ZIXIN GROUP HOLDINGS
紫心集团控股

(Incorporated in the Republic of Singapore with Unique Entity No.: 200718683N)
Website: www.zixingroup.com.sg
SGX stock code: 42W

Zixin Group records RMB 117.2 million in revenue for 1H FY24

- **Business operations in China are back on track in 1H FY24 as normalcy resumed, but financial performance was undermined by higher corporate expenses**
- **Zixin Group remains optimistic on its performance for FY24 with the commencement of the pilot run of its integrated circular economy industrial value chain with the complementary industries in Liancheng County, Fujian Province as the harvest season begins from October 2023**

Key Financial Highlights:

FYE 31 March (RMB'000)	1H FY24	1H FY23	YoY Change	Audited FY23
Revenue	117,191	114,759	+ 2.1%	219,600
Gross profit	34,708	32,180	+ 7.9%	59,219
Gross margin	29.6%	28.0%	+ 1.6 pp	27.0%
(Loss)/Profit before tax	(1,687)	1,872	N.M.	(9,428)
(Loss)/Profit after tax[1]	(3,403)	37	N.M.	(14,190)
(LPS)/EPS[2] (RMB cents)	(0.25)	0.003	N.M.	(1.03)

Notes:

* 1H denotes 6 months ended 30 September and FY denotes 12 months ended 31 March; pp denotes percentage points; N.M. denotes not meaningful.

1 (Loss)/Profit after tax attributable to owners of the Company.

2 Loss per share ("**LPS**") or earnings per share ("**EPS**") were computed based on the average weighted number of shares of approximately 1.38 billion shares in 1H FY24, 1H FY23, and FY23.

For Immediate Release

SINGAPORE, 14 November 2023 – SGX Catalist listed **Zixin Group Holdings Limited** 紫心集团控股 ("**Zixin**" or the "**Company**" and together with its subsidiaries, "**Zixin Group**"), a leading sweet potato biotech-focused integrated industrial value chain operator, recorded a marginal increase in revenue to RMB 117.2 million and a net loss of RMB 3.4 million for the six months ended 30 September 2023 ("**1H FY24**"). The net loss was mainly attributable to higher operating expenses as business activities resumed normalcy post-pandemic in the financial period under review.

Commenting on the financial performance, Mr. Liang Chengwang (梁承旺), Executive Chairman and Chief Executive Officer of Zixin Group, said, "**The catch-up in business activities had been gradual post-pandemic, and the loss of harvest due to the sudden shift of zero-COVID policy in December 2022 and early 2023, also had a spillover effect, particularly in the first quarter of FY24 (April to**

June 2023). Nevertheless, our business operations in China are back on track in 1H FY24. The income tax expenses of approximately RMB 1.7 million as well as the increase in corporate expenses, however, undermined our overall financial performance.

Having been spared from the super typhoons in the past recent months, we have been working diligently in getting ourselves ready before the harvest season begins. We pushed ahead in preparation for the pilot run of our integrated circular economy industrial value chain, in tandem with our strategic third-party partners of the complementary industries comprising cold storage and waste materials recycling.

We remain optimistic on our performance for the financial year ending 31 March 2024 ("FY24") as we commence pilot run and smoothen the execution of our integrated circular economy industrial value chain with the complementary industries in Liancheng County, Fujian Province as the harvest season begins from October 2023."

RECENT DEVELOPMENTS



High-tech functional food manufacturing and R&D facilities
高科技功能食品生产和研发设施
Source: Company, end October 2023

The interior furnishings and installation of equipment and machinery for the approximately 23,000m^2 infrastructure comprising a high-tech manufacturing facility, research laboratories and office, are progressing well. The Group targets to commence pilot production of functional foods from its quality sweet potatoes, particularly purple sweet potatoes, which contain anthocyanin – a type of antioxidant that many researches suggest may reduce the risk of several chronic diseases, by the end of FY24.

Note: A functional food is similar in appearance to a conventional food that is consumed as part of a usual diet, with ingredients or compositions that are proven to confer health benefits beyond basic nutrition. Examples of such foods include yogurts containing bacterial cultures and eggs with Omega-3 fat.

As the harvesting of fresh sweet potatoes from contracted suppliers started in early October 2023, the strategic third-party smart warehouse operator has also completed the installation and commissioning

of the first phase of the controlled atmosphere cold storage for fresh sweet potatoes, and the distinctive automated sweet potato grading and sorting processing line that also measures the nutritional content of sweet potatoes by exposing them to microscopic rays of light. Similar processing lines, up to eight (8) of such lines to manage approximately 30,000 tonnes of sweet potatoes per annum, will be gradually added to this initial phase of cold storage warehousing to support the sweet potato agriculture sector in Liancheng County, Fujian Province, China.

