CHINA STAR FOOD GROUP
中国之星食品集团



LIVE

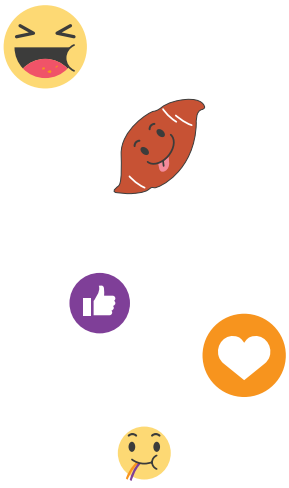
Enhancing Health and Well-being

增强健康和福祉

Annual Report 2021

Contents

01 Company Profile
02 Chairman's Letter to Shareholders
10 Corporate Structure
11 Business Operations
14 Financial Highlights
15 Performance Review
20 Board of Directors
23 Key Management
24 Sustainability Report
37 Corporate Governance Report
65 Directors' Statement
72 Independent Auditor's Report
77 Financial Statements
128 Statistics of Shareholdings
130 Notice of Annual General Meeting
136 Disclosure of Information on Directors Seeking Re-election
Proxy Form
Corporate Information



Vision

To bring healthier and nutritious quality snack foods to everyone.

Mission

To use science and technology in building a sustainable food chain and making a positive impact to the communities.

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

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

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



Company Profile

China Star Food Group Limited ("**CSFG**" or the "**Company**" and together with its subsidiaries, the "**Group**"), is a leading sweet potato focused integrated snacks supply chain operator in China. Through its wholly-owned subsidiaries, the Group leverages on advanced technology to strengthen its three core business areas: **(i) cultivation and supply** – sweet potato seedlings cultivation base and fresh sweet potatoes supply, **(ii) product innovation and snacks production** – sweet potato snacks product innovation and production of broad categories of snacks, and **(iii) brand building, marketing and distribution** – build proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and modern) throughout China.

The Group aims to be one of the global leaders in sweet potato focused snacks, leveraging on smart ecological agriculture, utilising high-tech techniques in product innovation to produce healthier snacks, and deploying modern marketing and distribution methods for better market reach.

To ensure a consistent supply of high-quality sweet potatoes, the Group has established an upstream sweet potato cultivation division, Liancheng Dizhongbao Modern Agricultural Development Co., Ltd., that has identified specific sweet potato varieties for its cultivation bases. Through continual analysis and research and development, the Group has developed comprehensive cultivation solutions including soil improvement, fertilizers and seedlings, to assist farmers to increase crop yields and produce high-quality raw sweet potatoes. The Group has implemented the cultivation scheme in its existing farmlands, which it has leased through Liancheng County Cooperative in Fujian, China. The Group believes that its sweet potato cultivation solutions can also be provided to other potato farmers in China, which could potentially broaden its earnings base.

The Group has also adopted modern marketing and distribution approaches such as online and retail e-commerce sales channels to complement its traditional wholesalers and distributors, to promote its proprietary brands and range of healthier sweet potato snacks.

China Star Food Group Limited is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited under the stock code **42W**.







Starpie 星派 零食之星 气派享受 | 紫老虎 PURPLE TIGER | 乐地 | 薯工坊 | 地中宝 连城县地中宝现代农业发展有限公司 LIANCHENG DIZHONGBAO MODERN AGRICULTURAL DEVELOPMENT CO.,LTD.

Chairman's Letter to Shareholders



Liang Chengwang
Executive Chairman & Chief Executive Officer

We believe we are on track to strengthen our financial performance going forward as we have increasingly integrated our core competencies to enhance the value chain of our sweet potatoes.

We are well-positioned to ride on the rising growth trend in the snack food segment as we continue to expand healthy and snack food products through our established marketing and distribution networks.

REVENUE

RMB 285.5 million

GROSS PROFIT

RMB 69.6 million



Chairman's Letter to Shareholders

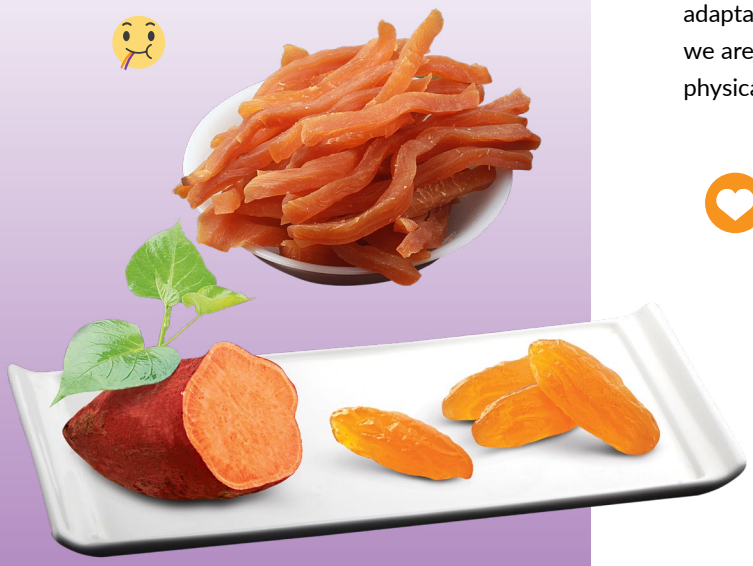
DEAR FELLOW SHAREHOLDERS,



While the unprecedented challenges of the COVID-19 pandemic disrupted our business operations and strained our financial performance for the financial year ended 31 March 2021 ("**FY2021**"), it also accelerated our transformation into an efficient agri-tech operator, infusing technology throughout our value chain. We believe the Group is well-placed to deliver sustainable value to our stakeholders over the long term as our three core business areas, (i) cultivation and supply, (ii) product innovation and snacks production, and (iii) brand building, marketing and distribution, continue to make good progress.

PROGRESS THROUGH PERSEVERANCE

We are appreciative of the patience and support from our shareholders in our aspiration to strengthen the Group into an agri-tech value chain operator, leveraging on our foundation in the sweet potatoes business. Investments and efforts to expand upstream to cultivate our selected variety of sweet potato seedlings and develop in-house cultivation methods to ensure food safety and a consistent supply of high-quality sweet potatoes, coupled with product innovation and upgrading of manufacturing processes to enhance the nutritional values of the snack foods we produce, are necessary steps for the Group's prospects. These efforts and investments need time and perseverance to bring them to fruition.



The intention to satisfy our own sales of high-quality fresh sweet potatoes and to support our manufacturing of snack foods with our upstream cultivation and supply segment, could potentially be expanded through the sharing of our in-house cultivation solutions with fellow sweet potatoes farmers. This approach could potentially assist fellow sweet potato farmers to increase their crop yields and produce high-quality fresh sweet potatoes, thereby improving their livelihoods. We believe that through the sharing of our proven cultivation solutions, we would be able to expand our supply base and correspondingly, potential expansion in earnings base.

While the COVID-19 pandemic jolted us from our traditional approach of reaching out to distributors and consumers of snack products, it had also spurred us to quicken our adoption of e-commerce and "livestreaming" online sales. The fast adaptation broadens our growth path and consumer base as we are now able to market and sell our products through both physical and virtual channels.



Chairman's Letter to Shareholders





The resumption of operations amid the COVID-19 pandemic had been gradual during FY2021. Our fast adoption of e-commerce and online marketing strategies, to complement our traditional marketing and distribution campaigns, saw revenue improve by approximately RMB 31.7 million or 25.3% in the second half of FY2021 as compared to the second half of the financial year ended 31 March 2020 ("**FY2020**"). With the pandemic situation stabilising in China, we have been able to source for relatively cheaper raw materials and lower our cost of sales. The better cost management, together with the absence of the one-off discounts that were extended to our distributors in FY2020 and higher production efficiency, resulted in a marginal decrease of 0.8% year-on-year in our gross profit from RMB 70.2 million in FY2020 to RMB 69.6 million in FY2021. Correspondingly, our gross margin increased from approximately 21.7% in FY2020 to 24.4% in FY2021.

However, higher operating expenses, including an increase in research and development expenses, impairment of property, plant and equipment, consultancy fees, and nursery fees (cultivation of own seedlings), which was partially offset by lower marketing and distribution expenses incurred as the pandemic prohibited travels and large-scale marketing and promotional events, among others, resulted in a widening of our loss after tax from RMB 6.5 million in FY2020 to RMB 12.7 million in FY2021. Notwithstanding this, the Group recorded a positive net cash flow from operating activities of RMB 89.9 million in FY2021, a reversal from the net cash flow used in operating activities of RMB 6.2 million in FY2020.

The Company had in February 2021 completed a share placement exercise and raised net proceeds of approximately S$5.6 million (equivalent to approximately RMB 27.2 million). This corporate action has strengthened our balance sheet, and a portion of the net proceeds will be used to fund the development of a plot of land located at Liancheng County to further expand our research and production facilities.

RIDING ON THE GROWTH TREND IN CHINA'S SNACK FOOD SEGMENT

We believe that we are on track to strengthen our financial performance going forward as we have increasingly integrated our core competencies to enhance the value chain of our sweet potatoes. In FY2021, we cultivated our seedlings in our dedicated area of 300mu (approximately 200,000m^2) to satisfy our contracted farmland of 8,268.6mu (approximately 5,512,427.6m^2) to grow and produce our selected varieties of sweet potatoes. These seedlings have since been planted in the contracted farmland from March 2021 and the crop is expected to be ready for harvest by September 2021. After satisfying our own contracted farmlands, we have also marketed and sold excess seedlings to some fellow sweet potato farmers in the Liancheng County.



Chairman's Letter to Shareholders

According to Research and Markets, the combination of consumption upgrades, healthy savoury snacks, and distribution channels created an aggregate output value of US$90.7 billion in 2020, and the snack food segment in China is expected to grow at a compounded annual growth rate of 6.7% from 2020 to 2027 with an approximate value of US$142.9 billion by 2027[1].

We are well-positioned to ride on the rising growth trend in the snack food segment as we continue to expand healthy and snack food products through our established marketing and distribution networks.

As we move towards improving our ecosystem, we continue to explore opportunities to improve our production efficiency, but also utilise technology to better manage our waste material such as sweet potato skins. This could potentially assist us in reducing wastage and create value from the waste material. We will update shareholders on any material developments as and when they arise.



ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Board, we would like to thank all members of the Group for their dedication and efforts over the past year, particularly in overcoming the challenges during the lockdowns amid the COVID-19 pandemic. We would also like to acknowledge our fellow Directors for their support and invaluable advice, including our former Board member, Mr. Chua Siong Kiat, and our new Board member, Mr. Lawrence Chen who joined the Board on 26 October 2020.

Moving forward, we remain committed to strengthening our comprehensive value chain, building on the sustainable growth in healthy and nutritional snack foods with our mainstay – sweet potatoes range of products, while continuing to expand our product portfolio and capabilities in high-tech manufacturing and research to broaden our earnings base in the long term.

We are appreciative of our shareholders, customers, and business partners, for your continued support and confidence as we continue to strengthen the Group's businesses.

Liang Chengwang
Executive Chairman & Chief Executive Officer



Source:

1 https://www.globenewswire.com/en/news-release/2021/04/30/2220618/28124/en/China-Snacks-Food-Market-2021-Market-is-Expected-to-be-142-9-Billion-by-2027-The-Industry-is-Entering-the-Fast-Growth-Lane.html#:~:text=China%20Snack%20Food%20Market%20is,US%24%2090.7%20Billion%20in%202020

主席致股东的信



梁承旺
执行董事长兼首席执行总裁

我们相信集团已踏上财务表现蒸蒸日上的轨道,因为我们的核心竞争力趋相辅相成,这将对我们的番薯价值链大有裨益。

集团在稳固的营销与分销网络下不断拓展健康食品与零食销售,因此我们已为乘上零食市场的增长快车做好准备。

财年收入

2.855亿人民币

毛利

6,960万人民币



主席致股东的信



诸位股东：

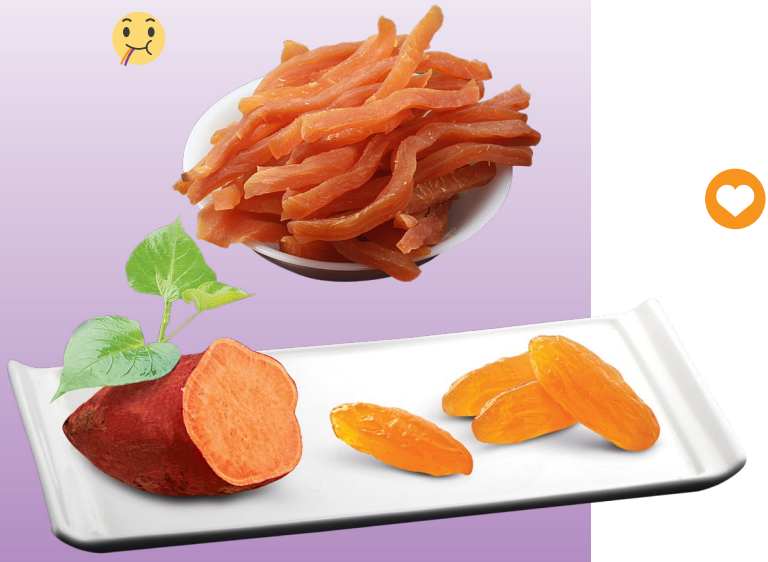
新冠肺炎带来了前所未有的挑战,对我们的业务以及截至2021年3月31日的财政年度(以下简称"**2021财年**")业绩造成冲击,却也促使了我们集团成为高效率农业科技业者的步伐加快,把科技全面融入我们的价值链。我们相信,集团能够为股东维持长期价值,因为我们的三个核心业务领域均不断地取得良好进展,即(i)培植与供应;(ii)产品创新与零食生产;以及(iii)品牌塑造、营销与分销。

不屈不挠勇往直前

我们将借助在番薯领域的实力把集团发展为一家农业科技价值链业者,并十分感谢股东对我们的发展计划一直给予耐心的支持。为了实现目标,我们必须致力于投资和发展上游活动,以培植特选品种番薯幼苗及开发自家的培植方法来确保食品安全和优良番薯的稳定供应。此外,我们也将开创新产品和改进生产工序,以提高零食的营养价值。然而,这些发展与投资需要时间与毅力才能取得成果。

我们计划由培植与供应业务来满足新鲜优良番薯的销售需求及零食生产的食材需求,并预期可通过与种植番薯的农民分享我们自家的培植方案来进一步拓展这个计划。此举或也将有助于番薯农民增加收成和种植出优质新鲜番薯,从而改善他们的生计。我们相信,与番薯农民分享有效的培植方案将把我们的供应量提高,并可能进而把集团的盈利推高。

尽管新冠肺炎爆发干扰了我们与零食分销商和消费者接触的一贯方式,但也令我们加紧采取电子商务和"网络直播"销售的模式。快速的应变行动为集团开创了更广阔的增长前景及更广大的消费群,因为我们现在能双管齐下,通过门市和网络渠道推销产品。





主席致股东的信





在新冠肺炎疫情好转下,我们在2021财年逐渐恢复营运。电子商务和网络营销策略对我们的传统营销与分销活动起了不小的辅助作用,因此2021财年下半年的收入比截至2020年3月31日的2020财政年度(以下简称"**2020财年**")下半年高出约3,170万人民币,即约25.3%。随着中国的疫情稳定下来,我们能以较低价格取得原料,并得以降低销售成本。由于成本管理得以改进、生产率提高,以及少了在2020财年给予分销商的一次过折扣,2021财年的6,960万人民币毛利比2020财年的7,020万人民币低了仅仅0.8%。毛利率也从2020财年的约21.7%提高至2021财年的24.4%。

然而,营运开支的提高,包括研发开支,产业、厂房与设备减值开支,咨询费用,以及苗圃费用(培育自家的幼苗),导致税后亏损从2020财年的650万人民币增加至2021财年的1,270万人民币,尽管营销与分销开支减低(由于疫情期间禁止出行、举办大型促销活动等等)抵消营运开支的部分增幅.虽然税后亏损增加,集团在2021财年从营运活动录得8,990万人民币的净现金流,反观2020财年为负620万人民币。

公司已于2021年2月完成配股活动,扣除开支后共筹集约560万新元(相当于约人民币2720万元)。此项企业行动加强了我们的资产负债表,部分所得款项净额将用于资助位于连城县的一块土地的开发,以进一步扩大我们的研究和生产设施。

中国零食市场的增长快车

我们相信集团已踏上财务表现蒸蒸日上的轨道,因为我们的核心竞争力日趋相辅相成,这将对我们的番薯价值链大有裨益。在2021财年,我们在占地300亩(约20万平方米)的特定园地培育幼苗,以供8,268.6亩(约551万2,427.6平方米)的承包番薯田种植和出产我们的特选品种番薯。自2021年3月,这些幼苗已种植于承包番薯田内,预计可在2021年9月(2022财政年度上半年)收成。此外,我们也将额外的幼苗销售给了连城县的一些番薯农民。



主席致股东的信

根据市场研究机构 Research and Markets 的报告,消费升级、健康咸味零食及分销渠道在2020年的总生产值合计为907亿美元,而中国零食市场料将在2020年至2027年之间以6.7%的年复合增长率增长至2027年的约1,429亿美元[1]。

集团在稳固的营销与分销网络下不断拓展健康食品与零食销售,因此我们已为乘上零食市场的增长快车做好准备。

随着我们朝着改善生态系统的方向迈进,我们将继续探索提高生产效率的机会,同时也利用技术更好地管理我们的废料,例如番薯皮。这可能有助于我们减少浪费并从废料中创造价值。我们将在出现任何重大进展时向股东通报最新情况。

鸣谢

谨此代表董事会,向集团的所有成员致以诚挚的谢意,感谢他们在过去一年来的付出和努力,尤其是他们在新冠肺炎肆虐导致封城的期间为克服挑战而作出的贡献。我们也向各位董事表达谢意,感谢他们给予的支持和宝贵意见,包括前董事蔡尚杰先生,以及于2020年10月26日加入董事会的陈士超先生。

展望未来,我们将依旧致力于加强集团的价值链,进一步发挥以番薯产品系列为主的健康与营养零食业务的长期增长潜力,同时继续开拓产品组合,以及提升高科技生产和研究方面的能力,从而扩张我们的长期盈利基底。

在我们把集团业务发扬光大的征途,股东、客户和商业伙伴对我们不离不弃的支持与信心令我们感激不尽。

梁承旺
执行董事长兼首席执行总裁





来源:

1 https://www.globenewswire.com/en/news-release/2021/04/30/2220618/28124/en/China-Snacks-Food-Market-2021-Market-is-Expected-to-be-142-9-Billion-by-2027-The-Industry-is-Entering-the-Fast-Growth-Lane.html#:~:text=China%20Snack%20Food%20Market%20is,US%24%2090.7%20Billion%20in%202020

Corporate Structure

CHINA STAR FOOD GROUP
中国之星食品集团

CHINA STAR FOOD GROUP LIMITED
中国之星品团有限公司

100%

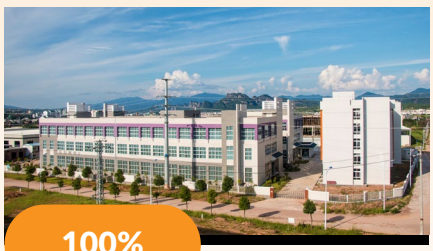
ZIXIN INTERNATIONAL PTE. LTD.
紫心国际有限公司



100%

FUJIAN ZIXIN BIOLOGICAL POTATO CO., LTD.
福建紫心生物薯业有限公司

Research, production and distribution of sweet potato snack products.



100%

FUJIAN ZILAOHU FOOD CO., LTD.
福建紫老虎食品有限公司

R&D of sweet potato snack products, production and distribution of sweet potato snack products.



100%

FUJIAN XINGPAI FOOD CO., LTD.
福建星派食品有限公司

Marketing and sales of sweet potato snack products.

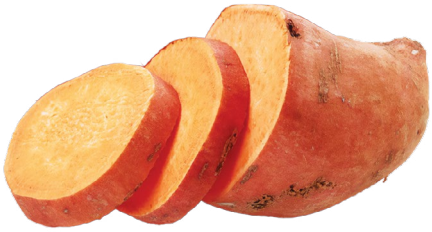


100%

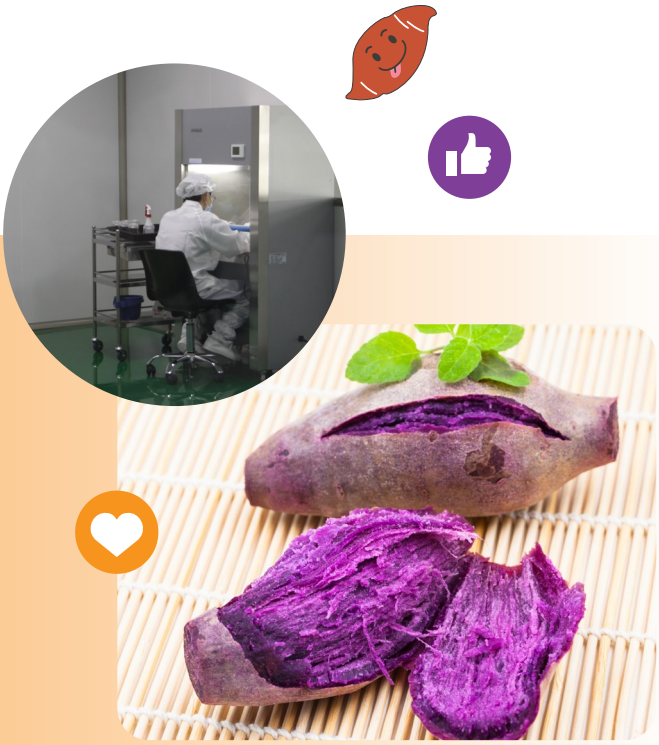
LIANCHENG DIZHONGBAO MODERN AGRICULTURE DEVELOPMENT CO., LTD.
连城县地中宝现代农业有限公司

Seedlings cultivation, farming techniques, and sales of raw sweet potatoes.

Business Operations



China Star Food Group Limited **中国之星食品集团有限公司** ("**CSFG**" or the "**Company**" and together with its subsidiaries, the "**Group**") remains focused on strengthening a comprehensive value chain in its three core business areas as a foundation through (i) **cultivation and supply** – sweet potato seedlings cultivation base and fresh sweet potatoes supply (优质紫薯苗研发与栽培基地以提高收成率和供应), (ii) **product innovation and snacks production** – sweet potato snacks product innovation and production of broad categories of snacks (采用技术开发新薯类以及健康的优良食品,扩大食品种类), and (iii) **brand building, marketing and distribution** – the building of proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and e-commerce) throughout China (通过传统和电子商务平台培养对自主健康食品和品牌的认知和需求).



I. CULTIVATION AND SUPPLY

The Group's wholly-owned subsidiary, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd 连城县地中宝现代农业有限公司 ("**Dizhongbao**") focuses on (i) research and development of new sweet potato varieties, (ii) seedlings cultivation, (iii) farming solutions and techniques which are also beneficial to third party farmers through the provision of cultivation technical support and supply of dedicated agricultural materials, and (iv) sales of fresh sweet potatoes.

Currently, Dizhongbao has a dedicated area of 300mu (approximately 200,001m^2) for seedlings cultivation, to satisfy the Group's contracted farmland of 8,268.6mu (approximately 5,512,427.6m^2) through the Liancheng County Cooperative, to grow and produce its chosen varieties of sweet potatoes.

