ZIXIN GROUP HOLDINGS
紫心集团控股

(formerly known as China Star Food Group)
(Incorporated in the Republic of Singapore with Unique Entity No.: 200718683N)
Website: **www.zixingroup.com.sg**
SGX stock code: **42W**

Zixin Group posts RMB 14.2 million in net loss for FY2023 amid disruptions related to the COVID-19 pandemic

- **The Group's business operations and financial performance were adversely impacted largely due to the "zero-COVID" policy mandate implemented since early 2020, as well as the sudden shift from the policy and strict precautionary measures in December 2022**
- **With the integrated business segments in its sweet potato circular economy business operations in place, the Group is poised to ride on the recovery of the Chinese economy**

Key Financial Highlights:

FYE 31 March (RMB'000)	**2H FY2023** (unaudited)	**2H FY2022** (unaudited)	**YoY Change**	**FY2023** (unaudited)	**FY2022** (audited)	**YoY Change**
Revenue	104,841	158,147	(33.7) %	219,600	289,132	(24.0) %
Gross profit	27,039	42,278	(36.0) %	59,219	77,611	(23.7) %
Gross margin	25.8%	26.7%	(0.9) pp	27.0%	26.8%	+ 0.2 pp
(Loss) / Profit before tax	(11,300)	2,686	N.M.	(9,428)	5,911	N.M.
(Loss) / Profit after tax[1]	(14,227)	(9)	N.M.	(14,190)	3,652	N.M.

** *pp denotes percentage points; N.M. denotes not meaningful.*
Note: [1] (Loss)/Profit after tax attributable to owners of the Company

For Immediate Release

SINGAPORE, 30 May 2023 – SGX Catalist listed **Zixin Group Holdings Limited** 紫心集团控股 ("**Zixin**" or the "**Company**" and together with its subsidiaries, the "**Zixin Group**"), a leading sweet potato biotech-focused value chain operator, registered a net loss of RMB 14.2 million on the back of a 24.0% year-on-year decline in revenue of RMB 219.6 million for the financial year ended 31 March 2023 ("**FY2023**"). The Group's financial performance was predominantly affected by the impact of the COVID-19 situation in China due to the strict measures to comply "zero-COVID" policy which was implemented since early 2020, and the sudden shift away from the policy in December 2022.

(Reference: ZGHL Announcement – Profit Guidance for FY2023
https://links.sgx.com/FileOpen/ZXGHL%20Profit%20Guidance%20for%20FY2023%202023.05.19.ashx?App=Announcement&FileID=759867)

Commenting on the financial performance, Mr. Liang Chengwang (梁承旺), the Executive Chairman and Chief Executive Officer of Zixin Group said, "**While we continue to put in our best efforts to fine-tune**

our operations in the integrated businesses in the circular economy model during the COVID-19 pandemic, we have to accommodate the unforeseen circumstances such as the sudden lockdown of cities and stringent measures in compliance with the "zero-COVID" policy, as well as the massive COVID-19 infections that led to the temporary cessation of business operations following the sudden easing of the policy. The disruptions in the supply chain (raw materials and delivery) and the absenteeism of our employees dampened the supply of our fresh sweet potatoes and snack products. Hence, our revenue in the second half of FY2023 was dampened as we missed out on the potential sales for the peak season before the Chinese New Year.

Currently, all our business operations are back to normal and we believe our prior efforts in scaling up the interdependent business segments within the biotech-focused sweet potato circular economy placed us in a good position to benefit from China's determination to boost agricultural production.

We are optimistic that our operations including (i) harvesting of fresh sweet potatoes from contracted farmlands, (ii) manufacturing of snack food products, (iii) marketing and distribution activities, and (iv) the installation of equipment and the commissioning of new production facilities to recover nutrients from sweet potato peels and turn the waste materials including sweet potato skins, leaves, and stems into nutritional and safe animal base feeds should be able to execute smoothly in the financial year ending 31 March 2024."

RECENT DEVELOPMENT

In April 2023, the Group announced that its wholly-owned subsidiary Fujian Zixin Biological Potato Co., Ltd., together with its joint venture partners – CITIC Construction Co., Ltd., Huiteng Xile Tourism and Culture Co., Ltd. and Liao Ecological Technology Group Co., Ltd., had formalised their participation in the rural revitalisation project in Língāo County, Hainan Province, China with the Língāo People's Government 临高县人民政府.

(Reference: Zixin Group and JV Partners commence Revitalisation Project https://links.sgx.com/FileOpen/Zixin%20Group%20and%20JV%20Partners%20commence%20Rural%20Revitalisation%20Project%20-%2017%20April%202023.ashx?App=Announcement&FileID=754688)

Mr. Liang added, "**Amid the gradual recovery of the general business and economic activities as well as rising inflationary pressure on the costs of operations, we remain prudent on our resource management while we continue to pursue growth opportunities to improve our financial performance for the long term.**"

FINANCIAL REVIEW

The Group recorded a decline of approximately RMB 69.5 million or 24.0% in revenue from RMB 289.1 million in FY2022 to RMB 219.6 million in FY2023. The decrease in revenue was mainly due to the shortage in supply of fresh sweet potatoes and snack products to cater for the peak season before the Chinese New Year in early 2023, which could be attributed to (i) disruptions across the supply chain due to compliance with the strict "zero-COVID" policy where lockdown of cities affected logistics and business operations, and (ii) high COVID-19 infection rates after the sudden shift away from the "zero-COVID" policy that led to a temporary cessation of business operations under the Group and those of third parties including the farmers of contracted farmlands.

