Initiation Agri-Technology ▪ Singapore

Zixin Group Holdings Ltd.

(ZXGH SP/42W.SI)

Strong supply chain position presents growth potential

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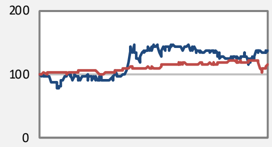
- **Further expansion into Hainan.** Zixin Group is expanding its sweet potato value chain from Liancheng County, Fujian, to Lingao County, Hainan, through a Revitalisation Project covering 8,961.33 hectares across 12 villages. This new land in Hainan is significantly larger than their original area in Fujian, offering substantial replication potential. Although currently in the initial stages, the group anticipates realizing profits from this expansion starting in FY2027. This strategic move marks Zixin's first replication of its model outside Fujian, demonstrating its growth ambitions in the agricultural sector.
- **Breakthrough in new snack products.** Zixin Group recently announced that it has achieved a breakthrough in the production of sweet potato chips and fries snack products. The company has begun to deliver the substantial orders received in February 2025 for these new products from its network of distributors. These products have also received significant demand, and Zixin has ramped up its production capacity at its existing snack manufacturing facility.
- **Improving margins.** Zixin Group saw an improvement in margins YoY in FY2024. The company’s gross profit margin (GPM) rose to 32.0% in FY24, largely attributed to higher sales and lowered costs due to economies of scale. The company also recorded an operating profit margin (OPM) of 6.9% and a net profit margin (NPM) of 4.2%, highest in over 5 years, largely attributed to lower costs relative to revenue. These improving margins showcased the initial results of Zixin Group’s integrated industrial value chain, which includes the supporting industry of cold storage warehousing services, enabling the company to recover from the post-Covid crisis and return to profitability.
- We initiate with an **OUTPERFORM** recommendation and a 12M target price (TP) of **S$0.060**.

Financials & Key Operating Statistics

YE Mar (RMB$'Millions)	2023	2024	2025F	2026F	2027F
Revenue	219.6	318.4	456.0	600.0	743.7
Net Income	(14.2)	13.4	37.4	47.2	61.7
EPS (cents)	(1.0)	1.0	2.7	3.4	4.5
P/E Ratio (x)	–	17.3	6.2	4.9	3.8
Gross Margin (%)	27.0%	32.0%	33.0%	33.5%	34.0%
EBITDA Margin (%)	4.3%	14.0%	16.4%	15.3%	15.6%
Net Profit Margin (%)	(6.5%)	4.2%	8.2%	7.9%	8.3%
Net Debt/ (Net Cash) Gearing (%)	(31.6%)	(19.0%)	(19.8%)	(18.0%)	(18.1%)
ROA (%)	(2.4%)	2.2%	5.7%	6.5%	7.7%
ROE (%)	(2.8%)	2.6%	6.8%	7.9%	9.3%

Source: KGI Research

Outperform - Initiation		Performance (Absolute)	
Price as of 8 May 25 (SGD)	0.029	1 Month (%)	20.8
12M TP ($)	0.060	3 Month (%)	-3.4
Previous TP ($)	-	12 Month (%)	55.1
Upside, incl div (%)	105.9%		
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	46		
Issued Shares (mn)	1,589		
Vol - 3M Daily avg (mn)	3.2		
Val - 3M Daily avg ($mn)	0.1		
Free Float (%)	72.4%		
Major Shareholders		**Previous Recommendations**	
Liang Cheng Wang	15.3%		
Khoo Thomas Clive	11.3%		
PTS Capital Pte Ltd	10.1%		



1H25 financial results. Zixin Group Holdings reported total revenue of RMB156.7mn in 1H25, representing a 33.1% YoY increase, compared with a revenue of RMB117.8mn in 1H24. The company continues to make strong progress on its integrated circular economy industrial value chain across business operations, driving significant and organic growth in financial performance. Net profit after tax increased to RMB7.73mn in 1H25, compared to a net loss after tax of RMB3.40mn in 1H24. The group’s basic EPS was 0.54 RMB cents in 1H25, compared to a loss per share of 0.25 RMB cents in 1H24.

Valuation & Action: We initiate with an **OUTPERFORM** recommendation and a TP of **S$0.060**, based on a financial analysis using Discounted Cash Flow (DCF), with a terminal growth rate of 2.0% and a WACC of 10%. Zixin Group’s strong cash position and business model also position the company well to capture economies of scale as well as the benefits of the entire supply chain, further driving growth for the company. The company’s improving margins also highlight the company’s growth trajectory. Our TP of S$0.060 implies a 105.9% upside.

Risks: Environmental risks present a key operational challenge for Zixin Group. The direct impact of variable weather patterns on sweet potato cultivation, coupled with the increased exposure from the extensive farmland, introduces significant yield uncertainty. The risk of widespread disease outbreaks across its agricultural holdings further highlights the urgent need for comprehensive risk assessment and mitigation strategies to safeguard the company’s output and profitability.

Contents

Business at a Glance

Zixin Group Holdings Limited is a holding company that, together with its subsidiaries, operates as a leading sweet potato biotech-focused industrial value chain operator in China. Through its wholly-owned subsidiaries, Zixin Group operates a sweet potato biotech-focused value chain that focuses on cultivation and supply, product innovation and food production, brand building, marketing, and distribution, as well as recovery and recycling.

Zixin Group aspires to become a global leader in the field of agritech with a focus on sweet potatoes. The company utilises smart ecological farming practices and integrates biotechnology at every stage of the production process. This approach enables them to create high-quality sweet potato seedlings, healthier snack foods, and functional food products. Additionally, it adopts modern marketing and distribution strategies, utilising online and retail e-commerce channels as a complement to its traditional distribution network of wholesalers and distributors. This multi-pronged approach aims to enhance the visibility and reach of their proprietary brands in the market.

