

ZIXIN GROUP HOLDINGS LTD

BUY

Share Price: S\$0.036
Target Price: S\$0.066
Upside: +83.3%

COMPANY DESCRIPTION

Zixin Group Holdings Limited ("Zixin" or the "Company" and together with its subsidiaries, "Zixin Group") is a leading biotech-focused sweet potato integrated industrial value chain operator in China. Through its wholly-owned subsidiaries, the Group harnesses its biotechnology capabilities to strengthen and support its core business areas

Name	ZIXIN GROUP HOLDINGS
Bloomberg Code	ZIXIN SP EQUITY
3M Avg Daily Trading Vol (K)	14,532.4
3M Avg Daily Trading Val (\$'000)	537,586
Major Shareholder / Holdings	Liang Cheng Wang (15.3%)
Shares Outstanding (m)	1,589
Market Capitalisation (\$m)	57.2
52 week Share Price High/Low	S\$0.039 / S\$0.023

STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	11.6	-0.3	16.5

PRICE CHART


Source : Bloomberg

Rooted in growth to yield sweet returns

➤ Zixin is a highly profitable and undervalued S-Chip consumer staple stock whose next step of expansion in Hainan can potentially see its profit more than double over the next few years as it seeks to replicate its successful model in an area five times its current size with the help of the China government co-investing alongside Zixin. As one of the few listed companies with a fully integrated vertical value chain in the sweet potato sector, Zixin enjoys a moat that is difficult for competitors to replicate given the time, CapEx and know-how needed to succeed

As such, we initiate a BUY recommendation on Zixin with a target price of S\$0.066, pegged to 10x FY26F PE. Our target PE is significantly below peer averages and we believe Zixin presents a compelling opportunity for investors to participate in the structural transformation and growth of China's agricultural sector via Zixin.

Zixin's Moat Lies in Its Ecosystem. Zixin is the only listed sweet potato supply chain operator in China with a truly vertically integrated ecosystem that spans seedling research, cultivation, food production, and waste recycling. This closed-loop model delivers higher efficiency, stronger margins, and greater product consistency, while supporting national priorities (China's 15th 5-Year Plan) on food security and sustainability.

Expansion in Hainan to drive profitability. Following its success in Liancheng County, Zixin will be extending its scalable and integrated model into Lingao County in Hainan as part of its next growth phase. The proposed sweet potato cultivable farmland in Lingao County is approximately 5x bigger than the current size in Liancheng County and has a climate that can cultivate sweet potatoes twice a year. This will help Zixin strengthen upstream supply, expand processing capacity, and enhance regional distribution. With the Chinese government supporting Zixin, we potentially see profits more than double when Hainan fully comes online.

Attractive valuations and strong balance sheet. Zixin's current valuation remains undemanding relative to its fundamentals. Zixin trades at about 5.4x FY26F PE and 0.5x PB, compared with sector averages of 18.3x and 2.6x respectively. Backed by a war chest of RMB 108mln in net cash and improving profitability, Zixin presents a compelling opportunity for re-rating as its growth story unfolds.

Mgmt skin in the game increased. Founder and CEO Mr. Liang Chengwang, together with key shareholders, has significantly increased his stake through 5 year share options (34% of Zixin) which potentially can bring his stake to 21.9%. Despite the dilution, we view this positively as it demonstrates strong confidence in Zixin's future and aligns management's interests closer to shareholders. The proceeds will be used to replicate Lian Cheng's success in Hainan, which will more than double Zixin's current revenue and profits.

