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.

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

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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

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.

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.

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:

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

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

#2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

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.

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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

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

Measurement of impairment of subsidiary:
Where an investee is in net equity deficit, has suffered losses and or halt production temporarily (see Note 1.2), a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. 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 asset affected. The carrying amount of the company's investments in subsidiaries is disclosed in Note 17.

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 15.

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 16.

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 13 on income tax.

3. Related party relationships and transactions

FRS 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.

3B. Other related parties

Related parties in the financial statements refer to entities controlled by Mr Liang Chengwang or his immediate families.

There are transactions and arrangements between the company and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. No interest or charge is imposed on financial guarantees unless stated otherwise.

In addition to the transactions and balances disclosed elsewhere in the notes to the consolidated financial statements, this item includes the following:

	Group	
	2017	2016
	RMB'000	RMB'000
Rental expense	1,484	1,272

Also see note 1.2.

3C. Key management compensation

	Group	
	2017	2016
	RMB'000	RMB'000
Salaries and other short-term employee benefits	2,737	1,533
Contributions to defined benefits plans	16	78

3. Related party relationships and transactions (cont'd)

3C. Key management compensation (cont'd)

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

	Group	
	2017	2016
	RMB'000	RMB'000
Remuneration of directors	1,508	756

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.

3D. 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	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Director/shareholder:				
Balance at beginning of the year	621	15,064	621	1,408
Amounts paid in and settlements of liabilities on behalf of the group	–	62	–	72
Repayments	(621)	(15,064)	(621)	(1,418)
Salary payables	964	559	964	559
Balance at end of the year (Note 26)	964	621	964	621

The movements in other financial liabilities payable to related parties are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Directors/shareholders:		
Balance at beginning of the year	–	14,276
Advances from a shareholder	641	–
Amounts paid in and settlements of liabilities on behalf of the group	–	1,131
Capitalisation	–	(15,407)
Balance at end of the year (Note 27)	641	–

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	
	2017	2016
	RMB'000	RMB'000
Sale of goods	392,722	470,907

6. Other gains and (other losses)

	Group	
	2017	2016
	RMB'000	RMB'000
Gain on transfer of leased farmland (Note 16C)	–	1,464
Loss on disposal of property, plant and equipment	(5,562)	–
Inventories written-off	(2,472)	–
VAT expenses	(4,226)	–
Plant and equipment written-off	–	(2,858)
Donation	(2,260)	–
	(14,520)	(1,394)
Presented in profit or loss as:		
Other gains	–	1,464
Other losses	(14,520)	(2,858)
	(14,520)	(1,394)

7. Interest income

	Group	
	2017	2016
	RMB'000	RMB'000
Interest income from banks	542	479
Unwinding of discount on other receivables from a supplier (Note 16C)	2,979	3,499
	3,521	3,978

8. Marketing and distribution costs

The major components include the following:

	Group	
	2017	2016
	RMB'000	RMB'000
Advertisement cost	46,786	13,528
Delivery charges	21,884	24,656
Publicity expenses	2,859	4,988
Sales and promotional expenses	128	3,455
Employee benefits expense (Note 12)	3,911	6,182

9. Administrative expenses

The major components include the following:

	Group	
	2017	2016
	RMB'000	RMB'000
Amortisation of intangible assets (Note 16)	3,498	3,442
Depreciation of property, plant and equipment (Note 15)	2,435	1,725
Research and development expenses	285	17,790
Employee benefits expense (Note 12)	10,656	6,087

10. Finance costs

	Group	
	2017	2016
	RMB'000	RMB'000
Interest expense	808	1,022

11. Other expenses

	Group	
	2017	2016
	RMB'000	RMB'000
Impairment of goodwill (Note 16B)	–	36,660
RTO expenses	–	33,894
	–	70,554

12. Employee benefits expense

	Group 2017 RMB'000	Group 2016 RMB'000
Salaries, bonuses and other employees' benefits	31,814	33,056
Contributions to defined contribution plans	4,058	4,466
Other benefits	1,251	3,248
	37,123	40,770

The employee benefits expenses are charged as follows:

	Group 2017 RMB'000	Group 2016 RMB'000
Cost of sales	22,556	28,501
Marketing and distribution costs (Note 8)	3,911	6,182
Administrative expenses (Note 9)	10,656	6,087
	37,123	40,770

13. Income tax

13A. Components of income tax expense recognised in profit or loss

	Group 2017 RMB'000	Group 2016 RMB'000
Current tax expense:		
Current tax expense	9,908	29,017
Under adjustments in respect of prior years	385	472
Subtotal	10,293	29,489
Deferred tax expense:		
Deferred tax expense	89	362
Total income tax expense	10,382	29,851

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% (2016: 25%) to profit before income tax as a result of the following differences:

	Group 2017 RMB'000	Group 2016 RMB'000
Profit before income tax	31,957	46,154
Income tax expense at the above rate	7,989	11,539
Effect of different tax rates in different countries	613	3,105
Non-deductible items	1,306	14,373
Under adjustments to current tax in respect of prior years	385	472
Withholding tax expense	89	362
Total income tax expense	10,382	29,851

There are no income tax consequences of dividends to owners of the company.

