

Zixin Group Holdings Ltd.

(ZXGH.SP / 42W.SI)

FY26 marks the first tangible proof-point of the circular sweet potato ecosystem

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Investment Highlights

- FY26 validates the 1H26 thesis, but the growth engine has shifted from concept to execution.** Revenue rose 43.0% YoY to RMB607.5m and net profit increased 43.8% YoY to RMB61.4m. The 1H26 note framed Zixin around policy support, Hainan visibility and sweet potato powder optionality. FY26 extends that narrative with stronger fresh tuber sales, the first meaningful feedstock contribution and a wider set of subsidiaries and JVs across Hainan, Quanzhou, Singapore and the US.
- New corporate actions broaden the platform, not just the legal entity count.** Zixin Life Inc gives the group a US route-to-market option; Quanzhou Zixin adds a Fujian-based product/distribution partner; Hainan Bankang and Hainan Wenlan Shuxiang deepen the Hainan operating footprint; Zixin Fresh and Veltterra create Singapore and Southeast Asia channels. In aggregate, these entities are small in capital size but strategically relevant because they map onto upstream sourcing, downstream distribution, functional products and export channels.
- Forecasts now assume a faster but riskier revenue mix transition.** We model revenue rising from RMB607.5m in FY26 to RMB1.20bn in FY31, supported by fresh sweet potatoes, processed products, fermented feedstock and a gradual functional-product ramp. We deliberately keep gross margin below the prior 1H26 model, assuming a lower-margin fresh tuber mix and up-front expansion costs, while operating leverage drives EBIT margin toward c.12% by FY29-FY31.

Valuation & Action.

We reiterate **OUTPERFORM** and raise our 12-month target price to **S\$0.069** from S\$0.048. The increase is a net effect of more aggressive FY27-FY31 revenue assumptions, a broader TAM-SAM-SOM opportunity set, and higher confidence that Zixin can replicate parts of its Liancheng model outside Fujian. Our TP is derived from a DCF valuation using a 15.0% WACC and 2.0% terminal growth, which produces equity value of RMB1,107.8m and fair value of RMB0.362 per diluted share. Applying CNY/SGD of 0.190 gives fair value of S\$0.069 per share, implying 122.2% upside from the current price of S\$0.031.

Risks.

Key downside risks include: (i) slower-than-expected Hainan and Quanzhou execution; (ii) working-capital pressure from upfront supplier payments; (iii) lower realised gross margin as fresh tuber revenue expands; (iv) dilution from warrants and share options; (v) weather and agricultural yield volatility; and (vi) limited liquidity and higher cost of capital for a small-cap Catalyst issuer.

OUTPERFORM

Last close (S\$)	0.031
12M Target Price (S\$)	0.069
Previous TP (S\$)	0.048
Previous Recommendation	OP
Upside / (Downside) (%)	122.2%
TRADING DATA	
Market Cap (S\$m)	62.32
Issued Shares (mn)	2,010.47
3M Avg Daily Vol (mn)	6.44
3M Avg Daily Val (S\$m)	0.20
Free Float (%)	69.14
MAJOR SHAREHOLDERS (%)	
Liang Chengwang	13.71
Khoo Thomas Clive	9.24
PTS Capital Pte Ltd	7.91

Financials & Key Operating Statistics

YE Dec (CNY'000)	FY25A	FY26A	FY27F	FY28F	FY29F
Revenue	424,680	607,471	768,648	906,390	996,480
PATMI	42,720	61,422	69,799	79,847	92,048
adj. EPS (S\$ cents)	0.44	0.55	0.62	0.71	0.82
EPS growth (%)	219.9%	43.8%	63.4%	14.4%	15.3%
Net Profit Margin (%)	10.1%	10.1%	9.1%	8.8%	9.2%
Net Gearing (%)	(18.8%)	(19.5%)	(20.7%)	(20.9%)	(22.7%)
P/E (x)	7.7x	6.2x	5.5x	4.8x	4.2x
EV/EBITDA (x)	0.8x	0.6x	0.6x	0.5x	0.4x

Source: Company data, KGI Research estimates

Business Updates

FY26 results: the 1H26 framework is now supported by full-year numbers

Zixin delivered FY26 revenue of RMB607.5m, up 43.0% YoY, and net profit of RMB61.4m, up 43.8% YoY. The result was driven mainly by stronger fresh sweet potato sales and a faster contribution from the recovery and recycling segment. The quality of growth was more mixed than the headline numbers. Gross margin fell to 30.8% from 34.0% in FY25 because fresh sweet potatoes, a lower-margin stream, became a larger portion of revenue. Administrative expenses rose 21.7% YoY, with higher R&D, amortisation, employee benefits and professional fees. This supports the strategic narrative but also reinforces why we raise WACC: the group is now moving into a more complex, multi-region build-out rather than a single-base Liancheng turnaround.

