

## Zixin Group delivers net profit of RMB 13.4 million for FY2024

- ▲ Business operations and financial performance rebounded strongly from the second half of FY2024 as China returned to normalcy post-Covid
  - improves front-end operational efficiency and reduces spoilage with outsourced automated sweet potato washing and sorting lines and cold storage services
  - the Group recorded higher volume and sales revenue with relatively stable average selling prices for its high-quality fresh and processed sweet potatoes products
- ▲ The Group's planned expansion into high-tech manufacturing and research capabilities is expected to commence in stages from the end of September 2024
  - to produce higher-margin sweet potato processed products
- ▲ The Group remains committed to diversifying its earnings base and enhancing long-term growth
  - to replicate its integrated sweet potato circular economy industrial value chain model outside of Liancheng County, Fujian Province, in the future

### Key Financial Highlights:

FYE 31 March (RMB'000)	2H FY2024 (unaudited)	2H FY2023 (unaudited)	YoY Change	FY2024 (unaudited)	FY2023 (audited)	YoY Change
Revenue	201,256	104,841	92.0 %	318,447	219,600	45.0 %
Gross profit	67,163	27,039	> 100.0 %	101,871	59,219	72.0 %
Gross margin	33.4%	25.8%	7.6 pp	32.0%	27.0%	5.0 pp
Profit / (Loss) before tax	23,152	(11,300)	N.M.	21,465	(9,428)	N.M.
Profit / (Loss) after tax <sup>1</sup>	16,757	(14,227)	N.M.	13,354	(14,190)	N.M.

\* 2H denotes six months ended 31 March; pp denotes percentage points; N.M. denotes not meaningful.

Notes: <sup>1</sup> Profit/(Loss) after tax attributable to owners of the Company

**For Immediate Release**

**SINGAPORE, 30 May 2024** – SGX Catalist-listed **Zixin Group Holdings Limited** 紫心集团控股 (“Zixin” or the “Company” and together with its subsidiaries, “Zixin Group”), a leading sweet potato biotech-focused integrated industrial value chain operator, achieved revenue and net profit of RMB 318.4 million and RMB 13.4 million, respectively, for the financial year ended 31 March 2024 (“FY2024”). The increase in revenue and net profit were attributable to the increase in the volume of fresh and processed sweet potato products produced and sold on the back of (i) improved economies of scale, (ii) the ability to maintain average selling prices for its high-quality fresh and processed sweet potato products, and (iii) China’s gradual economic recovery post-Covid.

Commenting on the financial performance for FY2024, Mr. Liang Chengwang (梁承旺), Executive Chairman and Chief Executive Officer of Zixin Group, said, **“We are encouraged to overcome adversity to deliver a set of commendable results in the second half of FY2024, bringing our overall financial performance back into profitability. This demonstrates our unwavering commitment to achieving our Group’s aim of becoming a market leader in the highly fragmented sweet potato sector.**

During the second half of FY2024, we tested our integrated circular economy industrial value chain model, starting with the automated sweet potato washing and sorting lines and cold storage process at the third-party operated smart warehouse. This process boosts productivity, reduces manpower requirements for washing and sorting, improves sweet potato content and quality analysis, and extends shelf life, all of which benefit our Group’s front-end operational efficiency and reduce sweet potato spoilage.

We believe that this outsourced processing service promotes standardisation for fresh sweet potato products, lowers the risk of rotting when compared with the traditional method of storing sweet potatoes in cellars, and extends shelf life through cold storage. This processing service, a game changer for the sweet potato sector, once formalised, will help us minimise spoilage of our supplies of fresh sweet potatoes under the Co-ops arrangements while also raising our competitiveness against other smaller suppliers who use traditional storage method. Our Group currently harvests from approximately 8,268.6 mu sweet potato cultivatable lands in Liancheng County. With this solution, we believe that we will be able to regularly deliver fresh, high-quality sweet potatoes to e-commerce channels and supermarkets, as well as have more bargaining power to keep our average selling prices stable.

While we are back on the profitability track, we will continue to step up efforts to fine-tune our operations in the integrated circular economy industrial value chain in a bid to replicate this circular economy model beyond Liancheng County, Fujian Province, in the near future.”

## **RECENT DEVELOPMENTS**

The Company is planning to raise funds for expansion into high-tech manufacturing, enhance the Group’s research capabilities, and increase the size of contracted farmland for sweet potato cultivation and supplies of fresh sweet potatoes in China, as well as working capital for the Group’s activities and expansion of business and operations in Singapore. Funds would be raised through the rights-cum-

warrants issue of up to 144,481,810 rights shares at the issue price of S\$0.0165 per rights share, with up to 577,927,240 warrants, on the basis of one (1) rights share for every ten (10) existing shares held and four (4) warrants for every one (1) rights share subscribed. Each warrant carries the right to subscribe for one (1) warrant share at the exercise price of S\$0.0450 per warrant share. The Company expects to raise net proceeds of up to S\$2.1 million from the rights issue and additional gross proceeds of S\$26.0 million if the warrants are fully exercised.

Mr. Liang adds, **“We are grateful to our supportive shareholders for their confidence and patience during our fundamental strengthening phase. As we move into a new phase of growth, we look forward to their continuous support and participation in our growth journey together.”**

The planned expansion into high-tech manufacturing and research capabilities has recently progressed to interior renovation after the receipt of the property certificate and permission to proceed with the installation of equipment and machinery. Manufacturing is expected to begin in stages at the end of September 2024 to produce higher-margin sweet potato processed products.

