



ZIXIN GROUP HOLDINGS

紫心集团控股

(formerly known as China Star Food Group Limited)



利用生物技术 释放营养价值

UNLOCKING THE VALUE OF  
NUTRITION WITH BIOTECHNOLOGY

ANNUAL REPORT 2022

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## VISION

To bring quality and nutritional value to our lives through healthier food sources.

## MISSION

To use science and technology in building a sustainable circular economy on sweet potatoes, and making a positive impact to the communities.

This annual report has been prepared by **Zixin Group Holdings Limited** (formerly known as China Star Food Group Limited) (the "**Company**") and reviewed by the Company's sponsor, **Novus Corporate Finance Pte. Ltd.** ("**Sponsor**") in compliance with Rule 226(2)(b) of the **Singapore Exchange Securities Trading Limited** ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Mr Andrew Leo, Chief Executive Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

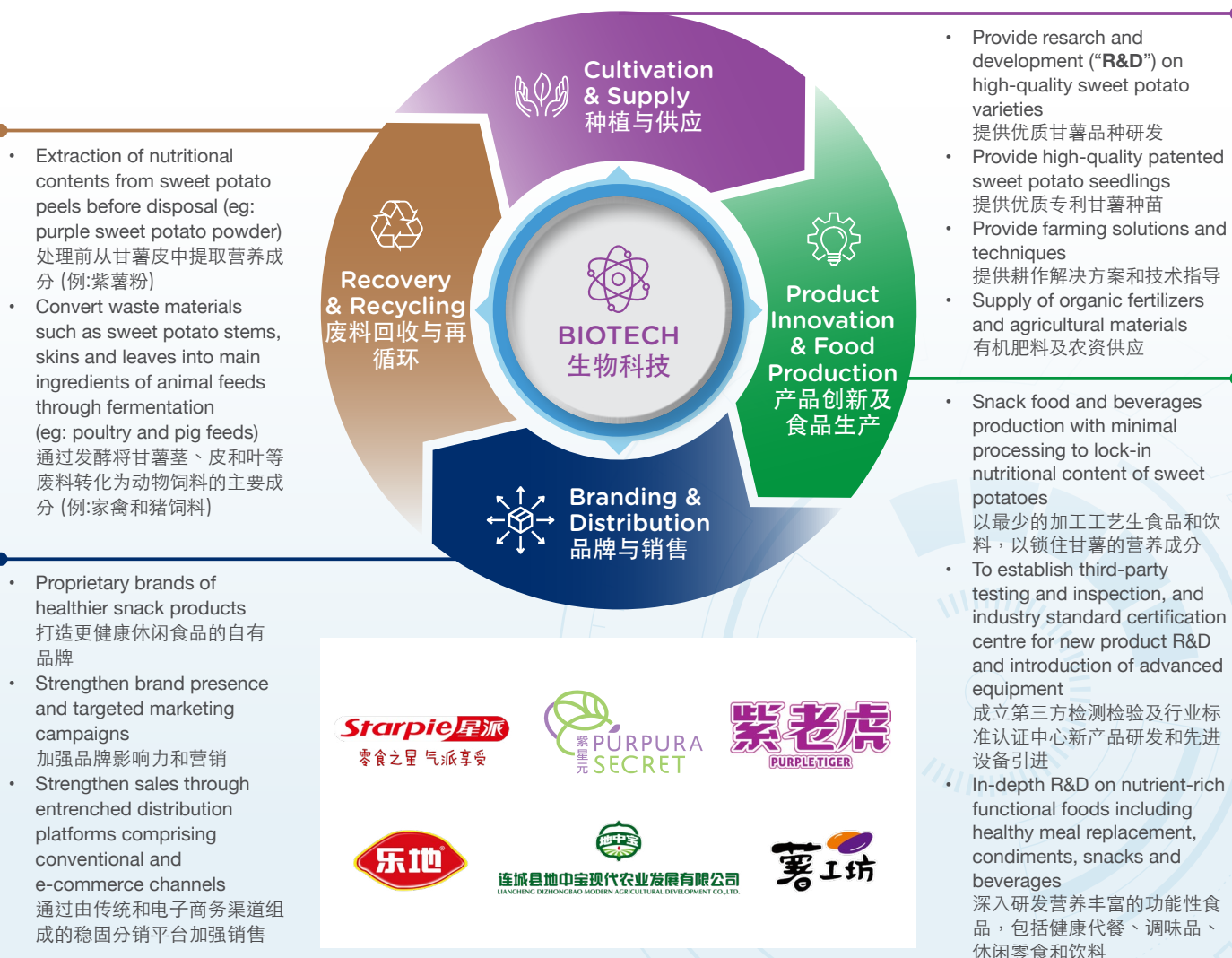
# COMPANY PROFILE

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** – recover 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 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.

## ZIXIN GROUP'S BIOTECH-FOCUSED SWEET POTATO CIRCULAR ECONOMY BUSINESS MODEL



Zixin Group will continue to reinforce its circular economy business model in these four main areas to further enhance their effectiveness.

Zixin Group Holdings Limited is listed on the Catalyst Board of the Singapore Exchange under the stock code 42W.

# CHAIRMAN'S LETTER TO SHARHOLDERS

**LIANG CHENGWANG**  
Executive Chairman &  
Chief Executive Officer



At the Zixin Group, we have built our biotech-focused integrated value chain on sweet potatoes, extending and harnessing our capabilities across interdependent business areas over the past two decades in Liancheng County, Longyan City of Fujian Province, China.

REVENUE

**RMB 289.1 million**

GROSS PROFIT

**RMB 77.6 million**

# CHAIRMAN'S LETTER TO SHAREHOLDERS



## DEAR FELLOW SHAREHOLDERS,

We have updated the name of the listed Company to align with our Group's identity and brand name in China, where we are known as "Zixin Shu Ye" 「紫心薯业」, for ease of identification and brand awareness. The listed Company has officially updated the name from "China Star Food Group Limited" to "Zixin Group Holdings Limited" ("**Zixin Group**") with effect from 9 November 2022 following the receipt of approval from the shareholders of the Company at the extraordinary general meeting held on 9 November 2022.

While China first emerged relatively unscathed from the Covid pandemic, stringent precautionary measures and travelling restrictions continued to be in place until December 2022. These measures continued to undermine the operations of supply chain logistics amidst resurgence of Covid sub-variants.

At the Zixin Group, we have built our biotech-focused integrated value chain on sweet potatoes, extending and harnessing our capabilities across interdependent business areas over the past two decades in Liancheng County, Longyan City of Fujian Province, China. The pandemic brought us unprecedented challenges and put our competence to the test, but it had also given us the opportunity to reflect and reinforce our original intention of focusing on the use of biotechnology on the sweet potato industry.

Our continuous investments in biotech R&D on (i) sweet potato varieties to cultivate our own sweet potato seedlings, (ii) sweet potato cultivation techniques and solution to improve the quality and yield for farmlands, and (iii) food processing techniques to maximise nutrient retention in our proprietary branded sweet potato products, are aimed to ensure consistent quality and quantity of fresh sweet potatoes for our downstream manufacturing and distribution businesses. Due to the nature of agriculture, our progress and results require a relatively longer time to implement, refine, and accomplish. Hence, we are very grateful for the confidence and patience from our key stakeholders – our employees, shareholders and business partners, for their understanding and support for the Group's developments.

The pandemic jostled us from the traditional distribution and sales channels, and quickened our pace to adopt e-commerce including 'livestreaming' to reach out to the younger and tech savvy consumers. Our quick adoption of e-commerce platforms which complement our entrenched traditional distribution and sales channels, enabled us to broaden our customer base. The e-commerce approach also helped to improve our brand position and market presence in the Chinese market.

However, we were behind scheduled statutory requirements on financial reporting due to the travelling restrictions in China before January 2023, resulting in the delay in completing the annual report and holding of the annual general meeting for the financial year ended 31 March 2022 ("**FY2022**").

For FY2022, the Group registered a marginal increase in revenue from RMB 285.5 million for the financial year ended 31 March 2021 ("**FY2021**") to RMB 289.1 million. This was mainly attributable to the increase in sales of higher-margin sweet potato snack products and an improvement in operational efficiency, which cushioned the lower sales in fresh sweet potatoes. Correspondingly, gross profit margin increased from 24.4% in FY2021 to 26.8% in FY2022, resulting in an increase in gross profit from RMB 69.6 million in FY2021 to RMB 77.6 million in FY2022. We were delighted to register a net profit after tax of RMB 3.7 million for FY2022, a reversal from the net loss after tax of RMB 12.7 million in FY2021.

# CHAIRMAN'S LETTER TO SHARHOLDERS



## UNLOCKING THE VALUE OF NUTRITION WITH BIOTECHNOLOGY

Despite the inconveniences that arose from the pandemic, we remain committed and motivated to unlock bountiful nutrients of sweet potatoes through biotechnology applications in our key business areas of cultivation of seedlings and supply of sweet potatoes, as well as product innovation and production. While we have an in-house R&D team, we continue to collaborate with external research institutes to keep ourselves abreast with the latest technologies and techniques.

We recorded a 2.5% year-on-year increase in sweet potato peels collected from 624.1 tonnes in FY2021 to 639.4 tonnes in FY2022. With the increase in our scale of cultivation, we are likely to experience significant increases in waste materials such as sweet potato peels, stems and leaves, for which we must allocate higher expenses for their disposal as part of environmental compliance in China. This led us to embark on recovery and recycling R&D to address the issue of rising quantity and cost of waste materials disposal.

The preliminary successes in our R&D to recover nutrients from discarded sweet potato peels, through an extraction technique to produce functional food such as purple sweet potato powder, as well as converting discarded sweet potato

peels, stems and leaves into main ingredients for poultry and animal feed, marks an important milestone for the Zixin Group as we complete the circular economy of the sweet potato integrated value chain. This spurred us to pursue expansion plans into high-tech manufacturing of functional foods and related research and testing facilities.

As announced on 2 March 2021, our Group's wholly-owned subsidiary, Fujian Zixin Biological Potato Co., Ltd. ("**Fujian Zixin**") has intentions to develop a plot of land with an area of 56,019.31m<sup>2</sup> which is located in close proximity to our existing snack food manufacturing facilities and office, to further expand our production and research capabilities. The construction of the first phase of expansion commenced in August 2021 and was initially expected to complete by end December 2022, but as the date of this annual report is still underway. The delay was due to bad weather in late 2022 as well as the increase in positive Covid cases where our construction site are located following the relaxation of precautionary measures in December 2022.

Nevertheless, we believe that our resilience and persistence of our ambitious goal in building our four main business areas across the integrated value chain towards a sustainable circular economy with biotech capabilities as our core competence, have demonstrated its workability.

# CHAIRMAN'S LETTER TO SHARHOLDERS

The pandemic has not only brought to attention the importance of maintaining overall wellness and preventive healthcare, but also the effect of supply chain disruptions, natural disasters and high commodity prices. Global food insecurity<sup>1</sup> is rising as a result of economic, environmental, and geopolitical uncertainties and these pressing issues continue to drive the revival of traditional agriculture and increasing demand for functional foods. According to Grand View Research, the global functional foods market size is expected to reach USD 586.1 billion in revenue by 2030, expanding at a compounded annual growth rate of 8.5% over the forecast period.<sup>2</sup> On 3 October 2022, we announced that our joint venture consortium with CITIC Construction Co., Ltd., Huiteng Xile Tourism and Culture Co., Ltd., and Liao Ecological Technology Group Co., Ltd, won the tender to redevelop and create an eco-friendly urban village comprising residential and public infrastructural developments, as well as to establish agricultural and tourism industries as part of the rural revitalisation project in Língāo County, Hainan province, China.<sup>3</sup>

We are heartened that the Zixin Group is well placed to benefit from these macro trends of food insecurity, increasing demand for functional foods, and waste recovery and recycling. We will continue to refine and progress in all our business areas to generate positive values for our stakeholders over the long term.

On 19 November 2021, the Zixin Group completed a S\$12.0 million placement of 500 million ordinary shares at an issue price of S\$0.024 per share with an enlarged issued share capital of approximately 1.4 billion shares. The net proceeds raised will be used to fulfil the paid-up share capital requirement of Fujian Zixin, future expansion of the Zixin Group's business in Singapore, and working capital purposes.

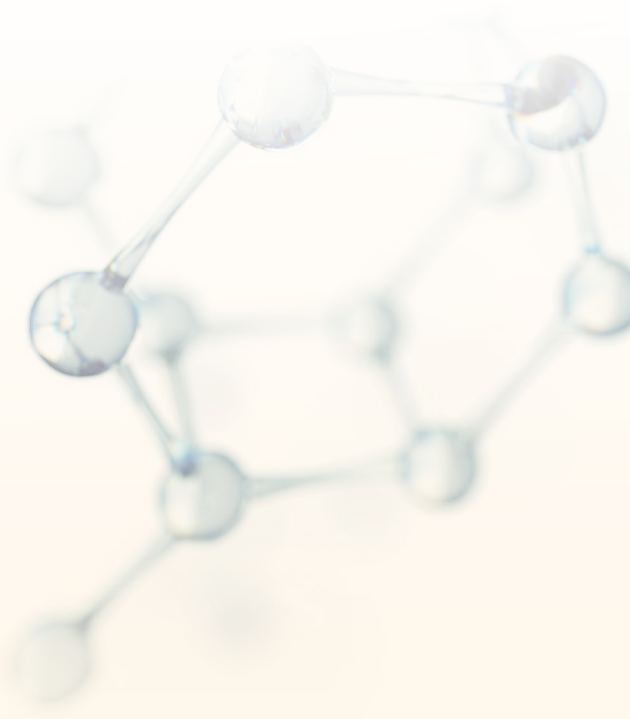
## ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Board, I would like to acknowledge and appreciate the resilience, patience, dedication, and steadfast efforts of all members of the Zixin Group, as we have managed and overcome unforeseen circumstances amidst the stringent precautionary measures that were implemented to counter transmission risk of the coronavirus in China. I am also thankful for our fellow Directors for their guidance and support.

We are appreciative of our business partners, customers, and shareholders, for your support, patience, and confidence as we steered the Zixin Group towards a sustainable circular economy of the sweet potato integrated value chain. We look forward to your continued support to grow together and enjoy the fruits of labour together.

## LIANG CHENGWANG

Executive Chairman & Chief Executive Officer



### Source:

- 1 <https://oxfordbusinessgroup.com/articles-interviews/emerging-market-trends-2022-food-security/#:~:text=Food%20security%20became%20a%20central.disasters%20and%20high%20commodity%20prices>
- 2 <https://www.grandviewresearch.com/press-release/global-functional-foods-market>
- 3 <https://links.sgx.com/FileOpen/CSFG%20Press%20Release%20-%20Participation%20in%20Rural%20Revitalisation%20Project.ashx?App=Announcement&FileID=733392>

# 主席致股东的信



## 诸位股东：

我们在2022年11月9日举行的特别股东大会上获得本公司股东批准后，把本上市公司的名称由「中国之星食品集团有限公司」China Star Food Group Limited 更新为「紫心集团控股有限公司」Zixin Group Holdings Limited。此举是为了与本集团在中国的形象和品牌形成一致的识别。我们在中国以“紫心薯业”为名，更新本上市公司的名称之后，将更具有识别凝聚力和品牌知名度。

尽管中国受新冠肺炎的影响始终不算太严重，但严谨的防疫措施和出行管控直至2022年12月才开始放宽。在亚型变异毒株出现的情况下，这些措施依旧对供应链物流造成冲击。

过去20年来，紫心集团建立了以生物科技为主的甘薯产业链，从而扩展和利用我们在中国福建省连城县各个相辅业务的实力。新冠病毒带来了前所未有的挑战，是对我们的一种考验，与此同时也令我们对甘薯业采用生物科技的原有计划作出反思和加强工作。

我们对生物科技研发活动的投资从不间断，即（一）甘薯品种研发，以培育自家的甘薯苗；（二）甘薯种植技术和方案，以提高农地素质和收成；以及（三）食品加工技术，让我们的专利品牌甘薯产品保留最高的营养成分。这些研发活动的目的是确保我们的生产和分销部门能获得稳定的高品质新鲜甘薯供应。基于农业活动的特性，我们实行和改善方针的过程需要更长的时间才能取得成果。因此，我们对员工、股东和商业伙伴等重要成员所给予的信心和耐心深表感激。我们集团得以持续发展绝对少不了他们的谅解和支持。

新冠肺炎爆发干扰了我们的传统分销和销售渠道，但也令我们加紧采取电子商务和“网络直播”的销售模式，以争取较年轻和善于使用网络科技的消费者。这些快速的应变行动对传统渠道起着辅助效益，同时为集团开拓了更广大的消费群。电子商务模式也有助于提升我们在中国市场的品牌定位和市场地位。

然而，由于中国在2023年1月之前的出行管控十分严谨，我们截至2022年3月31日的2022财政年度报告和常年股东大会都被耽搁了，所以赶不上完成财务报告的官方指定期限。

我们集团在2022财年录得2亿8,913万人民币收入，比2021财年截至2021年3月31日的财政年度）的2亿8,547万人民币稍高。收入增加主要因为毛利较高的甘薯零食的销售额上升，以及营运效率提高，这有助于缓和新鲜甘薯销售额下降带来的影响。毛利率相应地从2021财年的24.4%提高至2022财年的26.8%，毛利因此从2021财年的6,962万人民币增加至2022财年的7,761万人民币。令人感到欣慰的是，我们在2022财年转亏回盈，取得365万人民币税后净利，2021财年则录得1,268万人民币税后净亏损。



# 主席致股东的信

## 生物科技释放营养价值

虽然疫情造成诸多不便，我们力求把甘薯的丰富营养带给消费者的志向从未改变，并由甘薯苗种植与甘薯供应部门应用生物科技，以及通过产品创新及食品生产业务来达到目标。除了拥有自家的研发团队之外，我们也不断地与各个研究所进行协作，从而认识最先进的科技与技术，与时俱进。

我们在2021财年收集到624.1吨的甘薯皮，2022财年则有639.4吨，年比增加2.5%。随着种植规模扩大，预期日后的甘薯皮、茎、叶等废料将大幅度增加。按照中国环保条规处理这些废料的开支也必然会提高。我们因此展开了回收和循环方面的研究工作，以解决废料量和处理成本增加的问题。

研究工作的初步成果显示，我们能从甘薯皮提取养分来制造功能性食品如紫薯粉，也能把甘薯皮、茎、叶转化为家禽和动物饲料的主要原料。这些成果是紫心集团的一个重大里程碑，因为我们的甘薯产业链达到了循环经济模式的结构。在深受鼓舞之下，我们计划把业务拓展至功能性食品的高科技生产活动及相关研究与测试设施的建立。

我们曾在2021年3月2日公布，集团的全资子公司福建紫心生物薯业有限公司（以下简称「紫心生物」）计划发展一幅占地5万6,019.31平方米的土地。该幅土地位于我们食品制造厂房和办公楼附近，预期将用于扩充产能和研发设施。第一期的建筑工程已在2021年8月动工，原定于2022年12月底完工，但因2022年底的天气欠佳以及我们厂房一带的新冠肺炎病例增加（由于防疫措施在2022年12月放宽）而延误。

无论如何，相信我们坚韧不拔和不屈不挠的精神有目共睹，我们将把产业链上的四大业务发展成为循环经济理念下的长期营运模式，并以生物科技为核心能力。



来源：

- 1 <https://oxfordbusinessgroup.com/articles-interviews/emerging-market-trends-2022-food-security/#:~:text=Food%20security%20became%20a%20central.disasters%20and%20high%20commodity%20prices>
- 2 <https://www.grandviewresearch.com/press-release/global-functional-foods-market>
- 3 <https://links.sgx.com/FileOpen/CSFG%20Press%20Release%20-%20Participation%20in%20Rural%20Revitalisation%20Project.ashx?App=Announcement&FileID=733392>



新冠肺炎不仅仅令人意识到健康和保健的重要性，也了解到供应链受干扰、天灾和商品价格高企带来的影响。经济、环境及地缘政治前景不明朗导致全球粮食保障转弱<sup>1</sup>，这些迫在眉睫的挑战促使传统农业复兴及功能性食品需求提高。市场研究公司 Grand View Research 预期全球功能性食品市场将在2030年达到5,861亿美元的收入，即以8.5%的年复合增长率增长<sup>2</sup>。我们在2022年10月3日公布，我们与中信建设有限责任公司、内蒙古辉腾锡勒旅游文化股份有限公司、利奥生态科技集团有限公司所组成的联合集团成功标得中国海南省临高县乡村振兴计划下的一个项目，将在当地进行改造工程和发展环保型城中村，包括住宅和公共基础设施建设，同时也将引进农业及旅游业活动<sup>3</sup>。

紫心集团对粮食保障转弱、功能性食品需求提高及废料回收与循环等宏观趋势作出贡献而蓄势待发。我们的所有业务部门将继续精益求精，为各界相关人士带来长期价值。

我们集团于2021年11月19日完成以每股0.024新元配售5亿股普通股来集资1,200万新元，已发行股本继而增加至约14亿股。所得净收益将用于作为福建紫心的缴足股本、新加坡业务的扩充资本、以及集团营运资本等用途。

## 致谢

谨此代表董事会，我向集团的所有成员致以诚挚的谢意，感谢他们的耐心和毅力、贡献与努力，我们才能在严谨的中国防疫措施下克服种种困难与挑战。我也向各位董事表达谢意，感谢他们的支持和宝贵意见。

在我们踏上甘薯工业价值链永续循环经济的征途中，感谢商业伙伴、客户及股东所给予的支持、耐心和信心。我们期待您继续照亮我们的发展前景，与我们共创未来及共享硕果。

**梁承旺**

**执行董事长兼首席执行官**

# CORPORATE STRUCTURE



**ZIXIN GROUP HOLDINGS**

紫心集团控股

**100%**

**ZIXIN INTERNATIONAL PTE. LTD.**

紫心国际有限公司

**100%**

**ZIXIN ENTERPRISE  
(SINGAPORE) PTE. LTD.**

紫心企业（新加坡）有限公司

Wholesale trading and distribution  
for overseas markets



**100%**

**FUJIAN ZIXIN BIOLOGICAL  
POTATO CO., LTD.**

福建紫心生物薯业有限公司

Biotech-focused R&D across the industrial  
value chain on sweet potatoes



**100%**

**FUJIAN ZILAOHU  
FOOD CO., LTD.**

福建紫老虎食品有限公司

Manufacturing, branding,  
marketing and distribution  
of snack products.



**100%**

**FUJIAN ZIXIN FUNGAL  
BIOTECHNOLOGY CO., LTD**

福建紫草生物科技有限公司

Biotech-focused R&D  
on functional foods  
production techniques.



**100%**

**LIANCHENG DIZHONGBAO  
MODERN AGRICULTURE  
DEVELOPMENT CO., LTD.**

连城县地中宝现代农业有限公司

Seedlings cultivation, farming  
solutions and techniques, and  
sales of fresh sweet potatoes.

# BUSINESS OPERATIONS

Zixin Group Holdings Limited (formerly known as China Star Food Group) 紫心集团控股有限公司 (“**Zixin**” or the “**Company**” and together with our subsidiaries, the “**Zixin Group**”) remains committed to utilising biotech capabilities in our integrated industrial value chain on sweet potatoes, which we have extended to include waste recovery and recycling to complete the circular economy.

The increasing awareness of food safety and food security continues to motivate us to harness our strengths through biotech capabilities to enhance the nutritional value of sweet potatoes and its by-products as functional foods for consumption by people, as well as main ingredients of feed for poultry and farm animals. Our business activities can be broadly classified into four business areas: (i) **cultivation and supply** – sweet potato seedlings cultivation base and fresh sweet potatoes supply (优质薯苗研发与栽培基地以提高收成率和供应), (ii) **product innovation and production** – sweet potato product innovation and production techniques to minimise food processing and maximise natural nutrients preservation for high-quality products (采用技术开发与提升薯类营养的优良食品，扩大食品种类), (iii) **brand building, marketing and distribution** – the building of brand awareness and market positioning of our quality products with targeted marketing campaigns and various distribution platforms and channels (traditional and e-commerce) throughout China (通过传统和电子商务平台培养为自主优质食品和品牌增强认知和需求), and (iv) **recovery and recycling** – recover nutritional contents from sweet potato peels, and converting waste materials such as sweet potato peels, stems and leaves into base feed for poultry and farm animals (废料处理以及废料再循环成基础饲料).



# BUSINESS OPERATIONS

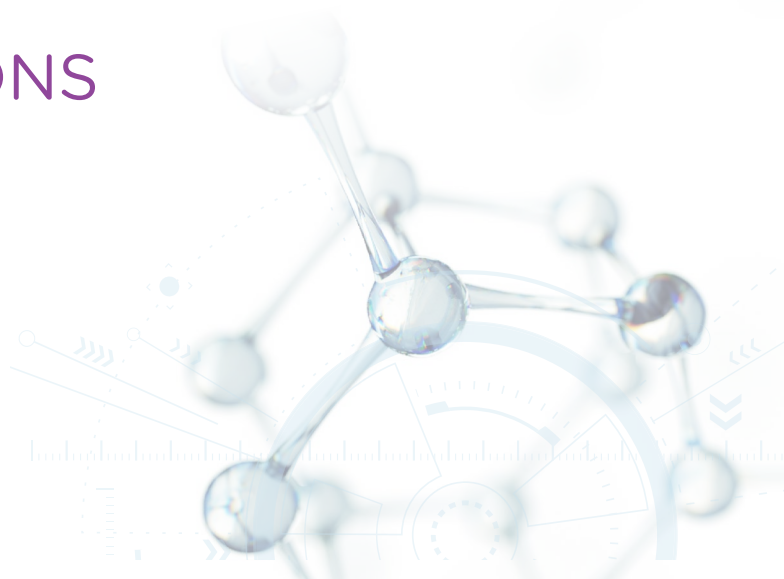
## I. CULTIVATION AND SUPPLY

Zixin Group's wholly-owned subsidiary, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd 连城县地中宝现代农业有限公司 (“**Dizhongbao**”) focuses on (i) research and development of new sweet potato varieties, (ii) seedlings cultivation, (iii) farming solutions and techniques which are also beneficial to third party farmers through the provision of cultivation technical support and supply of dedicated agricultural materials, and (iv) sales of fresh orange and purple sweet potatoes from our contracted farmlands.

Currently, Dizhongbao has a dedicated area of 300mu (approximately 200,001m<sup>2</sup>) for seedlings cultivation, to satisfy the Group's contracted farmland of 8,268.6mu (approximately 5,512,427.6m<sup>2</sup>) through the Liancheng County Cooperative, to grow and produce our patented varieties of orange and purple sweet potatoes.

Our fundamental objective in cultivating sweet potato seedlings and developing in-house cultivation solutions is aimed at ensuring food safety and a consistent supply of high-quality sweet potatoes with improved harvest yields to support Zixin Group's manufacturing operations for our range of proprietary products.

Our suite of cultivation solutions including soil improvement, fertilizers, and seedlings are also marketed and sold to assist other independent farmers to increase their crop yields and produce high-quality fresh orange and purple sweet potatoes.



## II. PRODUCT INNOVATION AND PRODUCTION

The Zixin Group's wholly-owned subsidiary, Fujian Zilaohu Food Co., Ltd. 福建紫老虎食品有限公司 (“**Zilaohu**”) focuses on continuous innovation and production techniques of our mainstay sweet potato snack products, to keep abreast of consumers' preferences and production efficiency.

Zilaohu operates a comprehensive suite of functions within the manufacturing facility comprising one level each for a testing centre, a packaging assembly department, and a warehouse for finished goods, as well as three levels for snacks production. The total installed annual production capacity of the Zixin Group is approximately 13,440 tonnes of snack products.

We took the opportunity to upgrade some of the production lines to improve production efficiency as lockdown measures across cities in China prior to December 2022 impeded our distribution and sales and disruptions in logistics were common.

The first phase of the high-tech manufacturing facility to produce functional food with an installed annual production capacity of 35,000 tonnes as announced in March and August 2021, is underway. Construction of the infrastructure which was initially expected to be completed by end-December 2022, will instead be completed by March 2023. The delay was due to bad weather as well as a sudden spike in positive Covid-19 cases following the relaxation of precautionary measures in late December 2022. The installation of machinery and equipment is scheduled to commence in April 2023, after which trial production will be carried out.

We continue to keep ourselves abreast with consumer preferences and snack food trends in China and overseas, and invest in research and development on higher nutritional value products to broaden our product range that could potentially generate revenue for the Zixin Group.

# BUSINESS OPERATIONS



## III. BRAND BUILDING, MARKETING AND DISTRIBUTION

As part of the Zixin Group's streamlining effort, business activities in Zilaohu are expanded to include brand building, marketing and distribution. We believe this integration allows product innovation and production to be aligned with evolving consumer preferences and snack food trends.

The adoption of e-commerce, online sales platforms and video marketing strategies such as "live-streaming", which complement our entrenched distribution network and channels and offer alternative options to distributors and consumers, also allow us to engage with our consumers through more targeted marketing campaigns and distribution channels. We remain committed to expanding our distribution network, to bring our established range of patented fresh sweet potato varieties, and high nutritional quality snack products to more consumers in China and overseas.

## IV. RECOVERY AND RECYCLING

As announced on 19 January 2023, we have updated the name of our indirectly wholly-owned subsidiary Fujian Xingpai Preferred E-Commerce Co., Ltd. 福建星派优选电子商务有限公司 (formerly known as Fujian Xingpai Food Co., Ltd. 福建星派食品有限公司) to Fujian Zixin Fungal Biotechnology Co., Ltd. 福建紫草生物科技有限公司 ("Zixin Fungal Biotech") with effect from 17 January 2023.

We intend to drive our biotech R&D capabilities through Zixin Fungal Biotech.

Through collaborations with external biotech research institutes, we have been striving to address the potential uses of waste materials including sweet potato peels, stems, and leaves that contain nutrients.

As an integrated sweet potato value chain operator, increases in productivity has resulted in a substantial increase in effort to dispose of resulting waste materials. Hence, we persevered in recovery and recycling efforts for potential longer-term benefits.

During FY2022, we completed our research and development ("R&D") in producing purple sweet potato powder from purple sweet potatoes peels through an advanced extraction technique, retaining its nutrients with minimal processing. We will continue to refine our extraction techniques, subsequently scaling up the production volume when the high-tech manufacturing facility is ready.

In addition, we have also succeeded in converting the waste materials from sweet potato peels, stems and leaves through a fermentation process, using probiotics, into nutritional and safe ingredients for poultry and farm animal feeds. We have been carrying out feed trials with poultry and pig farm owners who have been facing challenges on the rising cost of key ingredients in animal feeds due to disruptions that arose from the Covid-19 pandemic.