13. Income tax (cont'd)

13A. Components of income tax expense recognised in profit or loss (cont'd)

The major non-deductible items include the following:

	Group	
	2017	2016
	RMB'000	RMB'000
Impairment of goodwill arising from reverse acquisition	–	36,660
RTO expenses	–	33,894

The amount of income tax payable outstanding as at end of the reporting year was Nil (2016: RMB7,226,000). 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 reporting year.

According to the prevailing tax rules and regulation in the People's Republic of China, a subsidiary in the group is exempted from enterprise income tax for taxable profit from its agricultural business activities in the People's Republic of China.

13B. Deferred tax expense recognised in profit or loss

	Group	
	2017	2016
	RMB'000	RMB'000
Withholding tax on potential dividends from a wholly-owned subsidiary in the People's Republic of China	89	362

13C. Deferred tax balance in the statement of financial position

	Group	
	2017	2016
	RMB'000	RMB'000
Withholding tax on potential dividends from a wholly-owned subsidiary in the People's Republic of China	451	362

A wholly-owned subsidiary, Fujian Zixin Biological Potato Co., Ltd, has undistributed profits of RMB293,391,000 (2016: RMB275,600,000) as at the end of the reporting year. In the event these profits are distributed as dividends, a withholding tax of 5% is payable to the tax authority in the People's Republic of China. The group did not recognise deferred liabilities related to potential withholding tax payable on undistributed profits of RMB284,371,000 (2016: RMB268,360,000) amounting to RMB14,219,000 (2016: RMB13,418,000) in these financial statements as 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 this subsidiary.

14. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share:

	Group	
	2017	2016
	RMB'000	RMB'000
Profit, net of tax attributable to owners of the company	21,575	16,303

	No of shares	
	2017	2016
Weighted average number of equity shares	255,660,374	221,072,244

In the previous reporting year, the number of ordinary shares outstanding from the beginning of the previous reporting year to the reverse acquisition date for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the company to the former shareholders of CSFH, and the number of ordinary shares outstanding from the reverse acquisition date to the end of the year is the actual number of ordinary shares of the company outstanding during the prior reporting year, taking into consideration the effect of the share consolidation on 22 December 2015 (Note 24).

Basic earnings per share are calculated by dividing profit, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during each reporting year.

There is no dilutive effect from the warrants as they are anti-dilutive because the exercise price of the warrants were higher than the average market price of ordinary shares during the reporting year.

15. Property, plant and equipment

Group:	Leasehold buildings RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Research & production equipment RMB'000	Motor vehicles RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Cost:							
At 1 April 2015	50,226	556	14,497	5,584	496	16,195	87,554
Additions	3,716	369	–	3,336	–	10,762	18,183
Written-off	–	(2)	(79)	(3,159)	–	–	(3,240)
Reclassification	810	–	–	–	–	(810)	–
At 31 March 2016	54,752	923	14,418	5,761	496	26,147	102,497
Additions	410	320	13,923	169	–	11,409	26,231
Disposal	–	(362)	(8,535)	(5,772)	(224)	–	(14,893)
Reclassification	21,631	–	–	–	–	(21,631)	–
At 31 March 2017	76,793	881	19,806	158	272	15,925	113,835
Accumulated depreciation:							
At 1 April 2015	3,083	246	1,491	1,367	201	–	6,388
Depreciation for the year	1,836	111	689	584	84	–	3,304
Written-off	–	(1)	(31)	(350)	–	–	(382)
At 31 March 2016	4,919	356	2,149	1,601	285	–	9,310
Depreciation for the year	2,135	222	968	534	52	–	3,911
Disposal	–	(320)	(2,739)	(2,127)	(213)	–	(5,399)
At 31 March 2017	7,054	258	378	8	124	–	7,822
Carrying amount:							
At 1 April 2015	47,143	310	13,006	4,217	295	16,195	81,166
At 31 March 2016	49,833	567	12,269	4,160	211	26,147	93,187
At 31 March 2017	69,739	623	19,428	150	148	15,925	106,013

As at 31 March 2017, the leasehold building and construction work-in-progress of the group with carrying amount of RMB61,440,000 (2016: RMB59,805,000) are mortgaged as securities for bank loans (See Note 27B).