KEY FINANCIALS

Mar YE	FY23	FY24	FY25	FY26F	FY27F
Revenue (Rmb mln)	219.6	319.0	424.7	552.1	662.5
Gross Profit (Rmb mln)	59.2	102.1	144.4	187.7	225.3
Gross Margins (%)	27.0	32.0	34.0	34.0	34.0
Net Profit (Rmb mln)	-14.2	13.4	42.7	60.7	75.2
Net Profit (\$' mln)	-2.6	2.4	7.8	11.1	13.7
Net Margins (%)	N.M	4.2	10.1	11.0	11.4
EPS (RMB cents)	-1.0	1.0	2.7	3.6	4.5
EPS (S cents)	-0.19	0.18	0.49	0.66	0.82
Dividend Per Share	N.A	N.A	N.A	N.A	N.A
PE (x)	N.A	20.4	7.3	5.3	4.4
PB (x)	0.5	0.5	0.5	0.5	0.5

Source : Lim & Tan Research

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ZIXIN GROUP HOLDINGS LTD**About Zixin**

- Zixin Group Holdings Ltd is listed on the Catalist Board in SGX with primary business operations in China. Zixin is engaged in the research, production, and distribution of a diverse range of sweet potato food products. Thus far, Zixin has created an ecosystem and is now starting to bear fruit. Previously known as China Star Food Group, Zixin was listed via a reverse takeover in 2016 and rebranded itself as a biotech-focused sweet potato integrated industrial value chain operator.

Zixin utilises its biotech research and development to support and operates 3 segments: Cultivation and Supply (C&S), Production Innovation and Food Production (PFIP), and Recovery and Recycling (R&R).

Zixin possesses an integrated closed-loop circular economy industrial value chain business model that creates a natural ecosystem and (i) delivers quality and nutritional value to both humans and farm animals through their food sources; (ii) enhances the livelihoods of traditional farmers in the agriculture sector; and (iii) reduces environmental pollution by recovering and recycling agricultural waste.

Cultivation and Supply (24%/36% of FY25 Rev/GP)

Zixin's upstream operations include seedling cultivation, farmland leasing, and the sale of both fresh sweet potatoes and seedlings. Centered in Liancheng County, Fujian, an area that accounts for approximately 80% of China's total sweet potato production, Zixin currently leases over 1,300 acres of contracted farmland, producing around 20,000 tonnes of fresh sweet potatoes annually.

To ensure a consistent and high-quality seedling supply, Zixin maintains a dedicated cultivation area, expanding from 100 mu to 200 mu in FY25, with plans to reach 300 mu in FY26. This expansion supports its contracted farmers while also generating additional revenue from surplus seedling sales to local farmers. In FY25, approximately 90% of the seedlings were allocated to contracted farmers, with the remaining 10% serving local farmers, resulting in growth in the cultivation of selected varieties of sweet potatoes and seedling revenue. This also helps Zixin maintain a consistent quality supply of sweet potatoes that can be sold as fresh sweet potatoes or used for their processed production.

A key enabler of this segment is Zixin's use of third-party cold storage facilities, which extends the shelf life of harvested sweet potatoes by up to six months. This capability helps stabilize supply, reduce price volatility, and mitigate the typical pricing pressures during peak harvest periods.

Exhibit 1: Cold storage warehouse in close proximity to Zixin manufacturing/office premise



Source: Zixin Group

By maintaining control over upstream activities, Zixin ensures product quality, traceability, and a reliable raw material supply to support its downstream operations.

Production Innovation/Food Production (76%/63% of FY25 Rev/GP)

In the midstream segment, Zixin focuses on transforming basic affordable sweet potatoes into a range of high-margin processed products, particularly snacks and this is Zixin's current main growth driver. Zixin not only manufactures snacks for its proprietary brands but also serves as an OEM for prominent brands like Three Squirrels and Oriental Selection. This strategy allows Zixin to leverage the market presence of these established brands while building its own brand recognition.

Zixin is committed to innovating in snack foods and functional products, particularly through production techniques that optimize nutrient retention and create healthier offerings for consumers. A key recent development is the launch of sweet potato crisps and fries, produced using Vacuum Low-Temperature (VF) technology. While competitors have struggled with achieving consistent crispiness and chewability compared to regular potato chips, Zixin's VF technology addresses this challenge, positioning Zixin as the first to successfully produce these high-quality products. As a result, Zixin has secured substantial orders from distributors, with deliveries set to begin in February 2025.

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Exhibit 2: Newly Launched Sweet Potato chips and fries



Source: Zixin Group

By converting low-margin commodity sweet potatoes into higher-margin consumer snacks, Zixin enhances profitability and strengthens its growth potential in the competitive snack food market.