# FINANCIAL HIGHLIGHTS

For the financial year ended 31 March	2022	2021	2020	2019	2018
<b>Income Statement (RMB'000)</b>					
Revenue	289,132	285,474	323,141	357,001	357,001
Gross profit	77,611	69,616	70,159	102,300	102,300
Profit / (Loss) before tax	5,911	(13,002)	(10,590)	39,638	39,638
Net profit / (loss) after tax	3,652	(12,676)	(6,467)	23,675	23,675
<b>Balance Sheet (RMB'000)</b>					
Shareholders' equity	514,005	453,915	436,013	420,234	379,050
Total assets	568,628	515,726	473,148	468,968	449,579
Net asset value	514,005	453,915	436,013	420,234	379,050
Net tangible asset value	476,937	416,628	396,630	379,434	339,056
<b>Per Share (RMB Cents)</b>					
Basic earnings <sup>(1)</sup>	0.34	(1.98)	(1.17)	8.00	4.86
Net asset value <sup>(2)</sup>	37.14	51.36	73.43	141.54	147.54
Net tangible asset value <sup>(2)</sup>	34.47	47.14	66.79	127.79	131.98
<b>Financial Ratios</b>					
Return on equity <sup>(3)</sup>	0.75%	-2.63%	-1.60%	6.00%	3.35%
Return on assets <sup>(4)</sup>	0.67%	-2.36%	-1.45%	5.22%	2.94%
Net gearing ratio <sup>(5)</sup>	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

## Notes:

- (1) Basic earnings per share was computed based on the weighted average number of approximately 1.1 billion shares for FY2022, 640.7 million shares for FY2021, 551.6 million shares for FY2020, 296.9 million shares for FY2019, and 256.9 million shares for FY2018.
- (2) Net asset value per share and net tangible asset per share were computed based on the number of approximately 1.4 billion shares for FY2022, 883.8 million shares for FY2021, 593.8 million shares for FY2020, 296.9 million shares for FY2019, and 256.9 million shares for FY2018.
- (3) Return on equity was computed based on net profit attributable to owners of the Company as a percentage of average shareholders' equity.
- (4) Return on assets was computed based on net profit attributable to owners of the Company as a percentage of average total assets.
- (5) Net gearing ratio was computed based on total bank borrowings less cash as a percentage of shareholders' equity.

# PERFORMANCE REVIEW

**Zixin Group Holdings Limited** (formerly known as China Star Food Group Limited) (“Zixin” or the “Company” and together with its subsidiaries, the “Zixin Group”) registered a net profit after tax of RMB 3.7 million for the financial year ended 31 March 2022 (“FY2022”), a reversal from a net loss after tax of RMB 12.7 million for the financial year ended 31 March 2021 (“FY2021”). This was notwithstanding the gradual recovery of economic activities following the prolonged impact of the Covid-19 pandemic since February 2020, which was subsequently disrupted by the emergence of new Covid-19 variants in China in February 2022. This resulted in a slight improvement of 1.3% year-on-year in the Group’s revenue from RMB 285.5 million in FY2021 to RMB 289.1 million in FY2022 as the decline in sales of fresh sweet potatoes was buffered by the increase in sales of sweet potato snack products.

## REVENUE ANALYSIS BY PRODUCTS

FYE 31 March  
(RMB'000)

	FY2022	FY2021	Variance
Sweet potato processed snack products	235,551	216,797	+ 8.7%
Fresh sweet potatoes	53,581	68,677	(22.0%)
<b>Total</b>	<b>289,132</b>	<b>285,474</b>	<b>+ 1.3%</b>

The higher sales of higher-margin snack product categories and improvement in the efficiency of operating cost of sales of sweet potato snack products led to the increase in gross profit by 11.5%, from RMB 69.6 million in FY2021 to RMB 77.6 million in FY2022. Correspondingly, the gross profit margin increased from 24.4% in FY2021 to 26.8% in FY2022.

Interest income increased 63.2% from RMB 0.4 million in FY2021 to RMB 0.7 million in FY2022. This was mainly due to the increase in interest received on the back of an increase in average cash and bank balances in FY2022.

Other income decreased from RMB 0.7 million in FY2021 to RMB 0.5 million in FY2022 due to the absence of rental income for the factory premise that was disposed of in late FY2021.



Marketing and distribution costs increased by 2.0% from RMB 36.6 million in FY2021 to RMB 37.3 million in FY2022. The increase was mainly due to the increase in advertisement expenses, delivery charges, operating expenses, and employee benefit expenses relating to marketing and distribution functions, which was partially offset by the decrease in publicity expenses.

Administrative expenses decreased by 24.9% from RMB 44.6 million in FY2021 to RMB 33.5 million in FY2022. The decrease was mainly due to lower audit fees arising from overprovision in the previous year, depreciation expenses, R&D expenses, and other expenses, which were partially offset against the increase in director’s remuneration, consultant fee, nursery fee, and employee benefit expenses.

Other losses decreased by 52.1% from RMB 1.1 million in FY2021 to RMB 0.5 million in FY2022, mainly due to the loss on disposal of property, plant, and equipment in the year under review. Finance costs increased by 2.5% to RMB 1.5 million in FY2022 due to higher interest charged by the bank for borrowings undertaken in the year under review.

Taking into account the income tax expense of RMB 2.3 million in FY2022, the Zixin Group registered a net profit of RMB 3.7 million in FY2022, a reversal from a net loss of RMB 12.7 million in FY2021.

# PERFORMANCE REVIEW



## FINANCIAL POSITION ANALYSIS

As at 31 Mar (RMB 'million)	FY2022	FY2021	Variance
Non-current Assets	257.7	207.5	+ 24.2%
Current Assets	311.0	308.2	+ 0.9%
Non-current Liabilities	–	0.2	N.A.
Current Liabilities	54.6	61.6	- 11.4%
Working Capital	256.4	246.2	+ 4.1%
Total Equity	514.0	453.9	+ 13.2%
Net Asset Value Per Share <sup>1</sup> (RMB)	0.37	0.51	- 27.7%

### Note:

1 For illustrative purpose, net asset value per share were computed based on the share capital of 1,383.8 million shares for FY2022 and 883.8 million shares for FY2021.

The Zixin Group's balance sheet was strengthened in FY2022 with the completion of the issuance of 500 million new shares that raised proceeds of approximately S\$12.0 million (equivalent to approximately RMB 60.0 million) in February 2021. The share placement led to an increase in the share capital from 883.8 million shares in FY2021 to approximately 1.4 billion shares in FY2022. As at 31 March 2022, the Group reported a marginal 4.1% increase in working capital from RMB 246.2 million in FY2021 to RMB 256.4 million in FY2022. Based on the enlarged share capital of approximately 1.4 billion shares, the net asset value per share was diluted to RMB 0.37 (equivalent to approximately 7.2 Singapore cents) as at 31 March 2022.

Non-current assets increased by 24.2% year-on-year from RMB 207.5 million as at 31 March 2021 to RMB 257.7 million as at 31 March 2022. This was mainly due to (i) an increase in other assets arising from additional advance payment to suppliers of RMB 51.5 million, whereby the delivered supplies of fresh sweet potatoes will be recognised and offset against the payments over the contractual period for the farmland, (ii) net additions of plant, property and equipment ("PPE") of RMB 1.0 million, and was partially offset by (iii) the decrease in deferred tax assets of RMB 2.1 million due to the underestimation of unutilised losses of a subsidiary, and (iv) the decrease in intangible assets of RMB 0.2 million, which was net of amortisation expense and purchase of a manufacturing patent of RMB 1.2 million.

Current assets increased marginally by 0.9% year-on-year from RMB 308.2 million as at 31 March 2021 to RMB 311.0 million as at 31 March 2022. This was mainly attributable to:

- (i) the increase in other assets of 13.7% to RMB 69.8 million as at 31 March 2022, was due to the increase in advance payment to the construction company for phase 1 of the new high-tech manufacturing facility, and the increase in advance payments made by the Group for the delivery of fresh sweet potato supplies from the contracted suppliers.
- (ii) the increase in cash and bank balances of 0.6% to RMB 197.5 million, arose from (a) payments received from trade and receivables and utilised for payments to contracted suppliers, (b) proceeds from the issuance of new shares completed in November 2021, and (c) net proceeds from new bank loans.

These were offset by:

- (iv) the decrease in inventories of 29.8% to RMB 2.4 million as at 31 March 2022, resulting from higher inventory turnover with the increase in revenue and sales in FY2022; and
- (v) the decrease in trade and other receivables of 12.4% to RMB 41.2 million as at 31 March 2022, due to the increase in the collection of debts in FY2022.

The lease liability is the only non-current liability, which is relatively flat at RMB 0.2 million as at 31 March 2022, as compared to the previous corresponding period.





# PERFORMANCE REVIEW



## CASH FLOW ANALYSIS

As at 31 Mar (RMB 'million)	FY2022	FY2021	Variance
Net Cash (used in) / generated from Operating Activities	(37.0)	89.9	N.M.
Net Cash (used in) Investing Activities	(19.3)	(0.5)	> 100.0%
Net Cash generated from Financing Activities	57.4	35.9	+ 59.9%
Net Cash and Cash Equivalents	197.5	196.4	+ 0.6%

The Group is in a net cash position of RMB 161.5 million (equivalent to approximately S\$31.7 million) as at 31 March 2022. The net increase in cash and cash equivalents in the year under review was mainly due to:

- Net cash used in operating activities of RMB 37.0 million, comprising positive operating cash flow before changes in working capital of RMB 25.3 million, which was adjusted by the net working capital outflow of RMB 62.3 million mainly stemmed from the advance payments of RMB 107.1 million for supplies of sweet potatoes;
- Net cash outflow of RMB 19.3 million used in investing activities was due to (i) the commencement of construction and development of a plot of land owned by a wholly-owned subsidiary, Fujian Zixin Biological Potato Co., Ltd, and (ii) the purchase of a manufacturing patent and other additions of PPE; and
- Net cash inflow amounting to RMB 57.4 million from financing activities was mainly due to the proceeds from short-term borrowings and issuance of new shares in relation to the share placement completed in November 2021. The increase was partially offset by the repayment of bank loans.

The Zixin Group recorded a decrease of 11.7% in current liabilities to RMB 54.5 million as at 31 March 2022, down from RMB 61.6 million as at 31 March 2021. Current liabilities decreased as a result of

- the increase in other financial liabilities of 7.5% to RMB 35.8 million, due to an increase in short-term borrowings; and
- the increase in income tax payable to RMB 129,000 as at 31 March 2022,

which were offset by:

- the decrease in trade and other payables of 34.1% to RMB 18.5 million, due to the increase in settlement of trade payables to suppliers; and
- the absence in lease liability which was RMB 0.2 million as at 31 March 2021.

The Zixin Group's shareholders' equity, comprising share capital, reserves and retained earnings, increased by 13.2% to RMB 514.0 million (equivalent to approximately S\$100.8 million) as at 31 March 2022.

# BOARD OF DIRECTORS

## **MR. LIANG CHENGWANG** **Executive Chairman and CEO**

**Date of first appointment as a director:**  
22 September 2015

**Date of last re-appointment as a director:**  
31 August 2021

**Present Directorships:**  
*Other Listed Companies – Nil*

*Other Principal Commitments – Nil*

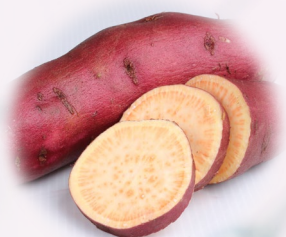
**Past Directorships in listed companies held over the preceding three years:**  
Nil

Mr. Liang Chengwang is the Executive Chairman and CEO of the Company. He was appointed to the Board on 22 September 2015 and last re-elected on 31 August 2021.

Mr. Liang is primarily responsible for the oversight and management of the Group's businesses and corporate developments, as well as formulating the overall business and corporate strategies for the Group. He also supervises major financing plans and the appointment of key executives.

He is the co-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.

Mr. Liang completed his education with the Open University of Fujian in 1998 with a Bachelor in Accounting and Finance and attended the Peking University Strategic Private Equity Investment and Capital Operation Seminar for Chairmen at the Peking University School of Electronics Engineering and Computer Science, Executive Education Center in December 2014.



# BOARD OF DIRECTORS

## MS. DUANMU XIAOYI

### Executive Director

**Date of first appointment as a director:**

8 August 2019

**Date of last re-appointment as a director:**

29 September 2020

**Present Directorships:**

*Other Listed Companies* – Nil

**Other Principal Commitments**

- Chairman of Zihope Communication Technology (Guangzhou) Co., Ltd.
- Vice-Chairman of Beijing Yongte Investment Co., Ltd.

**Past Directorships in listed companies held over the preceding three years:**

Nil

Ms. Duanmu Xiaoyi is the Executive Director of the Company. She was appointed to the Board on 8 August 2019 and was last re-elected on 29 September 2020.

Ms. Duanmu is primarily responsible for overseeing the general operations and head office administrative support of the Company. She is also responsible for researching and identifying business opportunities, as well as potential and key stakeholders' outreach.

Graduated from PLA Information Engineering University with a Bachelor Degree of Management, Ms. Duanmu started her career in Beijing Yongte Investment Co., Ltd. in 2012 and took on the role of the Chairman in Zihope Communication Technology (Guangzhou) Co., Ltd. from 2018.

## MR. NG POH KHOON

### Non-Executive and Lead Independent Director

**Date of first appointment as a director:**

31 May 2018

**Date of last re-appointment as a director:**

29 September 2020

**Present Directorships:**

*Other Listed Companies*

- Regal International Group Ltd.

**Other Principal Commitments** – Nil**Past Directorships in listed companies held over the preceding three years:**

- Star Pharmaceutical Limited
- Green Build Technology Limited
- Nutryfarm International Limited

Mr. Ng Poh Khoo is the Non-Executive and Lead Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He was appointed to the Board on 31 May 2018 and was last re-elected on 29 September 2020.

Mr. Ng is currently a Director of Nexusininvest Pte Ltd, a company in aquacultural industry.

He has over 20 years of experience in auditing, financial management, sales & business development, investor relations, fund raising and M&A activities. Mr. Ng is currently also an Independent Director and the Chairman of the Audit Committee of Regal International Group.

Mr. Ng is a member of Singapore Institute of Directors and associate member of the Institute of Singapore Chartered Accountants and International Compliance Association.

# BOARD OF DIRECTORS

## MR. XUE CONGYAN

Non-Executive and Independent Director

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### Date of first appointment as a director:

8 August 2019

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### Date of last re-appointment as a director:

31 August 2021

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### Present Directorships:

*Other Listed Companies* – Nil

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### *Other Principal Commitments*

- Co-Founder of Mundial Financial Group, LLC
- Founder of Beijing Gloryhope Capital (Limited Partnership)
- Managing Director of Go & Company (HK) Limited

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### Past Directorships in listed companies held over the preceding three years:

Northern Minerals Limited

Mr. Xue Congyan is the Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He was appointed to the Board on 8 August 2019 and was last re-elected on 31 August 2021.

Mr. Xue has over 16 years of extensive experience in international mergers and acquisitions and corporate finance, having worked in professional capital markets firms including Beijing Chum Investment Corporation and Chardan Capital Markets LLC. He is currently the Managing Director in Go & Company (HK) Limited which he cofounded in April 2012, and has since been providing consultancy work on advising on all aspects of corporate advisory including fundraising, public listings, M&A, and investment management.

Mr. Xue graduated with a Bachelor of Science in Computer Science from Angeles University of the Philippines in 2000, a Master of Science in International Finance (with Merit) from University of Leeds, United Kingdom in 2003, and a Master of Science in Global Finance from HKUST & NYU STERN in 2013.

## MR. LAWRENCE CHEN TSE CHAU (CHEN SHICHAO)

Non-Executive and Independent Director

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### Date of first appointment as a director:

26 October 2020

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### Date of last re-appointment as a director:

31 August 2021

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### Present Directorship:

*Other listed companies*

- Sevens Atelier Limited

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### *Other principal commitments*

- Partner under Section 18A(3)(e) of the Accountants Act with Prime Accountants LLP

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### Past Directorships in listed companies held over the preceding three years:

Pan Asian Holdings Limited

Mr. Lawrence Chen Tse Chau (Chen Shichao) is the Independent Director of the Company, Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He was appointed to the Board on 26 October 2020 and was last re-elected on 31 August 2021.

Mr. Chen has extensive experience in providing assurance and advisory services to a broad range of clients including traditional trading to digital marketing, crypto currency, Registered Fund Management Company (RFMC), hedge funds. Past and present clients include Singapore Stock Exchange (SGX), New York Stock Exchange (NYSE) and Shanghai Stock Exchange (SSE) listed companies, multinational corporations in Singapore, Malaysia and China. He has also successfully team lead and assisted clients as reporting accountant in Initial Public Offering (IPO) and Reverse Take Over (RTO) on SGX.

Mr. Chen graduated with a Bachelor of Science in Applied Accounting from Oxford Brookes University in 2008, and he is also a Chartered Accountant of Singapore, a fellowship member of Association of Chartered Certified Accountants and a member of the Singapore Institute of Directors (SID).

# KEY MANAGEMENT

## MR. YI MING Chief Financial Officer

Mr. Yi Ming joined the Company as the Chief Financial Officer on 3 January 2019.

Mr. Yi is responsible for overseeing the Group's accounting and finance functions, including financial reporting, management of the finance team, and reviewing internal controls. He is also responsible in ensuring that the Group is in compliance with the listing and regulatory requirements.

Mr. Yi brought with him more than 17 years of working experience to the Group. He started his career as a Tax Consultant with Liao Ning Jie Xin Certified Accountants Co. Ltd. in 2001, and had accumulated work experience as an Accountant & Supervisor with N. G. Australia Pty. Ltd. and as a Senior Accountant with Ernst & Young, before he was appointed as the Chief Financial Officer in Wave Sync Corp and SSLJ.Com Ltd.

Mr. Yi holds a Bachelors of Science in Accountancy from the School of Business Administration of Liaoning University, and a Master of Science in Accounting and Finance from Victory University in Australia. He is also a Certified Public Accountant in Australia.

## MR. JEE MENG KWANG Group Financial Controller

Mr. Jee is the Group's Financial Controller. He is responsible for the day-to-day operations at the corporate office and is involved in the overall accounting and management reporting of the Group.

Mr. Jee is also involved in internal discussions with the senior management on the Group's business strategies and corporate governance, as well as internal and external audit matters.

Mr. Jee joined the Group in July 2019 as the Group Finance Manager and was promoted to Group Financial Controller on 1 September 2020. Prior to joining the Group, Mr. Jee was the Group Accountant of ecoWise Group of Companies, and had held several positions in various audit firms.

Mr. Jee holds a Bachelor of Accountancy (Hons) from the Universiti Utara Malaysia, and a Matriculation Certificate (Accounting) with first class honours from the College Matriculation of Perlis.



# SUSTAINABILITY REPORT

## BOARD STATEMENT

The Board of Directors (the “**Board**”) of **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 pleased to present our annual sustainability report for the financial year ended 31 March 2022 (“**FY2022**”).

In FY2022, the resurgence of new Covid-19 variants globally heightened safe management measures in China with stringent quarantine orders and contact tracing, slowed down the Zixin Group’s business operations and performance. We continued to practise all recommendations set out by the health ministry to safeguard the health and safety of our prioritised stakeholders, particularly our employees, customers/distributors, and suppliers.

With our operations primarily based in Liancheng County, Fujian Province, China, we also took opportunity to review and finetune the interdependent business areas, particularly our cultivation and supply, innovation and production, and recovery and recycling business areas, making progress through biotech applications. While we have completed our circular economy business model on sweet potatoes, we are motivated to share our knowledge and solutions to create greater benefits for local communities in relatively less urbanised areas in China.

The Board and the management of the Zixin Group are mindful of the evolving business environment, and oversee the management and monitoring of the economic, environmental, social and governance (“**EESG**”) factors, taking them into consideration in the determination of our strategic direction and the relevance of our corporate policies.

The Board maintains oversight over the Sustainability Committee which comprises key management within the Zixin Group, and monitors the sustainability practices with the Sustainability Committee. We look into improving on our disclosures as well as progressively updating our targets that are material to the sustainability of our business operations.

This sustainability report highlights on our EESG performance in FY2022, where our focus will be on the Zixin Group’s operations in China and Singapore. As our Singapore operations is primarily involved in corporate reporting of the listed company, the performance data from our Singapore operations has not been included as part of this report.

This sustainability report is prepared with reference to the Global Reporting Initiative (“**GRI**”) Standards and in compliance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”). We have chosen the GRI framework as it is a well-known and globally-recognised sustainability reporting standard.

No external assurance was sought for this report. We welcome stakeholders to provide us with feedback and suggestions with regards to our sustainability practices and reporting. You may contact us at [info@zixinshuye.com](mailto:info@zixinshuye.com).

**Liang Chengwang** 梁承旺  
**Executive Chairman & Chief Executive Officer**

# SUSTAINABILITY REPORT

## SUSTAINABILITY GOVERNANCE

At the Zixin Group, our sustainability focus is on managing the EESG impact as well as risks and opportunities throughout our integrated agritech value chain, generating stable and sustainable growth for our prioritised stakeholders: employees, business partners, local communities, and customers for the long term. We believe that our organisational ethics align with the interests of our internal and external stakeholders, allowing us to work together towards our defined goals.

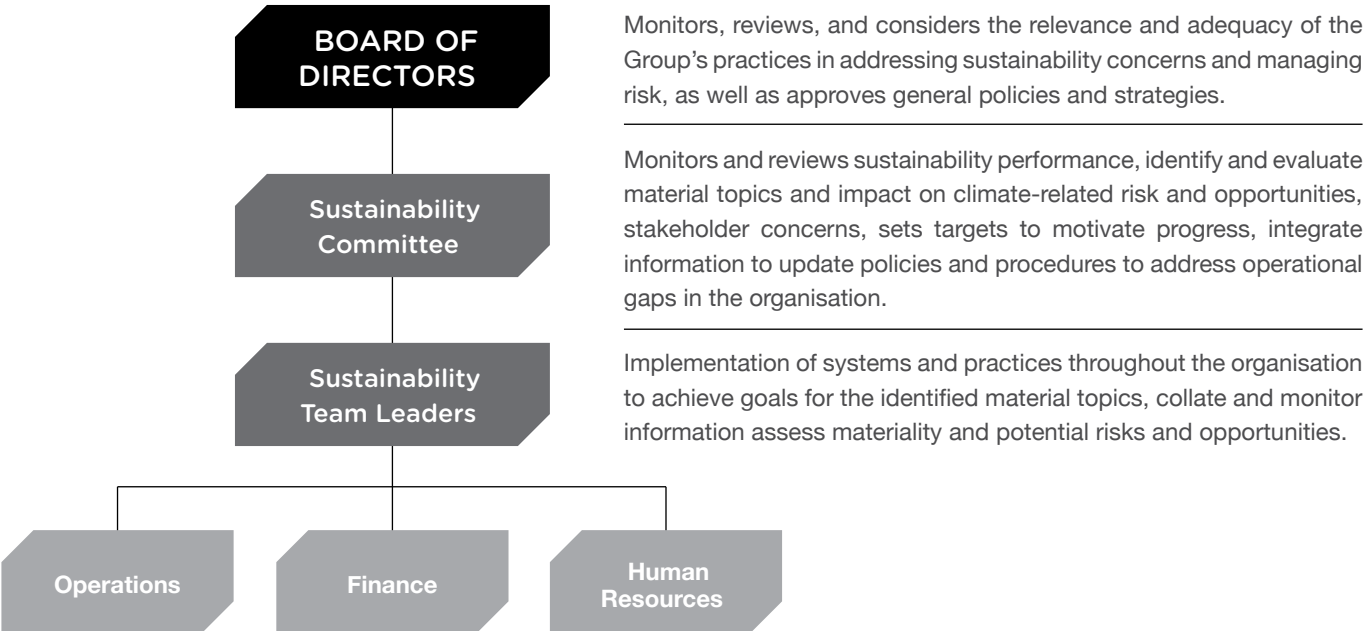
### Sustainability Approach



We have in place our Sustainability Committee, comprising key management executives including the Chief Financial Officer and the Corporate Social Responsibility Coordinator, who in turn, are supported by representatives from various business areas in the Zixin Group. The Sustainability Committee reports to the Board during board meetings, where the Board and management will review and consider the sustainability issues, as well as deliberate on the possible solutions that could be adopted into our day-to-day operations.

The Sustainability Committee is responsible for reviewing the Zixin Group’s sustainability performance, material topics, stakeholder concerns, setting of targets and goals for material topics, and establishing systems to collect, verify, and monitor and information required for the preparation of sustainability reports. The Sustainability Committee meets at least once a year to discuss, propose, coordinate, and monitor the Zixin Group’s sustainability practices.

The Board monitors, reviews, and considers the relevance and adequacy of the Zixin Group’s practices in addressing sustainability concerns and managing risks, as well as approves general policies and strategies.



Monitors, reviews, and considers the relevance and adequacy of the Group’s practices in addressing sustainability concerns and managing risk, as well as approves general policies and strategies.

Monitors and reviews sustainability performance, identify and evaluate material topics and impact on climate-related risk and opportunities, stakeholder concerns, sets targets to motivate progress, integrate information to update policies and procedures to address operational gaps in the organisation.

Implementation of systems and practices throughout the organisation to achieve goals for the identified material topics, collate and monitor information assess materiality and potential risks and opportunities.

# SUSTAINABILITY REPORT

## Stakeholder Engagement

At the Zixin Group, we believe that sustainable business operations require regular interaction between stakeholders to align our vision and growth strategies, and cultivate good practices to progress together. Therefore, we emphasise on efficient communication amongst prioritised stakeholders to achieve mutually beneficial goals together.

We are appreciative of suggestions and advices from our stakeholders, particularly our employees, customers/distributors, suppliers/business partners, in a bid to strengthen mutual understanding and foster better working relationships towards achieving mutually beneficial goals. We remain committed to strengthen mutually beneficial relationships with our stakeholders through various engagement approaches to facilitate communications between the organisation and stakeholders.

During FY2022, we continued to engage with both our internal and external stakeholders as summarised in the table below.

Stakeholders	Areas of Concern	Our Engagement Approach	Our Actions
<b>Internal</b>			
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Ensure internal policies and systems are current, effectively implemented and monitored throughout the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Board meetings</li> <li>Regular updates via electronic means (emails, phone calls, virtual meetings)</li> </ul>	<ul style="list-style-type: none"> <li>Regular updates on corporate activities, developments, and financial performance</li> <li>Seek advice and approvals from the Board on all material proposed developments</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Career growth</li> <li>Training and education opportunities</li> <li>Competitive remuneration and incentives</li> <li>Pleasant and safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>Regular internal communications through meetings and electronic communications (emails, phone calls, internal notices)</li> <li>Employee caring sessions</li> <li>Corporate activities</li> <li>Employee feedback</li> </ul>	<ul style="list-style-type: none"> <li>Ensure effective implementation of HR policies, internal systems and procedures</li> <li>Regular internal meetings to review safety and healthy work environment</li> <li>Conduct relevant training courses and seminars regularly</li> <li>Formal and informal get-togethers to strengthen working relationships among employees</li> <li>Annual performance appraisal</li> </ul>
<b>External</b>			
<b>Governments &amp; Regulators</b>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Food safety compliance</li> <li>Occupational health &amp; safety</li> <li>Environmental compliance</li> <li>Socioeconomic compliance</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Electronic communications (emails, phone calls, virtual meetings)</li> <li>Through external professionals and agencies</li> <li>Announcements on SGXNet</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with applicable laws in respective countries of operations</li> <li>Regular communication with external professionals and agencies</li> <li>Meeting relevant authorities as and when necessary</li> <li>Consistent update on relevant laws and regulations through seminars and trainings</li> </ul>



# SUSTAINABILITY REPORT

Stakeholders	Areas of Concern	Our Engagement Approach	Our Actions
<b>Customers / Distributors</b>	<ul style="list-style-type: none"> <li>• Consistent quality and supply of fresh sweet potatoes and snack products</li> <li>• High quality and nutritional standards</li> <li>• Compliance with food safety and environmental standards</li> <li>• Reliability, on-time delivery and services</li> <li>• Competitive pricing</li> <li>• Credit terms</li> </ul>	<ul style="list-style-type: none"> <li>• Focus groups with consumers</li> <li>• Market survey on consumer tastes</li> <li>• Regular sales calls and meetings with distributors</li> <li>• “livestreaming” online platforms</li> <li>• Email enquiries</li> <li>• Consumer outreach marketing events</li> </ul>	<ul style="list-style-type: none"> <li>• Actively follow-up on customers’ preferences</li> <li>• Regular internal meetings to review customer fulfilment and new requirements</li> <li>• Update customers on new products and improved packaging</li> <li>• Provide timely feedback to customers</li> <li>• Ensure all relevant food safety requirements and standards are met for all fresh and manufactured products sold</li> </ul>
<b>Suppliers / Business Partners</b>	<ul style="list-style-type: none"> <li>• Timely payment and adherence to agreed terms</li> <li>• Assistance in the farming techniques to improve yield and logistics for fresh sweet potatoes</li> <li>• Competitive pricing</li> <li>• Quality of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• Regular visits and interactions with suppliers</li> <li>• Electronic communications (emails, phone calls, virtual meetings)</li> </ul>	<ul style="list-style-type: none"> <li>• Regular review, assessment and feedback</li> <li>• Ensure compliance with food safety standards, socioeconomic requirements, environmental laws and regulations</li> <li>• Perform periodic evaluation</li> </ul>
<b>Shareholders &amp; Investors</b>	<ul style="list-style-type: none"> <li>• Better financial returns</li> <li>• Industry conditions and prospects</li> <li>• Market presence</li> <li>• Profitability and sustainability</li> <li>• Transparency and corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Announcements on SGXNet</li> <li>• Shareholders’ meetings</li> <li>• Annual report</li> <li>• Company website</li> <li>• Investor relations</li> <li>• Electronic communications</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure all public disclosures on corporate results and developments are factual, timely, and accurate to provide fair and equitable treatment to all shareholders and investing public</li> <li>• Ensure sustainable business growth</li> </ul>

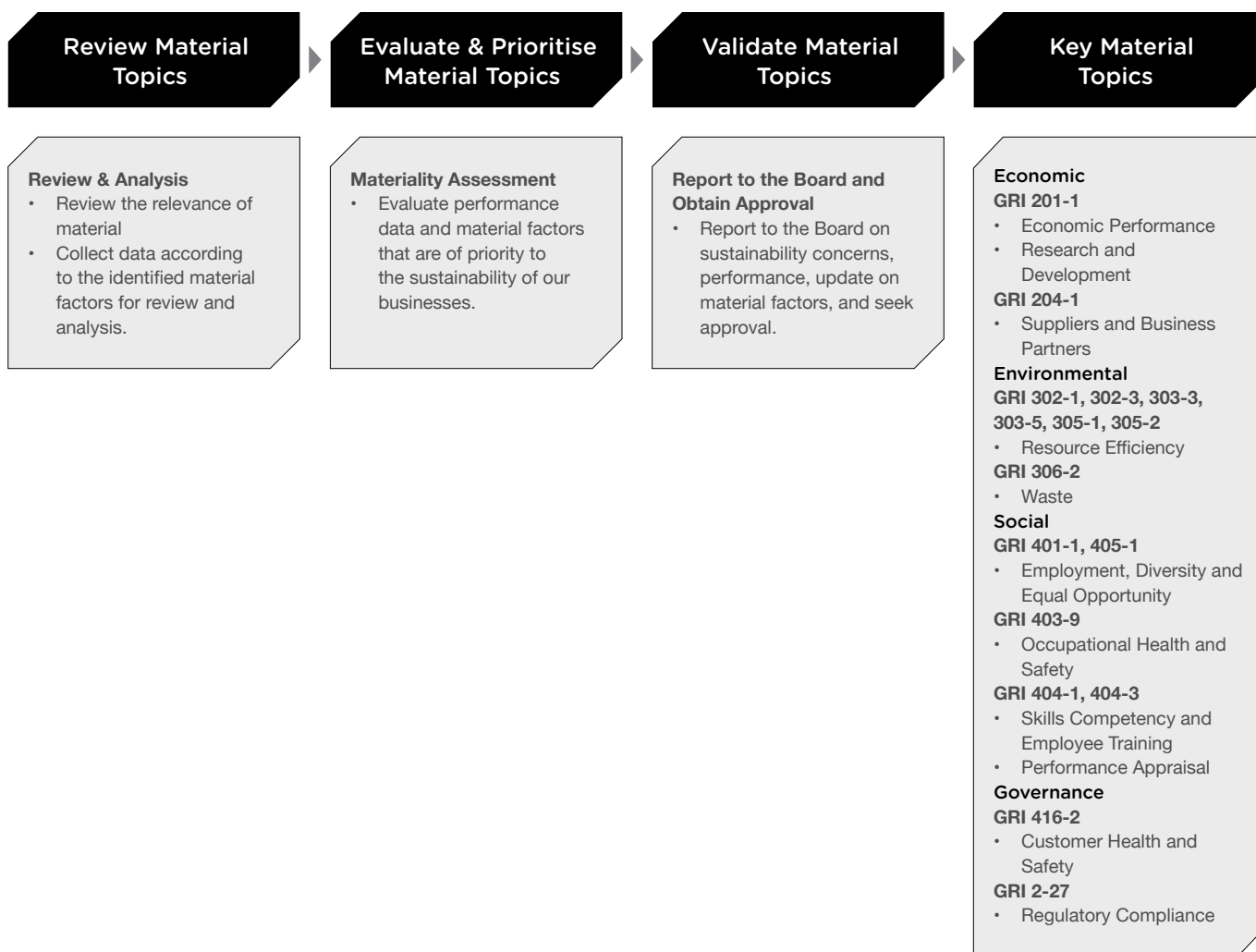
# SUSTAINABILITY REPORT

## Materiality Assessment

The Zixin Group carried out an internal review on the relevance of the material topics for FY2022 as we continued strict adherence to the precautionary measures against transmission risk in relation to Covid-19. Despite intended resumption of business activities in FY2022, stringent quarantine orders across the country continued to disrupt operations. This prompted us to continue to conduct most of our interactions through electronic communications including virtual meetings, emails, and conference calls.