Investment Thesis

Dominating the Entire Supply Chain

Zixin Group owns and operates a fully integrated sweet potato supply chain, spanning from upstream cultivation to downstream consumer sales. The company manages its operations across four key stages: Cultivation & Supply, Product Innovation & Food Production, Branding & Distribution, and Recovery & Recycling.

By controlling the entire supply chain, Zixin Group eliminates unnecessary costs such as those associated with intermediaries, and reduces transportation expenses. This vertical integration streamlines operations, optimizes processes across all stages, minimizes waste, and significantly improves overall efficiency. As the leading player in the sweet potato market in the Fujian region, the company also benefits from economies of scale, achieving lower per-unit costs through higher production volumes. In addition, full control over the supply chain strengthens Zixin Group's negotiating power, enabling it to secure more favourable pricing agreements with customers.

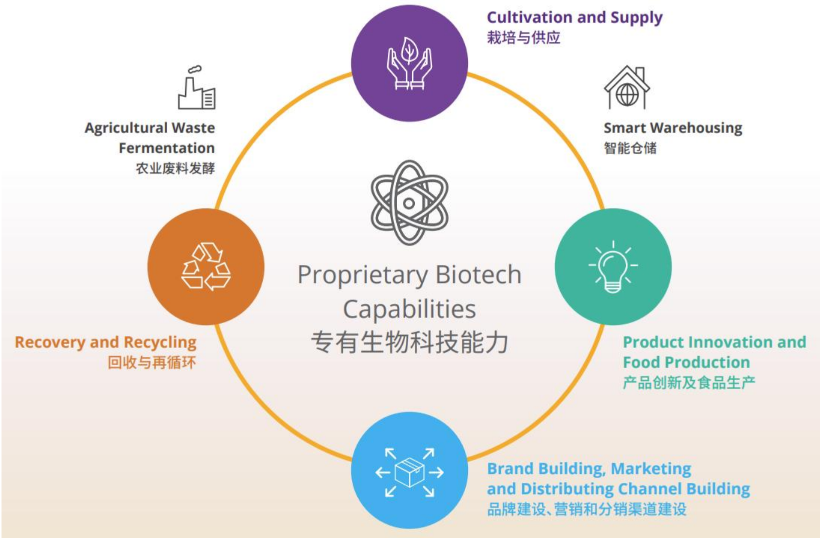
Zixin Group's integrated model extends across cultivation, harvesting, processing, and final product manufacturing, ensuring strict quality control at every step. This approach not only enhances operational resilience by quickly identifying and resolving bottlenecks but also creates multiple revenue streams, including the sale of high-quality sweet potato seedlings of different varieties, a diverse range of sweet potato-based snack products, and the monetization of agricultural by-products such as sweet potato waste. Through this holistic and optimized strategy, Zixin Group positions itself as a resilient, cost-efficient, and innovation-driven leader in the sweet potato agritech and food manufacturing sector.

Retaining the quality of Sweet Potatoes

Dizhongbao, a subsidiary of Zixin Group, plays a critical role in the early stages of the agricultural process by focusing on the cultivation of high-quality sweet potato seedlings. By directly managing seedling production, Dizhongbao ensures genetic consistency and strong growth characteristics across its crops. The subsidiary also promotes standardized farming practices among its network of contracted farmers, leveraging third-party agricultural technologies to enhance crop resilience and yield performance. For its long-term farming partners, Dizhongbao invests in farmland improvements to boost productivity and ensure consistent quality, reinforcing Zixin Group's commitment to sustainable agriculture and a stable raw material supply.

In addition, Zixin Group has established cold storage facilities that allow harvested sweet potatoes to be stored for up to six months, significantly longer than the one-month shelf life without cold storage. Sweet potatoes are categorized by variety, shape, size, and quality grade to preserve their optimal condition. This cold storage capability enables the company to maintain maximum freshness prior to processing and sale, ensuring a steady supply of high-quality raw materials throughout the year.

Figure 1: Zixin Group's business model



Source: Company, KGI research

Multiple Revenue streams to drive growth

Zixin Group Holdings has developed a diversified product portfolio, generating multiple revenue streams across its integrated supply chain. Over the years, the company has expanded its offerings through technological innovation and supply chain optimization, moving beyond fresh produce to include seedlings, various sweet potato varieties, snacks, convenience foods, functional foods, and animal feedstock.

This includes the sale of high-yield seedlings to local farmers and premium-quality fresh sweet potatoes to consumers. Zixin has also established several key consumer brands offering a wide range of sweet potato-based snacks, such as vacuum-packed snacks, sweet potato confections, and packaged fries. To further strengthen its retail presence, the company actively engages end consumers through multiple digital marketing channels and e-commerce platforms, including Little Red Book (小红书), Toutiao (头条), Taobao (淘宝), Tmall (天猫), and Douyin Live (抖音直播). Zixin conducts live-streamed sales sessions throughout the day, each lasting approximately four hours, enabling the company to reach a broader online customer base across regions.

This multi-channel, multi-product approach supports a robust and resilient revenue model, providing stable income streams across the company's value chain.

Going forward, the company plans to continue expanding its established business segments across the industrial value chain by focusing on R&D and developing nutritional sweet potato foods and functional products to meet diverse consumer needs.

Figure 2: Zixin Group's live streaming studio

Source: KGI Research

Zixin Group has been actively exploring value-added applications for sweet potato by-products, particularly in animal feed and bio-extracts. The company recently secured a patent for a proprietary poultry feed formulation and received two orders for probiotic-infused fermented sweet potato feedstock—one from a chicken breeder and another from a white duck poultry farm. Production of this feedstock is outsourced to a third-party fermentation facility, which collaborates with a designated sweet potato peel waste collector in Liancheng County. Under this strategic partnership, Zixin Group focuses on supplying its proprietary probiotic solution and providing technical support to facilitate the conversion of sweet potato waste into feedstock for poultry farmers.

