ZIXIN GROUP HOLDINGS
紫心集团控股

(formerly known as China Star Food Group)
(Incorporated in the Republic of Singapore with Unique Entity No.: 200718683N)
Website: **www.zixingroup.com.sg**
SGX stock code: **42W**

Zixin Group records RMB 114.8 million in revenue for 1H FY2023

- **Disruptions in logistics during the lockdown in Shanghai, and the upgrading of snack production lines led to some downtime which resulted in lower volume and sales of sweet potato snack products**
- **The Group will continue to harness the strengths of the integrated business segments in its sweet potato circular economy business operations to deliver desired positive results**

Key Financial Highlights:

(RMB'000)	1H FY2023	1H FY2022	YoY Change	Unaudited FY2022
Revenue	114,759	130,985	- 12.4%	289,132
Gross profit	32,180	35,333	- 8.9%	77,981
Gross margin	28.0%	27.0%	+ 1.0 pp	27.0%
Profit before tax	1,872	3,225	- 42.0%	6,281
Profit after tax[1]	37	3,661	- 99.0%	6,588

** *pp denotes percentage points*

Note: [1] Profit after tax attributable to owners of the Company

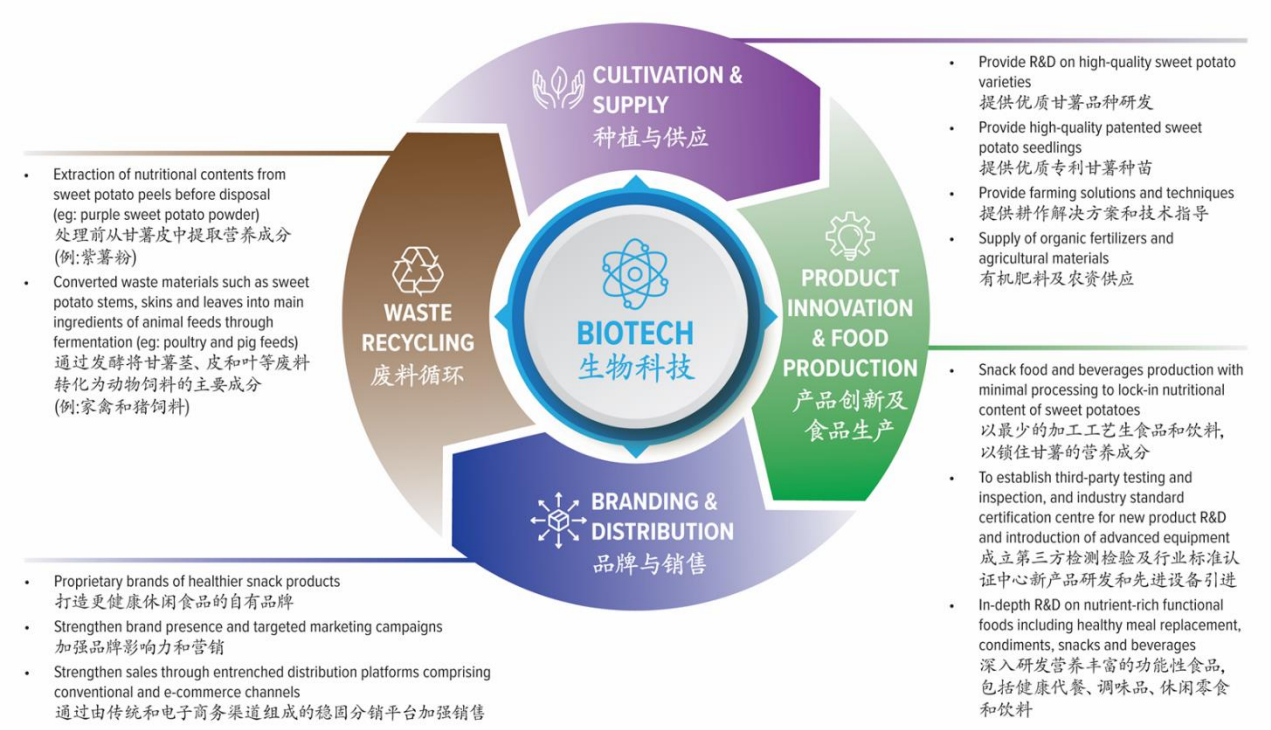
For Immediate Release

SINGAPORE, 14 November 2022 – Zixin Group Holdings Limited 紫心集团控股 ("**Zixin**" or the "**Company**" and together with its subsidiaries, the "**Group**"), a leading sweet potato biotech-focused value chain operator, registered lower year-on-year revenue and net profit of RMB 114.8 million and RMB 37,000 respectively, for the six months ended 30 September 2022 ("**1H FY2023**"). The financial performance was predominantly undermined by (i) the disruptions in logistics during the lockdown in Shanghai, China in April and May 2022 that affected raw materials supply and logistics, and (ii) the lower volume of snack products produced and sold, as some production lines in its key manufacturing facility underwent upgrading in 1H FY2023.