The selection of the material topics and its level of importance were based on discussion with internal stakeholders and the sustainability team leaders on our business risks and opportunities in FY2022. We have collected information according to our selected material topics covering economic, environmental, social, and governance factors that have an influence on our business operations. The performance analysis on the respective material topics will provide guidance for the Sustainability Committee to set realistic goals for the organisation to improve on our ability to sustain in our business operations.

The specific disclosures for each GRI Standard reported under the various material topic have also been included in the chart below.



# SUSTAINABILITY REPORT

## MATERIAL TOPIC: ECONOMIC

### Economic Performance

#### GRI 201-1

Whilst the quick adoption of e-commerce and online marketing strategies lifted sales, the disruption in logistics resulting from stringent quarantine orders and safe management measures against Covid-19, as well as the emergence of new variants in February 2022, affected the Zixin Group's financial performance in FY2022.

In FY2022, we registered a marginal increase in revenue from RMB 285.5 million to RMB 289.1 million. This was due to the decline in sales of fresh sweet potatoes, which was mitigated by the increase in sales of higher-margin sweet potato snack products.

Efforts in improving efficiency and cost management led to increase in gross profit by 11.5%, up from RMB 69.6 million in FY2021 to RMB 77.6 million in FY2022. Correspondingly, our gross margin was lifted from 24.4% in FY2021 to 26.8% in FY2022.

Taking into account the operating expenses and tax expense, the Zixin Group registered a net profit of RMB 3.7 million in FY2022, a reversal from a net loss of RMB 12.7 million in FY2021.

Please refer to the following sections in the annual report for details on our operations and financial information:

- Business Operations on page 9 to 11
- Financial Highlights on page 12
- Performance Review on page 13 to 15
- Financial Statements on page 78 to 83

#### Performance in FY2022

- Achieved targets set for FY2022 with a net profit of RMB 3.7 million.
- Recorded no incident of non-compliance with management controls and procedures.

#### Targets for FY2023

- Continue to maintain strict precautionary measures and practices to minimise risk of Covid-19 transmission.
- We strive to maintain profitability as we continue to drive growth in our core business areas amid the resurgence of Covid-19 variants.
- Continue to maintain no incident of non-compliance with management controls and procedures.

# SUSTAINABILITY REPORT

## Research and Development

At the Zixin Group, we have always been emphasising on biotechnological research and development (“**R&D**”) as the core motivator for our integrated value chain in sweet potatoes. We remain committed to produce quality and nutritious fresh sweet potato varieties (both purple and orange sweet potatoes) as well as sweet potato snack products for our consumers.

During FY2022, we embarked on our expansion into high-tech manufacturing and research capabilities with the development of a new facility that is of proximity to our existing premises. For this first phase of expansion, we will be focusing on the production of functional food with an installed annual production capacity of 35,000 tonnes. We believe our mainstay product – sweet potatoes through advanced biotech capabilities, can be minimally processed and yet enriched with nutrients for the well-being of consumers.

We have also pressed on to conduct R&D for recovery and recycling in waste materials including sweet potato peels, stems and leaves, which would otherwise be arranged for disposal. Our efforts are paid off with the success in (i) recovering nutritional content from purple sweet potato peels to produce purple sweet potato powder which can be used in bakery and confectionery industry, and (ii) converting waste materials such as sweet potato peels, stems and leaves into ingredients for poultry and animal feed.

Through consistent R&D efforts and applications within our interdependent business areas, we continue to broaden our offerings in terms of solutions, techniques and products. In FY2022, we have successfully harvested our first crop of sweet potato seedlings on our 300mu leased farmland and planted the seedlings in the contracted farmland through co-operative farming arrangements. We believe our in-house R&D farming solutions from soil improvement to farming techniques can raise the yield and quality of the selected sweet potatoes varieties for the Co-Op farmers.

We have submitted five (5) utility model patent applications in FY2022, while the three (3) invention patent applications made during FY2021 are still in the process of evaluation by the government agency. We continue to maintain R&D collaborations with Longyan City Agricultural Science Research Institute 龙岩市农业科学研究院, Hubei Academy of Agricultural Sciences Agricultural Economics and Technology Research Institute 湖北省农业科学院农业经济技术研究所, and Fujian Ankang Food Safety Research Institute 福建安康食品安全研究院 to focus on new product developments and enhancement to some of our existing products.

We believe our accomplishment in completing the circular economy for sweet potatoes industry through biotech capabilities, will bring forth economic benefits for greater good of the local communities, particularly for the traditional agriculture sector, and in turn, sustainable growth for the Zixin Group.

### Performance in FY2022

- Achieved targets set for FY2022.
- Submitted five (5) utility model patents in FY2022.
- Registered five (5) utility model patents and two (2) invention patents in FY2022, bringing the total registered patents to 21, comprising 12 utility model patents, six (6) design patents, and three (3) invention patents.
- Cultivated seedlings in-house for contracted farmlands, and sold excess seedlings to fellow sweet potato farmers in Liancheng County.

### Targets for FY2023

- Continue to monetise the patented technologies through upgrading in existing manufacturing facility.
- Continue R&D efforts for consistent improvement in the Zixin Group’s core operating areas and products.

# SUSTAINABILITY REPORT

## Suppliers and Business Partners GRI 204-1

At the Zixin Group, we believe in working towards achieving growth together with our suppliers cum business partners for the long term. We entered into long-term contracted farmland agreements through co-operative farming arrangements as our commitment to the local farmers, which includes providing them proprietary farming solutions and selected quality sweet potato seedlings to improve crop yield, as well as purchasing their harvests of fresh quality sweet potatoes.

We believe our continuous investments and commitment to our business partners to cultivate consistently safe, high quality, and nutritious sweet potatoes, will in turn, ensure our operations with a stable supply of high quality fresh sweet potatoes.

We also believe that our business partners will benefit from our initiative in converting waste materials such as sweet potato peels, stems and leaves into main ingredients for poultry and animal feed. Their income could potentially increase from cost savings for the disposal of waste materials.

Our circular economy business model on sweet potatoes, promotes a healthy ecosystem and ensure better food safety and security for consumers. Through adding value along our integrated value chain, which includes building both traditional and e-commerce distribution platforms, we believe these values will consequentially reflect in the economic performance of the Zixin Group in the long term.

### Performance in FY2022

- Achieved targets set for FY2022.
- Purchases of fresh sweet potatoes increased slightly by 0.7% from 23,763 tonnes in FY2021 to 23,935 tonnes in FY2022 through secured supplies from the contracted farmland.

### Targets for FY2023

- At least maintain similar quantity as FY2022 in the purchases of fresh sweet potatoes amid disruptions of logistics arising from the Covid-19 pandemic.
- Continue to assist our contracted suppliers with quality seedlings and farming techniques to improve on their harvest yields.



# SUSTAINABILITY REPORT

## MATERIAL TOPIC: ENVIRONMENTAL

### Resource Efficiency

GRI 302-1, GRI 303-5, GRI 305-1, 305-2

We continued to monitor and measure our environmental footprint from our fuel, energy, and water consumption in FY2022 as our business activities resumed gradually with most of the precautionary measures against Covid-19 still in place.

During FY2022, we have switched part of our snack manufacturing operations from natural gas usage to electricity usage, and repurposed the office building space to include a level to provide 'livestreaming' marketing purposes, a meeting room, and offices, as well as a recreation and reception area. These additions are likely to increase electricity usage in tandem with an increase in activities.

We remain committed to taking positive and proactive action on climate change and reducing carbon emission in our daily operations. Our employees are also reminded to save energy through regular internal communications. Nevertheless, the gradual recovery of activities as well as our expansion into online marketing, high-tech manufacturing and R&D are likely to raise our energy and water consumption in the future.

Our total energy consumed for the Zixin Group in FY2022 was 20,171.1 gigajoules ("GJ") comprising of 1,598.6 GJ of fuel and 18,572.6 GJ of electricity. The overall greenhouse gas ("GHG") emissions were 23.0% higher at 4,377.0 tonnes of carbon dioxide emission ("tCO<sub>2</sub>e") compared with 3,558.7 tCO<sub>2</sub>e in FY2021. The carbon emission intensity of 15.14 tCO<sub>2</sub>e per RMB million of revenue in FY2022 was 21.4% higher than 12.47 tCO<sub>2</sub>e per RMB million of revenue. This was due to marginal increase in sales revenue in FY2022 amid the Covid-19 pandemic.

The total volume of water drawn from the local municipal water supply increased by 36.2% from approximately 149.8 megaliters ("ML") in FY2021 to approximately 204.0 ML in FY2022. Higher productivity in the manufacturing facility increased water consumption by 28.4% from 54.8 ML or 54,785m<sup>3</sup> to 70.4 ML or 70,361m<sup>3</sup>, resulted in an increase in water consumption intensity of 191.9m<sup>3</sup> per RMB million of revenue in FY2021 to 243.4m<sup>3</sup> per RMB million of revenue in FY2022.

Higher water usage for the office premises from 43.9 ML or 43,940m<sup>3</sup> in FY2021 to 63.3 ML or 63,328m<sup>3</sup> in FY2022 was mainly due to watering of plants during dry weather, and more regular deep cleaning of premises and equipment to maintain workplace cleanliness as part of our precautionary measures against Covid-19 transmission.

For most of FY2023, the Zixin Group was operating under China's stringent zero-covid policy environment. With Covid-19 measures lifted (in December 2022) and borders reopened (in January 2023 before the Chinese New Year), the ensuing uptick in infections resulted in a disruption of operations. As we move towards normalcy, the Group will continue to monitor our operations and set appropriate targets once we have a better understanding of our baseline.

### Performance in FY2022

- Did not achieve targets set for FY2022.
- Recorded an energy consumption of 1,598.6 GJ of fuel and 18,572.6 GJ of electricity.
- Overall GHG emissions were 4,377.0 tCO<sub>2</sub>e in FY2022, as compared to 3,558.7 tCO<sub>2</sub>e in FY2021.
- Carbon emission intensity of 15.14 tCO<sub>2</sub>e per RMB million of revenue in FY2022 was 21.4% higher than 12.47 tCO<sub>2</sub>e per RMB million of revenue.
- Water consumption increased by 36.2% to 204.0 megaliters in FY2022, due mainly to an increase in the quantity of fresh sweet potatoes for washing before processing can be done in the manufacturing facilities.

### Targets for FY2023

- To lower or at least maintain energy consumption, carbon footprint and carbon emission intensity level by enhancing production efficiency on the back of better economic performance amidst challenges in the current business environment.

# SUSTAINABILITY REPORT

## Energy consumed from non-renewable sources GRI 302-1

### Energy Source / Consumption (in GJ)

	FY2022	FY2021	FY2020
Fuel (petrol)	1,598.5	1,800.4	5,461.6
Electricity	18,572.6	14,948.3	16,395.7
<b>Total</b>	<b>20,171.1</b>	<b>16,748.7</b>	<b>21,857.3</b>

## Direct (Scope 1) and Energy Indirect (Scope 2) GHG Emissions GRI 305-1, GRI 305-2

(in tCO <sub>2</sub> e)	FY2022	FY2021	FY2020
Direct (Scope 1)	111.5	125.6	380.9
Energy Indirect (Scope 2)	4,265.5	3,433.1	3,765.5
<b>Total</b>	<b>4,377.0</b>	<b>3,558.7</b>	<b>4,146.4</b>
GHG emission intensity (tCO <sub>2</sub> e per RMB million of revenue)	15.14	12.47	12.83

## Water consumed and water consumption intensity for manufacturing operations GRI 303-3, 303-5

	FY2022	FY2021
<b>Total water withdrawn by Group (1 megaliter = 1000m<sup>3</sup>)</b>	<b>204,047m<sup>3</sup></b>	<b>149,794m<sup>3</sup></b>
Water withdrawn by manufacturing	140,719m <sup>3</sup>	105,854m <sup>3</sup>
Water discharged by manufacturing	70,359m <sup>3</sup>	51,069m <sup>3</sup>
<b>Water consumed by manufacturing</b>	<b>70,361m<sup>3</sup></b>	<b>54,785m<sup>3</sup></b>
Water consumption intensity (m <sup>3</sup> per RMB million of revenue)	243.4	191.9

Note: Figure for water consumption intensity was restated for FY2021 to reflect actual water consumption by the manufacturing operations.

# SUSTAINABILITY REPORT

## Waste GRI 306-2

Waste materials produced by the Zixin Group are mainly non-hazardous and are mostly managed under the directives of the local authorities. The waste materials mainly arise from manufacturing facility include (i) wastewater, and (ii) sweet potato peels.

It is mandatory for our manufacturing facility to discharge wastewater to the dedicated industrial park wastewater treatment plant in Liancheng County, which we pay a fee for proper disposal of the wastewater. Our manufacturing facility discharged 70,359m<sup>3</sup> wastewater in FY2022, an increase of 37.8% as compared to 51,069 m<sup>3</sup> of wastewater discharge in FY2021. This was in line with the increase in the water used for the washing of fresh sweet potatoes, which was of a higher quantity, before they are processed into snack food products in the manufacturing facility.

As our productivity increased, we also saw an increase in the amount of sweet potato peels to be disposed. The sweet potato peels to be disposed increased by 2.5% from 624.1 tonnes in FY2021 to 639.4 tonnes in FY2022.

We made headways on recovery and recycling from waste materials as our R&D collaboration with external biotech institutions achieved laboratory successes in recovering nutritional content from sweet potato peels, and converting waste materials including sweet potato peels, stems and leaves into main ingredients for poultry and animal feed. We believe our biotech applications into the recovery and recycling business segment could potentially reduce our cost in disposal and generate economic value in the near future.

At the Zixin Group, we continue to abide all environmental related rules and regulations applicable to our businesses.

### Performance in FY2022

- Achieved targets set for FY2022.
- Recorded no incident of non-compliance with the relevant laws and regulations of the environmental protection, which could result in penalty and public allegation.
- Achieved laboratory success in recovering nutritional content from sweet potato peels and recycling waste materials such as sweet potato peels, stems and leaves into main ingredients for poultry and animal feed.

### Targets for FY2023

- To maintain no incident of non-compliance with the relevant laws and regulations of the environmental protection.
- To continue R&D to improve yield from recovering and recycling of waste materials – sweet potato peels, stems, and leaves.



# SUSTAINABILITY REPORT

## MATERIAL TOPIC: SOCIAL

### Employment, Diversity and Equal Opportunity GRI 401-1, 405-1

At the Zixin Group, we are committed to fair employment practices and maintaining a workplace where our employees are respected with equality and non-discrimination. We believe the well-being of our employees is integral to the sustainable growth of our business.

While we have in place our staff handbook and human resources manual that adhere to the legislation and guidelines in the country of operations, we also conduct engagement sessions on a monthly basis. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity, and non-discrimination regardless of gender, race, marital status, pregnancy, disability, age, or family status.

Due to the nature of agricultural sector, we attract talents through fair and flexible recruitment strategy, and offer competitive remuneration to attract and retain talented staff members. Remuneration packages which include the necessary social benefits are reviewed periodically to ensure consistency with employment market. Confirmation and promotion are based on work performance and suitability. Dismissal also complies with employment laws and regulations relating to non-discrimination.

In a bid to retain talents, we also provide free health check-ups for employees, and organise retreats and company events to foster better working relationships among employees.

In FY2022, approximately 71.4% of our employees are full-time permanent employees, which was higher than 63.9% in FY2021. This was due to a decrease in temporary contractual employees amid the Covid-19 pandemic where precautionary measures are in place to reduce the risk of transmission.

Our headcount declined by 11 employees or 2.9% to 369 in FY2022, down from 380 in FY2021. This was mainly due to natural attrition following the fulfilment of labour contracts.

Due to the nature of the job, the diversity by gender industry-wide is female dominated and approximately 74.0% of our employees comprises of females. Nevertheless, we managed to attract younger people to join our organisation as approximately 77.2% of our workforce in FY2022 are below the age group of 50 years old, which was 65.0% in FY2021.

#### Performance in FY2022

- Recorded no incident of non-compliance with the relevant laws and regulations related to fair employment practices.
- Did not achieve target of 70% for overall diversity by gender.
- Female employees comprised of 74.0% of our total workforce in FY2022, relatively stable from 74.1% in FY2021 due to lower number of employees in FY2022.
- Female representation in management declined from 27.8% in FY2021 to 23.1% in FY2022 due to higher staff turnover.
- Achieved improvement in maintaining a relatively young workforce at approximately 77.2% to be below 50 years old of age.

#### Targets for FY2023

- Continue to maintain no incident of non-compliance with the relevant laws and regulations in fair employment practices.
- Continue to monitor and review the recruitment procedure and system to ensure fair and non-discrimination in recruitment.
- Continue to improve the diversity of our workforce in terms of gender diversity to 70% and management representation.

# SUSTAINABILITY REPORT

The demographics of our employees for our operations in both China and Singapore are as follows:

## Employees by gender for FY2022

Gender / Position	Management	Executive	Non-Executive	Total
Male	10	21	65	96
Female	3	13	257	273
<b>Total</b>	<b>13</b>	<b>34</b>	<b>322</b>	<b>369</b>

## Employees by gender

Gender / No. of employees	FY2022		FY2021		FY2020	
Male	96	26.0%	99	26.1%	100	25.4%
Female	273	74.0%	281	73.9%	293	74.6%
<b>Total</b>	<b>369</b>	<b>100.0%</b>	<b>380</b>	<b>100.0%</b>	<b>393</b>	<b>100.0%</b>

## Employees by age group for FY2022

Age group / Position	Management	Executive	Non-Executive	Total
Under 30 years old	0	3	18	21
30 – 50 years old	11	31	222	264
Above 50 years old	2	0	82	84
<b>Total</b>	<b>13</b>	<b>34</b>	<b>322</b>	<b>369</b>

## Employees by Age Group

Age group / No. of employees	FY2022		FY2021		FY2020	
Under 30 years old	21	5.7%	30	7.9%	49	12.5%
30 – 50 years old	264	71.5%	217	57.1%	211	53.7%
Above 50 years old	84	22.8%	133	35.0%	133	33.8%
<b>Total</b>	<b>369</b>	<b>100.0%</b>	<b>380</b>	<b>100.0%</b>	<b>393</b>	<b>100.0%</b>

## New employees and employee turnover for FY2022

Gender	New Hires	Resigned	Employee Turnover
Male	25.2%	25.4%	34.9%
Female	74.8%	74.6%	36.1%
Average turnover			35.8%

Note: Employee turnover was computed based on the number of employees who left during FY2022 over the average number of employees as at 31 March of FY2022 and FY2021.

# SUSTAINABILITY REPORT

## Board diversity

Gender	FY2022	FY2021
Male	80%	80%
Female	20%	20%

## Occupational Health and Safety GRI 403-9

At the Zixin Group, we remain committed to the safety and well-being of our employees. While we adhere to the national health and safety guidelines and regulations, we also enforce a strong safety culture within the organisation that requires all members of our workforce to be leaders in creating a safe work environment. We believe self-responsibility will minimise work-related injuries and fatalities, and improve cohesiveness among members of the organisation.

We have also put in place staff handbook and safety manuals, and all employees will have to undergo courses to equip themselves with the necessary knowledge and skills required for their roles and responsibilities. Internal training courses are carried out on regular basis to new and existing members of the organisation, and selected training seminars on natural disasters, earthquakes, floods, fire warnings and self-rescue methods through external professional engagement to equip our employees are carried out annually. We believe such emergency precautionary courses are essential to our employees.

We continue to seek to identify and manage occupational exposure risks, minimise occurrences of occupational illnesses and promote healthy lifestyles, providing a healthy and safe working environment to all members of the organisation. Daily morning briefings and irregular and regular spot checks are carried out to emphasise and remind on workplace safety.

During FY2022, we continue to align ourselves with the precautionary measures in accordance with the directives of the respective governments and authorities, to prevent transmission of the virus at our premises in both China and Singapore, to safeguard our employees, business partners, and the communities.

The health, safety and well-being of our employees, and maintaining their livelihoods remain our highest priority. We continue to record zero incidents resulting in fatality and permanent disabilities in FY2022.

### Performance in FY2022

- Recorded no significant work-related injuries and fatalities.
- No incident of non-compliance with the relevant laws and regulations relating to occupational health and safety.
- Achieved targets set for FY2022.

### Targets for FY2023

- Continue to carry out refresher training regularly for our employees to ensure they are aware of the policies and standard procedures, and the importance of complying with the safety standards and regulations in the workplace to keep work-related injuries to the minimal.
- To maintain no incident of significant work-related injuries and fatalities.
- To maintain no incident of non-compliance with the relevant laws and regulations occupational health and safety, providing a safe working environment and protecting employees from occupational hazards.

# SUSTAINABILITY REPORT

## Skills Competency and Employee Training GRI 404-1

Our employees are the lifeline of our organisation and it is essential to continue our practice in enhancing the value of our employees who contribute to the success of our businesses.

Every employee in the Zixin Group is given the opportunity to upgrade and improve their skills and knowledge through formal and on-the-job training programmes. Training programmes are selected according to the role and responsibilities of the employees. These training programmes include: a) hygiene and disease prevention measures, b) workplace safety, c) 5S production management, d) skills enhancement, e) corporate culture and governance, f) administrative management methods and concepts, and g) teambuilding and teamwork. We will continue to look into ways to enable our employees to grow with the organisation.

During FY2022, we stepped up training schedules for all our employees across different operational levels as our business operations resumed gradually amid stringent precautionary measures against transmission of Covid-19. We achieved an average of 14.6 hours of training programmes per employee in FY2022 as compared to an average of eight (8) hours of training programmes per employee for FY2021.

### Total number of training hours per employee

Category	Average number of training hours		Variance
	FY2022	FY2021	
<b>Office</b>			
Management	132	128	+ 3.1%
Executive	120	115	+ 4.3%
Non-executive	120	98	+ 22.4%
<b>Manufacturing</b>			
Executive	96	80	+ 20.0%
Non-executive	96	80	+ 20.0%

For the year ahead, we intend to carry out training programmes for executive levels in the areas such as operational planning, skillset enhancement, and product portfolio management, in a bid to prepare our current workforce as we broadened our operations and product offerings.

### Performance in FY2022

- Achieved target set in FY2022.
- Recorded an average of 14.6 hours of training programmes for all employees based in China in FY2022 as the Group maintained strict precautionary measures such as safe distancing in workplace.

### Targets for FY2023

- Continue to explore new training programmes to upgrade the knowledge and skills of our employees.
- To maintain and achieve at least the average 14 hours of training programmes for per employee on an annual basis.

# SUSTAINABILITY REPORT

## Performance Appraisal GRI 404-3

At the Zixin Group, our Human Resource department has a system in place to carry out performance appraisal for every individual employee for their roles and responsibilities annually.

The employee performance appraisal comprises mainly quantifiable evaluation criteria. In addition, we also actively collect performance information on every employee on a monthly basis through inputs from direct supervisors and feedbacks, as well as periodical employee communication sessions. Through analysis of the information, we will have the knowledge and opportunities to develop training programmes to address the needs of the operational team and the individual employee. We believe keeping ourselves attuned to the growth and development of our employees will enhance the overall growth of the Zixin Group.

As China first emerged from the pandemic situation, we took the opportunity to organise company retreats and gatherings for employees, and conducted interactive meetings with our employees to gain insights of the operational situations faced by them, as we resumed operations during FY2022.

We will continue to promote interaction through informal events that enable greater participation amongst the employees to improve together with the organisation.

**Performance in FY2022**

- Achieved targets set for FY2022.
- Conducted annual appraisal for all employees in FY2022.
- Conducted 12 employees' interactive meetings in FY2022.

**Targets for FY2023**

- To continue to conduct performance appraisal for all employees at least once a year.
- To continue to conduct interactive meetings for employees as a platform for feedbacks.



# SUSTAINABILITY REPORT

## MATERIAL TOPIC: GOVERNANCE

### Customer Health and Safety

#### GRI 416-2

At the Zixin Group, we remain committed to uphold food safety and high-quality standards of our products and agri-tech solutions, which are of high priority to our commercial reputation and consumers' experience.

Our strong commitment to responsible sourcing for raw ingredients as we continue to assure food safety and high-quality of our fresh sweet potatoes and snack food products. This is the key rationale to cultivate our own sweet potato seedlings and develop our in-house farming techniques and supplied seedlings and farming solutions for our contracted farmland to grow the specific sweet potato varieties. This upstream farming process allows the Zixin Group to ensure food safety right from the beginning.

Our snack food manufacturing facility complies with the requirements of Hazard Analysis and Critical Control Point (“**HACCP**”) system certification. We have also in place our quality control teams to undergo regular food safety management training to maintain awareness and management of food safety risks in the production process. Regular audits on our operations to monitor the management and performance relating to hygiene, sanitation, and housekeeping are carried out to ensure the quality of our snack products.

Our food products are packed using approved food-grade materials and all our products passed the tests required by the Chinese national food safety standards and which is regulated by the China Food and Drug Administration (“**CFDA**”).

### Regulatory Compliance

#### GRI 2-27

At the Zixin Group, we operate our business in compliance with the relevant regulations and standards relating to environmental, food safety, social and economic through internal checks and balances, and regular reporting and updates to the relevant authorities and agencies. We are committed to perform beyond the compliance standards and legislative requirements, particularly our responsibility towards the environment, which is essential for agricultural business.

We have implemented internal policies that are aligned with the national environmental regulations, targeted at environmental protection, reducing carbon emissions, preventing pollution, and minimising waste in our daily business operations. We have also met the requirements of the wastewater emission standard of the Fujian Province with the commencement of the centralised wastewater treatment facility managed by the Liancheng County government.

#### Performance in FY2022

- Achieved targets set for FY2022.
- Recorded no incident of non-compliance with the relevant laws and regulations relating to environmental, social and economic that could potentially result in internal disciplinary action or public allegation.
- Complied with the principles and guidelines set out in the Code of Corporate Governance 2018, where appropriate.
- Recorded no incident of non-compliance with management controls and procedures.
- Maintained zero food safety incidents.

#### Targets for FY2023

- Continue to maintain no incident of non-compliance with the relevant laws and regulations in the environmental, social and economic aspect.
- Continue to maintain no incident of non-compliance with management controls and procedures.
- Continue to monitor and update the adequacy of the management controls and procedures.
- Continue to maintain our track record of zero food safety incidents.

# SUSTAINABILITY REPORT

## Regulatory Compliance

### GRI 2-27

Third-party service providers have been engaged to manage all proper disposal of waste materials from our business operations. With our success in converting waste materials such as sweet potato peels, stems and leaves into functional food and ingredients for poultry and animal feed through our biotech R&D initiative, we believe we could potentially extend the benefits to other industries as well.

We continue to emphasise the importance of observing high standards of corporate governance and observing compliance with applicable laws and regulations in the locations where we operate. We are committed to conducting business with integrity to ensure the sustainability of our business and safeguarding the interests of all our stakeholders, both internal and external.

Please refer to the Corporate Governance Report found on page 39 to 65 of this annual report.