FY26 actual vs prior FY26F: revenue beat, margin miss, earnings beat

Relative to our 1H26 update, FY26 revenue came in RMB607.5m, or 8.4%, above our prior FY26F estimate, confirming that the Hainan and processed-product thesis moved faster than expected. The miss was at the gross margin line: actual gross margin of 30.8% was 3.7ppt below our prior 34.5% assumption, mainly reflecting a heavier fresh sweet potato mix and higher raw tuber cost. Despite this, net profit was 21.1% ahead of forecast, helped by stronger revenue scale and operating leverage.

Figure 1: FY26 actuals vs previous FY26F forecast

Metric	Prior FY26F	FY26 actual	Variance	Our View
Revenue (RMB m)	560.6	607.5	8.40%	Top-line ramp came through faster than the 1H26 model.
Gross profit (RMB m)	193.4	187.3	-3.20%	Revenue beat was offset by lower realized gross margin.
Gross margin (%)	34.50%	30.80%	-3.7ppt	Mix and raw tuber cost pressure were heavier than assumed.
Net profit (RMB m)	50.7	61.4	21.10%	Scale and opex leverage more than absorbed the GP miss.
EPS (RMB cents)	2.6 (partially diluted)	2.81 (diluted)	+0.21 diluted	Dilution explains part of the gap between basic and diluted EPS.