The investments in cultivating sweet potato seedlings and developing in-house cultivation solutions are aimed at ensuring food safety and a consistent supply of high-quality sweet potatoes with improved harvest yields to support the Group's snack manufacturing operations for its own proprietary brands.







Business Operations



II. PRODUCT INNOVATION AND SNACKS PRODUCTION

The Group's wholly-owned subsidiary, Fujian Zilaohu Food Co., Ltd. 福建紫老虎食品有限公司 ("**Zilaohu**") focuses on research and development ("**R&D**") of snack products, particularly sweet potatoes, production and distribution of sweet potato snack products. Zilaohu operates a comprehensive suite of functions within the manufacturing facility comprising one level each for a testing centre, a packaging assembly department, and a warehouse for finished goods, as well as three levels for snacks production. The total installed annual production capacity of the Group is approximately 13,440 tonnes of snack products.

The gradual resumption of operations following the lifting of lockdown of cities in China saw Zilaohu's production and sales volume reach pre-COVID-19 levels recently.

The Group continues to utilise high-tech techniques in product innovation to produce healthier snacks that keep up with consumer snack food trends, and invest in R&D on higher value products to broaden its product range and potential income stream.



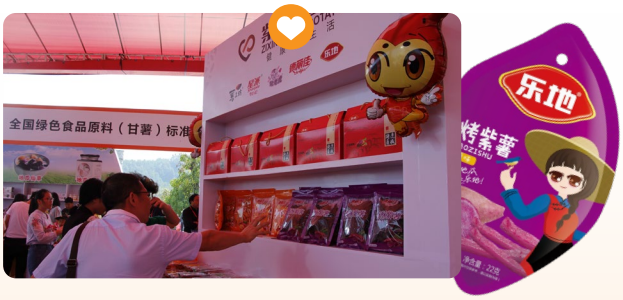


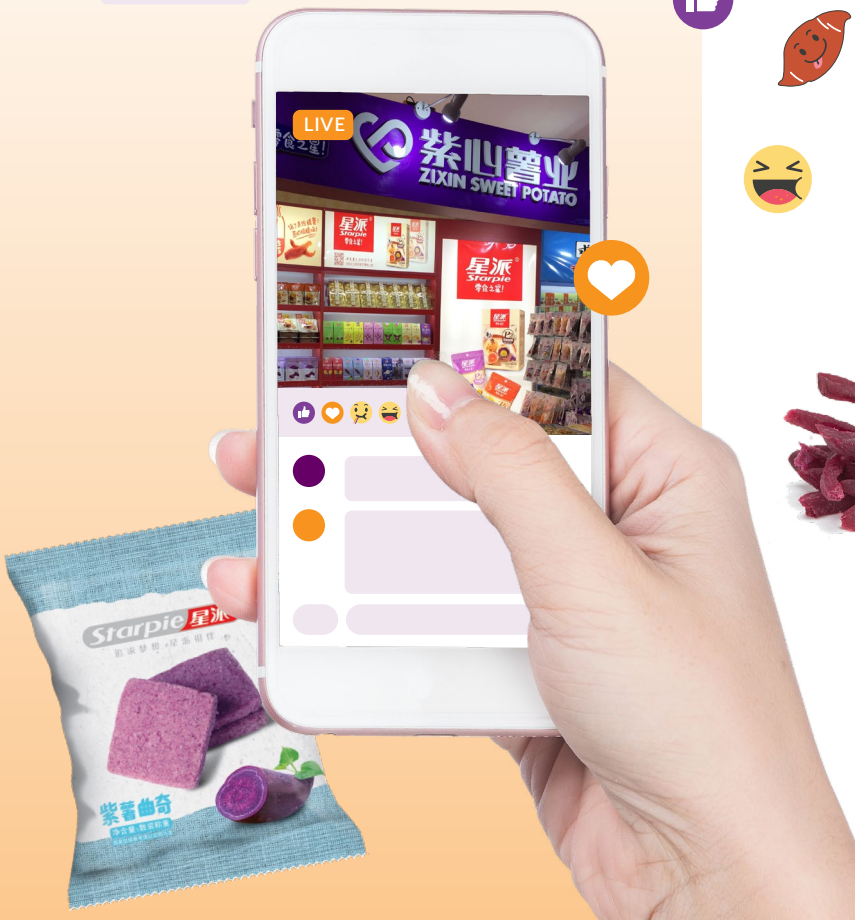




Business Operations







III. BRAND BUILDING, MARKETING AND DISTRIBUTION

The Group's wholly-owned subsidiary, Fujian Xingpai Food Co., Ltd 福建星派食品有限公司 focuses on brand building, marketing and distribution of the snack products.

The COVID-19 pandemic brought challenges to the traditional approach in marketing campaigns and distribution, and also changed the conventional way a consumer makes purchases at physical stores and supermarkets. The Group accelerated its adoption of e-commerce and "live-streaming" online sales platforms to complement its conventional marketing campaigns and distribution channels, offering alternative options to distributors and consumers.

The Group is building on its established range of proprietary branded fresh sweet potatoes varieties and snack products, while working to broaden beyond sweet potato snack food.



Financial Highlights

FOR THE FINANCIAL YEAR ENDED 31 MARCH	2021	2020	2019
Income Statement (RMB'000)			
Revenue	285,474	323,141	357,001
Gross profit	69,616	70,159	102,300
(Loss) / Profit before tax	(13,002)	(10,590)	39,638
Net (loss) / profit after tax	(12,676)	(6,467)	23,675
Balance Sheet (RMB'000)			
Shareholders' equity	453,915	436,013	420,234
Total assets	515,726	473,148	468,968
Net asset value	453,915	436,013	420,234
Net tangible asset value	416,628	396,630	379,434
Per Share (RMB Cents)			
Basic earnings [1]	(1.98)	(1.17)	8.00
Net asset value [2]	51.36	73.43	141.54
Net tangible asset value [2]	47.14	66.79	127.79
Financial Ratios			
Return on equity [3]	-2.63%	-1.60%	6.00%
Return on assets [4]	-2.36%	-1.45%	5.22%
Net gearing ratio [5]	Net Cash	Net Cash	Net Cash

Notes:

(1) Basic earnings per share was computed based on the weighted average number of approximately 640.7 million ordinary shares for FY2021, 551.6 million ordinary shares for FY2020, and 296.9 million ordinary shares for FY2019.

(2) Net asset value per share and net tangible asset per share were computed based on the number of approximately 883.8 million ordinary shares for FY2021, 593.8 million ordinary shares for FY2020, and 296.9 million ordinary shares for FY2019.

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

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

(5) Net gearing ratio was computed based on total bank borrowings less cash as a percentage of shareholders' equity.

Performance Review



TOTAL EQUITY

RMB 453.9 million

▲ 4.1% FROM FY2020'S RMB 436.0 MILLION

WORKING CAPITAL

RMB 246.6 million

▲ 43.7% FROM FY2020'S RMB 171.6 MILLION

China Star Food Group Limited 中国之星食品集团有限公司 ("**CSFG**" or the "**Company**" and together with its subsidiaries, the "**Group**") registered a 96.0% year-on-year decrease in earnings to post a net loss after tax of approximately RMB 12.7 million on the back of an 11.7% year-on-year decline in revenue for the financial year ended 31 March 2021 ("**FY2021**"). The financial performance was undermined by the adverse impact of the COVID-19 outbreak as cities in China went into lockdown since early February 2020, and only gradually resumed business activities from March 2020.

While strict precautionary measures continue to be in place to minimise the risk of COVID-19 transmission, the quick adoption of e-commerce and online marketing strategies to complement its traditional marketing and distribution campaigns spurred sales in the second half of FY2021, and lifted revenue by approximately RMB 31.7 million or 25.3% as compared to the second half of the financial year ended 31 March 2020 ("**FY2020**").

As the COVID-19 pandemic situation stabilises in China, the Group was able to source for relatively cheaper raw materials to lower its cost of sales. This, coupled with the absence of the one-off discounts extended to its distributors and higher production efficiency, resulted in a marginal decrease by 0.8% year-on-year in gross profit from RMB 70.2 million in FY2020 to RMB 69.6 million in FY2021. Correspondingly, gross margin increased from approximately 21.7% in FY2020 to 24.4% in FY2021.

Interest income increased by 11.2% year-on-year from RMB 376,000 in FY2020 to RMB 418,000 in FY2021, attributable to higher interest earned from the increase in cash and bank balances in the financial year under review.

Other income increased marginally from RMB 713,000 in FY2020 to RMB 720,000 in FY2021. This was mainly due to the rental income generated from the lease of a factory premises to third parties.

Operating expenses comprising marketing and distribution costs and administrative expenses increased marginally by 1.6% year-on-year from approximately RMB 80.0 million in FY2020 to RMB 81.2 million in FY2021. The increase was mainly due to an increase in research and development expenses, impairment of property, plant and equipment, consultancy fees, and nursery fees (cultivation of own seedlings), which was partially offset by lower marketing and distribution expenses incurred as the pandemic prohibited travels and large-scale marketing and promotional events, among others.

The increase in other losses of approximately RMB 1.1 million in FY2021 was mainly due to the loss on disposal of property, plant and equipment in the financial year under review.

Finance costs decreased by 22.0% year-on-year from RMB 1.8 million in FY2020 to RMB 1.4 million in FY2021 as a result of lower interest expense incurred on bank loans.

The resumption of operations amid the COVID-19 pandemic had been gradual and while revenue in the second half of FY2021 picked up, the higher operating expenses resulted in a widening of its loss after tax from RMB 6.5 million in FY2020 to RMB 12.7 million in FY2021. Notwithstanding this, the Group recorded a positive net cash flow from operating activities of RMB 89.9 million in FY2021, a reversal from the net cash flows used in operating activities of RMB 6.2 million in FY2020.

Performance Review

FINANCIAL POSITION ANALYSIS

AS AT 31 MAR (RMB 'MILLION)	FY2021	FY2020	YoY CHANGE
Non-current Assets	207.5	264.4	- 21.5%
Current Assets	308.2	208.7	+ 47.7%
Non-current Liabilities	0.2	–	N.A.
Current Liabilities	61.6	37.1	+ 67.1%
Working Capital	246.6	171.6	+ 43.7%
Total Equity	453.9	436.0	+ 4.1%
Net Asset Value Per Share[1] (RMB)	0.51	0.73	- 30.1%

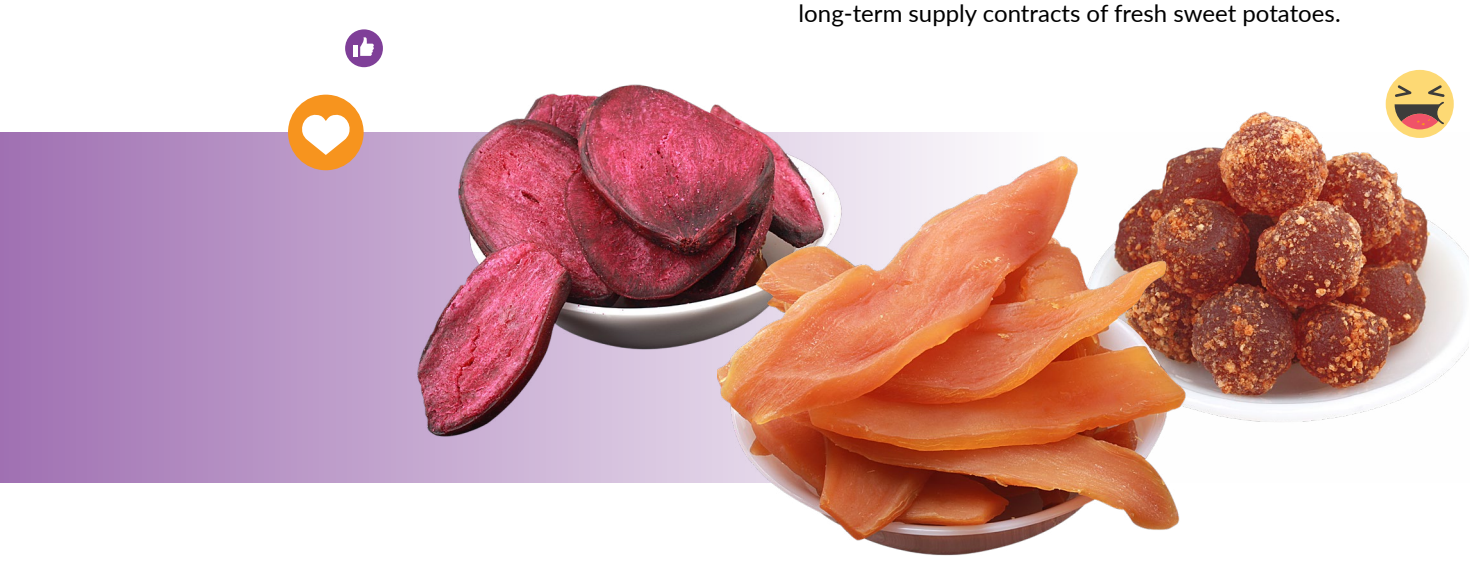
N.A. denotes not applicable

Note:

1 For illustrative purpose, net asset value per share were computed based on share capital of 883.8 million shares for FY2021 and 593.8 million shares for FY2020.

The Group's balance sheet remains sound in FY2021 with the completion of the issuance of new shares that raised net proceeds of approximately S$5.6 million (equivalent to approximately RMB 27.2 million) in February 2021. The share placement led to an increase in the share capital of the Company from 593.8 million shares in FY2020 to 883.8 million shares in FY2021. As at 31 March 2021, the Group reported a 43.7% increase in working capital from RMB 171.6 million in FY2020 to RMB 246.6 million in FY2021. Based on the enlarged share capital of 883.8 million shares, net asset value per share was diluted to RMB 0.51 (equivalent to approximately 11 Singapore cents) as at 31 March 2021.

Non-current assets decreased by 21.5% year-on-year from RMB 264.4 million as at 31 March 2020 to RMB 207.5 million as at 31 March 2021. This was mainly due to a decrease in other assets (non-current) of RMB 35.9 million arising from (i) lower additions to and disposal of plant, property and equipment ("**PPE**"), (ii) depreciation and amortisation of PPE and intangible assets, respectively and (iii) the decrease in advance payments to suppliers whose delivered supplies of fresh sweet potatoes will be recognised and offset against the payments over the contractual period for the farmland. As at 31 March 2021, the other assets (non-current) amounting to RMB 30.5 million mainly comprises advance payments to suppliers for the five long-term supply contracts of fresh sweet potatoes.



Performance Review



Current assets increased by 47.7% year-on-year from RMB 208.7 million as at 31 March 2020 to RMB 308.2 million as at 31 March 2021. This was mainly attributable to:

(i) the increase in trade and receivables of 76.2% to RMB 47.0 million as at 31 March 2021, which was in line with the increase in revenue in the second half of FY2021, supported by credit terms of between 60 to 90 days to its customers; and

(ii) the increase in cash and bank balances of 176.1% to RMB 196.4 million as at 31 March 2021, due to the proceeds from the issuance of new shares completed in February 2021, proceeds from short-term bank loans taken up by the Group and net cash generated in operating and financing activities.

These were offset by:

(i) the decrease in inventories of 12.9% to RMB 3.5 million as at 31 March 2021, resulting from higher inventory turnover with the increase in revenue and sales towards the end of FY2021; and

(ii) the decrease in other assets (current) of 42.6% to RMB 61.4 million, due to the decrease in advance payments made by the Group for the delivery of fresh sweet potato supplies from the contracted suppliers. This decrease is in tandem with the decrease in the other assets under non-current assets as the advance payments are being recognised and offset against the payments made for the contractual period.





Performance Review





The lease liability is the only non-current liability, amounted to RMB 0.2 million as at 31 March 2021, which was nil as at 31 March 2020.

The Group recorded an increase of 66.0% in current liabilities to RMB 61.6 million as at 31 March 2021, up from RMB 37.1 million as at 31 March 2020. Current liabilities increased as a result of:

(i) the increase in trade and other payables of 141.6% to RMB 28.1 million, due to a slower settlement of trade and other payables and an increase in purchases in tandem with higher revenue and sales in the second half of FY2021;

(ii) the increase in other financial liabilities of 30.6% to RMB33.3 million as at 31 March 2021, due to an increase in secured short-term borrowings; and

(iii) the increase in lease liability of RMB 0.2 million due to the new operating leases, which was nil as at 31 March 2020.

The Group's shareholders' equity, comprising share capital, reserves and retained earnings, increased marginally by 4.1% to RMB 453.9 million (equivalent to approximately S$93.8 million) as at 31 March 2021.

Performance Review





CASH FLOW ANALYSIS

AS AT 31 MAR (RMB 'MILLION)	FY2021	FY2020	YoY CHANGE
Net Cash From / (Used in) Operating Activities	89.9	(6.2)	N.M.
Net Cash Used in Investing Activities	(0.5)	(7.0)	- 92.8%
Net Cash from Financing Activities	35.9	24.3	+ 47.5%
Net Cash and Cash Equivalents	196.4	71.1	> 100.0%

N.M. denotes not meaningful

The Group's cash and cash equivalents was RMB 196.4 million as at 31 March 2021. The net increase in cash and cash equivalents for the year under review was mainly due to:

(i) Net cash from operating activities of RMB 89.9 million, comprising positive operating cash flow before changes in working capital of RMB 12.4 million, which was adjusted by net working capital inflow of RMB 77.5 million and income tax paid of RMB 0.1 million;

(ii) Net cash outflow of RMB 0.5 million used in investing activities was due to (i) lower purchases of PPE, (ii) proceed from disposal of PPE, (iii) the absence of pledged fixed deposits of RMB 2.5 million, and (iv) an increase in interest income; and

(iii) Net cash inflow of RMB 35.9 million from financing activities was attributed to the increase in proceeds from short-term borrowings and issuance of new shares in relation to the share placement completed in February 2021, as well as the decrease in interest expense. The increase was partially offset by the increase in the repayment of bank loans.

Board of Directors

Mr. Liang Chengwang

Executive Chairman and CEO

Date of first appointment as a director:
22 September 2015

Date of last re-appointment as a director:
30 July 2019

Present Directorships:
Other Listed Companies – Nil

Other Principal Commitments – Nil

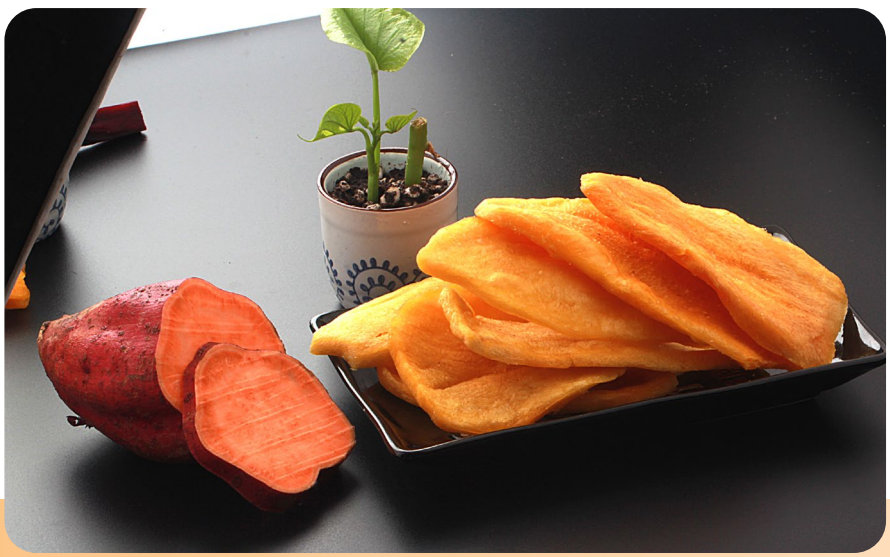
Past Directorships in listed companies held over the preceding three years:
Nil

Mr. Liang Chengwang is the Executive Chairman and CEO of the Company. He was appointed to the Board on 22 September 2015 and last re-elected on 30 July 2019.

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

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

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





Board of Directors

Ms. Duanmu Xiaoyi

Executive Director

Date of first appointment as a director:
8 August 2019

Date of last re-appointment as a director:
29 September 2020

Present Directorships:
Other Listed Companies – Nil

Other Principal Commitments
Chairman of Zihope Communication Technology (Guangzhou) Co., Ltd.
Vice-Chairman of Beijing Yongte Investment Co., Ltd.

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

Ms. Duanmu Xiaoyi is the Executive Director of the Company. She was appointed to the Board on 8 August 2019 and was last re-elected on 29 September 2020.

Ms. Duanmu is primarily responsible for overseeing the general operations and head office administrative support of the Company. She is also responsible for researching and identifying business opportunities, as well as potential and key stakeholders' outreach.

Graduated from PLA Information Engineering University with a Bachelor Degree of Management, Ms. Duanmu started her career in Beijing Yongte Investment Co., Ltd. in 2012 and took on the role of the Chairman in Zihope Communication Technology (Guangzhou) Co., Ltd. from 2018.



Mr. Ng Poh Khoon

Non-Executive and Lead Independent Director

Date of first appointment as a director:
31 May 2018

Date of last re-appointment as a director:
29 September 2020

Present Directorships:
Other Listed Companies
Green Build Technology Limited
Nutryfarm International Limited
Regal International Group Ltd.

Other Principal Commitments – Nil

Past Directorships in listed companies held over the preceding three years:
Star Pharmaceutical Limited

Mr. Ng Poh Khoon is the Non-Executive and Lead Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He was appointed to the Board on 31 May 2018 and was last re-elected on 29 September 2020.

Mr. Ng is currently a Project Director with Guangdong Chengde Financial Advisory Co., Ltd. and a member of the Financial Advisory Committee with the Entrepreneur Capital Management Association of Guangdong Province.

He has over 20 years of experience in auditing, financial management, sales & business development, investor relations, fund raising and M&A activities. Mr. Ng currently holds several directorships on companies listed on the Mainboard of SGXST. Mr. Ng is the Independent Director as well as the Chairman of the Audit Committee of Nutryfarm International Limited and Regal International Group Limited. Further to this, Mr. Ng is also currently an Independent Director and the Chairman of the Nominating Committee of Green Build Technology Limited.

Mr. Ng is a Chartered Accountant and member of the Singapore Institute of Directors.

Board of Directors

Mr. Xue Congyan

Non-Executive and Independent Director

Date of first appointment as a director:
8 August 2019

Date of last re-appointment as a director:
29 September 2020

Present Directorships:
Other Listed Companies – Nil

Other Principal Committements
Co-Founder of Mundial Financial Group, LLC
Founder of Beijing Gloryhope Capital (Limited Partnership)
Managing Director of Go & Company (HK) Limited

Past Directorships in listed companies held over the preceding three years:
Northern Minerals Limited

Mr. Xue Congyan is the Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He was appointed to the Board on 8 August 2019 and was last re-elected on 29 September 2020.

Mr. Xue has over 16 years of extensive experience in international mergers and acquisitions and corporate finance, having worked in professional capital markets firms including Beijing Chum Investment Corporation and Chardan Capital Markets LLC. He is currently the Managing Director in Go & Company (HK) Limited which he cofounded in April 2012, and has since been providing consultancy work on advising on all aspects of corporate advisory including fundraising, public listings, M&A, and investment management.

Mr. Xue graduated with a Bachelors of Science in Computer Science from Angeles University of the Philippines in 2000, a Master of Science in International Finance (with Merit) from University of Leeds, United Kingdom in 2003, and a Master of Science in Global Finance from HKUST & NYU STERN in 2013.

Mr. Lawrence Chen Tse Chau (Chen Shichao)

Non-Executive and Independent Director

Date of first appointment as a director:
26 October 2020

Date of last re-appointment as a director:
N.A.