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX WITH REFERENCE

Statement of use	The Zixin Group Holdings Limited (formerly known as China Star Food Group Limited) has reported this information cited in this GRI content index for the period from 1 April 2021 to 31 March 2022 (“FY2022”) with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standards	Disclosure		
<b>MATERIAL TOPICS</b>			
<b>GRI 2: General Disclosures (2021)</b>	2-27	Compliance with laws and regulations	Sustainability Report (“SR”) - Governance, page 36 to 37
<b>GRI 201: Economic Performance</b>	201	Direct economic value generated and distributed	Economic Performance, page 25 to 26
<b>GRI 204: Procurement practices 2016</b>	204-1	Proportion of spending on local suppliers	SR – Suppliers and Business Partners, page 27
<b>GRI 302: Energy 2016</b>	302-1 302-2	Energy Consumption	SR – Resource Efficiency, page 28 to 29
<b>GRI 303: Water and Effluents 2018</b>	303-3 303-5	Water Consumption	SR – Resource Efficiency, page 28 to 29
<b>GRI 305: Emissions 2016</b>	305-1 305-2	Direct (Scope 1) and Energy Indirect (Scope 2) GHG Emissions	SR – Resource Efficiency, page 28 to 29
<b>GRI 306: Waste 2020</b>	306-3	Waste generated	SR – Waste, page 30
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	SR – Employment, Diversity and Equal Opportunity, page 31 to 33
<b>GRI 405: Diversity and equal opportunity 2016</b>	405-1	Diversity of governance bodies and employees	SR – Employment, Diversity and Equal Opportunity, page 31 to 33
<b>GRI 404: Training &amp; Education 2016</b>	404-1 404-3	Average hours of training per year per employee Performance Appraisal	SR - Skills Competency and Employee Training, page 34 Performance Appraisal, page 35
<b>GRI 403: Occupational Health and Safety 2018</b>	403-9	Work related injuries	SR – Occupational Health and Safety, page 33
<b>GRI 416: Customer Health and Safety 2016</b>	416-2	Non-compliance concerning the health and safety impacts of products and services	SR – Customer Health and Safety, page 36



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or the “**Directors**”) and the management team (“**Management**”) of Zixin Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining a high level of corporate governance to promote greater transparency and safeguard the interests of shareholders, employees, and other stakeholders as well as to promote investors’ confidence.

In accordance with Rule 710 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual – Section B: Rules of the Catalist (the “**Catalist Rules**”), this corporate governance report (the “**Report**”) outlines the Company’s corporate governance structures and practices that were in place during the financial year ended 31 March 2022 (“**FY2022**”), with specific reference made to the principles of the Code of Governance 2018 (the “**Code**”) through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders.

The Company believes that it has substantially complied with the principles and provisions as set out in the Code where appropriate. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

## I. BOARD MATTERS

### PRINCIPLE 1: THE BOARD’S CONDUCT OF ITS AFFAIRS

*The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

As at the date of this Annual Report, the Board comprises of the following Directors:

Name of Directors	Designation
Liang Chengwang	Executive Chairman and CEO
Duanmu Xiaoyi	Executive Director
Ng Poh Khoon	Non-Executive and Lead Independent Director
Xue Congyan	Non-Executive and Independent Director
Lawrence Chen Tse Chau (Chen Shichao)	Non-Executive and Independent Director

Further information about the profiles of the current Directors are set out on pages 16 to 18 of this Report.

The Board’s principal roles include promoting long-term shareholder value, setting the strategic direction and establishing goals for the management team of the Company and its subsidiaries as well as ensuring proper observance of corporate governance practices, which includes setting of code of conduct and ethics, appropriate tone and desired organisational culture, and ensuring proper accountability within the Group. In this regard, the Board oversees the business affairs of the Group and works with Management to achieve these goals for the Group.

The Board has put in place policies and procedures for dealing with conflicts of interest. Where the Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict. All Directors objectively discharge their duties and responsibilities as fiduciaries and take decisions in the best interest of the Group at all times.

# CORPORATE GOVERNANCE REPORT

In addition to statutory duties and responsibilities, the Board's duties, including the key matters to be approved by the Board are set out as follows:

- (a) reviewing and approving key business and financial strategies (taking into consideration sustainability issues) and objectives of the Group;
- (b) reviewing and approving major corporate transactions (such as financial restructuring and share issuance);
- (c) reviewing and approving annual budgets of the Group, major transactions, including acquisitions, divestments, investments and capital expenditure;
- (d) reviewing and approving the annual report and audited financial statements of the Group;
- (e) reviewing and approving the unaudited financial results of the Group, including the half-yearly and full-year results announcements;
- (f) reviewing and approving the nomination of Board members and the appointment of key management personnel;
- (g) reviewing the performance of Management and to provide guidance to Management (where necessary);
- (h) ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- (i) ensuring that the Group has adequate internal controls, risk management, financial reporting and compliance as well as evaluating the same;
- (j) ensuring the Group's compliance with laws, regulations, policies, directives and guidelines;
- (k) establishing and maintaining the Company's values and standards and ensuring obligations to shareholders and relevant stakeholders are understood and met;
- (l) establishing and maintaining an ethical corporate culture that is reflective of the Company's values, standards, policies and practices and encouraging adherence to the Group's internal code of conduct;
- (m) overseeing risk management strategies of the Group; and
- (n) ensuring accurate, adequate and timely reporting to, and communication with shareholders and other key stakeholder groups.

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to make objective decisions as fiduciaries in the interest of the Group. The Board clearly communicates with Management in writing in relation to matters that require its approval. In exercising its duties and responsibilities, the Board draws on the competencies, experience and judgments of each and every director. The presence of three (3) Non-Executive and Independent Directors on the Board, which forms the majority of the Board, ensures a strong element of independence in the Board's decision.

To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees and Management. In particular, the Board has set up three (3) committees to assist it in effectively discharging its duties. These three (3) committees are the Audit Committee ("AC"), Nominating Committee ("NC"), and Remuneration Committee ("RC") (collectively, the "Board Committees").

# CORPORATE GOVERNANCE REPORT

Each of the Board Committees are constituted with clear written terms of reference and given specific responsibilities as well as empowered by the Board to deal with matters within the limits of authority set out in their respective terms of reference, which are reviewed on a regular basis by the Board. The AC is responsible for undertaking an independent review of the effectiveness of the financial reporting process and internal control systems of the Company and if required, to make the necessary recommendations to strengthen the necessary processes and controls to the Board. The NC is responsible for reviewing and making the appropriate recommendations to the Board on all board appointments and re-appointments while the RC is responsible for establishing and implementing a framework for remuneration of directors and key management personnel. Accordingly, the Board Committees facilitate the Board's oversight of the Group.

The Board has delegated the day-to-day operations to Management while reserving key matters (such as corporate restructuring, mergers and acquisitions, investments, acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's half yearly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends) for Board approval.

Management in conducting the day-to-day operations of the Group will be guided by the internal guidelines (such as the approval limits for various expenditures, banking and treasury approval limits and authorised signatories) that clearly set out the matters which must be approved by the Board. In addition, the Board is free to request for further clarification and information from Management on all matters within their purview.

Notwithstanding the above delegation of authority by the Board, the ultimate responsibility on all matters lies with the Board.

Generally, the Board convenes for scheduled meetings on a half-yearly basis, and ad-hoc meetings will be arranged when required (for example to consider proposed corporate actions by the Company or to review corporate action documents). If the Directors are unable to attend Board meetings physically, such meetings may be conducted via telephone conference, video conference, audio visual or by means of a similar communication equipment where all the Directors participating in the meeting are able to hear each other. In addition, decisions of the Board and the Board Committees may also be obtained through circular resolutions.

Directors' attendance at the Board and the Board Committee meetings during FY2022 and up to the date of this Annual Report is as follows:

Name of Director	Board	Audit	Nominating	Remuneration
	<b>Number of Meetings held</b>			
	8	7	2	2
	<b>PRESENT DIRECTORS</b>			
	<b>Number of Meetings attended</b>			
Liang Chengwang	7	7*	2*	2*
Duanmu Xiaoyi	8	7*	2*	2*
Ng Poh Khoo	8	7	2	2
Xue Congyan	7	7	2	2
Lawrence Chen Tse Chau (Chen Shichao)	8	7	2	2

\* By invitation

# CORPORATE GOVERNANCE REPORT

While the Board considers Directors' attendance at Board meetings to be important, it is not the only criterion which the Board uses to measure Directors' contributions. The Board also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group. The Board requires directors to be able to commit sufficient time and attention to the affairs of the Board and their relevant Board Committees. A discussion of the procedure for assessing the directors' commitment to the Company is set out below under Principle 4.

To enable the Directors to better understand the Group's business as well as for them to discharge their respective duties, Management will provide regular business updates to the Directors during the scheduled board meetings. In addition, in order to ensure that each Director is able to contribute in a meaningful manner during Board meetings, Management provides the members of the Board with relevant background information and documents relating to the items of business to be discussed at each Board meeting, such as copies of disclosure documents, budgets, forecasts and internal financial statements, before the scheduled meeting.

Key information relating to the Company's operations and finances are also circulated to the Board via email prior to meetings and/or in a timely manner on an on-going basis so that the Directors may monitor with ease the Company's performance as well as the Management's fulfilment of goals and objectives set by the Board.

Further to the above, the Directors are also regularly briefed by the Management of the Company on the business activities of the Company as they are responsible for the Company's strategic directions as well as its corporate practices. Accordingly, such briefings by Management allow the Directors to stay up to date on the day-to-day implementation of such strategic directions and corporate practices.

To ensure that the Directors are able to consistently develop and maintain their skills and knowledge, the Company encourages its Directors to attend courses and seminars. In this regard, the Company has a training budget for its Directors to attend courses and seminars which can be utilised by Directors as and when it is required. In addition, information on courses or seminars in relation to the roles and responsibilities as a director of a Singapore listed company as well as revision to laws or regulations (which are applicable to the Group) are disseminated to the Directors. Further to this, news releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board.

The Company also has in place an orientation program in which all new Directors are given guidance and orientation including onsite visits to get them familiarised with the Group's business, organization structure, corporate strategies and policies and corporate governance practices to facilitate the effective discharge of their duties. However, due to the ongoing and continued travel restrictions brought about by COVID-19, which continued into FY2022, the Directors that were appointed during FY2020 and FY2021 have not had the opportunity to conduct a site visit to the Group's factories in Liancheng, China.

Further to this, for new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organized by the Singapore Institute of Directors ("**SID**") or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. The Company would arrange for the Directors to attend the relevant courses organised by SID to familiarise themselves with the roles and responsibilities of Directors of a listed company. As of the date of this Annual Report, all current Directors of the Board have completed the mandatory prescribed courses conducted by SID pursuant to Rule 406(3)(a) and Practice Note 4D of the Catalist Rules.

Complementing the existing orientation programme and periodic updates on the developments in accounting standards and any changes in the regulatory environment in Singapore as well as those pertaining to the roles and responsibilities of a director of a listed company, the Directors also have separate and independent access to the Management of the Company, including the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), the Group Financial Controller ("**GFC**") and Company Secretary of the Company.

# CORPORATE GOVERNANCE REPORT

The Company Secretary and/or representatives from the Company Secretary's office attend all meetings of the Board and the Board Committees and prepares the minutes of such meetings. The minutes of such meetings are then circulated to the Board and the Board Committees, as the case may be. The Company Secretary also advises the Board on governance matters and ensures that the procedures for such meetings are in accordance with the Constitution, the relevant terms of reference and all applicable rules and regulations (including the requirements of the Singapore Companies Act 1967 of Singapore and the Catalist Rules) are complied with.

Further to the above, the Company Secretary helps to facilitate communications within the Board and the Board Committees and between Management and the Directors. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company allows Directors to take independent professional advice on matters affecting the Company, and such costs will be borne by the Company. In addition, Directors have, at all times, unrestricted access to the Company's records and information.

## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.*

The independence of each Non-Executive and Independent Director is reviewed by the NC annually, as well as when circumstances require, based on the guidelines set forth in the Code the Practice Guidance issued under the Code, and Rule 406(3)(d) of the Catalist Rules (collectively, the "**Independence Criteria**") to ensure that the Board consists of persons who, together, will provide core competencies and independent business judgements and perspectives necessary to meet the Company's objectives. In this regard, after conducting a review, the NC is satisfied that there are no relationships identified by the Code which would deem any of the Non-Executive and Independent Directors not to be independent.

In light of the fact that the Chairman is not independent due to his concurrent appointment as the CEO, the Company had, in FY2022, ensured that its Board comprised three (3) Non-Executive and Independent Directors to take into account the guidance set out in Provision 2.2 and 2.3 of the Code. For FY2022, the appointment of three (3) independent directors out of five (5) directors on the Board had ensured that the majority of the Board comprised of Non-Executive and Independent Directors. The Non-Executive and Independent Directors are able to exercise independent judgement in the best interests of the Company and the Group, and this enables Management to benefit from their external and objective perspectives of issues that are brought before the Board. As such, there is a strong and independent element on the Board.

The Board, through the NC, reviews the size and composition of the Board to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has the appropriate mix of expertise, skill, knowledge, experience and gender diversity, and collectively possess the necessary core competencies for the effective functioning of and informed decision-making in the Company. Based on these requirements, the Board is of the opinion that for FY2022, its current board size and composition is reasonably effective and efficient considering the nature, scope and size of the Group's business operations.

Following the introduction of Rule 710A of the Catalist Rules which came into force from 1 January 2022, the Board has at the recommendation of the NC approved and adopted the board diversity policy of the Company (the "**Board Diversity Policy**") to formalise the Company's approach towards achieving diversity on its Board. The Company's Board Diversity Policy has been made available on the Company's website and can be found at <https://www.zixingroup.com.sg/>.

# CORPORATE GOVERNANCE REPORT

Under the Board Diversity Policy, diversity is drawn from different factors pertinent to the Company, such as varying skillsets, business experience, industry expertise, gender, age, cultural background, geographical background and nationality, tenure of service, overall suitability and other relevant distinguishing qualities (the “**Diversity Factors**”). The Board and the NC are aware that the Diversity Factors (or the particular importance of any one factor) may change from time depending on the needs of the Company. The NC will review and assess the Board composition having regard to, amongst others, the diversity of skills, experience, gender and knowledge of the Directors, the core competencies of the Directors as a group, the scope and nature of the operations and the requirements of the business. The NC will then make the necessary recommendation to the Board on its diversity both on an annual basis and as and when necessary.

In making a recommendation for the appointment of new Directors, the NC reviews the size and composition of the Board to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has the appropriate mix of expertise, skill, knowledge, experience and diversity, and collectively possess the necessary core competencies for the effective functioning of and informed decision-making in the Company.

If necessary, the NC will seek assistance from external search consultants for the selection of potential candidates that fit the criteria set by the NC for diverse, experienced and reputable candidates.

In seeking to align with the aspirational targets of the Council for Board Diversity set in 2019,<sup>1</sup> the NC had recommended that at least twenty percent (20%) of the Board be represented by women. With Ms Duanmu Xiaoyi currently on the Board, the Company has met its target of having at least 20% female representation. Notwithstanding that the Company has currently met its target on female representation, the NC will continue to ensure that (a) if external search consultants are used to search for suitable candidates for Board appointments, the brief will include a requirement to also present female candidates, (b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration, and (c) that female representation on the Board be continually improved over time based on the set targets of the Board. In this regard and taking into consideration that Ms Duanmu will cease to be a Director at the FY2022 AGM, the Company is aware of the need to maintain its level of diversity and will accordingly be sourcing for suitable candidates who, among others, can contribute diverse perspectives to the Board. Upon Ms Duanmu’s cessation as a Director of the Company and in the interim while the Company sources for a suitable candidate, Mr Liang Chengwang, the Executive Director and CEO, will be taking over Ms Duanmu’s roles and responsibilities in the Company.

On balance, the final decision on selection of Directors will be based on merit against objective criteria that complements and expands the skills, experience and overall effectiveness of the Board as a whole.

The NC is of the view that the Board possesses adequate core competencies in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and experience or knowledge that are relevant to the Group. During FY2022, the Board comprised one (1) female Director and four (4) male Directors with an age group ranging from 34 to 56 years old. Based on the foregoing, the Board has a combination of skills, talents, experience and diversity drawn from a diverse Board that serves the needs and plans of the Company.

Further to the above, the Non-Executive and Independent Directors constructively challenge and participate in setting strategies and goals for the Company and review as well as monitor Management’s performance in the implementation of the agreed strategies and goals. Where necessary, the Non-Executive and Independent Directors will conduct meetings regularly amongst themselves without the presence of Management. The chairman of such meetings will then provide feedback to the Board and/or the Chairman as appropriate.

In light of the foregoing, the Board and the NC are of the view that the Board can exercise independent judgement on corporate affairs and that no one individual or group(s) of individuals dominates any decision-making process.

There is currently no Non-Executive and Independent Director who has served on the Board for more than nine (9) years.

<sup>1</sup> The Council for Board Diversity introduced aspirational targets in 2019 to encourage boards on their journey to leverage board diversity for business value. The targets take into consideration the different starting positions in board gender diversity for organisations in the three sectors: (i) Top 100 primary-listed companies to achieve 20% WOB by end 2020, 25% WOB by end 2025, and 30% by end 2030; and (ii) Top 100 IPCs and statutory boards to achieve 30% WOB as soon as possible (Source: <http://www.councilforboarddiversity.sg/>).

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

***There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

As at the date of this Annual Report, Mr. Liang Chengwang is the Executive Chairman and the CEO of the Company.

As the Executive Chairman, Mr. Liang Chengwang assumes responsibilities for, amongst others, the effective function of the Board and exercising control over the quality, quantity and timeliness of the flow of information between Management and the Board and assisting in ensuring compliance with the Company's guidelines on corporate governance. In particular, the Executive Chairman is responsible for the overall management of the Board and has the following responsibilities:

- (a) leading the Board, ensuring its effectiveness in all aspects of its role, and setting out its agenda;
- (b) ensuring that the Directors receive complete, adequate, accurate, timely and clear information;
- (c) critiquing key proposals by Management before they are presented to the Board;
- (d) ensuring effective communication with shareholders;
- (e) encouraging constructive relations between the Board and Management;
- (f) facilitating the effective contribution of the Non-Executive and Independent Directors towards the Company;
- (g) encouraging constructive relations between the Executive Directors and Non-Executive and Independent Directors; and
- (h) promoting high standards of corporate governance.

Mr. Liang Chengwang, in his role as the CEO, is primarily responsible for the day-to-day management of the operations and performance of the Group in accordance with the strategies, policies, budget and business plans as approved by the Board. Further to his role as the CEO, Mr. Liang Chengwang reports to the Board on the Group's operations and performance.

The Board notes that Provision 3.1 of the Code provides that the role of the Chairman and the CEO should principally be separated to maintain an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board. However, the Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Board's view is based on the fact that Mr. Liang Chengwang has actively promoted and emphasised the need to have in place a strong corporate governance culture. In FY2022, the Board had three (3) Non-Executive and Independent Directors, out of a total of five (5) Directors on the Board. Further to this, Mr. Ng Poh Khoo continues to serve as the Lead Independent Director and he is present to provide leadership in situations where the Chairman is conflicted and to ensure that a channel of communication is always available to shareholders where they have concerns and/or where contact through normal channels of the Group's Executive Chairman, the CFO, GFC or the Management has failed to resolve the concerns. In addition, in FY2022, the AC, NC and RC consisted of all Non-Executive and Independent Directors. In light of these reasons, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

# CORPORATE GOVERNANCE REPORT

Another measure that the Board has put in place to ensure that there is an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board, is to have the Board discuss and review all major proposals and decisions made by Mr. Liang Chengwang. In this regard, for FY2022, the Non-Executive and Independent Directors had participated actively in matters relating to business, finance, corporate governance, risk management, remuneration and appointment of Board members. Further to this, the performance and remuneration of Mr. Liang Chengwang as the Executive Chairman and CEO is periodically reviewed by the NC and the RC. In addition, the Board Committees comprise only the Non-Executive and Independent Directors.

The Lead Independent Director and the other Non-Executive and Independent Directors meet regularly on an informal basis to discuss any matters without the presence of Management as and when circumstances require. The Lead Independent Director will provide feedback to the Executive Chairman following such meetings, if it is necessary.

Hence, the Board believes that there are sufficient safeguards against an uneven concentration of power and authority in a single individual, and that no one individual or group(s) of individuals dominates any decision-making process. Accordingly, the Board is of the view that the existing leadership arrangement is effective. Notwithstanding this, as a matter of prudence, the Board will continually review the role of the Executive Chairman and the CEO as well as the composition of the Board to ensure that it does not impede the principles of independence and objectivity in decision making.

## PRINCIPLE 4: BOARD MEMBERSHIP

***The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

The Company has established the NC which is guided by the terms of reference approved by the Board.

As the date of this Annual Report, the NC comprises three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The Lead Independent Director is also a member of the NC. The members of the NC are:

- |     |  |   |
|-----|--|---|
| (a) | Xue Congyan (Chairman)<br><i>(appointed as a member and Chairman on 8 August 2019)</i>     | Non-Executive and Independent Director      |
| (b) | Ng Poh Khoon<br><i>(appointed as a member on 31 May 2018)</i>                              | Non-Executive and Lead Independent Director |
| (c) | Lawrence Chen Tse Chau (Chen Shichao)<br><i>(appointed as a member on 26 October 2020)</i> | Non-Executive and Independent Director      |

The NC is responsible for the following:

- (a) reviewing succession plans for the Executive Chairman, Executive Directors and the key management personnel (including the CEO);
- (b) reviewing, assessing, making recommendations to the Board on all board appointments, including re-nominations, through a formal and transparent process which takes into account the director's contribution and performance (for example, attendance, preparedness, participation and candour);
- (c) determining annually whether or not a director is independent based on the Independence Criteria;
- (d) reviewing and approving any new employment of related persons and the proposed terms of their employment;



# CORPORATE GOVERNANCE REPORT

- (e) reviewing the directors' mix of skills, experience, core competencies and knowledge of the Company and its subsidiaries that the Board requires to function competently and efficiently;
- (f) reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and considering his/her competency, commitment, contribution, performance and whether or not he/she is independent;
- (g) reviewing the training and professional development programs for the Board and its Directors;
- (h) recommending to the Board comprehensive induction training programs for new Directors and reviewing the training and professional development programs for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risk;
- (i) preparing and recommending, for approval of the Board, written guidelines on the division of responsibilities of the Chairman of the Board and the CEO;
- (j) determining and recommending to the Board the maximum number of listed company board representations which any director may hold and disclosing this in the Company's annual report;
- (k) deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments;
- (l) recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold; and
- (m) assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board and recommending to the Board the development of a process for evaluation and deciding how the performance of the Board may be evaluated and proposing objective performance criteria. The Chairman of the NC acts on the results of the performance evaluation and where appropriate, proposes the appointment of new members to the Board or seek the resignation of Directors, in consultation with the members of the NC.

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC will review the proposed changes and will make the appropriate recommendations to the Board. In addition, the NC is also responsible for ensuring that the membership of the Board is refreshed progressively and in a systematic manner, to avoid losing institutional knowledge.

The NC also reviews the succession plans for the key management personnel. The NC recognises the importance of succession planning as part of corporate governance and there is an internal process of succession planning for the Chairman of the Board, Directors, the CEO and Management, to ensure the progressive and systematic renewal of the Board and key management personnel. In this regard, the NC will, in consultation with the Board and the Company's professional advisors, examine the existing Board's strength, capabilities and the existing Directors' contribution in terms of skills, knowledge and experience to the Company and the Board as well as taking into account the future needs of the Company. If the appointment of new directors is required, the NC will identify potential candidates from various sources. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. Once the suitable candidate has been identified, the NC will deliberate on the background, skills, qualification and experience of that candidate. The factors taken into consideration by the NC could include, among other things, the new director's ability to add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he or she could bring to Board discussions.

# CORPORATE GOVERNANCE REPORT

The Board will subsequently review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidate's independence, expertise, background and suitable skills will be considered before the Board makes its final decision on the appointment. If the proposed appointments are approved by the Board, announcements relating to their appointment will subsequently be released via SGXNET.

The NC is responsible for the nomination of retiring Directors for re-election. In its deliberations on the nomination of a Director for re-election, the NC would take into account the current needs and composition of the Board as well as assessing the competency, performance and contribution of the Director (including his/her attendance, preparedness and participation at Board and Board Committees meetings) against the performance criteria set out in Principle 5 below. Subject to the NC's satisfactory assessment, the NC would recommend the proposed election or re-election of the Director to the Board for its consideration and approval. Directors subject to retirement pursuant to the Company's Constitution will give his/her consent to seek for re-election and upon being determined to be eligible, will be recommended by the Board for re-election at the forthcoming AGM of the Company.

In accordance with Articles 99(1) and (2) of the Company's Constitution, one-third of the Directors shall retire from office by rotation at each annual general meeting ("**AGM**"). In addition, Articles 99(3) and (4) provide that the Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and that the retiring Directors are eligible to offer themselves for re-election. All Directors are required to retire from office at least once in every three (3) years and, if applicable, submit themselves for re-nomination and re-election. In addition, Articles 81 and 100 provide that all new Directors who are appointed as additional directors or to fill up the vacancy occurring in the Board of Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

At the forthcoming AGM, Mr. Ng Poh Khoon and Ms. Duanmu Xiaoyi are due for retirement and re-election pursuant to Article 99 of the Company's Constitution. Ms. Duanmu Xiaoyi, however, has notified the Board that she will not seek re-election and will retire at the end of the forthcoming AGM. After assessing the contributions of Mr. Ng Poh Khoon, the Board has accepted the NC's recommendation that Mr. Ng Poh Khoon, who has given his consent for re-nomination and re-election at the forthcoming AGM of the Company, be put forth for re-nomination and re-election.

Information relating to the retiring directors who are retiring and offering themselves for re-election at the upcoming AGM are as set out in Appendix 7F of the Catalist Rules, and can be found in the "Disclosure Of Information On Directors Seeking Re-Election" on pages 137 to 141.

The NC is also tasked with assessing the independence of the Non-Executive and Independent Directors. This review is done annually, and as and when the circumstances require. Annually, each Non-Executive and Independent Director is required to complete a Director's Declaration of Independence (the "**Independence Declaration**") to confirm his independence. The Independence Declaration is drawn up based on the Independence Criteria. The NC will then review the Independence Declaration completed by each of the Non-Executive and Independent Directors in order to assess the independence of each of the Non-Executive and Independent Directors before making a recommendation to the Board. For FY2022, the Non-Executive and Independent Directors have confirmed their independence in accordance with the Independence Criteria. The Board, after taking into account the views of the NC and having considered the confirmations of independence provided by the Non-Executive and Independent Directors, is of the view that Mr. Ng Poh Khoon, Mr. Xue Congyan and Mr. Lawrence Chen Tse Chau (Chen Shichao) are independent.

To ensure that new Directors are aware of their duties and obligations, a formal letter of appointment explaining their duties and obligations as Director is provided to every new Director upon appointment. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

# CORPORATE GOVERNANCE REPORT

The NC is also responsible for ascertaining whether individual Directors have committed adequate time and attention to the Group's affairs which are essential for the individual Director's contribution and performance. In this regard, the NC has considered the number of listed directorships each of its Directors can hold after taking into considerations factors such as the expected and/or competing time commitments of the Directors, the size and composition of the Board as well as the nature and scope of the Group's operations and size.

Based on the Directors' contributions at meetings of the Board and the Board Committees, as well as their time commitment to the affairs of the Company, the Board believes that at present, it would not be meaningful to define the maximum limit on the number of listed company board representations and other principal commitments which any Director may hold, and has instead tasked the NC to review if a Director with multiple board representations is devoting sufficient time and attention to the affairs of the Company.

After conducting the annual reviews, the NC is satisfied that the current Directors have been able to devote adequate time and attention to the affairs of the Company and that they are able to satisfy their duties as Directors of the Company. In addition, as at the date of this Annual Report, the Company does not have any alternate directors. Notwithstanding this, the NC would continue to review from time to time on the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. Further information about each Director's listed company board directorships and principal commitments can be found in the profile of the Board of Directors section of this Annual Report.

## PRINCIPLE 5: BOARD PERFORMANCE

***The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.***

The NC, guided by its terms of reference, decides on how the Board's performance is to be evaluated and has developed objective performance criteria, which address how the Board has enhanced long-term shareholders' value and the effectiveness of the Board as a whole.

As part of the performance criteria, the NC will take into account financial indicators such as share price performance and return-on-equity as these factors allow for benchmarking of the Board's performance relative to that of competitors and industry peers. However, the Board will also consider non-financial indicators such as feedback received from investors (institutional and/or retail) and market analysts as these considerations also serve as useful qualitative analysis by external parties. Further to this, the Board will also take into account, *inter alia*, the Board size and composition, maintenance of independence, Board information, Board process, Board accountability, communication with top Management and standard of conduct.

In assessing the performance and effectiveness of the Board and its Board Committees, the NC takes into account, among other factors, the Board Committees' and the Board's ability to work with the senior management of the Company, the discussions and due deliberations of the Board and the Board Committees, and whether objectives and targets set at the commencement of the relevant financial years have been met. For the avoidance of doubt, reviews of each individual Board member's performance and effectiveness, as well as the performance and effectiveness of the Board and the Board Committees are undertaken on a continuous basis by the NC with inputs from the various Board members.

In order to ensure that the Board and the Board Committees are able to achieve the above objectives, the Board has implemented a formal annual evaluation process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board.

# CORPORATE GOVERNANCE REPORT

For FY2022, the Directors participated in the evaluation process by providing feedback to the NC in the form of completing:

- (a) a Board performance evaluation checklist which covers several parameters such as Board composition, conduct of meetings, Board process, Board accountability, risk management and internal control, measuring and monitoring performance as well as communication with Shareholders;
- (b) the respective performance evaluation checklists for the AC, NC, and RC which covers several parameters such as the composition of the respective Board Committees, conduct of meetings, the processes of the respective Board Committees, accountability in the respective Board Committees, measuring and monitoring performance as well as communication with the Board; and
- (c) an individual Director performance evaluation checklist which covers several parameters such as the Director's interactive skills, industry knowledge, contribution and workload requirements, sense of independence and preparation at the Board and Board Committees meetings.

To ensure confidentiality, the evaluation checklists completed by the Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the performance and the effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board for FY2022. The NC has reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that based on the results collated from the evaluation checklists:

- (a) the Board Committees and the Board have consistently performed well and effectively; and
- (b) each individual Director has discharged his or her roles and responsibilities effectively and has contributed towards the effectiveness of the Board for the financial year.

No external facilitator was engaged in FY2022. If required, the NC has full authority to engage external facilitators to assist with the evaluation process.

## II. REMUNERATION MATTERS

### PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

***The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

The Company has established the RC which is guided by the terms of reference approved by the Board.

