CHINA STAR FOOD GROUP LIMITED
中国之星



CHINA STAR FOOD GROUP LIMITED

CORPORATION PRESENTATION

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AGENDA

- Business Overview
- Financial Highlights
- Competitive Strengths
- Industry Outlook
- Future Plans

BUSINESS REVIEW

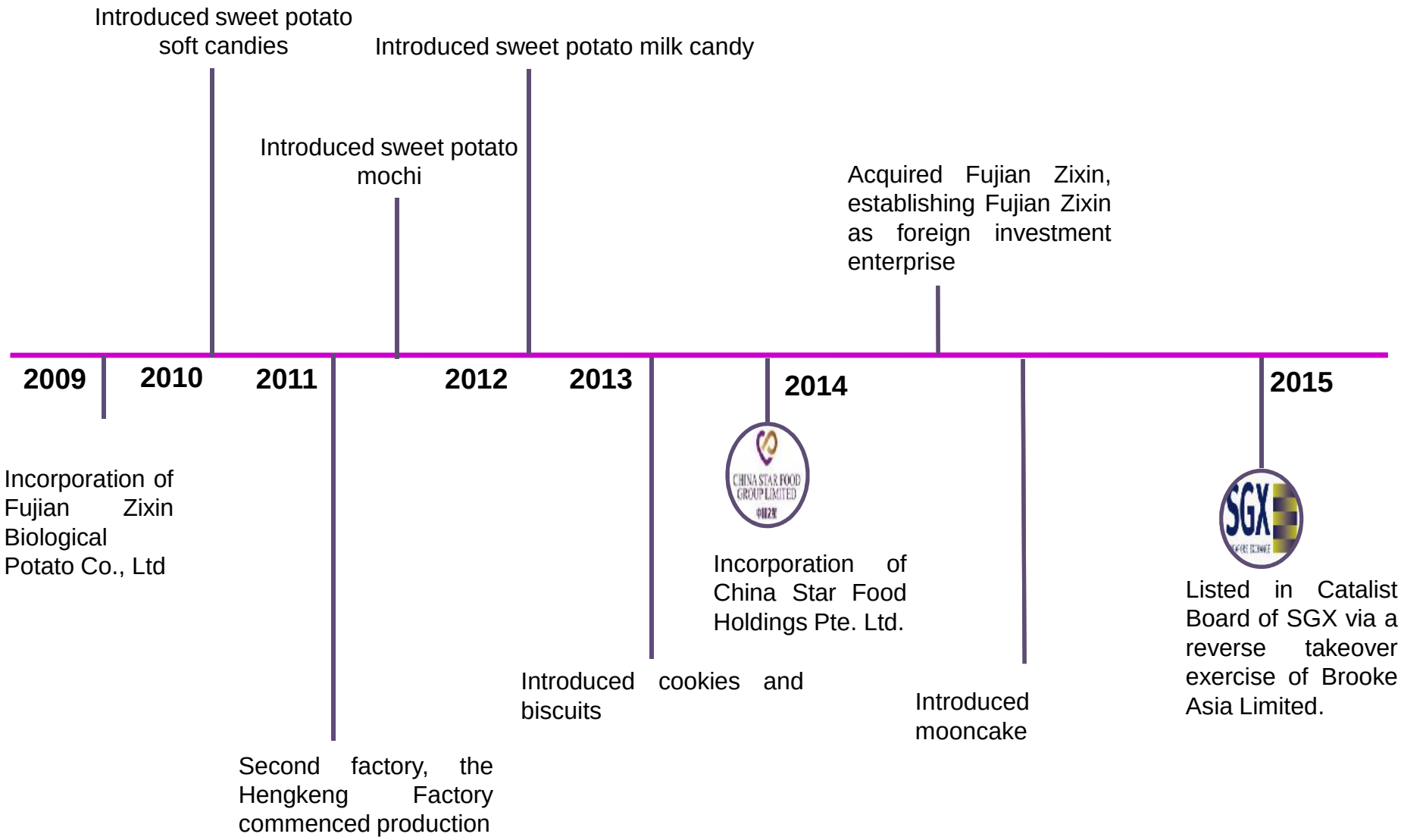


CORPORATE PROFILE

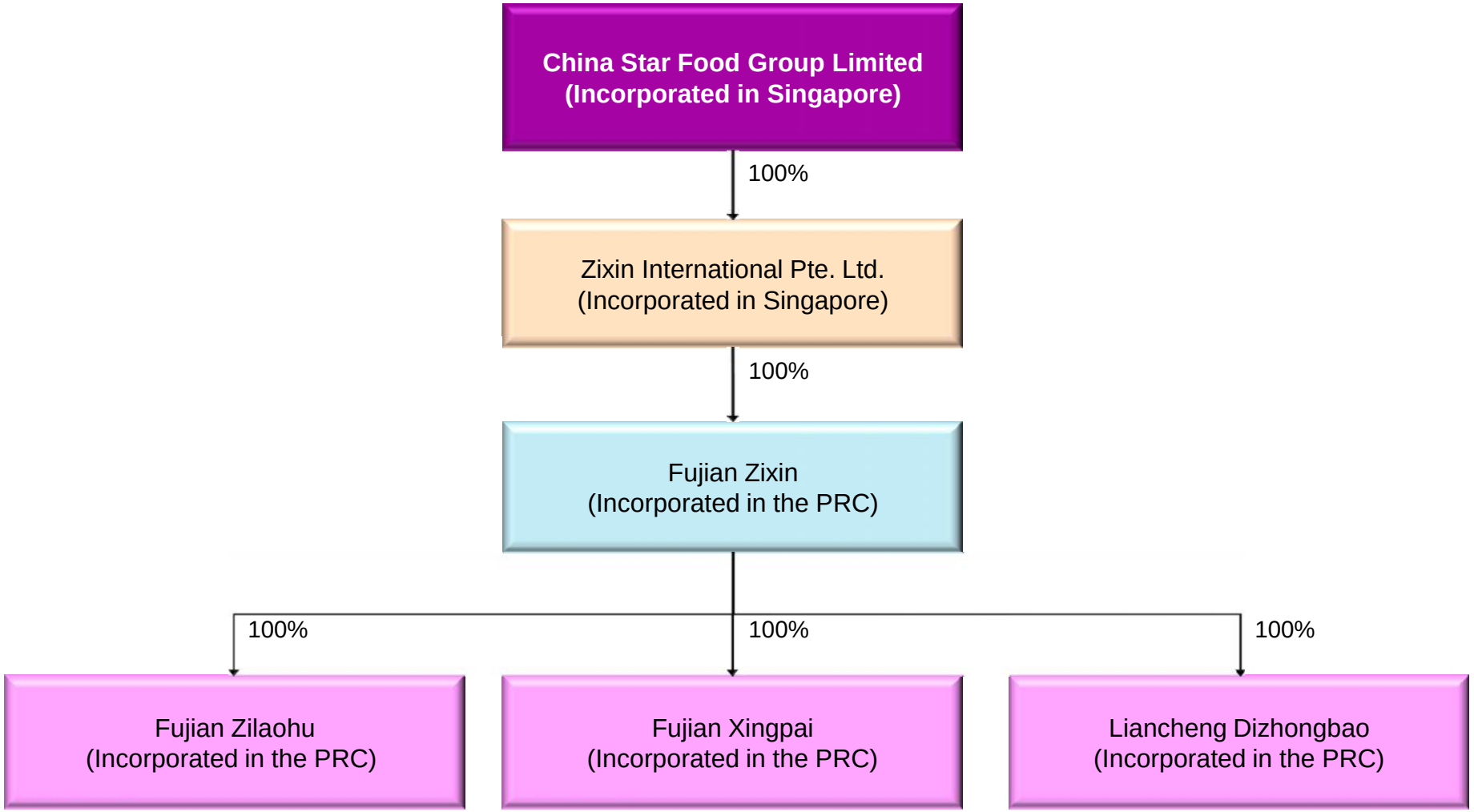
- The Group is engaged in the **production and sale of sweet potato snack food products** processed from purple and orange-fleshed sweet potatoes across the People's Republic of China ("PRC").
- The Group is based in Liancheng county of Fujian province.
- The Group sells its sweet potato snack food products to more than 300 distributors and wholesalers, who in turn distribute the sweet potato snack food products, through e-commerce portals, supermarkets, petrol kiosks, convenience stores and specialty stores throughout the PRC.



