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Issuer: China Star Food Group Limited

Security: China Star Food Group Limited

Meeting details:

Date: 30 July 2018

Time: 10.00 a.m.

Venue: Room 330, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

China Star Food Group Limited, together with its subsidiaries, produces and sells sweet potato snack food products in the People's Republic of China. It offers candies, crisps, baked goods, roasted sweet potato nuts, and preserved foods. The company sells its products to distributors and wholesalers. China Star Food Group Limited is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42W)

1. As noted in the Chairman's statement, the suspension of the new Zilaohu factory severely impacted the group negatively although the silver lining is that smaller competitors have been put out of business as they were unable to meet the strict environmental requirements.

- (i) The group has been described as being one of the leading players in the sweet potato snacks industry. **Would management have an estimate of the group's market share?**
- (ii) **Can management also share the URLs for its online e-shops on the major e-commerce platforms so that interested shareholders can also check out the online stores?**
- (iii) **What is the reach of the group's distribution network for its brick and mortar stores, especially the hypermarkets?**
- (iv) The group's trade receivables have increased from RMB5.7 million to RMB38.9 million yet no trade receivables were past due (probably due to the re-opening of the factory in September 2017) (page 105). **Can management update shareholders on the progress made in collecting the trade receivables?**

2. As shown in the Statement of financial position (page 64), the group has cash and cash equivalent amounting to RMB126,578,000 as at the end of the reporting period.

Specifically, from Note 22 (page 96 – Cash and cash equivalents), the breakdown of the RMB127 million is shown, as follows:

22. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	92	71	3	–
Cash at bank	91,361	145,027	197	946
Fixed deposit	35,125	–	–	–
Cash and cash equivalents	126,578	145,098	200	946

Cash at bank bears weighted average effective interest rate of 0.30% (2017: 0.30%) per annum during the financial year.

The fixed deposit earned interest at 1.43% (2017: Nil) per annum have maturity of 3 months.

(Source: Company annual report)

- (i) **Would the board, especially the audit committee (AC), help shareholders understand the rationale to put more than RMB35 million into 3-months fixed deposits that earned 1.43% per annum?**
- (ii) As seen in Note 26A, the group has bank loans amounting to RMB17.8 million that costs 5.89%-6.34% in interest charges per annum. **Can management help**

shareholders understand why it could not utilise its RMB91.4 million in cash?

- (iii) In addition, there is a loan from director and shareholder of RMB4.7 million as at the end of the reporting period (page 103). The RMB1.5 million loan from a director and the RMB2.5 million loan from a shareholder are unsecured and bear interest rate of 5% per annum, repayable on demand. It was disclosed that these were drawn down to support the Singapore office operations. **Can management tell shareholders what difficulties it had in accessing and repatriating cash from the bank accounts in China to support the group's Singapore operations? Were the company to declare dividends, how would it be able to get the cash to make payment?**

3. The current board of director comprises Mr. Liang Chengwang as Executive Chairman and Chief Executive Officer, Mr. Luo Jiachang as Executive Director, Mr. Leow Yong Kin as Lead Independent Director and Ms. He Jing and Mr. Ng Poh Khoon as Independent Directors.

Other than the chairman, all the directors were appointed between February 2017 and May 2018.

In the past financial year, the past directors and their attendance at board meetings were shown on page 28 (adapted and reproduced below):

Name of Directors	Board of Directors' Meeting		Audit Committee			Nominating Committee			Remuneration Committee		
	No. held	No. attended	Membership	Meetings		Membership	Meetings		Membership	Meetings	
				No. held	No. attended		No. held	No. attended		No. held	No. attended
Past Directors											
Kuan Cheng Tuck ⁽⁴⁾	4	2	Yes (Chairman)	4	2	Yes	1	-	Yes	1	-
Chen Zhen ⁽⁵⁾	4	2	Yes	4	2	Yes	1	-	Yes	1	-
Lim Teck Chai, Danny ⁽⁶⁾	4	-	Yes	4	-	Yes	1	-	Yes (Chairman)	1	-
Huang Lu ⁽⁷⁾	4	-	No	4	-	No	1	-	No	1	-
Victor Koh Eng Kheng ^{(8) *}	4	-	Yes	4	-	Yes (Chairman)	1	-	Yes	1	-
Lee Choong Onn ⁽⁹⁾	4	2	No	4	1	No	1	-	No	1	-

(Source: Company annual report)

As disclosed in the footnote to the table, the details of the resignations of directors of the board are as follows:

- Kuan Cheng Tuck: Resigned as Lead Independent Director on 16 January 2018



- Chen Zhen: Resigned as Independent Director on 31 January 2018
- Lim Teck Chai, Danny: Resigned as Independent Director on 26 April 2017
- Huang Lu: Resigned as Non-executive Director on 5 May 2017
- Victor Koh Eng Kheng: Resigned as Independent Director on 28 July 2017
- Lee Choong Onn: Resigned as Non-executive Director on 21 February 2018

- (i) Would the nominating committee and the board help shareholders understand if there extenuating circumstances in the board or in the company that led to the high number of turnover in the company's board in the past year?**

- (ii) How does the NC and the board ensure that it selects and appoints qualified directors who are committed and able to contribute to the board effectively, especially during this challenging period for the group?**