As at the date of this Annual Report, the RC comprises three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the RC are:

- (a) Lawrence Chen Tse Chau (Chen Shichao) (Chairman) Non-Executive and Independent Director  
(appointed as a member and Chairman on 26 October 2020)

# CORPORATE GOVERNANCE REPORT

- (b) Ng Poh Khoon (appointed as a member on 31 May 2018; appointed as Chairman on 13 August 2018 until 26 September 2019) Non-Executive and Lead Independent Director
- (c) Xue Congyan (appointed as a member on 8 August 2019) Non-Executive and Independent Director

The primary function of the RC is to advise the Board on compensation matters. The RC establishes remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view of ensuring that remuneration packages are sufficiently competitive to attract, retain and motivate Directors and key management personnel with the appropriate experience and expertise. In particular, in relation to the Directors and key management personnel, the RC bears in mind that a meaningful portion of their compensation should be contingent upon the financial performance of the Company, in order to foster the creation of long-term shareholder value.

The responsibilities and principal functions of the RC, as set out in its terms of reference, include the following:

- (a) reviewing and recommending a general framework of remuneration to the Board for endorsement by the entire Board, the specific remuneration packages and terms of employment (including termination terms) for each Director, the CEO (if the CEO is not a Director) and key management personnel (including but not limited to senior executive/divisional directors/those reporting directly to the Managing Director/Chairman/CEO/employee related to the Executive Directors or controlling shareholders of the Group);
- (b) reviewing and recommending for endorsement by the entire Board, share-based incentives or awards or any long-term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also evaluating the cost and benefits of such scheme and to do all acts necessary in connection therewith;
- (c) functioning as the committee referred to in the Zixin Employee Share Option Scheme (formerly known as the China Star Employee Share Option Scheme) ("**Zixin ESOS**") and the Zixin Performance Share Plan (formerly known as the China Star Performance Share Plan) ("**Zixin PSP**") (collectively referred to as the "**Schemes**") and shall have all the power as set out in the Schemes;
- (d) carrying out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time;
- (e) ensuring that all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered;
- (f) that the remuneration packages should be comparable within the industry and to comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing the performance of individual Directors and key management personnel;
- (g) the remuneration packages of employees related to Executive Directors, CEO (if CEO is not a Director) and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility; and
- (h) to ensure that contracts of service contain fair and reasonable termination clauses in the event of termination of the Executive Directors and key management personnel.

# CORPORATE GOVERNANCE REPORT

As part of its review, the RC will take into consideration the salary and employment conditions of similar roles within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the CEO and key management personnel. This remuneration framework is recommended by the RC to the Board to ensure that the structure is competitive and sufficient to attract, retain and motivate the Executive Directors and the key management personnel to run the Company successfully in order to maximize shareholder value.

There is a formal and transparent procedure for fixing the remuneration packages of the Directors. No individual Director is involved in deciding his/her own remuneration. All Non-Executive and Independent Directors are paid Directors' fees half-yearly on a standard fee basis. In addition, each member of the RC abstains from making any recommendation on or voting on any resolution in respect of his/her own Director's fees payable to them, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

The RC will also review the terms and conditions of the respective service agreements of the Executive Directors as well as the key management personnel before their execution. In the course of such review, the RC will consider, in particular, the Group's obligations arising in the event of termination of any of the Executive Directors and the key management personnel. This is to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance. In this regard, the RC has reviewed the terms of the service agreements for the Executive Directors as well as the key management personnel and they are of the view that the Executive Directors and the key management personnel have service agreements which include fair and reasonable terms for termination under appropriate notice and these service agreements are in line with market practices and are not overly generous.

The RC is entitled to seek expert remuneration advice from external consultants whenever required. In the event that the RC decides that such professional advice is required, it will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The Company did not appoint any external remuneration consultant for FY2022.

## PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.***

As stated in Principle 6 above, the RC has established remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view to ensuring remuneration packages are sufficiently competitive to attract any new Directors with the appropriate experience and expertise, retain and motivate existing Directors to provide good stewardship of the Company and the key management personnel to successfully manage the Company for the long term.

The annual review of remuneration is carried out by the RC to ensure that the remunerations of the Executive Directors and key management personnel are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. The Executive Directors do not receive Directors' fees.

Accordingly, in relation to the Executive Directors and the key management personnel, the RC is of the view that, in order to foster the creation of long-term shareholder value, a meaningful portion of their compensation should be contingent upon the financial performance of the Group. In connection thereto, the remunerations of the Executive Directors and the key management personnel primarily comprise a basic salary component and a variable component (which is inclusive of bonuses and other benefits).

# CORPORATE GOVERNANCE REPORT

Further to this, some of the performance-related elements of remuneration that the RC has at its disposal are the Zixin ESOS and the Zixin PSP, which were approved by the Company's shareholders by way of members' resolution in writing on 20 July 2015. The Zixin ESOS and Zixin PSP are administered by the RC and these performance related elements of remuneration have been designed to align the interests of Executive Directors, Management and staff with those of shareholders and to link their rewards to corporate and individual performance. In this regard, the Zixin ESOS and Zixin PSP serve as long-term incentive schemes for the Company to provide greater flexibility in structuring market-competitive compensation packages for eligible Group employees, Group Executive Directors and Group Non-Executive Directors (including the Independent Directors), including those who are also controlling shareholders. These schemes provide an additional tool for the Company to reward, retain and motivate a core group of Directors, executives and employees so as to build sustainable businesses in the long term.

The Directors' fees for Non-Executive and Independent Directors are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The Non-Executive Directors are paid Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. Other factors taken into consideration include the current market circumstances, long-term interests and risk policies of the Company, and the need to attract directors of experience and standing. The Non-Executive and Independent Directors' fees are compared against market standards to ensure that they are in line with market norms and to ensure that their independence is not compromised.

The Board has endorsed the remuneration framework. In addition, payment of Directors' fees is subject to approval by the shareholders at the AGM of the Company.

## PRINCIPLE 8: DISCLOSURE ON REMUNERATION

***The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

The remuneration framework is based on policies which are aligned with the interests of shareholders and to support the Group's business with the aim of retaining key capabilities, provide sound and structured funding of remuneration in ensuring affordability and sustainable value creation. Competitive remuneration packages are offered to attract and retain experienced individuals. The remuneration policies, the procedures for setting remuneration and the relationships between remuneration, performance and value creation are described in Principles 6 and 7 above.

Details of remuneration for the Directors and key management personnel in FY2022 are set out in the table below.

	Salary % <sup>(1)</sup>	Performance Based Bonus % <sup>(1)</sup>	Directors' Fees %	Other Benefits <sup>(2)</sup> %	Total %
<b>Executive Directors</b>					
<b>S\$250,000 and below</b>					
Liang Chengwang	100	-	-	-	100
Duanmu Xiaoyi	100	-	-	-	100
<b>Non-Executive and Independent Directors</b>					
<b>S\$250,000 and below</b>					
Ng Poh Khoon	-	-	100	-	100
Xue Congyan	-	-	100	-	100
Lawrence Chen Tse Chau (Chen Shichao)	-	-	100	-	100

# CORPORATE GOVERNANCE REPORT

## Key management personnel<sup>(3)</sup>

	Salary % <sup>(1)</sup>	Performance Based Bonus % <sup>(1)</sup>	Directors' Fees %	Other Benefits <sup>(2)</sup> %	Total %
<b>S\$250,000 and below</b>					
Yi Ming	100	-	-	-	100
Jee Meng Kwang	100	-	-	-	100

### Notes:

- (1) Salary and performance-based bonus include employer's contributions to the Central Provident Fund.
- (2) Other benefits, where applicable, include granting of share options under the Zixin ESOS and granting of awards under the Zixin PSP.
- (3) The Company has only two (2) key management personnel who are not directors or the CEO of the Company.

The Company believes that disclosures in relation to the aggregate remuneration of the respective Directors and key management personnel may be prejudicial to its business interests given the highly competitive industry it is operating in. Accordingly, in order to prevent competitors from knowing salaries offered by the Company to its Directors and the key management personnel of similar status in the Company, the Company has instead disclosed the remunerations for its Directors and the key management personnel in percentage terms and in bands of S\$250,000 (with a breakdown of the components in percentage). The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

Further to the above, the Company confirms that in FY2022 there were no termination, retirement and post-employment benefits granted to the Directors and key management personnel. In addition, no performance bonuses were paid to the Executive Directors. No Directors, key management personnel or employees were issued shares under the Zixin PSP or Zixin ESOS schemes.

Mr. Liang Chengwang is a substantial shareholder of the Company. His respective shareholding in the Company is set out in the table below:

Name	Position	Shareholding	
		Direct	Indirect
Liang Chengwang	Executive Chairman and CEO	Nil	220,566,000 ordinary shares <sup>(1)</sup> (15.94%)

### Note:

- (1) Mr. Liang Chengwang is deemed to be interested in the 220,566,000 ordinary shares held by CGS-CIMB Securities (Singapore) Pte. Ltd. as his nominee.

None of the employees in the Company or any of its principal subsidiaries whose remuneration exceeds S\$100,000 during the year is an immediate family member of a Director, the CEO or substantial shareholder of the Company or any of its principal subsidiaries.



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The Company has adopted the Zixin ESOS and the Zixin PSP which will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Such Schemes form an internal component of the compensation plan and are designed to primarily reward and retain Directors and employees whose services are vital to the growth and performance of the Group. As at the date of this Annual Report, no options and/or awards have been granted under the Zixin ESOS and Zixin PSP respectively.

Further details of the Schemes are set out in the “Statement by Directors” section of this Annual Report.

## III. ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

***The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.***

The Board is responsible for the Group’s overall internal control framework and for ensuring that Management complies with the Company’s risk management framework and policies. In this regard, the Board, through the AC, ensures that the Management regularly reviews and improves the Group’s internal controls and implements effective risk management policies to control and mitigate any identified areas of significant business and operational risks so as to safeguard shareholders’ interest and the Company’s assets. The internal controls in place will address the financial, operational, compliance as well as information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, that there is maintenance of proper accounting records, that financial information is reliable and that assets are safeguarded.

Having considered the Company’s business operations and taking into account its nature, scope and scale, as well as the existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. Notwithstanding this, the Board recognises that all risk management and internal control systems contain inherent limitations and that no cost-effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risks of failure to achieve business objectives and can only provide reasonable but not absolute assurance against misstatements or losses. Further to this, the Board also notes that there is no risk management and internal controls system that could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, AC, and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group’s internal controls (including financial, operational, compliance risks, and information technology controls) and risk management systems were adequate and effective for FY2022.

The Board has received assurance from the CEO and CFO that the financial records of the Group for FY2022 have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances. In addition, the CEO and the key management personnel have also given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 10: AUDIT COMMITTEE

### *The Board has an AC which discharges its duties objectively.*

The Company has established the AC which is guided by the terms of reference approved by the Board.

As at the date of this Annual Report, the AC comprises three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the AC are:

- |   |  |
|---|--|
| (a) Ng Poh Khoon (Chairman)<br>(appointed on 13 August 2018)                            | Non-Executive and Independent Director |
| (b) Xue Congyan<br>(appointed as a member on 8 August 2019)                             | Non-Executive and Independent Director |
| (c) Lawrence Chen Tse Chau (Chen Shichao)<br>(appointed as a member on 26 October 2020) | Non-Executive and Independent Director |

The AC as a whole has many years of experience in senior management positions and possesses recent and relevant accounting or related financial management expertise or experience. The Board is of the view that collectively, the AC Chairman and members, having recent and relevant accounting and/or related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. More detailed profiles of the Directors are set out in the “Board of Directors” section of this Annual Report.

None of the committee members of the AC are former partners or directors of the Company’s existing audit firm:

- (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the audit firm; and
- (b) for as long as they have any financial interest in the auditing firm.

The AC’s primary function is to provide assistance to the Board of Directors by fulfilling its responsibilities relating to corporate accounting and auditing reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company’s system of internal controls regarding finance, accounting, legal compliance and ethics as established by the management and the Board.

In this regard, responsibilities and principal functions of the AC, as set out in its terms of reference, include:

- (a) reviewing with the external auditors on the audit plan, the evaluation of the system of internal accounting controls that are relevant to the audit, the audit report and the management letter and Management’s response;
- (b) ensuring co-ordination where more than one (1) audit firm is involved;
- (c) reviewing significant financial reporting issues, judgements, and the half-yearly and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval, including advising the Board if changes are needed to improve the quality of future interim financial statements or financial updates;
- (d) reviewing any formal announcements relating to the Company’s financial performance;
- (e) discussing problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary;

# CORPORATE GOVERNANCE REPORT

- (f) meeting with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;
- (g) reviewing the assistance given by Management to the external auditors;
- (h) reviewing annually the adequacy, effectiveness, scope and results of the external audit and its cost effectiveness and the nature and extent of non-audit services (if any) to the Company, as well as the independence and objectivity of the external auditors;
- (i) reviewing the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal auditors and the external auditors and Management;
- (j) overseeing and advising the Board in formulating its risk policies to effectively identify and manage the Company's current (and future) risks in its financial, operational, compliance and information technology systems and all strategic transactions to be undertaken by the Company;
- (k) overseeing the design and implementation of the overall risk management systems and internal control systems (including financial, operational, compliance and information technology controls);
- (l) reviewing the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually;
- (m) reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit functions and ensuring that such functions are adequately resourced and has appropriate standing within the Company;
- (n) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspect infringement of any law, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;
- (o) investigating any matter within its terms of reference, with full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- (p) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken;
- (q) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (r) reviewing interested person transactions falling within the scope of the Catalist Rules;
- (s) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation which the internal audit function is outsourced and ensuring that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their function according to the standards set by nationally or internationally recognized professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;
- (t) recommending to the Board the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

# CORPORATE GOVERNANCE REPORT

- (u) reviewing the audit representation letters before consideration by the Board, giving particular consideration to matters related to non-standard issues;
- (v) undertaking such other reviews and projects as may be requested by the Board; and
- (w) undertaking such other functions and duties as may be required by statute or the Catalist Rules, and such amendments made thereto from time to time.

The Board has delegated to the AC the authority to investigate any matter within its terms of reference. This authority includes further reviews of the assurance from the CEO and CFO on the financial records and financial statements put before the Board. The AC has full access to and the cooperation of Management. It has full discretion to invite any Director or executive officer, including any Director from any subsidiary board within the Group, to attend its meetings and has various resources, including external consultants, to enable it to discharge its responsibilities properly. The auditors, both internal and external, have unrestricted access to the AC.

The duties of the AC will entail fulfilling its terms of reference as set out above. During FY2022, the AC reviewed the half-yearly and full-year financial results, the quality and reliability of information prepared for inclusion in financial reports, policies and practices put in place by Management, results of the audits performed by internal and external auditors, and the register of interested person transactions. In addition, the AC also reviewed risk profiles and adequacy of the internal audit function, audit plans and scope, the effectiveness of the internal audit, and interviewed potential audit firms that were considered for appointment in place of RT LLP (“RT”).

The AC has full access to and the co-operation of Management and reasonable resources to enable it to discharge its functions properly. The AC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The AC also, where necessary, meets with the external auditors and the internal auditors without the presence of Management at least annually to discuss any problems and concerns they may have. In the review of the financial statements for FY2022, the AC had discussed with Management and the external auditors the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. Further to this, the AC had deliberated the key audit matters (“KAMs”) presented by the external auditors together with Management. The AC had reviewed the KAMs and concurred with the external auditors and Management on their assessment, judgements and estimates on the significant matters reported by the external auditors as set out under the Independent Auditor’s Report on pages 72 to 77 of this Annual Report.

The AC has separately met with the external auditors once in the absence of Management for FY2022.

RT had been appointed to audit the accounts of the Company and the Company’s subsidiaries (both in Singapore and in China) for the purposes of consolidation of the accounts at the Group level for FY2022.

Further to the above, the AC also reviewed the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. RT has not been engaged to perform any non-audit services for the Group. In this regard, the amount of fees that have been paid to RT for audit services for FY2022 is S\$165,000.

The external auditors also brief the AC members on the developments in accounting standards (where applicable) during AC meetings to keep the AC members abreast of changes to the accounting standards and issues which have a direct impact on financial statements.

The AC, having reviewed the independence and objectivity of the external auditors as required under Section 206(1A) of the Companies Act 1967, is satisfied that the independence and objectivity of the external auditors is not affected. Further to this, after taking into account the resources and experience of RT and the audit engagement partner assigned to the audit, RT’s other audit engagements, the size and complexity of the audit for the as well as the number and experience of the staff assigned by RT for the audit, the Board and the AC are of the view that RT is able to meet its audit obligations. In addition to having received the necessary confirmation that the audit team from RT has complied with and adhered to the Audit Quality Indicators Disclosure Framework published by ACRA, the AC has recommended to the Board that RT be nominated for re-appointment as the auditor of the Company at the forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

The Board recognises that it has a responsibility to maintain a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. Periodic reviews and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed.

While the importance of working internal controls cannot be discounted, the Board also recognises that the size of the Group may not warrant, and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup. Accordingly, the Company has outsourced its internal audit function to Enrome Advisory Pte. Ltd. ("**Enrome**"), a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The engagement team assigned by Enrome comprises two (2) members, and is headed by a director who has more than ten (10) years of experience in internal controls advisory, compliance, external audit and sustainability reporting for medium to major listed organisations in diverse industries (including food and beverage industry).

In assessing the engagement of Enrome, the AC has considered factors such as the resources of the internal auditors, the experience of the engagement team and the independence of the internal auditors from the activities that it audits. Enrome reports functionally to the AC, and administratively to the CEO and the CFO.

The AC ensures that management provides good support to the internal auditors and provides them with unfettered access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly. To ensure adequacy of the internal audit function, the AC also reviews and approves the internal auditor's scope of work. Non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal control system. The AC also ensures that the approved audit recommendations are adequately performed.

The Company also has in place a "Whistle-blowing" policy by which staff may, in confidence, raise concerns either verbally or in writing (via email) about possible improprieties in matters of financial reporting or other matters within the Company to the Board as well as the AC directly. The AC which comprises solely Non-Executive and Independent Directors, is responsible for oversight and monitoring of whistle-blowing matters. The objective of the "Whistle-blowing" policy is to ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action to be taken. In accordance with the rules of the "Whistle-blowing" policy, when a complaint is first received and deemed to be credible or which is assessed by the AC to merit further investigations. Following such investigations and upon further evaluation of the complaint and the findings of its investigations, the AC will then decide on the appropriate action to take, including but not limited to recommending disciplinary or remedial action, if any. The action determined by the AC to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively. To ensure the effectiveness of the Whistle-blowing policy, the AC ensures that the identity of the whistle-blower remains confidential to all except for the AC. This is done by enforcing certain measures such as (1) ensuring any interviews conducted with the whistle-blower is done without the presence of any other employees of the Company or management, and (2) the whistle-blower's identity shall be redacted in any subsequent reports on the whistle-blowing matter or interviews with other parties involved. These measures ensure that the identity of the whistle-blower remains confidential and protects the integrity of the whistle-blowing function. In order to achieve the objectives of the "Whistle-blowing" policy, Management has communicated the "Whistle-blowing" policy to the Group's employees and copies of it are also available at the Company's offices in China. There were no whistle-blowing reports received in FY2022.

The AC has reviewed the adequacy and effectiveness of the Group's internal audit function annually and is satisfied that for FY2022, the Group's internal audit function was independent, adequately resourced and had the appropriate standing in the Company to discharge its duties effectively (given, *inter alia*, its adherence to standards which is in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as well as the internal auditor's unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC, and has appropriate standing within the Company). Accordingly, the Board and AC are of the view that the Group's internal audit function was independent, effective and adequately resourced for FY2022.

# CORPORATE GOVERNANCE REPORT

This is further supported by the assurances that the Board and the AC had received from the CEO and the CFO that:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY2022 give a true and fair view of the Group's operations and finances; and
- (b) the risk management system and internal controls in place within the Group are adequate and effective in addressing the key financial, operational and compliance risks in the Group.

## IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

### PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

***The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

The Company is committed to treating all of its shareholders fairly and equitably and to facilitate the exercise of shareholders' rights. In this regard, the Board also regards the general meetings as opportunities to communicate directly with the shareholders and encourages greater shareholder participation. During these general meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. Further, policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group including, but not limited to, results announcements, any other material information or press releases made available to the public through the SGXNET in accordance with the Catalist Rules.

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

The Company encourages shareholders to attend and participate actively during the general meetings to gain a better understanding of the Group's businesses and to be informed of the Group's strategic goals and objectives. Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters during the general meetings. In this regard, in order to ensure that Shareholders are able to participate effectively in the general meetings, notices of general meetings are dispatched to the shareholders at least 14 days before the meeting if ordinary business are to be transacted at the meeting or at least 21 days before the meeting if special business are to be transacted at the meeting.

The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two (2) proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders.

The Company wishes to highlight that the above description is the Company's usual practice when there are no pandemic risks arising from COVID-19 and when the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order") is not in operation.

The last annual general meeting held by the Company on 31 August 2021 (the "FY2021 AGM") had been conducted by the Company by way of electronic means. Accordingly, shareholders who wished to exercise their voting rights had been required to appoint the Chairman of the respective meetings as their proxy to attend and vote on their behalf at the respective meetings.

# CORPORATE GOVERNANCE REPORT

As physical attendance for the FY2021 AGM was not practicable due to the COVID-19 situation, the Company had instead informed shareholders to submit their questions in advance of the respective meetings and that the Company would address their questions either prior to the respective meetings or during the respective meetings itself.

These measures are in accordance with the Order and the Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation which was issued on 13 April 2020 and updated periodically (the “**Guidance Note**”).

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. “Bundling” of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one (1) significant proposal and only where there are reasons and material implications justifying the same are explained. Where the resolutions are “bundled”, the Company will explain the reasons and material implications in the notice of meeting. In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders will be put to vote by poll, using polling slips, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders.

General meetings of the Company are chaired by the Executive Chairman and CEO (or in other cases, the Lead Independent Director), and are also attended by other Directors, Management, the Company Secretary and if necessary, the external and internal auditors. At all general meetings, shareholders are given the opportunity to air their views and to ask the Chairman, the individual Directors and the Chairmen of the Board Committees questions regarding the Company. The external auditors are also present to assist the Board in answering the shareholders’ queries, if necessary.

If shareholders are not able to attend these meetings, they can appoint up to two (2) proxies to attend and vote in their place. The Company does not provide for absentia voting methods such as by mail, email, or fax due to concerns as to the integrity of such information and authentication of the identity of shareholders voting by such means.

A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. “Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.

As mentioned in the paragraphs above, due to COVID-19 and in accordance with the Order and the Guidance Note, shareholders who wished to exercise their voting rights had been required to appoint the Chairman of the respective meetings as their proxy to attend and vote on their behalf at the respective meetings.

The Company notes that, pursuant to an announcement by the Ministry of Law dated 6 April 2021, the duration of the Order which allows the Company to hold meetings by way of electronic means had been extended beyond 30 June 2021 until revoked or amended by the Ministry of Law, with at least six (6) months’ advance notice before the alternative arrangements cease to be available. Pursuant to a subsequent announcement dated 15 December 2022, the allowance for the Company to hold meetings by way of electronic means shall cease on 1 July 2023. As the forthcoming AGM will be held prior to 1 July 2023, it will similarly also be held by way of electronic means pursuant to the Order as well as the Guidance Note, and shareholders who wish to exercise their voting rights must attend and vote in accordance with the Order and the Guidance Note at the forthcoming AGM. Further instructions on attendance and voting shall be included in the relevant notice of AGM.

The Company’s usual practice is that the company secretary prepares minutes of general meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. The Company’s current practice is that the minutes of AGMs will be made available on its corporate website along with the SGXNET.

# CORPORATE GOVERNANCE REPORT

For the forthcoming AGM, the Company will be complying with the Order and the Guidance Note and as such, it will be publishing minutes of the forthcoming AGM on the SGXNET and its corporate website. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET. However, there can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

The Board, after much deliberation and consideration, has decided not to recommend that the Company declare dividends for FY2022. In view that the Group's operations are primarily based in China, which has only recently begun easing its COVID-19 restrictions, the Group intends to conserve cash resources as a precautionary measure against unpredictable market conditions. Further, given that the Group has already commenced construction of the first phase of expansion into high-tech manufacturing and research capabilities and that such construction projects are still ongoing, the Board has deemed it necessary for the Group to maintain its current cash reserve to fund the remaining construction costs of the first phase of expansion and guard against unexpected costs that may arise, such as fluctuations in material costs, renovation or plant and machinery costs that the Group may incur after construction has completed. Accordingly, conserving its cash resources will ensure that the operations of the Group as well as the upcoming phases of its construction projects are not significantly affected. The Group aims to keep the progress of its construction projects undisturbed, as any prolonging of the construction time will result in an increase in construction costs.

## PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

***The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.***

The Board values dialogue with shareholders and believes in regular, effective and fair communication with them and is committed to hearing shareholders' views and addressing their concerns where possible. Accordingly, the Company has put in place an investors' relations policy which places an emphasis on ensuring that all shareholders should be equally and in a timely manner informed of all major developments that impact the Group. In this regard, information is communicated to shareholders on a timely basis via the SGXNET and its own corporate website through, *inter alia*:

- (a) annual reports that are issued to all shareholders;
- (b) half-yearly financial results containing a summary of the financial information and affairs of the Group;
- (c) timely announcements and disclosures made pursuant to the Catalist Rules;
- (d) notices of general meetings; and
- (e) circulars or letters to shareholders to provide the shareholders with more information on its major transactions which require shareholders' approval.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Half-yearly and full-year results as well as the annual report are announced or issued within the mandatory period.

The Board does not practise selective disclosure and adheres to the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the investors' relation policy set out above. All disclosures will be made on a timely basis through SGXNET. Accordingly, the Group issues announcements and news releases on an immediate basis when required under the Catalist Rules. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the stakeholders and the public have fair access to the information.



# CORPORATE GOVERNANCE REPORT

Apart from encouraging shareholders to participate actively, communicate directly with and engage the Board and Management through general meetings, the Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers. The Company has engaged an external investor relationship firm for the purposes of facilitating communications with its shareholders as well as attending to their queries and concerns. This is in line with the objectives of the Company's investors' relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The contact details of the external investor relationship firm are set out in the "Corporate Profile" section of this Annual Report.

Further to this, the Company is also open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosures. In addition, the notices of general meetings are advertised in the press and published via SGXNET.

## PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

***The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.***

A fundamental aspect of creating shared value within the communities is effective communication and dialogue with the Group's stakeholders. Accordingly, the Company recognises that a strong network of people, organisations, and communities would enable the Company to obtain a better understanding of the issues that are important or have direct or indirect impact to the Group's business.

The Group has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. The Group identifies stakeholders as groups that have an impact, or have the potential to be impacted by the Group's business, as well as external organisations that have expertise in aspects that the Group considers material. The feedback the Group receives from stakeholders helps to determine the Group's material topics and identifies focus areas. Stakeholders of the Company include, but are not limited to, customers, employees, suppliers and subcontractors, and shareholders and investors.

More information on the Group's material stakeholders, sustainability efforts (including its strategy and key areas of focus), and performance can be found under the "Sustainability Report" which will be published in accordance with Rule 711A of the Catalist Rules.

In addition, the Company also communicates and engages with its stakeholders via its website at <https://www.zixingroup.com.sg/>.

## OTHER CORPORATE GOVERNANCE MATTERS

### DEALING IN THE COMPANY'S SECURITIES

Pursuant to Rule 1204(19) of the Catalist Rules, the Company has adopted an internal policy on dealings in the securities to provide guidance to its Directors and officers with regard to dealings in the Company's securities.

The Company, its Directors and officers are prohibited from dealing in the Company's securities during the period commencing one (1) month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the relevant results. In addition, both Directors and employees are prohibited from dealing in securities of the Company while in possession of price-sensitive information of the Group. Notifications of the 'closed window' periods are sent to all Directors and officers concerned.

# CORPORATE GOVERNANCE REPORT

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the internal policy. In addition, the Company, its Directors and officers are discouraged from dealing in the Company's securities on short-term considerations. The Board confirms that as at the date of this Annual Report, the Company has complied with Rule 1204(19) of the Catalist Rules.

## MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalist Rules, there were no material contracts entered into by the Group involving the interests of the CEO, any Director or controlling shareholder of the Company, which are either still subsisting as at the date of this Annual Report, or if not then subsisting, entered into since the end of the previous financial year.

## INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the Catalist Rules on interested person transactions, the Company has established internal control procedures to ensure that any interested person transaction proposed to be entered into is regularly reviewed by the Board and Audit Committee and if so, to ensure that the Company complies with the requisite rules under Chapter 9.

If the Company does enter into an interested party transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

There were no interested person transactions which were more than S\$100,000 entered into during FY2022. The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Catalist Rules for the current financial year.

## NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. Novus Corporate Finance Pte. Ltd. ("NCF") is currently the continuing sponsor of the Company.

During FY2022, there were non-sponsor fees paid to NCF amounting to S\$22,000.

## SUSTAINABILITY REPORTING

Pursuant to Rule 711A, 711B of the Catalist Rules, the Company's sustainability report is set out from pages 20 to 38 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

## USE OF PROCEEDS FROM PLACEMENT

The Company had previously raised S\$11,900,000 in net proceeds (the “**Net Cash Proceeds**”) from the placement of 500,000,000 new ordinary shares in the Company, which was completed on 19 November 2021 (the “**Placement**”). Following the Company’s previous update on the utilisation of the Net Cash Proceeds from the Placement in its unaudited financial statements and dividend announcement for the financial period ending 30 September 2022 dated 14 November 2022, the utilisation of the Net Cash Proceeds as at the date of this Annual Report is set out as follows:

	Allocation of the Net Cash Proceeds (S\$’000)	Balance brought forward from 14 November 2022 <sup>(1)</sup> (S\$’000)	Amount utilised as at the date of this Annual Report (S\$’000)	Balance (S\$’000)
To fulfil the paid-up share capital requirement of Fujian Zixin <sup>(1)</sup>	5,200	5,200	–	5,200 <sup>(2)</sup>
Future expansion of the Group’s business in Singapore <sup>(3)</sup>	4,000	3,800	200	3,600
Working capital for the Group <sup>(4)</sup>	2,700	1,918	877	1,041
	11,900	10,918	1,077	9,841

### Notes:

- (1) Please refer to the Company’s announcement dated 21 September 2021 and 23 September 2021 for further details.
- (2) With reference to the Company’s announcement dated 21 September 2021 and its responses to questions from shareholders dated 23 September 2021, the Company had stated its intention to fulfill the capital commitment of its wholly-owned subsidiary, Fujian Zixin’s registered share capital through funds raised from the FY2022 Placement. Due to the difficult global market conditions and the outbreak and resurgence of COVID-19 in the PRC since February 2022, the Company had to devote all its attention to the Group’s operational and business needs. As a result, the procedure of fulfilling the capital commitment of Fujian Zixin has been temporarily put on hold. Accordingly, the Net Cash Proceeds allocated for the purpose of fulfilling the paid-up share capital requirement of Fujian Zixin remains unutilised as at the date of this announcement.
- (3) Please refer to the Company’s announcements dated 21 September 2021 and 23 September 2021 for further details.
- (4) A breakdown of the amount utilised for the working capital for the Group is as follows:

	Working Capital (S\$’000)
Summary of expenses:	
Employee benefit expenses (including director’s remuneration)	657
Administrative and miscellaneous expenses	220
Total	877

# DIRECTORS' STATEMENT

For The Financial Year Ended 31 March 2022

The directors of the Company are pleased to present the accompanying audited consolidated financial statements of Zixin Group Holdings Limited (formerly known as China Star Food Group Limited) (the “**Company**”) and its subsidiaries (the “**Group**”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2022.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2022 and of the financial performance, changes in equity and cash flows of the Group, and statement of changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Liang Chengwang	Executive Chairman and Chief Executive Officer
Duanmu Xiaoyi	Executive Director
Ng Poh Khoon	Non-Executive and Lead Independent Director
Xue Congyan	Non-Executive and Independent Director
Lawrence Chen Tse Chau (Chen Shichao)	Non-Executive and Independent Director

# DIRECTORS' STATEMENT

For The Financial Year Ended 31 March 2022

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act 1967 (the "Act") except as follows:

Name of directors and company in which interest are held	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<u>Ordinary shares of the Company</u>				
Liang Chengwang	–	–	160,566,000	220,566,000
Duanmu Xiaoyi	30,000,000	50,000,000	–	–

The director interests as at 21 April 2022 were the same as those as at the end of the financial year.