Source: Company Data, KGI Research

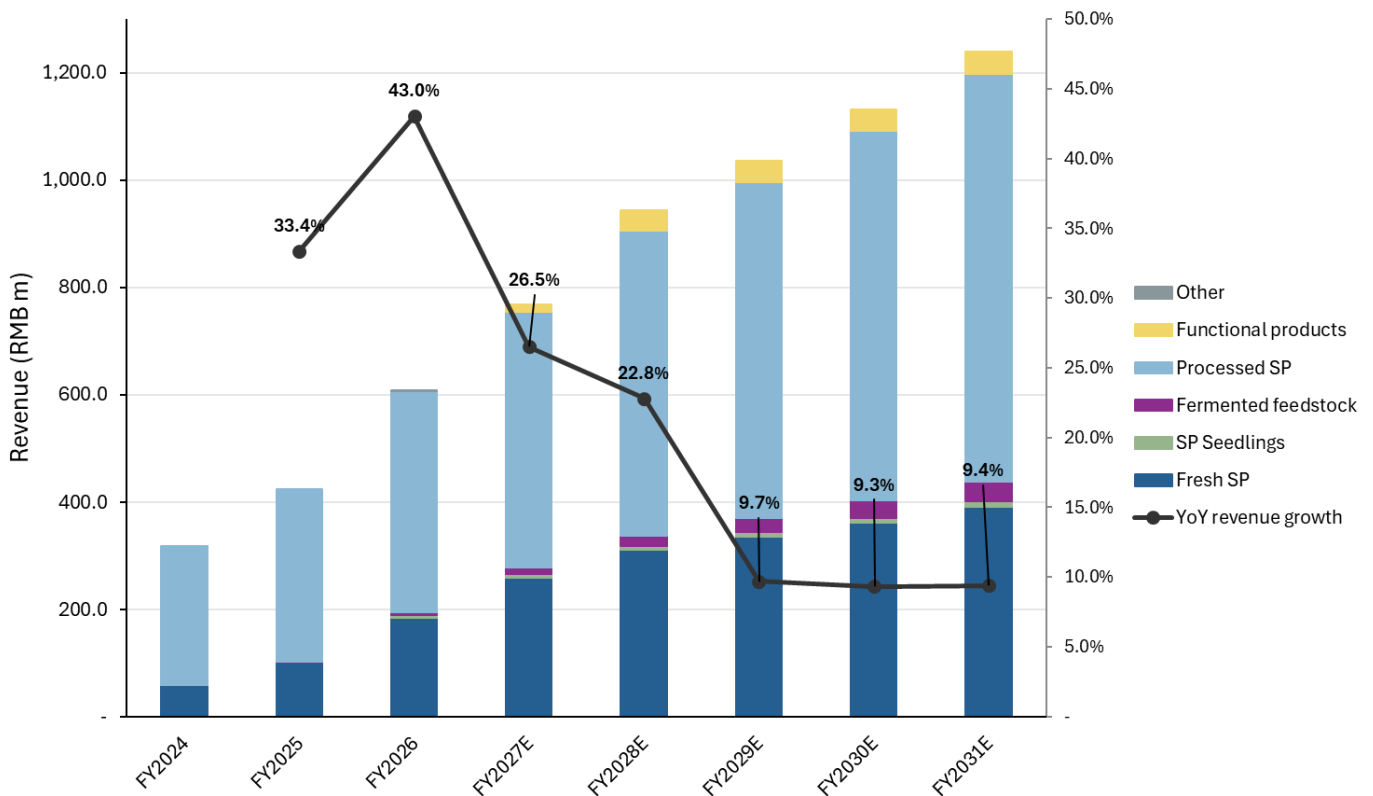
Outlook

Revenue forecast assumptions

We forecast revenue at RMB768.6m in FY27E, RMB906.4m in FY28E and RMB1.20bn by FY31E. The model remains anchored by processed sweet potato products, but the incremental growth layers are more diversified than in our 1H26 update.

- **Fresh sweet potatoes:** FY26 revenue rose to RMB184.6m. We model RMB258.4m in FY27E, implying 40.0% growth, followed by 20.0% in FY28E and 8.0% annual growth from FY29E-FY31E. The near-term step-up reflects Liancheng harvests plus additional procurement from Hainan and Yunnan, while the terminal growth assumption normalises as the base grows.
- **Processed sweet potato products:** We model RMB475.0m in FY27E, RMB570.0m in FY28E and RMB758.7m in FY31E. This assumes 15.0% growth in FY27E, 20.0% in FY28E as expanded SKUs scale, and 10.0% per annum thereafter as the processed portfolio compounds off a larger base.
- **Seedlings:** We model RMB6.8m in FY27E and RMB9.9m in FY31E, or 30.0% growth in FY27E and 10.0% per annum thereafter. This is deliberately modest despite the large land opportunity, as commercial seedling revenue depends on farmer adoption and repeated growing-cycle validation.
- **Fermented feedstock:** We model RMB13.5m in FY27E, RMB18.8m in FY28E and RMB38.0m in FY31E. The ramp reflects secured orders and the conversion of agricultural waste into probiotic-infused feedstock but remains small relative to group revenue pending broader feed-industry accreditation and repeat orders.
- **Functional products:** We model RMB15.0m in FY27E, RMB37.5m in FY28E and RMB41.4m in FY31E. The initial ramp assumes the new functional-food facility starts contributing in phases, while low single-digit growth from FY29E is used to avoid over-capitalising an unproven line.