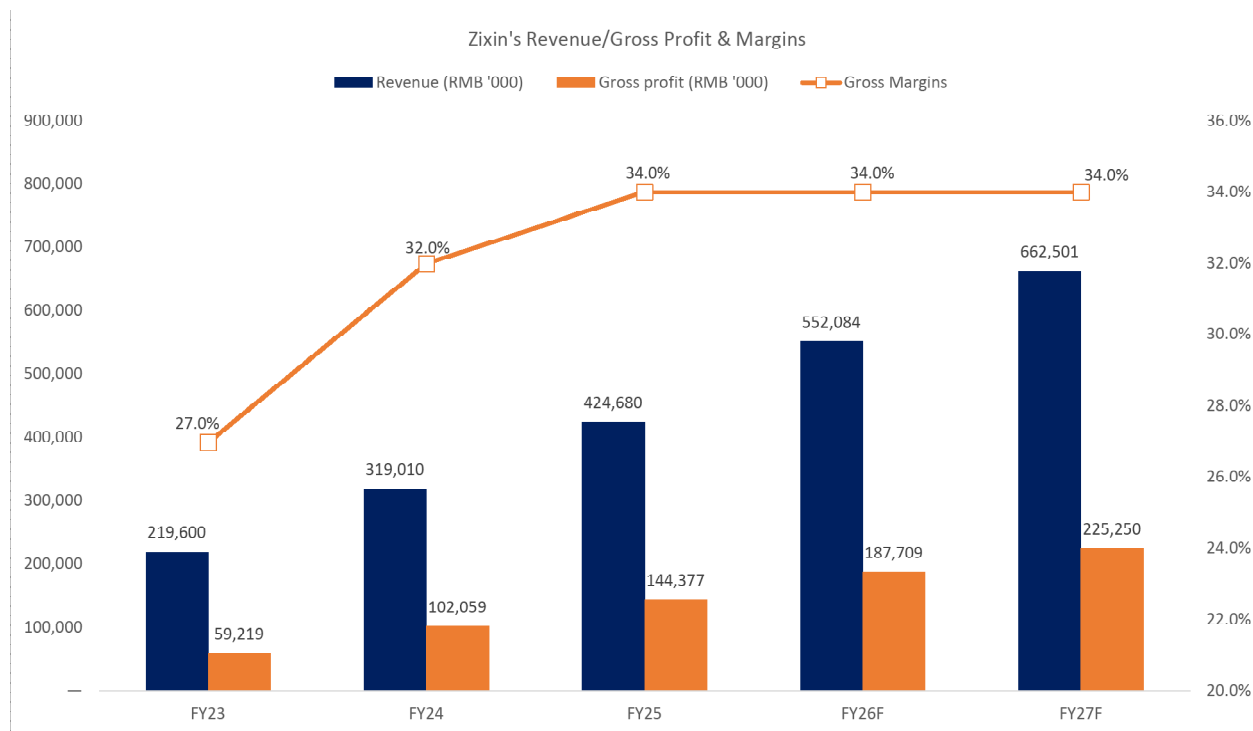
Recovery and Recycling (New Segment)

This segment does R&D on nutritional content from sweet potato peels through proprietary extraction technology and utilising proprietary probiotic fermentation formulation as a medium to convert agricultural waste materials such as discarded sweet potatoes, sweet potato peels, stems and leaves into raw ingredients that could potentially be part of the poultry and animal feeds.