MILESTONES


2009
Incorporation of Fujian Zixin Biological Potato Co., Ltd
2010
Introduced sweet potato soft candies
2011
Second factory, the Hengkeng Factory commenced production
2012
Introduced sweet potato mochi
Introduced sweet potato milk candy
2013
Introduced cookies and biscuits
2014
Incorporation of China Star Food Holdings Pte. Ltd.
Acquired Fujian Zixin, establishing Fujian Zixin as foreign investment enterprise
Introduced mooncake
2015
Listed in Catalist Board of SGX via a reverse takeover exercise of Brooke Asia Limited.

GROUP STRUCTURE



BOARD OF DIRECTORS



Mr Liang Chengwang, Executive Chairman and Chief Executive Director

- Responsible for formulating and implementing the development strategy and annual business plans of the Group
- He was the 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
- Graduated from Open University of Fujian with a Bachelor of Accounting and Finance



Ms Huang Lu, Non-Executive Director

- Assists the Group primarily with investor relations and financing matters
- She is also a Director of Sino Renewal Energy Investment Pte. Ltd., a company engaged in investing in shares listed in Singapore and Hong Kong
- Graduated from North China Electric Power University with a Bachelor of Management (Accounting)



Mr Koh Eng Kheng Victor, Lead Independent Director, Chairman Audit Committee

- Has over 25 years of experience with Asia ex-Japan equity markets
- Has been with AIG Global Investment corporation (Singapore) Ltd. for 18 years
- He is a Chartered Financial Analyst and a member of CFA Society Singapore



Mr Lim Teck Chai, Danny, Independent Director

- Has wide range of experience in acquisitions, investment, takeovers, IPO and restructurings
- Currently, he is an equity partner at Rajah & Tann Singapore LLP
- Graduated with a Master in Science (Applied Finance) from Nanyang Technological University in 2006
- He is a member of the Law Society of Singapore and the Singapore Academy of Law

KEY MANAGEMENT

Mr Yeo Choon Tat, Deputy Chief Executive Officer

- Responsible for smooth running of Singapore office and execute relevant tasks including but not limited to overseas business development, fund raising activities, M&A and maintain good corporate governance practice etc
- Has more than 30 years of regional experience in senior management roles for multi-national corporations across diverse industries. His past principle appointment includes, inter alia, Vice President (Finance & Asia Pacific Operations),Creative Technology Ltd.; Senior vice President (Head of Greater China Investment), Vertex Management Pte. Ltd.; Chief Operating Officer, Jolimark Holdings Ltd. Hong Kong and, Executive Director of ASA Holding Ltd. Singapore.
- Graduated from University of Singapore with a Bachelor of Accountancy
- He is also a fellow member of the Institute of Singapore Chartered Accountants (FCA), CPA Australia (FCPA Australia) and ACCA U.K. (FCCA)

Mr Chan Siew Kit, Chief Financial Officer

- Supervises the Group's financial reporting , management of the finance team, compliance with listing and regulatory requirements, and review of internal controls
- Possesses more than 10 years of accounting experience
- Graduated with an Advanced Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Malaysia
- He is a member of the Association of Chartered Certified Accountants

Mr Xu Jianping, Vice General Manager (Sales)

- Planning of sales policies and strategy, managing and allocating department targets for the sales department, and training of the sales department
- Prior joining the Group, he was the General Manager of Jinjiang Quanwang Paper Company
- Graduated with a Bachelor of Business Administration from Fujian Radio and Television University

AWARDS AND ACCREDITATIONS

2011

Award given in recognition of enterprise's creative and competitive use of technology

2013

Leading Agriculture Industrialization Enterprise (农业产业化龙头企业)

Famous Trademark of Fujian Province（福建省著名商标）given in recognition of the brand "Zilaohu" (紫老虎)
.

2014

HACCP System Certificate





Quality Management System Certificate

2015

Famous Product of Fujian Province for the year 2014 (2014年度福建名牌产品)
.



Winner of High Growth Enterprise Award at 9th China Food Industry Growth Enterprises Awards 2015
(2015年第九届中国食品产业–年度最具成长性企业)

2016

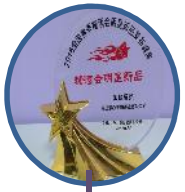
Leading Agriculture Industrialization Enterprise in Fujian (省级重点龙头企业)





Awarded the certificate of Science and Technology Enterprise in Fujian
福建省科技型企业证书

'Ledi' was awarded "Popular New Product" in Food and Drinks Fair 2016 (2016全国春季糖酒会明星新品)





Won third prize in China Innovation and Entrepreneurship Competition (Fujian)
（福建龙岩赛区）第三届创新创业大赛三等奖)

RANGE OF PRODUCTS

ROASTED SWEET POTATO NUTS
（甘薯果仁食品）



SWEET POTATO CANDIES
(甘薯糖果食品)



SWEET POTATO PASTRIES
（甘薯糕点食品）



6 main categories

SWEET POTATO PRESERVED FOODS
（甘薯蜜饯食品）



SWEET POTATO BAKED GOODS
（甘薯烘焙食品）



Own brands, including:

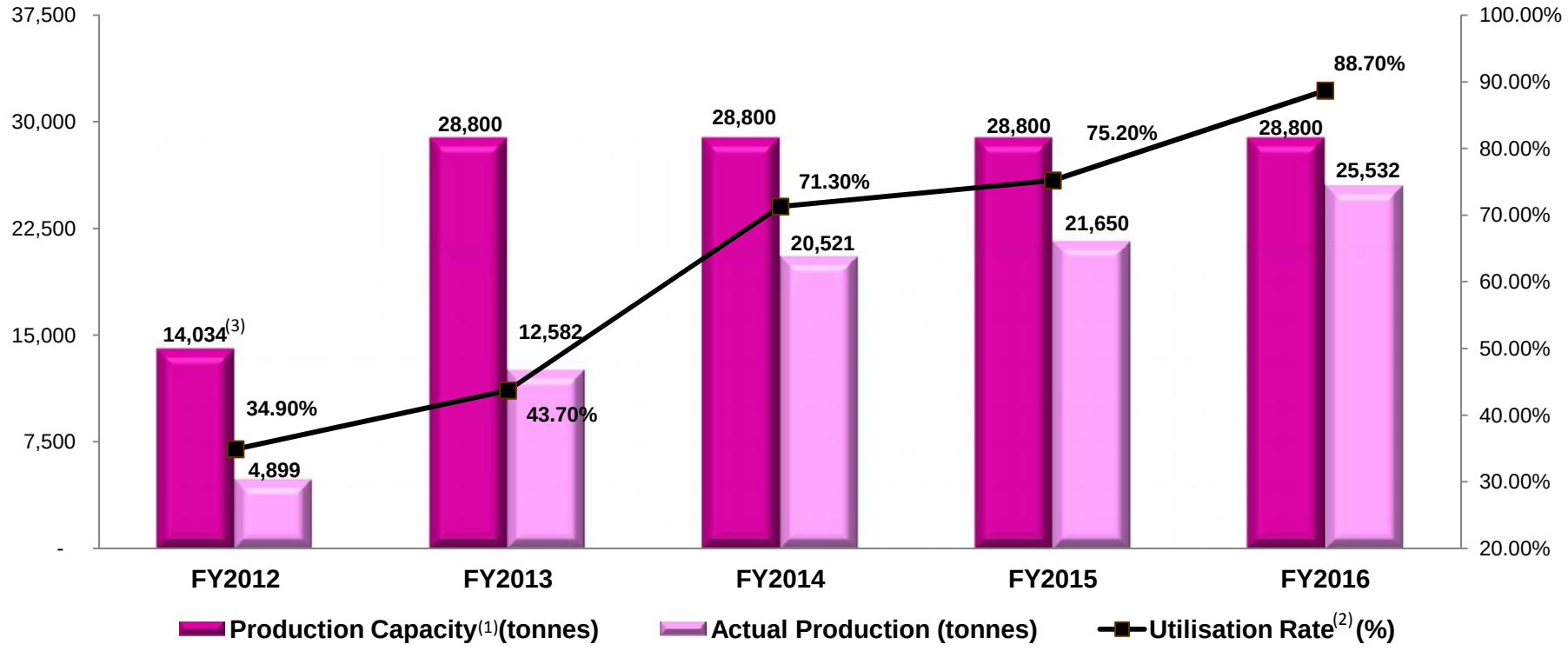
- “Starpie” (星派),
- “Ledi” （乐地 / 乐第）,
- “Delijia”（德丽佳）and
- “Zilaohu” （紫老虎)

SWEET POTATO CRISPS
（甘薯果酥食品）



PRODUCTION AND UTILISATION RATES

The Group's production facilities comprise the Hengming factory and the Hengkeng factory located in Liancheng county of Fujian province.