In addition, Zixin Group recently achieved a breakthrough in its sweet potato snack product line. After years of refining its production techniques, a key modification implemented in December 2024 significantly improved the texture and flavour of its branded sweet potato chips and fries. Following this enhancement, the company received substantial distributor orders in February 2025 and has since commenced deliveries. To meet the surge in demand, Zixin Group upgraded its production process and added a new line to its existing snack manufacturing facility. The company will consider further capacity expansion if demand continues to grow. This product innovation opens a new revenue stream and is expected to contribute positively to Zixin Group's topline going forward.

Figure 3: A wide variety of Zixin's snacks

Source: KGI Research

Further expansion into Hainan

Zixin Group Holdings, through its subsidiaries, has entered into a joint venture agreement with the Lingao County Government, CITIC Construction, Huiteng Xile Tourism and Culture, and Liao Ecological Technology Group to initiate the Lingao Revitalisation Project. This large-scale initiative spans 12 administrative villages across 8,961.33 hectares (approximately 89.6 million square metres) and is structured into primary and secondary phases, with the primary phase targeted for completion within three years.

The objectives of the project include (i) remediation and enhancement of arable and agricultural land, (ii) optimized land use for urban development, (iii) ecological restoration and sustainable environmental management, and (iv) the development of agricultural and tourism industries to promote long-term economic growth within local communities.

Under this joint framework, Zixin Biotech and Huiteng will lead the development of the agricultural and tourism components, respectively, both classified as secondary projects. This initiative marks Zixin Group's first replication of its sweet potato industrial value chain model beyond its original base in Liancheng County, Fujian Province. The expansion into Lingao County, Hainan Province, provides the company with land resources several times larger than those in Liancheng County, offering substantial growth potential. Dongying Town alone has approximately 100,000 mu (around 6,667 hectares) of ecologically arable land available as a cultivation base.

In addition to the Lingao project, Zixin Group is actively engaged in discussions with local government bodies in Lankao County, Henan Province, to participate in another rural revitalisation project. These initiatives collectively position the company for broader geographical presence and the establishment of multiple integrated industrial value chains across China.

While the Lingao Revitalisation Project remains in its early stages, the Group anticipates that meaningful revenue contributions from the model replication will begin to materialise in fiscal year 2027.

Financial Analysis & Valuations

1H25 Financial Results

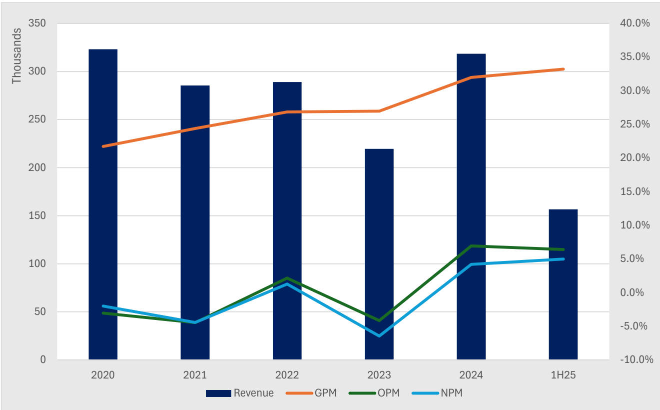
Zixin Group Holdings reported a total revenue of RMB156.7mn in 1H25, marking a 33.1% YoY increase compared to a revenue of RMB117.8mn in 1H24. This growth reflects the company's continued progress in developing its integrated circular economy industrial value chain across business operations, driving organic growth and financial performance improvements. Net profit after tax increased to RMB7.81mn in 1H25, compared to a net loss after tax of RMB3.40mn in 1H24. The improvement in profitability was mainly driven by higher volume and sales revenue from fresh sweet potatoes, sweet potato processed products, and sweet potato seedlings contributed to the better profits, but were partially offset by one off administrative expenses of approximately RMB 8.7 million from (i) the issuance of new shares to senior management under the Zixin Performance Share Plan; and (ii) the Rights Cum Warrants Issue, in 1H25. The group's basic EPS was 0.54 RMB cents in 1H25, compared to a net loss per share of 0.25 RMB cents in 1H24.

Zixin's improving performance was further supported by ongoing enhancements to its integrated industrial value chain, including machinery installation and equipment upgrades in its sweet potato manufacturing and production processes. These upgrades significantly improved operational efficiency and increased sales volume. As a result, the company was able to access new sales channels, such as supermarkets and e-commerce platforms, enhancing its market competitiveness. Additionally, the ability to offer higher-quality sweet potatoes with longer shelf life contributed to a higher average sales margin.

Margin Improvements

Zixin Group saw an improvement in margins YoY in FY24. The company's gross profit margin (GPM) rose to 32.0% in FY24, primarily due to more sales and lowered costs resulting from economies of scale. The company also recorded an operating profit margin (OPM) of 6.9% and a net profit margin (NPM) of 4.2%, the highest levels in over five years, mainly driven by lower costs relative to revenue. These improving margins highlight the company's growing operational efficiency and profitability. In addition, revenue increased by 45.0% YoY. The continued growth in the company's business model is expected to support sustained double-digit growth for the company in the next few years.

Figure 4: Zixin's Group Holdings Financial Metrics



Source: KGI Research

Strong cash reserves to continue driving growth

Zixin Group maintained a robust cash position in 1H25, with cash and cash equivalents totalling RMB211.1mn. The company carries minimal, underscoring its strong liquidity. This solid financial footing enables Zixin Group Holdings to capitalize on strategic growth opportunities while improving operational efficiency and enhancing profit margins. The company's current ratio and cash ratio is at 3.14x and 1.97x, respectively, further reinforcing its strong liquidity and overall financial stability.