Present Directorship:
Other listed companies
Pan Asian Holdings Limited

Other principal commitments
Director of Radiant Management Services Pte. Ltd.
Director of Athel Assurance PAC
Director of Prime Accountants PAC
Director of Athel Accounting Pte. Ltd.
Public Accountant Employee of Acumen Assurance, Acumen Associates LLP and SYA PAC.

Past Directorships in listed companies held over the preceding three years:
N.A.

Mr. Lawrence Chen Tse Chau (Chen Shichao) is the Independent Director of the Company, Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He was appointed to the Board on 26 October 2020.

Mr. Chen is currently serving as a director or audit partner (as the case may be) in various companies and partnerships. He has extensive experience in providing assurance and advisory services to a broad range of clients including traditional trading to digital marketing, crypto currency, Registered Fund Management Company (RFMC), hedge funds. Past and present clients include Singapore Stock Exchange (SGX), New York Stock Exchange (NYSE) and Shanghai Stock Exchange (SSE) listed companies, multinational corporations in Singapore, Malaysia and China. He has also successfully team lead and assisted clients as reporting accountant in Initial Public Offering (IPO) and Reverse Take Over (RTO) on SGX.

Mr. Chen graduated with a Bachelors of Science in Applied Accounting from Oxford Brookes University in 2008, and he is also a Chartered Accountant of Singapore, a fellowship member of Association of Chartered Certified Accountants and a member of the Singapore Institute of Directors (SID).

Key Management

Mr. Yi Ming
Chief Financial Officer

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

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

Mr. Yi brought with him more than 17 years of working experience to the Group. He started his career as a Tax Consultant with Liao Ning Jie Xin Certified Accountants Co. Ltd. in 2001, and had accumulated work experience as an Accountant & Supervisor with N. G. Australia Pty. Ltd. and as a Senior Accountant with Ernst & Young, before he was appointed as the Chief Financial Officer in Wave Sync Corp and SSLJ.Com Ltd.

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

Mr. Jee Meng Kwang
Group Financial Controller

Mr. Jee is the Group's Financial Controller. He is responsible for the day-to-day operations at the corporate office and is involved in the overall accounting and management reporting of the Group.

Mr. Jee is also involved in internal discussions with the senior management on the Group's business strategies and corporate governance, as well as internal and external audit matters.

Mr. Jee joined the Group in July 2019 as the Group Finance Manager and was promoted to Group Financial Controller on 1 September 2020. Prior to joining the Group, Mr. Jee was the Group Accountant of ecoWise Group of Companies, and had held several positions in various audit firms.

Mr. Jee holds a Bachelors of Accountancy (Hons) from the Universiti Utara Malaysia, and a Matriculation Certificate (Accounting) with first class honours from the College Matriculation of Perlis.





Sustainability Report

BOARD STATEMENT

The Board of Directors (the "**Board**") of China Star Food Group Limited ("**CSFG**" or the "**Company**") and together with its subsidiaries, the "**Group**"), is pleased to present the annual sustainability report for the financial year ended 31 March 2021 ("**FY2021**").

While the Chinese economy recovered from the abrupt halt of business activities last year, the brisk expansion recorded in the first quarter of 2021 is expected to moderate for the remainder of the year as the rest of the world continues to grapple to curb the resurgence of the COVID-19 transmission. The Group continues to put in place strict precautionary measures and all recommendations set out by the National Health Commission of the People's Republic of China to minimise the risk of COVID-19 transmission. The health and safety of our stakeholders, particularly our employees, customers/distributors and suppliers, remain our utmost priority.

The Group remains committed to conducting our businesses in Liancheng County, China, in an economically, socially and environmentally responsible manner governed by high standards of internal controls and risk management practices. During the year under review, we continue to stay vigilant and compliant with the directives of the Chinese government in improving our ecosystem, and continue to explore opportunities to better manage our production efficiency as well as waste material such as sweet potato skins. We believe in consistent efforts to staying ahead of the progress in our industry and motivating ourselves towards producing healthier and high nutritional products for the interest of our consumers, which will in turn cultivate a sustainable growth for our business, business partners and employees.

We will continue to build on our success with our mainstay product – sweet potatoes, an essential nutritional source of food, and utilise technology effectively to reduce wastage and create value from the waste material. While implementation and adjustments take time, it is the necessary path for the Group to achieve mutually beneficial results for all stakeholders. We are appreciative of the concerted efforts of our employees, business partners and consumers to overcome the adversities together during the challenging time.

The Board will continue to oversee the management and monitoring of key factors in our sustainability practices with the Sustainability Committee, improving on our disclosures as well as progressively updating targets that are material to the sustainability of our business.

This sustainability report is prepared with reference to the Global Reporting Initiative ("**GRI**") Standards and in compliance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") as well as the SGX-ST's Sustainability Reporting Guide. We have chosen the GRI framework as it is a well-known and globally-recognised sustainability reporting standard.

This sustainability report highlights on our key economic, environmental, social and governance ("**EESG**") performance during the 12-month period, from 1 April 2020 to 31 March 2021, focusing on the Group's operations in China and Singapore. Performance data from our Singapore operations, primarily the corporate holding office has not been included as part of the report as the operations are mainly on corporate reporting of the listed company. Performance data from our China operations has been expanded from manufacturing to include upstream seedlings cultivation and downstream branding, marketing and distribution activities.

No external assurance was sought for this report. This sustainability report is done in good faith and to the best of our knowledge.

We welcome feedback from our stakeholders with regards to our sustainability practices and reporting, which could potentially assist us to further improve our policies and systems. You may reach out to us at info@zixinshuye.com.

Liang Chengwang
Executive Chairman & Chief Executive Officer

Sustainability Report

SUSTAINABILITY GOVERNANCE

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

Sustainability Approach

We take a strategic and comprehensive approach towards sustainability as we acknowledge the importance of effective EESG strategy and management throughout the business operations. Any key issues relating to the sustainability framework will be raised by the Sustainability Committee during board meetings, where the Board will review and consider the sustainability issues, as well as deliberate on the possible solutions that could be adopted into our day-to-day operations. The Board approves the Group's general policies and strategies including those relating to sustainability.

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



We continue to strive to effectively manage associated risks and opportunities of our business operations with our teams within the Group and external stakeholders. We also strive to improve our sustainability performance through regular review of our policy and operational processes to deliver positive values for our stakeholders, in particular, our consumers who place their trust in consuming our snack food products.

Sustainability Report

STAKEHOLDER ENGAGEMENT

The Group believes that sustainable operations require regular interaction of both internal and external stakeholders, to align our vision and growth strategies and practices. It is important for us to maintain efficient communication with stakeholders in order to achieve mutually beneficial goals with them. Hence, we remain committed to strengthen mutually beneficial relationships with our stakeholders through various communications platforms to facilitate the communications between the organisation and stakeholders.

We appreciate the feedback received from our external stakeholders, in particular, employees, customers/distributors, suppliers/ business partners, and shareholders and investors. The Group believes that regular communications will improve understanding and foster better working relationships.

We will continue to engage with our key stakeholders on a regular basis through various platforms as set out in the table below.

KEY STAKEHOLDERS	STAKEHOLDERS' EXPECTATIONS	ENGAGEMENT PLATFORMS	OUR INITIATIVES
INTERNAL			
Board of Directors	• Ensure internal policies and systems are effective and implemented throughout the organisation	• Board meetings • Regular updates via electronic means (emails, phone calls, virtual meetings)	• Regular updates on corporate activities, developments, and financial performance • Seek advice and approvals from the Board on all material proposed developments
Employees	• Career growth • Training opportunities • Competitive salaries and incentives • Pleasant and safe working environment	• Regular internal communications through meetings and electronic communications (emails, phone calls, internal notices) • Employee caring sessions • Employee feedback	• Ensure effective implementation of HR policies, internal systems and procedures • Regular internal meetings to review safety and healthy work environment • Conduct relevant training courses and seminars regularly • Formal and informal get-togethers to strengthen working relationships among employees • Annual review on work performance
EXTERNAL			
Government & Regulators	• Regulatory compliance • Food safety compliance • Occupational health & safety • Environmental issues • Socialeconomic issues	• Meetings • Electronic communications • Through external professionals and agencies • Announcements on SGXNet	• Ensure compliance with applicable laws • Meetings/interactions with relevant authorities as and when necessary • Consistent update on relevant laws and regulations through seminars and trainings
Customers / Distributors	• Tasty and innovative snack products • High quality and nutritional standards • Compliance with food safety and environmental issues • Reliability, on-time delivery and services • Competitive pricing • Credit terms	• Focus groups with consumers • Market survey on consumer tastes • Regular sales calls and meetings with distributors • "livestreaming" online platforms • Email enquiries • Consumer outreach marketing events	• Actively follow-up on customers' preferences • Regular internal meetings to review customer fulfilment and new requirements • Update customers on new products and improved packaging • Provide timely feedback to customers • Ensure all relevant food safety requirements and standards are met for all products manufactured and sold
Suppliers / Business Partners	• Timely payment and adherence to agreed terms • Assistance in the farming techniques to improve yield and logistics for fresh sweet potatoes	• Regular visits and interactions with suppliers • Electronic communications	• Regular review and feedback on quality or other issues • Ensure compliance with food safety standards and environmental laws and regulations • Perform periodic evaluation
Shareholders & Investors	• Higher financial returns • Industry conditions and prospects • Market presence • Profitability • Transparency and corporate governance	• Announcements on SGXNet • Shareholders' meetings • Annual report • Company website • Investor relations • Electronic communications	• Ensure all public disclosures on corporate results and developments are factual, timely and accurate to provide fair and equitable treatment to all shareholders and investing public • Ensure sustainable business growth

Sustainability Report

Materiality Assessment

The Group has reviewed our material topics based on discussions with both internal and external stakeholders, as well as the sustainability team leaders for the year under review. We have expanded coverage on the material topics that have economic, environmental and social influence on our business operations. Data has been collected according to our material topics to facilitate analysis on our performance and to set targets for the respective material topics.

The resumption of the Group's operations was gradual amidst the recovery from the lockdowns of cities, and we continue to conduct most of our interactions through electronic communications such as virtual meetings and conference calls. We endeavour to increase our interactions with our stakeholder groups related to the material topics identified for our subsequent sustainability reports as we continue to work towards to normalcy in our business operations.

Identify Material Topics	Evaluate & Priorities Material Topics	Validate Material Topics	Key Material Topics
Research & Analysis • Conduct research on business operations to identify potential material factors and collate data for analysis	**Material Assessment** • Evaluate data and material factors that are of priority to the sustainability of business	**Report to the Board and Obtain Approval** • Report to the Board on performance and seek approval	**Economic** **GRI 201** ✓ Economic Performance ✓ Research and Development **GRI 204-1** ✓ Suppliers and Business Partners **Environmental** **GRI 307-1** ✓ Environmental Compliance **GRI 305-2, 305-4** ✓ GHG Emissions **GRI 302-1, 302-3** ✓ Energy Effiency **GRI 303-1** ✓ Saving Water **GRI 306-2** ✓ Effluents and Waste **Social** **GRI 403-2** ✓ Occupational Health and Safety **GRI 404-1** ✓ Skills Competency and Employee Trainning **GRI 404-3** ✓ Performance Appraisal **GRI 401-1, 405-1** ✓ Employment and Equal Opportunity **Governance** **GRI 419-1** ✓ Socioeconomics Compliance **GRI 416-2** ✓ Customer Health and Safety

Sustainability Report

MATERIAL TOPIC: ECONOMIC

GRI 201
Economic Performance

Despite unexpected disruptions from the COVID-19 pandemic, the Group continued to brace ourselves to overcome the adversities in our increasingly integrated sweet potato value chain, spanning from upstream sweet potato seedlings cultivation to snack food manufacturing and downstream marketing, selling and distribution in our proprietary branded snack products.

As the Chinese economy recovered from the abrupt halt of business activities in 2020, the Group managed to lift revenue in our second half of FY2021 through the quick adoption of e-commerce and online marketing strategies. The Group recorded an 11.7% year-on-year decline in revenue, from RMB 323.1 million for FY2020 to RMB 285.5 million for FY2021.

The Group was able to raise our gross margin from 21.7% in FY2020 to 24.4% in FY2021, resulting from lower cost of sales and higher production efficiency. However, we incurred higher operating expenses due to the increase in research and development expenses, impairment of property, plant and equipment, consultancy fees, and nursery fees (cultivation of own seedlings). Correspondingly, the Group widened our loss after tax of RMB 6.5 million in FY2020 to RMB 12.7 million in FY2021.

Please refer to the Financial Statements and Notes to Financial Statements found on pages 77 to 127 of this annual report.

Performance in FY2021

- Did not achieve the profitability target set for FY2021 even though sales revenue in the second half of FY2021 increased by 25.3% over the second half in FY2020.
- Recorded no incident of non-compliance with management controls and procedures.

Targets for FY2022

- The Group has resumed operations while continuing to maintain strict precautionary measures and practices to minimise risk of COVID-19 transmission.
- We strive to achieve profitability as we continue to drive growth in our core business segments.
- Continue to maintain no incident of non-compliance with management controls and procedures.



Research and Development

We remain committed to produce quality and nutritious fresh sweet potatoes and snack products for our consumers. The Group had successfully cultivated our first crop of sweet potato seedlings on our 300mu leased farmland in FY2021 and planted the seedlings in the contracted farmland through co-operative farming arrangements in the beginning of financial year ending 31 March 2022 ("**FY2022**"). We have also developed effective and efficient farming techniques to raise the yield and quality of the selected sweet potatoes varieties.

In FY2021, the Group made three (3) invention applications, which are still in the process of evaluation by the government agency. We continue to collaborate with Longyan Agricultural Science Research Institution and Jiangnan University to focus on new product developments and enhancement to some of our existing products.

We will also explore opportunities to collaborate with established high-tech companies to tap on their expertise in waste materials reduction and recycling.

Performance in FY2021

- Registered three (3) utility model patents and one (1) invention patent in FY2021, bringing the total registered patents to fourteen (14), which also include seven (7) technology patents and one (1) invention patents.
- Cultivated seedlings in-house for contracted farmlands and marketed and sold excess seedlings to fellow sweet potato farmers.

Targets for FY2022

- Continue to monetise the patented technologies by implementing into current operations.
- Continue research and development works to further improve the Group's overall operations and products.

Sustainability Report

GRI 204-1
Suppliers and Business Partners

We are committed to maintaining mutually beneficial partnerships with our suppliers cum business partners through co-operative farming arrangements, which the Group entered into long-term contracted farmland agreements to secure supplies of fresh quality sweet potatoes.

Having successfully cultivated our own seedlings and equipped our contracted suppliers with our farming techniques and solutions, we look forward to enjoy a sustainable harvest of high-quality fresh purple sweet potatoes for FY2022.

The sustainable harvest of sweet potatoes, will in turn, ensure smooth and uninterrupted operations for the Group's sales of fresh sweet potatoes and our snack food manufacturing activities.

We believe that sharing our farming solutions and providing quality sweet potato seedlings varieties as well as waste materials reduction system, will promote a healthy ecosystem and ensure better food safety and supply for consumers. We also believe that our continuous investments through working with our business partners to provide safe, healthy and nutritious food for our consumers, will consequently reflect in the economic performance of the Group over the long term.

Performance in FY2021

- Purchases of fresh sweet potatoes increased by 17.7% from 20,193 tonnes in FY2020 to 23,763 tonnes in FY2021 with secured supplies from the contracted farmland.

Targets for FY2022

- To maintain similar quantity as FY2021 in the purchases of fresh sweet potatoes.
- To continue to assist our contracted suppliers with quality sweet potato seedlings and farming techniques to improve on their harvest yields.

MATERIAL TOPIC: ENVIRONMENTAL

GRI 307-1
Environmental Compliance

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

Waste materials from our manufacturing facility are separated for proper handling and disposal. We have engaged third-party service providers to manage all proper disposal of our waste materials. However, the Group has been exploring opportunities to generate value from some of the waste materials, such as sweet potato skins which contain nutrients that could be extracted.

The Group has also met the requirements of the wastewater emission standard of the Fujian Province with the commencement of the centralised wastewater treatment facility managed by the Liancheng County government.

Performance in FY2021

- Recorded no incident of non-compliance with the relevant laws and regulations of the environmental protection, which could result in internal disciplinary action or public allegation.

Targets for FY2022

- To maintain no incident of non-compliance with the relevant laws and regulations of the environmental protection.

Sustainability Report

GRI 305-2, 305-4
GHG Emissions

We remain committed to taking positive and proactive action on climate change and reducing carbon emission in our daily operations. Our employees are reminded to save energy through regular internal communications.

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

In FY2021, the Group generated a carbon footprint of 3,558.69 tonnes of carbon dioxide emission ("**tCO_2e**") with a carbon emission intensity of 12.38 tCO_2e per million yuan of revenue. The carbon footprint in FY2021 was 11.8% lower than the carbon footprint of 4,034.76 tCO_2e in FY2020, and the carbon emission intensity in FY2021 was 0.9% lower than the 12.49 tCO_2e per million yuan of revenue in FY2020. This was due to slower sales revenue in FY2021 and gradual resumption of our operations post-lockdown of cities in China.

Performance in FY2021

- Recorded lower carbon footprint due to gradual resumption of operations during FY2021 post-lockdown of cities in China.

Targets for FY2022

- To lower or at least maintain carbon footprint and carbon emission intensity level by enhancing production efficiency on the back of better economic performance amidst challenges in the current business environment.

GRI 302-1, 302-3
Energy Efficiency

We are committed to promoting energy conservation, particularly in electricity, in our Group's operations as an effort towards environmental protection and cost management in our operations.

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

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

The total energy consumption intensity of the Group decreased by 7.8% from 0.064 MWh per million yuan of revenue in FY2020 to 0.059 MWh per million yuan of revenue in FY2021. The decrease was mainly due to lower energy consumption at the manufacturing facilities and lower revenue in FY2021 as operations resumed progressively from the second half of FY2021.

Performance in FY2021

- Recorded lower energy consumption intensity as a result of progressive resumption of operations and lower revenue registered in FY2021.

Targets for FY2022

- To continue to improve or at least maintain our energy consumption levels, while improving on our economic performance.

Sustainability Report

GRI 303-1
Saving Water

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

Amid the COVID-19 pandemic, we have conducted cleaning of our premises and equipment more regularly to maintain food safety and workplace cleanliness as part of our precautionary measures against COVID-19 transmission.

The increasing deep cleaning conducted in our premises led the Group to record a water consumption intensity of 521.20m^3 per million yuan of revenue in FY2021, which was 30.2% higher than the water consumption intensity of 400.32m^3 per million yuan of revenue in FY2020. While manufacturing activities resumed progressively, our sales revenue only picked up in the second half of FY2021.

Performance in FY2021

- Water consumption increased by 30.2% in FY2021 as the Group carry out cleaning of premises and equipment more regularly as precautionary measures against COVID-19 transmission.
- While manufacturing activities resumed progressively, sales revenue only picked up in the second half of FY2021.

Targets for FY2022

- To put in more efforts in improving our water conservation effort.

GRI 306-2
Effluents and Waste

As most of the waste materials are managed under the directives of the local authorities, the waste materials that we manage, mainly arise from our manufacturing facility that manufactures the range of sweet potato related snack food products. We continue to abide by the rules and regulations applicable to our manufacturing facility, research laboratories, and warehouse.

Waste materials from our manufacturing facility are separated for proper handling and disposal. The two (2) key wastes from our manufacturing facility are (i) wastewater, and (ii) sweet potato skins.

It is mandatory for our manufacturing facility to discharge wastewater to the dedicated industrial park wastewater treatment plant in Liancheng County, which the Group pays a fee for proper disposal of the wastewater. In FY2021, our manufacturing facility discharged 51,039 litres of wastewater.

As we ramp up our productivity for our sweet potato snack food, we have seen an increase in the amount of sweet potato skin being disposed over the years. In FY2021, the Group recorded 624.12 tonnes of sweet potato skin. The Group is exploring opportunities with established high-tech companies to utilise their extraction techniques to generate value from the sweet potato skins. This could potentially reduce our cost in disposal and generate economic value at the same time.

Performance in FY2021

- Recorded no incident of non-compliance with the relevant laws and regulations of the environmental protection, which could result in penalty and public allegation.

Targets for FY2022

- To maintain no incident of non-compliance with the relevant laws and regulations of the environmental protection.
- To engage established companies in generating economic value from the sweet potato skins.

Sustainability Report

MATERIAL TOPIC: SOCIAL

GRI 403-2, 403-5
Occupational Health and Safety

Our workforce is of utmost important to our Group and we believe the safety and wellbeing of our employees are our highest priority. We enforce a strong safety culture within the organisation that requires all members of our workforce to be leaders in creating a safe work environment. We believe self-responsibility will minimise work-related injuries and fatalities, and improve cohesiveness among members of the organisation.

The Group remains committed to providing a healthy and safe working environment and we continue to seek to identify and manage occupational exposure risks, minimise occurrences of occupational illnesses and promote healthy lifestyles. We adhere to the local health and safety regulations as well as the guidelines in our Group's environment, health and safety policy and procedures to promote safety measures to all members of our Group in our premises, particularly the manufacturing segment.

The Group continues to carry out safety training courses internally on regular basis to new and existing members of the organisation. We also engage external professionals to equip our employees through training seminars on natural disasters, earthquakes, floods, fire warnings and self-rescue methods. We believe that such emergency precautionary courses are essential to our employees.

Although China has been recovering well from the COVID-19 pandemic, we continue to impose precautionary measures in accordance with the directives of the respective governments and authorities, to prevent transmission of the virus at our premises in both China and Singapore, to safeguard our employees, business partners, and the communities.

We continue to remind employees on the need for social distancing in the office and manufacturing facilities, and have also issued face masks and placed hand sanitisers at their work stations. Regular disinfection of the office and manufacturing areas are also conducted to ensure commonly frequented surfaces or areas are kept clean.

Performance in FY2021

- Recorded no significant work-related injuries and fatalities.
- No incident of non-compliance with the relevant laws and regulations relating to occupational health and safety.

Targets for FY2022

- To maintain no incident of significant work-related injuries and fatalities.
- To maintain no incident of non-compliance with the relevant laws and regulations occupational health and safety, providing a safe working environment and protecting employees from occupational hazards.

Sustainability Report

GRI 404-1
Skills Competency and Employee Training

Our employees are the lifeline of our organisation. We believe that it is essential to continue our practice in enhancing the value of our employees who contribute to the success of our businesses.

Every employee in the Group is given the opportunity to upgrade and improve their skills and knowledge through formal and on-the-job training programs. These training programs include: a) hygiene and disease prevention measures, b) workplace safety, c) 5S production management, d) skills enhancement, e) corporate culture, and f) professional ethics. We will continue to look into ways to enable our employees to grow with the organisation.





As our operations can only be resumed gradually, we have scheduled more training across the different operational levels for all employees during the period under review.

Average number of training hours per employee in FY2020

CATEGORY	NO. OF EMPLOYEES	AVERAGE NO. OF TRAINING HOURS
Office		
Management	36	128
Executive	8	115
Non-executive	44	98
Manufacturing Facility		
Executive	17	80
Non-executive	274	80

Performance in FY2021

- Achieved an average of 87.4 hours of training programs for all employees in FY2021 as the Group maintained strict precautionary measures such as safe distancing in workplace.

Targets for FY2022

- To achieve at least an average of 14 hours of training programs for all employees per annum.

GRI 404-3
Performance Appraisal

Our human resource department has established a system to carry out performance appraisal for every individual employee for their roles and responsibilities in the Group.