Notes:
(1) Based on the assumption that (i) each factory operates for 24 hours each day, for 300 operational days per year; and (ii) factory equipment is utilised at 80% efficiency.
(2) Calculated based on the actual production divided by the production capacity.
(3) Comprising of (i) the full-year production capacity of 9,090 tonnes from the Hengming Factory; and (ii) production capacity of 4,944 tonnes from operation of the Hengkeng Factory from December 2011 to 31 March 2012.

NUMBER OF DISTRIBUTORS IN EACH PROVINCE

	No. of distributors				
	FY2012	**FY2013**	**FY2014**	**FY2015**	**FY2016**
Fujian	70	90	87	86	80
Shandong	35	44	40	44	44
Guangdong	30	35	28	30	39
Zhejiang	15	25	26	27	31
Jiangsu	11	26	32	31	27
Liaoning	10	16	18	16	13
Hunan	16	14	16	14	11
Jilin	10	13	11	11	14
Guangxi	17	21	20	20	21
Other provinces	68	97	95	99	111
Total	**282**	**381**	**373**	**378**	**391**

FINANCIAL HIGHLIGHTS

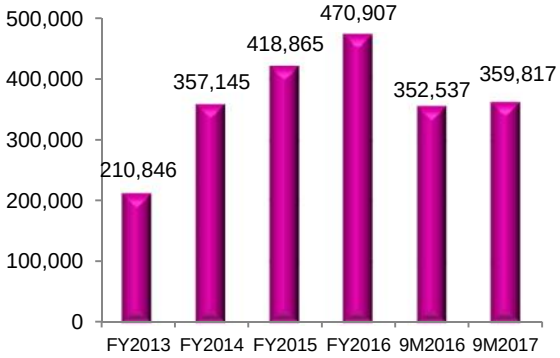


PERFORMANCE SUMMARY

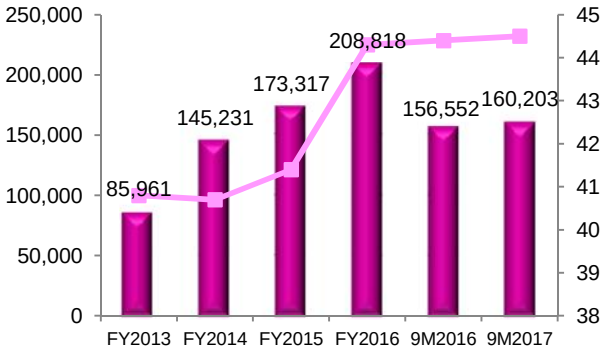
	3 months ended		Increase/ (Decrease)	9 months ended		Increase/ (Decrease)
RMB ('000)	**3QFY2017**	**3QFY2016**	**%**	**9MFY2017**	**9MFY2016**	**%**
Revenue	122,575	131,438	(6.7)	359,817	352,537	2.1
Gross profit	53,975	58,161	(7.2)	160,203	156,562	2.3
Marketing and distribution costs	(32,924)	(17,401)	89.2	(69,695)	(38,707)	80.1
Administrative expenses	(6,966)	(19,436)	(64.2)	(22,468)	(30,981)	(27.5)
Finance costs	(150)	(230)	(34.8)	(583)	(808)	(27.8)
Net profit	12,124	16,915	(28.3)	50,999	(5,955)	n.m
EPS (RMB cents/share)	4.72	8.02	(41.2)	19.98	(2.82)	n.m

FINANCIAL PERFORMANCE

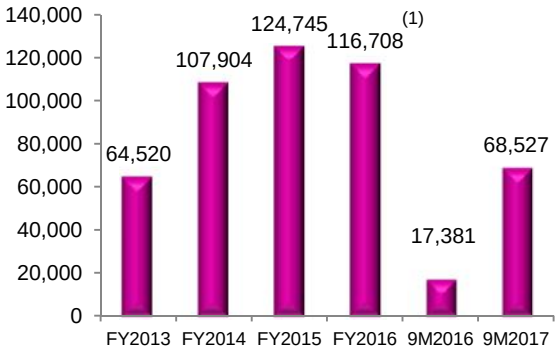
Revenue (RMB'000)



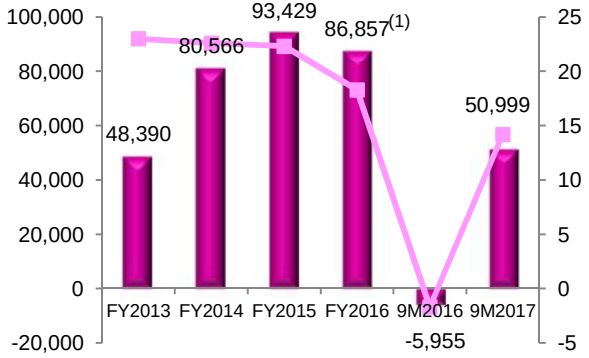
Gross Profit (RMB'000)



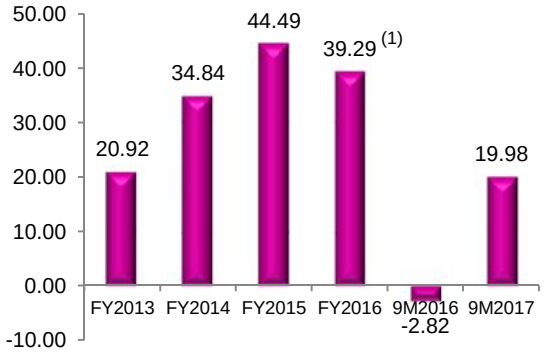
Profit Before Tax (RMB'000)



Profit After Tax (RMB'000)



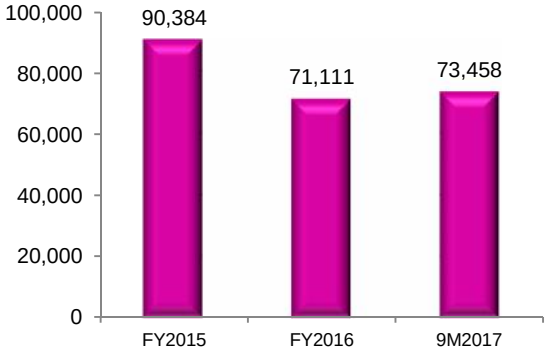
Earnings Per Share (RMB cents)



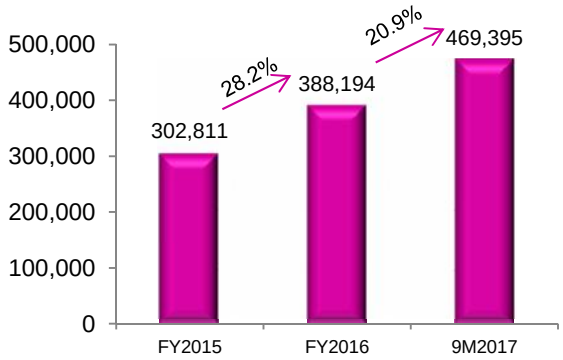
(1) For comparable purposes, the calculation of net asset value per share and net tangible asset per share for FY2016 is excluding one-off RTO expenses and goodwill written off of RMB70,554,000

FINANCIAL PERFORMANCE

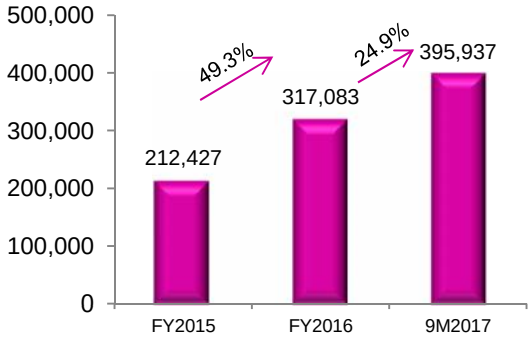
Total Liabilities (RMB'000)



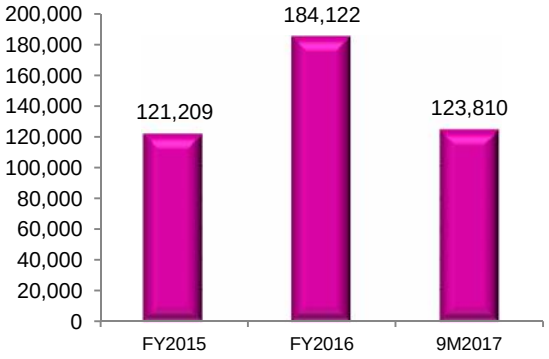
Total Assets (RMB'000)