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The chart below highlights Zixin's historical and forecasted revenue and gross profits. We maintained GP margin at 34.0% to take on a more conservative view

Exhibit 3: Zixin's Historical and Projected Revenue/Margins



Source: LTS Research

Sweet Potato Industry

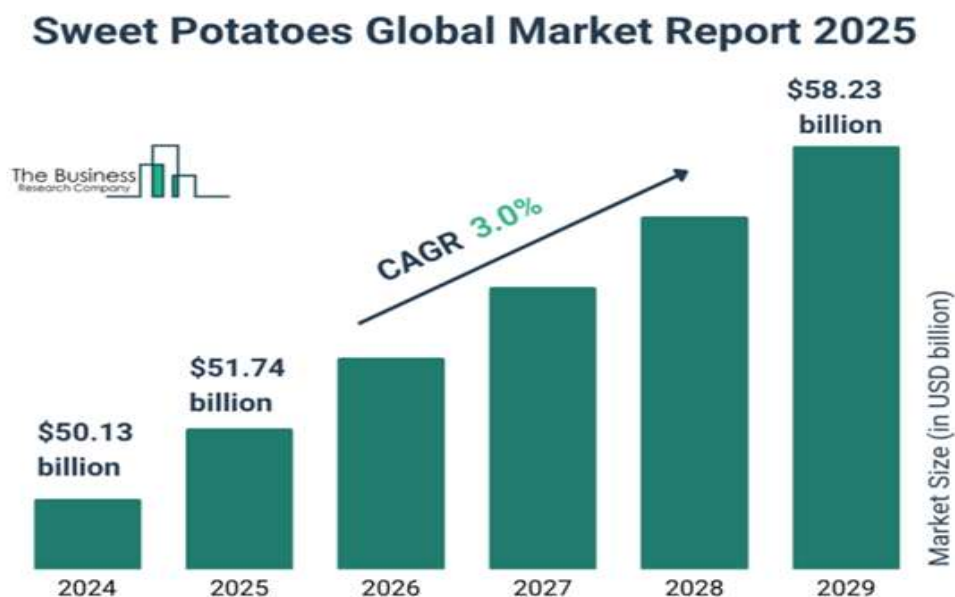
-  Zixin operates in the sweet potato industry, which is benefiting from strong structural tailwinds. Robust demand growth, driven by increasing health awareness and shifting consumer preferences, as well as government support in China, has been and will be a key driver of Zixin's growth.

According to Fact.MR, the global sweet potato fries market has been calculated at US\$1.62bln for 2024 and is forecast to expand at a CAGR of 5% through 2034 to reach a value of US\$ 2.65bln by 2034-end. Demand for sweet potato fries has grown in recent years, reflecting rising consumer preference for diverse snack options.

These fries, made from sweet potatoes rather than traditional white potatoes, have their own unique sweetness, vibrant orange and purple in colour, and nutritional benefits. Rich in vitamins, minerals, and fibre, sweet potato fries are also perceived as a healthier alternative to regular fries, which appeals to an ever-growing health-conscious market

In the market, a wide range of product offerings tied to sweet potatoes exists, featuring various flavours and seasonings that cater to different taste preferences. The Business Research Company also supports this statement with its forecast of the sweet potato market to reach \$58.2bln by 2029, representing a 3.0% CAGR growth.

Exhibit 4: Sweet Potatoes to register growth of 3.0% CAGR



Source: The Business Research Company

The sweet potatoes category has expanded rapidly across multiple consumption channels. Demand is rising not only in restaurants and fast-food chains but also within the frozen food aisles of supermarkets, where convenience and versatility drive home consumption. As consumer demand for healthier snacks continues to accelerate, sweet potato fries are gaining market share from traditional potato products. This trend is underpinned by a growing awareness of sweet potatoes' health benefits such as their high levels of antioxidants and essential nutrients.

Manufacturers are also driving category growth through product innovation, introducing new flavors, seasonings, and shapes to cater to diverse consumer preferences. Frozen variants, in particular, have seen strong uptake due to their convenience and longer shelf life. In this regard, The Insight Partners projected a 5.5% growth from 2022 to 2023 with the growth drivers being the increased demand for convenience food, vegan/vegetarian dishes and the health benefits of sweet potatoes

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Exhibit 5: Frozen sweet potatoes are also in trend



Source: LTS Research

Furthermore, sustainability and ethical sourcing are becoming increasingly important factors in purchasing decisions. Consumers are rewarding brands that emphasize environmentally responsible production and transparent supply chains.

With health, wellness, and sustainability continuing to shape global consumption trends, the sweet potato fries segment offers ample opportunities for further growth and value creation within the broader snack food industry.