A high inventory turnover ratio indicates strong demand

Zixin Group reported a high inventory turnover ratio of 48.7x in 1H25, reflecting effective inventory management, coupled with strong and sustained demand for the company's products. The high inventory turnover also suggests lower costs related to maintaining inventory for the company, highlighting the company's operational efficiency.

Valuations

Zixin Group's financials showcased strong growth in FY24 and 1H25. The company's improving margins further validate the strength of its business model across its various segments, and also improve operational efficiency. The company also stays in a strong cash position, with minimal debt, highlighting that the company remains well positioned to capitalise on any further growth opportunities for its business over the next few years. The company's ongoing expansion plans also highlight its growth potential in the near term. We expect to see continued improvements in the company's topline and bottom line over the years, as well as positive cash flow moving forward. We conducted a financial analysis using Discounted Cash Flows (DCF) over 5 years using a Terminal Growth Rate of 2.0% and a WACC of 10% to arrive at a projected 12M TP of S$0.060 with a 105.9% upside.

Table 1: Free Cash Flow Calculations

Free Cash Flow Calculation (RMB'mn)	2023	2024E	2025E	2026E	2027E	2028E	2028E
Earnings before Income Tax	(9.4)	21.5	48.3	60.8	79.6	103.8	119.7
Add: Interest	(1.9)	(2.3)	(2.1)	(2.2)	(2.2)	(2.2)	(2.2)
Operating Profit (EBIT)	(7.6)	23.8	50.4	63.1	81.7	105.9	121.9
Less: Tax	(4.8)	(8.1)	(10.9)	(13.7)	(17.9)	(23.3)	(26.9)
Add: Depreciation & Amortisation	17.0	20.8	24.2	28.7	34.0	39.4	45.4
Less: Changes in working capital	66.7	25.1	13.9	(2.0)	(2.2)	(1.6)	(1.6)
Less: Capital Expenditures	(33.0)	(49.3)	(63.8)	(75.0)	(81.8)	(92.1)	(101.0)
FCFF	38.3	12.2	13.8	1.1	13.8	28.3	37.7
Terminal Value							481.1
Total FCFF	38.3	12.2	13.8	1.1	13.8	28.3	518.9
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor			0.9	0.8	0.8	0.7	0.6
PV FCFF			12.5	0.9	10.4	19.3	322.2

Source: KGI Research

Table 2: DCF Valuation

Valuations (RMB'000)		
Discounted Cash Flow (DCF)		
Perpetual Growth Rate		2.0%
WACC		10.0%
Sum of PV FCFF		365,353.2
Plus: Net Debt	-	97,393.0
Less: Interest*(1-Tax)		-
Implied Equity Value		462,746.2
Total Shares Outstanding		1,383,818
	RMB	0.33
Implied 12M-TP (S$)	$	0.060
Upside (%)		105.9%