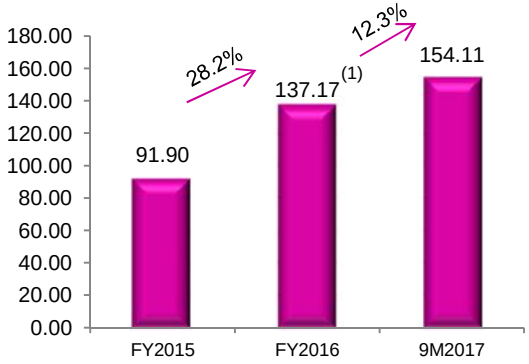
Total Equity (RMB'000)



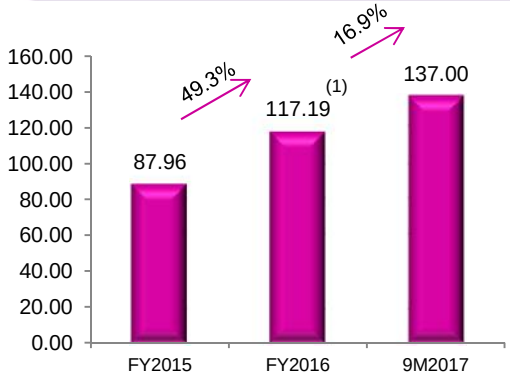
Cash and Cash Equivalents (RMB'000)



Net Asset Value Per Share (RMB cents)

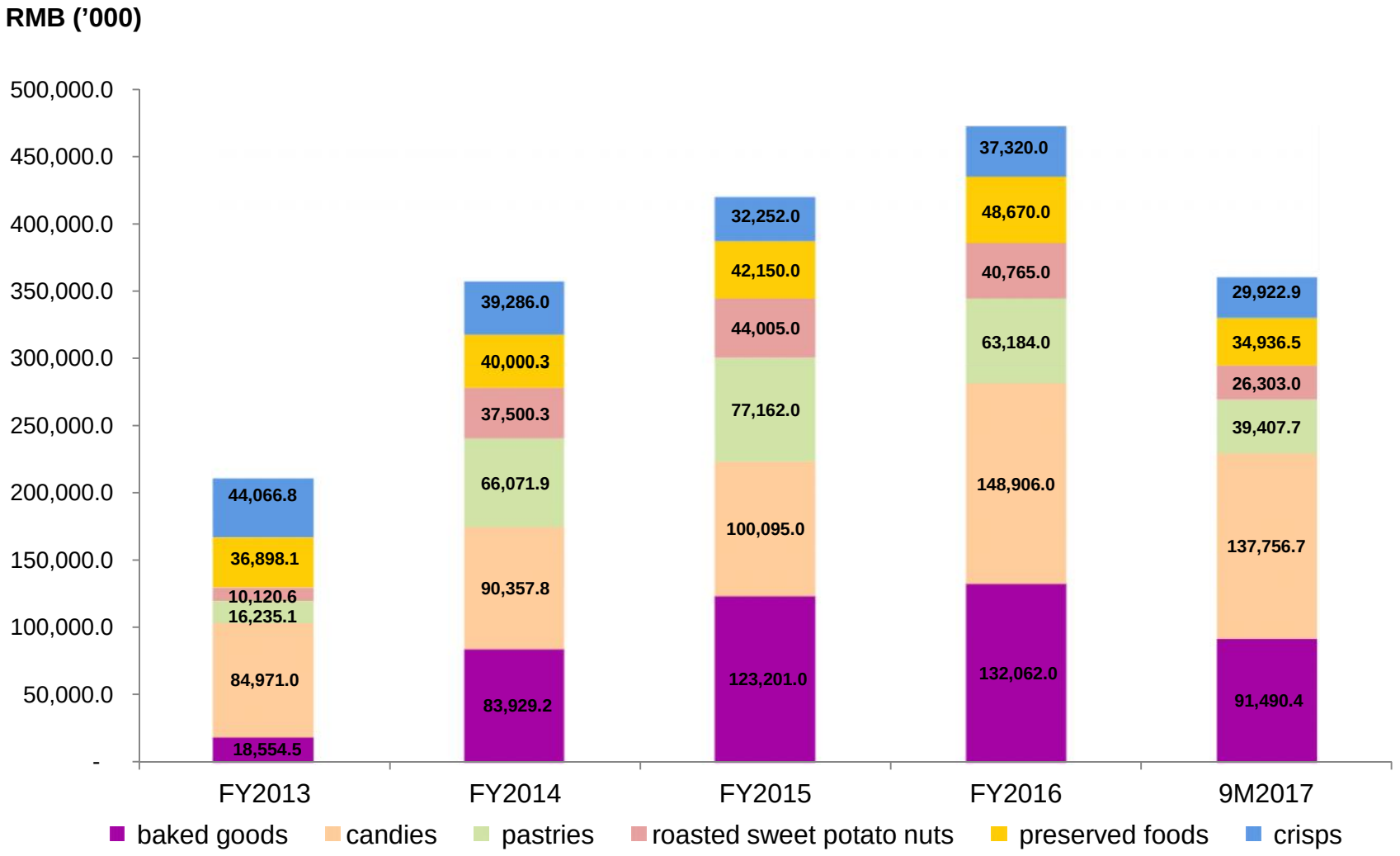


Net Tangible Asset Per Share (RMB cents)

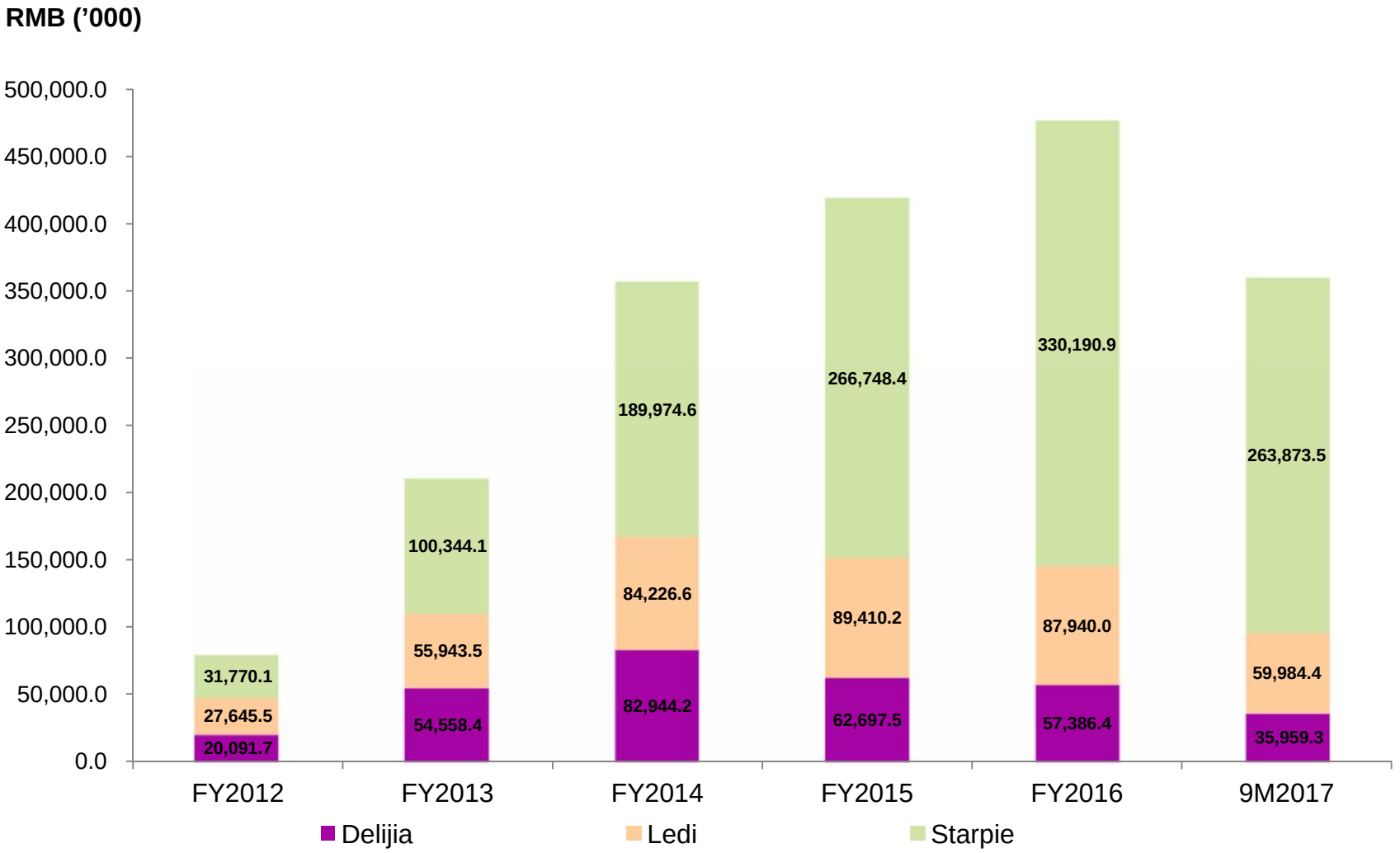


(1) For comparable purposes, the calculation of net asset value per share and net tangible asset per share for FY2016 is excluding one-off RTO expenses and goodwill written off of RMB70,554,000