The Group continues to work with a third-party operator, which uses the Group's proprietary probiotic fermentation formulation on agricultural waste materials (spoiled sweet potatoes, sweet potato peels, stems, and leaves) as part of the recovery and recycling process, converting waste materials into base ingredients for poultry and animal feeds. Currently, testing and feed trials are being conducted with feed manufacturers on the base ingredients recovered from sweet potato waste materials. As these sweet potato waste-derived base feed ingredients are raw materials to be used in feed manufacturing, the relevant authorities must certify that the feeds prepared using sweet potato waste-derived base ingredients as a substitute for soymeal or corn meet all standards including nutritional contents and safety, and this certification process is likely to take some time to complete.

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

## **FINANCIAL REVIEW**

With China's economic recovery beginning gradually in the second quarter of FY2024, the Group's revenue also reflected the significant 92.0% year-on-year growth to RMB 201.3 million in 2H FY2024. For FY2024, the Group's revenue increased by approximately RMB 98.8 million or 45.0% year-on-year, to RMB318.4 million, up from RMB 219.6 million in FY2023. Higher revenue in FY2024 was driven by strong sales of both sweet potato processed products and fresh sweet potatoes following a better harvest, which began in October 2023.

### Revenue Analysis by Products

FYE 31 March (RMB '000)	FY2024 (unaudited)	FY2023 (audited)	Variance
Sweet potato processed products	260,348	187,477	38.9 %
Fresh sweet potatoes	58,099	32,123	80.9 %
<b>Total</b>	<b>318,447</b>	<b>219,600</b>	<b>45.0 %</b>

Gross profit increased by 72.0% year-on-year from RMB 59.2 million in FY2023 to RMB 101.9 million in FY2024, owing to improved economies of scale and the ability to maintain average selling prices for both sweet potato processed products and fresh sweet potatoes. Correspondingly, the gross margin increased from 27.0% in FY2023 to 32.0% in FY2024.

Interest income decreased by approximately RMB 0.2 million or 22.1% year-on-year from RMB 0.9 million in FY2023 to RMB 0.7 million in FY2024, due to lower interest income on lower average cash and bank balances with the banks.

Other income increased by approximately RMB 0.4 million or 54.1% year-on-year from RMB 0.6 million in FY2023 to RMB 1.0 million in FY2024. The increase was mainly due to the sales of excess in-house cultivated sweet potato seedlings and subsidies received from e-commerce platform.

Marketing and distribution costs increased by approximately RMB 3.6 million or 11.7% year-on-year from RMB 30.8 million in FY2023 to RMB 34.4 million in FY2024. The increase was primarily attributable to higher delivery charges, publicity expenses, and operating expenses, which was partially offset by lower advertisement expenses.

Administrative expenses increased by approximately RMB 6.8 million or 19.0% year-on-year from RMB 35.7 million in FY2023 to RMB 42.5 million in FY2024. The increase was mainly due to increases in amortisation of intangible assets, and research and development expenses, which were partially offset by reductions in directors' remuneration, and consultancy fee.

Other operating expenses increased by approximately RMB 0.2 million or 97.9% from RMB 0.2 million in FY2023 to RMB 0.4 million in FY2024. This mainly related to the cost of sales for the excess in-house cultivated sweet potato seedlings recorded under other income.

Other losses increased by approximately RMB 0.9 million or 53.6% year-on-year from RMB 1.6 million in FY2023 to RMB 2.5 million in FY2024. This was due to the increase in property, plant and equipment written-off and donations made in FY2024.

Finance costs increased by approximately RMB 0.5 million or 24.3% year-on-year from RMB 1.9 million in FY2023 to RMB 2.3 million in FY2024. The increase was mainly due to the higher interest charged on bank borrowings in the financial year under review.

Income tax expense increased by approximately RMB 3.3 million or 70.3% year-on-year from RMB 4.8 million in FY2023 to RMB 8.1 million in FY2024. Higher income tax expenses were attributed to current year income tax expenses as a result of higher profits generated in FY2024, deferred income tax expenses, and under-provision of prior year income tax expenses.

Taking into account the aforementioned, the Group recorded a net profit after tax of RMB 13.4 million in FY2024, a reversal from net loss after tax of RMB 14.2 million in FY2023.

### FINANCIAL POSITION ANALYSIS

As at 31 March (RMB'000)	2024	2023	Variance
Equity attributable to the owners of the Company (“ <b>Net asset value</b> ”)	513,932	499,921	2.8 %
Current assets	275,463	285,629	(3.6) %
Cash and bank balances	156,151	205,496	(24.0) %
Current liabilities	92,397	84,369	9.5 %
Short-term bank borrowings	58,500	47,100	24.2 %
Working capital <sup>(1)</sup>	183,066	201,260	(9.0) %
Net asset value per share <sup>(2)</sup> (RMB)	0.37	0.36	2.8 %

Note:

(1) Working capital was computed using current assets less current liabilities.

(2) Net asset value per share was computed based on the share capital of 1.38 billion shares as at 31 March 2023 and 2024.

The Group maintained a net cash position of RMB 97.7 million and recorded positive working capital of RMB 183.1 million as at 31 March 2024. Net asset value per share increased from RMB 0.36 as at 31 March 2023 to RMB 0.37 as at 31 March 2024 on the back of the net profit attributable to shareholders of RMB 13.4 million in FY2024.

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This press release is to be read in conjunction with the Company's unaudited interim financial results announcement posted on the SGX Website on 30 May 2024.

## **ZIXIN GROUP HOLDINGS LIMITED 紫心集团控股**

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

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

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

Please visit the Company's website at [www.zixingroup.com.sg](http://www.zixingroup.com.sg) for more information.

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Issued for and on behalf of **ZIXIN GROUP HOLDINGS LIMITED** by:

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

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

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