ZIXIN GROUP HOLDINGS
紫心集团控股

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

PROGRESS UPDATE ON ZIXIN GROUP'S OPERATIONS

The Board of Directors (the "**Board**") of Zixin Group Holdings Limited (the "**Company**" and, together with its subsidiaries, "**Zixin Group**") wishes to update shareholders on the progress of its planned business expansion: (i) the production and sale of sweet potato waste-derived feedstock for animal feeds and (ii) the production and sale of relatively high-tech and higher margin sweet potato products.

On 13 November 2024, the Company announced in its interim results that the installation of equipment and machinery for its planned expansion into high-tech manufacturing, as well as the accreditation process of the third-party fermentation and feed manufacturer are expected to be completed by the fourth quarter of FY2025 ("**4Q FY2025**" or 1 January to 31 March 2025). Zixin Group intends to produce and sell relatively higher-margin food products manufactured at its high-tech manufacturing facility, as well as to produce and sell probiotic-infused fermented sweet potato feedstock made from agricultural waste, to generate revenue and earnings for the Company beginning in 4Q FY2025 (or January 2025).

The progress of the Group's planned business expansion is as follows:

(i) Commercial production and sale of probiotic-infused fermented sweet potato feedstock

Zixin Group closes the loop of its integrated circular economy value chain with the commencement of commercial production and sale of its probiotic-infused sweet potato feedstock to a poultry farm owner announced in early January 2025.

(reference: Zixin Group secures first probiotic-infused fermented sweet potato feedstock order from a chicken poultry breeder farm https://links.sgx.com/1.0.0/corporate-announcements/8B9NLRM2HQI2Q4RM/e55442b9ac166e2c78cc5a47fe9ed54ae58dfb7334ee60b8473e7040adc0e1de)

"**Although this initial feedstock order of 1,080 tonnes for RMB 3.24 million for a year is relatively modest, it is a positive beginning for the Group. We believe that the conversion of sweet potato peel waste into feedstock that is suitable for animal feeds through biotech innovation is a means of bolstering our sustainability efforts in both economic and environmental terms. We will continue to press on with our research and development efforts to expand the conversion of waste into feedstock from sweet potato peel to other parts of the sweet potato plant**," said Mr. Liang Chengwang (梁承旺先生), Executive Chairman and Chief Executive Officer of Zixin Group.

Zixin Group outsources the fermentation and production of the probiotic-infused fermented sweet potato feedstock to the third-party fermentation plant operator, who works in conjunction with the designated sweet potato peel waste collector in Liancheng County, Fujian Province, China. Through this strategic collaboration, Zixin Group will focus on providing its proprietary probiotic solution and technical support to the fermentation plant to process the agricultural waste into feedstock for its supply to the animal feed manufacturer and/or poultry farm owners.



Liancheng County: sweet potato peels were placed on public road to dry naturally before disposal.
连城县：甘薯皮被放在公共道路上自然晾干后再处理。

It is not uncommon to feed sweet potato agricultural waste, such as sweet potato peels, to farm animals. However, the potential benefits of utilising biotech capabilities to extend and standardise the nutritional value of sweet potato, such as Zixin Group's probiotic-infused fermented sweet potato feedstock, to food sources such as poultry and livestock may include (i) a reduction in environmental pollution, (ii) feed security, which involves providing an alternative to soymeal and corn, and (iii) food security, which involves ensuring that human consumption of meats is safe.

(ii) Production and sale of relatively high-tech and higher margin sweet potato products

Zixin Group is on track to expand its production capacity and broaden its product range with the newly developed high-tech manufacturing facility, which is sitting on 83.6 mu (approximately 13.8 acres) of land. The high-tech manufacturing facility will have a total built-up area of 86,000 square metres and an installed annual production capacity of 35,000 tonnes. This additional production capacity will increase its existing production capacity of 13,700 tonnes by approximately 2.6 times upon full completion of its capacity expansion plan.

Three automated production lines have been installed at the new high-tech manufacturing facility, which spans 22,800 square meters, as part of phase one of the capacity expansion. These lines are designed to produce higher-margin products. One of the functional foods is the purple sweet potato powder (also known as single-cell sweet potato powder), which is one of the products. The other products are the natural-flavoured steamed sweet potatoes, an additive-free vacuum-packed steamed fresh sweet potatoes, and nutritious orange peel sweet potatoes. These products will have a higher overall gross margin of about 35%-40% compared to the current products, which have a gross margin of about 28%-30%, subject to fluctuations of raw material costs. This is primarily due to utilising high-tech methods with little processing, and the nutrients of the better-quality sweet potatoes being locked into products that fulfil consumer demand for healthy, nutritious, and convenient products.

The additive-free vacuum-packed steamed fresh sweet potato, a selected sweet potato variety, is one of the Group's popular sweet potato products and is also a convenient food. The controlled environment storage services of the smart warehouse will also allow Zixin Group to develop new, healthy, and quality sweet potato products for consumers.



Additive-free vacuum-packed steamed fresh sweet potato
无添加剂真空包装蒸鲜薯

Zixin Group manufactures this product under its own brand and for reputable third-party labels in China, for which it has received purchase orders. Upon completion of the installation of equipment and machinery, Zixin Group conducted trial production and fine-tuning of the production lines before the Chinese New Year holidays. It anticipates that commercial production will commence in mid-February 2025. The new products will be sold and distributed through its established sales and distribution channels, which comprise both e-commerce and online sales platforms and conventional distribution networks and channels, such as supermarket chains.

Trial production of additive-free vacuum-packed steamed sweet potato product



Mr. Liang adds, **"We are pleased to start delivering phase one of our planned expansion plans, which were delayed as a result of the COVID-19 pandemic. As we continue to implement our expansion strategy in a prudent manner, we believe Zixin Group is poised for organic growth in Liancheng County and beyond."**

While the Board believes that the above progress will bring about sustainable organic growth of Zixin Group in terms of revenue and earnings in the future, the Board is of the view that the contributions will not have a material impact on the Company's financial results for the financial year ending 31 March 2025.

The Company will update shareholders and the investing public on any material developments as and when they arise.

Cautionary Note:

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. Persons who are in doubt as to the action they should take, should consult their stockbrokers, bank managers, solicitors, accountants, or other professional advisers before trading in or making any investment decision regarding the Company's shares.

By Order of the Board
Zixin Group Holdings Limited

Liang Chengwang
Executive Chairman and Chief Executive Officer
6 February 2025

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

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