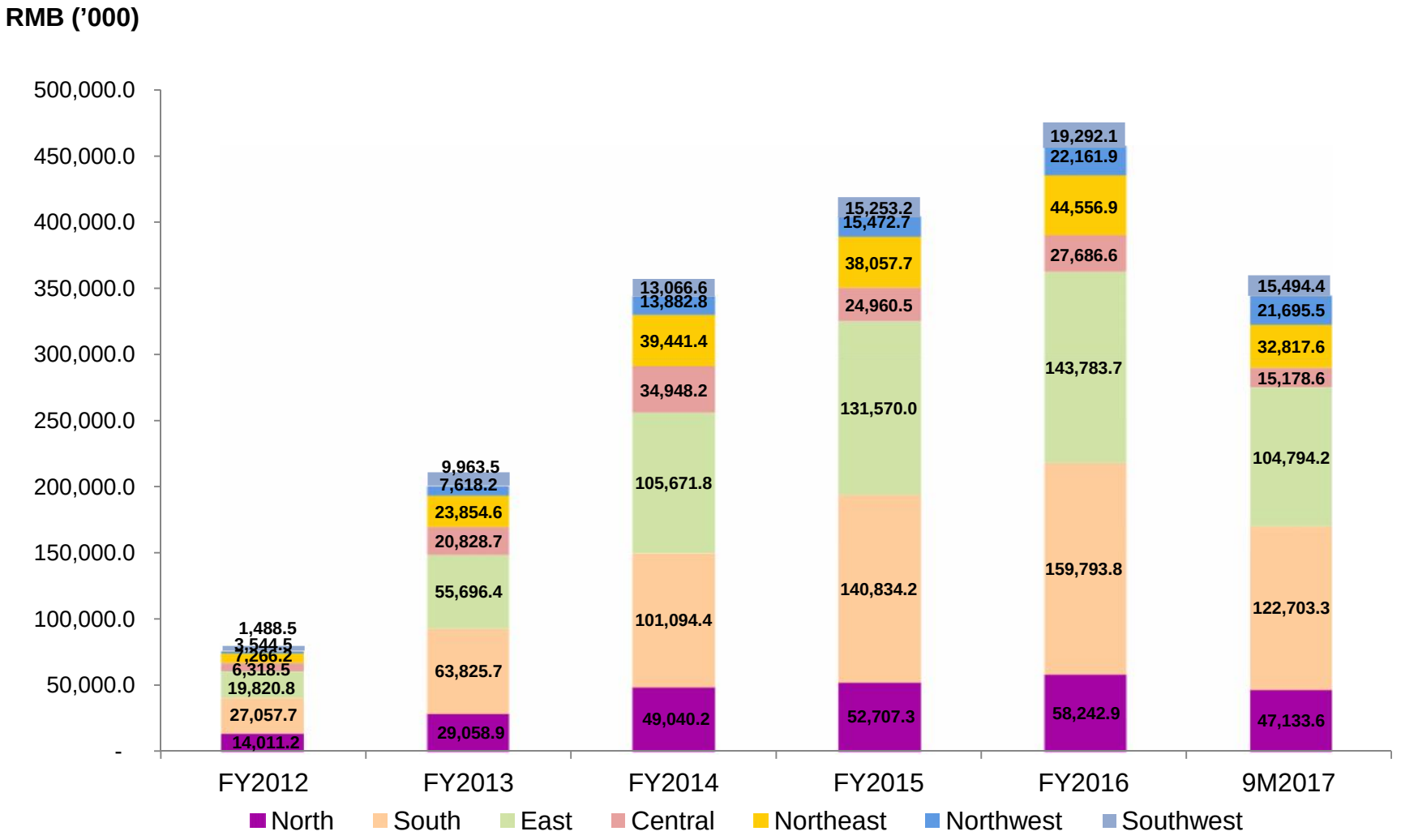
REVENUE BY PRODUCTS



REVENUE BY BRANDS



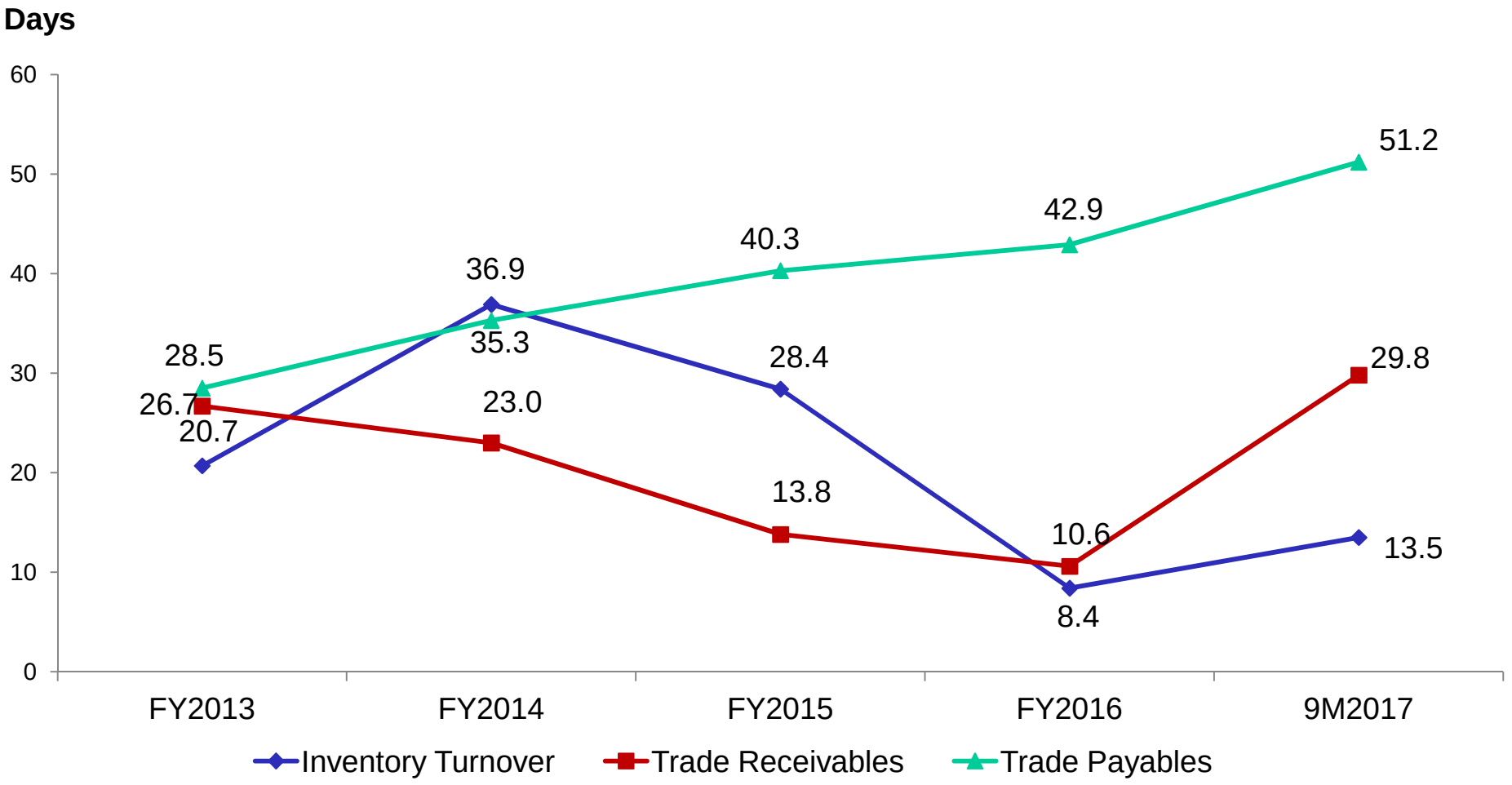
REVENUE BY REGIONS



CASH FLOW

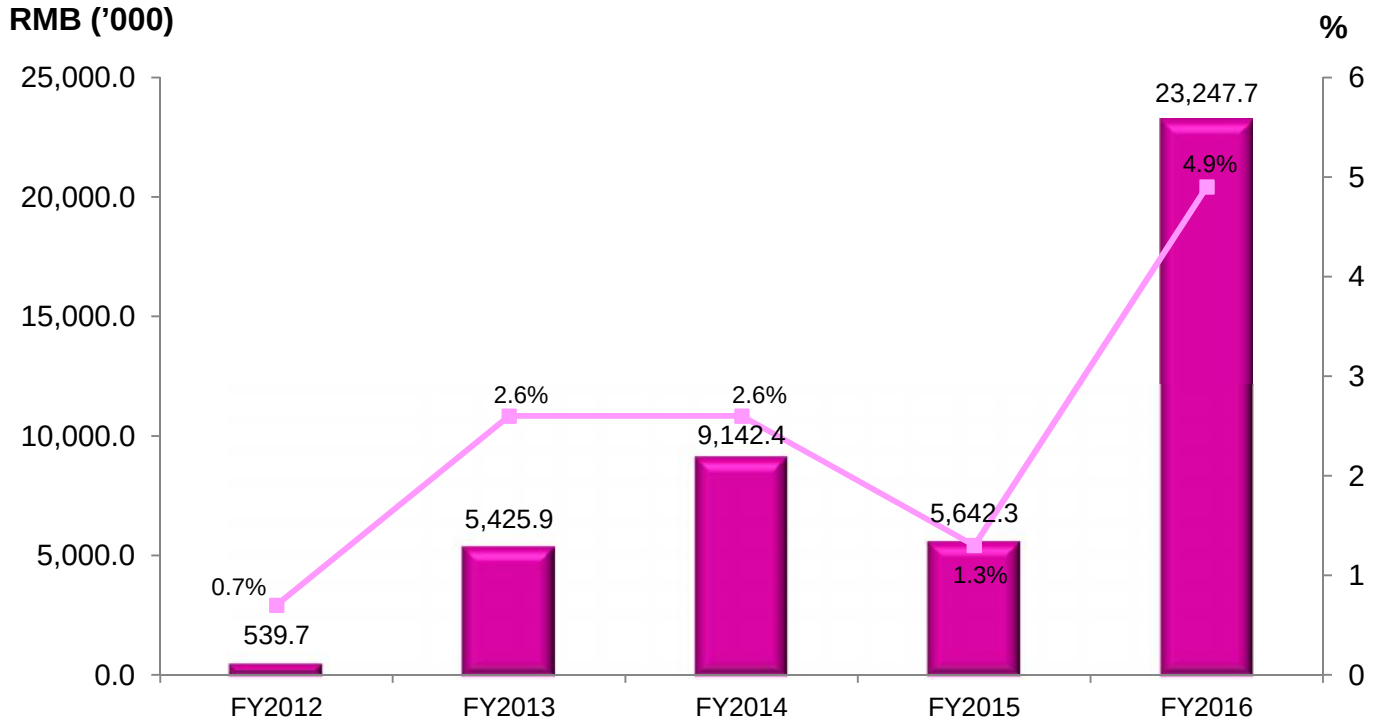
S$'000	FY2015	FY2016	9M2017
Net cash flows from in operating activities (RMB'000)	151,679	82,793	(188)
Net cash flows used in investing activities (RMB'000)	(101,066)	(28,914)	(87,140)
Net cash flows from financing activities (RMB'000)	6,417	9,034	27,016
Cash and cash equivalent at end of period (RMB'000)	121,209	184,122	123,810

TURNOVER DAYS



A&P EXPENSES

A&P and A&P as a percentage of sales





Liancheng Boxing Competition 2016



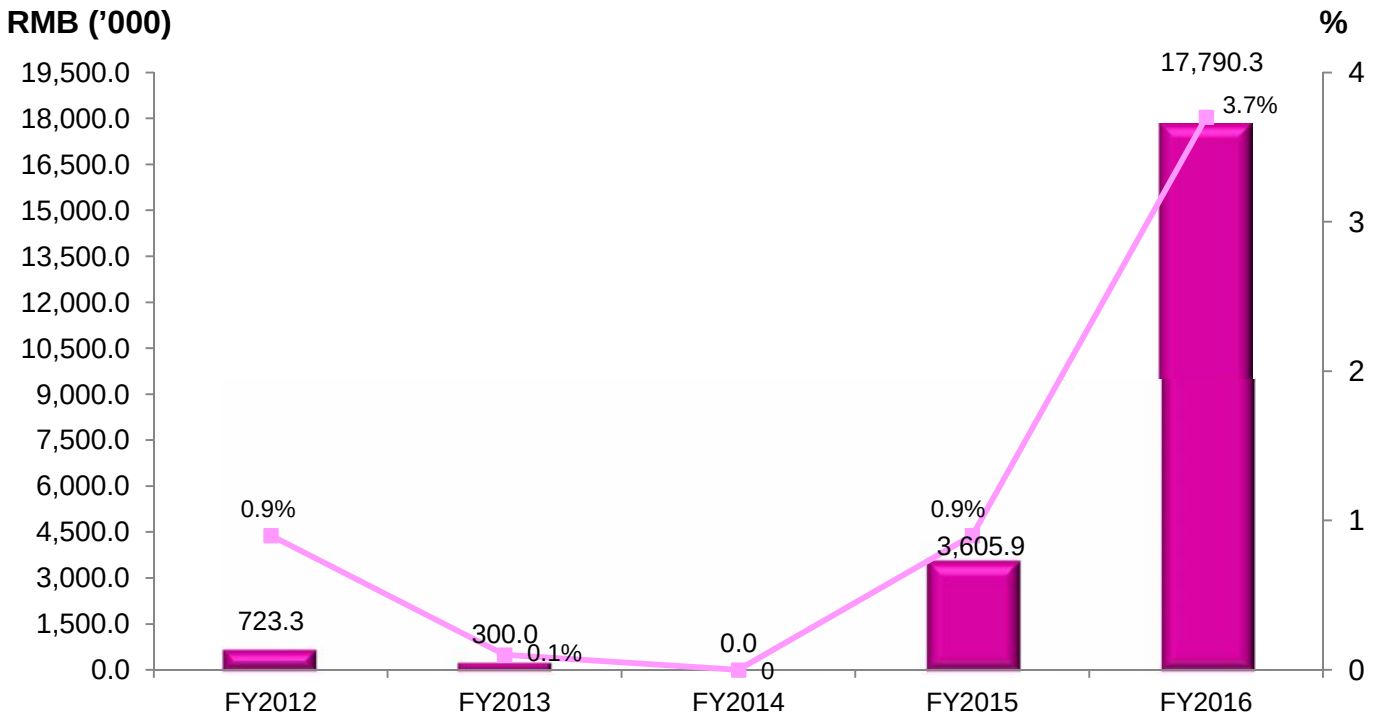
Food and Drinks Fairs



Promotions

R&D EXPENSES

R&D and R&D as a percentage of sales







PEER COMPARISON

		Market Capitalization (SGD Million)	Last Price (in terms of local currency)	Current Ratio	EPS	P/E	P/B
SGX (SGD)							
CHINA STAR FOOD	**CSFG SP EQUITY**	**43.55**	**0.19**	**3.28**	**0.07**	**2.34**	**0.61**