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

While the pandemic situation restricted the Group to organise company retreats for employees, we conducted interactive meetings with our employees to gain insights of the operational situations faced by them. We believe this form of interaction allows greater participation amongst the employees to improve together with the organisation.

Performance in FY2021

- Conducted annual appraisal for all employees in FY2021.
- Conducted 12 employees' interactive meetings in FY2021.

Targets for FY2022

- To continue to conduct performance appraisal for all employees at least once a year.
- To continue to conduct interactive meetings for employees as a platform for feedbacks.

Sustainability Report

GRI 401-1, 405-1
Employment and Equal Opportunity

The Group remains committed to providing a workplace that advocates fairness, respect and inclusiveness for employees, adhering to the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, marital status, pregnancy, disability, age or family status.

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

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

In FY2021, we reduced our headcount by 14 or 3.6% to 379, down from 393 in FY2020. This was mainly due to natural attrition.

The demographics of our employees for our operations in China are as follows:

Employees by Age Group

AGE GROUP	AS AT 31 MARCH 2020		AS AT 31 MARCH 2021	
Below 30 years old	49	12.5%	30	7.9%
Between 30 - 50 years old	211	53.7%	216	57.0%
Above 50 years old	133	33.8%	133	35.1%
Total	393	100.0%	379	100.0%

Employees by Gender

GENDER	AS AT 31 MARCH 2020		AS AT 31 MARCH 2021	
Male	100	25.4%	98	25.9%
Female	293	74.6%	281	74.1%
Total	393	100.0%	379	100.0%

New Employees and Employee Turnover

GENDER	NEW HIRES	EMPLOYEES WHO LEFT	EMPLOYEE TURNOVER RATE
Male	18.8%	17.9%	14.1%
Female	81.2%	82.1%	22.3%
Average Employee Turnover Rate			20.2%

Note: Employee turnover rate was computed based on the number of employees who left during FY2021 over the average number of employees as at 31 March of FY2020 and FY2021.

Performance in FY2021

- Female employees comprised of 74.1% of our total workforce in FY2021, declined from 74.6% in FY2020. This was due to lower number of employees.
- Female representation in management improved from 13% to 27.8% in FY2021.

Targets for FY2022

- The Group will strive to improve the demographics of our employees and management representation.

Sustainability Report

MATERIAL TOPIC: GOVERNANCE

GRI 419-1
Socioeconomic Compliance

We operate our business in compliance with the relevant regulations and standards relating to food safety, social and economic through internal checks and balances, and regular reporting and updates to the relevant authorities and agencies. The Group believes that compliance with legislative requirements is the minimum standard that should be achieved and we will continue to strive to perform beyond these requirements.

The Group continues to emphasise the importance of observing high standards of corporate governance and observing compliance with applicable laws and regulations. We are committed to conducting our business with integrity to ensure the sustainability of our business and safeguarding the interests of all our stakeholders, both internal and external.

Please refer to the Corporate Governance Report found on pages 37 to 64 of this annual report.

GRI 416-2
Customer Health and Safety

We are committed to uphold food safety and high-quality standards of our products, which are of high priority to our commercial reputation and consumers' expectations.

The Group continues to commit responsible sourcing for our raw ingredients as we assure food safety and high-quality of our snack food products. This is the key rationale to cultivate our own sweet potato seedlings and develop our in-house farming techniques and supplied seedlings and farming solutions for our contracted farmland to grow the specific sweet potato varieties. This upstream farming process allows the Group to ensure food safety right from the beginning.

Our snack food manufacturing facility complies with the requirements of Hazard Analysis and Critical Control Point system certification. We have also in place our quality control teams to undergo regular food safety management training to maintain awareness and management of food safety risks in the manufacturing process. Regular audits on our operations to monitor the management and performance relating to hygiene, sanitation, and housekeeping are carried out to ensure the quality of our snack products.

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

Performance in FY2021

- Recorded no incident of non-compliance with the relevant laws and regulations relating to social and economic that could potentially result in internal disciplinary action or public allegation.
- Complied with the principles and guidelines set out in the Code of Corporate Governance 2018, where appropriate.
- Recorded no incident of non-compliance with management controls and procedures.
- Maintained zero food safety incidents.

Targets for FY2022

- Continue to maintain no incident of non-compliance with the relevant laws and regulations in the social and economic aspect.
- Continue to maintain no incident of non-compliance with management controls and procedures.
- Continue to monitor and update the adequacy of the management controls and procedures.
- Continue to maintain our track record of zero food safety incidents.

Sustainability Scorecard

This sustainability scorecard rates the Group's performance for FY2021 in respect of the key material topics identified in the sustainability report vis-à-vis that of FY2020.

Economic contribution

PERFORMANCE INDICATORS	UNITS	FY2021	FY2020
Total Revenue	¥'million	285.5	323.1
Number of utility model patents	Number	6	3
Number of technology patents (since 2014)	Number	7	7
Number of invention patents (since 2014)	Number	1	2
Purchases from local suppliers	Percentage	58	40

Environmental Sustainability

PERFORMANCE INDICATORS	UNITS	FY2021	FY2020
Environmental incidents	Number	0	0
Fines on contravention of environmental regulations	¥'000	0	0
Total carbon footprint	tCO_2e	3,558.69	4,034.76
Carbon emission intensity	tCO_2e/¥'million	12.38	12.49
Energy efficiency	MWh/¥'million	0.059	0.064
Saving Water	M^3/¥'million	521.20	400.30

Social Contribution

PERFORMANCE INDICATORS	UNITS	FY2021	FY2020
Occupational health and safety (incidents, injuries, fatalities)	Number	0	0
Training hours per staff	Hours	87	36
Employees subject to regular performance appraisal	Percentage	100	100
Female representation in workforce	Percentage	74	75
Female representation in management	Percentage	28	13

Sustainable Governance

PERFORMANCE INDICATORS	UNITS	FY2021	FY2020
Socioeconomic compliance (incidents)	Number	0	0
Customer health and safety			
Food safety incidents	Number	0	0
Fines on contravention of food safety regulations	¥'000	0	0

Corporate Governance Report

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

In accordance with Rule 710 of the Listing Manual – Section B: Rules of the Catalist (the "**Catalist Rules**"), this Corporate Governance report outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 March 2021 ("**FY2021**"), with specific reference made to the principles of the Code of Governance 2018 (the "**Code**") through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders.

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

I. BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

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

As at the date of this Annual Report, the Board comprises of the following Directors:

NAME OF DIRECTORS	DESIGNATION
Liang Chengwang	Executive Chairman and CEO
Duanmu Xiaoyi	Executive Director
Ng Poh Khoon	Non-Executive and Lead Independent Director
Xue Congyan	Non-Executive and Independent Director
Lawrence Chen Tse Chau (Chen Shichao)	Non-Executive and Independent Director

Further information about the profiles of the current Directors are set out on pages 20 to 22 of this Report.

The Board's principal roles include promoting long-term shareholder value, setting the strategic direction and establishing goals for the management team of the Company and its subsidiaries as well as ensuring proper observance of corporate governance practices, which includes setting of code of conduct and ethics, appropriate tone and desired organisational culture, and ensuring proper accountability within the Group. In this regard, the Board oversees the business affairs of the Group and works with Management to achieve these goals for the Group.

The Board has put in place policies and procedures for dealing with conflicts of interest. Where the Director faces a conflict of interest, he or she would recuse himself and herself from discussions and decision involving the issues of conflict. All Directors objectively discharge their duties and responsibilities as fiduciaries and take decisions in the best interest of the Group at all times.

Corporate Governance Report

In addition to statutory duties and responsibilities, the Board's duties, including the key matters to be approved by the Board are set out as follows:

(a) reviewing and approving key business and financial strategies (taking into consideration sustainability issues) and objectives of the Group;

(b) reviewing and approving major corporate transactions (such as financial restructuring and share issuance);

(c) reviewing and approving annual budgets of the Group, major transactions, including acquisitions, divestments, investments and capital expenditure;

(d) reviewing and approving the annual report and audited financial statements of the Group;

(e) reviewing and approving the unaudited financial results of the Group, including the half-yearly and full-year results announcements;

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

(g) reviewing the performance of Management and to provide guidance to Management (where necessary);

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

(i) ensuring that the Group has adequate internal controls, risk management, financial reporting and compliance as well as evaluating the same;

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

(k) establishing and maintaining the Company's values and standards and ensuring obligations to shareholders and others are understood and met;

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

(m) overseeing risk management strategies of the Group; and

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

Corporate Governance Report

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

To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees and Management. In particular, the Board has set up three (3) committees to assist it in effectively discharging its duties. These three (3) committees are the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**").

Each of the Board Committees are constituted with clear written terms of reference and given specific responsibilities as well as empowered by the Board to deal with matters within the limits of authority set out in their respective terms of reference, which are reviewed on a regular basis by the Board. The AC is responsible for undertaking an independent review of the effectiveness of the financial reporting process and internal control systems of the Company and if required, to make the necessary recommendations to strengthen the necessary processes and controls to the Board. The NC is responsible for reviewing and making the appropriate recommendations to the Board on all board appointments and re-appointments while the RC is responsible for establishing and implementing a framework for remuneration of directors and key management personnel. Accordingly, the Board Committees facilitate the Board's oversight of the Group.

The Board has delegated the day-to-day operations to Management while reserving key matters (such as corporate restructuring, mergers and acquisitions, investments, acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's half yearly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends) for Board approval.

Management in conducting the day-to-day operations of the Group will be guided by the internal guidelines (such as the approval limits for various expenditures, banking and treasury approval limits and authorised signatories) that clearly set out the matters which must be approved by the Board. In addition, the Board is free to request for further clarification and information from Management on all matters within their purview.

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

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

Corporate Governance Report

Directors' attendance at the Board and the Board Committee meetings during FY2021 and up to the date of this Annual Report is as follows:

NAME OF DIRECTOR	BOARD	AUDIT	NOMINATING	REMUNERATION
	NUMBER OF MEETINGS HELD			
	5	5	2	2
	PRESENT DIRECTORS			
	NUMBER OF MEETINGS ATTENDED			
Liang Chengwang	5	5*	2*	2*
Duanmu Xiaoyi	5	5*	2*	2*
Ng Poh Khoon	5	5	2	2
Xue Congyan	5	5	2	2
Lawrence Chen Tse Chau (Chen Shichao)[1]	4	4	1	1
	FORMER DIRECTORS			
	NUMBER OF MEETINGS ATTENDED			
Chua Siong Kiat[2]	1	1	1	1

* By invitation

Notes:

(1) Mr. Lawrence Chen Tse Chau (Chen Shichao) was appointed as a Non-Executive and Independent Director of the Company with effect from 26 October 2020.

(2) Mr. Chua Siong Kiat had resigned as a Non-Executive and Independent Director of the Company with effect from 30 August 2020.

While the Board considers Directors' attendance at Board meetings to be important, it is not the only criterion which the Board uses to measure Directors' contributions. The Board also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group. The Board requires directors to be able to commit sufficient time and attention to the affairs of the Board and their relevant Board Committees. A discussion of the procedure for assessing the directors' commitment to the Company is set out below under Principle 4.

To enable the Directors to better understand the Group's business as well as for them to discharge their respective duties, Management will provide regular business updates to the Directors during the scheduled board meetings. In addition, in order to ensure that each Director is able to contribute in a meaningful manner during Board meetings, Management provides the members of the Board with relevant background information and documents relating to the items of business to be discussed at each Board meeting, such as copies of disclosure documents, budgets, forecasts and internal financial statements, before the scheduled meeting.

Key information relating to the Company's operations and finances are also circulated to the Board via email prior to meetings and/or in a timely manner on an on-going basis so that the Directors may monitor with ease the Company's performance as well as the Management's fulfilment of goals and objectives set by the Board.

Corporate Governance Report

Further to the above, the Directors are also regularly briefed by the Management of the Company on the business activities of the Company as they are responsible for the Company's strategic directions as well as its corporate practices. Accordingly, such briefings by Management allow the Directors to stay up to date on the day-to-day implementation of such strategic directions and corporate practices.

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

The Company also has in place an orientation program in which all new Directors are given guidance and orientation including onsite visits to get them familiarised with the Group's business, organization structure, corporate strategies and policies and corporate governance practices to facilitate the effective discharge of their duties. However, due to the ongoing and continued travel restrictions brought about by COVID-19, the Directors that were appointed during FY2020 and FY2021 have not had the opportunity to conduct a site visit to the Group's factories in Liancheng, China.

Further to this, for new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organized by the Singapore Institute of Directors ("**SID**") or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. The Company would arrange for the Directors to attend the relevant courses organised by SID to familiarise themselves with the roles and responsibilities of Directors of a listed company. In this regard, Mr Lawrence Chen Tse Chau (Chen Shichao) had, prior to his appointment as the Non-Executive and Independent Director of the Company, attended the following mandatory prescribed courses conducted by SID under Rule 406(3)(a) and Practice Note 4D of the Catalist Rules:

S/N	MANDATORY TRAINING	DATE OF ATTENDANCE
1.	LED 1 – Listed Entity Director Essentials	8 May 2019
2.	LED 2 – Board Dynamics	10 May 2019
3.	LED 3 – Board Performance	14 May 2019
4.	LED 4 – Stakeholder Engagement	21 May 2019
5.	LED 5 – Audit Committee Essentials	29 May 2019
6.	LED 6 – Board Risk Committee Essentials	29 May 2019
7.	LED 7 – Nominating Committee Essentials	31 May 2019
8.	LED 8 – Remuneration Committee Essentials	31 May 2019

Complementing the existing orientation programme and periodic updates on the developments in accounting standards and any changes in the regulatory environment in Singapore as well as those pertaining to the roles and responsibilities of a director of a listed company, the Directors also have separate and independent access to the Management of the Company, including the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), the Group Financial Controller ("**GFC**"), and also to the Company Secretary of the Company.

The Company Secretary and/or representatives from the Company Secretary's office attend all meetings of the Board and the Board Committees and prepares the minutes of such meetings. The minutes of such meetings are then circulated to the Board and the Board Committees, as the case may be. The Company Secretary also advises the Board on governance matters and ensures that the procedures for such meetings are in accordance with the Constitution and Terms of Reference and all applicable rules and regulations (including the requirements of the Singapore Companies Act, Cap. 50 and the Catalist Rules) are complied with.

Corporate Governance Report

Further to the above, the Company Secretary helps to facilitate communications within the Board and the Board Committees and between Management and the Directors. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company allows Directors to take independent professional advice on matters affecting the Company, and such costs will be borne by the Company. In addition, Directors have, at all times, unrestricted access to the Company's records and information.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

The independence of each of the Non-Executive and Independent Director is reviewed by the NC annually, as well as when circumstances require, based on the guidelines set forth in the Code the Practice Guidance issued under the Code, and Rule 406(3)(d) of the Catalist Rules (collectively, the "**Independence Criteria**") to ensure that the Board consists of persons who, together, will provide core competencies and independent business judgements and perspectives necessary to meet the Company's objectives. In this regard, after conducting a review, the NC is satisfied that there are no relationships identified by the Code which would deem any of the Non-Executive and Independent Directors not to be independent.

In light of the fact that the Chairman is not independent due to his concurrent appointment as the CEO, the Company had, in FY2021, ensured that its Board comprised of three (3) Non-Executive and Independent Directors to take into account the guidance set out in Provision 2.2 of the Code. The Company notes that the Board comprised of only two (2) Non-Executive and Independent Directors during the period of 30 August 2020 to 26 October 2020 (the "**Vacancy Period**") after the resignation of Mr. Chua Siong Kiat as a Non-Executive and Independent Director of the Board, AC member, RC Chairman and NC member. As noted in the Company's Annual Report for the financial year ended 31 March 2020, the Company had filled the vacancy within two (2) months of Mr. Chua Siong Kiat's resignation. In this regard, Mr. Lawrence Chen Tse Chau (Chen Shichao) was appointed as a Non-Executive and Independent Director of the Company, as well as an AC member, RC Chairman and NC member on 26 October 2020. Apart from the Vacancy Period, for FY2021, the three (3) appointments had ensured that the majority of the Board comprised of Non-Executive and Independent Directors. The Non-Executive and Independent Directors are able to exercise independent judgement in the best interests of the Company and the Group, and this enables Management to benefit from their external and objective perspectives of issues that are brought before the Board. As such, there is a strong and independent element on the Board.

The Board, through the NC, reviews the size and composition of the Board to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has the appropriate mix of expertise, skill, knowledge, experience and gender diversity, and collectively possess the necessary core competencies for the effective functioning of and informed decision-making in the Company. Based on these requirements, the Board is of the opinion that for FY2021, its current board size and composition is reasonably effective and efficient considering the nature, scope and size of the Group's business operations.

In addition, the NC is of the view that the Board possess adequate core competencies in areas such as accounting, finance, business or management experience, industry knowledge, strategic planning experience and experience or knowledge that are relevant to the Group. As at the date of this Annual Report, the current Board comprises of one (1) female Director and four (4) male Directors with an age group ranging from 33 to 54 years old.

Further to the above, the Non-Executive and Independent Directors constructively challenge and participate in setting strategies and goals for the Company and review as well as monitor Management's performance in the implementation of the agreed strategies and goals. Where necessary, the Non-Executive and Independent Directors will conduct meetings regularly amongst themselves without the presence of Management. The chairman of such meetings will then provide feedback to the Board and/or the Chairman as appropriate.

Corporate Governance Report

In light of the foregoing, the Board and the NC are of the view that the Board can exercise independent judgement on corporate affairs and that no one individual or group(s) of individuals dominates any decision-making process.

There is currently no Non-Executive and Independent Director who has served on the Board for more than nine (9) years.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

As at the date of this Annual Report, Mr. Liang Chengwang is the Executive Chairman and the CEO of the Company.

As the Executive Chairman, Mr. Liang Chengwang assumes responsibilities for, amongst others, the effective function of the Board and exercising 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. In particular, the Executive Chairman is responsible for the overall management of the Board and has the following responsibilities:

(a) leading the Board, ensuring its effectiveness in all aspects of its role, and setting out its agenda;

(b) ensuring that the Directors receive complete, adequate, accurate, timely and clear information;

(c) critiquing key proposals by Management before they are presented to the Board;

(d) ensuring effective communication with shareholders;

(e) encouraging constructive relations between the Board and Management;

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

(g) encouraging constructive relations between the Executive Directors and Non-Executive and Independent Directors; and

(h) promoting high standards of corporate governance.

Mr. Liang Chengwang, in his role as the CEO, is primarily responsible for the day-to-day management of the operations and performance of the Group in accordance with the strategies, policies, budget and business plans as approved by the Board. Further to his role as the CEO, Mr. Liang Chengwang reports to the Board on the Group's operations and performance.

The Board notes that Provision 3.1 of the Code provides that 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, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

Corporate Governance Report

The Board's view is based on the fact that Mr. Liang Chengwang has actively promoted and emphasised the need to have in place a strong corporate governance culture. In FY2021, the Board had three (3) Non-Executive and Independent Directors. Further to this, Mr. Ng Poh Khoon continues to serve as the Lead Independent Director and he is present to provide leadership in situations where the Chairman is conflicted and to ensure that a channel of communication is always available to shareholders where they have concerns and/or where contact through normal channels of the Group's Executive Chairman, the CFO, GFC or the Management has failed to resolve the concerns. In addition, in FY2021, the AC, NC and RC consisted of all Non-Executive and Independent Directors. In light of these reasons, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Another measure that the Board has put in place measures to ensure that there is an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board, is to have the Board discuss and review all major proposals and decisions made by Mr. Liang Chengwang. In this regard, for FY2021, the Non-Executive and Independent Directors had participated actively in matters relating to business, finance, corporate governance, risk management, remuneration and appointment of Board members. Further to this, the performance and remuneration of Mr. Liang Chengwang as the Executive Chairman and CEO is periodically reviewed by the NC and the RC. In addition, the Board Committees comprise of only the Non-Executive and Independent Directors.

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

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

PRINCIPLE 4: BOARD MEMBERSHIP

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

The Company has established the NC which is guided by the terms of reference approved by the Board.

As the date of this Annual Report, the NC comprises of three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The Lead Independent Director is also a member of the NC. The members of the NC are:

(a)	Xue Congyan (Chairman) *(appointed as a member and Chairman on 8 August 2019)*	Non-Executive and Independent Director
(b)	Ng Poh Khoon *(appointed as a member on 31 May 2018)*	Non-Executive and Lead Independent Director
(c)	Lawrence Chen Tse Chau (Chen Shichao) *(appointed as a member on 26 October 2020)*	Non-Executive and Independent Director

The NC is responsible for the following:

(a) reviewing, assessing, making recommendations to the Board on all board appointments, including re-nominations, through a formal and transparent process which takes into account the director's contribution and performance (for example, attendance, preparedness, participation and candour);

(b) determining annually whether or not a director is independent based on the Independence Criteria;

(c) reviewing and approving any new employment of related persons and the proposed terms of their employment;

(d) reviewing the directors' mix of skills, experience, core competencies and knowledge of the Company and its subsidiaries that our Board requires to function competently and efficiently;

(e) 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;

(f) reviewing succession plans for the Executive Chairman, Executive Directors and the key management personnel (including the CEO);

(g) reviewing the training and professional development programs for the Board;

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

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

(j) determining and recommending to the Board the maximum number of listed company board representations which any director may hold and disclosing this in the Company's annual report;

(k) 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;

(l) 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; and

(m) 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, propose the appointment of new members to the Board or seek the resignation of Directors, in consultation with the members of the NC.

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC will review the proposed changes and will make the appropriate recommendations to the Board. In addition, the NC is also responsible for ensuring that the membership of the Board is refreshed progressively and in a systematic manner, to avoid losing institutional knowledge.

The NC also reviews the succession plans for the key management personnel. The NC recognises the importance of succession planning as part of corporate governance and there is an internal process of succession planning for the Chairman of the Board, Directors, the CEO and Management, to ensure the progressive and systematic renewal of the Board and key management personnel. In this regard, the NC will, in consultation with the Board and the Company's professional advisors, examine the existing Board's strength, capabilities and the existing Directors' contribution in terms of skills, knowledge and experience to the Company and the Board as well as taking into account the future needs of the Company. If the appointment of new directors is required, the NC will identify potential candidates from various sources. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. Once the suitable candidate has been identified, the NC will deliberate on the background, skills, qualification and experience of that candidate. The factors taken into consideration by the NC could include, among other things, the new director's ability to add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions.

The Board will subsequently review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidate's independence, expertise, background and right skills will be considered before the Board makes its final decision on the appointment. If the proposed appointments are approved by the Board, announcements relating to their appointment will subsequently be released via SGXNet.

The NC is responsible for the nomination of retiring Directors for re-election. In its deliberations on the nomination of a Director for re-election, the NC would take into account the current needs and composition of the Board as well as assessing the competency, performance and contribution of the Director (including his/her attendance, preparedness and participation at Board and Board Committees meetings) against the performance criteria set out in Principle 5 below. Subject to the NC's satisfactory assessment, the NC would recommend the proposed election or re-election of the Director to the Board for its consideration and approval. Directors subject to retirement pursuant to the Company's Constitution will give his/her consent to seek for re-election and whom being eligible, will be recommended by the Board for re-election at the forthcoming AGM of the Company.