Currently, Zixin Group is putting this smart warehouse and its sweet potato grading and sorting processing lines to the test with the ongoing harvesting of sweet potatoes in Liancheng County. Upon its assessment on the efficiency and benefits of these services at the smart warehouse, Zixin Group will be able to formalise arrangements including a long-term service agreement with the smart warehouse operator, and provide an update in due course.

Zixin Group intends to utilise these services at the smart warehouse to (i) maintain the freshness of sweet potatoes for a relatively longer time and lower the amount of spoilage, and (ii) categorise the sweet potatoes for three main channels – (a) sale of fresh sweet potatoes, (b) manufacturing of sweet potato snacks and functional food products, and (c) source of raw material (sweet potatoes that did not meet the quality standards) for the fermentation plant to produce poultry and animal base feed ingredients. This could potentially minimise wastage and risk for the agriculture sector.



The third-party operator's smart warehousing that provides (i) unique sweet potato grading and sorting production lines that also measure the content of sweet potatoes through exposure to microscopic rays of light, and (ii) controlled atmosphere cold storage to extend freshness of sweet potatoes.

第三方运营商的智能仓库提供:(i)独具特色的甘薯分级和分拣生产线，该生产线还可通过显微光线照射测量甘薯的含量；(ii) 可控气氛冷藏库可延长甘薯的保鲜期。

Source: Company, end October 2023

Interior furnishings for the recycling and fermentation of sweet potato waste materials plant and installation of equipment and machinery to turn the waste materials including spoiled sweet potatoes, peels, leaves, and stems into nutritional and safe animal base feeds, were completed at the end of October 2023 by a fermentation company, another strategic third-party operator.

Zixin Group's wholly-owned subsidiary, Fujian Zixin Fungal Biotechnology (福建紫草生物科技), will work with the fermentation company to co-manage the fermentation plant in Liancheng County. Discussion to formalise the co-management of the fermentation plant is underway, and an update will be provided in due course.

Trial production will be carried out in a bid to commence the supply of the feed ingredients to animal and poultry feed manufacturers by the end of FY24. This, subject to the agreement between Zixin Group and the operator of the fermentation company, could potentially broaden a new income stream for the Group through the supply of waste materials including spoiled sweet potatoes, sweet potato peels, stems and leaves from its contracted farmlands and those of others, as well as technical support and probiotic fermentation solutions to the third-party operator from the financial year ending 31 March 2025 ("**FY25**").



Sweet potato waste materials fermentation and recycling facilities have completed interior furnishings and installation of equipment and machinery by the strategic third-party partner. Trial production is underway.

甘薯废料发酵和回收设施已完成内部装修，并由战略第三方合作伙伴完成了设备和机械的安装。试生产正在进行中。

Source: Company, end October 2023



Different varieties of sweet potatoes
不同品种的甘薯

Dizhongbao seedlings cultivation nursery
地中宝种苗培育苗圃

Source: Company, end October 2023

The Group has also started its cultivation of different varieties of sweet potato seedlings for the next planting season commencing after the Chinese New Year holiday in 2024.

The rural revitalisation project in Língão County, Hǎinán Province, led by its joint venture partner, CITIC Construction Co., Ltd., is progressing well. The primary project involving land development for 12 administrative villages that cover 8,961.33 hectares (equivalent to approximately 89.613 km^2) will be carried out in phases. This will subsequently be followed by the establishment of secondary projects, which involve tourism and agriculture.



The ongoing primary land development of the rural revitalisation project in Língão County, Hǎinán Province, China.
中国海南省临高县乡村振兴项目正在进行的初级土地开发。

Source: Company, end October 2023

Mr. Liang adds, **"In tandem with the national agenda to ramp up agriculture industry to address food security[1][2], we believe our strategic expansions beyond Liancheng County pave the way for sustainable food security and growth for the agricultural industry for the long-term."**

Sources:

(1) https://www.spglobal.com/commodityinsights/en/market-insights/blogs/agriculture/080923-chinas-quest-for-food-security-is-bound-to-be-a-long-drawn-saga

(2) https://www.scmp.com/economy/china-economy/article/3228652/what-state-chinas-food-security-drive-and-what-must-be-done-feed-its-people

FINANCIAL REVIEW

The Group recorded a modest increase of approximately RMB 2.4 million or 2.1% in revenue from RMB 114.8 million in 1H FY23 to RMB 117.1 million in 1H FY24. This marginal growth was mainly due to the higher revenue in the second quarter of FY24 (July to September 2023), which lifted the lower revenue recorded in the first quarter of FY24 (April to June 2023). Lower revenue in the first quarter of FY24 can be attributed to the aftermath of the sudden shift of the Chinese government's 'zero-Covid' policy in December 2022 and early 2023, which resulted in mass COVID-19 infections and consequently, a lower

volume of fresh sweet potatoes harvested and sweet potato snack products produced. The gradual economic recovery resulted in higher revenue in the second quarter of FY24.