CHINA MINZHONG	MINZ SP EQUITY	N.A	N.A	3.27	0.20	N.A	N.A
YAMADA GREEN RESOURCES	YGR SP EQUITY	89.28	0.51	11.21	0.24	9.40	0.43
SINO GRANDNESS	SFGI SP EQUITY	218.84	0.33	1.13	0.31	1.84	0.42
HONG KONG (HKD)							
LABIXIAOXIN SNACKS	1262 HK EQUITY	145.27	0.60	1.23	-0.30	N.A	0.45
JIASHILI GROUP	1285 HK EQUITY	201.11	2.66	3.24	0.25	8.83	1.72
FOUR SEAS MERCHANTILE	374 HK EQUITY	279.32	3.99	1.40	0.12	38.42	1.14
CHINA (RMB)							
QIAQIA FOOD	002557 CH EQUITY	1650.73	15.83	1.93	0.72	21.59	2.80
HAOXIANGNI JUJEBE	002582 CH EQUITY	1674.76	31.58	2.30	-0.02	N.A	2.58

Source: Bloomberg as at 3 February 2017

COMPETITIVE STRENGTHS



COMPETITVE STRENGTHS

- One of the industry leaders in implementing a multi-channel marketing and distribution model
- Well-established product brand portfolio
- Strong R&D capabilities with innovative product roadmap and production process
- Experienced management team
- Better quality control on the production process in accordance with the requirements of HACCP certificate