Source: KGI Research

Outlook

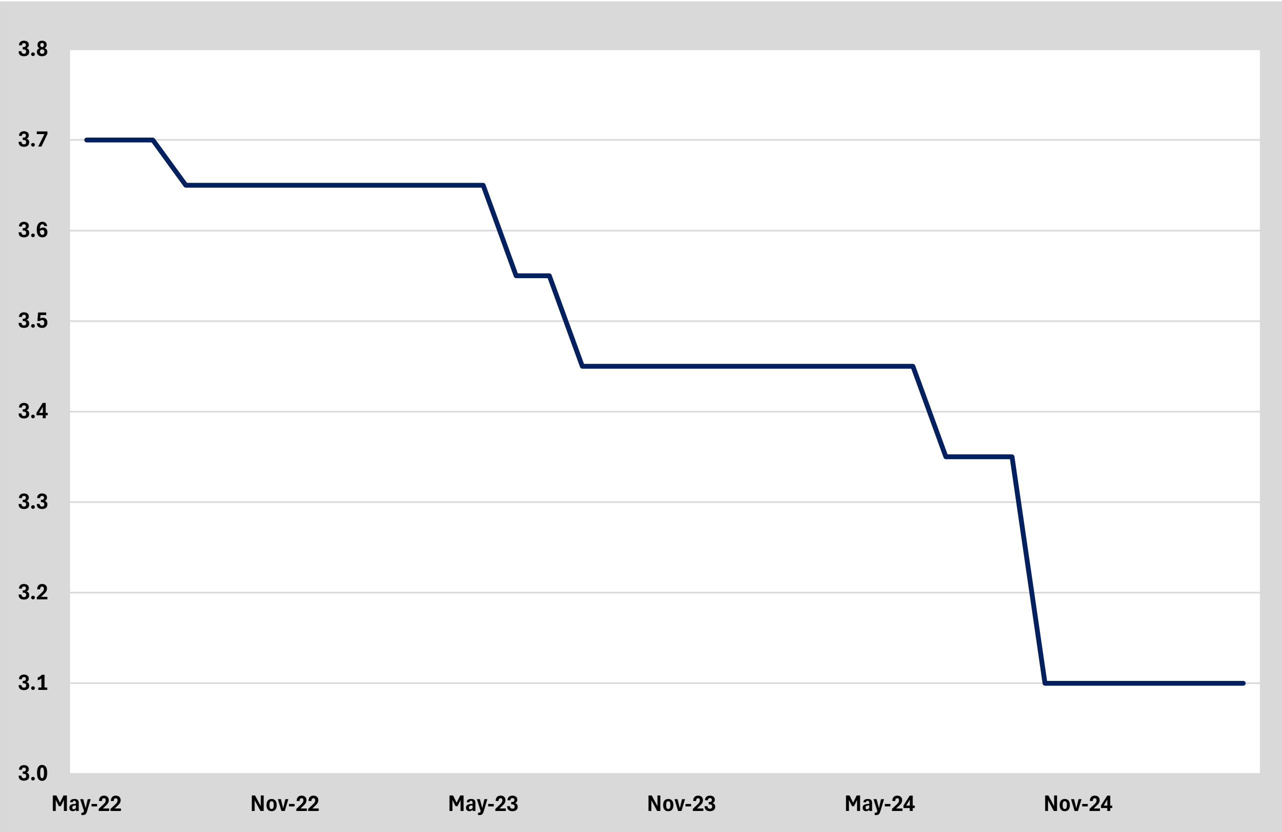
Record low China loan prime rate

China kept its benchmark lending rates unchanged for a 6th consecutive meeting in April, in line with market expectations. Early signs of the economic recovery gaining momentum and persistently narrowing profit margins for lenders have reduced the urgency for more easing measures, despite the central bank's shift to an "appropriately loose" monetary policy stance this year. The one-year loan prime rate (LPR) remained constant at 3.10%, while the five-year LPR stayed at 3.60%. These rates remain at record lows, following cuts in both July and October.

A series of recent economic indicators—spanning manufacturing activity, industrial output, and retail sales—have signaled continued momentum in China's economic recovery. However, amid rising concerns over the escalating trade war, Chinese authorities have intensified efforts to bolster growth.

China's central bank and financial regulators unveiled a broad set of policy measures aimed at supporting the economy, including a 10-basis-point cut to the seven-day reverse repurchase rate, bringing it down to 1.4%. This move is expected to lead to a similar reduction in the benchmark loan prime rate. Additionally, the central bank will reduce the reserve requirement ratio (RRR) by 50 basis points, effective May 15, injecting an estimated RMB 1.0 trillion (S$138.5 billion) in liquidity into the financial system. Authorities also announced targeted support for key sectors such as technology and real estate, along with the launch of a 500-billion-yuan relending facility to promote consumption and elderly care services. The new policy rates will take effect Thursday. Further stimulus measures are anticipated in the coming months as China navigates external headwinds and seeks to sustain its recovery.

Figure 5: China Loan Prime Rate



Source: Bloomberg, KGI Research

The low loan prime rate environment is also starting to increase business activities as companies begin to explore opportunities to further expand their business, capitalising on the period of lower interest rates. Recent improvements in economic data have also boosted business confidence. Companies are likely to continue looking for opportunities to deploy their capital again. An expectation towards higher spending levels by businesses across different industries presents more demand and business opportunities within the market, benefiting consumer goods companies such as Zixin Group.

Prolonged trade tensions

In April 2025, under former President Donald Trump's administration, the United States reignited trade tensions with China, setting off a renewed trade war between the world's two largest economies. The conflict began with the U.S. imposing a 34% tariff on all Chinese imports, citing persistent trade imbalances and intellectual property concerns. China responded swiftly with an equivalent 34% tariff on U.S. goods, triggering a series of escalating retaliatory measures. As of April 9, U.S. tariffs on Chinese imports have risen to 145%, while China imposed a 125% tariff on U.S. goods effective April 11.

The intensifying trade conflict is expected to weigh heavily on China's economic outlook, potentially reducing GDP growth, curbing exports to the U.S., and pressuring its industrial base. While China is likely to counterbalance these effects through efforts to diversify trade partnerships and stimulate domestic demand, elevated tariffs present significant challenges, especially in light of ongoing deflationary pressures and continued weakness in the property sector. Globally, the standoff is fueling recession concerns and increasing financial market volatility.

In April, China's manufacturing activity fell more sharply than anticipated, slipping into contractionary territory and reaching a near two-year low, underscoring the immediate economic toll of the trade war.

While Zixin Group is not directly impacted by the tariffs, demand for its products could face headwinds if broader economic conditions in China deteriorate. That said, demand for Zixin Group's offerings is relatively inelastic, given the staple nature of its goods, providing a degree of resilience amid macroeconomic uncertainty.

Policies to support consumption

China has unveiled a "Special Action Plan to Boost Consumption," reaffirming its commitment to stimulating domestic demand as a key pillar of economic growth. The plan aims to strengthen consumption by raising household incomes, reducing financial burdens, and expanding purchasing power. This initiative builds on Premier Li Qiang's recent government work report, which identified consumption growth as the country's top economic priority for the year. Key measures include enhanced employment support, improved unemployment benefits, and targeted income-boosting policies for both urban and rural residents, including farmers.

Beyond short-term stimulus, the plan reflects China's intention to address deeper structural challenges, such as sluggish wage growth, declining wealth from property and equity market weakness, and an underdeveloped social safety net.

China has also expanded its consumer product trade-in programs to further boost domestic consumption. According to the Ministry of Commerce, these programs have already had a measurable impact, contributing 1.6 percentage points to the growth rate of total retail sales in Q1. During the quarter, total retail sales of consumer goods rose 4.6% YoY to RMB12.47tn, signalling a steady recovery in consumer spending.

With external demand under pressure, exacerbated by elevated U.S. tariffs on Chinese imports, currently at 145%, China is placing greater strategic emphasis on domestic consumption as a growth engine. These efforts are expected to support local demand in the near term and could benefit companies like Zixin Group, which are closely tied to consumer markets.

Outlook of the sweet potato market

The outlook for the sweet potato market remains positive, supported by technological advancements that extend the storage life of sweet potatoes while maintaining high-quality freshness. This innovation enables a more consistent year-round supply, mitigating the effects of seasonal fluctuations.

