

China / Hong Kong Company Update

Towngas Smart Energy

Bloomberg: 1083 HK Equity | Reuters: 1083.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Mar 2022

BUY

Last Traded Price (17 Mar 2022): HK\$4.86 (HSI : 21,501)
Price Target 12-mth: HK\$5.90 (21% upside) (Prev HK\$6.80)

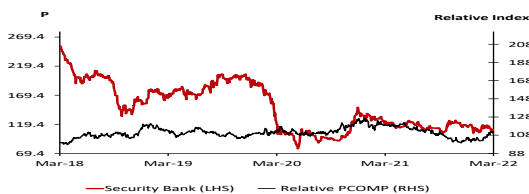
Analyst

Patricia Yeung +852 36684189 patricia_yeung@db.com
Ian Chui +852 36684174 ianchui@db.com

What's New

- FY21 net profit growth of 11% was below our expectation due to lower dollar margin and absence of contribution from Shanghai Gas
- Expect low-teen organic growth in gas sales volume with further pressure on dollar margin
- Good progress in rooftop solar business with 1GW installation in FY22
- Maintain BUY for its good progress in smart energy business; TP is lowered to HK\$5.90 to reflect lower dollar margin

Price Relative



Forecasts and Valuation

FY Dec (HK\$m)	2020A	2021A	2022F	2023F
Turnover	12,826	17,125	20,934	24,204
EBITDA	3,362	3,561	4,294	4,899
Pre-tax Profit	2,201	2,145	2,642	3,079
Net Profit	1,446	1,253	1,680	1,978
Net Pft (Pre Ex) (core profit)	1,446	1,253	1,680	1,978
Net Profit Gth (Pre-ex) (%)	10.5	(13.3)	34.1	17.7
EPS (HK\$)	0.50	0.42	0.46	0.47
EPS Gth (%)	7.5	(16.1)	10.4	3.5
Diluted EPS (HK\$)	0.50	0.42	0.46	0.47
DPS (HK\$)	0.15	0.15	0.15	0.15
BV Per Share (HK\$)	6.98	7.25	7.16	7.48
PE (X)	9.8	11.7	10.6	10.2
P/Cash Flow (X)	6.5	6.1	5.3	5.8
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	7.6	9.1	9.1	9.8
Net Div Yield (%)	3.1	3.1	3.1	3.1
P/Book Value (X)	0.7	0.7	0.7	0.6
Net Debt/Equity (X)	0.4	0.6	0.6	0.7
ROAE(%)	7.4	5.7	6.4	6.5
Earnings Rev (%)			(29)	(35)
Consensus EPS (HK\$)			0.62	0.70
Other Broker Recs:		B:10	S:1	H:1

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Good progress in smart energy

Investment Thesis

Smart energy as a new growth driver. Towngas Smart Energy (TSEL) is transforming from a pure gas distributor to an energy service provider and targets this rooftop solar operation to account for around 50% of total revenue by 2025. We have conservatively estimated a new installation of just 1.0-1.5GW p.a., with the percentage of revenue from smart energy increasing from 4% of total revenue in FY22 to 6% in FY23.

Competitive edge in the growing distributive solar market. We reckon TSEL has a competitive edge to win projects in the growing distributive solar market. The company has a solid track record, reputation, and working relationship with local governments. TSEL can also capitalise on its large industrial and commercial customer base in gas distribution. TSEL has already secured 32 net-zero smart industrial parks and plans to add 50 more in FY22.

Share incentive scheme to refocus management priorities. The share incentive scheme was effective in Aug 21 with two key operational KPIs included. Apart from targets for gas sales volume growth (at least a 25% CAGR for FY20-25) and revenue growth of the extended business (at least a 30% CAGR), we expect a target for smart energy will also be set to incentivise performance.

Valuation:

We have lowered our FY22/23 earnings estimates by 29-35% to reflect the lower dollar margin. Despite this, we maintain our BUY rating as the recent share price correction of >40% has already reflected the challenges in gas business. We reckon good progress in smart energy will be its share price catalyst. Our TP is lowered from HK\$6.80 to HK\$5.90. To reflect the strong growth potential of its smart energy business, we have changed our valuation method from DCF to PE multiples. Our new TP is based on 12.5x 12-month rolling PE, which is equivalent to +1SD from 5-year historical average PE.