A notable example would be McCain Foods Limited, which acquired approximately 70% of the shares in Serya, a Brazilian food company specialising in the snack industry in 2019. This investment is intended to strengthen McCain's presence in potato-related operations in Brazil and to open up opportunities for expanding its market reach across South America.

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Recognising this trend, Zixin has shifted its focus toward higher-margin processed products like snacks to capture growth in China's fast-expanding healthy snacks market.

The sector is expected to grow at a CAGR of about 5.8–6.5% from 2025 to 2032, reaching an estimated USD 12.3bln in 2032. Growth is driven by rising health awareness, higher disposable incomes, and the continued expansion of e-commerce.

Meanwhile, consumers are showing a stronger preference for snacks that are natural, organic, and free from artificial additives. Zixin's range of sweet potato-based foods and functional products fits within these trends as they use purple sweet potatoes, known for their antioxidant and anti-inflammatory properties, appealing to consumers seeking healthier food choices.

Exhibit 6: CEO Mr Liang Chengwang and Zixin's latest snack offerings



Source: Zixin Group

China's 15th Five-Year Plan

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 Zixin fits seamlessly into China's upcoming 15th Five-Year Plan (2026–2030), which elevates food security from a policy objective to a national security imperative. The new plan builds on prior progress under the 14th Five-Year Plan, but with a sharper focus on resilience, diversification, and modernization amid mounting pressures from climate change, resource constraints, and shifting consumption patterns. China's goal is not merely to ensure grain self-sufficiency, but to create a sustainable, tech-driven, and climate-adaptive food system that can meet both quantity and quality demands for a population exceeding 1.4 billion.

The plan targets maintaining a grain self-sufficiency rate above 95% and expanding total annual grain output toward 750 million tons by 2030, while broadening the definition of “food security” to include meat, aquaculture, and alternative biological resources. Within this framework, Zixin's integrated sweet potato ecosystem aligns closely with three strategic priorities: land protection and optimisation, technological advancement, and diversification of food sources.

1.Arable Land Protection and Optimisation

Farmland preservation remains the cornerstone of China's food security strategy, guided by the “red line” policy that protects at least 1.8 billion mu (approximately 120 million hectares) of arable land. Under the 15th Five-Year Plan, Beijing is intensifying efforts to transform conventional farmland into high-standard, mechanized, and climate-resilient agricultural zones, with a target of 1.35 billion mu by 2030. Zixin's vertically integrated sweet potato business aligns closely with this agenda by enhancing land-use efficiency and sustainable production.

- **High land productivity:** Sweet potatoes can thrive in marginal or degraded soil, enabling Zixin to utilize underperforming land without encroaching on core grain-producing areas such as rice and wheat fields. This supports the government's twin priorities of safeguarding staple crop farmland and expanding overall agricultural output.
- **Sustainable cultivation:** By adopting rotational cropping and soil restoration practices, Zixin improves soil health, boosts organic matter, and strengthens water retention. These measures echo national efforts to raise farmland quality and build resilience against climate volatility.

2. Technological Modernisation and Seed Security

The 15th Five-Year Plan deepens China's drive for technological self-reliance in agriculture, prioritizing breakthroughs in seed innovation, biotechnology, and digital smart farming. The Smart Agriculture Action Plan (2024–2028) continues to steer the sector toward precision, data-driven cultivation powered by AI, big data, and satellite systems.

Zixin's in-house R&D and production capabilities are well aligned with these national priorities:

- **Seed sovereignty and genetic innovation:** Zixin is developing high-yield, virus-free, and biofortified sweet potato strains that directly support China's "seed security" agenda, which is to strengthen domestic genetic resources and reducing dependence on foreign seed imports.
- **Smart cultivation practices:** Zixin integrates data analytics, mechanized farming, and automated processing across selected bases, reflecting the nationwide shift toward intelligent and resource-efficient agriculture.
- **Technology-driven product advancement:** Zixin has pioneered VF vacuum low-temperature freshness-locking technology, which combines premium sweet potato varieties with precise dehydration at around 100°C in a vacuum environment. This process preserves key nutrients such as vitamin C, fiber, and selenium, while enhancing texture and taste. This positions Zixin at the forefront of China's transition to higher-quality, value-added food production.
- **Partnership-led innovation:** Ongoing collaborations with agricultural research institutes accelerate localized agri-tech development, in line with Beijing's vision of building a self-sufficient agricultural biotechnology ecosystem by 2030.