At the same time, demand for sweet potato products continues to rise, driven by breakthroughs in product development resulting from ongoing research and innovation. The increasing use of sweet potatoes across various processed food categories, such as frozen foods, purees, baby foods, and snacks like chips, is opening up significant market opportunities. Shifting consumer preferences, fueled by greater health awareness, are also contributing to this growth. Rich in vitamins, minerals, and antioxidants, sweet potatoes are increasingly favoured by consumers seeking nutrient-dense foods. Moreover, their lower glycemic index compared to regular potatoes makes them particularly attractive to individuals managing diabetes and obesity.

These favourable industry trends present strong growth opportunities within the sweet potato market. As a leading player in the sweet potato supply chain in Liancheng County, China, Zixin Group is well-positioned to benefit from the sustained and growing demand for sweet potato-based products.

Company Outlook and Future Plans

Zixin continues to seek growth by increasing the operational efficiency of its supply chain, allowing for greater cost effectiveness, as well as building additional revenue sources within the same supply chain. The company remains committed to its expansion strategy, aiming to replicate its current business model in Liancheng County across more regions of China. Looking ahead, the company expects continued growth in its topline and continued profitability.

Breakthrough in new snack products

Zixin Group recently announced a breakthrough in the production of its sweet potato chips and fries snack products. Traditionally, manufacturers have struggled to achieve consistent crispiness and chewability in sweet potato-based snacks compared to conventional potato chips and fries. Over the years, Zixin Group has remained committed to refining the taste and texture of its sweet potato crisps. In late 2024, the company implemented a carefully planned enhancement to its production process, including the selective use of premium sweet potato varieties specifically suited to achieving a superior crispy texture.

Additionally, Zixin adopted an advanced "VF vacuum low-temperature freshness-locking" technology. This gentle dehydration method preserves key nutrients such as vitamin C, dietary fiber, and selenium, while ensuring even water evaporation. The result is sweet potato chips and fries that are lighter, less oily, and offer a significantly improved texture and flavor profile.

Following these improvements, Zixin Group began fulfilling substantial distributor orders received in February 2025. To meet the growing demand, the company upgraded its production process and added a new production line to its existing snack manufacturing facility. Further capacity expansion is under consideration should demand continue to rise. This product innovation not only broadens Zixin Group's snack portfolio but is also expected to contribute meaningfully to its future revenue growth.

New Feedstock Orders

Zixin Group recently announced that it has secured a new order for 180 tonnes of probiotic-infused fermented sweet potato feedstock from a white duck poultry farm in Liancheng County. Valued at RMB 720,000 (approximately SGD 132,916), the contract will be valid for an initial period of one year, commencing on 19 March 2025. This follows an earlier announcement on 31 December 2024, where the company secured its first order for probiotic-infused fermented sweet potato feedstock from a local chicken poultry breeder. That order, amounting to approximately 1,080 tonnes and valued at RMB3.24mn (approximately S$0.61mn), also carries a one-year term starting from 1 January 2025.

By converting sweet potato peel waste into value-added animal feedstock, Zixin Group has successfully created an additional revenue stream. This innovation not only utilizes waste generated from its farmland and snack manufacturing plant but also enables the company to close the loop within its sweet potato value chain. What was previously a disposal cost has been transformed into a new source of income, with sweet potato peels now serving as a key ingredient in its probiotic animal feed products. Further growth can be cultivated with that of other local farmers and sweet potato snack manufacturing factories in Liancheng County.

Replicating the industrial value chain across China

Zixin Group currently manages the entire sweet potato value chain in Liancheng County, overseeing approximately 8,286.6 mu (around 551.24 hectares) of cultivated land dedicated to sweet potato farming. Building on this success, the Group and its subsidiaries have entered into a joint venture agreement with the Lingao County People's Government, CITIC Construction, and other partners to launch a comprehensive Revitalisation Project in Lingao County.

Through this project, Zixin Group aims to replicate the full sweet potato value chain developed in Liancheng, applying its operational expertise, agricultural know-how, and supply chain management capabilities to establish a similar integrated ecosystem in Lingao. The project covers 12 administrative villages across 8,961.33 hectares (approximately 89.6 million square metres) and will be executed in two phases—primary and secondary—with the primary phase targeted for completion within three years.

This strategic expansion positions Zixin Group to build a significantly larger agricultural base, opening new revenue streams and further strengthening its market presence in the agricultural sector. Moreover, the project is expected to drive local economic development by creating jobs, enhancing food security, and contributing to the broader revitalisation of the region.

Key Risks

Economic Risk. China's current economic environment is defined by low interest rates, with the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%—levels designed to stimulate growth. While these rates create favorable borrowing conditions, the broader economy continues to face challenges such as soft domestic demand, rising local government debt, and a slow post-COVID recovery. For Zixin Group, these conditions present a mixed outlook. On one hand, low financing costs may support the company's expansion and infrastructure development, such as the Lingao County Revitalisation Project. On the other hand, weak consumer sentiment could temporarily dampen demand for value-added agricultural products, including those across Zixin's sweet potato value chain.

Geopolitical Risk. Although Zixin Group's operations are focused within China, geopolitical events still hold indirect implications. Trade tensions, sanctions, or disruptions to international cooperation can affect access to technology, agricultural inputs, or infrastructure financing from overseas partners. For example, if international suppliers of farming equipment or food processing technology are impacted by trade restrictions, Zixin's procurement or modernisation efforts may face delays or cost increases. Moreover, changes in national policies influenced by global geopolitics may also affect rural development programs or subsidies relevant to the Group's strategic projects.

Supply Chain Risk. As a vertically integrated sweet potato company, Zixin depends on a reliable domestic supply chain—from farming inputs and land access to logistics and retail distribution. Localized risks such as disease outbreaks in crops, or regional transport bottlenecks could disrupt the company's operations. As the company manages the entire supply chain, these risks may result in bottlenecks between parts of the supply chain. Additionally, the company must continually assess supplier reliability and ensure that quality standards are upheld. Strengthening storage infrastructure, investing in logistics technology, and building supplier redundancy are key to reducing operational vulnerability.