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

The retiring Directors at the forthcoming AGM of the Company are Mr. Liang Chengwang and Mr. Xue Congyan who will retire pursuant to Article 99 of the Company's Constitution as well as Mr. Lawrence Chen Tse Chau (Chen Shichao) who will retire pursuant to Article 100 of the Company's Constitution. After assessing the contributions of Mr. Liang Chengwang, Mr. Xue Congyan and Mr. Lawrence Chen Tse Chau (Chen Shichao), the Board has accepted the NC's recommendation that the respective retiring Directors who have given their consent for re-nomination and re-election at the forthcoming AGM of the Company, be put forth for re-nomination and re-election.

Information relating to the retiring directors who are retiring and offering themselves for re-election at the upcoming AGM are as set out in Appendix 7F of the Catalist Rules, and can be found in the "Disclosure Of Information On Directors Seeking Re-Election" on pages 136 to 145.

The NC is also tasked with assessing the independence of the Non-Executive and Independent Directors. This review is done annually, and as and when the circumstances require. Annually, each Non-Executive and Independent Director is required to complete a Director's Declaration of Independence (the "**Independence Declaration**") to confirm his independence. The Independence Declaration is drawn up based on the Independence Criteria. The NC will then review the Independence Declaration completed by each of the Non-Executive and Independent Directors in order to assess the independence of each of the Non-Executive and Independent Directors before making a recommendation to the Board. For FY2021, the Non-Executive and Independent Directors have confirmed their independence in accordance with the Independence Criteria. The Board, after taking into account the views of the NC and having considered the confirmations of independence provided by the Non-Executive and Independent Directors, is of the view that Mr. Ng Poh Khoon, Mr. Xue Congyan and Mr. Lawrence Chen Tse Chau (Chen Shichao) are independent.

To ensure that new Directors are aware of their duties and obligations, a formal letter of appointment explaining their duties and obligations as Director is provided to every new Director upon appointment. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

The NC is also responsible for ascertaining whether individual Directors have committed adequate time and attention to the Group's affairs which are essential for the individual Director's contribution and performance. In this regard, the NC has considered the number of listed directorships each of its Directors can hold after taking into considerations factors such as the expected and/or competing time commitments of the Directors, the size and composition of the Board as well as the nature and scope of the Group's operations and size.

Based on the Directors' contributions at meetings of the Board and the Board Committees as well as 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.

After conducting the annual reviews, the NC is satisfied that the current Directors have been able to devote adequate time and attention to the affairs of the Company and that they are able to satisfy their duties as Directors of the Company. In addition, as at the date of this Annual Report, the Company does not have any alternate directors. Notwithstanding this, 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. Further information about each Director's listed company board directorships and principal commitments can be found in the profile of the Board of Directors section of this Annual Report.

PRINCIPLE 5: BOARD PERFORMANCE

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

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

As part of the performance criteria, the NC will take into account financial indicators such as share price performance and return-on-equity as these factors allow for benchmarking of the Board's performance relative to that of competitors and industry peers.

However, the Board will also consider non-financial indicators such as feedback received from investors (institutional and/or retail) and market analysts as these considerations also serve as useful qualitative analysis by external parties. Further to this, the Board will also take into account, *inter alia*, the Board size and composition, maintenance of independence, Board information, Board process, Board accountability, communication with top Management and standard of conduct.

In assessing the performance and effectiveness of the Board and its Board Committees, the NC takes into account, among other factors, the Board Committees' and the Board's ability to work with the senior management of the Company, the discussions and due deliberations of the Board and the Board Committees, and whether objectives and targets set at the commencement of the relevant financial years have been met. For the avoidance of doubt, reviews of each individual Board member's performance and effectiveness, as well as the performance and effectiveness of the Board and the Board Committees are undertaken on a continuous basis by the NC with inputs from the various Board members.

In order to ensure that the Board and the Board Committees are able to achieve the above objectives, the Board has implemented a formal annual evaluation process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board.

For FY2021, the Directors participated in the evaluation process by providing feedback to the NC in the form of completing:

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

(b) the respective performance evaluation checklists for the AC, NC, and RC which covers several parameters such as the composition of the respective Board Committees, conduct of meetings, the processes of the respective Board Committees, accountability in the respective Board Committees, measuring and monitoring performance as well as communication with the Board; and

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

To ensure confidentiality, the evaluation checklists completed by the Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the performance and the effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board for FY2021. The NC has reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that based on the results collated from the evaluation checklists:

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

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

No external facilitator was engaged in FY2021. If required, the NC has full authority to engage external facilitators to assist with the evaluation process.

Corporate Governance Report

II. REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The Company has established the RC which is guided by the terms of reference approved by the Board.

As at the date of this Annual Report, the RC comprises of three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the RC are:

(a)	Lawrence Chen Tse Chau (Chen Shichao) (Chairman) *(appointed as a member and Chairman on 26 October 2020)*	Non-Executive and Independent Director
(b)	Ng Poh Khoon *(appointed as a member on 31 May 2018; appointed as Chairman on 13 August 2018 until 26 September 2019)*	Non-Executive and Lead Independent Director
(c)	Xue Congyan *(appointed as a member on 8 August 2019)*	Non-Executive and Independent Director

The primary function of the RC is to advise the Board on compensation matters. The RC establishes remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view of ensuring remuneration packages are sufficiently competitive to attract, retain and motivate Directors and the key management personnel with the appropriate experience and expertise. In particular, in relation to the Directors and key management personnel, the RC bears in mind that a meaningful portion of their compensation should be contingent upon the financial performance of the Company, in order to foster the creation of long-term shareholder value.

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

(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) 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.

As part of its review, the RC will take into consideration the salary and employment conditions of similar roles within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the CEO and key management personnel. This remuneration framework is recommended by the RC to the Board to ensure that the structure is competitive and sufficient to attract, retain and motivate the Executive Directors and the key management personnel 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 and Independent Directors are paid Directors' fees half-yearly on a standard fee basis. In addition, each member of the RC abstains from making any recommendation on or voting on any resolution in respect of his/her own Director's fees payable to them, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

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

The RC is entitled to seek expert remuneration advice from external consultants whenever required. In the event that the RC decides that such professional advice is required, it will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The Company did not appoint any external remuneration consultant for FY2021.

Corporate Governance Report

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

As stated in Principle 6 above, the RC has established remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view to ensuring remuneration packages are sufficiently competitive to attract any new Directors with the appropriate experience and expertise, retain and motivate existing Directors to provide good stewardship of the Company and the key management personnel to successfully manage the Company for the long term.

The annual review of remuneration is carried out by the RC to ensure that the remunerations of the Executive Directors and key management personnel are 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 Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. The Executive Directors do not receive Directors' fees.

Accordingly, in relation to the Executive Directors and the key management personnel, the RC is of the view that, in order to foster the creation of long-term shareholder value, a meaningful portion of their compensation should be contingent upon the financial performance of the Group. In connection thereto, the remunerations of the Executive Directors and the key management personnel primarily comprise a basic salary component and a variable component (which is inclusive of bonuses and other benefits).

Further to this, some of the performance-related elements of remuneration that the RC has at its disposal are the China Star ESOS and the China Star PSP, which were approved by the Company's shareholders by way of members' resolution in writing on 20 July 2015. The China Star ESOS and China Star PSP are administered by the RC and these performance related elements of remuneration have been designed to align the interests of Executive Directors, Management and staff with those of shareholders and to link their rewards to corporate and individual performance. In this regard, the China Star ESOS and China Star PSP serve as long-term incentive schemes for the Company to provide greater flexibility in structuring market-competitive compensation packages for eligible Group employees, Group Executive Directors and Group Non-Executive Directors (including the Independent Directors), including those who are also controlling shareholders. These schemes provide an additional tool for the Company to reward, retain and motivate a core group of Directors, executives and employees so as to build sustainable businesses in the long term.

The Directors' fees for Non-Executive and Independent Directors are set in accordance with a remuneration framework based on the level of responsibility and scope of work. 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. Other factors taken into consideration include the current market circumstances, long-term interests and risk policies of the Company, and the need to attract directors of experience and standing. The Non-Executive and Independent Directors' fees are compared against market standards to ensure that they are in line with market norms and to ensure that their independence is not compromised.

The Board has endorsed the remuneration framework. In addition, payment of Directors' fees is subject to approval by the shareholders at the AGM of the Company.

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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

Corporate Governance Report

The remuneration framework is based on policies which are aligned with the interests of shareholders and to support the Group's business with the aim of retaining key capabilities, provide sound and structured funding of remuneration in ensuring affordability and sustainable value creation. Competitive remuneration packages are offered to attract and retain experienced individuals. The remuneration policies, the procedures for setting remuneration and the relationships between remuneration, performance and value creation are described in Principles 6 and 7 above.

Details of remuneration for the Directors and key management personnel in FY2021 are set out in the table below.

	SALARY %[1]	PERFORMANCE BASED BONUS %[1]	DIRECTORS' FEES %	OTHER BENEFITS[2] %	TOTAL %
Executive Directors					
S$250,000 AND BELOW					
Liang Cheng Wang	100	–	–	–	100
Duanmu Xiaoyi	100	–	–	–	100
Non-Executive and Independent Directors					
S$250,000 and below					
Ng Poh Khoon	–	–	100	–	100
Xue Congyan	–	–	100	–	100
Lawrence Chen Tse Chau (Chen Shichao)[3]	–	–	100	–	100
Chua Siong Kiat[4]	–	–	100	–	100
Key management personnel[5]					
S$250,000 and below					
Yi Ming	100	–	–	–	100
Jee Meng Kwang[6]	100	–	–	–	100

Notes:

(1) Salary and performance-based bonus include employer's contributions to the Central Provident Fund.

(2) Other benefits, where applicable, include granting of share options under the China Star ESOS and granting of awards under the China Star PSP.

(3) Mr. Lawrence Chen Tse Chau (Chen Shichao) was appointed as a Non-Executive and Independent Director of the Company with effect from 26 October 2020.

(4) Mr. Chua Siong Kiat resigned as a Non-Executive and Independent Director of the Company with effect from 30 August 2020.

(5) The Company has only two (2) key management personnel who are not directors or the CEO of the Company.

(6) Appointed as the Group Financial Controller on 1 September 2020.

The Company believes that disclosures in relation to the aggregate remuneration of the respective Directors and key management personnel may be prejudicial to its business interests given the highly competitive and niche sweet potato snack industry it is operating in. Accordingly, in order to prevent competitors from knowing salaries offered by the Company to its Directors and the key management personnel of similar status in the Company, the Company has instead disclosed the remunerations for its Directors and key management personnel in percentage terms and in bands of S$250,000 (with a breakdown of the components in percentage). The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

Corporate Governance Report

Further to the above, the Company confirms that in FY2021 there were no termination, retirement and post-employment benefits granted to the Directors and key management personnel. In addition, no performance bonuses were paid to the Executive Directors. No Directors, key management personnel or employees were issued shares under the China Star PSP or China Star ESOS schemes.

Mr. Liang Chengwang is a substantial shareholder of the Company. His respective shareholding in the Company is set out in the table below:

		SHAREHOLDING	
NAME	POSITION	DIRECT	INDIRECT
Liang Chengwang	Executive Chairman and CEO	Nil	160,566,000 ordinary shares[(1)] (18.17%)

Note:

(1) Mr. Liang Chengwang is deemed to be interested in the 160,566,000 ordinary shares held by CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.

None of the employees in the Company or any of its principal subsidiaries whose remuneration exceeds S$100,000 during the year is an immediate family member of a Director, the CEO or substantial shareholder of the Company or any of its principal subsidiaries.

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.

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

III. ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for the Group's overall internal control framework and for ensuring that Management complies with the Company's risk management framework and policies. In this regard, the Board, through the AC, ensures that the Management regularly reviews and improves the Group's internal controls and implements effective risk management policies to control and mitigate any identified areas of significant business and operational risks so as to safeguard shareholders' interest and the Company's assets. The internal controls in place will address the financial, operational, compliance as well as information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, that there is maintenance of proper accounting records, that financial information is reliable and that assets are safeguarded.

Having considered the Company's business operations and taking into account its nature, scope and scale, as well as the existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. Notwithstanding this, the Board recognises that all risk management and internal control systems contain inherent limitations and that no cost-effective internal control system will preclude all errors and irregularities, as the system is designed to

manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against misstatements or losses. Further to this, the Board also notes that there is no risk management and internal controls system that could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, AC, and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls (including financial, operational, compliance risks, and information technology controls) and risk management systems were adequate and effective for FY2021.

The Board has received assurance from the CEO and CFO that the financial records of the Group for FY2021 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. In addition, the CEO and the key management personnel have also given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an AC which discharges its duties objectively.

The Company has established the AC which is guided by the terms of reference approved by the Board.

As at the date of this Annual Report, the AC comprises of three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the AC are:

(1)	Ng Poh Khoon (Chairman) (appointed on 13 August 2018)	Non-Executive and Lead Independent Director
(2)	Xue Congyan (appointed as a member on 8 August 2019)	Non-Executive and Independent Director
(3)	Lawrence Chen Tse Chau (Chen Shichao) (appointed as a member on 26 October 2020)	Non-Executive and Independent Director

The AC as a whole have many years of experience in senior management positions and possesses recent and relevant accounting or related financial management expertise or experience. The Board is of the view that collectively, the AC Chairman and members, having recent and relevant accounting and/or related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. More detailed profiles of the Directors are set out in the "Board of Directors" section of this Annual Report.

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

(a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the audit firm; and

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

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

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

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

(b) ensuring co-ordination where more than one (1) audit firm is involved;

(c) reviewing the half-yearly and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval, including advising the Board if changes are needed to improve the quality of future interim financial statements or financial updates;

(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 suspected 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 cooperation 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 the policy and 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 Board has delegated to the AC the authority to investigate any matter within its terms of reference. This authority includes further reviews of the assurance from the CEO and CFO on the financial records and financial statements put before the Board. The AC has full access to and the cooperation of Management. It has full discretion to invite any Director or executive officer, including any Director from any subsidiary board within the Group, to attend its meetings and has various resources, including external consultants, to enable it to discharge its responsibilities properly. The auditors, both internal and external, have unrestricted access to the AC.

The duties of the AC will entail fulfilling its terms of reference as set out above. During FY2021, the AC reviewed the half-yearly and full-year financial results, the quality and reliability of information prepared for inclusion in financial reports, policies and practices put in place by Management, results of the audits performed by internal and external auditors, and the register of interested person transactions. In addition, the AC also reviewed risk profiles and adequacy of the internal audit function, audit plans and scope, and the effectiveness of the internal audit.

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, where necessary, 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. In the review of the financial statements for FY2021, the AC had discussed with Management and the external auditors the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. Further to this, the AC had deliberated the key audit matters ("**KAMs**") presented by the external auditors together with Management. The AC had reviewed the KAMs and concurred with the external auditors and Management on their assessment, judgements and estimates on the significant matters reported by the external auditors as set out under the Independent Auditor's Report on pages 72 to 76 of this Annual Report.

The AC has separately met with the external auditors once in the absence of Management for FY2021.

RT LLP ("**RT**") had been appointed in FY2021 to audit the accounts of the Company and the Company's Singapore incorporated-subsidiaries while Pan-China Singapore PAC ("**PCS**") had been appointed to audit the Company's Chinese-incorporated subsidiaries for the purposes of consolidation of the accounts at the Group level. The Board and AC have considered this and are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Company by RT, the Company's independent external auditor based on the adequacy of resources and experience of the other auditors. Accordingly, the Company is in compliance with Rule 712, Rule 715, and Rule 716 of the Catalist Rules.

Further to the above, the AC also reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. RT LLP and PCS have not been engaged to perform any non-audit services for the Group. In this regard, the amount of fees that have been paid to RT and PCS for audit services for FY2021 are S$45,000 and S$45,000 respectively.

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

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

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

While the importance of working internal controls cannot be discounted, the Board also recognised that the size of the Group may not warrant, and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup. Accordingly, the Company has outsourced its internal audit function to Enrome Advisory Pte. Ltd. ("**Enrome**"), a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The engagement team assigned by Enrome comprised three (3) members, and is headed by a partner who has more than ten (10) years of experience in internal controls advisory, compliance, external audit and sustainability reporting for medium to major listed organisations in diverse industries (including food and beverage industry).

In assessing the engagement of Enrome, the AC has considered factors such as the resources of the internal auditors, the experience of the engagement team and the independence of the internal auditors from the activities that it audits. Enrome reports functionally to the AC, and administratively to the CEO and the CFO.

The AC ensures that management provides good support to the internal auditors and provides them with unfettered access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly. To ensure adequacy of the internal audit function, the AC also reviews and approves the internal auditor's scope of

work. Non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal control system. The AC also ensures that the approved audit recommendations are adequately performed.

The Company also has in place a "Whistle-blowing" policy by which staff may, in confidence, raise concerns either verbally or in writing (via email) about possible improprieties in matters of financial reporting or other matters within the Company to the Board as well as the AC directly. The objective of the "Whistle-blowing" policy is to ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action to be taken. In accordance with the rules of the whistle-blowing policies, following investigation and evaluation of the complaint, the AC will decide on recommended disciplinary or remedial action, if any. The action so determined by the AC to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively. In order to achieve the objectives of the "Whistle-blowing" policy, Management has communicated the "Whistle-blowing" policy to the Group's employees and copies of it are also available at the Company's offices in China. There were no whistle-blowing reports received in FY2021.

The AC has reviewed the adequacy and effectiveness of the Group's internal audit function annually and is satisfied that the Group's internal audit function was independent, adequately resourced and had the appropriate standing in the Company to discharge its duties effectively (given, inter alia, its adherence to standards which is in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as well as the internal auditor's unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC, and has appropriate standing within the Company). Accordingly, the Board and AC are of the view that the Group's internal audit function was independent, effective and adequately resourced for FY2021.

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

(a) the financial records of the Group have been properly maintained and the financial statements for FY2021 give a true and fair view of the Group's operations and finances; and

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

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to treating all of its shareholders fairly and equitably and to facilitate the exercise of shareholders' rights. In this regard, the Board also regards the general meetings as opportunities to communicate directly with the shareholders and encourages greater shareholder participation. During these general meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. Further, policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group including, but not limited to, results announcements, any other material information or press release made available to the public through the SGXNet in accordance with the Catalist Rules.

Corporate Governance Report

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

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

The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two (2) 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.

The Company wishes to highlight that the above description is the Company's usual practice when there are no pandemic risks arising from COVID-19 and when the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**") is not in operation.

The last annual general meeting held by the Company on 29 September 2020 (the "**FY2020 AGM**") had been conducted by the Company by way of electronic means. Accordingly, shareholders who wished to exercise their voting rights had been required to appoint the Chairman of the respective meetings as their proxy to attend and vote on their behalf at the respective meetings.

As physical attendance for the FY2020 AGM was not practicable due to the COVID-19 situation, the Company had instead informed shareholders to submit their questions in advance of the respective meetings and that the Company would address their questions either prior to the respective meetings or during the respective meetings itself.

These measures are in accordance with the Order and the Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation which was issued on 13 April 2020 (the "**Guidance Note**").

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one (1) significant proposal and only where there are reasons and material implications justifying the same are explained. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders will be put to vote by poll, using polling slips, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders.

General meetings of the Company are chaired by the Executive Chairman and CEO, and are also attended by other Directors, Management, the Company Secretary and if necessary, the external and internal auditors. At all general meetings, shareholders are given the opportunity to air their views and to ask the Chairman, the individual Directors and the Chairmen of the Board Committees questions regarding the Company. The external auditors are also present to assist the Board in answering the shareholders' queries, if necessary.

If shareholders are not able to attend these meetings, they can appoint up to two (2) proxies to attend and vote in their place. The Company does not provide for absentia voting methods such as by mail, email, or fax due to concerns as to the integrity of such information and authentication of the identity of shareholders voting by such means.

A member who is a relevant intermediary is entitled to appoint more than two (2) 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. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

As mentioned in the paragraphs above, due to COVID-19, the Company had required shareholders who wished to exercise their voting rights had been required to appoint the Chairman of the respective meetings as their proxy to attend and vote on their behalf at the respective meetings. This was done in reliance on the Order as well as the Guidance Note.

The Company notes that, pursuant to an announcement by the Ministry of Law dated 6 April 2021, the duration of the Order which allows the Company to hold meetings by way of electronic means has been extended beyond 30 June 2021 until revoked or amended by the Ministry of Law, with at least six (6) months' advance notice before the alternative arrangements cease to be available. Accordingly, the forthcoming AGM will similarly also be held by way of electronic means pursuant to the Order as well as the Guidance Note, and shareholders who wish to exercise their voting rights must appoint the Chairman of the AGM as their proxy to attend and vote on their behalf at the forthcoming AGM.

The Company's usual practice is that the company secretary prepares minutes of general meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. The Company's previous practice was that the minutes of AGMs were not made available on its corporate website, which is a variation from Provision 11.5 which provides that the company publishes minutes of general meetings on its corporate website as soon as practicable. Nevertheless, the minutes will be made available to any shareholders upon request, and the Company is of the view that this is consistent with the intent of Principle 11 as this would achieve the same effect of treating all shareholders fairly and equitably and giving shareholders a balanced and understandable assessment of the Company's performance, position and prospects.

Notwithstanding the above, as the Company had held the FY2020 AGM in accordance with the Order and the Guidance Note, minutes of the FY2020 AGM had been published within one (1) month after the respective meetings on SGXNet.

For the forthcoming AGM, the Company will be complying with the Order and the Guidance Note and as such, it will be publishing minutes of the forthcoming AGM on SGXNet. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

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

The Board, after much deliberation and consideration, has decided not to recommend that the Company declare dividends for FY2021. The Company had initially intended to fulfil the capital commitment of Fujian Zixin Biological Potato Co., Ltd's registered share capital through additional capital raising exercises (the "**Fund-Raising Plans**") in FY2021, before deciding on whether the Company should declare dividends. However, this process has been delayed due to the outbreak of COVID-19 and difficult global

market conditions, which has resulted in the Company having to devote all its attention to the Group's operational and business needs, while putting the Fund-Raising Plans on hold. The Board will continue to observe the situation and where applicable, make the necessary announcement(s) with regard to the Fund-Raising Plans. In deciding whether dividends are to be declared, the Board will assess, among others, the Group's financial performance and position in respect of the relevant financial period.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

The Board values dialogue with shareholders and believes in regular, effective and fair communication with them and is committed to hearing shareholders' views and addressing their concerns where possible. Accordingly, the Company has put in a place an investors' relations policy which places an emphasis on ensuring that all shareholders should be equally and timely informed of all major developments that impact the Group. In this regard, information is communicated to shareholders on a timely basis via SGXNet through, *inter alia*:

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

(b) half-yearly financial results containing a summary of the financial information and affairs of the Group;

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

(d) notices of general meetings; and

(e) circulars or letters to shareholders to provide the shareholders with more information on its major transactions which require shareholders' approval.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Half-yearly and full-year results as well as the annual report are announced or issued within the mandatory period.

The Board does not practise selective disclosure and adheres to the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the investors' relation policy set out above. All disclosures will be made on a timely basis through SGXNet. Accordingly, the Group issues announcements and news releases on an immediate basis when required under the Catalist Rules. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the stakeholders and the public have fair access to the information.

Apart from encouraging shareholders to participate actively, communicate directly with and engage the Board and Management through general meetings, the Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers. The Company has engaged an external investor relationship firm for the purposes of facilitating communications with its shareholders as well as attending to their queries and concerns. This is in line with the objectives of the Company's investors' relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The contact details of the external investor relationship firm are set out in the "Corporate Profile" section of this Annual Report.

Further to this, the Company is also open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosures. In addition, the notices of general meetings are advertised in the press and published via SGXNet.