By virtue of section 7 of the Act, Mr Liang Chengwang and Ms Duanmu Xiaoyi are deemed to have an interest in all the related body corporates of the Company.

## 4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objective was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

## 5. SHARE OPTIONS AND PERFORMANCE SHARES

### Share options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

At the end of the reporting year, there were no unissued shares of the Company or other body corporate in the Group under option.

# DIRECTORS' STATEMENT

For The Financial Year Ended 31 March 2022

## 5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

Zixin Employee Share Option Scheme (formerly known as China Star Employee Share Option Scheme)

The Zixin Employee Share Option Scheme (formerly known as China Star Employee Share Option Scheme) (the “**Scheme**”) was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Scheme shall continue to be in force at the discretion of the Remuneration Committee (“**RC**”), subject to a maximum period of 10 years commencing on the date the Scheme was adopted by the Company in the general meeting i.e. 20 July 2015, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by an ordinary resolution in a general meeting and any relevant authorities which may then be required.

The Scheme may be terminated at any time by the RC or by a resolution of the Company in a general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further option shall be offered by the Company.

The Scheme provides for the grant of ordinary shares of the Company to employees, executive directors, non-executive directors (including independent directors) of the Company and its subsidiaries, including those who may be the controlling shareholders.

The Scheme is administered by the RC comprising three directors, namely, Mr Lawrence Chen Tse Chau (Chen Shichao), Mr Xue Congyan and Mr Ng Poh Khoon in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the options. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the options granted, or to be granted, to him/her or his/her associate(s).

The aggregate number of new shares that may be allotted and issued from time to time upon the exercise of the options granted pursuant to the Scheme (“**Option Shares**”) over which the RC may grant options on any date (including the number of Option Shares which have been and are to be issued upon the exercise of the options in respect of all options granted under the Scheme and any other share scheme then in force) shall not exceed 15% of the total number of shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

The aggregate number of Option Shares over which options may be granted under the Scheme to controlling shareholders and/or their associates shall not exceed 25% of the Option Shares available under the Scheme, and the number of Option Shares over which an option may be granted under the Scheme to each controlling shareholder or his/her associate shall not exceed 10% of the Option Shares available under the Scheme.

Subject to any adjustment pursuant to Rule 10 of the Rules of the Scheme, the exercise price for each share in respect of which an option is exercisable shall be payable upon the exercise of the option and shall be determined by the RC in its absolute discretion, on the date of grant, and fixed by the RC at:

- (a) the market price; or
- (b) a price which is set at a discount to the market price, provided that:
  - (i) the maximum discount shall not exceed 20% of the market price. The RC shall have the sole and absolute discretion to determine the exact amount of discount to each participant; and
  - (ii) the shareholders in a general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

# DIRECTORS' STATEMENT

For The Financial Year Ended 31 March 2022

## 5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

### Zixin Employee Share Option Scheme (formerly known as China Star Employee Share Option Scheme) (cont'd)

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option, and options granted with the exercise price set at a discount to market price shall only be exercisable by a participant after 2 years from the date of grant of that option.

Group employees (including executive directors) who are granted options must exercise their options before the 10th anniversary from the date of grant and Group non-executive directors (including independent directors) who are granted Options must exercise their options before the 5th anniversary from the date of grant, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Since the approval of the Scheme by the shareholders of the Company, no option was granted.

### Zixin Performance Share Plan (formerly known as China Star Performance Share Plan)

The Zixin Performance Share Plan (formerly known as China Star Performance Share Plan) (the “**Plan**”) was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date the Plan was adopted by the Company in the general meeting i.e. 20 July 2015, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by an ordinary resolution in a general meeting and any relevant authorities which may then be required.

The Plan may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Plan is terminated, no further award shall be vested in the Company.

The Plan is administered by the RC comprising three directors, namely, Mr Lawrence Chen Tse Chau (Chen Shichao), Mr Xue Congyan and Mr Ng Poh Khoo, in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the awards. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the awards granted, or to be granted, to him/her or his/her associate(s).

The Company will be delivering shares pursuant to the award granted under the Plan in the form of existing shares held as treasury shares and/or an issue of new shares that may be allotted and issued from time to time upon the vesting of an award granted pursuant to the Plan. The performance shares issued under the Plan, when added to all awards granted under any other share option, share incentive, performance share or restructured share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company from time to time.

In determining whether to issue performance share or to purchase existing shares for delivery to participants upon vesting of their award, the Company will take into account factors such as (but not limited to) the number of shares to be delivered, the prevailing market price of the shares and the financial effect on the Company of either issuing performance shares or purchasing existing shares.

Insofar as in relation to the number of treasury shares that may be held pursuant to the Act as amended by the Companies (Amendment) Act 2014, such a method is not subject to any further limit under prevailing legislation and Singapore Exchange Securities Trading Limited (“**SGX-ST**”) guidelines as it does not involve the issuance of any performance shares.

# DIRECTORS' STATEMENT

For The Financial Year Ended 31 March 2022

## 5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

Zixin Performance Share Plan (formerly known as China Star Performance Share Plan) (cont'd)

An award letter confirming the award and specifying, *inter alia*, in relation to the award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be satisfied and the date by which the award shall be vested, will be sent to each participant as soon as reasonably practicable after the award is finalised. Notwithstanding that a participant may have met his/her performance targets, no award shall vest in a participant in the following circumstances:

- (a) upon the bankruptcy of a participant or the happening of any other event which results in his/her being deprived of the legal or beneficial ownership of such award;
- (b) in the event of any misconduct of a participant as determined by the RC in its discretion;
- (c) in the event that the RC shall, in its discretion, deems it appropriate that such award shall so lapse on the grounds that any of the objectives of the Plan have not been met; or
- (d) in the event that the participant ceases to be employed by the Company before vesting of the award to him/her.

The intention is to award shares based on pre-determined dollar amounts such that the quantum of shares comprised in award is dependent on the closing price of shares transacted on the market day the award is vested. The RC will also monitor the grant of award carefully to ensure that the size of the Plan complies with the relevant rules of the SGX-ST.

Since the approval of the Plan by the shareholders of the Company, no award was granted.

## 6. AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Ng Poh Khoon	Chairman
Xue Congyan	Member
Lawrence Chen Tse Chau (Chen Shichao)	Member

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- (a) reviewed with the independent external auditors their audit plan;
- (b) reviewed with the independent external auditors their evaluation of the Company's internal accounting controls that are relevant to their statutory audit, their report on the financial statements and the assistance given by the management to them;
- (c) reviewed with the internal auditors their scope and results of the internal audit procedures (including those relating to financial, operational, compliance and information technology controls and risk management) and the assistance given by management to them;



# DIRECTORS' STATEMENT

For The Financial Year Ended 31 March 2022

## 6. AUDIT COMMITTEE (CONT'D)

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following: (cont'd)

- (d) reviewed the financial statements of the Group and the Company prior to their submission to the board of directors of the Company for adoption; and
- (e) reviewed the interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual Section B: Rule of Catalist).

Other functions performed by the audit committee are described in the Corporate Governance Report included in the Annual Report of the Company. It also includes an explanation of how independent auditors' objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RT LLP, be nominated for re-appointment as the independent auditors at the next annual general meeting of the Company.

## 7. INDEPENDENT AUDITOR

RT LLP has expressed willingness to accept re-appointment.

On behalf of the Board of Directors

.....

Liang Chengwang  
Director

15 March 2023

.....

Duanmu Xiaoyi  
Director

# INDEPENDENT AUDITOR'S REPORT

To The Members of Zixin Group Holdings Limited  
(Formerly Known As China Star Food Group Limited) (Registration No: 200718683N)  
For The Financial Year Ended 31 March 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of Zixin Group Holdings Limited (formerly known as China Star Food Group Limited) (the “**Company**”) and its subsidiaries (collectively the “**Group**”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the “**Act**”) and Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) so as to give a true and fair view of the financial position of the Group and the financial position of the Company as at 31 March 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“**SSAs**”). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“**ACRA**”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

To The Members of Zixin Group Holdings Limited  
(Formerly Known As China Star Food Group Limited) (Registration No: 200718683N)  
For The Financial Year Ended 31 March 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matters

#### How the matter was addressed in the audit

##### Upfront payments for supplies of sweet potatoes

As stated in Note 18, the carrying amount of the upfront payments made to five sweet potatoes suppliers as at 31 March 2022 is RMB 130,690,000 (FY2021: RMB 70,899,000).

The Group, through one of its subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. ("Dizhongbao"), had entered into purchase contracts with a few suppliers to secure the supply of quality raw sweet potatoes at reasonable prices.

During the financial year ended 31 March 2018, Dizhongbao entered into the purchase contracts with three suppliers to guarantee the supply of an aggregate of 12,190 tonnes of raw sweet potatoes on a yearly basis. Total upfront payments made to the three suppliers amounted to an aggregate amount of RMB 131,715,000.

During the financial year ended 31 March 2019, Dizhongbao entered into purchase contracts with another two suppliers for the supply of an aggregate of 6,900 tonnes of sweet potatoes on a yearly basis. An aggregate upfront payment of RMB 71,500,000 were paid to the two suppliers.

During the financial year ended 31 March 2022, Dizhongbao made additional upfront payments of RMB 107,103,500 to the 2 suppliers for purchase contracts entered during the financial year ended 31 March 2018 upon full utilization of upfront payments made in the financial year ended 31 March 2018.

All the above-mentioned agreements carry similar terms. The agreements last for 15 years and grant Dizhongbao with the first right of refusal of the supply of sweet potatoes.

In return, Dizhongbao pays upfront payments to the suppliers once every 5 years. The upfront payments are used to offset the purchase within the 5 years. In case of the upfront payments are fully utilised within the 5 years, the payment of subsequent purchase is due according to the agreed terms per respective contracts

We consider the audit of upfront payments for suppliers of sweet potatoes to be a key audit matter due to the magnitude of the amount recognised in the financial statements,

Our audit procedures focused on evaluating the business rationale of these transactions and the financial ability of the suppliers to fulfil their commitments to supply the sweet potatoes to the Group. These procedures include:

- Sighting of suppliers' invoices on the purchases during the year;
- Assessed management's estimation on the upfront payment classification in current and non-current assets;
- Obtained confirmations from the suppliers to confirm the upfront payment balances as at 31 March 2022;
- Assessed the suppliers' financial strengths by performing background checks and reviewed their financial statements;
- Assessed the recoverability and validity of the upfront payment balances by checking whether the suppliers have fulfilled their commitment in supplying the raw sweet potatoes over the past few year; and
- Assessed the purchase prices entered into with the suppliers during the year were discounted as agreed in the agreements with the suppliers.

# INDEPENDENT AUDITOR'S REPORT

To The Members of Zixin Group Holdings Limited  
(Formerly Known As China Star Food Group Limited) (Registration No: 200718683N)  
For The Financial Year Ended 31 March 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (continued)

#### Key Audit Matters (cont'd)

#### How the matter was addressed in the audit

##### Impairment assessment of investment in subsidiary

As stated in Note 16, the Company has investment in subsidiary with carrying amount of RMB 803,636,000 (before impairment loss).

SFRS(I) 1-36 *Impairment of Assets* requires that when there is any indication of impairment, the reporting entity shall estimate the recoverable amount of that asset.

During the current financial year, management performed an impairment test for the investment in Zixin International Pte. Ltd. as the cost of investment in the subsidiary is higher than its net tangible assets. The recoverable amount is defined as the higher of the subsidiary's fair value ("FV") less cost of disposal and its value in use ("VIU").

Management is of the view that there is no basis for making a reliable estimate of the price, that is, fair value at which an orderly transaction to sell the asset could not be reliably estimated, and therefore has used VIU as the recoverable amount. Accordingly, management has developed the VIU valuation as its recoverable amount.

During the financial year, the Company made an impairment loss of RMB 284,000,000 (2021: RMB Nil) on its investment in subsidiary, being the difference between the book value and VIU (recoverable amount).

Following this impairment loss, the Company's investment in subsidiary amounted to RMB 519,636,000, which represent approximately 83% of the Company's total assets.

The significant judgement, assumptions and estimates, including the basis, used for the assessment of the recoverable amount of investment in subsidiary are disclosed in Note 16A to the financial statements.

We consider the audit of investment in subsidiary to be a key audit matter due to the significant management judgement involved.

Our audit focused on evaluating the key assumptions, judgements and estimations used by management in conducting the valuation and impairment review of the subsidiary. Our audit procedures included but were not limited to the following:

- Challenged and tested the assumptions, judgements and estimations used in VIU valuation and assessed the accuracy of the historical data and reasonableness of projections used in forecast model as the basis for arriving at the estimated discounted future cash flows ("DCF");
- Tested the integrity of inputs of the projected cash flows used in the valuation; and
- Reviewed and challenged the cash flow forecasts used with the comparison to recent information, historical trend analysis to the extent relevant.

# INDEPENDENT AUDITOR'S REPORT

To The Members of Zixin Group Holdings Limited  
(Formerly Known As China Star Food Group Limited) (Registration No: 200718683N)  
For The Financial Year Ended 31 March 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

- (a) Corporate Profile;
- (b) Chairman's Letter to Shareholders;
- (c) Business Operations;
- (d) Corporate Structure;
- (e) Financial Highlights;
- (f) Performance Review;
- (g) Board of Directors;
- (h) Key Management;
- (i) Sustainability Report;
- (j) Corporate Governance Report;
- (k) Directors' Statement;
- (l) Statistics of Shareholdings; and
- (m) Notice of Annual General Meeting.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

To The Members of Zixin Group Holdings Limited  
(Formerly Known As China Star Food Group Limited) (Registration No: 200718683N)  
For The Financial Year Ended 31 March 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT

To The Members of Zixin Group Holdings Limited  
(Formerly Known As China Star Food Group Limited) (Registration No: 200718683N)  
For The Financial Year Ended 31 March 2022

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditor's responsibilities for the audit of the financial statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravintran Arumugam FCA.

RT LLP  
Public Accountants and  
Chartered Accountants

Singapore  
15 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	5	289,132	285,474
Cost of sales		(211,521)	(215,858)
<b>Gross profit</b>		77,611	69,616
Finance income	6	682	418
Other income	7	459	720
Marketing and distribution costs	8	(37,349)	(36,608)
Administrative expenses	9	(33,511)	(44,639)
Other losses	10	(516)	(1,080)
Finance costs	6	(1,465)	(1,429)
<b>Profit/(Loss) before income tax</b>		5,911	(13,002)
Income tax (expense)/credit	12	(2,259)	326
<b>Profit/(Loss) for the year, net of tax</b>		3,652	(12,676)
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(140)	986
<b>Total comprehensive income/(loss) for the year</b>		3,512	(11,690)
		RMB cents	RMB cents
<b>Earning/(Loss) per share</b>			
Basic and diluted earning/(loss) per share	13	0.34	(1.98)

The accompanying notes form an integral part of these financial statements



# STATEMENTS OF FINANCIAL POSITION

As at 31 March 2022

	Notes	Group		Company	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b><u>Non-current assets</u></b>					
Property, plant and equipment	14	128,327	127,300	158	394
Intangible assets	15	37,068	37,287	–	–
Investments in subsidiaries	16	–	–	519,616	803,636
Other receivables, non-current	17	11	9	–	–
Other assets, non-current	18	86,821	35,316	–	–
Deferred tax assets	12	5,441	7,571	–	–
<b>Total non-current assets</b>		<b>257,668</b>	<b>207,483</b>	<b>519,794</b>	<b>804,030</b>
<b><u>Current assets</u></b>					
Inventories	19	2,439	3,472	–	–
Trade and other receivables	17	41,177	46,987	91,828	54,546
Other assets, current	18	69,838	61,397	176	61
Cash and bank balances	20	197,506	196,387	14,022	1,777
<b>Total current assets</b>		<b>310,960</b>	<b>308,243</b>	<b>106,026</b>	<b>56,384</b>
<b>Total assets</b>		<b>568,628</b>	<b>515,726</b>	<b>625,820</b>	<b>860,414</b>
<b>EQUITY AND LIABILITIES</b>					
<b><u>Equity</u></b>					
Share capital	21	239,150	182,572	938,574	881,996
Retained earnings/(accumulated losses)		229,910	226,322	(357,616)	(67,065)
Other reserves	22	44,945	45,021	40,778	42,979
<b>Total equity</b>		<b>514,005</b>	<b>453,915</b>	<b>621,736</b>	<b>857,910</b>
<b><u>Non-current liabilities</u></b>					
Lease liability, non-current		–	166	–	166
<b><u>Current liabilities</u></b>					
Income tax payable		129	–	–	–
Trade and other payables	23	18,534	28,106	3,924	2,099
Lease liability, current		160	239	160	239
Other financial liabilities	24	35,800	33,300	–	–
<b>Total current liabilities</b>		<b>54,623</b>	<b>61,645</b>	<b>4,084</b>	<b>2,338</b>
<b>Total liabilities</b>		<b>54,623</b>	<b>61,811</b>	<b>4,084</b>	<b>2,504</b>
<b>Total equity and liabilities</b>		<b>568,628</b>	<b>515,726</b>	<b>625,820</b>	<b>860,414</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2022

<b>Group:</b>	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Opening balance at 1 April 2020	152,980	44,035	238,998	436,013
<b>Total comprehensive income/(loss) for the year</b>				
Loss for the year	–	–	(12,676)	(12,676)
Other comprehensive income	–	986	–	986
<b>Total comprehensive income/(loss) for the year</b>	–	986	(12,676)	(11,690)
<b>Transactions with owners, recognised directly in equity</b>				
Issuance of new shares	29,592	–	–	29,592
Closing balance at 31 March 2021	182,572	45,021	226,322	453,915
Opening balance at 1 April 2021	182,572	45,021	226,322	453,915
<b>Total comprehensive (loss)/income for the year</b>				
Profit for the year	–	–	3,652	3,652
Other comprehensive income	–	(140)	–	(140)
<b>Total comprehensive (loss)/income for the year</b>	–	(140)	3,652	3,512
<b>Transactions with owners, recognised directly in equity</b>				
Transfer from/(to) retained earnings	–	64	(64)	–
Issuance of new shares	56,578	–	–	56,578
Closing balance at 31 March 2022	239,150	44,945	229,910	514,005

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 March 2022

<b>Company:</b>	<b>Share capital</b>	<b>Other reserves</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Opening balance at 1 April 2020	852,404	43,459	(62,492)	833,371
<b>Total comprehensive loss for the year</b>				
Loss for the year	–	–	(4,573)	(4,573)
Other comprehensive loss	–	(480)	–	(480)
<b>Total comprehensive loss for the year</b>	–	(480)	(4,573)	(5,053)
<b>Transactions with owners, recognised directly in equity</b>				
Issuance of new shares	29,592	–	–	29,592
Closing balance at 31 March 2021	881,996	42,979	(67,065)	857,910
Opening balance at 1 April 2021	881,996	42,979	(67,065)	857,910
<b>Total comprehensive loss for the year</b>				
Loss for the year	–	–	(290,551)	(290,551)
Other comprehensive loss	–	(2,201)	–	(2,201)
<b>Total comprehensive loss for the year</b>	–	(2,201)	(290,551)	(292,752)
<b>Transactions with owners, recognised directly in equity</b>				
Issuance of new shares	56,578	–	–	56,578
Closing balance at 31 March 2022	938,574	40,778	(357,616)	621,736

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2022

	2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	5,911	(13,002)
Interest income	(682)	(418)
Interest expense	1,465	1,429
Depreciation of property, plant and equipment	17,138	19,104
Property, plant and equipment written-off	108	165
Impairment loss of property, plant and equipment	–	1,249
Amortisation of intangible assets	1,419	1,402
Loss on disposal of property, plant and equipment	497	219
Loss on disposal of intangible assets	–	694
Impairment loss on trade receivables and other assets	–	599
Reversal of impairment loss on trade receivables and other assets	(382)	–
Exchange differences on translating functional to presentation currency	(140)	986
Operating cash flows before changes in working capital	25,334	12,427
Inventories	1,033	516
Trade and other receivables	6,190	(20,926)
Other assets	(59,945)	81,427
Trade and other payables	(9,573)	16,473
Net cash flows (used in)/generated from operations	(36,961)	89,917
Income taxes paid	–	(46)
Net cash flows (used in)/generated from operating activities	(36,961)	89,871
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(20,756)	(4,659)
Proceed from disposal of property, plant and equipment	1,986	3,735
Additions to intangible assets	(1,200)	–
Interest income received	682	418
Net cash flows used in investing activities	(19,288)	(506)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	56,578	29,592
Proceeds from new bank loans	35,800	33,300
Repayment of bank loans	(33,300)	(25,500)
Payment of lease liabilities	(260)	(79)
Interest paid	(1,450)	(1,421)
Net cash flows generated from financing activities	57,368	35,892
<b>Net increase in cash and cash equivalents</b>	1,119	125,257
Cash and cash equivalents, beginning balance	196,387	71,130
<b>Cash and cash equivalents, ending balance (Note 20)</b>	197,506	196,387

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2022

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	As at 1 April 2021 RMB'000	Non-cash changes			Financing cash flows RMB'000	As at 31 March 2022 RMB'000
		Acquisition RMB'000	Accretion of interests RMB'000	Other RMB'000		
Bank Loans (Note 24)	33,300	–	1,450	–	1,050	35,800
Lease liability						
- current	239	–	9	172	(260)	160
- non-current	166	–	6	(172)	–	–
	33,705	–	1,465	–	790	35,960

	As at 1 April 2020 RMB'000	Non-cash changes			Financing cash flows RMB'000	As at 31 March 2021 RMB'000
		Acquisition RMB'000	Accretion of interests RMB'000	Other RMB'000		
Bank Loans (Note 24)	25,500	–	1,421	–	6,379	33,300
Lease liability						
- current	–	71	8	239	(79)	239
- non-current	–	405	–	(239)	–	166
	25,500	476	1,429	–	6,300	33,705

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL

### 1.1 The Company

Zixin Group Holdings Limited (formerly known as China Star Food Group Limited) (the “**Company**”) is a limited liability company incorporated in Singapore. The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited with effect from 9 November 2022, the name of the Company was changed from China Star Food Group Limited to Zixin Group Holdings Limited.

The registered office of the Company is located at 16 Raffles Quay, #17-03 Hong Leong Building, Singapore 048581. The principal place of business of the Company is located at 10 Anson Road, International Plaza #27-06B, Singapore 079903.

The financial statements for the reporting year ended 31 March 2022 comprise those of the Company and its subsidiaries (collectively, the “**Group**”).

The principal activity of the Company is that of an investment holding company. The principal activities of the Company’s subsidiaries are disclosed in Note 16 to the financial statements below.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 March 2022 were approved and authorised for issue by the Board of Directors on the date of statement by directors.

### 1.2 Accounting convention

#### Basis of preparation

These financial statements have been prepared in accordance with the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi (“**RMB**”). All financial information presented in Chinese Renminbi has been rounded to the nearest thousand (“**RMB’000**”), unless otherwise indicated.

The preparation of the financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2B.

### 1.3 Adoption of new and amended standards and interpretations

Early adoption of amendment to SFRS(I) 1-8: *Definition of Accounting Estimates*

The Group has early adopted the amendment to SFRS(I) 1-8: *Definition of Accounting Estimates* which defines the term ‘estimate’ as an input used in developing accounting estimates and the effect of change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

During the previous financial year, the Group changed its measurement technique to determine allowance for impairment of trade receivables from an individual (debtor-by-debtor) basis to a collective basis (Note 2B(a)).

In accordance with the above amendment to SFRS(I) 1-8, the change has been treated as a change in accounting estimate with an initial application date of 1 April 2020.

No restatement to the comparative information is required.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 1. GENERAL (CONT'D)

### 1.4 Amendments to standards issued but not yet effective

The Group has not adopted the following amendments to standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: <i>Reference to the Conceptual framework</i>	1 January 2022
Annual improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 1-1: <i>Presentation of Financial Statements</i> (Classification of Liabilities as Current or Non-current)	1 January 2024
Amendments to SFRS(I) 1-1: <i>Non-current liabilities with Covenants</i>	1 January 2024

The directors expect that the adoption of the amendments to standards above will have no material impact on the financial statements in the period of initial application.

### 1.5 Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss.

The Company's separate statement of financial position and statement of changes in equity have been prepared on the same basis, and as permitted by the Singapore Companies Act 1967, the Company's separate statement of profit or loss and other comprehensive income and separate statement of cash flows are not presented.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 2A. Significant accounting policies

#### Foreign currency transactions

The functional currency of the Company is the Singapore Dollars (“S\$”) as it reflects the primary economic environment in which the Company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

The presentation currency of the Group’s and Company’s financial statements is Chinese Renminbi (“RMB”). For the RMB financial statements, assets and liabilities are translated at year end exchange rates and the income and expense items, and other comprehensive income or loss in the statement of comprehensive income are translated at average exchange rates for the reporting year. The resulting translation differences (if any) are recognised in other comprehensive income and accumulated in a separate component of equity.

#### Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the profit or loss items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

#### Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good to the customer, which is when the customer obtains control of the good. A performance obligation may be satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue excludes VAT and is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The Group's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

The Group also contributes to a local pension scheme in the People's Republic of China, under which the Group pays fixed contributions into a defined contribution retirement scheme organised by the local municipal government for eligible employees, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Contributions to the scheme are charged to profit or loss as they fall due.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

#### Share-based compensation

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("**equity-settled transactions**"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### **Borrowing costs**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### **Income tax**

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws by the end of the reporting year; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the financial entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold buildings	-	3.33% - 5%
Leasehold buildings (Right-of-use assets)	-	50%
Renovation	-	33.33%
Plant and machinery	-	10%
Office equipment	-	20%
Research & production equipment	-	20%
Motor vehicles	-	25%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Construction work-in-progress is carried at cost, less any recognised impairment loss until construction is completed.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

#### Land use rights

Cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease terms of the land use rights of between 15 to 50 years.

#### Manufacturing patents

Cost of acquisition of patents is capitalised and amortised on a straight-line basis over the useful lives of 10 years.

#### Software

Cost of acquisition of software is capitalised and amortised on a straight-line basis over the useful lives of 5 years.

#### Favourable supply contracts

Favourable supply contracts acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over 5 years.

#### Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b) whereby (a) being the aggregate of (i) the consideration transferred measured at acquisition date fair value; (ii) the amount of any non-controlling interests in the acquiree measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets; and (iii) in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interests in the acquiree; and (b) being the net of the identifiable assets acquired and the liabilities assumed measured at acquisition date fair values in accordance with SFRS(I) 3 – Business Combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment at least annually. Impairment on goodwill is not reversed in any circumstances.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### **Subsidiaries**

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Company and the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the Company has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the Company controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

#### **Impairment of non-financial assets**

The carrying amount of non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each reporting year, non-financial assets with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **Inventories**

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Financial assets

##### Classification and measurement

Financial assets are classified in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (“FVOCI”); and
- Fair value through profit or loss (“FVPL”).

The classification depends on the Group’s business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

##### At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

##### At subsequent measurement

#### (i) Debt instruments

Debt instruments mainly comprise cash and bank balances and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### At subsequent measurement (cont'd)

#### (ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

#### **Impairment of financial assets**

The Group has the following type of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### **Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

#### **Financial liabilities**

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Financial liabilities (cont'd)

Subsequent measurement and classification

The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

#### Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the profit or loss in the reporting year they occur.

#### Leases

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### When the Group is the lessee

The Group recognises a right-of-use (“**ROU**”) asset and lease liability at the lease commencement date. ROU asset is initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimated cost to restore the underlying asset, less any lease incentive received. The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term as disclosed in the accounting policy for Property, plant and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The Group’s right-of-use assets are presented within property, plant and equipment (Note 14).

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Leases (cont'd)

##### When the Group is the lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

##### Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 2B. Critical judgments, assumptions and estimation uncertainties

The critical judgments made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

(a) Provision for expected credit losses (“ECLs”) of trade receivables:

The Group exercises prudence by applying a general provision rate of 0.5% to calculate ECLs for trade receivables on a collective basis.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 25D.

The carrying amounts of trade receivables at the end of the reporting period was RMB 40,462,000 (2021: RMB 46,435,000).

(b) Property, plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value-in-use calculations. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of property, plant and equipment of the Group are disclosed in Note 14.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2B. Critical judgments, assumptions and estimation uncertainties (cont'd)

(c) Investments in subsidiaries:

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments in subsidiaries are impaired. Management considers factors such as the historical and current performances, estimated value and probability of future cash flows.

Value in use calculation is used, management estimate the expected future cash flows from the subsidiaries and use suitable discount rates to calculate the present value of those cash flows. The investments in subsidiaries as at 31 March 2022 are disclosed in Note 16.

(d) Intangible assets:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value-in-use calculations. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of intangible assets of the Group are disclosed in Note 15.

(e) Income tax amounts:

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgment is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 12 on income tax.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

SFRS(I) 1-24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Mr Liang Chengwang.

### 3A. Related companies

Related companies in these financial statements relate to the Company's subsidiaries.