Where we differ:

Our FY22/23F earnings are 19% lower than the market consensus, as we have factored in lower dollar margin.

Key Risks to Our View:

Dollar margin pressure from high LNG prices and lower earnings growth due to slow development of smart energy.

At A Glance

Issued Capital (m shrs)	3,160
Mkt Cap (HK\$m/US\$m)	15,358 / 1,964
Major Shareholders (%)	
Hong Kong and China Gas Co Ltd	66.0
Free Float (%)	34.0
3m Avg. Daily Val. (US\$m)	7.43
GICS Industry: Utilities / Gas Utilities	



Watchlist the stock on Insights Direct to receive prompt updates



Towngas Smart Energy.

WHAT'S NEW

A challenging year for gas distributors

Towngas Smart Energy (TSEL) reported a 13% decline in net profit to HK\$1.25bn for FY21. However, stripping out one-off items (such as the loss from the change in the fair value of the embedded derivative component of convertible bonds), **net profit climbed 11% to HK\$1.61bn, below our expectation.** This was due to a lower-than-expected dollar margin of Rmb0.51/m³ and the absence of contribution from Shanghai Gas. The final dividend was maintained at HK\$0.15 per share, the same as FY20.

As the natural gas pricing mechanism of Shanghai Gas will be refined in 2022, the transition period of the deal with Shanghai Gas was extended and TSEL will share Shanghai Gas' profit starting from 1 January 2022.

2022 will be a challenging year for gas distributors. Downward pressure on economic growth and the preventive measures for COVID are expected to **slow down organic growth of gas sales volumes to the low teens in FY22.** With the contribution from Shanghai Gas, which is expected to achieve a sales volume of 9bn m³, growth in total gas volume will jump to >70%.

Another challenge is the dollar margin. The Ukraine crisis has boosted LNG prices, which are expected to stay high this year. Global decarbonisation efforts have also tightened the overall supply of natural gas. We also expect the three oil majors to charge higher for gas supply, even in the off-peak season. Although TSEL has a mechanism in passing on the cost hike, the time lag in the process will put pressure on the dollar margin. To alleviate the margin pressure, TSEL has signed long term contract for supply of LNG of 1m tons with another 1m tons of long term contract under negotiation. It will also increase the supply of non-conventional gas from the domestic market as well as increase gas storage volume in Jintan. Nevertheless, **we have lowered our dollar margin assumptions to Rmb0.48/m³, from Rmb0.545/m³.** But we expect dollar margin to rebound back to Rmb0.51/m³ in FY23 after passing through cost hike.

On a positive note, TSEL's new smart energy business is progressing well. After securing 32 zero-carbon industrial parks, it targets to add 50 more to its portfolio. **TSEL will start the installation of 300MW of rooftop solar power in these industrial parks in 2Q and set 1GW as the target in FY22.** The target is slightly lower than our projection of

1.5GW, but we believe this installation will accelerate the achievement of TSEL's installation target of 8GW by FY25. We estimate revenue from this business line to increase 75% in FY23, accounting for 6% of total revenue. The long term target of new smart energy business accounting for 50% of total revenue remains intact.

Growth in extended business is also expected to be robust at 40%, thanks to the enlarged customer base after acquisition of Shanghai Gas and broadened product range.

In view of large capex for the development of its smart energy business, net debt-equity ratio is expected to climb to >70% in FY23. Management is exploring different ways to finance the development. Apart from internal resources and bank loans, other options under consideration include equity financing and seeking partners for joint development at project level.

To reflect the above changes in assumptions, we have lowered our FY22/23 earnings estimates by 29-35%. After the revision, **adjusted earnings (stripping out one-off items) is expected to increase 4% and 18% in FY22 and FY23 respectively.**

Given the strong growth potential of the smart energy business, we have changed our valuation method from DCF to PE multiples. **Our new TP of HK\$5.90 is based on 12.5x 12-month rolling PE** which is equivalent to +1SD from 5-year historical average. **We maintain our BUY rating as the recent share price correction of >40% has already reflected the challenges in gas business. The good progress in smart energy will transform TSEL into an integrated energy play.**

Company Background

Towngas China is one of the major gas distributors in China. It is mainly engaged in the sales and distribution of piped gas in China, including the provision of piped gas, construction of pipelines, operation of city gas networks and gas refilling stations, as well as the sales of household gas appliances.