Environmental Risk. Localized risks such as climate change, extreme weather, or disease outbreaks in crops could disrupt the company's revenue. The company's subsidiary Dizhongbao owns a significant amount of land (over 300 mu) to grow sweet potato seedlings. The company also purchases their sweet potatoes from contracted farmlands spanning over 8,000mu. This large amount of land used to grow sweet potatoes makes the company susceptible to environmental risks.

Regulatory Risk. Zixin operates within a tightly regulated sector, subject to China's evolving policies on agriculture, food safety, environmental protection, and rural revitalisation. Changes in regulations—such as updated land-use controls, environmental standards, or agricultural subsidies—can affect production costs and project timelines. While the government has remained supportive of food security and rural development, increased scrutiny on ecological impact and land reform could introduce compliance costs or operational constraints. Proactive engagement with local authorities and regulatory adaptation will be essential for sustainable growth.

Financial Summary

FYE Mar ('RMB Millions)

Income Statement	2023	2024	2025F	2026F	2027F
Revenues	**219.6**	**318.4**	**456.0**	**600.0**	**743.7**
Cost of Sales	(160.4)	(216.6)	(305.6)	(399.0)	(490.9)
Gross Profit	**59.2**	**101.9**	**150.4**	**200.9**	**252.8**
Marketing and distribution costs	(30.8)	(34.4)	(47.9)	(63.0)	(78.1)
Administrative expenses	(35.7)	(42.5)	(50.2)	(72.0)	(89.2)
Other income	0.6	1.0	1.4	1.8	2.3
Finance income	0.9	0.7	0.7	0.6	0.6
Finance costs	(1.9)	(2.3)	(2.1)	(2.2)	(2.2)
Other operating expenses	(0.2)	(0.4)	(0.5)	(0.7)	(0.9)
Other losses	(1.6)	(2.5)	(3.5)	(4.6)	(5.7)
Profit Before Tax	**(9.4)**	**21.5**	**48.3**	**60.8**	**79.6**
Income Tax Expense	(4.8)	(8.1)	(10.9)	(13.7)	(17.9)
Net Income	**(14.2)**	**13.4**	**37.4**	**47.2**	**61.7**

Balance Sheet	2023	2024	2025F	2026F	2027F
Cash and cash equivalents	205.5	156.2	162.1	163.9	174.1
Inventories	2.0	2.7	3.3	4.3	5.2
Trade and other receivables	21.9	53.8	56.2	74.0	91.7
Other assets, current	56.2	62.9	62.9	62.9	62.9
Total current assets	**285.6**	**275.5**	**284.5**	**305.0**	**333.9**
Property, plant and equipment	142.2	175.7	220.3	271.0	323.0
Intangible assets	75.3	69.4	64.6	60.1	55.9
Other assets, non-current	84.1	92.2	92.2	92.2	92.2
Total non-current assets	**301.6**	**337.4**	**377.0**	**423.3**	**471.1**
Total assets	**587.3**	**612.8**	**661.5**	**728.3**	**805.0**
Income tax payable	–	2.3	2.3	2.3	2.3
Trade and other payables	37.1	31.4	48.3	63.1	77.6
Lease liability, current	0.2	0.2	0.2	0.2	0.2
Bank loans	47.1	58.5	52.8	55.7	54.2
Total current liabilities	**84.4**	**92.4**	**103.6**	**121.2**	**134.3**
Other payables, non-current	2.7	6.5	6.5	8.5	10.4
Lease liability, non-current	0.2	0.0	0.0	0.0	0.0
Total non-current liabilities	**3.0**	**6.5**	**6.5**	**8.5**	**10.5**
Total liabilities	**87.4**	**98.9**	**110.1**	**129.7**	**144.8**
Share capital	239.2	239.2	239.2	239.2	239.2
Other reserves	46.2	48.2	48.2	48.2	48.2
Retained earnings/(accumulated losses)	214.6	226.6	264.1	311.2	372.9
Equity attributable to owners of the parent	**499.9**	**513.9**	**551.4**	**598.5**	**660.2**
Non-controlling interests	–	–	–	–	–
Total Equity	**499.9**	**513.9**	**551.4**	**598.5**	**660.2**
Total Liabilities and Equity	**587.3**	**612.8**	**661.5**	**728.3**	**805.0**

Cash Flow	2023	2024	2025F	2026F	2027F
Profit Before Income Tax	**(9.4)**	**21.5**	**48.3**	**60.8**	**79.6**
Depreciation & Amort.	17.0	20.8	24.2	28.7	34.0
Interest Expense	1.9	2.3	2.1	2.2	2.2
Other Operating Cash Flows Adjustments	0.7	0.9	(0.7)	(0.6)	(0.6)
Operating cash flows before WC changes	**10.2**	**45.5**	**73.9**	**91.2**	**115.1**
Change in working capital	66.7	25.1	13.9	(2.0)	(2.2)
Cash Generated from Operations	**76.9**	**70.6**	**87.8**	**89.2**	**112.9**
Income tax paid	(0.9)	(4.3)	(10.9)	(13.7)	(17.9)
Cash flows from operations	**75.9**	**66.3**	**77.0**	**75.5**	**95.0**
Capital expenditure	(33.0)	(49.3)	(63.8)	(75.0)	(81.8)
Upfront payment for supplies of sweet potatoes	(24.6)	(75.0)	–	–	–
Other investing cashflow	(19.6)	(0.2)	0.7	0.6	0.6
Cash flows from investing	**(77.2)**	**(124.5)**	**(63.2)**	**(74.4)**	**(81.2)**
Proceeds from new bank loans	64.6	58.5	52.8	55.7	54.2
Repayment of bank loans	(53.3)	(47.1)	(58.5)	(52.8)	(55.7)
Payment of lease liability	(0.2)	(0.2)	–	–	–
Interest paid	(1.9)	(2.3)	(2.1)	(2.2)	(2.2)
Cash flows from financing	**9.3**	**8.9**	**(7.8)**	**0.6**	**(3.6)**
Net increase in cash	**8.0**	**(49.3)**	**6.0**	**1.8**	**10.2**
Cash and Cash Balance BOP	197.5	205.5	156.2	162.1	163.9
Cash and Cash Balance EOP	**205.5**	**156.2**	**162.1**	**163.9**	**174.1**