There are transactions and arrangements between the Company and its related companies and the effects of these on the basis determined between the companies are reflected in these financial statements. The related company balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

### 3B. Key management compensation

	Group	
	2022	2021
	RMB'000	RMB'000
Salaries and other short-term employee benefits	3,482	2,933
Contributions to defined benefits plans	89	91

The above amount is included under employee benefits expense. Included in the above amount are the following items:

	Group	
	2022	2021
	RMB'000	RMB'000
Remuneration of directors	2,245	1,730

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

### 3C. Other payables and other financial liabilities to related parties

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the consolidated financial statements.

The movements in other payables to related parties are as follows:

	Group and Company	
	2022	2021
	RMB'000	RMB'000
<u>Director/shareholder:</u>		
Balance at beginning of the year	943	2,069
Repayments	(597)	(2,846)
Payment on behalf of the Company	31	1,546
Share capitalisation	–	(1,229)
Salary payables	1,941	1,427
Payment on behalf of the Company	(85)	(24)
Balance at end of the year (Note 23)	2,233	943

## 4. FINANCIAL INFORMATION BY SEGMENT

### 4A. Primary analysis by business segment

For management purposes, the focus is on one operating segment, that is, sweet potato foods. Sweet potato foods segment includes research, production and distribution of sweet potato food products.

### 4B. Geographical information

As the business activities of the Group are mainly conducted in the People's Republic of China, the reporting format by geographical segment is not presented.

### 4C. Information about major customers

There are no customers with revenue transactions of over 10% of the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 5. REVENUE

	Group	
	2022	2021
	RMB'000	RMB'000
<u>Revenue:</u>		
Sweet potato processed products	235,551	216,797
Sweet potatoes	53,581	68,677
	289,132	285,474
<u>Timing of transfer of goods or service:</u>		
At a point in time	289,132	285,474

## 6. FINANCE INCOME AND FINANCE COSTS

	Group	
	2022	2021
	RMB'000	RMB'000
<u>Finance income:</u>		
Interest income from banks	682	418
<u>Finance expense:</u>		
Bank loans	1,450	1,421
Lease liabilities	15	8
	1,465	1,429

## 7. OTHER INCOME

	Group	
	2022	2021
	RMB'000	RMB'000
Rental income	–	640
Other income	77	80
Reversal of allowance of impairment of trade receivables and other assets	382	–
	459	720

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 8. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

	Group	
	2022	2021
	RMB'000	RMB'000
Advertisement cost	19,617	18,703
Delivery charges	4,643	4,227
Publicity expenses	3,190	5,465
Employee benefits expense (Note 11)	6,949	5,387

## 9. ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2022	2021
	RMB'000	RMB'000
Amortisation of intangible assets (Note 15)	1,419	1,402
Depreciation of property, plant and equipment (Note 14)	11,756	13,417
Impairment of property, plant and equipment (Note 14)	–	1,249
Impairment loss on trade receivables and other assets	–	599
Research and development expenses	2,142	11,091
Employee benefits expense (Note 11)	6,804	5,589
Nursery fees	2,517	2,353
Rental expenses - short term leases	–	180

## 10. OTHER LOSSES

	Group	
	2022	2021
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	516	913
Others	–	167
	516	1,080

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 11. EMPLOYEE BENEFITS EXPENSE

	Group	
	2022	2021
	RMB'000	RMB'000
Salaries, bonuses and other employees' benefits	27,939	25,559
Contributions to defined contribution plans	6,359	2,401
Other benefits	1,812	1,318
	36,110	29,278
The employee benefits expenses are charged as follows:		
Cost of sales	22,357	18,290
Marketing and distribution costs (Note 8)	6,949	5,387
Administrative expenses (Note 9)	6,804	5,589
Others	–	12
	36,110	29,278

## 12. INCOME TAX CREDIT

### 12A. Components of income tax credit recognised in profit or loss

	Group	
	2022	2021
	RMB'000	RMB'000
<u>Current tax expense:</u>		
Current year	129	–
Under provision in prior financial year	–	46
	129	46
Deferred income tax – net debit/(credit) to profit or loss	2,130	(372)
Total income tax expenses/(credit)	2,259	(326)



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 12. INCOME TAX CREDIT (CONT'D)

### 12A. Components of income tax credit recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying the People's Republic of China corporate income tax rate, where the main operations of the Group take place. The income tax in profit or loss varied from the amount of income tax amount determined by applying the People's Republic of China corporate income tax rate of 25% (2021: 25%) to profit/(loss) before income tax as a result of the following differences:

	Group	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) before income tax	5,911	(13,002)
Income tax credit at the above rate	1,478	(3,251)
Effect of different tax rates in different countries	499	370
Tax exemption income	(570)	(545)
Non-deductible items	1,288	3,426
Under provision in prior financial year	–	46
Increase in deferred tax assets recognised	–	(372)
Under provision in deferred tax asset in prior financial year	(436)	–
Total income tax expenses/(credit)	2,259	(326)

There are no income tax consequences of dividends to owners of the Company.

The amount of income tax payable outstanding as at end of the reporting year was RMB 129,000 (2021: RMB nil). Such an amount is net of tax advances, which, according to the tax rules in the People's Republic of China, were paid before the end of the financial year.

According to the prevailing tax rules and regulation in the People's Republic of China, one of the subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd., is exempted from enterprise income tax for taxable profit from its agricultural business activities in the People's Republic of China.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 12. INCOME TAX CREDIT (CONT'D)

### 12B. Deferred tax assets balance in the statements of financial position

	Group	
	2022	2021
	RMB'000	RMB'000
Unutilised tax losses	5,441	7,571

The Group has tax losses of RMB 21,764,000 (2021: RMB 30,284,000) at the end of financial year which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The Group has recognised deferred tax assets on the basis that there are sufficient estimated future taxable profits and taxable temporary differences against which the tax benefits can be utilised, based on the management projection of surplus from operations.

	Group	
	2022	2021
	RMB'000	RMB'000
Balance at beginning of the year	7,571	7,199
Recognised deferred tax assets	–	372
Under provision in deferred tax in prior financial year	436	–
Utilisation of previously recognised tax losses	(2,566)	–
Balance at end of the year	5,441	7,571

## 13. EARNING/(LOSS) PER SHARE

The basic earning/(loss) per share is calculated based on the consolidated profit/(loss) attributable to equity holders of the Company divided by the weighted average number of shares in issue of 1,066,010,000 (2021: 640,695,000) shares during the financial year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following table illustrates the numerators and denominators used to calculate basic and diluted earning/(loss) per share:

	Group	
	2022	2021
	RMB'000	RMB'000
<b>Basic earning/(loss) per share</b>		
Earning/(Loss), net of tax attributable to owners of the Company	3,652	(12,676)
Weighted average number of ordinary shares in issue ('000)	1,066,010	640,695
Basic earning/(loss) per share (RMB cents)	0.34	(1.98)

As the Company does not have dilutive potential ordinary shares, the earning/(loss) per share and diluted earning/(loss) per share for FY2022 are thus RMB 0.34 cents (2021: (RMB 1.98) cents) per share.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings (Note 14A)	Renovation	Office equipment	Plant and machinery	Research & production equipment	Motor vehicles	Construction work-in- progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group:</u>								
<u>Cost:</u>								
At 31 March 2020	80,058	66,672	740	29,207	587	272	16,272	193,808
Additions	988	430	119	3,510	87	-	-	5,134
Disposal	(10,789)	-	-	-	-	-	-	(10,789)
Written off	-	(318)	(259)	(252)	(102)	-	-	(931)
At 31 March 2021	70,257	66,784	600	32,465	572	272	16,272	187,222
Additions	-	928	9	2,205	1,098	-	16,516	20,756
Disposal	-	-	-	(4,445)	(181)	-	-	(4,626)
At 31 March 2022	70,257	67,712	609	30,225	1,489	272	32,788	203,352
<u>Accumulated depreciation:</u>								
At 31 March 2020	17,383	20,775	576	8,001	177	258	-	47,170
Depreciation for the year	3,855	11,891	137	3,109	112	-	-	19,104
Disposal	(5,586)	-	-	-	-	-	-	(5,586)
Written off	-	(318)	(231)	(144)	(73)	-	-	(766)
At 31 March 2021	15,652	32,348	482	10,966	216	258	-	59,922
Depreciation for the year	2,421	11,101	86	3,329	201	-	-	17,138
Disposal	-	-	-	(1,944)	(91)	-	-	(2,035)
At 31 March 2022	18,073	43,449	568	12,351	326	258	-	75,025
<u>Accumulated impairment:</u>								
At 31 March 2020	-	-	-	-	-	-	-	-
Impairment for the year	1,249	-	-	-	-	-	-	1,249
Disposal	(1,249)	-	-	-	-	-	-	(1,249)
At 31 March 2021 and 2022	-	-	-	-	-	-	-	-
<u>Carrying amount:</u>								
At 31 March 2021	54,605	34,436	118	21,499	356	14	16,272	127,300
At 31 March 2022	52,184	24,263	41	17,874	1,163	14	32,788	128,327

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at 31 March 2022, the leasehold building and construction work-in-progress of the Group with carrying amount of RMB 84,972,000 (2021: RMB 31,545,000) are mortgaged as securities for bank loans (See Note 24C).

	Leasehold buildings RMB'000
<u>Company:</u>	
<u>Cost:</u>	
At 1 April 2020	–
Additions	476
At 31 March 2021	476
Additions	–
At 31 March 2022	476
<u>Accumulated depreciation:</u>	
At 1 April 2020	–
Depreciation for the year	82
At 31 March 2021	82
Depreciation for the year	236
At 31 March 2022	318
<u>Carrying amount:</u>	
At 31 March 2021	394
At 31 March 2022	158

The depreciation expense is charged as follows:

	Group	
	2022 RMB'000	2021 RMB'000
Cost of sales	5,382	5,687
Administrative expenses (Note 9)	11,756	13,417
	17,138	19,104

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### 14A. Lease - The Group as a lessee

#### Nature of the Group's leasing activities

##### Leasehold buildings

The Group has made upfront payments to secure the right-of-use (ROU) of between 2 to 50 years, which is used in the Group's production. This ROU asset of the leasehold building is recognised within property, plant and equipment (Note 14).

The ROU of the land is classified as an intangible asset (Note 15).

There are no externally imposed covenants on these lease arrangements.

Other than that, the Group also has lease contracts for buildings. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options which are further discussed below.

#### (a) Carrying amount of ROU assets classified within property, plant and equipment

	Group	
	2022	2021
	RMB'000	RMB'000
<b>Leasehold buildings</b>		
At 1 April	54,605	62,675
Additions	–	988
Disposal	–	(5,203)
Depreciation	(2,421)	(3,855)
At 31 March	52,184	54,605

#### (b) Lease liability

The carrying amounts of lease liability are presented separately in the statements of financial position and the movements during the year are disclosed in the reconciliation of liabilities arising from financing activities in the consolidated statement of cash flows. The maturity analysis of lease liabilities is disclosed in Consolidated Statement of Cash Flows.

#### (c) Lease expenses not capitalised in lease liability

	Group	
	2022	2021
	RMB'000	RMB'000
Lease expenses - short-term leases	–	180

#### (d) Total cash outflow

Total cash outflow for all the leases in financial year 2022 was RMB 260,000 (FY2021: RMB 259,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 15. INTANGIBLE ASSETS

	Right-of-use assets (Note 15A) RMB'000	Manufacturing patents RMB'000	Software RMB'000	Favourable supply contracts RMB'000	Goodwill (Note 15B) RMB'000	Total RMB'000
<u>Group:</u>						
<u>Cost:</u>						
At 31 March 2020	43,116	1,562	338	12,822	36,660	94,498
Disposal	(901)	–	–	–	–	(901)
At 31 March 2021	42,215	1,562	338	12,822	36,660	93,597
Additions	–	1,200	–	–	–	1,200
At 31 March 2022	42,215	2,762	338	12,822	36,660	94,797
<u>Accumulated amortisation:</u>						
At 31 March 2020	4,312	1,039	282	10,257	–	15,890
Amortisation for the year	1,190	156	56	–	–	1,402
Disposal	(207)	–	–	–	–	(207)
At 31 March 2021	5,295	1,195	338	10,257	–	17,085
Amortisation for the year	1,174	245	–	–	–	1,419
At 31 March 2022	6,469	1,440	338	10,257	–	18,504
<u>Accumulated impairment:</u>						
At 1 April 2021 and 31 March 2021	–	–	–	2,565	36,660	39,225
Impairment for the year	–	–	–	–	–	–
At 31 March 2022	–	–	–	2,565	36,660	39,225
<u>Carrying amount:</u>						
At 31 March 2021	36,920	367	–	–	–	37,287
At 31 March 2022	35,746	1,322	–	–	–	37,068

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 15. INTANGIBLE ASSETS (CONT'D)

Amortisation expenses are charged under administrative expense.

### 15A. Right of use assets

The right of use assets are for four parcels of land located in Liancheng County of Fujian Province, the People's Republic of China.

As at 31 March 2022, the right of use assets of the Group for a parcel of land with carrying amount of RMB 5,484,000 (2021: RMB 5,950,000) is mortgaged for bank loan (See Note 24C).

In September 2018, Liangcheng Dizhongbao Modern Agriculture Development Co., Ltd. ("**Dizhongbao**"), a subsidiary in the Group, entered into Land Use Rights Transfer Agreements (the "**Agreements**") with 86 farmers to lease 91 plots of farmland (certain farmers are contracted to lease more than 1 plot of farmland) for 15 years as a base for research and development to cultivate new breed of sweet potatoes and to nurture the sweet potatoes seedlings. The seedlings are collected from the farmers after sprout and distributed to the contracted suppliers (See Note 18) to grow on their own land to ensure better control of the end product quality. Under the terms of the Agreements, Dizhongbao had made full upfront payments of approximately RMB 7,000,000 to the contract farmers for 15 years.

### 15B. Goodwill arising on consolidation

In the financial year 2016, a determination of the recoverable amount of goodwill subsequent to the RTO revealed a shortfall of RMB 36,660,000 in future cash flow to support the purchase consideration paid of RMB 36,661,000 as the Company did not have operation or subsidiaries at the time when the reverse acquisition was completed. Accordingly, an impairment charge of RMB 36,660,000 was recorded against goodwill and disclosed under "other expenses" in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RMB'000	RMB'000
Unquoted equity shares, at cost	803,636	803,636
Allowance for impairment loss	(284,000)	–
	519,636	803,636

The subsidiaries held by the Company are listed below:

### Names of subsidiaries, country of incorporation, place of operations and principal activities

	Cost		Effective equity held	
	2022	2021	2022	2021
	RMB'000	RMB'000	%	%
<i>Held through the Company:</i>				
Zixin International Pte Ltd <sup>(a)</sup>	519,636	803,636	100	100
Singapore				
Investment holdings				
<i>Held through Zixin International Pte Ltd:</i>				
福建紫心生物薯业有限公司			100	100
Fujian Zixin Biological Potato Co., Ltd. <sup>(b)</sup>				
People's Republic of China				
Research, production and distribution of sweet potato food products				
<i>Held through Fujian Zixin Biological Potato Co., Ltd.:</i>				
福建紫老虎食品有限公司			100	100
Fujian Zilaohu Food Co., Ltd. <sup>(b)</sup>				
People's Republic of China				
Research, production and distribution of sweet potato food products				
连城县地中宝现代农业发展有限公司			100	100
Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. <sup>(b)</sup>				
People's Republic of China				
Cultivation, processing and sale of sweet potatoes				
福建紫草生物科技有限公司			100	100
Fujian Zixin Fungal Biotechnology Co., Ltd. <sup>(b)</sup>				
People's Republic of China				
Research, production and distribution of sweet potato food products				

(a) Audited by RT LLP.

(b) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### 16A. Impairment of investment in subsidiary

During the current financial year, management performed an impairment test for the investment in Zixin International Pte. Ltd. as the cost of investment in the subsidiary is higher than its net tangible assets. The recoverable amount is defined as the higher of the subsidiary's fair value ("FV") less cost of disposal and its value in use ("VIU"). Management is of the view that there is no basis for making a reliable estimate of the price, that is, fair value at which an orderly transaction to sell the asset could not be reliably estimated, and therefore has used VIU as the recoverable amount.

The recoverable amount has been determined based on a VIU calculation using cash flow projections from financial budgets approved by management covering a five-year period. The use of the VIU valuation involved significant judgement in the forecast projection of sales and operating cash flows for the next five years. The VIU valuation included assumptions of terminal growth rate and weighted cost of capital ("WACC").

An impairment loss of RMB 284,000,000 (2021: RMB Nil) was recognised for the year ended 31 March 2022 to write down the carrying amount to its recoverable amount. The cash flow projections are based on the long-term growth rate of 1% (2021: Nil%) and pre-tax discount rate (WACC) of 6.5% (2021: 5.3%).

### 16B. Sensitivity analysis

The key assumptions used in the value-in-use valuation is WACC at 6.5%.

Had the actual results varied from WACC of 6.5%, the estimated recoverable amount of the investment and the impairment charge would be as follows:

	Estimated recoverable amount RMB'000	Increase/ (Decrease) in impairment charge RMB'000
1% higher than the management's projection	463,768	55,607
1% lower than the management's projection	599,727	80,352

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade receivables:</u>				
Outside parties	40,679	46,678	–	–
Less: Allowance for impairment loss on trade receivables	(217)	(243)	–	–
	40,462	46,435	–	–
<u>Other receivables:</u>				
Subsidiary	–	–	91,777	54,351
Outside parties	675	513	–	147
Refundable deposits	51	48	51	48
	726	561	91,828	54,546
Total trade and other receivables	41,188	46,996	91,828	54,546
Presented in the statements of financial position as:				
Other receivables, non-current	11	9	–	–
Trade and other receivables, current	41,177	46,987	91,828	54,546
	41,188	46,996	91,828	54,546

The Group and the Company's exposure to credit and impairment losses for trade and other receivables, are disclosed in Note 25.

Movement in the allowance for credit losses of trade receivables:

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Allowance for impairment loss:</u>				
At the beginning of financial year	243	–	–	–
(Reversal)/Allowance	(26)	243	–	–
	217	243	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 18. OTHER ASSETS

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Upfront payments	7,599	26,170	176	61
Less: Allowance for impairment loss on other assets	–	(356)	–	–
	7,599	25,814	176	61
Upfront payments for supplies of sweet potatoes (Note A)	130,690	70,899	–	–
Deferred expenses	14,570	–	–	–
Others	3,800	–	–	–
	156,659	96,713	176	61
Presented in the statements of financial position as:				
Other assets, non-current	86,821	35,316	–	–
Other assets, current	69,838	61,397	176	61
	156,659	96,713	176	61

Movement in the allowance for credit losses of other assets:

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<u>Allowance for impairment loss:</u>				
At the beginning of financial year	356	–	–	–
(Reversal)/Allowance	(356)	356	–	–
	–	356	–	–

### Upfront payment for supplies of sweet potatoes (Note A)

The Group, through one of its subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. (“Dizhongbao”), had entered into various purchase contracts with a few suppliers to secure the supply of quality raw sweet potatoes at reasonable prices.

During the financial year ended 31 March 2018, Dizhongbao entered into the purchase contracts with three suppliers to guarantee the supply of an aggregate of 12,190 tonnes of raw sweet potatoes on a yearly basis. Total upfront payment made to the three suppliers were amounting to an aggregate of RMB 131,715,000.

During the financial year ended 31 March 2019, Dizhongbao entered into purchase contracts with another two suppliers for the supply of an aggregate of 6,900 tonnes of sweet potatoes on a yearly basis. An aggregate upfront payment of RMB 71,500,000 were paid to the two suppliers.

All the above-mentioned agreements carry similar terms. The agreements last for 15 years and grant Dizhongbao with the first right of refusal of the supply of sweet potatoes. In return, Dizhongbao pays upfront payments to the suppliers once every 5 years. The upfront payments are used to offset the purchase within the 5 years. In the event that the upfront payments are fully utilised within the 5 years, the payment of subsequent purchase is due according to the agreed terms per respective contract.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 19. INVENTORIES

	Group	
	2022	2021
	RMB'000	RMB'000
Finished goods	137	1,895
Raw materials	2,302	1,577
	2,439	3,472
Changes in inventories of finished goods	(1,601)	(564)
The amounts of inventories included in cost of goods sold	187,751	196,737

There were no inventories pledged as security for liabilities.

## 20. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	85	116	–	–
Cash at bank	197,385	196,240	14,022	1,777
Others	36	31	–	–
Cash and bank balances	197,506	196,387	14,022	1,777

Cash at bank bears weighted average effective interest rate of 0.30% (2021: 0.30%) per annum during the financial year.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	14,036	1,795	14,022	1,777
Renminbi	183,470	194,592	–	–
	197,506	196,387	14,022	1,777

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 21. SHARE CAPITAL

	Group		Company	
	Number of shares issued	Share capital	Number of shares issued	Share capital
	'000	RMB'000	'000	RMB'000
<u>Ordinary shares:</u>				
Balance at 31 March 2020	593,818	152,980	593,818	852,404
Issuance of new shares	290,000	29,592	290,000	29,592
Balance at 31 March 2021	883,818	182,572	883,818	881,996
Issuance of new shares	500,000	56,578	500,000	56,578
Balance at 31 March 2022	1,383,818	239,150	1,383,818	938,574

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid, with no par value. The Company is not subject to any externally imposed capital requirements.

On 1 February 2021, the Company had completed a placement of 290,000,000 new ordinary shares in the share capital of the Company in accordance with the terms and conditions of the subscription agreements. The new shares rank *pari passu* in all respects with the existing shares of the Company in issue.

On 19 November 2021, the Company had completed a placement of 500,000,000 new ordinary shares in the share capital of the Company in accordance with the terms and conditions of the subscription agreements. The new shares rank *pari passu* in all respects with the existing shares of the Company in issue.

Capital management:

The objectives when managing capital are: to safeguard the financial entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The Group's cash as at 31 March 2022 and 31 March 2021 exceeded its borrowing as of these dates. Therefore, the debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

In order to maintain its listing on the Singapore Exchange, the Company has to have share capital with a public float of at least 10% of the shares. The Company met the capital requirement on its listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 21. SHARE CAPITAL (CONT'D)

### 21A. Zixin Employee Share Option Scheme (formerly known as China Star Food Employee Share Option Scheme)

The Zixin Employee Share Option Scheme (formerly known as China Star Food Employee Share Option Scheme) (the “**Scheme**”) was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Scheme shall continue to be in force at the discretion of the Remuneration Committee (“**RC**”), subject to a maximum period of 10 years commencing on the date the Scheme was adopted by the Company in general meeting i.e. 20 July 2015, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and any relevant authorities which may then be required.

The Scheme may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further option shall be offered by the Company.

The Scheme provides for the grant of ordinary shares of the Company to employees, executive directors, non-executive directors (including independent directors) of the Company and its subsidiaries, including those who may be the controlling shareholders.

The Scheme is administered by the RC of the Company in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the options. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the options granted, or to be granted, to him/her or his/her associate(s).

The aggregate number of new shares that may be allotted and issued from time to time upon the exercise of the options granted pursuant to the Scheme (“**Option Shares**”) over which the RC may grant options on any date (including the number of Option Shares which have been and are to be issued upon the exercise of the options in respect of all options granted under the Scheme and any other share scheme then in force) shall not exceed 15% of the total number of shares (excluding treasury shares) on the day preceding that date.

The aggregate number of Option Shares over which options may be granted under the Scheme to controlling shareholders and/or their associates shall not exceed 25% of the Option Shares available under the Scheme, and the number of Option Shares over which an option may be granted under the Scheme to each controlling shareholder or his/her associate shall not exceed 10% of the Option Shares available under the Scheme.

Subject to any adjustment pursuant to Rule 10 of the Rules of the Scheme, the exercise price for each share in respect of which an option is exercisable shall be payable upon the exercise of the option and shall be determined by the RC in its absolute discretion, on the date of grant, and fixed by the RC at:

- (a) the market price; or
- (b) a price which is set at a discount to the market price, provided that:
  - (i) the maximum discount shall not exceed 20% of the market price. The RC shall have the sole and absolute discretion to determine the exact amount of discount to each participant; and
  - (ii) the shareholders in a general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 21. SHARE CAPITAL (CONT'D)

### 21A. Zixin Employee Share Option Scheme (formerly known as China Star Food Employee Share Option Scheme) (cont'd)

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option, and options granted with the exercise price set at a discount to market price shall only be exercisable by a participant after 2 years from the date of grant of that option.

Group employees (including executive directors) who are granted options must exercise their options before the 10<sup>th</sup> anniversary from the date of grant and Group non-executive directors (including independent directors) who are granted Options must exercise their options before the 5<sup>th</sup> anniversary from the date of grant, failing which all unexercised options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

Since the approval of the Scheme by the shareholders of the Company, no option was granted.

### 21B. Zixin Performance Share Plan (formerly known as China Star Performance Share Plan)

The Zixin Performance Share Plan (formerly known as China Star Performance Share Plan) (the “**Plan**”) was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date the Plan was adopted by the Company in general meeting i.e. 20 July 2015, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and any relevant authorities which may then be required.

The Plan may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Plan is terminated, no further award shall be vested in the Company.

The Plan is administered by the RC comprising three directors, namely, Mr Lawrence Chen Tse Chau (Chen Shichao), Mr Ng Poh Khoon and Mr Xue Congyan, in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the awards. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the awards granted, or to be granted, to him/her or his/her associate(s).

The Company will be delivering shares pursuant to the award granted under the Plan in the form of existing shares held as treasury shares and/or an issue of new shares that may be allotted and issued from time to time upon the vesting of an award granted pursuant to the Plan. The performance shares issued under the Plan, when added to all awards granted under any other share option, share incentive, performance share or restructured share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company from time to time.

In determining whether to issue performance share or to purchase existing shares for delivery to participants upon vesting of their award, the Company will take into account factors such as (but not limited to) the number of shares to be delivered, the prevailing market price of the shares and the financial effect on the Company of either issuing performance share or purchasing existing shares.

Insofar as in relation to the number of treasury shares that may be held pursuant to the Act as amended by the Companies Amendment Act, such a method is not subject to any further limit under prevailing legislation and Singapore Exchange Securities Trading Limited (“**SGX-ST**”) guidelines as it does not involve the issuance of any performance shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 21. SHARE CAPITAL (CONT'D)

### 21B. Zixin Performance Share Plan (formerly known as China Star Performance Share Plan) (cont'd)

An award letter confirming the award and specifying, inter alia, in relation to the award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be satisfied and the date by which the award shall be vested, will be sent to each participant as soon as reasonably practicable after the award is finalised. Notwithstanding that a participant may have met his/her performance targets, no award shall vest in a participant in the following circumstances:

- (a) upon the bankruptcy of a participant or the happening of any other event which results in his/her being deprived of the legal or beneficial ownership of such award;
- (b) in the event of any misconduct of a participant as determined by the RC in its discretion;
- (c) in the event that the RC shall, in its discretion, deems it appropriate that such award shall so lapse on the grounds that any of the objectives of the Plan have not been met; or
- (d) in the event that the participant ceases to be employed by the Company before vesting of the award to him/her.

The intention is to award shares based on pre-determined dollar amounts such that the quantum of shares comprised in award is dependent on the closing price of shares transacted on the market day the award is vested. The RC will also monitor the grant of award carefully to ensure that the size of the Plan complies with the relevant rules of the SGX-ST.

Since the approval of the Plan by the shareholders of the company, no award was granted.

## 22. OTHER RESERVES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory common reserve (Note 22A)	42,540	42,476	–	–
Foreign currency translation reserve (Note 22B)	2,405	2,545	40,778	42,979
	44,945	45,021	40,778	42,979



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 22. OTHER RESERVES (CONT'D)

### 22A. Statutory common reserve

	Group	
	2022	2021
	RMB'000	RMB'000
Balance at beginning of the year	42,476	42,476
Transferred from retained earnings	64	–
Balance at end of the year	42,540	42,476

Under the regulations in People's Republic of China, the company's subsidiaries are required to set up a statutory reserve which represents a non-distributable reserve made at a rate of at least 10% of net profit after tax until the reserve reaches 50% of the registered paid-up capital in accordance with their Articles of Association. The transfer to this reserve must be made before the payment of dividends to shareholders.

The statutory common reserve can only be used to set off against losses, to expand the entities' production operations or to increase its share capital. The Company and its subsidiaries may convert its statutory common reserve into share capital provided that the remaining balance of such reserve is not less than 25% of the share capital.

The subsidiaries may transfer a portion of its net profit to the statutory welfare reserve in accordance with their Articles of Association, as recommended by directors and approved by shareholders.

The statutory welfare reserve can only be used for the collective welfare of the employees of the subsidiaries.

### 22B. Foreign currency translation reserve

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	2,545	1,559	42,979	43,459
Exchange differences on translating functional to presentation currency	(140)	986	(2,201)	(480)
Balance at end of the year	2,405	2,545	40,778	42,979

The foreign currency translation reserve represents exchange differences arising from the translation of presentation currency from Singapore Dollar to Chinese Renminbi and it is not distributable.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade payables:</u>				
Outside parties	7,677	13,472	–	–
<u>Other payables:</u>				
Outside parties	8,624	12,003	1,204	903
Other taxes payables	–	1,688	–	–
Subsidiary	–	–	487	253
Director/shareholder (Note 3C)	2,233	943	2,233	943
Subtotal	10,857	14,634	3,924	2,099
Total trade and other payables	18,534	28,106	3,924	2,099

## 24. OTHER FINANCIAL LIABILITIES

	Group	
	2022	2021
	RMB'000	RMB'000
Bank loans A (unsecured) (Note 24A)	10,500	7,500
Bank loans B (secured) (Note 24B)	25,300	25,800
	35,800	33,300

### 24A. Bank loans A (unsecured)

The bank loans are repayable within 12 months and renewable annually. The bank loans' fixed interest rates were 3.20% - 4.35% (2021: 4.15% - 4.35%) per annum respectively and are repayable within 12 months.

The bank loans are unsecured, guaranteed by a local credit guarantee company and/or one of the company's directors.

### 24B. Bank loans B (secured)

The loans are secured by mortgages of a leasehold building and land use rights of the Group (see Notes 14). The bank loans bear fixed interest rate at 3.35% - 4.60% (2021: 3.35% - 4.56%) per annum and are repayable within 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 25A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
At amortised cost:-				
Cash and cash equivalents	197,506	196,387	14,022	1,777
Trade and other receivables	41,188	46,996	91,828	54,546
	238,694	243,383	105,850	56,323
<u>Financial liabilities:</u>				
At amortised cost:-				
Trade and other payables	18,534	28,106	3,924	2,099
Other financial liabilities	35,800	33,300	–	–
Lease liability	160	405	160	405
	54,494	61,811	4,084	2,504

Further quantitative disclosures are included throughout these financial statements.