Figure 2: KGI's revenue build by segment



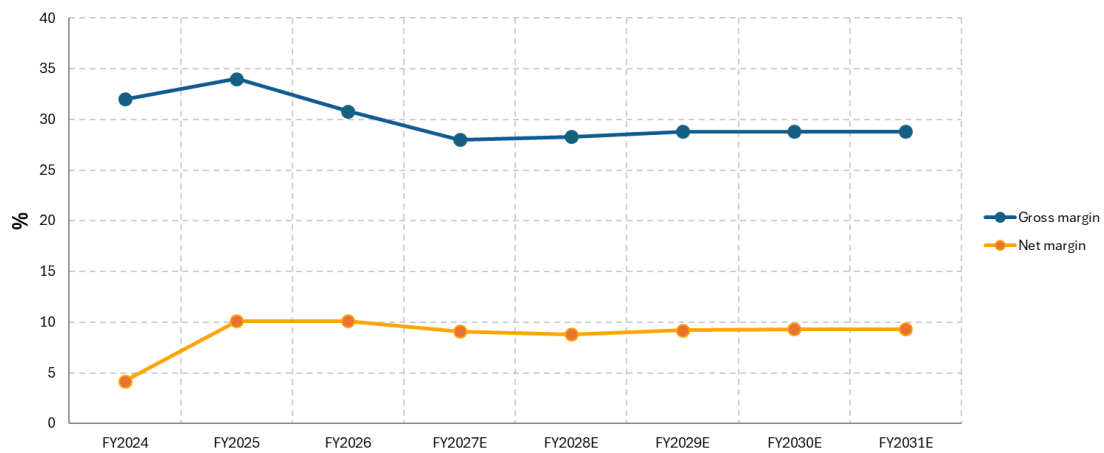
Source: Company Data, KGI Research

Margin assumptions: lower GM, stronger scale economics

We lower our gross margin trajectory relative to the 1H26 model. FY26 gross margin was 30.8%, below the 34.0% in FY25, and we forecast 28.0% in FY27E before stabilising at 28.3%-28.8% from FY28E to FY31E. This reflects three deliberate assumptions: first, fresh sweet potatoes remain structurally lower margin than processed products; second, functional and feedstock lines require commercial proof before we assign premium margins; and third, the Hainan, Quanzhou and Singapore entities will carry start-up cost leakage before scale benefits are visible.

At the operating level, we still assume leverage. EBIT margin is forecast to rise from 13.6% in FY26 to 11.6% in FY27E, then normalise toward c.12.4% by FY29E-FY31E. The apparent FY27 dip is a function of expansion costs and mix. Beyond FY28E, distribution, R&D and administrative costs should grow slower than revenue if the group uses existing Liancheng know-how, brand assets, patents and procurement relationships across more regions.

Figure 3: KGI's margin assumptions



Source: Company Data, KGI Research

Strategic partnerships and acquisitions: what Rule 706(A) means in practice

The FY26 results disclosed six incorporations/subscriptions under Rule 706(A). None breached the 5% relative-size threshold under Catalist Rule 1006, so they are non-disclosable transactions from a transaction-size perspective. Strategically, however, they matter because they indicate that Zixin is no longer only adding production capacity inside Liancheng; it is also assembling operating entities for new geographies and channels.

Figure 4: Zixin’s partnerships and acquisitions

Entity	Structure	Our View
Zixin Life Inc / Zixin Life LLC	US associate; 40% held via Zixin International for USD400k	International route-to-market and consumer-products learning platform. We see this as a longer-dated channel option for sweet potato-based functional foods and packaged products rather than a near-term earnings driver.
Quanzhou Zixin Biotechnological Co., Ltd.	PRC subsidiary; 70% held with Aokeli (Fujian) Food Development at 30%	Fujian product innovation and distribution node. Quanzhou adds proximity to consumer, food-service and beverage channels, and potentially supports packaged or functional product commercialisation outside Liancheng.
Hainan Zixin Bankang Investments Co., Ltd.	PRC subsidiary; 100% held by Hainan Zixin Sweet Potato Industry Technology	Hainan investment and operating vehicle. This likely becomes the control layer for local sourcing, farmer/co-op relationships and asset-light expansion in Lingao or adjacent Hainan districts.
Hainan Wenlan Shuxiang Foods Co., Ltd.	PRC associate/JV; 40% held; other minority shareholders 5%-35%	Local Hainan food-company platform. We read this as a downstream commercialisation entity to localise products, build regional relationships and support fresh/processed sweet potato sales.
Zixin Fresh Import & Export Pte. Ltd.	Singapore subsidiary/JV; 70% held with AANDJ Group at 30%	Fresh agricultural-products distribution platform for Singapore and potentially Southeast Asia. This creates a cleaner structure for import/export, cold-chain, B2B distribution and regional customer access.
Velterra Food Solutions Pte. Ltd.	Singapore subsidiary; 100% held	Owned food-solutions platform. This can house branded functional foods, ingredient solutions and overseas product development without diluting control.

Source: Company Data, KGI Research

Taken together, the new entities broaden Zixin across four layers: upstream sourcing and seedling/farmer networks; regional food processing and functional-product commercialisation; fresh agricultural distribution in Singapore; and overseas product or ingredient channels. The immediate financial contribution is likely limited, but the strategic value is in increasing the number of project templates that can be replicated if Hainan validates the first expansion outside Liancheng.

