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**

RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 30 JULY 2024

The Board of Directors (the "**Board**") of Zixin Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the questions raised by the shareholders and received by the Company not later than 12:00 PM on 23 July 2024, in relation to the Company's Annual General Meeting to be held on 30 July 2024. Please note that the Company has made editorial amendments to the questions for clarity, and that these editorial amendments are not intended to change the meaning of the questions raised by shareholders.

The Company's responses to the questions raised by shareholders are set out below.

1. When will the Company be able to commit to prioritising the payment of dividends to its shareholders over the grant of options under the Zixin Employee Share Option Scheme and the grant of awards under the Zixin Performance Share Plan?

The Company does not have a formal dividend policy and reviews its declaration of dividends to shareholders, taking into consideration various factors, including but not limited to the Company's projected capital expenditure, availability of cash, financial performance, growth opportunities and market outlook. In this regard, the Company will not be declaring dividends for the financial year ended on 31 March 2024 ("**FY2024**"), for the reasons as set out below.

Notwithstanding the Company having reported net profit in FY2024, the Company is still cognisant of uncertain market conditions in the People's Republic of China and the continued expansion of the Group's operational activities in the upcoming year. The Company is therefore conserving its cash resources to safeguard its ongoing operations, and to ensure that its expansion proceeds without delay. Such an approach is intended to minimise additional costs for the Group from disruption of the Group's ongoing operations and expansion.

As for the Zixin Employee Share Option Scheme ("**Zixin ESOP**") and the Zixin Performance Share Plan ("**Zixin PSP**"), the Company grants such options and awards taking into consideration the significant contributions of its employees, as well as to promote employee retention and commitment to the Company. In this regard, the Company has granted share awards under the Zixin PSP to senior management of the Company in March 2024 in view of their contributions in securing strategic infrastructure and partnerships that will further the Company's long term growth, including but not limited to the Group's high-tech manufacturing facility, research laboratories, as well as strategic collaborations with the Agricultural Genomics Institute in Shenzhen and with various county governments in the People's Republic of China.

The Company will, on an ongoing basis, assess the relevant applicable factors to determine if dividends should be declared, and whether there should be grants under the Zixin ESOP and the Zixin PSP. In particular, the Company will assess its position after the financial year ended on 31 March 2025 in relation to the possible declaration of dividends, and will update the shareholders accordingly. For the avoidance of doubt, the Company's decision to declare dividends is

independent of the Company's decision to grant options and awards under the Zixin ESOP and Zixin PSP.

2. How much of the net proceeds from the issuance of the 144,481,810 rights shares with 577,927,240 free detachable warrants have been utilised thus far?

As disclosed in the Company's Annual Report at Page 75, the utilisation of the S$2,104,000 in net proceeds (the "**Rights Net Cash Proceeds**") from the issuance of the of 144,481,810 rights shares with 577,927,240 free detachable warrants is, as of 15 July 2024, as follows:

	Amount allocated (S$'000)	Amount utilised as of 15 July 2024 (S$'000)	Balance (S$'000)
Expansion of the Group's business and operations in the People's Republic of China	1,262	-	1,262
General working capital for the Group's activities in Singapore and expansion of the Group's business and operations in Singapore [(1)]	842	317	525

Note:
[(1)] A breakdown of the amount utilised for the working capital of the Group is as follows:

	Working Capital (S$'000)
Summary of expenses	
Administrative Expenses	220
Employee Benefit Expenses (including Director's remuneration)	97
Total	317

3. Does the Company intend to undertake a rights issue in the next three (3) years?

The Company currently does not intend to undertake a rights issue in the next three (3) years.

4. Please provide an analysis of the Group's revenue for FY2024, based on the categories of products supplied by the Group. Please also elaborate on the steps being taken by the Management to pivot and provide better returns.

Please note that the Group's revenue, segregated based on revenue generated from the sale of sweet potatoes and the sale of sweet potato processed products, are as follows:

	Group	
	2024 RMB'000	2023 RMB'000
Revenue:		
Sweet potato processed products	260,348	187,477
Sweet potatoes	58,099	32,123

Please note that the above analysis was duly disclosed in the Company's Annual Report at Page 109.

To maximise shareholder value and to generate better returns:

(1) Management will continue investing in its integrated circular economy industrial value chain model for the supply, storage, processing, packing, distribution and onward sale of its products, so as to enhance its operational efficiency whilst reducing sweet potato spoilage and operational costs. Further details pertaining to the Group's integrated circular economy industrial value chain model are set out at Pages 3 - 4 of the Company's Annual Report.

(2) Management will also continue to invest in new innovation, such as the Group's high-tech manufacturing facility, and the Group's research and development project in relation to the management of agricultural waste materials. Further details pertaining to the Group investment in such new innovation are set out at Pages 3 – 4 of the Company's Annual Report.

5. Please elaborate on:

(a) whether orange or purple sweet potatoes are sold at higher prices, and which variety of sweet potatoes have higher projected demand in the market;

(b) whether orange or purple sweet potato processed products are sold at higher prices, and which variety of sweet potato processed products have higher projected demand in the market; and

(c) whether fresh sweet potatoes give a higher return than sweet potato processed products.

The prices and demand for orange sweet potatoes, purple sweet potatoes, and their respective processed products fluctuate frequently depending on various factors, including the seasons in the year, market conditions, and the quality of the sweet potatoes. There is therefore no definite trend of certain sweet potatoes or products commanding a higher price or having higher demand across the board.

However, the Company has noticed certain trends including:

(1) there being a higher demand for orange sweet potatoes in the Liancheng County;

(2) there being generally lesser fluctuations in the price of sweet potato processed products as compared to fresh sweet potatoes; and

(3) sweet potato processed products typically generating higher profit margins than fresh sweet potatoes as there is greater potential for the Group to differentiate its sweet potato processed products from its competitors, and to capitalise on the cost-savings from its integrated circular economy industrial value chain model, as compared to fresh sweet potatoes.

6. Please provide the Group's revenue and marketing expenditure for its business-to-business segment and its business-to-consumer segment.

The Group currently does not carry out an analysis of its revenue and marketing expenditure, segregated based on its business-to-business segment, and its business-to-consumer segment. The Management has taken note of the Shareholder's request and will consider if an analysis of its revenue and marketing expenditure on such basis would be meaningful.

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By Order of the Board

Liang Chengwang
Executive Chairman and Chief Executive Officer

26 July 2024

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*This announcement has been reviewed by the Company's sponsor, RHB Bank Berhad, through its Singapore branch ("**Sponsor**") in compliance with Rule 226(2)(b) of the Catalist Rules.*

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

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