The Group's employees only returned to work in February 2023 after the Chinese New Year festive holidays. Consequently, the abovementioned led to lower volume and sales of fresh sweet potatoes and snack products produced and sold in FY2023.

Revenue Analysis by Products

FYE 31 March (RMB '000)	FY2023 (unaudited)	FY2022 (audited)	Variance
Sweet potato processed snack products	187,477	235,551	(20.4) %
Fresh sweet potatoes	32,123	53,581	(40.0) %
Total	**219,600**	**289,132**	**(24.0) %**

In tandem with lower revenue, gross profit decreased by approximately RMB 18.4 million or 23.7% from RMB 77.6 million in FY2022 to RMB 59.2 million in FY2023. The lack of sales resulted in a decrease in economies of scale but was mitigated by sales of higher-margin snack products, which lifted the gross profit margin slightly from 26.8% in FY2022 to 27.0% in FY2023.

Interest income increased by approximately RMB 251,000 or 36.8% from RMB 682,000 in FY2022 to RMB 933,000 in FY2023. This was mainly due to the increase in interest received from banks on the back of an increase in average cash and bank balances held by the Group in FY2023.

Other income increased from RMB 459,000 in FY2022 to RMB 632,000 in FY2023 due to royalty fees received from third parties for the use of the 'Fujian Zixin' brand, as well as income generated from the sales of excess in-house cultivated sweet potato seedlings in FY2023.

Marketing and distribution costs decreased by approximately RMB 6.5 million or 17.5% to RMB 30.8 million in FY2023, compared to RMB 37.3 million in FY2022. This was mainly due to the decrease in advertisement expenses, entertainment expenses, publicity expenses, delivery charges, and employee

benefit expenses, which were partially offset by the increase in depreciation expenses and operating expenses.

Administrative expenses increased by approximately RMB 2.2 million or 6.7% from RMB 33.5 million in FY2022 to RMB 35.7 million in FY2023, which was mainly due to an increase in audit fees, employees benefit expenses, secretarial fees, research and development expenses, and trademark fees. These expenses were partially offset by the decrease in the director's remunerations, travelling and entertainment expenses, seedlings nursery fees and other expenses.

Other losses increased by approximately RMB 1.1 million from RMB 0.5 million in FY2022 to RMB 1.6 million in FY2023, mainly due to an overall increase in loss on disposal of property, plant and equipment during the year.

Finance costs increased by approximately RMB 0.4 million or 27.6% from RMB 1.5 million in FY2022 to RMB 1.9 million in FY2023, mainly due to the increase in interest expenses on bank borrowings in the financial period under review.

The Group recorded an increase in income tax expense from RMB 2.3 million in FY2022 to approximately RMB 4.8 million in FY2023. The income tax expense for FY2023 mainly comprised current year income tax expense and deferred income tax expense, partially offset by an overprovision of prior year income tax expenses. Consequently, the Group recorded a net loss after tax of RMB 14.2 million in FY2023, a reversal from a net profit of RMB 3.7 million in FY2022.

FINANCIAL POSITION

(RMB'000)	As at 31 March 2023	As at 31 March 2022
Equity attributable to the owners of the Company ("**Net asset value**")	499,921	514,005
Cash and bank balances	205,496	197,506
Short-term bank borrowings	47,100	35,800
Net asset value per share (RMB)	0.36	0.37

Note: Net asset value per share was computed based on the share capital of 1.38 billion shares as at 31 March 2022 and 2023.

The Group's balance sheet remains strong with a net cash position of RMB 158.4 million as at 31 March 2023. As a result of the net loss attributable to shareholders of RMB 14.2 million in FY2023, net asset value decreased correspondingly from RMB 0.37 as at 31 March 2022 to RMB 0.36 as at 31 March 2023.

The Company will update shareholders on material developments of the Group, as and when they arise.

This press release is to be read in conjunction with the Company's unaudited interim financial results announcement posted on the SGX Website on 30 May 2023.

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(formerly known as China Star Food Group Limited)

(Stock code – SGX: **42W** | Bloomberg: **ZXGH SP** | Reuters: **42W.SI**)

Zixin Group Holdings Limited (formerly known as China Star Food Group Limited) ("**Zixin**" or the "**Company**" and together with its subsidiaries, the "**Zixin Group**") is a leading sweet potato biotech-focused value chain operator in China. Through its wholly-owned subsidiaries, the Group harnesses its biotechnology capabilities to strengthen and support its core business areas: (a) **cultivation and supply** – (i) research and development on sweet potato varieties to cultivate own sweet potato seedlings, (ii) sweet potato cultivation techniques and solutions to improve the quality and yield for farmlands, and (iii) fresh sweet potato supply, (b) **product innovation and food production** – food processing techniques to maximise nutrient retention in proprietary branded products, (c) **brand building, marketing and distribution** – building of proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and e-commerce) throughout China, and (d) **recovery and recycling** – recovering nutritional content from sweet potato peels, and converting waste materials such as sweet potato peels, stems and leaves into main ingredients for poultry and animal feed. The Zixin Group will continue to reinforce its circular economy business model in these four main areas to further enhance their effectiveness.

The Zixin Group aims to be a leading sweet potato focused agritech operator globally, leveraging on smart ecological agriculture, utilising biotech throughout its value chain to produce quality sweet potato seedlings, healthier snack food and functional food, as well as deploying modern marketing and distribution methods such as online and retail e-commerce sales channels to complement its traditional wholesalers and distributors, to promote its proprietary brands for better market reach.

Please visit the Company's website at www.zixingroup.com.sg for more information.

Issued for and on behalf of **Zixin Group Holdings Limited** by:

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

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

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