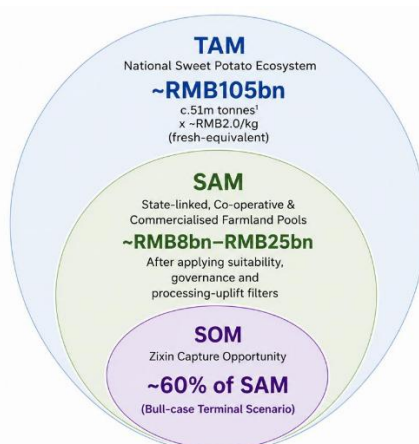
TAM-SAM-SOM: replication opportunity beyond Hainan

We frame Zixin’s potential market as a replication market rather than a conventional branded-snack market. The core question is not whether China consumes more sweet potatoes, but whether Zixin can package its seedling, cultivation, fresh tuber, processing, cold-chain and waste-to-feed know-how into a repeatable rural revitalisation model for state-linked or co-operative farmland systems.

Our order-of-magnitude framework uses three layers. TAM is the national sweet potato ecosystem, which we estimate at around RMB105bn in fresh-equivalent annual value, using c.51m tonnes of Chinese sweet potato output and an illustrative RMB2.0/kg fresh-equivalent price. SAM is the subset of state-linked, co-operative and commercialised farmland pools where an integrated model could plausibly be introduced, which we estimate at RMB8bn-RMB25bn after applying suitability, governance and processing-uplift filters.

For SOM, we separate the bull-case replication ceiling from our internal forecast. In a policy-led replication scenario, we assume Zixin could ultimately capture c.60% of the addressable SAM, reflecting the high concentration often observed in China’s state-linked strategic sectors where government-backed platforms, SOEs or designated operating champions can dominate infrastructure-like value chains. This implies a bull-case terminal revenue opportunity of c.RMB4.8bn-RMB15.0bn, based on 60% of our RMB8bn-RMB25bn SAM range. We do not embed this in our base case. Our internal FY31E revenue forecast remains RMB1.20bn, equivalent to c.1% of TAM and c.5%-15% of SAM, leaving material upside optionality if Zixin demonstrates repeatability beyond Hainan and secures further state-linked farmland partnerships.

Figure 5: KGI’s TAM-SAM-SOM framework



Source: NBS, State Council high-standard farmland plan, KGI Research

Potential state-linked farmland partners

The table below is a strategic screening map, not a list of announced partners. The strongest candidates are those with either (i) large managed farmland bases, (ii) tropical or root-crop suitability, (iii) policy mandates around rural revitalisation and food security, or (iv) distribution and cold-chain assets that can extend Zixin’s commercial reach.

Figure 6: KGI’s TAM-SAM-SOM framework

Platform	Scale / nature	Why it matters for Zixin
Beidahuang Group / Heilongjiang State Farms	Heilongjiang; centrally ministered SOE; c.2.96m ha cultivated land disclosed by China Development Forum profile	Very large scale and strong mechanisation. Lower sweet-potato climate fit than Hainan/Yunnan, but strong seed/agronomy, storage, feedstock and national food-security relevance.
Hainan State Farms Investment Holdings	Hainan; provincial state farms platform; owns material island land resources and tropical crop assets	Highest strategic fit given Zixin’s existing Hainan project. Tropical climate supports multiple cycles and off-season supply; also gives local government and agricultural asset connectivity.
Yunnan State Farms Group	Yunnan; provincial state-owned agricultural group; plateau/tropical crop mix	High fit with FY26 disclosure that Zixin procured from Yunnan to meet market demand. Potential for off-season sourcing and specialty varieties.
Guangdong Agribusiness / Guangken system	Guangdong; state-linked tropical agriculture and food distribution platform	Attractive for Greater Bay Area demand, cold-chain and premium fresh distribution. Land scale is less relevant than consumer/channel access.
Guangxi State Farms / Guangxi rural investment platforms	Guangxi; tropical/subtropical agriculture base	Crop and climate fit for sweet potatoes, feedstock and processed ingredients; potential bridge into ASEAN-facing logistics.
Xinjiang Production and Construction Corps (XPCC)	Xinjiang; very large state-linked agricultural and processing system	Large mechanised farmland and processing capacity, but climate, distance and geopolitical risk make it a lower-priority fit for sweet potato compared with Hainan/Yunnan/Guangxi.
Jiangsu Provincial Agricultural Reclamation Group	Jiangsu; coastal state farms and agricultural processing base	Potential eastern China distribution and high-standard farmland partner; better fit for processed and branded channels than tropical production.
Anhui State Farms Group	Anhui; state farms platform with grain and rural development activity	Potential root-crop and food-processing partner in central/eastern China, especially for agronomy transfer and processing integration.
Shanghai Bright Food / agricultural reclamation assets	Shanghai; state-linked food, retail and agriculture platform	Less a farmland replication partner and more a premium retail, distribution and institutional-customer gateway.
Tianjin Food Group / Tianjin state farms system	Tianjin; northern food and agricultural platform	Potential northern distribution and cold-chain node, but weaker production fit; useful if Zixin targets off-season fresh supply into North China.