3. Diversification and the “All-Encompassing Approach to Food”

China’s 15th Five-Year Plan reinforces the “all-encompassing approach to food”, which is to broaden the national food strategy beyond staple grains to encompass livestock, aquaculture, forestry, and emerging biological resources such as algae and plant-based proteins. The emphasis has shifted from producing “more grain” to cultivating “more diverse, safer, and sustainable food sources.” Recognized by the Ministry of Agriculture and Rural Affairs as a strategic “new staple crop,” sweet potatoes have gained prominence for their resilience, high yield, and adaptability to land and water constraints. Against this backdrop, Zixin is strategically positioned as:

- **A national model for food diversification:** Through its fully integrated sweet potato ecosystem by covering cultivation, processing, and branded food products, Zixin directly contributes to China’s goal of building a diversified and climate-resilient food supply system.
- **A key enabler of rural revitalization:** By establishing large-scale, integrated production bases across Liancheng County in Fujian, Lingao County in Hainan, and potentially other regions in China, Zixin promotes rural employment, reduces agricultural risks, thereby raises farmer incomes, and drives agricultural industrialisation, which are all core pillars of Beijing’s 2030 rural development and “common prosperity” agenda.
- **A catalyst for value-chain modernisation:** Leveraging deep processing and continuous product innovation, Zixin elevates the sweet potato from a traditional staple to a premium, health-focused food category, aligning with China’s broader policy to upgrade agricultural value chains and stimulate domestic consumption.

Within this broader framework, the sweet potato has quietly risen in strategic importance. Once viewed as a “famine food,” it is now recognised as a high-yielding, climate-resilient crop that can thrive under drought, flooding, and poor soil conditions. These traits make it increasingly valuable amid growing climate pressures and shrinking arable land. The government and research institutes have stepped up efforts to develop improved, virus-free, and biofortified varieties, positioning sweet potatoes as a dependable source of nutrition and energy security. Beyond cultivation, China is also building a comprehensive value chain around the crop, processing it into flour, starch, snacks, and beverages to enhance its commercial potential and shed its low-value image.

This strategic shift supports China's long-term objectives of food diversification and rural revitalization, while creating new investment opportunities across the agri-food value chain. Companies such as Zixin, with vertically integrated sweet potato operations spanning cultivation, processing, and recovery and recycling, are well positioned to benefit from policy tailwinds and evolving consumer demand. As the government channels resources into high-standard farmland, digital agriculture, and value-added food production, producers in resilient and priority crop segments are set to gain from both structural support and rising domestic consumption

The Circular Economy Model

- ▶ Zixin "Recovery and Recycling" segment applies a circular economy model that converts agricultural waste from sweet potato processing, including peels, leaves, and stems, into probiotic-infused fermented feedstock for poultry and livestock. The feedstock is produced using Zixin's proprietary probiotic fermentation technology and helps reduce reliance on high-protein ingredients such as soymeal, lowering feed costs for farmers while cutting waste and emissions.

Zixin obtained a patented formulation for chicken feed that utilises sweet potato agricultural waste in Dec 24 and has since advanced the segment from pilot to commercial scale. In Jan 25, Zixin secured its first feedstock order from a chicken poultry farm and an additional supply contract from a white duck poultry farm in Liancheng County, Fujian Province, worth a combined RMB 3.9mIn (c.S\$0.7mIn), with most deliveries scheduled for FY26. Poultry raised on this probiotic-infused feedstock, including chicken and white duck, successfully met China's national food safety standards, confirming compliance with regulations governing contaminants and veterinary drug residues.