Mr. Liang Chengwang (梁承旺), the Executive Chairman and CEO of Zixin Group said, "**Agricultural business requires time and patience to build, and to reap consistent and sustainable harvests in the future. We are appreciative of the support and patience of our key stakeholders including business partners, customers, employees, and shareholders, in our ambition to build the sweet potato-focused circular economy as our Group's core business. While our prior years of investment and efforts may not have resulted in immediate financial returns in the short-term, it**

has, however, led to business opportunities with potential sustainable earnings for the Group in the long term. We will continue to improve our efficiency in harnessing the strengths of these integrated business segments to deliver the desired positive results."

Circular Economy Business Foundation of Zixin Group 紫心集团循环经济商业基础



RECENT DEVELOPMENTS

On 9 November 2022, the Group received the approval of shareholders at the extraordinary general meeting, to change the name of the listed Company from "China Star Food Group Limited" to "Zixin Group Holdings Limited". This update unifies the listed Company to the Group's established sweet potato biotech focused business value chain in China, where it is known as "Zixin Shu Ye"「紫心薯业」, and aligns the brand name for better brand awareness, enabling the Group to expand beyond the single Chinese market into the global market.

On 3 October 2022, the Group announced that its wholly-owned subsidiary Fujian Zixin Biological Potato Co., Ltd., together with CITIC Construction Co., Ltd., Huiteng Xile Tourism and Culture Co., Ltd. and Liao Ecological Technology Group Co., Ltd., formed a joint venture consortium and 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.

(Reference: CSFG Press Release – Participation in Rural Revitalisation Project https://links.sgx.com/1.0.0/corporate-announcements/0LF6A22UI45Q3E91/d125dac98b455a254bb457bee90f4daf25769a530027220d454f1c540364d6cd)

The first phase of expansion on the production of functional food with an installed annual production capacity of 35,000 tonnes announced on 17 August 2021, is on track to complete by end December 2022. The Group's research and development ("**R&D**") efforts in producing purple sweet potato powder and retaining its nutrients with minimal processing from sweet potato peels, as well as turning the waste materials including sweet potato skins, leaves, and stems into nutritional and safe animal feeds for poultry, continue to achieve encouraging laboratory test results and feed trial results, respectively. The harvesting season for fresh sweet potatoes began in October 2022 and is expected to last for the next few months.

Mr. Liang adds, "**We believe our years of preparation and developments will bring the Group to another level of growth, transcending the traditional sweet potato agricultural business. Having our own dedicated area for sweet potato seedlings cultivation and providing farming solutions and techniques to our contracted farmers not only satisfied the scheduled planting season, but also enabled us to earn additional income from the sales of excess seedlings to third party farmers in 1H FY2023 when the lockdown in Shanghai led to delays in logistics services.**

With the beginning of the harvesting season for sweet potatoes, our immediate task is to scale up production and cultivate demand for our sweet potato waste material-based animal feed as our source of waste materials increases. This, together with the recent upgrading of our snack products production lines with increased automation that will further enhance product safety and productivity, have been uplifting.

However, the recent increase of Covid-19 infection cases resulting in tighter enforcement and lockdowns of cities in compliance with the Chinese government's "zero-Covid" policy has once again led to disruptions across the supply chain, spurring inflationary pressure on raw materials and logistics. The rising costs which could not be transferred as quickly to the average selling prices of our products, is likely to have an adverse impact on financial performance.

Amid the global economic slowdown and rising inflationary pressure, we will also continue to stay prudent in our resource management as we pursue sustainable growth for the long term."

FINANCIAL REVIEW

The Group recorded a decline of approximately RMB 16.2 million or 12.4% in revenue from RMB 131.0 million in 1H FY2022 to RMB 114.8 million in 1H FY2023. The decrease in revenue was mainly due to (i) logistics disruption resulting from the lockdown in Shanghai for two months[1] that affected raw materials supply and delivery of fresh sweet potatoes and snack products, and (ii) the supplantation of a production line in the Group's snack manufacturing facility from April 2022 to September 2022 that lowered the total production capacity by 30%. Consequently, these led to lower volume and sales of fresh sweet potatoes and snack products produced and sold in 1H FY2023.

Revenue Analysis by Products

FYE 31 March (RMB '000)	1H FY2023	1H FY2022	Variance
Sweet potato processed snack products	97,861	109,821	- 10.9%
Fresh sweet potatoes	16,898	21,164	- 20.2%
Total	**114,759**	**130,985**	**- 12.4%**

In tandem with lower revenue, gross profit decreased by approximately RMB 3.2 million or 8.9% from RMB 35.3 million in 1H FY2022 to RMB 32.2 million in 1H FY2023. However, better management of the cost of sales and higher sales of higher-margin snack products helped lift gross profit margin from 27.0% in 1H FY2022 to 28.0% in 1H FY2023.