Source: Company Data, public SOE profiles, NBS policy data, KGI Research

Valuation

DCF: higher estimates, higher risk discount

Our DCF uses FY27E-FY31E FCFF and a 2.0% terminal growth rate. We raise WACC to 15.0%, from 10.0% in the 1H26 update, to capture the fact that the investment case has moved from a largely operational recovery story into a multi-entity, multi-region expansion story with higher working-capital and governance complexity. The higher discount rate is deliberately punitive; without this increase, the more aggressive revenue model would produce a materially higher target price that we do not view as adequately risk adjusted.

Figure 7: KGI's DCF valuation

DCF VALUATION <i>All amounts in S\$'000 unless otherwise stated</i> Year ended 31 Dec	<i>Projected</i>				
	2027	2028	2029	2030	2031
EBIT	89,024	107,697	123,384	135,219	148,238
Taxrate	(20.0%)	(25.0%)	(25.0%)	(25.0%)	(25.0%)
EBIT (1-T)	106,829	134,621	154,230	169,024	185,297
(+) D&A	31,727	39,420	46,210	52,543	58,424
(-) Change in NWC	9,934	(10,361)	(7,219)	(7,048)	(7,752)
(-) Capex	(76,865)	(77,043)	(79,718)	(81,905)	(83,805)
Free Cash Flow	71,625	86,636	113,502	132,614	152,165
Free Cash Flow to Firm	71,625	86,636	113,502	132,614	152,165
Terminal Value					1,193,909
Total FCFF to be Discounted	71,625	86,636	113,502	132,614	1,346,074
PV of Free Cash Flow	62,283	65,510	74,629	75,822	669,237
Enterprise Value	947,481				
(-) Debt	76,123				
(+) Cash	236,423				
Equity Value	1,107,781				
Diluted Shares Outstanding ('000)	3,056,227				
Fair Value / Share (CNYS)	0.362				
CNY/SGD	0.190				
Fair Value / Share (S\$)	0.069				
Current Share Price (S\$)	0.031				
Upside / (Downside)	122.2%				

Source: KGI Research

Diluted share count derivation

For valuation, we use the fully diluted end-period share count of 3,056.2m shares. This is different from FY26 diluted EPS, which uses the weighted average fully diluted shares of 2,182.0m and excludes anti-dilutive warrants. For target price purposes, we include all in-the-money or economically relevant convertible instruments to avoid overstating per-share value.

While the 577.9m outstanding warrants represent potential dilution, we do not assume meaningful warrant proceeds in our base-case cash flow forecast since Zixin's share price trades below the S\$0.045 exercise price before expiry on 23 June 2026. At current levels below the exercise price, warrant holders would be unlikely to exercise, although we retain the fully diluted share count for valuation conservatism.

Figure 8: Regional peer comparison

Component	Shares	% of diluted base
Issued and paid ordinary shares at 31 Mar 2026	2,010.5m	65.8%
Outstanding warrants	577.9m	18.9%
Outstanding share options	467.8m	15.3%
Total fully diluted shares	3,056.2m	100.0%

Source: Company Data

Financial Summary

INCOME STATEMENT (CNY'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	424,680	607,471	768,648	906,390	996,480
Cost of sales	(280,303)	(420,170)	(553,426)	(649,881)	(709,494)
Gross profit	144,377	187,301	215,221	256,508	286,986
Marketing & distribution	(29,313)	(33,261)	(49,962)	(58,915)	(64,771)
Administrative expenses (incl. D&A)	(58,225)	(70,837)	(76,865)	(90,639)	(99,648)
Other operating expenses	(1,738)	(783)	(1,146)	(491)	164
EBITDA	88,291	114,891	120,751	147,117	169,593
Depreciation & amortisation	(31,104)	(30,558)	(31,727)	(39,420)	(46,210)
Operating profit (EBIT)	57,187	84,333	89,024	107,697	123,384
Net finance income / (cost)	(2,086)	(1,913)	(1,775)	(1,234)	(653)
Other gains / (losses)	-	-	(0)	0	(0)
Profit before tax	55,101	82,420	87,249	106,463	122,731
Tax expense	(12,381)	(20,998)	(17,450)	(26,616)	(30,683)
Minority interests					
Net profit (PATMI)	42,720	61,422	69,799	79,847	92,048
adj. EPS (S\$ cents)	0.44	0.55	0.62	0.71	0.82