Revenue Analysis by Products

FYE 31 March (RMB '000)	1H FY24	1H FY23	Variance
Sweet potato processed snack products	98,446	97,861	+ 0.6%
Fresh sweet potatoes	18,745	16,898	+ 10.9%
Total	**117,191**	**114,759**	**+ 2.1%**

Gross profit increased by approximately RMB 2.5 million or 7.9% from RMB 32.2 million in 1H FY23 to RMB 34.7 million in 1H FY24 with higher sales from the higher-margin fresh sweet potatoes and better efficiency at its manufacturing of sweet potato snack products. Correspondingly, the gross profit margin increased from 28.0% in 1H FY23 to 29.6% in 1H FY24.

Interest income increased by approximately RMB 351,000 or 133.0% from RMB 264,000 in 1H FY23 to RMB 615,000 in 1H FY24, due to higher interest rates for the deposits with the banks.

Other income increased by approximately RMB 0.3 million or 61.4% from RMB 0.5 million in 1H FY23 to RMB 0.8 million in 1H FY24, mainly due to the sales of excess in-house cultivated sweet potato seedlings.

Marketing and distribution costs increased by approximately RMB 2.3 million or 17.2% from RMB 13.4 million in 1H FY23 to RMB 15.7 million in 1H FY24. The increase was primarily attributable to higher operating expenses, publicity expenses, and traveling expenses, which was partially offset by lower advertisement expenses and employee benefit expenses.

Administrative expenses increased by approximately RMB 3.4 million or 22.4% from RMB 15.5 million in the 1H FY23 to RMB 18.9 million in the 1H FY24. The increase was mainly due to higher provision for audit fees, as well as increases in amortisation of intangible assets, employee benefit expenses, travelling expenses, depreciation expenses, research and development expenses, and consultancy fees. These expenses were partially offset by a decrease in directors' remuneration and a reduction in seedlings nursery fees.

Other losses increased by approximately RMB 0.3 million or 18.6% from RMB 1.3 million in 1H FY23 to RMB 1.6 million in 1H FY24. This was due to a loss on disposal of property, plant, and equipment of RMB 0.8 million and a donation of RMB 0.6 million made in 1H FY24.

Finance costs increased by approximately RMB 0.2 million or 26.0% from RMB 0.9 million in 1H FY23 to RMB 1.1 million in 1H FY24. The increase was mainly due to the increase in interest rates on bank borrowings in the financial period under review.

Income tax expense was relatively stable at approximately RMB 1.7 million in 1H FY24, which was due to the under-provision of prior year income tax expenses of approximately RMB 1.1 million for Fujian Zilaohu Food Co., Ltd. and higher income tax expenses of approximately RMB 0.6 million for Fujian Zixin Biological Potato Co., Ltd. due to higher profits generated in 1H FY24.

Taking into account the aforementioned, the Group recorded a net loss after tax of RMB 3.4 million in 1H FY24, a reversal from net profit after tax of RMB 37,000 in 1H FY23.

FINANCIAL POSITION

(RMB'000)	As at 30 September 2023	As at 31 March 2023
Equity attributable to the owners of the Company ("**Net asset value**")	497,467	499,921
Cash and bank balances	149,463	205,496
Short-term bank borrowings	47,100	47,100
Net asset value per share (RMB)	0.36	0.36

Note: Net asset value per share was computed based on the share capital of 1.38 billion shares as at 30 September 2023 and 31 March 2023.

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This media release is to be read in conjunction with the Company's unaudited interim financial results announcement posted on the SGX Website on 14 November 2023.

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紫心集团控股

Zixin Group Holdings Limited 紫心集团控股

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

Zixin Group Holdings Limited (formerly known as China Star Food Group Limited) ("**Zixin**" or the "**Company**" and together with its subsidiaries, "**Zixin Group**") is a leading sweet potato biotech-focused industrial 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. Zixin Group will continue to reinforce its integrated circular economy business model in these four main areas to further enhance their effectiveness.

Zixin Group aims to be a leading sweet potato focused agritech operator globally, leveraging on smart ecological agriculture, utilising biotechnology capabilities throughout its industrial value chain to produce quality sweet potato seedlings, healthier snack food and functional food products, 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:

富登财经 FinComm
OCTAVE

Investor relations contact:

Rosalina Soh 苏沛熙
Mobile : (65) 9677 6683
Email : rosalina@octavecomms.com

*This media release has been prepared by Zixin Group Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") and reviewed by the Company's sponsor, RHB Bank Berhad, through its Singapore branch (the "**Sponsor**") in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").*

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

The contact person for the Sponsor is Mr Alvin Soh, Head, Corporate Finance, at 90 Cecil Street, #03-00 RHB Bank Building, Singapore 069531, telephone (65) 6320 0627.