Corporate Governance Report

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

A fundamental aspect of creating shared value within the communities is effective communication and dialogue with the Group's stakeholders. Accordingly, the Company recognises that a strong network of people, organisations, and communities would enable the Company to obtain a better understanding on the issues that are important or has direct or indirect impact to the Group's business.

The Group has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. The Group identifies stakeholders as groups that have an impact, or have the potential to be impacted by the Group's business, as well as external organisations that have expertise in aspects that the Group considers material. The feedback the Group receives from stakeholders helps to determine the Group's material topics and identify focus areas. Stakeholders of the Company include, but are not limited to, customers, employees, suppliers and subcontractors, community and shareholders and investors.

More information on the Group's material stakeholders, sustainability efforts (including its strategy and key areas of focus), and performance can be found under the "Sustainability Report" as set out at pages 24 to 36 of this Annual Report.

In addition, the Company also communicates and engages with its stakeholders via its website at http://www.zixinshuye.com.

OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN THE COMPANY'S SECURITIES

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

The Company, its Directors and officers are prohibited from dealing in the Company's securities during the period commencing one (1) month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the relevant results. In addition, both Directors and employees are prohibited from dealing in securities of the Company while in possession of 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. The Board confirms that as at the date of this Annual Report, the Company has complied with Rule 1204(19) of the Catalist Rules.

MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalist Rules, there were no material contracts entered into by the Group involving the interests of the CEO, any Director or controlling shareholder of the Company, which are either still subsisting as at the date of this Annual Report, or if not then subsisting, entered into since the end of the previous financial year.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

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

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

There were no interested person transactions which were more than S$100,000 entered into during FY2021. The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Catalist Rules for the current financial year.

NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. Novus Corporate Finance Pte. Ltd. ("**Novus**") is currently the continuing sponsor of the Company. There were no non-sponsor fees paid to Novus in FY2021.

SUSTAINABILITY REPORTING

Pursuant to Rule 711A, 711B of the Catalist Rules, the Company's sustainability report is set out from pages 24 to 36 of this Annual Report.

Corporate Governance Report

USE OF PROCEEDS

The Company had previously raised S$5,634,000 in net proceeds (the "**Net Cash Proceeds**") from the placement of 290,000,000 new ordinary shares in the Company, which was completed on 1 February 2021 (the "**Placement**"). Following the Company's previous update on the utilisation of the Net Cash Proceeds from the Placement in its unaudited financial statements and dividend announcement for FY2021 dated 28 May 2021, the utilisation of the Net Cash Proceeds as at the date of this Annual Report is set out as follows:

	ALLOCATION OF THE NET CASH PROCEEDS (S$'000)	BALANCE BROUGHT FORWARD FROM 28 MAY 2021[1] (S$'000)	AMOUNT UTILISED AS AT THE DATE OF THIS ANNUAL REPORT (S$'000)	BALANCE (S$'000)
Partial funding towards the construction of Phase 1 of the Project[2]	4,515	4,515	–	4,515
Working capital for the Group's Singapore office	1,119	256	120[3]	136
	5,634	4,771	120	4,651

Notes:

(1) Please refer to the Company's announcement dated 28 May 2021 for further details.

(2) Please refer to the Company's announcement dated 22 January 2021 for further details.

(3) A breakdown of the amount utilised for the working capital for the Group's Singapore office is as follows:

	WORKING CAPITAL (S$'000)
Summary of expenses:	
Employee benefit expenses (including director's remuneration)	42
Administrative and miscellaneous expenses	65
Directors' fee	13
Total	120

The above utilisation of the net proceeds from the Placement is consistent with the intended use as disclosed in the Company's announcement dated 22 January 2021 in relation to the Placement.

Directors' Statement

The directors of the Company are pleased to present the accompanying audited consolidated financial statements of China Star Food Group Limited (the "**Company**") and its subsidiaries (the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2021.

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 2021 and of the financial performance, changes in equity and cash flows of the Group, and statement of changes in equity of the Company for the financial year ended on that date; and

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

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

2. DIRECTORS

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

Liang Chengwang	Executive Chairman and Chief Executive Officer
Duanmu Xiaoyi	Executive Director
Ng Poh Khoon	Non-Executive and Lead Independent Director
Xue Congyan	Non-Executive and Independent Director
Lawrence Chen Tse Chau (Chen Shichao)	Non-Executive and Independent Director (Appointed on 26 October 2020)

Directors' Statement

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	NUMBER OF ORDINARY SHARES			
	SHAREHOLDINGS REGISTERED IN THEIR OWN NAMES		SHAREHOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST	
NAME OF DIRECTORS AND COMPANY IN WHICH INTEREST ARE HELD	AT THE BEGINNING OF FINANCIAL YEAR	AT THE END OF FINANCIAL YEAR	AT THE BEGINNING OF FINANCIAL YEAR	AT THE END OF FINANCIAL YEAR
Ordinary shares of the Company				
Liang Chengwang	–	–	160,566,000	160,566,000
Duanmu Xiaoyi	30,000,000	30,000,000	–	–

The director interests as at 21 April 2021 were same as those as at the end of the financial year.

By virtue of section 7 of the Act, Mr Liang Chengwang and Ms Duanmu Xiaoyi are 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 nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the 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, other than as disclosed under "Share options" 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.

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

China Star Employee Share Option Scheme

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

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

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

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

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

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

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

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

China Star Employee Share Option Scheme (cont'd)

(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.

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 three directors, namely, Mr Lawrence Chen Tse Chau (Chen Shichao), Mr Xue Congyan and Mr Ng Poh Khoon, 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.

Directors' Statement

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

China Star Employee Share Option Scheme (cont'd)

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

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

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

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

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

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

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

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

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

6. REPORT OF AUDIT COMMITTEE

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

Ng Poh Khoon	Chairman
Xue Congyan	Member
Lawrence Chen Tse Chau (Chen Shichao)	Member

6. REPORT OF AUDIT COMMITTEE (CONT'D)

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

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

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

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

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

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

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

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

7. INDEPENDENT AUDITOR

RT LLP has expressed willingness to accept re-appointment.

Directors' Statement

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 28 May 2021, 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 Board of Directors

.....	.....
Liang Chengwang	Duanmu Xiaoyi
Director	Director

13 August 2021

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 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the financial position of the Group and the financial position of the Company as at 31 March 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for opinion

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

Independent Auditor's Report

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

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	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Upfront payments for supplies of sweet potatoes

As stated in Note 18, the carrying amount of the advance payments to six sweet potatoes suppliers amounted to RMB 70,898,617 as at 31 March 2021.

The Group, through one of its subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. ("Dizhongbao"), had entered into purchase contracts with a few suppliers to secure the supply of quality raw sweet potatoes at reasonable prices.

During the financial year ended 31 March 2018, Dizhongbao had entered into the purchase contracts with three suppliers to guarantee the supply of an aggregate of 12,190 tons of raw sweet potatoes on a yearly basis. Total prepayment made to the three suppliers amounted to an aggregate amount of RMB131,715,000.

During the financial year ended 31 March 2019, Dizhongbao entered into purchase contracts with another two suppliers for the supply of an aggregate of 6,900 tonnes of sweet potatoes on a yearly basis. An aggregate upfront payment of RMB71,500,000 were paid to the two suppliers.

All the above-mentioned agreements carry similar terms. The agreements last for 15 years and grant Dizhongbao with the first right of refusal of the supply of sweet potatoes. In return, Dizhongbao pays prepayments to the suppliers once every 5 years. The prepayments are used to offset the purchase within the 5 years. In case of the prepayments are fully utilised within the 5 years, the payment of subsequent purchase is due according to the agreed terms per respective contracts.

In March 2020, Dizhongbao entered into a short-term purchase contract with a new supplier for 6 months from March 2020 to August 2020 to secure the supply of 1,800 tonnes of raw sweet potatoes. Upfront payment of approximately RMB3,590,000 are paid to the supplier.

Our audit procedures focused on evaluating the business rationale of these transactions and the financial ability of the suppliers to fulfil their commitments to supply the sweet potatoes to the Group. These procedures include:

- Sighted to the suppliers' invoices on the purchases during the year;
- Assessed management's estimation on the upfront payment classification in current and non-current assets;
- Obtained confirmations from the suppliers to confirm the upfront payment balances as at 31 March 2021;
- Assessed the suppliers' financial strengths by performing background checks and reviewed their financial statements; and
- Assessed the recoverability and validity of the upfront payment balances by checking whether the suppliers have fulfilled their commitment in supplying the raw sweet potatoes over the past few years.

Independent Auditor's Report

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

Key audit matters (Cont'd)

Key Audit Matters	How the matter was addressed in the audit

Impairment assessment of investments in subsidiaries

SFRS(I) 1-36 Impairment of Assets requires that when there is any indication of impairment, the reporting entity shall estimate the recoverable amount of that asset.

The recoverable amount is defined as the higher of an asset's or cash generating unit's fair value ("**FV**") less costs of disposal and its value in use ("**VIU**"). Management has used value in use as the recoverable amount. Accordingly, management has developed the value in use valuation as its recoverable amount.

Based on the management's valuation using value in use basis, the recoverable amount of the investments in subsidiaries is determined at RMB 910,041,000 which exceeds the Company's cost of investment of RMB 803,606,000 as at 31 March 2021.

Our audit focused on evaluating the key assumptions, judgements and estimations used by management in conducting the valuation and impairment review of the subsidiaries. Our audit procedures included but were not limited to the following:

- Challenged and tested the assumptions, judgements and estimations used in VIU valuation and assessed the accuracy of the historical data and reasonableness of projections used in forecast model as the basis for arriving at the estimated discounted future cash flows ("**DCF**");
- Tested the integrity of inputs of the projected cash flows used in the valuation; and
- Reviewed and challenged the cash flow forecasts used with the comparison to recent information, historical trend analysis to the extent relevant.

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

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

(a) Corporate Profile;
(b) Chairman's Letter to Shareholders;
(c) All about sweet potatoes;
(d) Corporate Structure;
(e) Financial Highlights;
(f) Performance Review;
(g) Board of Directors;
(h) Key management;
(i) Sustainability Report;
(j) Corporate Governance Report;
(k) Directors' Statement;
(l) Statistics of Shareholdings;
(m) Notice of Annual General Meeting;

Independent Auditor's Report

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

Information other than the financial statements and auditor's report thereon (cont'd)

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

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

Responsibilities of management and directors for the financial statements

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

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

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

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.

Independent Auditor's Report

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. New Boon Poh.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
13 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 March 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	285,474	323,141
Cost of sales		(215,858)	(252,982)
Gross profit		69,616	70,159
Finance income	6	418	376
Other income	7	720	713
Marketing and distribution costs	8	(36,608)	(40,402)
Administrative expenses	9	(44,639)	(39,571)
Other losses	10	(1,080)	(34)
Finance costs	6	(1,429)	(1,831)
Losses before income tax		(13,002)	(10,590)
Income tax credit	12	326	4,123
Losses for the year, net of tax		(12,676)	(6,467)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		986	(372)
Total comprehensive losses for the year		(11,690)	(6,839)
		RMB cents	RMB cents
Losses per share			
Basic and diluted losses per share	13	(1.98)	(1.17)

The accompanying notes form an integral part of these financial statements

Statements of Financial Position

As at 31 March 2021

	NOTES	GROUP 2021 RMB'000	GROUP 2020 RMB'000 RESTATED	COMPANY 2021 RMB'000	COMPANY 2020 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	127,300	146,638	394	–
Intangible assets	15	37,287	39,383	–	–
Investments in subsidiaries	16	–	–	803,636	803,636
Other receivables, non-current	17	9	4	–	–
Other assets, non-current	18	35,316	71,186	–	–
Deferred tax assets	12	7,571	7,199	–	–
Total non-current assets		207,483	264,410	804,030	803,636
Current assets					
Inventories	19	3,472	3,988	–	–
Trade and other receivables	17	46,987	26,664	54,546	33,175
Other assets, current	18	61,397	106,956	61	62
Cash and bank balances	20	196,387	71,130	1,777	20
Total current assets		308,243	208,738	56,384	33,257
Total assets		515,726	473,148	860,414	836,893
EQUITY AND LIABILITIES					
Equity					
Share capital	21	182,572	152,980	881,996	852,404
Retained earnings/(accumulated losses)		226,322	238,998	(67,065)	(62,492)
Other reserves	22	45,021	44,035	42,979	43,459
Total equity		453,915	436,013	857,910	833,371
Non-current liabilities					
Lease liability, non-current		166	–	166	–
Current liabilities					
Income tax payable		–	–	–	–
Trade and other payables	23	28,106	11,635	2,099	3,522
Lease liability, current		239	–	239	–
Other financial liabilities	24	33,300	25,500	–	–
Total current liabilities		61,645	37,135	2,338	3,522
Total liabilities		61,811	37,135	2,504	3,522
Total equity and liabilities		515,726	473,148	860,414	836,893

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

Consolidated Statement of Changes in Equity

As at 31 March 2021

GROUP:	SHARE CAPITAL RMB'000	OTHER RESERVES RMB'000	RETAINED EARNINGS RMB'000	TOTAL EQUITY RMB'000
Opening balance at 1 April 2019	130,362	46,320	243,552	420,234
Total comprehensive losses for the year				
Loss for the year	–	–	(6,467)	(6,467)
Other comprehensive loss	–	(372)	–	(372)
Total comprehensive losses for the year	–	(372)	(6,467)	(6,839)
Transactions with owners, recognised directly in equity				
Issuance of new shares	22,618	–	–	22,618
Transfer from retained earnings	–	(1,913)	1,913	–
Closing balance at 31 March 2020	152,980	44,035	238,998	436,013
Opening balance at 1 April 2020	152,980	44,035	238,998	436,013
Total comprehensive income/(loss) for the year				
Loss for the year	–	–	(12,676)	(12,676)
Other comprehensive income	–	986	–	986
Total comprehensive income/(loss) for the year	–	986	(12,676)	(11,690)
Transactions with owners, recognised directly in equity				
Issuance of new shares	29,592	–	–	29,592
Closing balance at 31 March 2021	182,572	45,021	226,322	453,915

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

Statement of Changes in Equity

As at 31 March 2021

COMPANY:	SHARE CAPITAL RMB'000	OTHER RESERVES RMB'000	ACCUMULATED LOSSES RMB'000	TOTAL EQUITY RMB'000
Opening balance at 1 April 2019	829,786	46,454	(59,577)	816,663
Total comprehensive loss for the year				
Loss for the year	–	–	(5,731)	(5,731)
Other comprehensive loss	–	(179)	–	(179)
Total comprehensive losses for the year	–	(179)	(5,731)	(5,910)
Transactions with owners, recognised directly in equity				
Issuance of new shares	22,618	–	–	22,618
Transfer from retained earnings	–	(2,816)	2,816	–
Closing balance at 31 March 2020	852,404	43,459	(62,492)	833,371
Opening balance at 1 April 2020	852,404	43,459	(62,492)	833,371
Total comprehensive loss for the year				
Loss for the year	–	–	(4,573)	(4,573)
Other comprehensive loss	–	(480)	–	(480)
Total comprehensive losses for the year	–	(480)	(4,573)	(5,053)
Transactions with owners, recognised directly in equity				
Issuance of new shares	29,592	–	–	29,592
Closing balance at 31 March 2021	881,996	42,979	(67,065)	857,910

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

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2021

	2021 RMB'000	2020 RMB'000 RESTATED
Cash flows from operating activities		
Losses before income tax	(13,002)	(10,590)
Interest income	(418)	(376)
Interest expense	1,429	1,831
Depreciation of property, plant and equipment	19,104	20,847
Property, plant and equipment written-off	165	–
Impairment loss of property, plant and equipment	1,249	–
Amortisation of intangible assets	1,402	1,417
Loss on disposal of property, plant and equipment	219	–
Loss on disposal of intangible assets	694	–
Impairment loss on trade receivables and other assets	599	–
Exchange differences on translating functional to presentation currency	986	(372)
Operating cash flows before changes in working capital	12,427	12,757
Inventories	516	86
Trade and other receivables	(20,926)	4,761
Other assets	81,427	(5,569)
Trade and other payables	16,473	(15,007)
Net cash flows generated from/(used in) operations	89,917	(2,972)
Income taxes paid	(46)	(3,212)
Net cash flows generated from/(used in) operating activities	89,871	(6,184)
Cash flows from investing activities		
Additions to property, plant and equipment	(4,659)	(9,868)
Proceed from disposal of property, plant and equipment	3,735	–
Movement in fixed deposits maturing beyond 90 days	–	2,456
Interest income received	418	376
Net cash flows used in investing activities	(506)	(7,036)
Cash flows from financing activities		
Proceeds from issuance of shares	29,592	22,618
Proceeds from new bank loans	33,300	25,500
Repayment of bank loans	(25,500)	(21,956)
Payment of lease liabilities	(79)	-
Interest paid	(1,421)	(1,831)
Net cash flows generated from financing activities	35,892	24,331
Net increase in cash and cash equivalents	125,257	11,111
Cash and cash equivalents, beginning balance	71,130	60,019
Cash and cash equivalents, ending balance (Note 20)	196,387	71,130

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2021

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	AS AT 1 APRIL 2020	NON-CASH CHANGES			FINANCING CASH FLOWS	AS AT 31 MARCH 2021
		ACQUISITION	ACCRETION OF INTERESTS	OTHER		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank Loans (Note 24)	25,500	–	1,421	–	6,379	33,300
Lease liability						
- current	–	71	8	239	(79)	239
- non-current	–	405	–	(239)	–	166
	25,500	476	1,429	–	6,300	33,705

	AS AT 1 APRIL 2019	NON-CASH CHANGES		FINANCING CASH FLOWS	AS AT 31 MARCH 2020
		ACQUISITION	ACCRETION OF INTERESTS		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank Loans (Note 24)	21,956	–	1,831	1,713	25,500

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

Notes to the Financial Statements

For the financial year ended 31 March 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

1.1 The Company

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

The registered office of the Company is located at 24 Raffles Place #20-03 Clifford Centre Singapore 048621. The principal place of business of the Company is located at 10 Anson Road International Plaza #27-06B, Singapore 540193.

The financial statements for the reporting year ended 31 March 2021 comprise those of the Company and its subsidiaries (collectively, the "**Group**").

The principal activity of the Company is that of an investment holding company. The principal activities of the Company's subsidiaries are disclosed in Note 16 to the financial statements below.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 March 2021 were approved and authorised for issue by the Board of Directors on the date of statement by directors.

1.2 Accounting convention

Basis of preparation

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

The financial statements are presented in Chinese Renminbi ("**RMB**"). All financial information presented in Chinese Renminbi has been rounded to the nearest thousand ("**RMB'000**"), unless otherwise indicated.

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

1. GENERAL (CONT'D)

1.3 Adoption of new and amended standards and interpretations

Early adoption of amendment to SFRS(I) 1-8: Definition of Accounting Estimates

The Group has early adopted the amendment to SFRS(I) 1-8: Definition of Accounting Estimates which defines the term 'estimate' as an input used in developing accounting estimates and the effect of change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

During the current financial year, the Group changed its measurement technique to determine allowance for impairment of trade receivables from an individual (debtor-by debtor) basis to a collective basis (Note 2B(c)).

In accordance with the above amendment to SFRS(I) 1-8, the change has been treated as a change in accounting estimate with an initial application date of 1 April 2020.

No restatement to the comparative information is required.

1.4 Amendments to standards issued but not yet effective

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

DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to SFRS(I) 16: Leases *(Covid-19-Related Rent Concessions)*	1 June 2020
Amendments to SFRS(I) 16: Leases *(Covid-19-Related Rent Concessions beyond 30 June 2021)*	1 April 2021
Annual improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: *Presentation of Financial Statements* (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

The directors expect that the adoption of the amendments to standards above will have no material impact on the financial statements in the period of initial application.

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.

The Company's separate statement of financial position and statement of changes in equity 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 and separate statement of cash flows are 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 Group's and 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

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

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

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

Employee benefits

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

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

2A. Significant accounting policies (cont'd)

Employee benefits (cont'd)

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.

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.

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%
Leasehold buildings (Right-of-use assets)	-	50%
Renovation	-	33.33%
Plant and machinery	-	10%
Office equipment	-	20%
Research & production equipment	-	20%
Motor vehicles	-	25%

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

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

Intangible assets

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

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

2A. Significant accounting policies (cont'd)

Intangible assets (cont'd)

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 15 to 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.

Software

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

Favourable supply contracts

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

Goodwill

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

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

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

2A. Significant accounting policies (cont'd)

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.

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.

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

2A. Significant accounting policies (cont'd)

Financial assets

Classification and measurement

Financial assets are classified in the following measurement categories:

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

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

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

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

At initial recognition

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

At subsequent measurement

(i) Debt instruments

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

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

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

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

2A. Significant accounting policies (cont'd)

At subsequent measurement (cont'd)

(ii) Equity investments

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

Impairment of financial assets

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

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

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

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

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.

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

2A. Significant accounting policies (cont'd)

Financial liabilities (cont'd)

Subsequent measurement and classification

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

Other financial liabilities

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

Fair value measurement

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

The fair value measurements and related disclosures categories 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.

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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

Provisions

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

Leases

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group is the lessee

The Group recognises a right-of-use ("**ROU**") asset and lease liability at the lease commencement date. ROU asset is initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimated cost to restore the underlying asset, less any lease incentive received. The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term as disclosed in the accounting policy for Property, plant and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The Group's right-of-use assets are presented within property, plant and equipment (Note 14).

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

2A. Significant accounting policies (cont'd)

Leases (cont'd)

When the Group is the lessee (cont'd)

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

When the Group is the lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

2B. Critical judgments, assumptions and estimation uncertainties

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

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

The Group exercises prudence by applying a general provision rate of 0.5% to calculate ECLs for trade receivables on a collective basis.

Prior to 1 April 2020, the Group determined the ECL by using an individual (debtor-by-debtor) basis as the trade receivables of the Group mainly comprised of a few large balances from a few trade debtors. The Group has no historical credit loss experience.

The above change in measurement technique has been treated as a change in accounting estimate. This is in accordance with the amendment to SFRS(I) 1-8: Definition of Accounting Estimates which is effective for annual periods beginning 1 January 2023, but which the Group has early adopted in the current financial year.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 25.

The carrying amounts of trade receivables at the end of the reporting period was RMB 46,435,000 (2020: RMB 24,014,000).

(b) Property, plant and equipment:

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

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

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

(c) Investment in subsidiaries

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments in subsidiaries are impaired. Management considers factors such as the historical and current performances, estimated value and probability of future cash flows.

Value in use calculation is used, management estimate the expected future cash flows from the subsidiaries and use suitable discount rates to calculate the present value of those cash flows. The investments in subsidiaries as at 31 March 2021 are disclosed in Note 16.

(d) 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 15.

(e) 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 12 on income tax.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

The ultimate controlling party is Mr Liang Chengwang.