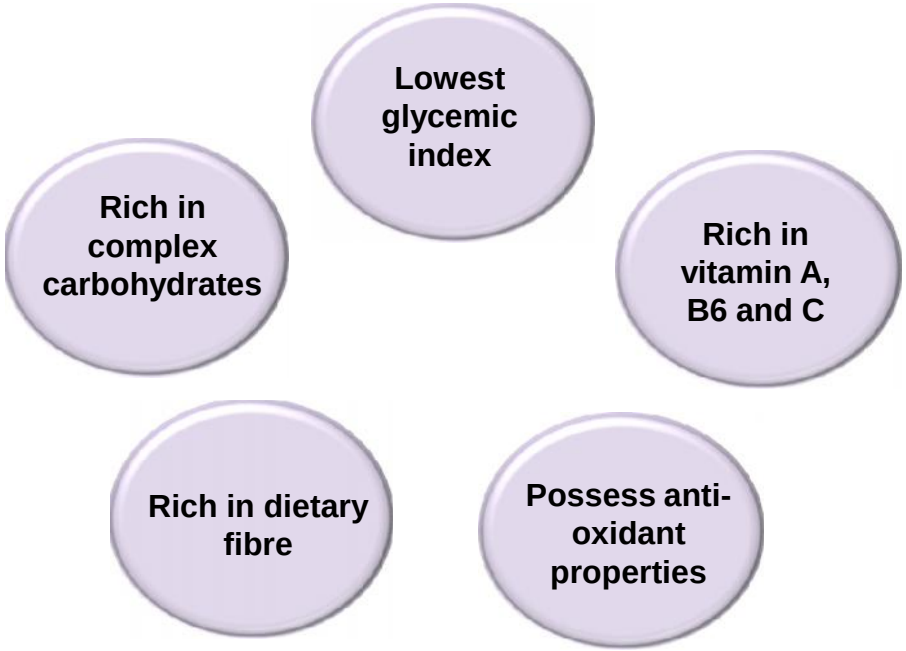
INDUSTRY OUTLOOK



INCREASING DEMAND FOR HEALTHY FOOD

- **Increasing health consciousness among Chinese consumers**
  - Estimated annual sales growth of sweet potato snacks has averaged at approximately 20-40%, with a minimum growth of 20% in the next three years till 2019.
  - More than 50% of people prefer organic and nutritious foods to ice cream and fast food

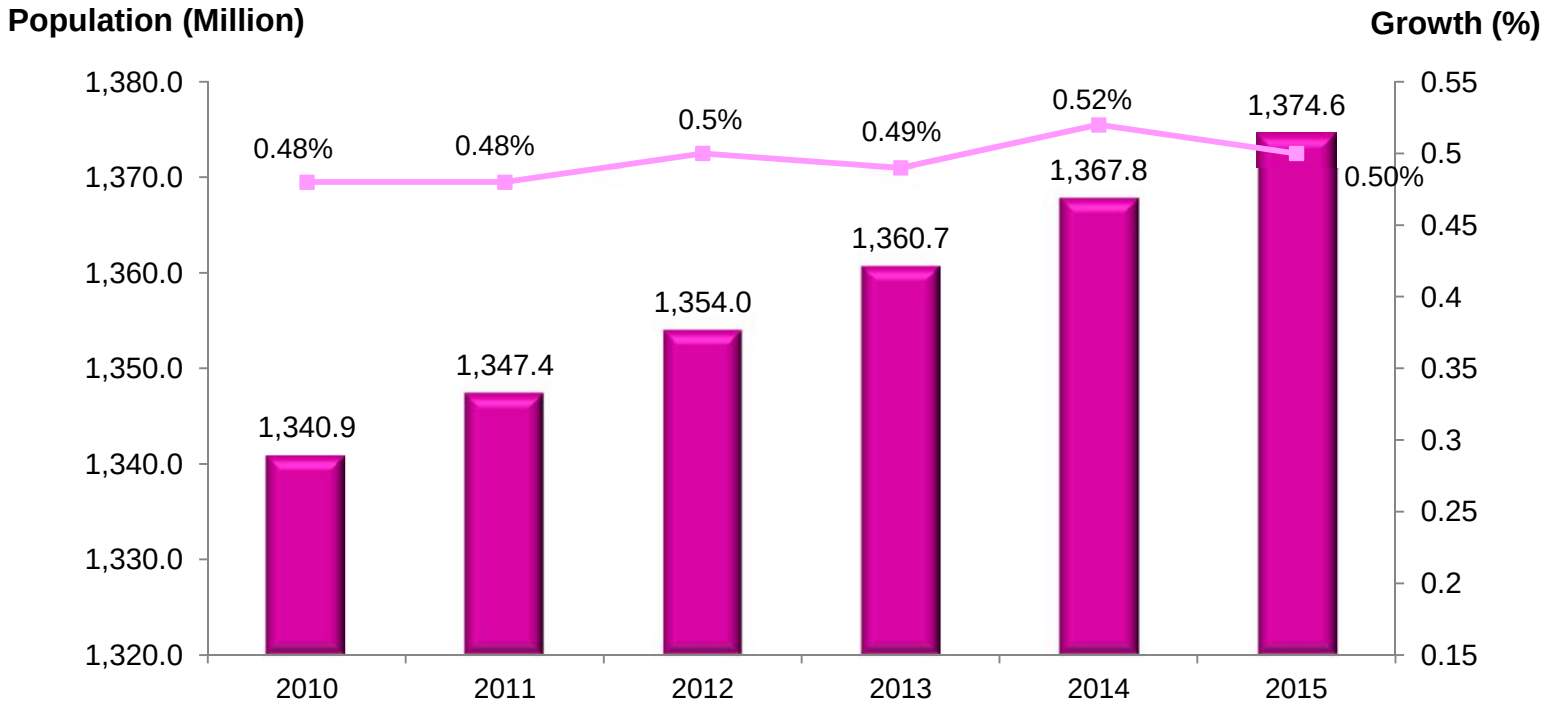
- **Sweet potato offers a healthy and rich source of nutrients**
  - Sweet potato, of which the orange-coloured flesh varieties are the most common, is rich in (CSPI) in the United States highly recommended sweet potato as the most nutritious food.
  - Sweet potatoes are rich in dietary fibre, sugars, vitamins, minerals and other essential nutrients, as compared to common vegetables.



INCREASING DEMAND FOR HEALTHY FOOD

- **1.4 billion potential market size in China**

Population and population growth rate in the PRC (2010-2015)



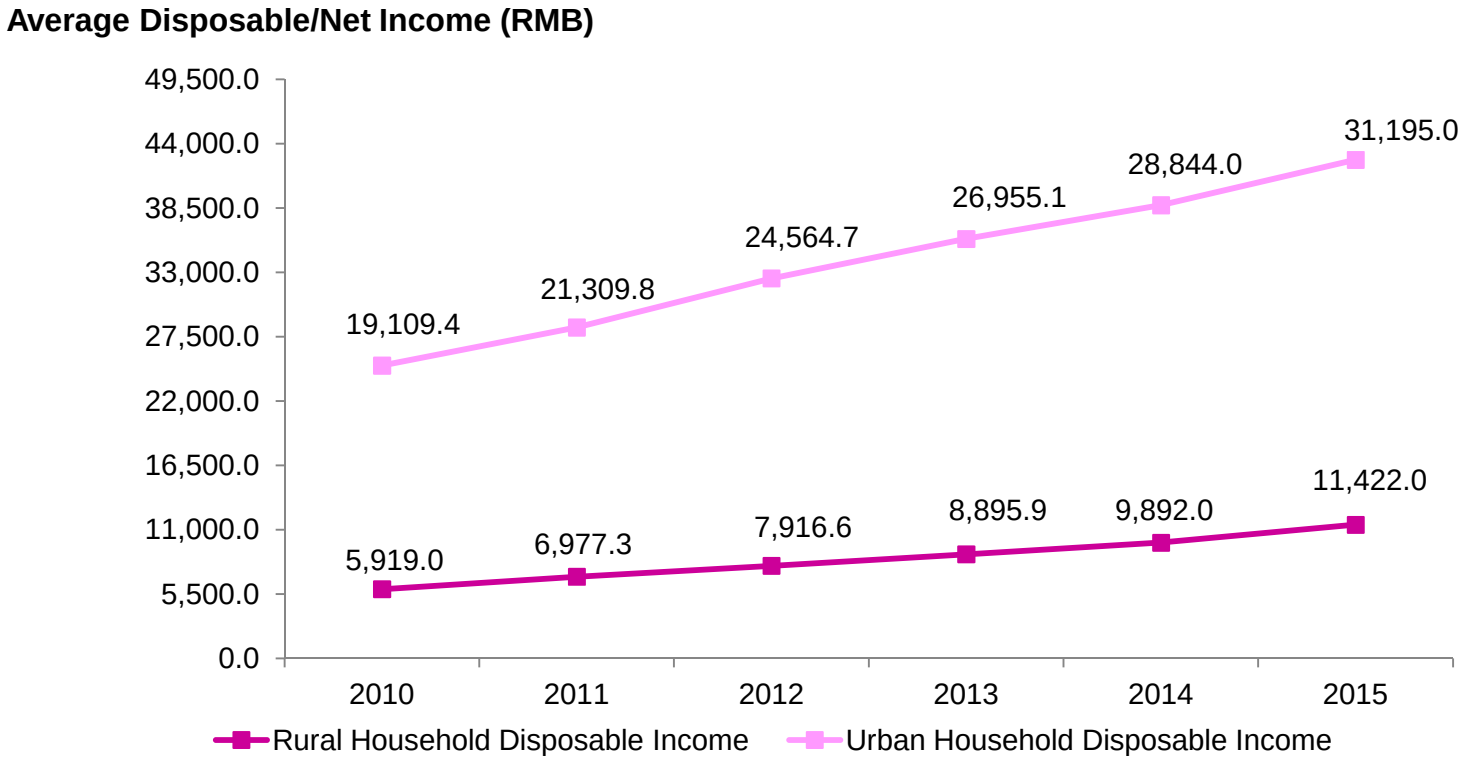
Source: National Bureau of Statistics of China