15. Property, plant and equipment (cont'd)

The depreciation expense is charged as follows:

	Group 2017 RMB'000	Group 2016 RMB'000
Cost of sales	1,467	1,564
Marketing and distribution costs	9	15
Administrative expenses (Note 9)	2,435	1,725
	3,911	3,304

Company:	Office equipment RMB'000
Cost:	
At 1 July 2015	764
Written-off	(764)
At 31 March 2016 and 31 March 2017	–
Accumulated depreciation:	
At 1 July 2015	153
Depreciation for the year	35
Written-off	(188)
At 31 March 2016 and 31 March 2017	–
Carrying amount:	
At 1 July 2015	611
At 31 March 2016	–
At 31 March 2017	–

Due to the production halts as disclosed in Note 1.2 above, the recoverable amounts of the group's property, plant and equipment were determined by discounting the future cash flows generated by the subsidiaries. The key assumptions used are disclosed in Note 17.

Based on the assessment, no impairment loss was required as the recoverable amounts of the group's property, plant and equipment were higher than their carrying amounts as at 31 March 2017.

16. Intangible assets

Group:	Land use rights (Note 16A) RMB'000	Manufacturing patents RMB'000	Software RMB'000	Favourable supply contracts (Note 16C) RMB'000	Goodwill (Note 16B) RMB'000	Total RMB'000
Cost:						
At 1 April 2015	8,037	1,562	–	–	–	9,599
Additions	27,373	–	338	12,822	–	40,533
Arising from reverse acquisition (Note 34.2)	–	–	–	–	36,660	36,660
At 31 March 2016 and 31 March 2017	35,410	1,562	338	12,822	36,660	86,792
Accumulated amortisation:						
At 1 April 2015	249	257	–	–	–	506
Amortisation for the year	709	157	11	2,565	–	3,442
At 31 March 2016	958	414	11	2,565	–	3,948
Amortisation for the year	709	157	68	2,564	–	3,498
At 31 March 2017	1,667	571	79	5,129	–	7,446
Accumulated impairment:						
At 1 April 2015	–	–	–	–	–	–
Impairment for the year	–	–	–	–	36,660	36,660
At 31 March 2016 and 31 March 2017	–	–	–	–	36,660	36,660
Carrying amount:						
At 1 April 2015	7,788	1,305	–	–	–	9,093
At 31 March 2016	34,452	1,148	327	10,257	–	46,184
At 31 March 2017	33,743	991	259	7,693	–	42,686

Amortisation expenses are charged under administrative expense.

16. Intangible assets (cont'd)

16A. 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 2017, the land use rights of the group for a parcel of land with carrying amount of RMB6,696,000 (2016: RMB6,839,000) is mortgaged for bank loan (See Note 27B).

Due to the production halts as disclosed in Note 1.2 above, the recoverable amounts of the group's land use rights were determined by discounting the future cash flows generated by the group subsidiaries. The key assumptions used are disclosed in Note 17.

Based on the assessment, no impairment loss was required as the recoverable amounts of the group's land use rights were higher than their carrying amounts as at 31 March 2017.

16B. Goodwill arising on consolidation

In the previous reporting year, a determination of the recoverable amount of goodwill subsequent to the RTO (see Note 34) 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.

16C. 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") and the farmers to transfer all rights and obligations relating to the usage of the farmland to the Supplier (the "Disposal").

In return, the Supplier agreed to pay Dizhongbao a sum of RMB34,790,500, 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 states 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.

16. Intangible assets (cont'd)

16C. Favourable supply contracts

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 is 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	
	2017	2016
	RMB'000	RMB'000
Other receivables, non-current (Note 18)	11,312	15,887
Other receivables, current (Note 21)	4,575	3,978
Intangible asset – favourable supply contracts (Note 16)	7,693	10,257
Impact to profit or loss:		
Amortisation of intangible asset (Note 16)	(2,564)	(2,565)
Unwinding of discount on other receivable (Note 7)	2,979	3,499
Gain on transfer of leased farmland (Note 6)	–	1,464

As disclosed in Note 1.2 above, the group is also exploring direct sales of its committed raw sweet potato supply, which are obtained at a lower cost compared to the market, to other demand sources e.g. supermarket, to generate interim sales and profits and to offset its operating expenses, should the current production halt continue for an extended period. Management has used the value-in-use (discounted cash flow) method to determine the recoverable amount of the favourable supply contracts. The recoverable amount is determined based on estimates of forecast cash inflows from discount receivable and discounted to present value at 15%. No impairment loss was required as the recoverable amount was higher than the carrying amount as at 31 March 2017.