3A. Related companies

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

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

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

3B. Key management compensation

	GROUP	
	2021	2020
	RMB'000	RMB'000
Salaries and other short-term employee benefits	2,933	2,767
Contributions to defined benefits plans	91	115

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

	GROUP	
	2021	2020
	RMB'000	RMB'000
Remuneration of directors	1,730	1,340

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

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

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

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

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

The movements in other payables to related parties are as follows:

	GROUP AND COMPANY	
	2021	2020
	RMB'000	RMB'000
Director/shareholder:		
Balance at beginning of the year	2,069	164
Repayments	(2,846)	(164)
Payment on behalf of the Company	1,546	1,032
Share Capitalisation	(1,229)	–
Salary payables	1,427	1,037
Payment on behalf of the Company	(24)	–
Balance at end of the year (Note 23)	943	2,069

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	
	2021	2020
	RMB'000	RMB'000
Revenue:		
Sweet potato processed products	216,797	272,359
Sweet potatoes	68,677	50,782
	285,474	323,141
Timing of transfer of goods or service:		
At a point in time	285,474	323,141

6. FINANCE INCOME AND FINANCE COSTS

	GROUP	
	2021	2020
	RMB'000	RMB'000
Finance income:		
Interest income from banks	418	376
Finance expense:		
Interest expense	1,429	1,831

7. OTHER INCOME

	GROUP	
	2021	2020
	RMB'000	RMB'000
Rental income	640	711
Other income	80	2
	720	713

8. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

	GROUP	
	2021	2020
	RMB'000	RMB'000
Advertisement cost	18,703	18,727
Delivery charges	4,227	5,196
Publicity expenses	5,465	6,654
Employee benefits expense (Note 11)	5,387	7,266

9. ADMINISTRATIVE EXPENSES

The major components include the following:

	GROUP	
	2021	2020
	RMB'000	RMB'000
Amortisation of intangible assets (Note 15)	1,402	1,417
Depreciation of property, plant and equipment (Note 14)	13,417	14,604
Impairment of property, plant and equipment (Note 14)	1,249	–
Impairment loss on trade receivables and other assets	599	–
Research and development expenses	11,091	4,611
Rental expenses - short term leases	180	290
Employee benefits expense (Note 11)	5,589	9,060
Nursery fees	2,353	1,645

10. OTHER LOSSES

	GROUP	
	2021	2020
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	913	–
Others	167	34
	1,080	34

11. EMPLOYEE BENEFITS EXPENSE

	GROUP	
	2021	2020
	RMB'000	RMB'000
Salaries, bonuses and other employees' benefits	25,559	29,257
Contributions to defined contribution plans	2,401	2,470
Other benefits	1,318	4,278
	29,278	36,005
The employee benefits expenses are charged as follows:		
Cost of sales	18,290	19,679
Marketing and distribution costs (Note 8)	5,387	7,266
Administrative expenses (Note 9)	5,589	9,060
Others	12	–
	29,278	36,005

12. INCOME TAX CREDIT

12A. Components of income tax credit recognised in profit or loss

	GROUP	
	2021	2020
	RMB'000	RMB'000
Current tax expense:		
Current year	–	3,076
Under provision in prior financial year	46	–
	46	3,076
Deferred income tax – net credit to profit or loss	(372)	(7,199)
Total income tax credit	(326)	(4,123)

12. INCOME TAX CREDIT (CONT'D)

12A. Components of income tax credit recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying the People's Republic of China corporate income tax rate, where the main operations of the Group take place. The income tax in profit or loss varied from the amount of income tax amount determined by applying the People's Republic of China corporate income tax rate of 25% (2020: 25%) to loss before income tax as a result of the following differences:

	GROUP	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	(13,002)	(10,590)
Income tax credit at the above rate	(3,251)	(2,648)
Effect of different tax rates in different countries	370	463
Tax exemption income	(545)	(704)
Non-deductible items	3,426	5,965
Under provision in prior financial year	46	–
Increase in deferred tax assets recognised	(372)	(7,199)
Total income tax credit	(326)	(4,123)

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

The amount of income tax payable outstanding as at end of the reporting year was RMB nil (2020: RMB 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 financial year.

According to the prevailing tax rules and regulation in the People's Republic of China, one of the subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd., is exempted from enterprise income tax for taxable profit from its agricultural business activities in the People's Republic of China.

12B. Deferred tax assets balance in the statements of financial position

	GROUP	
	2021	2020
	RMB'000	RMB'000
Unutilised tax losses	7,571	7,199

The Group has tax losses of RMB 30,284,000 (2020: RMB 28,796,000) at the end of financial year which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The Group has recognised deferred tax assets on the basis that there are sufficient estimated future taxable profits and taxable temporary differences against which the tax benefits can be utilised, based on the management projection of surplus from operations.

12. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

12B. Deferred tax assets balance in the statements of financial position (cont'd)

	GROUP	
	2021	2020
	RMB'000	RMB'000
Balance at beginning of the year	7,199	–
Recognised deferred tax assets	372	7,199
Balance at end of the year	7,571	7,199

13. LOSSES PER SHARE

The basic losses per share is calculated based on the consolidated losses attributable to equity holders of the Company divided by the weighted average number of shares in issue of 640,695,000 (2020: 551,634,000) shares during the financial year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

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

	GROUP	
	2021	2020
	RMB'000	RMB'000
Basic losses per share		
Losses, net of tax attributable to owners of the Company	(12,676)	(6,467)
Weighted average number of ordinary shares in issue ('000)	640,695	551,634
Basic losses per share (RMB cents)	(1.98)	(1.17)

As the Company does not have dilutive potential ordinary shares, the losses per share and diluted losses per share for FY2021 are thus RMB 1.98 cents (2020: RMB 1.17 cents) per share.

14. PROPERTY, PLANT AND EQUIPMENT

GROUP:	LEASEHOLD BUILDINGS (NOTE 14A) RMB'000	RENOVATION 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 2019	80,058	49,210	703	28,366	158	272	25,173	183,940
Additions	–	721	37	211	–	–	8,899	9,868
Reclassification	–	16,741	–	630	429	–	(17,800)	–
At 31 March 2020	80,058	66,672	740	29,207	587	272	16,272	193,808
Additions	988	430	119	3,510	87	–	–	5,134
Disposal	(10,789)	–	–	–	–	–	–	(10,789)
Written off	–	(318)	(259)	(252)	(102)	–	–	(931)
At 31 March 2021	70,257	66,784	600	32,465	572	272	16,272	187,222
Accumulated depreciation:								
At 1 April 2019	13,340	7,179	439	5,066	71	228	–	26,323
Depreciation for the year	4,043	13,596	137	2,935	106	30	–	20,847
At 31 March 2020	17,383	20,775	576	8,001	177	258	–	47,170
Depreciation for the year	3,855	11,891	137	3,109	112	–	–	19,104
Disposal	(5,586)	–	–	–	–	–	–	(5,586)
Written off	–	(318)	(231)	(144)	(73)	–	–	(766)
At 31 March 2021	15,652	32,348	482	10,966	216	258	–	59,922
Accumulated impairment:								
At 1 April 2019 and 2020	–	–	–	–	–	–	–	–
Impairment for the year	1,249	–	–	–	–	–	–	1,249
Disposal	(1,249)	–	–	–	–	–	–	(1,249)
At 31 March 2021	–	–	–	–	–	–	–	–
Carrying amount:								
At 31 March 2020	62,675	45,897	164	21,206	410	14	16,272	146,638
At 31 March 2021	54,605	34,436	118	21,499	356	14	16,272	127,300

As at 31 March 2021, the leasehold building and construction work-in-progress of the Group with carrying amount of RMB 31,545,000 (2020: RMB 32,799,000) are mortgaged as securities for bank loans (See Note 24C).

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY:	LEASEHOLD BUILDINGS RMB'000
Cost:	
At 1 April 2020	–
Additions	476
At 31 March 2021	476
Accumulated depreciation:	
At 1 April 2020	–
Depreciation for the year	82
At 31 March 2021	82
Carrying amount:	
At 31 March 2021	394

The depreciation expense is charged as follows:

	GROUP	
	2021 RMB'000	2020 RMB'000
Cost of sales	5,687	6,243
Administrative expenses (Note 9)	13,417	14,604
	19,104	20,847

14A Lease - The Group as a lessee

Nature of the Group's leasing activities

Leasehold buildings

The Group has made upfront payments to secure the right-of-use (ROU) of between 2 to 50 years, which is used in the Group's production. This ROU asset of the leasehold building is recognised within property, plant and equipment (Note 14).

The ROU of the land is classified as an intangible asset (Note 15).

There are no externally imposed covenants on these lease arrangements.

Other than that, the Group also has lease contracts for buildings. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options which are further discussed below.

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

14A Lease - The Group as a lessee (cont'd)

(a) Carrying amount of ROU assets classified within property, plant and equipment

	GROUP	
	2021	2020
	RMB'000	RMB'000
Leasehold buildings		
At 1 April	62,675	66,718
Additional	988	–
Disposal	(5,203)	–
Depreciation	(3,855)	(4,043)
At 31 March	54,605	62,675

(b) Lease liability

The carrying amounts of lease liability are presented separately in the statements of financial position and the movements during the year are disclosed in the reconciliation of liabilities arising from financing activities in the consolidated statement of cash flows. The maturity analysis of lease liabilities is disclosed in Consolidated Statement of Cash Flows.

(c) Lease expenses not capitalised in lease liability

	GROUP	
	2021	2020
	RMB'000	RMB'000
Lease expenses - short-term leases	180	290

(d) Total cash outflow

Total cash outflow for all the leases in financial year 2021 was RMB 259,000 (FY2020: RMB 290,000).

15. INTANGIBLE ASSETS

GROUP:	RIGHT-OF-USE ASSETS (NOTE 15A)	LAND USE RIGHTS (NOTE 15A)	MANUFACTURING PATENTS	SOFTWARE	FAVOURABLE SUPPLY CONTRACTS	GOODWILL (NOTE 15B)	TOTAL
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 April 2020	–	43,116	1,562	338	12,822	36,660	94,498
Additional	43,116	(43,116)	–	–	–	–	–
At 31 March 2020	43,116	–	1,562	338	12,822	36,660	94,498
Disposal	(901)	–	–	–	–	–	(901)
At 31 March 2021	42,215	–	1,562	338	12,822	36,660	93,597
Accumulated amortisation:							
At 1 April 2020	3,119	–	883	214	10,257	–	14,473
Amortisation for the year	1,193	–	156	68	–	–	1,417
At 31 March 2020	4,312	–	1,039	282	10,257	–	15,890
Amortisation for the year	1,190	–	156	56	–	–	1,402
Disposal	(207)	–	–	–	–	–	(207)
At 31 March 2021	5,295	–	1,195	338	10,257	–	17,085
Accumulated impairment:							
At 1 April 2020 and 31 March 2020	–	–	–	–	2,565	36,660	39,225
Impairment for the year	–	–	–	–	–	–	–
At 31 March 2021	–	–	–	–	2,565	36,660	39,225
Carrying amount:							
At 31 March 2020	38,804	–	523	56	–	–	39,383
At 31 March 2021	36,920	–	367	–	–	–	37,287

15. INTANGIBLE ASSETS (CONT'D)

Amortisation expenses are charged under administrative expense.

15A. Right of use assets/land use rights

The land use rights are for four parcels of land located in Liancheng County of Fujian Province, the People's Republic of China.

As at 31 March 2021, the land use rights of the Group for a parcel of land with carrying amount of RMB5,950,000 (2020: RMB6,417,000) is mortgaged for bank loan (See Note 24C).

In September 2018, Liangcheng Dizhongbao Modern Agriculture Development Co., Ltd ("**Dizhongbao**"), a subsidiary in the Group, entered into Land Use Rights Transfer Agreements (the "**Agreements**") with 86 farmers to lease 91 plots of farmland (certain farmers are contracted to lease more than 1 plot of farmland) for 15 years as a base for research and development to cultivate new breed of sweet potatoes and to nurture the sweet potatoes seedlings. The seedlings are collected from the farmers after sprout and distributed to the contracted suppliers (See Note 18) to grow on their own land to ensure better control of the end product quality. Under the terms of the Agreements, Dizhongbao had made upfront full payments of approximately RMB7 million to the contract farmers for 15 years.

15B. Goodwill arising on consolidation

In the financial year 2016, a determination of the recoverable amount of goodwill subsequent to the RTO revealed a shortfall of RMB 36,660,000 in future cash flow to support the purchase consideration paid of RMB 36,661,000 as the Company did not have operation or subsidiaries at the time when the reverse acquisition was completed. Accordingly, an impairment charge of RMB 36,660,000 was recorded against goodwill and disclosed under "other expenses" in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2016.

16. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2021	2020
	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	
	2021	2020	2021	2020
	RMB'000	RMB'000	%	%
Held through the Company:				
Zixin International Pte Ltd [(a)] Singapore Investment holdings	803,636	803,636	100	100
Held through Zixin International Pte Ltd:				
福建紫心生物薯业有限公司 Fujian Zixin Biological Potato Co., Ltd [(b)] People's Republic of China Research, production and distribution of sweet potato food products			100	100
Held through Fujian Zixin Biological Potato Co., Ltd:				
福建紫老虎食品有限公司 Fujian Zilaohu Food Co., Ltd. [(b)] People's Republic of China Research, production and distribution of sweet potato food products			100	100
连城县地中宝现代农业发展有限公司 Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. [(b)] People's Republic of China Cultivation, processing and sale of sweet potatoes			100	100
福建星派食品有限公司 Fujian Xingpai Food Co., Ltd. [(b)] People's Republic of China Sale of sweet potato food products			100	100

(a) Audited by RT LLP.
(b) Audited by Pan-China for consolidation purpose.

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	46,678	24,014	–	–
Less: Allowance for impairment loss on receivables	(243)	–	–	–
	46,435	24,014	–	–
Other receivables:				
Subsidiary	–	–	54,351	32,975
Outside parties	513	2,603	147	149
Refundable deposits	48	51	48	51
	561	2,654	54,546	33,175
Total trade and other receivables	46,996	26,668	54,546	33,175
Presented in the statements of financial position as:				
Other receivables, non-current	9	4	–	–
Trade and other receivables, current	46,987	26,664	54,546	33,175
	46,996	26,668	54,546	33,175

The Group and the Company's exposure to credit and impairment losses for trade and other receivables, are disclosed in note 25.

18. OTHER ASSETS

	GROUP		COMPANY	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Advance payments for supplies of sweet potatoes (Note A)	70,899	120,657	–	–
Advance payments for supplies of sweet potatoes – non long term contract (Note B)	–	36,557	–	–
Prepayment	25,814	20,928	61	62
	96,713	178,142	61	62
Presented in the statements of financial position as:				
Other assets, non-current	35,316	71,186	–	–
Other assets, current	61,397	106,956	61	62
	96,713	178,142	61	62

18. OTHER ASSETS (CONT'D)

Advance payment for supplies of sweet potatoes (Note A)

The Group, through one of its subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. ("**Dizhongbao**"), had entered into various purchase contracts with few suppliers to secure the supply of quality raw sweet potatoes at reasonable prices.

During the financial year ended 31 March 2018, Dizhongbao had entered into the purchase contracts with three suppliers to guarantee the supply of an aggregate of 12,190 tons of raw sweet potatoes on a yearly basis. Total prepayment made to the three suppliers were amounting to an aggregate of RMB131,715,000.

During the financial year ended 31 March 2019, Dizhongbao entered into purchase contracts with another two suppliers for the supply of an aggregate of 6,900 tonnes of sweet potatoes on a yearly basis. An aggregate upfront payment of RMB71,500,000 were paid to the two suppliers.

All the above-mentioned agreements carry similar terms. The agreements last for 15 years and grant Dizhongbao with the first right of refusal of the supply of sweet potatoes. In return, Dizhongbao pays prepayments to the suppliers once every 5 years. The prepayments are used to offset the purchase within the 5 years. In case of the prepayments are fully utilised within the 5 years, the payment of subsequent purchase is due according to the agreed terms per respective contract.

In March 2020, Dizhongbao entered into a short-term purchase contract with a new supplier for 6 months from March 2020 to August 2020 to secure the supply aggregate to 1,800 tonnes of raw sweet potatoes. Upfront payment approximates to RMB3,590,000 are paid to the supplier.

Advance payment for supplies of sweet potatoes- Non long-term contract (Note B)

During the financial year ended 31 March 2019, the Group has made one-off advances to its suppliers amounting to RMB36,557,000 to secure the supplies during the outbreak of Covid-19. These advances do not form part of the signed purchase contracts as mentioned above. The advances have been fully utilised for the purchases made during current financial year.

19. INVENTORIES

	GROUP	
	2021	2020
	RMB'000	RMB'000
Finished goods	1,895	2,459
Raw materials	1,577	1,529
	3,472	3,988
Changes in inventories of finished goods	(564)	2,396
The amounts of inventories included in cost of goods sold	196,737	226,515

There were no inventories pledged as security for liabilities.

20. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	116	48	–	–
Cash at bank	196,271	71,082	1,777	20
Cash and bank balances	196,387	71,130	1,777	20

Cash at bank bears weighted average effective interest rate of 0.30% (2020: 0.30%) per annum during the financial year.

Cash and bank balances are denominated in the following currencies:

	GROUP		COMPANY	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	1,795	42	1,777	20
Renminbi	194,592	71,088	–	–
	196,387	71,130	1,777	20

21. SHARE CAPITAL

	GROUP		COMPANY	
	NUMBER OF SHARES ISSUED	SHARE CAPITAL	NUMBER OF SHARES ISSUED	SHARE CAPITAL
	'000	RMB'000	'000	RMB'000
Ordinary shares:				
Balance at 1 April 2019	296,909	130,362	296,909	829,786
Rights issue of new shares	296,909	22,618	296,909	22,618
Balance at 31 March 2020	593,818	152,980	593,818	852,404
Issuance of new shares	290,000	29,592	290,000	29,592
Balance at 31 March 2021	883,818	182,572	883,818	881,996

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid, with no par value. The Company is not subject to any externally imposed capital requirements.

On 1 February 2021, the Company had completed a placement of 290,000,000 new ordinary shares in the share capital of the Company in accordance with the terms and conditions of the subscription agreements. The new shares rank pari passu in all respects with the existing shares of the Company in issue.

21. SHARE CAPITAL (CONT'D)

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 2021 and 31 March 2020 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.

21A. 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.

21. SHARE CAPITAL (CONT'D)

21A. China Star Food Employee Share Option Scheme (cont'd)

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

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

(a) the market price; or

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

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

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

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

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

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

21B. 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.

21. SHARE CAPITAL (CONT'D)

21B. China Star Performance Share Plan (cont'd)

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

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

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

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

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

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

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

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

(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.

22. OTHER RESERVES

	GROUP		COMPANY	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Warrant reserve (Note 22A)	–	–	–	–
Statutory common reserve (Note 22B)	42,476	42,476	–	–
Foreign currency translation reserve (Note 22C)	2,545	1,559	42,979	43,459
	45,021	44,035	42,979	43,459

22A. Warrant reserve

	GROUP AND COMPANY	
	2021	2020
	RMB'000	RMB'000
Balance at beginning of the year	–	2,816
Transferred to retained earnings	–	(2,816)
Balance at end of the year	–	–

22B. Statutory common reserve

	GROUP	
	2021	2020
	RMB'000	RMB'000
Balance at beginning of the year	42,476	41,573
Transferred from retained earnings	–	903
Balance at end of the year	42,476	42,476

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.

22. OTHER RESERVES (CONT'D)

22C. Foreign currency translation reserve

	GROUP		COMPANY	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Balance at beginning of the year	1,559	1,931	43,459	43,638
Exchange differences on translating functional to presentation currency	986	(372)	(480)	(179)
Balance at end of the year	2,545	1,559	42,979	43,459

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.

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021 RMB'000	2020 RMB'000 RESTATED	2021 RMB'000	2020 RMB'000
Trade payables:				
Outside parties	13,472	579	–	–
Other payables:				
Outside parties	12,003	4,222	903	2,376
Other taxes payables	1,688	226	–	–
Advance from customers	–	2,807	–	–
Salary payable	–	1,732	–	20
Subsidiary	–	–	253	94
Director/shareholder (Note 3C)	943	2,069	943	1,032
Subtotal	14,634	11,056	2,099	3,522
Total trade and other payables	28,106	11,635	2,099	3,522

24. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Bank loans A (unsecured) (Note 24A)	7,500	7,500	–	–
Bank loan B (unsecured) (Note 24B)	–	3,000	–	–
Bank loan C (secured) (Note 24C)	25,800	15,000	–	–
	33,300	25,500	–	–

24. OTHER FINANCIAL LIABILITIES (CONT'D)

24A. Bank loans A (unsecured)

The bank loans are repayable within 12 months and renewable annually. The bank loans' fixed interest rates were 4.15% - 4.35% (2020: 6.34%) per annum respectively and are repayable within 12 months.

The bank loans are unsecured, guaranteed by a local credit guarantee company and one of the company's director.

24B. Bank loan B (unsecured)

In financial year ended 31 March 2020, the bank loan is repayable within 12 months and renewable annually. The bank loan's fixed interest rate was 4.35% per annum respectively and is repayable within 12 months.

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

24C. Bank loans C (secured)

The loans are secured by mortgages of a leasehold building and land use rights of the Group (see Notes 14). The bank loans bear fixed interest rate at 3.35% - 4.56% (2020: 6.96%) per annum and are repayable within 12 months.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

25A. 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	
	2021 RMB'000	2020 RMB'000 RESTATED	2021 RMB'000	2020 RMB'000
Financial assets:				
At amortised cost:-				
Cash and cash equivalents	196,387	71,130	1,777	20
Trade and other receivables	46,996	26,668	54,546	33,175
	243,383	97,798	56,323	33,195
Financial liabilities:				
At amortised cost:-				
Trade and other payables	28,106	8,828	2,099	3,522
Other financial liabilities	33,300	25,500	–	–
Lease liability	405	–	405	–
	61,811	34,328	2,504	3,522

Further quantitative disclosures are included throughout these financial statements.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

25B. Fair values of financial instruments

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.

25C. 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 and currency 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.

25D. Credit risk on financial assets

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days when they fall due, which are derived based on the Group's historical information.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

25D. Credit risk on financial assets (cont'd)

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

25D. Credit risk on financial assets (cont'd)

CATEGORY	DEFINITION OF CATEGORY	BASIS FOR RECOGNISING EXPECTED CREDIT LOSS (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

THE GROUP	NOTE	CATEGORY	12-MONTH OR LIFETIME ECL	GROSS CARRYING AMOUNT RMB'000	LOSS ALLOWANCE RMB'000	NET CARRYING AMOUNT RMB'000
31 March 2021						
Trade receivables	17	II	Lifetime ECL (simplified)	46,678	(243)	46,435
Other receivables	17	I	12-month ECL	561	–	561
					(243)	
1 April 2020						
Trade receivables	17	II	Lifetime ECL (simplified)	24,014	–	24,014
Other receivables	17	I	12-month ECL	2,654	–	2,654
					–	

THE COMPANY	NOTE	CATEGORY	12-MONTH OR LIFETIME ECL	GROSS CARRYING AMOUNT RMB'000	LOSS ALLOWANCE RMB'000	NET CARRYING AMOUNT RMB'000
31 March 2021						
Other receivables	17	I	12-month ECL	54,546	–	54,546
					–	
1 April 2020						
Other receivables	17	I	12-month ECL	33,175	–	33,175
					–	

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

25D. Credit risk on financial assets (cont'd)

Trade receivables

The Group exercises prudence by applying a general provision rate of 0.5% to calculate ECLs for trade receivables on a collective basis. The allowance rate is based on the Group's estimation of future economic conditions and adjusted as appropriate to reflect current conditions. Prior to 1 April 2020, the Group determined the ECL by using an individual (debtor-by- debtor) basis as the trade receivables of the Group mainly comprised of a few large balances from a few trade debtors.