### 25B. Fair values of financial instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### 25C. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate and currency risk exposures. Management has certain practices for the management of financial risks. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25D. Credit risk on financial assets

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25D. Credit risk on financial assets (cont'd)

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

#### The Group

	Note	Category	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
<b>31 March 2022</b>						
Trade receivables	17	II	Lifetime ECL (simplified)	40,679	(217)	40,462
Other receivables	17	I	12-month ECL	726	–	726
					(217)	
<b>1 April 2021</b>						
Trade receivables	17	II	Lifetime ECL (simplified)	46,678	(243)	46,435
Other receivables	17	I	12-month ECL	561	–	561
					(243)	

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25D. Credit risk on financial assets (cont'd)

#### The Company

	Note	Category	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
<b>31 March 2022</b>						
Other receivables	17	I	12-month ECL	91,828	—	91,828
					—	
<b>1 April 2021</b>						
Other receivables	17	I	12-month ECL	54,546	—	54,546
					—	

#### Trade receivables

The Group exercises prudence by applying a general provision rate of 0.5% to calculate ECL for trade receivables on a collective basis. The allowance rate is based on the Group's estimation of future economic conditions and adjusted as appropriate to reflect current conditions. Prior to 1 April 2020, the Group determined the ECL by using an individual (debtor-by-debtor) basis as the trade receivables of the Group mainly comprised of a few large balances from a few trade debtors.

#### Other receivables

The Group and the Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group and the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

#### Credit risk concentration profile

The Group has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

### 25E. Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's and the Company's exposures to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25E. Liquidity risk (cont'd)

#### Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the financial assets and financial liabilities of the Group and the Company based on contractual undiscounted cash flows:

#### The Group

	Carrying amount	Contractual cash flows	One year or less	One to five years
	RMB'000	RMB'000	RMB'000	RMB'000
<b>2022</b>				
<b><u>Financial assets</u></b>				
Cash and bank balances	197,506	197,506	197,506	–
Trade and other receivables	41,188	41,188	41,188	–
	238,694	238,694	238,694	–
<b><u>Financial liabilities</u></b>				
Trade and other payables	18,534	18,534	18,534	–
Other financial liabilities	35,800	35,800	35,800	–
Lease liability	160	160	160	–
	54,494	54,494	54,494	–
Total net undiscounted financial assets	184,200	184,200	184,200	–
<b>2021</b>				
<b><u>Financial assets</u></b>				
Cash and bank balances	196,387	196,387	196,387	–
Other receivables	46,996	46,996	46,996	–
	243,383	243,383	243,383	–
<b><u>Financial liabilities</u></b>				
Trade and other payables	28,106	28,106	28,106	–
Other financial liabilities	33,300	33,569	33,569	–
Lease liability	405	424	254	170
	61,811	62,099	61,929	170
Total net undiscounted financial assets	181,572	181,284	181,454	(170)

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25E. Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

#### The Company

	Carrying amount	Contractual cash flows	One year or less	One to five years
	RMB'000	RMB'000	RMB'000	RMB'000
<b>2022</b>				
<b><u>Financial assets</u></b>				
Cash and bank balances	14,022	14,022	14,022	–
Other receivables	91,828	91,828	91,828	–
	105,850	105,850	105,850	–
<b><u>Financial liabilities</u></b>				
Other payables	3,924	3,924	3,924	–
Lease liability	160	160	160	–
	4,084	4,084	4,084	–
Total net undiscounted financial assets	101,766	101,763	101,766	–
<b>2021</b>				
<b><u>Financial assets</u></b>				
Cash and bank balances	1,777	1,777	1,777	–
Other receivables	54,546	54,546	54,546	–
	56,323	56,323	56,323	–
<b><u>Financial liabilities</u></b>				
Other payables	2,099	2,099	2,099	–
Lease liability	405	424	254	170
	2,504	2,523	2,353	170
Total net undiscounted financial assets	53,819	53,800	53,970	(170)

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. The ability of the Group to meet current obligations is also highly dependent on the ability of the Group to realise cash flows from the trade receivables and inventories.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2022

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25F. Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group is not exposed to interest rate risk as its interest-bearing financial assets and financial liabilities are at fixed rates, and all its financial assets and liabilities are measured at amortised cost.

The following table analyses the breakdown of the significant financial instruments:

	Group	
	2022	2021
	RMB'000	RMB'000
<u>Financial assets:</u>		
Fixed rate	197,506	196,387
<u>Financial liabilities:</u>		
Fixed rate	35,800	33,300

### 25G. Foreign currency risk

The Company and its subsidiaries are not exposed to significant foreign currency risk as their business are transacted in functional currencies, which are Singapore Dollars and Chinese Renminbi.

## 26. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Group for the financial year ended 31 March 2022 were authorised for the issue in accordance with a resolution of directors on 15 March 2023.

# STATISTICS OF SHAREHOLDINGS

As at 28 February 2023

CLASS OF SHARES	NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES	VOTING RIGHTS
Ordinary Shares	1,383,818,100	One vote per share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 - 99	10	1.11	500	0.00
100 - 1,000	26	2.90	11,575	0.00
1,001 - 10,000	78	8.70	420,575	0.03
10,001 - 1,000,000	723	80.60	145,771,275	10.53
1,000,001 AND ABOVE	60	6.69	1,237,614,175	89.44
TOTAL	897	100.00	1,383,818,100	100.00

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	489,807,400	35.40
2	KGI SECURITIES (SINGAPORE) PTE. LTD.	277,281,675	20.04
3	DBS NOMINEES (PRIVATE) LIMITED	209,619,700	15.15
4	DUANMU XIAOYI	50,000,000	3.61
5	XUE XIAOHUA	20,000,000	1.45
6	TAN ENG CHUA EDWIN	15,702,400	1.13
7	RAFFLES NOMINEES (PTE.) LIMITED	15,487,550	1.12
8	PHILLIP SECURITIES PTE LTD	11,209,150	0.81
9	UOB KAY HIAN PRIVATE LIMITED	10,451,400	0.76
10	MAYBANK SECURITIES PTE. LTD.	9,476,800	0.68
11	IFAST FINANCIAL PTE. LTD.	7,300,700	0.53
12	OCBC SECURITIES PRIVATE LIMITED	7,123,850	0.51
13	LI NAN	6,141,300	0.44
14	SHANE THAM FOOK WAI	6,000,000	0.43
15	CHEN TIANYI	5,533,700	0.40
16	ERIC TANN KAH HUAT	5,094,000	0.37
17	GOH GUAN SIONG (WU YUANXIANG)	4,961,000	0.36
18	CHEONG CHEE HWA	4,158,000	0.30
19	CHEN CHIN EE	3,440,100	0.25
20	TIA CHEONG SEN	3,300,000	0.24
	TOTAL	1,162,088,725	83.98

# STATISTICS OF SHAREHOLDINGS

As at 28 February 2023

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct interest	% <sup>(1)(2)</sup>	Deemed interest	% <sup>(1)(2)</sup>
Liang Chengwang <sup>(3)</sup>	–	–	220,566,000	15.94
PTS Capital Pte. Ltd. <sup>(4)</sup>	–	–	205,966,700	14.88
Yu Lei <sup>(5)</sup>	–	–	205,966,700	14.88

(1) Calculated based on 1,383,818,100 shares as at 28 February 2023.

(2) Rounded to the nearest two decimal places.

(3) Mr Liang Chengwang is deemed to be interested in 220,566,000 ordinary shares held by CGS-CIMB Securities (Singapore) Pte. Ltd.

(4) PTS Capital Pte. Ltd. is deemed to be interested in 205,966,700 ordinary shares held by DBS Bank Ltd.

(5) As Ms. Yu Lei owns more than 20% of the voting rights in PTS Capital Pte. Ltd., Ms. Yu Lei is deemed to have an interest in the shares in the Company held by PTS Capital Pte. Ltd.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 28 February 2023, approximately 907,285,400 Shares, representing approximately 65.56% (rounded to the nearest two decimal place) of the total number of issued Shares (excluding treasury shares), are in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10.0% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) are in the hands of the public.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of Zixin Group Holdings Limited (the “**Company**”) will be held on 31 March 2023 at 3.00 p.m. by way of electronic means to transact the following business:

## ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2022 together with the Auditors’ Report thereon. **Resolution 1**
2. To re-elect Mr Ng Poh Khoon as a Director of the Company pursuant to Regulation 99 of the Company’s Constitution. **Resolution 2**

*[See Explanatory Note (i)]*

3. To note the retirement of Ms Duanmu Xiaoyi as a Director of the Company pursuant to Regulation 99 of the Company’s Constitution, who has decided not to seek re-election.

*[See Explanatory Note (ii)]*

4. To approve the payment of Directors’ fees of S\$110,000 for the financial year ending 31 March 2023, payable half-yearly in arrears. (FY2022: S\$110,000). **Resolution 3**
5. To re-appoint RT LLP as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 4**
6. To transact any other ordinary business which may properly be transacted at an AGM.

## SPECIAL BUSINESS

7. **Authority to allot and issue shares** **Resolution 5**

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

“That pursuant to Section 161 of the Companies Act 1967 (the “**Companies Act**”) and Rule 806 of the Listing Manual (Section B: Rules of Catalist) (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that:

# NOTICE OF ANNUAL GENERAL MEETING

- (i) the aggregate number of shares (including shares to be issued pursuant to this Resolution) shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

*[See Explanatory Note (iii)]*

## 8. **Authority to allot and issue shares under the Zixin Employee Share Option Scheme (formerly known as the China Star Employee Share Option Scheme) Resolution 6**

“That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

- (i) offer and grant options (“**Options**”) from time to time in accordance with the rules of the Zixin Employee Share Option Scheme (formerly known as the China Star Employee Share Option Scheme) (the “**Zixin ESOS**”); and
- (ii) allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted under the Zixin ESOS,

# NOTICE OF ANNUAL GENERAL MEETING

provided always that the aggregate number of Shares to be issued and issuable pursuant to the Zixin ESOS, Zixin Performance Share Plan (formerly known as the China Star Performance Share Plan) and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), on the day immediately preceding the date on which an offer to grant an Option is made and that the grant of Options can be made at any time and from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

*[See Explanatory Note (iv)]*

9. **Authority to allot and issue shares under the Zixin Performance Share Plan (formerly known as the China Star Performance Share Plan) Resolution 7**

“That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

- (i) offer and grant awards (“**Awards**”) from time to time in accordance with the rules of the Zixin Performance Share Plan (formerly known as China Star Performance Share Plan) (the “**Zixin PSP**”); and
- (ii) allot and issue from time to time such number of shares as may be required to be issued pursuant to the vesting of Awards granted under the Zixin PSP,

provided always that aggregate number of shares to be issued and issuable pursuant to the Zixin ESOS, Zixin PSP and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

*[See Explanatory Note (iv)]*

By Order of the Board

Lim Kok Meng  
Company Secretary  
Singapore, 16 March 2023

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Mr Ng Poh Khoon will upon re-election as Director of the Company, remain as a Non-Executive and Lead Independent Director of the Company, the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee. The Board considers Mr Ng Poh Khoon to be independent for the purposes of Rule 704(7) of the Catalyst Rules.
- (ii) Ms Duanmu Xiaoyi will retire as a Director of the Company at the conclusion of the AGM. Please see the Company's announcement dated 16 March 2023 for further details.
- (iii) Ordinary Resolution 5 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to Shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this resolution is passed and any subsequent consolidation or subdivision of shares.

- (iv) Ordinary Resolutions 6 and 7, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares pursuant to the exercise of Options and vesting of Awards under the Zixin ESOS and Zixin PSP respectively, provided that the aggregate number of shares to be issued pursuant to the Zixin ESOS and Zixin PSP, when aggregated with the number of shares issued and issuable or transferred and to be transferred under any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

The names of the China Star Employee Share Option Scheme and the China Star Performance Share Plan had been amended to the Zixin Employee Share Option Scheme and the Zixin Performance Share Plan respectively following the approval by the Shareholders of the change of the Company's name from China Star Food Group Limited to Zixin Group Holdings Limited on 9 November 2022. For the avoidance of doubt, the change of the aforementioned names have no effect on the functions of the relevant share option scheme and plan of the Company.

## Important Notice from the Company on COVID-19:

### Alternative Arrangements

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. The Company will not be arranging for a physical meeting, and members of the Company will not be able to attend the AGM in person. Printed copies of this Annual Report, Notice of AGM and the Proxy Form will NOT be sent to members. Instead, the Annual Report, Notice of AGM and the Proxy Form will be made available to members by electronic means via publication on SGXNET and the Company's corporate website at the URL <https://www.zixingroup.com.sg/>.
3. The Company is arranging for a live webcast and live audio feed of the AGM proceedings (the "Live Webcast" and "Live Audio Stream") which will take place on 31 March 2023 at 3.00 p.m. in place of a physical AGM. Members will be able to watch or listen to the AGM proceedings through the Live Webcast or the Live Audio Stream. Alternative arrangements have been put in place to allow members to participate in the AGM by:
  - (a) observing the proceedings of the AGM via Live Webcast or Live Audio Stream;
  - (b) submitting questions relating to the resolutions to be tabled at the AGM in advance of the AGM;
  - (c) submitting text-based questions during the Live Webcast;
  - (d) appointing proxy(ies) to attend and vote on their behalf at the AGM; and
  - (e) participating in the live voting during the Live Webcast.

# NOTICE OF ANNUAL GENERAL MEETING

## Registration for attendance at the AGM

4. Members may watch or listen to the AGM proceedings through the Live Webcast or the Live Audio Stream. To do so, members will need to pre-register at <https://registration.ryt-poll.com/home/index/zixin-agm> (the “**Registration Link**”) by 3.00 p.m. on 29 March 2023 (the “**Registration Deadline**”) to enable the Company to verify their status. Following verification, authenticated members will receive an email by 3.00 p.m. on 30 March 2023 and will be able to access the Live Webcast or the Live Audio Stream on the day of the meeting via the Registration Link using their login credentials created during the pre-registration process. Members must not share their login credentials to other persons who are not members of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast or the Live Audio Stream. Members who have registered by the Registration Deadline but did not receive an email response by 3.00 p.m. on 30 March 2023 may contact the Company by email to [zixin-agm@ryt-poll.com](mailto:zixin-agm@ryt-poll.com).

## Asking questions prior to and during the AGM

5. All members may, prior to the AGM, submit questions relating to the business of the AGM no later than 11.59 p.m. on 23 March 2023 via either of the following:
- (a) the Registration Link; or
  - (b) by post to the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632.
6. For verification purposes, members who wish to submit their questions by email are required to indicate their full name (for individuals) / company name (for corporate), NRIC/passport number/Company registration number, email address, contact number, shareholding type and number of shares held together with their submission of questions, to the email(s) provided.
7. The Company will endeavour to address questions on SGXNET and the Company’s corporate website which are substantial and relevant on or before 3.00 p.m. on 27 March 2023 (being not less than 48 hours prior to the closing date and time for the lodgement of the Proxy Forms). The Company will also address any subsequent clarifications sought, or follow-up questions, prior to, or at, the AGM in respect of substantial and relevant matters.
8. Members who registered and are verified to attend the AGM will be able to ask questions relating to the business of the AGM during the AGM by submitting text-based questions via the Live Webcast under the “Q&A” window/tab and then clicking “Ask a Question” to input queries in the questions text box. For the avoidance of doubt, members will not be able to do so via the Live Audio Stream. Where there are substantially similar questions, the Company will consolidate such questions. Consequently, not all questions may be individually addressed. The Company will endeavour to respond to such queries during the AGM as far as reasonably practicable.
9. Shareholders who wish to appoint a proxy(ies) (other than the chairman of the AGM (the “**Chairman**”)) to ask questions “live” at the AGM on their behalf must, in addition to completing and submitting an instrument appointing a proxy(ies), ensure that their proxy(ies) pre-register separately via the Registration Link that will be sent to the appointed proxy(ies) by the Company upon verification of the Proxy Form(s).
10. Shareholders (including CPF/SRS Investors) or, where applicable, their appointed proxy(ies) must access the AGM proceedings via the Live Webcast in order to ask questions “live” at the AGM, and will not be able to do so via the Live Audio Stream.
11. The Company will, within one (1) month after the date of the AGM, publish the minutes of the AGM on SGXNET and the Company’s corporate website, and the minutes will include the responses to any clarifications or follow-up questions raised prior to or at the AGM in respect of substantial and relevant matters as referred to above.

## Voting at the AGM

12. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights, the member may do so by:
- (a) casting the vote remotely in real time via electronic means when attending the AGM by way of the Live Webcast (“**Live-Voting**”);
  - (b) appointing a proxy or proxies to vote on the member’s behalf at the AGM by Live-Voting when attending the AGM by way of the Live Webcast; or
  - (c) by appointing the Chairman as proxy to vote on his/her/its behalf at the AGM.



# NOTICE OF ANNUAL GENERAL MEETING

13. A member entitled to attend and vote at the AGM (who is not a relevant intermediary as defined in Section 181 of the Companies Act) is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her/its stead. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.
14. A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one (1) proxy to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one (1) proxy, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, address, email address, NRIC/passport number and proportion of shareholding (number of Shares and percentage) in relation to which each proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank or SRS Operator who intends to appoint CPF/SRS Investors as its proxies shall comply with this note to the Notice of AGM. The appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.
15. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, including CPF/SRS Investors may:
  - (a) vote live via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have questions regarding their appointment as proxies; or
  - (b) appoint the Chairman as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators no later than 5.00 p.m. on 22 March 2023 (being at least seven (7) working days before the AGM) in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman to vote on their behalf by the cut-off date.

Such investors (including CPF/SRS Investors) who wish to participate in the AGM should contact the relevant intermediary through which they hold such Shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

16. In appointing the Chairman as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.
17. The instrument appointing a proxy or proxies, duly completed and signed, must be submitted:
  - (a) if by email, in PDF form to [zixin-agm@ryt-poll.com](mailto:zixin-agm@ryt-poll.com); or
  - (b) if by post, to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632,

in either case, by no later than 3.00 p.m. on 29 March 2023, being not less than 48 hours before the time appointed for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. Members are strongly encouraged to submit completed proxy forms electronically via email. The accompanying proxy form for the AGM may be accessed on the SGXNET at the URL <https://www.sgx.com/securities/companyannouncements> and at the Company's website via this URL: <https://www.zixingroup.com.sg/>.

18. A proxy need not be a member of the Company. The Chairman, as proxy, need not be a member of the Company. A corporation which is a member of the Company may authorise by resolutions of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.
19. The instrument appointing a proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy, failing which the instrument may be treated as invalid.
20. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company shall be entitled to reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## **Important Reminders:**

Due to the constantly evolving situation relating to COVID-19, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM.

## **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or by attending the AGM, a member of the Company:

1. consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
2. warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
3. agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the AGM and/or adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ZIXIN GROUP HOLDINGS LIMITED

Mr. Ng Poh Khoo is the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 31 March 2023 (“AGM”) (the “Retiring Director”).

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “Catalist Rules”), the following is the information relating to the Retiring Director as set out in Appendix 7F to the Catalist Rules:

Name	Ng Poh Khoo
Date of Appointment	31 May 2018
Date of last re-appointment	29 September 2020
Age	56
Country of principal residence	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and the matter set out in the explanatory note set out at the end of this Appendix, as well as assessed the qualifications and experience of Mr. Ng Poh Khoo, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Audit Committee Chairman, Nominating Committee member and Remuneration Committee member.
Professional qualifications	<ul style="list-style-type: none"> <li>• Diploma in Business Administration (Former National Productivity Board)</li> <li>• Association of Chartered Certified Accountants, UK (Singapore Accountancy Academy)</li> <li>• Associate member of Institute of Singapore Chartered Accountant</li> <li>• Member of Singapore Institute of Directors</li> <li>• Associate member of International Compliance Association, United Kingdom</li> </ul>

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ZIXIN GROUP HOLDINGS LIMITED

Name	Ng Poh Khoon
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> <li>• Nov 2022 to present – Director of Nexussininvest Pte. Ltd.</li> <li>• Sep 2021 to Sep 2022 – Finance Manager/Compliance Officer (Designated) of Ello Fintech Pte. Ltd.</li> <li>• Nov 2016 to Dec 2019 – Project Director of Guangdong Chengde Financial Advisory Co Ltd</li> <li>• July 2013 to Sep 2015 – Chief Financial Officer of Asia Fashion Holdings Limited</li> <li>• Nov 2012 to Jun 2013 – Director, IR of Youbisheng Green Paper AG</li> <li>• Jan 2012 to Oct 2012 – Director, Export Sales of Passion Group of Companies</li> <li>• Nov 2008 to Dec 2011 – Chief Financial Officer of Passion Holdings Limited</li> </ul>
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments*	
Including Directorships#	
* <i>“Principal Commitments” has the same meaning as defined in the Code.</i>	
# <i>These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8).</i>	
Past (for the last 5 years)	<ul style="list-style-type: none"> <li>• Star Pharmaceutical Limited</li> <li>• Nutryfarm International Limited</li> <li>• Green Build Technology Limited</li> </ul>
Present	<ul style="list-style-type: none"> <li>• Zixin Group Holdings Limited</li> <li>• Regal International Group Ltd.</li> <li>• Nexussininvest Pte Ltd</li> </ul>

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ZIXIN GROUP HOLDINGS LIMITED

Name

Ng Poh Khoon

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? No

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? No

(c) Whether there is any unsatisfied judgment against him? No

(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? No

(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? No

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ZIXIN GROUP HOLDINGS LIMITED

Name	Ng Poh Khoon
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- <ul style="list-style-type: none"> <li data-bbox="172 1043 790 1178">i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li data-bbox="172 1200 790 1335">ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> <li data-bbox="172 1357 790 1491">iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</li> <li data-bbox="172 1514 790 1648">iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</li> </ul> <p data-bbox="172 1671 790 1850">in connection with any matter occurring or arising during that period when he was so concerned with the entity or business. in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	<p data-bbox="810 1043 1484 1178">Yes Please refer to the explanatory notes set out at the end of this Appendix for further details.</p> <p data-bbox="810 1200 1484 1335">No</p> <p data-bbox="810 1357 1484 1491">No</p> <p data-bbox="810 1514 1484 1648">No</p>
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	<p data-bbox="810 1850 1484 1939">Yes Please refer to the explanatory notes set out at the end of this Appendix for further details.</p>

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ZIXIN GROUP HOLDINGS LIMITED

Name

Ng Poh Khoon

## Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed company?

Yes

If yes, please provide details of prior experience.

- Non-Executive and Lead Independent Director of Zixin Group Holdings Limited

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

- Independent Director of Regal International Group Ltd.
- Last appointment as Non-Executive and Non-Independent Director of Nutryfarm International Limited

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

- Independent Director of Green Build Technology Limited
- Independent Director of STAR Pharmaceutical Ltd (de-listed)

## Explanatory Notes:

In July 2022, some of the existing and former directors of another SGX listed company, including Mr. Ng Poh Khoon (“**Mr. Ng**”), received a private show-cause letter from the Singapore Exchange Regulation (“**SGX Regco**”) to make representations for potential breaches of the listing rules of the SGX-ST. Following correspondence between Mr. Ng and the SGX Regco, the SGX Regco has on or about 1 March 2023 indicated via a letter of notice addressed to, among others, Mr. Ng (the “**Notice**”) that it intends to issue a public reprimand against, among others, Mr. Ng (the “**Reprimand**”). Mr. Ng has indicated that he intends to submit a plea in mitigation (the “**Plea**”) to the SGX Regco as provided for in the Notice to demonstrate why the Reprimand should not be issued. As at the date of this announcement, Mr. Ng’s legal advisers are in the midst of preparing the Plea which is to be submitted no later than by the end of March 2022.

With reference to the guidance provided in Practice Note 7A of the Catalist Rules, the Nominating Committee (“**NC**”) (excluding Mr. Ng) and the Board (excluding Mr. Ng) have assessed the current status of the aforementioned matter and are of the view that the aforementioned matter is not material to the Company and does not affect the character or integrity of Mr. Ng in relation to his appointment as an Independent Director of the Company, and accordingly Mr. Ng remains suitable to continue as a non-executive and independent director of the Company, given that the matter is still ongoing, and the Reprimand has not been issued against Mr. Ng as at the date of this Annual Report.

The NC and the Board under the guidance of the Sponsor, will re-assess its position and the suitability of Mr. Ng to continue as a director of the Company as and when there is any basis to do so based on the outcome of Mr. Ng’s mitigation plea to the SGX RegCo, and when further information/outcome is available from the SGX RegCo in respect of the Reprimand.

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**ZIXIN GROUP HOLDINGS LIMITED**  
(Company Registration No. 200718683N)  
(Incorporated in the Republic of Singapore)

**PROXY FORM**  
**ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

This proxy form has been made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

A printed copy of this proxy form will NOT be despatched to members of the Company.

**IMPORTANT:**

- The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- Members will not be able to attend the AGM in person. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's announcement dated 16 March 2023 (the "Announcement"), which has been uploaded together with the Notice of AGM dated 16 March 2023 on SGXNet on the same day. The Announcement may be accessed on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- A member (including a Relevant Intermediary) is able to participate at the AGM by electronic means or appoint proxy(ies) as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM conducted by electronic means, if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (including a Relevant Intermediary) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

\*I/We, \_\_\_\_\_ (full name in capital letters)

NRIC/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_ (full address)

being a \*member/members of ZIXIN GROUP HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Email Address			
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Email Address			
Address			

or failing the person, or either or both the persons referred to above, the Chairman of the Annual General Meeting of the Company ("AGM") as \*my/our proxy to attend and vote for \*me/us on \*my/our behalf at the AGM to be held by way of **electronic means on 31 March 2023 at 3.00 p.m.** and at any adjournment thereof.

\*I/We direct \*my/our proxy to vote for, or against, or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of proxy for that resolution will be treated as invalid.**

All resolutions put to the vote at the AGM shall be conducted by poll.

**(Please indicate your vote "For" or "Against" or "Abstain", with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)**

No.	Resolutions relating to:	For	Against	Abstain
	<b>ORDINARY BUSINESS</b>			
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2022 together with the Auditors' Report thereon			
2	Re-election of Mr Ng Poh Khoo as a Director of the Company			
3	Approval of Directors' fees amounting to S\$110,000 for the financial year ending 31 March 2023, payable half-yearly in arrears			
4	Re-appointment of RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration			
	<b>SPECIAL BUSINESS</b>			
5	Authority to allot and issue new shares			
6	Authority to allot and issue shares under the Zixin Employee Share Option Scheme (formerly known as the China Star Employee Share Option Scheme)			
7	Authority to allot and issue shares under the Zixin Performance Share Plan (formerly known as the China Star Performance Share Plan)			

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2023

Signature of Member(s)\*

or, Common Seal of Corporate Member\*

\* Delete accordingly

Total number of Shares in:	No. of Shares
CDP Register	
Register of Members	

**IMPORTANT: PLEASE READ NOTES OVERLEAF.**



## Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the register of members of the Company, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the register of members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the register of members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. A member of the Company will not be able to attend the AGM in person. A member entitled to attend and vote at the AGM (who is not a relevant intermediary as defined in Section 181 of the Companies Act 1967 of Singapore) is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her/its stead. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one (1) proxy to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one (1) proxy, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, address, email address, NRIC/passport number and proportion of shareholding (number of Shares and percentage) in relation to which each proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank or SRS Operator who intends to appoint CPF/SRS investors as its proxies shall comply with this note and to the relevant Notice of AGM. The appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.

3. Members of the Company (whether individual or corporate) may also vote at the AGM by appointing the Chairman as proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.
4. A proxy need not be a member of the Company. The Chairman of the meeting, as proxy, need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The instrument appointing a proxy or proxies, duly completed and signed, must be submitted by:
  - (a) if submitted electronically, in PDF form by email to [zixin-agm@ryt-poll.com](mailto:zixin-agm@ryt-poll.com); or
  - (b) if submitted by post, to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632,

in either case, by no later than 3.00 p.m. on 29 March 2023, being not less than 48 hours before the time appointed for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.
8. This proxy form is not valid for use by investors holding shares in the Company under the Central Provident Fund Investment Scheme and/or Supplementary Retirement Scheme ("CPF/SRS Investors") and shall be ineffective for all intents and purposes if used or purported to be used by them. CPS/SRS Investors who wish to vote at the AGM should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the AGM (i.e., by 22 March 2023 at 5.00 p.m.). CPF/SRS Investors should contact their respective agent banks or SRS operators for any queries they may have with regard to the appointment of proxy for the AGM.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), a member of the Company accepts and agrees to the personal data privacy terms set out in the notice of AGM dated 16 March 2023.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Mr Liang Chengwang

Executive Chairman & CEO

### Ms Duanmu Xiaoyi

Executive Director

### Mr Ng Poh Khoon

Non-Executive and Lead Independent Director

### Mr Xue Congyan

Non-Executive and Independent Director

### Mr Lawrence Chen Tse Chau (Chen Shichao)

Non-Executive and Independent Director

## AUDIT COMMITTEE

Mr Ng Poh Khoon (Chairman)

Mr Xue Congyan

Mr Lawrence Chen Tse Chau

## NOMINATING COMMITTEE

Mr Xue Congyan (Chairman)

Mr Ng Poh Khoon

Mr Lawrence Chen Tse Chau

## REMUNERATION COMMITTEE

Mr Lawrence Chen Tse Chau (Chairman)

Mr Xue Congyan

Mr Ng Poh Khoon

## COMPANY SECRETARY

Mr Lim Kok Meng

## REGISTERED OFFICE

16 Raffles Quay

#17-03 Hong Leong Building

Singapore 048581

Tel: (65) 6980 5600

Fax: (65) 6535 0680

## BUSINESS OFFICE

60 Paya Lebar Road

#13-40 Paya Lebar Square

Singapore 409051

## CONTINUING SPONSOR

### Novus Corporate Finance Pte. Ltd.

7 Temasek Boulevard

#18-03B Suntec Tower 1

Singapore 038987

Tel: (65) 6950 2188

## AUDITORS

### RT LLP

70 Shenton Way

#07-15 Eon Shenton

Singapore 079118

Partner-in-charge: Ravinthan Arumugam

(Appointed since the financial year ended 31 March 2019)

## SHARE REGISTRAR

### Boardroom Corporate & Advisory Services Pte. Ltd.

1 HarbourFront Ave,

#14-07 Keppel Bay

Singapore 098632

Tel: (65) 6536 5355

Fax: (65) 6536 1360

## INVESTOR RELATIONS

### Octave FinComm Private Limited

富登财经通讯私人有限公司

Email: [enquiry@octavecomms.com](mailto:enquiry@octavecomms.com)

Website: [www.octavecomms.com](http://www.octavecomms.com)



**ZIXIN GROUP HOLDINGS LIMITED**  
(Incorporated in the Republic of Singapore)  
(Unique Entity No.: 200718683N)

[www.zixingroup.com.sg](http://www.zixingroup.com.sg)