17. Investments in subsidiaries

	Company	
	2017	2016
	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	
	2017	2016	2017	2016
	RMB'000	RMB'000	%	%
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 RSM Chio Lim LLP.

(b) Audited by Ruihua Certified Public Accountants ("Ruihua") for consolidation purpose. Ruihua is a member of RSM International, of which RSM Chio Lim LLP is a member.

17. Investments in subsidiaries (cont'd)

Due to the production halts as disclosed in Note 1.2 above, management performed an assessment as at the end of the reporting year to determine the recoverable amount of the company's investment in Zixin International Pte Ltd ("ZIPL"). The recoverable amount was estimated based on its value-in-use that was determined by discounting the estimated pre-tax future cash flows to be generated from the subsidiaries of ZIPL. Management has also exercised significant judgement in assuming production would resume in the third quarter of 2017.

The value-in-use (Level 3) was determined by discounting the future cash flows generated by the group's subsidiaries. The key assumptions used are as follows:

Unobservable inputs:	
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU:	15%
Cash flow forecasts derived from the most recent financial budgets:	5 years

Relationship of unobservable inputs to value-in-use:
Discount rate – the higher the discount rate, the lower the value-in-use.

Based on impairment testing performed as of 31 March 2017, no impairment loss in investment in subsidiaries is required.

18. Other receivables, non-current

	Group	
	2017	2016
	RMB'000	RMB'000
Other receivables from a supplier (Note 16C)	11,312	15,887
Presented in the statement of financial position as:		
Non-current	11,312	15,887
Current (Note 21)	4,575	3,978
	15,887	19,865

19. Other assets, non-current

	Group 2017 RMB'000	Group 2016 RMB'000
Advance payments for supplies of sweet potatoes	63,833	–
Deferred expenses	343	560
	64,176	560

In October 2016, Liangcheng Dizhongbao Modern Agriculture Development Co., Ltd ("Dizhongbao"), a subsidiary in the group, entered into lease agreements and potatoes plantation management agreements (collectively, the "Agreements") with two 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, each of the Suppliers 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.

The Purchase Contracts require Dizhongbao to make 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 during the reporting year is used as partial payments under the Purchase Contracts.

Management has entered into the abovementioned agreements/contracts to secure the supply of quality raw sweet potatoes at reasonable prices.

20. Inventories

	Group 2017 RMB'000	Group 2016 RMB'000
Finished goods	–	429
Work-in-process	–	1,997
Raw materials	–	4,095
	–	6,521
Changes in inventories of finished goods	429	161
The amounts of inventories included in cost of goods sold	208,625	230,748

There were no inventories pledged as security for liabilities.

21. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	5,652	16,628	–	–
Other receivables:				
Subsidiary (Note 3)	–	–	12,425	–
Deposits to secure goods and services	4,634	5,216	152	–
Other receivables from a supplier (Note 18)	4,575	3,978	–	–
Subtotal	9,209	9,194	12,577	–
Total	14,861	25,822	12,577	–

22. Other assets, current

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid expenses	7,272	14,610	148	–
Income tax recoverable	8,011	–	–	–
Others	565	1,301	–	–
	15,848	15,911	148	–

23. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	145,098	184,122	946	1

The interest earning balances are not significant.

24. Share capital

	Company	
	Number of shares issued	Share capital
	'000	RMB'000
Ordinary shares of no par value:		
Balance at 1 July 2015	53,636	28,834
Capital reduction	–	(28,834)
Issuance of consideration shares pursuant to the RTO	840,000	760,452
RTO professional fees settled by issuance of new shares	31,000	28,064
Expenses on issuance of new shares	–	(983)
Shares consolidation	(693,477)	–
Balance at 31 March 2016/1 April 2016	231,159	787,533
Issuance of compliance placement shares	25,250	24,978
Conversion of warrants	500	810
Expenses on issuance of new shares	–	(743)
Balance at 31 March 2017	256,909	812,578

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

(a) On 18 April 2016, the company completed a compliance placement exercise and issued 25,250,000 new ordinary shares with 50,500,000 free warrants at $0.23 per share for total cash consideration of $5,807,500. The fair value of warrants was determined by management to be $577,000 (RMB2,844,000, Note 25A).

(b) During the reporting year, 500,000 warrants were converted into 500,000 new ordinary shares.

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 2017 and 31 March 2016 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.

24. Share capital (cont'd)

24A. 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).

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.

24. Share capital (cont'd)

24A. China Star Food Employee Share Option Scheme (cont'd)

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.