CASH FLOW STATEMENT (CNY'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before tax	55,101	82,420	87,249	106,463	122,731
Depreciation & amortisation	31,104	30,558	31,727	39,420	46,210
Working capital changes	(23,558)	(117,386)	9,934	(10,361)	(7,219)
Tax paid	(12,072)	(14,856)	(17,450)	(26,616)	(30,683)
Other operating items	8,070	718	1,775	1,234	653
Operating cash flow	58,645	(18,546)	113,235	110,140	131,691
Capex	(52,644)	(1,929)	(76,865)	(77,043)	(79,718)
Acquisitions / disposals	(6,164)	(19,159)	(11,530)	(13,596)	(14,947)
Other investing items	1,203	1,179	1,570	2,111	2,692
Investing cash flow	(57,605)	(19,909)	(86,825)	(88,528)	(91,973)
Net debt drawdown / (repayment)	16,108	2,139	(1,278)	-	-
Dividends paid	-	-	-	-	-
Equity issuance / (buyback)	13,157	69,971	-	-	-
Other financing items	(3,289)	(2,187)	(3,345)	(3,345)	(3,345)
Financing cash flow	25,976	69,923	(4,623)	(3,345)	(3,345)
Net change in cash	27,016	31,468	21,788	18,267	36,373
Beginning cash	156,151	183,167	214,635	236,423	254,689
Ending cash	183,167	214,635	236,423	254,689	291,062

BALANCE SHEET (CNY'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	183,167	214,635	236,423	254,689	291,062
Trade and other receivables	91,882	117,096	126,353	148,996	163,805
Inventories	4,473	5,595	7,034	8,260	9,017
Other current assets	91,308	149,546	149,546	149,546	149,546
Current assets	370,830	486,872	519,356	561,491	613,430
Property, plant & equipment	203,108	182,907	233,495	276,993	316,918
Intangibles & goodwill	68,850	77,855	83,935	91,655	100,187
Other non-current assets	68,562	102,592	102,592	102,592	102,592
Non-current assets	340,520	363,354	420,022	471,240	519,696
Total assets	711,350	850,226	939,377	1,032,731	1,133,127
Trade payables	55,748	56,869	75,812	89,025	97,191
Short-term borrowings	74,845	77,400	76,123	76,123	76,123
Other current liabilities	2,629	9,051	9,051	9,051	9,051
Current liabilities	133,222	143,320	160,985	174,198	182,364
Other Payables	2,561	-	1,687	1,981	2,162
Other non-current liabilities	-	437	437	437	437
Non-current liabilities	2,561	437	2,124	2,418	2,599
Total liabilities	135,783	143,757	163,109	176,616	184,963
Shareholders' equity	514,728	649,641	719,440	799,287	891,335
Other Reserves	60,839	55,928	55,928	55,928	55,928
Minority Interest	-	900	900	900	900
Total equity	575,567	706,469	776,268	856,115	948,163

KEY RATIOS & VALUATION	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue growth (%)	33.1%	43.0%	26.5%	17.9%	9.9%
Gross margin (%)	34.0%	30.8%	28.0%	28.3%	28.8%
EBITDA margin (%)	20.8%	18.9%	15.7%	16.2%	17.0%
Net profit margin (%)	10.1%	10.1%	9.1%	8.8%	9.2%
ROE (%)	7.4%	8.7%	9.0%	9.3%	9.7%
ROA (%)	6.0%	7.2%	7.4%	7.7%	8.1%
Net debt / equity (x)	(0.2x)	(0.2x)	(0.2x)	(0.2x)	(0.2x)
Net debt / EBITDA (x)	(1.2x)	(1.2x)	(1.3x)	(1.2x)	(1.3x)
P/E (x)	7.1x	5.7x	5.0x	4.4x	3.8x
EV/EBITDA (x)	0.7x	0.5x	0.5x	0.4x	0.4x

Source: Company, KGI Research estimates

KGI's Ratings

The following table summarises the ratings convention used by KGI Securities in this and other research reports.

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Not Rated (NR)	The stock is not rated by KGI Securities.
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