Other receivables

The Group and the Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group and the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

25E. Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's and the Company's exposures to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the financial assets and financial liabilities of the Group and the Company based on contractual undiscounted cash flows:

THE GROUP	CARRYING AMOUNT RMB'000	CONTRACTUAL CASH FLOWS RMB'000	ONE YEAR OR LESS RMB'000	ONE TO FIVE YEARS RMB'000
2021				
Financial assets				
Cash and bank balances	196,387	196,387	196,387	–
Trade and other receivables	46,996	46,996	46,996	–
	243,383	243,383	243,383	–
Financial liabilities				
Trade and other payables	28,106	28,106	28,106	–
Other financial liabilities	33,300	33,569	33,569	–
Lease liability	405	424	254	170
	61,811	62,099	61,929	170
Total net undiscounted financial assets	181,572	181,284	181,454	(170)

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

25E. Liquidity risk (cont'd)

THE GROUP	CARRYING AMOUNT RMB'000	CONTRACTUAL CASH FLOWS RMB'000	ONE YEAR OR LESS RMB'000	ONE TO FIVE YEARS RMB'000
2020	**RESTATED**	**RESTATED**	**RESTATED**	
Financial assets				
Cash and bank balances	71,130	71,130	71,130	–
Other receivables	26,668	26,668	26,668	–
	97,798	97,798	97,798	–
Financial liabilities				
Trade and other payables	8,828	8,828	8,828	–
Other financial liabilities	25,500	25,792	25,792	–
	34,328	34,620	34,620	–
Total net undiscounted financial assets	63,470	63,178	63,178	–

THE COMPANY	CARRYING AMOUNT RMB'000	CONTRACTUAL CASH FLOWS RMB'000	ONE YEAR OR LESS RMB'000	ONE TO FIVE YEARS RMB'000
2021				
Financial assets				
Cash and bank balances	1,777	1,777	1,777	–
Other receivables	54,546	54,546	54,546	–
	56,323	56,323	56,323	–
Financial liabilities				
Other payables	2,099	2,099	2,099	–
Lease liability	405	424	254	170
	2,504	2,523	2,353	170
Total net undiscounted financial assets	53,819	53,800	53,970	(170)
2020				
Financial assets				
Cash and bank balances	20	20	20	–
Other receivables	33,175	33,175	33,175	–
	33,195	33,195	33,195	–
Financial liabilities				
Other payables	3,522	3,522	3,522	–
	3,522	3,522	3,522	–
Total net undiscounted financial assets	29,673	29,673	29,673	–

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

25E. Liquidity risk (cont'd)

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. The ability of the Group to meet current obligations is also highly dependent on the ability of the Group to realise cash flows from the trade receivables and inventories.

25F. Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Group is not exposed to interest rate risk as its interest-bearing financial assets and financial liabilities are at fixed rates, and all its financial assets and liabilities are measured at amortised cost.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	GROUP	
	2021	2020
	RMB'000	RMB'000
Financial assets:		
Fixed rate	196,387	71,130
Financial liabilities:		
Fixed rate	33,300	25,500

25G. 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.

26. 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	
	2021	2020
	RMB'000	RMB'000
Research & development expenditures	–	4,200

27. COMPARATIVE INFORMATION

Certain reclassifications have been made to the Group's statement of financial position and statement of cash flows for the financial year ended 31 March 2020 to enhance comparability with current year financial statements.

The items were reclassified as follows:

	GROUP	
	PREVIOUSLY REPORTED RMB'000	AFTER RECLASSIFICATION RMB'000
Statements of financial position:		
Income tax payable	226	–
Trade and other payables	11,409	11,635
Consolidated statement of cash flows		
Trade and other payables	(15,229)	(15,007)
Income tax paid	(2,990)	(3,212)

Since the amounts are reclassifications within the statements of financial position, this reclassification did not have any effect on the consolidated statement of profit or loss and other comprehensive income.

28. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Group for the financial year ended 31 March 2021 were authorised for the issue in accordance with a resolution of directors on 13 August 2021.

Statistics of Shareholdings

As at 6 August 2021

CLASS OF SHARES	NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES	VOTING RIGHTS
Ordinary Shares	883,818,100	One vote per share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 99	8	0.85	400	0.00
100 - 1,000	26	2.76	11,575	0.00
1,001 - 10,000	82	8.71	425,575	0.05
10,001 - 1,000,000	767	81.42	141,517,575	16.01
1,000,001 AND ABOVE	59	6.26	741,862,975	83.94
TOTAL	942	100.00	883,818,100	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	263,776,100	29.85
2	KGI SECURITIES (SINGAPORE) PTE. LTD.	147,352,575	16.67
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	106,061,700	12.00
4	DUANMU XIAOYI	30,000,000	3.39
5	OCBC SECURITIES PRIVATE LIMITED	16,528,950	1.87
6	RAFFLES NOMINEES (PTE.) LIMITED	16,198,550	1.83
7	PHILLIP SECURITIES PTE LTD	14,449,450	1.63
8	UOB KAY HIAN PRIVATE LIMITED	13,217,500	1.50
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,038,900	1.02
10	DBS NOMINEES (PRIVATE) LIMITED	6,794,000	0.77
11	LI NAN	6,141,300	0.69
12	SHANE THAM FOOK WAI	6,000,000	0.68
13	ERIC TANN KAH HUAT	5,094,000	0.58
14	GOH GUAN SIONG (WU YUANXIANG)	4,961,000	0.56
15	IFAST FINANCIAL PTE. LTD.	4,749,000	0.54
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,527,100	0.51
17	CHEONG CHEE HWA	4,158,000	0.47
18	CHENG YE	3,619,800	0.41
19	LIM KAH WOH	3,160,000	0.36
20	EDWARD LIM CHIN WAH	3,000,000	0.34
	TOTAL	668,827,925	75.67

Statistics of Shareholdings

As at 6 August 2021

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%[1][2]	DEEMED INTEREST	%[1][2]
Liang Chengwang[3]	–	–	160,566,000	18.17
PTS Capital Pte. Ltd.[4]	–	–	105,966,700	11.99
Yu Lei[5]	–	–	105,966,700	11.99

(1) Calculated based on 883,818,100 shares as at 6 August 2021.

(2) Rounded to the nearest two decimal places.

(3) Mr Liang Chengwang is deemed to be interested in 160,566,000 ordinary shares held by CGS-CIMB Securities (Singapore) Pte. Ltd.

(4) PTS Capital Pte. Ltd. is deemed to be interested in 105,966,700 ordinary shares held by United Overseas Bank Nominees (Private) Limited.

(5) As Ms. Yu Lei owns more than 20% of the voting rights in PTS Capital Pte. Ltd., Ms. Yu Lei is deemed to have an interest in the shares in the Company held by PTS Capital Pte. Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 6 August 2021, approximately 587,285,400 Shares, representing approximately 66.45% (rounded to the nearest two decimal place) of the total number of issued Shares (excluding treasury shares), are in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10.0% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) are in the hands of the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of China Star Food Group Limited (the "**Company**") will be held on 31 August 2021 at 2.00 p.m. by way of electronic means to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2021 together with the Auditors' Report thereon. ***Resolution 1***

2. To re-elect Mr Liang Chengwang pursuant to Regulation 99 of the Company's Constitution. ***Resolution 2***

   [See Explanatory Note (i)]

3. To re-elect Mr Xue Congyan pursuant to Regulation 99 of the Company's Constitution. ***Resolution 3***

   [See Explanatory Note (ii)]

4. To re-elect Mr Lawrence Chen Tse Chau (Chen Shichao) pursuant to Regulation 100 of the Company's Constitution. ***Resolution 4***

   [See Explanatory Note (iii)]

5. To approve the payment of Directors' fees of S$110,000 for the financial year ending 31 March 2022, payable half-yearly in arrears. (FY2021: S$110,000). ***Resolution 5***

6. To re-appoint RT LLP as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration. ***Resolution 6***

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

SPECIAL BUSINESS

8. **Authority to issue and allot shares** ***Resolution 7***

   To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

   "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual (Section B: Rules of Catalist) (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that:

(i) the aggregate number of shares (including shares to be issued pursuant to this Resolution) shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (iv)]

Notice of Annual General Meeting

9. **Authority to allot and issue shares under the China Star Employee Share Option Scheme** ***Resolution 8***

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

(i) offer and grant options ("**Options**") from time to time in accordance with the rules of the China Star Employee Share Option Scheme (the "**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 the aggregate number of Shares to be issued and issuable pursuant to the China Star ESOS, China Star Performance Share Plan and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), on the day immediately preceding the date on which an offer to grant an Option is made and that the grant of Options can be made at any time and from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (v)]

10. **Authority to allot and issue shares under the China Star Performance Share Plan** ***Resolution 9***

"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 rules of the China Star Performance Share Plan (the "**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 the aggregate number of shares to be issued and issuable pursuant to the China Star ESOS, China Star PSP and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (v)]

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 16 August 2021

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Liang Chengwang will upon re-election as Director of the Company, remain as the Executive Chairman and Chief Executive Officer.

(ii) Mr Xue Congyan will upon re-election as Director of the Company, remain as a Non-Executive and Independent Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee. The Board considers Mr Xue Congyan to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(iii) Mr Lawrence Chen Tse Chau (Chen Shichao) will upon re-election as Director of the Company, remain as a Non-Executive and Independent Director of the Company, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee. The Board considers Mr Lawrence Chen Tse Chau (Chen Shichao) to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(iv) Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to Shareholders.

(vi) Ordinary Resolutions 8 and 9, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares pursuant to the exercise of Options and vesting of Awards under the China Star ESOS and China Star PSP respectively, provided that the aggregate number of shares to be issued pursuant to the China Star ESOS and China Star PSP, when aggregated with the number of shares issued and issuable or transferred and to be transferred under any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

(v) For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time Ordinary Resolutions 7, 8 and/or 9 is/are passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when the Ordinary Resolutions 7, 8 and/or 9 is/are passed and any subsequent consolidation or subdivision of shares.

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**").

   Pursuant to the Order, the Company will implement alternative arrangements relating to attendance at the AGM by electronic means (including arrangements by which the meeting can be electronically accessed via "live" audio-visual webcast ("**Live Webcast**") or "live" audio-only stream ("**Live Audio Stream**")). A quorum is formed by 2 members of the Company being electronically present. Submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and/or during the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement dated 16 August 2021 (the "**AGM Alternative Arrangements Announcement**"). The AGM Alternative Arrangements Announcement, this Notice of AGM, Annual Report of the Company, and the proxy form may be accessed at SGX website via this URL: https://www.sgx.com/securities/company-announcements.

   For the avoidance of doubt, all documents (including the Annual Report, proxy form, and this Notice of AGM,) or information relating to the AGM have been, or will be, published on SGXNet. Printed copies of the documents will not be despatched to members. Members and CPF/SRS investors are advised to check SGXNet and/or the Company's website regularly for update.

Notice of Annual General Meeting

2. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person.**

   The proceedings of the AGM will be broadcasted "live" through an audio-and-video webcast and an audio-only feed. Members and investors holding shares in the Company through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to follow the proceedings through a Live Webcast via their mobile phones, tablets or computers or listen to the proceedings through a Live Audio Stream via telephone must pre-register at http://csfg.availeasemgdwebinar.com/ no later than 2.00 p.m. on 29 August 2021 (the "**Registration Cut-Off**"). Following verification, an email containing instructions on how to access the Live Webcast and Live Audio Stream of the proceedings of the AGM will be sent to authenticated members and CPF/SRS investors by 30 August 2021. Members and CPF/SRS investors who do not receive any email by 30 August 2021, but have registered by the Registration Cut-Off Time, should contact the Company for assistance via email to info@zixinshuye.com.

   Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Cap. 50) ("**Investors**") (other than CPF/SRS investors) will not be able to pre-register at http://csfg.availeasemgdwebinar.com/ for the "live" broadcast of the AGM. An Investor (other than CPF/SRS investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register.

3. **A member of the Company (including an Investor) will not be able to ask questions "live" during the broadcast of the AGM.** All members (including an Investor) may submit questions relating to the business of the AGM no later than 2.00 p.m. on 29 August 2021 via either of the following:

   (a) the pre-registration website at http://csfg.availeasemgdwebinar.com/; or

   (b) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, members are strongly encouraged to submit their questions via the pre-registration website. The Company will endeavour to answer all substantial and relevant questions prior to, or at, the AGM.

4. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   The Chairman, as proxy, need not be a member of the Company. The accompanying proxy form for the AGM may be accessed from the SGX website at the URL https://www.sgx.com/securities/company-announcements.

5. **The instrument appointing the Chairman of the AGM as a proxy must be submitted to the Company in the following manner:**

   (a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (b) if submitted electronically, be submitted via email to srs.teamd@boardroomlimited.com,

   in either case, **not less than 48 hours before the time appointed for holding the AGM (i.e. by 2.00 p.m. on 29 August 2021).**

   A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures, which may make it difficult for members of the Company to submit completed proxy forms by hand or post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email so as to reach the Company not less than 48 hours before the time appointed for holding the AGM.

Notice of Annual General Meeting

6. Where the instrument appointing the Chairman of the AGM as proxy shall in the case of an individual, be signed by the appointor or his attorney, failing which the instrument of proxy may be treated as invalid. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its Common Seal or signed by its attorney or a duly authorised officer on behalf of the corporation, failing which the instrument of proxy may be treated as invalid.

   Where a proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

7. **CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 20 August 2021, 2.00 p.m.) in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.**

8. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company shall be entitled to reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

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, or by attending the AGM, 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. In addition, by attending the AGM and/or adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

Mr. Liang Chengwang ("**Mr. Liang**"), Mr. Xue Congyan ("**Mr. Xue**"), and Mr. Lawrence Chen Tse Chau (Chen Shichao) ("**Mr. Chen**") are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 31 August 2021 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual Section B: Rules of the Catalist of the SGX-ST: –

NAME	LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
Date of Appointment	22 September 2015	8 August 2019	26 October 2020
Date of last re-appointment	30 July 2019	29 September 2020	N.A.
Age	44	46	39
Country of principal residence	China	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having assessed the qualifications and experience of Mr. Liang, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as the Executive Chairman and Chief Executive Officer of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Xue, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Executive and Independent Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Chen, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Executive and Independent Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Executive. Mr. Liang is responsible for the oversight and management of the Group's businesses and corporate developments, and to formulate the overall business and corporate strategies for the Group. Mr. Liang supervises major financing plans and appointment of key executives.	Non-Executive	Non-Executive

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME	LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Executive Chairman • Chief Executive Officer	• Non-Executive and Independent Director • Chairman of the Nominating Committee • Member of the Audit and the Remuneration Committees	• Non-Executive and Independent Director • Chairman of the Remuneration Committee • Member of the Audit and the Nominating Committees
Professional qualifications	• Bachelor of Accounting and Finance (Open University of Fujian)	• Master of Science in Global Finance (HKUST & NYU Stern School of Business) • Master of Science in International Finance (with merit) (University of Leeds, UK) • Bachelor of Science in Computer Science (Angeles University)	• Bachelor of Science in Applied Accounting (Upper Second Class Honours), Oxford Brookes University • Diploma in Marine Engineering, Singapore Polytechnic • Fellow Member of The Association of Chartered Certified Accountants (ACCA, UK) • Chartered Accountant of Singapore, Institute of Singapore Chartered Accountants
Working experience and occupation(s) during the past 10-years	• July 2009 to present: Chairman and Chief Executive Officer of Fujian Zixin Biological Potato Co., Ltd	• September 2016 to Present – Co-founder of Mundial Financial Group, LLC • May 2013 to Present – Founder of Beijing Gloryhope Capital (Limited Partnership) • April 2012 to Present – Managing Director of Go & Company (HK) Limited • April 2007 to April 2015 – Managing Director of Charden Capital Markets LLC	• March 2021 to Present: Director at Radiant Management Services Pte Ltd • November 2020 to Present: Director at Athel Assurance PAC • October 2020 to Present: Director at Prime Accountants PAC • September 2020 to Present: Director at Athel Accounting Pte. Ltd. (formerly known as Athel Corp. Adv. Pte Ltd)

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME	LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
			• September 2020 to present: Public Accountant Employee at Acumen Assurance PAF, Acumen Associates LLP and SYA PAC • September 2020 to February 2021: Assurance/ Audit Partner at Unity Advance LLP • September 2020 to March 2021: Assurance/Audit Partner at JSL & Associates • October 2018 to September 2020: Assurance Associate Director at Nexia TS Public Accounting Corporation • December 2017 to October 2018: Group Financial Controller at ecoWise Holdings Limited • August 2016 to December 2017: Assistant Group Financial Controller at ecoWise Holdings Limited • January 2013 to June 2016: Audit Senior Manager at RSM Chio Lim LLP • May 2012 to December 2012: Audit Senior at Ernst & Young LLP • November 2009 to May 2012: Audit Team Leader at RSM Chio Lim LLP

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME	LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
Shareholding interest in the listed issuer and its subsidiaries	160,566,000 shares (18.17%)	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of Interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer.	Yes	Yes	Yes
Other Principal Commitments* Including Directorships#			
Past (for the last 5 years)	N.A.	• Chardan Capital Markets LLC • Northern Minerals Limited	• Unity Advance LLP • JSL & Associates • Nexia TS Public Accounting Corporation • ecoWise Holdings Limited

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME	LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
Present	• China Star Food Group Limited • Zixin International Pte. Ltd. • Fujian Xingpai Food Co., Ltd • Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. • Fujian Zilaohu Food Co., Ltd. • Fujian Zixin Biological Potato Co., Ltd.	• China Star Food Group Limited • Mundial Financial Group, LLC • Go & Company (HK) Limited • Beijing Gloryhope Capital (Limited Partnership)	• China Star Food Group Limited • Pan Asian Holdings Limited • Athel Assurance PAC • Prime Accountants PAC • Athel Accounting Pte. Ltd. • Radiant Management Services Pte. Ltd. • Acumen Assurance PAF • Acumen Associates LLP • SYA PAC
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME		LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME		LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME		LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME		LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
(ii)	any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii)	any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv)	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

Disclosure of Information on Directors Seeking Re-election

CHINA STAR FOOD GROUP LIMITED

NAME	LIANG CHENGWANG	XUE CONGYAN	LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of a listed company?	Yes	Yes	No
If yes, please provide details of prior experience.	Executive Chairman and Chief Executive Officer, China Star Food Group Limited	Non-Executive and Independent Director, China Star Food Group Limited	N.A.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	Mr. Chen has completed the requisite training organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules.

CHINA STAR FOOD GROUP LIMITED

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

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

This proxy form has been made available on the SGX's website at the URL https://www.sgx.com/securities/company-announcements. A printed copy of this proxy form will NOT be despatched to members of the Company.

IMPORTANT:

1. The Annual General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's announcement dated 16 August 2021 (the "**Announcement**"), which has been uploaded together with the Notice of AGM dated 16 August 2021 on SGXNet on the same day. The Announcement may be accessed on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (including a Relevant Intermediary) must appoint the Chairman of the AGM as his/her/their proxy to vote on his/her/their behalf at the Annual General Meeting if such member wishes to exercise his/her/their voting rights at the Annual General Meeting. In appointing the Chairman of the AGM as proxy, a member of the Company (including a Relevant Intermediary) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.**
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

*I/We, _____ (full name in capital letters)

NRIC/Passport/Company No. _____

of _____ (full address)

being a *member/members of **CHINA STAR FOOD GROUP LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company (**"AGM"**) as *my/our proxy to attend and vote for *me/us on *my/our behalf at the AGM to be held by way of **electronic means on 31 August 2021 at 2.00 p.m.** and at any adjournment thereof. *I/We direct the Chairman of the AGM to vote for, or against, or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman as your proxy for that resolution will be treated as invalid.**

All resolutions put to the vote at the AGM shall be conducted by poll.

(Please indicate your vote "For" or "Against" or "Abstain", with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

NO.	RESOLUTIONS RELATING TO:	FOR	AGAINST	ABSTAIN
	ORDINARY BUSINESS			
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2021 together with the Auditors' Report thereon			
2	Re-election of Mr Liang Chengwang as a Director of the Company			
3	Re-election of Mr Xue Congyan as a Director of the Company			
4	Re-election of Mr Lawrence Chen Tse Chau (Chen Shichao) as a Director of the Company			
5	Approval of Directors' fees amounting to S$110,000 for the financial year ending 31 March 2022, payable half-yearly in arrears			
6	Re-appointment of RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration			
	SPECIAL BUSINESS			
7	Authority to allot and issue new shares			
8	Authority to issue shares under the China Star Employee Share Option Scheme			
9	Authority to issue shares under the China Star Performance Share Plan			

Dated this _____ day of _____ , 2021

_____

Signature of Member(s)*

or, Common Seal of Corporate Member*

* Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF.

TOTAL NUMBER OF SHARES IN:	NO. OF SHARES
CDP Register	
Register of Members	

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

2. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM.** If a member of the Company (whether individual or corporate) wishes to exercise his/her/their voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/it proxy to vote on his/her/it behalf at the AGM. The proxy form for the AGM will be published on the SGX website at https://www.sgx.com/securities/company-announcements. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes **at least seven (7) working days before the AGM (i.e. by 2.00 p.m. on 20 August 2021)** in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (b) if submitted electronically, be submitted via email to srs.teamd@boardroomlimited.com,

   in either case, **not less than 48 hours before the time appointed for holding the AGM (i.e. by 2.00 p.m. on 29 August 2021).**

   A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current Covid-19 situation and the related safe distancing measures, which may make it difficult for members of the Company to submit completed proxy forms by hand or post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email so as to reach the Company not less than 48 hours before the time appointed for holding the AGM.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman as proxy is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Act effective from 31 March 2017 is applicable at the AGM.

6. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

7. **The Company shall be entitled to reject a proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form lodged if the member, being the appointor, is not shown to have shares entered against his/her/their name in the Depository Register as at 72 hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.**

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

Corporate Information

BOARD OF DIRECTORS

Mr. Liang Chengwang
Executive Chairman & CEO

Ms. Duanmu Xiaoyi
Executive Director

Mr. Ng Poh Khoon
Non-Executive and Lead Independent Director

Mr. Xue Congyan
Non-Executive and Independent Director

Mr. Lawrence Chen Tse Chau (Chen Shichao)
Non-Executive and Independent Director

AUDIT COMMITTEE

Mr. Ng Poh Khoon (Chairman)
Mr. Xue Congyan
Mr. Lawrence Chen Tse Chau

NOMINATING COMMITTEE

Mr. Xue Congyan (Chairman)
Mr. Ng Poh Khoon
Mr. Lawrence Chen Tse Chau

REMUNERATION COMMITTEE

Mr. Lawrence Chen Tse Chau (Chairman)
Mr. Xue Congyan
Mr. Ng Poh Khoon

COMPANY SECRETARY

Mr. Lim Kok Meng

REGISTERED OFFICE

24 Raffles Place
#20-03 Clifford Centre
Singapore 048621
Tel: (65) 6535 9887
Fax: (65) 6535 0680

BUSINESS OFFICE

10 Anson Road #27-06B
International Plaza
Singapore 079903

CONTINUING SPONSOR

Novus Corporate Finance Pte. Ltd.
7 Temasek Boulevard
#18-03B Suntec Tower 1
Singapore 038987
Tel: (65) 6950 2188

AUDITORS

RT LLP
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge: New Boon Poh
(Newly appointed since the financial year ended 31 March 2021)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

INVESTOR RELATIONS

Octave FinComm Private Limited
富登财经通讯私人有限公司
18 Robinson Road
Level 16 (Suite 1612)
Singapore 048547
Email: enquiry@octavecomms.com
Website: www.octavecomms.com

CHINA STAR FOOD GROUP
中国之星食品集团

CHINA STAR FOOD GROUP LIMITED
UEN No.: 200718683N

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#20-03 Clifford Centre
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