24B. 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 four directors, namely, He Jing, Koh Eng Kheng Victor, Kuan Cheng Tuck and Chen Zhen 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).

24. Share capital (cont'd)

24B. China Star Performance Share Plan (cont'd)

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

(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.

24. Share capital (cont'd)

24C. 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 $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 31.3.2017	Expiry date
18 April 2016	$0.33	50,500,000	(500,000)	50,000,000	17 April 2018

25. Other reserves

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Warrant reserve (Note 25A)	2,816	–	2,816	–
Statutory common reserve (Note 25B)	35,687	24,450	–	–
Foreign currency translation reserve (Note 25C)	1,545	1,574	43,347	42,948
	40,048	26,024	46,163	42,948

25A. Warrant reserve

	Group and company	
	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	–	–
Arising from issuance of warrants (Note 24)	2,844	–
Conversion of warrants	(28)	–
Balance at end of the year	2,816	–

25B. Statutory common reserve

	Group	
	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	24,450	10,114
Transferred from retained earnings	11,237	14,336
Balance at end of the year	35,687	24,450

25. Other reserves (cont'd)

25B. Statutory common reserve (cont'd)

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.

25C. Foreign currency translation reserve

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	1,574	1,325	42,948	(19)
Exchange differences on translating functional to presentation currency	(29)	249	399	42,967
Balance at end of the year	1,545	1,574	43,347	42,948

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.

26. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	9,958	32,887	–	–
Other payables:				
Outside parties	2,839	11,643	1,255	9,283
Salary payable	5,851	3,812	311	440
Director/shareholder (Note 3)	964	621	964	621
Subtotal	9,654	16,076	2,530	10,344
Total trade and other payables	19,612	48,963	2,530	10,344

27. Other financial liabilities

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan A (unsecured) (Note 27A)	3,000	3,000	–	–
Bank loan B (unsecured) (Note 27B)	9,800	10,000	–	–
Loan from a shareholder (unsecured) (Note 27C)	641	–	641	–
	13,441	13,000	641	–

27A. Bank loan A

The bank loan is repayable within 12 months and renewable annually. The bank loan's fixed interest rate was 6.34% (2016: 8.51%) per annum and is repayable within 12 months.

The bank loan is unsecured, guaranteed by a local credit guarantee company and one of the company's directors.

27B. Bank loan B

The loan is secured by mortgages of a leasehold building and land use rights of the group (see Notes 15 and 16A) and guaranteed by one of the company's directors. It bears fixed interest rate at 5.66% (2016: 7.56%) per annum and is repayable within 12 months.

27C. Loan from a shareholder

The loan is unsecured, interest free and is repayable on demand.

28. Other liabilities

	Group	
	2017	2016
	RMB'000	RMB'000
Advance payments by customers	–	1,560

29. Financial instruments: information on financial risks

29A. 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	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	145,098	184,122	946	1
Loans and receivables	36,662	41,709	12,577	–
	181,760	225,831	13,523	1
Financial liabilities:				
At amortised cost:-				
- Trade and other payables	19,612	48,963	2,530	10,344
- Other financial liabilities	13,441	13,000	641	–
	33,053	61,963	3,171	10,344

Further quantitative disclosures are included throughout these financial statements.

29B. 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.

29C. 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.

29. Financial instruments: information on financial risks (cont'd)

29D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitment at the end of the reporting year. Credit risk on cash balances with banks is limited because the counterparties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by requisition of advance payment from customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Note 23 disclosed the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 45 to 90 days (2016: 30 to 45 days). But some customers take a longer period to settle the amounts.

As at the end of the reporting year, no trade receivable amounts were past due nor impaired.

Other receivables are normally with no fixed terms and therefore there is no maturity.

As at the end of the reporting year, cash balance amounting to RMB143,287,000 (2016: RMB184,013,000) was deposited with 连城县农村信用合作联社文亨信用社 Wenheng Rural Credit Cooperative of Liancheng Rural Credit Joint Cooperative (the "Cooperative") and the amount constitutes 98.8% (2016: 99.9%) of total cash and cash equivalents. The Cooperative was not rated by a rating agency at the end of the current and previous reporting year.

Except as disclosed above, there is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers.

29E. Liquidity risk – financial liabilities maturity analysis

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Less than 1 year			
	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	19,612	48,963	2,530	10,344
Other financial liabilities	13,905	13,606	641	–
	33,517	62,569	3,171	10,344

The above amounts disclosed in the maturity analysis are the contractual and undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At the end of the reporting year, no claims on the financial guarantees are expected.

29. Financial instruments: information on financial risks (cont'd)

29E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2016: 30 to 60 days). The other payables are with short-term durations. The classification of financial assets is shown in the statements of financial positions as they may be available to meet liquidity needs and no further analysis is deemed necessary.