For this segment, production is outsourced to a third-party fermentation plant in Liancheng County that collaborates with designated collectors of sweet potato agricultural waste. Zixin supplies its proprietary probiotic solution and provides technical support to ensure consistent quality. Zixin expects new orders once the fermentation operator completes its production capacity expansion at a new site in Liancheng County.

This segment is not a side business but rather a strategically important part of Zixin's operations. It aligns directly with two major national initiatives in China: the promotion of a circular economy and the government's policy to reduce soymeal use in animal feed, which places Zixin in a favourable position to benefit from policy support and sustains market demand. Zixin anticipates that this new revenue stream could generate approximately RMB 10mIn in the near term, with the segment expected to contribute meaningfully to earnings from FY26 onwards.

Exhibit 7: Comparison between Zixin's old and new variant of sweet potato snacks



Traditional steamed and dried range of sweet potato snack products



Newly launched higher-margin range of sweet potato snack products

Source: Zixin

Zixin Group is focusing on the upcoming market launch of selected halal-certified sweet potato snack products intended for its distributors in Indonesia. The Group is also in the process of developing new packaging tailored for international markets.

We view this positively, as it diversifies operations beyond China and opens new markets and revenue streams

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Cash Raise Aligns Interest

- The CEO and some existing shareholders recently raised their stakes through 5-year share options of up to 889,000,000 shares (34% of total shares) at an exercise price of S\$0.03 per share. Despite dilution to existing shareholders, we view this positively, as 1) this underscores commitment and further aligns interest and confidence in Zixin's prospects, and 2) this raises cash (S\$26.6mln) to fund their capex for their expansion plans beyond Liancheng County, including Hainan. This Hainan expansion is expected to be the next growth driver for Zixin and is nearly 5x bigger than their current Liancheng operations. As time is needed for expansion, we expect earnings from Hainan to only kick in come FY27 as it seeks to replicate the Liancheng model on Hainan.

Valuations

- Given the absence of direct competitors and Zixin's strong growth trajectory as a staple food and sweet potato technology company, we assign a 10x P/E multiple, deriving a target price of 6.6 cents, which represents an 83.3% upside from the current share price.

Exhibit 8: Peer Valuations

Name	Market Cap (\$\$mn)	Stock Perf YTD%	PE (x)	Forward PE(x)	EPS Growth (1yr)	EV/ EBITDA (x)	P/B(x)	ROE(%)	Div Yield
Zixin	57.2	20.0%	7.3	5.4	35%	2.3	0.5	7.8%	N.A
Zhongxin Fruit and Juice	45.4	174.0%	8.5	N.A	N.A	9.0	1.5	19.5%	N.A
Oceanus Group	64.4	-16.7%	12.3	N.A	N.A	15.6	2.4	4.9%	N.A
Heilongjiang Beidahuang Agricultural Co Ltd	4,820	0.9%	23.4	N.A	N.A	12.7	3.3	13.8%	3.8%
Lamb Weston Holdings	11,307	-7.1%	29.9	25.8	20.0%	12.3	4.8	16%	2.4%
Conagra Brands	10,659	-38.4%	10.8	10.9	6.5%	8.8	1.0	10%	8.2%
Median		-7%	12.3	18.3	13%	12.3	2.4	14%	3.8%
Average		23%	17.0	18.3	13%	11.7	2.6	13%	4.8%

Source: LTS Research

This target PE of 10x represents a 5% discount to the average of Singapore listed consumer staple stocks and a 45% discount if considering global peers.

Risks

- ▶ 1. **S-Chip risk.** S chips are inherently riskier than other Singapore stocks and can possess corporate governance issues, accounting irregularities, and enforcement challenges due to the distance between the primary operations and the listing jurisdiction.
- 2. **Reliance on China Market and Regulatory Change:** A substantial portion of its business is in China. As such, any unfavorable changes in PRC government policies, regulations, food safety standards, or economic conditions could materially affect its operations.
- 3. **Expansion Execution Risk:** The company is undertaking a major expansion, notably the Hainan Rural Revitalisation Project. Failure to successfully execute and integrate this large-scale project on time and within budget could lead to delays in expected profit contributions and strain financial resources.

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