KEY RATIOS	2023	2024	2025F	2026F	2027F
EPS (SGD cents)	(0.18)	0.17	0.48	0.61	0.80
Price/Earnings (x)	NA	17.3	6.2	4.9	3.8
NAV per share (SGD Cents)	6.5	6.6	7.1	7.7	8.5
Price/NAV (x)	0.4	0.4	0.4	0.4	0.3
Profitability					
EBITDA Margin (%)	4.3%	14.0%	16.4%	15.3%	15.6%
Net Profit Margin (%)	-6.5%	4.2%	8.2%	7.9%	8.3%
ROE (%)	-2.8%	2.6%	6.8%	7.9%	9.3%
ROA (%)	-2.4%	2.2%	5.7%	6.5%	7.7%
Financial Structure					
Interest Coverage Ratio (ICR)	4.0	(10.2)	(24.0)	(28.5)	(37.9)
Net Debt/ (Net Cash) Gearing Ratio (%)	(31.6%)	(19.0%)	(19.8%)	(18.0%)	(18.1%)

Appendix

Appendix A

Zixin Group Holdings Ltd. hosted us for a site visit to their primary market in Liancheng County, China, recently. We visited the company's office, farmlands, a series of manufacturing and production plants, and others. This provided us with a better understanding of how the company's business in LianCheng County is performing and what competitive edge Zixin Group Holdings has in the sweet potato market within the county and the country. We were also able to better visualise the company's business model, regarding how it operates the entire value chain across the sweet potato market.

Site Visit (Liancheng County)

Dizhongbao Modern Agriculture Development is a company that is wholly owned by Zixin Group. It is supported by Zixin Biotech and engages in three segments: (i) growing sweet potato seedlings; (ii) providing farming solutions and techniques, such as technical support and agricultural materials; and (iii) selling fresh orange and purple sweet potatoes from farmlands that they have contracted with. Dizhongbao provides seedlings, farming solutions, and technical support to these farms.

Dizhongbao manages the cultivation of seedlings by themselves to ensure that the cultivation of the seedlings is being upheld to a certain standard, maintaining the quality and properties of the final sweet potato plant.

The company currently has 300mu of land for seedling cultivation, so as to produce sufficient seedlings to be further grown into sweet potatoes across 8,268.6mu worth of contracted farmland. These farmers follow specific farming programs to cultivate the seedlings into sweet potato plants and return their harvested sweet potatoes to the company. These contracted farmlands have an average lease of around 15 years. The farmers are expected to achieve a certain yield for the sweet potato harvests, and they can sell any excess sweet potato for an additional profit. This strategy also incentivizes the farmers to maintain the quality of their harvest.

Figure 6: Sweet potato seedlings nursery

Source: KGI Research

Figure 7: Sorting and packing facilities

Source: KGI Research

Through the third-party smart warehouse operator, Zixin Group has also set in place cold storage facilities that allow the company to store harvested sweet potatoes for up to 6 months, compared to 1 month without the cold storage facilities. These sweet potatoes are stored in cold storage facilities according to their variety, shape, size, and quality level. This use of the cold storage facility enables the storage of harvested sweet potatoes for a longer period before sending them for sorting for sale as fresh produce or to the production plants to be further processed.

Figure 8: Climate-controlled Storage Facilities

Source: KGI Research

Fujian Zilaohu Food, a wholly-owned subsidiary of Zixin Group, engages mainly in continuous innovation and production techniques for the company's mainstay sweet potato snack products, to keep abreast of consumers' preferences and production efficiency.

Zixin Group processes all its harvested sweet potatoes at its production plant managed by Fujian Zilaohu Food. The harvested sweet potatoes are processed into several different kinds of sweet potato snacks and then packed and distributed to Zixin Group's franchised physical retail stores in Liancheng County or to other wholesalers located around China, as well as marketed and sold on e-commerce platforms including "livestreaming".

The production plant remains operational all year round, with one shift per day, and some workshops operate on a two-shift system, with the normal shift running from 8 am to 6 pm. Having the outsourced support of the cold storage in the upstream of the sweet potato supply chain ensures that the company can supply specific variety of fresh sweet potatoes to the production plants throughout the year, thereby, producing a wide range of sweet potato snack products all year round.

Figure 9: Processed sweet potato production facilities

Source: KGI Research

Figure 10: Live streaming studio

Source: KGI Research

Figure 11: Variety of sweet potato snacks

Source: KGI Research

Zixin also continues to maintain its competitive edge by creating new products to entice consumers and eliminating products that are not in demand. The company plans to increase the production of new and popular products to boost sales. These upcoming production lines are set to become operational and start contributing to the company's financials beginning in September 2025.

Figure 12: Upcoming production lines

Source: KGI Research

Figure 13: Upcoming production lines

Source: KGI Research

Zixin Group also recently secured a patent for a proprietary poultry feed formulation and received two orders for probiotic-infused fermented sweet potato feedstock—one from a chicken breeder and another from a white duck poultry farm. The process effectively makes use of sweet potato waste and converts the waste into fermented sweet potato feedstock, which translates into an additional source of revenue for Zixin Group.

Figure 14: Small Scale Feed manufacturing plant

Source: KGI Research

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