29F. 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	
	2017	2016
	RMB'000	RMB'000
Financial assets:		
Fixed rate	145,098	184,122
Financial liabilities:		
Fixed rate	12,800	13,000

The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

29G. 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.

30. Commitments

30A. Operating lease payment commitments – as lessee

At the end of the reporting year, future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Not later than one year	806	1,272
Later than one year and not later than five years	445	212
Rental expense for the year	1,885	1,272

Operating lease payments are for rentals payable for office and factory buildings. The lease from the owner is renewable every May of the year.

30B. 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	
	2017	2016
	RMB'000	RMB'000
Purchase of plant and equipment	1,654	12,493
Construction of new factory buildings	3,681	4,928
Payment for supply of sweet potatoes	43,667	–
Others	124	–
	49,126	17,421

31. 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 $2,544,696 (approximately RMB12,371,000). The shareholder's application for specific discovery of documents have been heard by the Court in Singapore and the Court has disallowed the shareholder's application save in respect of one document. The legal suit has been fixed for a 5-day trial in November 2017.

Based on the facts and evidences made available to them, the company's external legal counsel has advised that the company has reasonably good prospects of successfully defending the legal suit brought by this shareholder. Accordingly, no provision for any liability has been made in these financial statements in respect of the legal suit.

32. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the group are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative

33. New or amended standards in issue but not yet effective

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the group for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

FRS 115 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces FRS 11, FRS 18 and their interpretations (INT FRS 31, 113, 115 and 118). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The management anticipate that FRS 115 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Singapore-incorporated companies listed on the Singapore Exchange will be required to comply with new financial reporting standards (to be issued by the Singapore Accounting Standards Council) as identical to the International Financial Reporting Standards for reporting year beginning on after 1 January 2018. Comparative figures are required. The management anticipate that new financial reporting standards will be adopted in the financial statements when they become mandatory. The application of IFRS 1 First-time adoption of IFRS might have a significant effect on amounts reported in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

34. Comparative figures

34.1 Reverse takeover by Zixin International Pte Ltd ("ZIPL")

On 22 September 2015, the company completed the proposed acquisition of ZIPL in a reverse takeover exercise (the "RTO") as set out in the company's Circular to Shareholders dated 26 June 2015, following which ZIPL become a wholly-owned subsidiary of the company. Before 7 December 2016, ZIPL was known as China Star Food Holdings Pte Ltd. The consideration for the acquisition of ZIPL of S$168,000,000 was satisfied by the issuance of 840,000,000 new ordinary shares in the capital of the company to former shareholders of ZIPL. On the same day, the company was renamed China Star Food Group Limited.

The reporting year end of ZIPL is 31 March. Pursuant to the completion of the acquisition of ZIPL, the company changed its reporting year end from 30 June to 31 March to align with the same reporting year end as ZIPL.

34.2 Accounting for RTO

At group level

The acquisition of ZIPL has been accounted as a RTO in accordance with Financial Reporting Standard 103 Business Combinations ("FRS 103"). Under FRS 103, the legal subsidiary, ZIPL, is regarded as the accounting acquirer and the company as the accounting acquiree, for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of the ZIPL Group.

The identifiable assets acquired and liabilities assumed of the company in the previous reporting year were as follows:

	Pre-acquisition carrying amounts and fair value on date of acquisition RMB'000
Purchase consideration satisfied by issuance of shares in the company	36,661
Less: Cash and cash equivalent and net assets acquired	1
Goodwill (Note 16B)	36,660
Net cash flow from RTO	1

The above accounting treatment is only applied to the consolidated financial statements of the group. At the company level, the investment in ZIPL is accounted for as an investment in a subsidiary.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year ended 31 March 2016 have been presented as a continuation of the ZIPL Group's financial results and operations.

34. Comparative figures (cont'd)

34.2 Accounting for RTO (cont'd)

At group level (cont'd)

Since such consolidated financial statements represent a continuation of the ZIPL Group:

(i) the assets and liabilities of the ZIPL Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amounts;

(ii) the assets and liabilities of the company, the accounting acquiree, are recognised and measured in accordance with FRS 103;

(iii) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the ZIPL Group immediately before the business combination;

(iv) the amount recognised as issued equity interest in the consolidated financial statements is determined by adding to the issued equity of the ZIPL Group immediately before the business combination to the fair value of the company determined based on the share price of the company at the acquisition date. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) shall reflect the equity structure of the legal parent (i.e. the company), including the equity instruments issued by the legal parent (i.e. the company) to effect the combination; and

(v) the comparative figures presented in these consolidated financial statements are that of consolidated financial statements of the ZIPL Group.