INCREASING DEMAND FOR HEALTHY FOOD

- **Rising Disposable Income and Standard of Living**

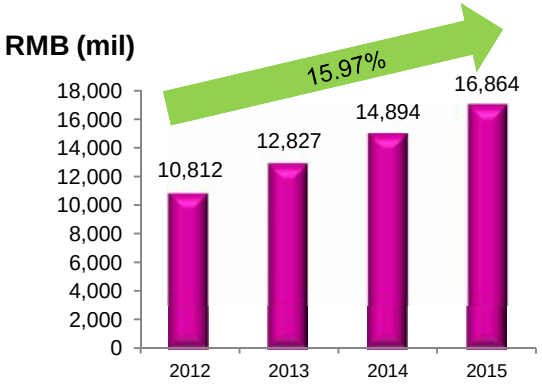
  - Disposable incomes and net incomes of both urban and rural households experienced double-digit CAGRs of 10.3% and 14.1% respectively from 2010 to 2015.

Rising disposable income for rural and urban households (2010-2015)

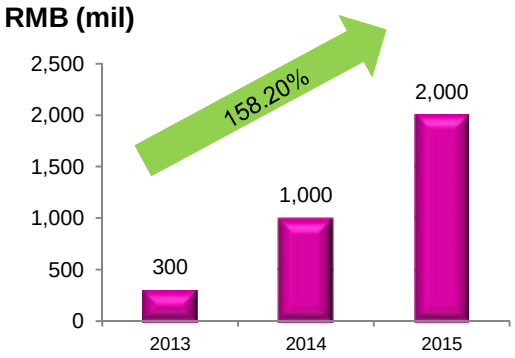


CASE STUDY

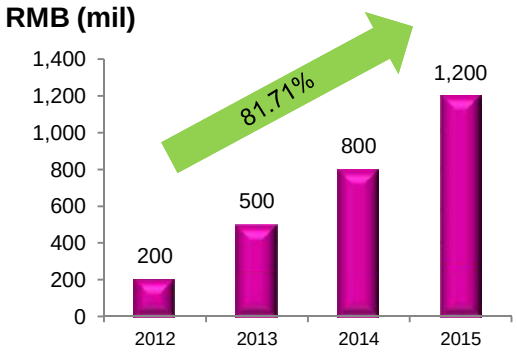
- According to Euromonitor, the market size of snack food industry in China is RMB62.49 billion in 2010, while the market size has grown significantly 10.51% to RMB102.97 billion in 2015.
- With the rising disposable income in China, the snack food industry in China is propelled to grow very rapidly.



Fujian Dali



3 Songshu



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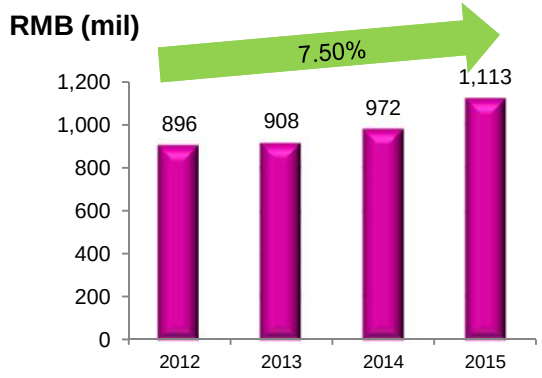

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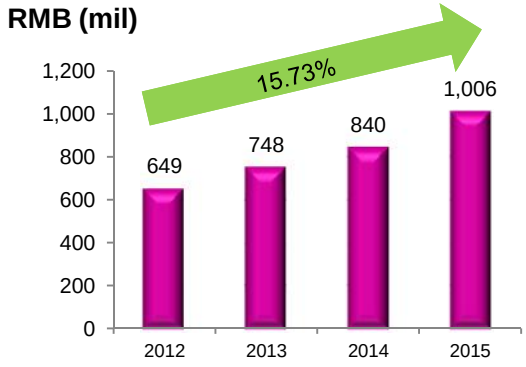

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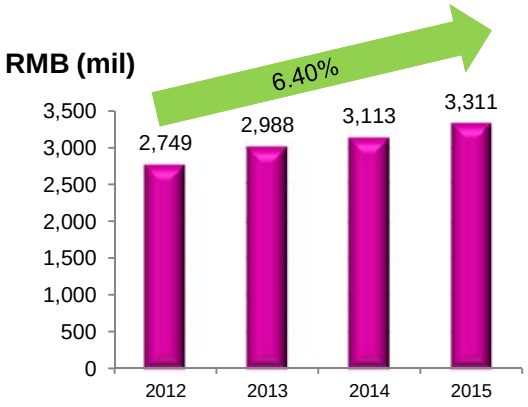


Chacha Food

FUNDS THAT INVESTED IN CHINA SNACK FOOD INDUSTRY

CDH INVESTMENTS 鼎晖投资

IDG资本 IDG Capital Partners

SEQUOIA CAPITAL 红杉资本

CAPITAL TODAY 今日资本

FUTURE PLANS



FUTURE PLANS

- **Increase production capacity to support larger sales volume**

  - The Group has constructed a new factory on a 13,910 sq m plot of land in the Liancheng Industrial Park, Food Processing Area.
  - Construction of another new production facility on a 55,733.36 sq m plot of land at Liancheng Industrial Park, Food Processing Area is being planned.
  - These new factories will be equipped to produce the frozen sweet potato fries.



Completed factory of Fujian Zilaohu in Liancheng Industrial Park, Food Processing Area will be operational by end of March 2017.





New production facility in Liancheng Industrial Park, Food Processing Area

Note: These artist's impression are intended to illustrate the appearance of the factory once completed. No warranty is given that the completed factory will comply to any degree of this artist's impression.

FUTURE PLANS

- **Sell products directly to the consumer by establishing its own retail stores**
  - Establish through a franchise model
  - Rental and labours costs are borne by franchisee
  - Has opened distribution stores including:-
    - ❖ Yiwu, Hefei, Shenyang, Jinan, Shenzhen, Xi'an
  - Target to open 20-30 retail stores in 2017
    - ❖ 1st franchise retail store opened at Fujian Changting



Yiwu



Hefei



Shenyang



Jinan



Shenzhen



Xi'an

FUTURE PLANS

- Expand customer base and geographical coverage by exporting into overseas markets
- Develop new products to meet a wider variety of consumer needs
- Increase existing marketing efforts and e-commerce channels
- Secure greater supply of sweet potato raw materials through cooperation with province level agriculture cooperatives





NEW PRODUCTS IN THE PIPELINE



Rice cake



Baked sweet potato with cheese



Jelly



Fried dough twist



Japanese-styled mochi



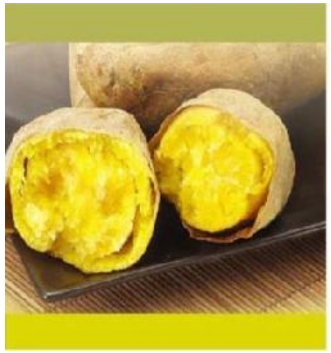
Batter biscuit



Sweet potato stick



Nougat



Frozen sweet potato



Honey baked sweet potato

THE END