Interest income decreased by approximately RMB 53,000 or 16.7% from RMB 317,000 in 1H FY2022 to RMB 264,000 in 1H FY2023. This was mainly due to the decrease in interest received from banks.

Other income increased from RMB 73,000 in 1H FY2022 to RMB 487,000 in 1H FY2023 due to brand royalty received from third parties, as well as income generated from the sales of excess in-house cultivated sweet potato seedlings in 1H FY2023.

Marketing and distribution costs decreased by approximately RMB 3.8 million or 21.9% to RMB 13.4 million in 1H FY2023, compared to RMB 17.2 million in 1H FY2022. This was mainly due to the decrease in advertisement expenses, publicity expenses, delivery charges, operating expenses and travelling expenses, which was partially offset against the increase in depreciation expenses.

Source: 1 https://www.businesstimes.com.sg/government-economy/shanghais-leader-hails-2-month-lockdown-as-completely-correct

Administrative expenses increased by approximately RMB 0.8 million or 5.8% from RMB 14.6 million in 1H FY2022 to RMB 15.4 million in 1H FY2023, which was mainly due to an increase in audit fees as compared to an overprovision of audit fee in the previous year, as well as an increase in consultancy fee, research and development expenses, employee benefit expenses, secretary fee and union fee. These expenses were partially offset against the decrease in director's remunerations, travelling and entertainment expenses, nursery fee and other expenses.

Finance costs increased by approximately RMB 0.1 million or 18.0% from RMB 0.7 million in 1H FY2022 to RMB 0.9 million in 1H FY2023, mainly due to the increase in interest expenses on bank borrowings in the financial period under review.

The Group recorded a reversal from an income tax credit of approximately RMB 0.4 million in 1H FY2022 to an income tax expense of approximately RMB 1.8 million in 1H FY2023. Consequently, the Group recorded a net profit after tax of RMB 37,000 in 1H FY2023, representing a decline from net profit after tax of RMB 3.7 million in 1H FY2022.

FINANCIAL POSITION

(RMB'000)	As at 30 September 2022	As at 31 March 2022
Equity attributable to the owners of the Company ("**Net asset value**")	517,562	516,941
Cash and bank balances	247,894	197,506
Short-term bank borrowings	47,100	35,800
Net asset value per share (RMB)	0.37	0.37

Note: Net asset value per share was computed based on the share capital of 1.38 billion shares as at 30 September 2022 and 31 March 2022.

###

This media release is to be read in conjunction with the Company's unaudited interim financial results announcement posted on the SGX Website on 14 November 2022.

Zixin Group Holdings Limited 紫心集团控股
(formerly known as China Star Food Group Limited)
(Stock code – SGX: 42W)

Zixin Group Holdings Limited ("**Zixin**" or the "**Company**" and together with its subsidiaries, the "**Group**") is a leading sweet potato biotech-focused value chain operator in China. Through its wholly-owned subsidiaries, the Group leverages its biotechnology capabilities to strengthen and support its core business areas: **(a) cultivation and supply** – (i) research and development of sweet potato varieties, (ii) cultivate sweet potato seedlings, (iii) provide farming solutions and technique, and (iv) fresh sweet potato supply, **(b) product innovation and snacks production** – research and development to produce snack products with higher nutritional content, and **(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.

The Group aims to be one of the global leaders in sweet potato focused snacks, leveraging on smart ecological agriculture, utilising hi-tech techniques in product innovation to produce healthier snacks, and deploying modern marketing and distribution methods for better market reach.

To ensure a consistent supply of high-quality sweet potatoes, the Group has established an upstream sweet potato cultivation division, Liancheng Dizhongbao Modern Agricultural Development Co., Ltd., that has identified specific sweet potato varieties for its cultivation bases. Through continual analysis and research and development, the Group has developed comprehensive cultivation solutions including soil improvement, fertilizers, and seedlings, to assist farmers to increase crop yields and produce high-quality raw sweet potatoes. The Group has implemented the cultivation scheme in its existing farmlands, which it has leased through Liancheng County Cooperative in Fujian, China. The Group believes that its sweet potato cultivation solutions can also be provided to other sweet potato farmers in China, which could potentially broaden its earnings base.

The Group has also adopted advanced marketing and distribution approaches such as online and retail e-commerce sales channels to complement its traditional wholesalers and distributors, to promote its proprietary brands and range of healthier sweet potato snacks.

Please visit the Company's website at www.zixingroup.com.sg for more information.

Issued for and on behalf of **Zixin Group Holdings Limited** by:

富登财经 FinComm
OCTAVE

Investor relations contact:

Rosalina Soh 苏沛熙
Office : (65) 6955 7767
Mobile : (65) 9677 6683
Email : rosalina@octavecomms.com

*This media release has been reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**") in compliance with Rule 226(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

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