Consolidated financial statements prepared following the RTO shall reflect the fair values of the assets and liabilities of the legal parent (i.e. the accounting acquiree for accounting purposes). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets and liabilities of the legal parent (i.e. the company) that satisfy the recognition criteria at their fair values as at 22 September 2015. The excess of the cost of the RTO over the net fair value of the identifiable assets and liabilities is recognised as goodwill on the consolidated statement of financial position.

The group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year ended 31 March 2016 refer to the enlarged group which included the results of the ZIPL Group from 1 April 2015 to 31 March 2016 and the results of the company for the period from 23 September 2015 to 31 March 2016.

The group's consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year ended 31 March 2015 refer to the results of the enlarged group from 1 April 2014 to 31 March 2015.

The group's consolidated statement of financial position as at 31 March 2016 refers to the enlarged group which consists of the assets and liabilities of the ZIPL Group and the company as at 31 March 2016.

34. Comparative figures (cont'd)

34.2 Accounting for RTO (cont'd)

At company level

Reverse acquisition accounting applies only to the consolidated financial statements at the group level. Therefore, in the company's separate financial statements, the investment in the legal subsidiaries (ZIPL Group) is accounted for at cost less accumulated impairment losses, if any.

Before the RTO, the company had no operation or subsidiaries.

Statistics of Shareholdings

As at 19 June 2017

Class of shares	Number of issued shares excluding treasury shares	Voting Rights
Ordinary Shares	256,909,000	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 Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	5	1.31	250	0.00
100 - 1,000	20	5.22	14,375	0.00
1,001 - 10,000	96	25.07	530,150	0.21
10,001 - 1,000,000	241	62.92	24,241,550	9.44
1,000,001 and above	21	5.48	232,122,675	90.35
	383	100.00	256,909,000	100.00

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Liang Chengwang	80,283,000	31.25	–	–
Wang Yu Huei	15,569,600	6.06	–	–
Xue Congyan	15,000,000	5.84	–	–
Lee Chee Seng	13,591,400	5.29	–	–

Statistics of Shareholdings

As at 19 June 2017

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	LIANG CHENGWANG	80,283,000	31.25
2.	KGI SECURITIES (SINGAPORE) PTE. LTD.	41,218,900	16.04
3.	RAFFLES NOMINEES (PTE) LIMITED	26,236,350	10.21
4.	XUE CONGYAN	15,000,000	5.84
5.	LEE CHEE SENG	13,591,400	5.29
6.	UOB KAY HIAN PRIVATE LIMITED	10,142,800	3.95
7.	LAW CHEE KHEONG	8,579,700	3.34
8.	SHANE THAM FOOK WAI	6,050,000	2.35
9.	CHEONG CHEE HWA	4,158,000	1.62
10.	LEONG CHOON MENG	4,000,000	1.56
11.	PHILLIP SECURITIES PTE LTD	3,058,800	1.19
12.	YEK SIEW LIONG	2,907,500	1.13
13.	ERIC TANN KAH HUAT	2,547,000	0.99
14.	DBS NOMINEES (PRIVATE) LIMITED	2,094,200	0.82
15.	CHEN FENG	2,000,000	0.78
16.	CHIAR CHOON TECK	1,983,000	0.77
17.	HOO SUM HAK	1,920,500	0.75
18.	ABN AMRO CLEARING BANK N.V.	1,762,900	0.69
19.	PRIMEPARTNERS CORPORATE FINANCE PTE LTD	1,750,000	0.68
20.	KIU CHONG PONG @ KIU CHIONG HOON	1,500,000	0.58

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 51.56% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

Statistics of Warrantholdings

As at 19 June 2017

Class of equity securities	Number of equity securities
Warrants	50,000,000

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
1 - 99	–	–	–	–
100 - 1,000	–	–	–	–
1,001 - 10,000	1	2.00	5,000	0.01
10,001 - 1,000,000	42	84.00	9,878,000	19.76
1,000,001 and above	7	14.00	40,117,000	80.23
	50	100.00	50,000,000	100.00

TWENTY LARGEST WARRANTHOLDERS

No.	Name of Warrantholders	Number of Warrants	%
1.	RAFFLES NOMINEES (PTE) LIMITED	18,157,800	36.32
2.	DBS NOMINEES (PRIVATE) LIMITED	6,522,200	13.04
3.	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,442,500	12.89
4.	LAW CHEE KHEONG	3,500,000	7.00
5.	DB NOMINEES (SINGAPORE) PTE LTD	3,443,500	6.89
6.	QUAH SIEW MUI	1,033,000	2.07
7.	LIM SER HENG	1,018,000	2.04
8.	LEE CHOONG ONN	1,000,000	2.00
9.	LEONG CHOON MENG	1,000,000	2.00
10.	ONG LEE LING JULIE	800,000	1.60
11.	TAM SIEW FOONG	700,000	1.40
12.	CHOOI SIEW THIM	500,000	1.00
13.	DARRYL WANG YEAN JUN	418,800	0.84
14.	LOW CHYE TEE	400,000	0.80
15.	WANG DEYAN	400,000	0.80
16.	TAN LING	393,000	0.79
17.	CHUA SAN CHONG	380,000	0.76
18.	TAN CHWEE TECK	350,000	0.70
19.	CHAN WENG CHIH MATTHEW (CHEN RONGZHI MATTHEW)	340,100	0.68
20.	TYE BENG KWANG	310,000	0.62

Notice of
Annual General Meeting

CHINA STAR FOOD GROUP LIMITED
(Company Registration No. 200718683N)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of China Star Food Group Limited (the "**Company**") will be held at Room 327, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 28 July 2017, at 10.00 a.m. for the following purposes:

AS 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 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 99 and 100 of the Constitution of the Company:

Mr Liang Chengwang	(retiring under Article 99)	**(Resolution 2)**
Ms He Jing	(retiring under Article 100)	**(Resolution 3)**
Mr Kuan Cheng Tuck	(retiring under Article 100)	**(Resolution 4)**
Ms Chen Zhen	(retiring under Article 100)	**(Resolution 5)**

*Ms He Jing will, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee. The Board considers Ms He Jing to be independent pursuant to Rule 704(7) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").*

Mr Kuan Cheng Tuck will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee respectively. The Board considers Mr Kuan Cheng Tuck to be independent pursuant to Rule 704(7) of the SGX-ST Catalist Rules.

Ms Chen Zhen will, upon re-election as Director of the Company, remain as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee respectively. The Board considers Ms Chen Zhen to be independent pursuant to Rule 704(7) of the SGX-ST Catalist Rules.

3. To approve the payment of Directors' fees of S$140,000 for the financial year ending 31 March 2018, payable quarterly in arrears (FY2017: S$222,000). **(Resolution 6)**

4. To re-appoint Messrs RSM Chio Lim LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:

(a) (i) 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 and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

(b) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(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 that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed one hundred per centum (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 (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed fifty per centum (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 (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, 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; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) 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

(4) unless revoked or varied by the Company in a general meeting, such authority shall 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 (i)] **(Resolution 8)**

7. **Authority to allot and issue shares under the China Star Employee Share Option Scheme**

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,

provided always that aggregate number of Shares to be issued and issuable pursuant to the the China Star ESOS, China Star Performance Share Plan and any other share based incentive schemes of the Company, shall not exceed fifteen percent (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 (ii)] **(Resolution 9)**

8. **Authority to allot and issue shares under the China Star Performance Share Plan**

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 fifteen percent (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 (ii)] **(Resolution 10)**

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
Singapore, 12 July 2017

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 6 above, if passed, will empower the Directors, effective 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 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, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty percent (50%) may be issued other than on a pro-rata basis to shareholders.

(ii) The Ordinary Resolutions 9 and 10 in items 7 and 8 above, if passed, will empower the Directors of the Company, 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 fifteen percent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the AGM.

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

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CHINA STAR FOOD GROUP LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "**relevant intermediary**").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. 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.

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 on Friday, 28 July 2017 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, 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 and at any adjournment thereof.

The resolutions put to vote at the Meeting shall be decided by poll.

No.	**Resolutions relating to:**	**Number of Votes For(1)**	**Number of Votes Against(1)**
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2017 together with the Auditors' Report thereon		
2	Re-election of Mr Liang Chengwang as a Director of the Company		
3	Re-election of Ms He Jing as a Director of the Company		
4	Re-election of Mr Kuan Cheng Tuck as a Director of the Company		
5	Re-election of Ms Chen Zhen as a Director of the Company		
6	Approval of Directors' fees amounting to S$140,000 for the financial year ending 31 March 2018, payable quarterly in arrears		
7	Re-appointment of Messrs RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
8	Authority to allot and issue new shares		
9	Authority to issue shares under the China Star Employee Share Option Scheme		
10	Authority to issue shares under the China Star Performance Share Plan		

(1) *If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ________________ 2017

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

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 entered against 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. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. 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.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (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/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. 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 Companies Act, (Cap. 50).

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 dated 12 July 2017.

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 seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CHINA STAR FOOD
GROUP LIMITED
中国之星

China Star Food Group Limited

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