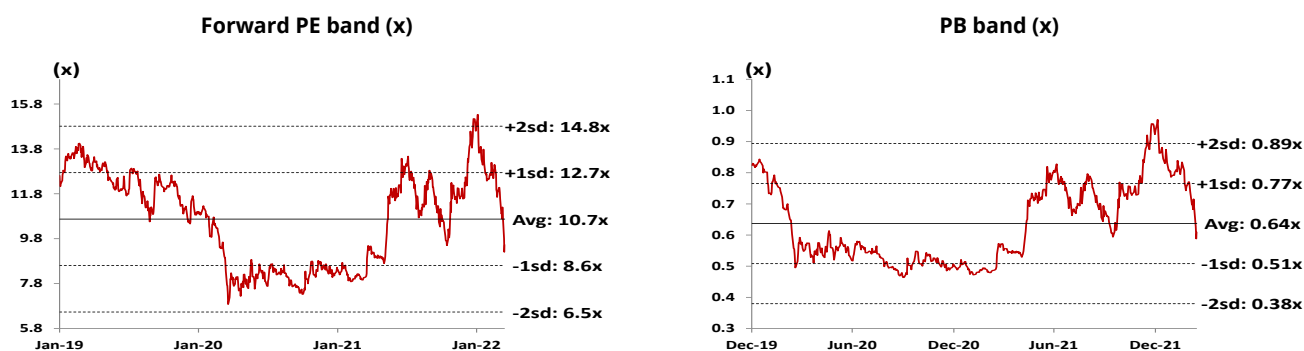
Towngas Smart Energy.

Income Statement (HK\$ m)

FY Dec	2020A	2021A	% chg v-o-v
Revenue	12,826	17,125	33.5
Cost of Goods Sold	(9,506)	(13,122)	38.0
Gross Profit	3,321	4,003	20.5
Other Opng (Exp)/Inc	(1,387)	(1,818)	31.1
Operating Profit	1,934	2,185	13.0
Other Non Opg (Exp)/Inc	(32)	(359)	(1,036.1)
Associates & JV Inc	697	867	24.4
Net Interest (Exp)/Inc	(398)	(548)	(37.7)
Exceptional Gain/(Loss)	0	0	nm
Pre-tax Profit	2,201	2,145	(2.6)
Tax	(555)	(618)	11.3
Minority Interest	(201)	(274)	(36.5)
Net Profit	1,446	1,253	(13.3)
Net Profit before Except.	1,446	1,253	(13.3)
EBITDA	3,362	3,561	5.9
Margins & Ratio			
Gross Margins (%)	25.9	23.4	
Opg Profit Margin (%)	15.1	12.8	
Net Profit Margin (%)	11.3	7.3	

Source: Company, DBS HK

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Towngas Smart Energy.

Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
City and township gas sales volume growth (%)	9.7	9.4	4.5	74.0	13.7
Dollar margin (Rmb / m3)	0.59	0.57	0.51	0.49	0.51

Source: Company, DBS HK

Segmental Breakdown (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (HK\$ m)					
Piped gas	10,835	10,228	13,951	16,761	19,113
Gas connection	2,089	2,210	2,429	2,308	2,192
Extended business	0	388	745	1,043	1,460
Smart Energy	0	0	0	822	1,439
Total	12,924	12,826	17,125	20,934	24,204

Source: Company, DBS HK

Income Statement (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	12,924	12,826	17,125	20,934	24,204
Cost of Goods Sold	(9,599)	(9,506)	(13,122)	(16,501)	(18,773)
Gross Profit	3,326	3,321	4,003	4,433	5,431
Other Opng (Exp)/Inc	(1,551)	(1,387)	(1,818)	(2,403)	(3,158)
Operating Profit	1,775	1,934	2,185	2,030	2,273
Other Non Opg (Exp)/Inc	(123)	(32)	(359)	0	0
Associates & JV Inc	743	697	867	1,269	1,419
Net Interest (Exp)/Inc	(381)	(398)	(548)	(657)	(613)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	2,014	2,201	2,145	2,642	3,079
Tax	(501)	(555)	(618)	(660)	(770)
Minority Interest	(204)	(201)	(274)	(301)	(331)
Preference Dividend	0	0	0	0	0
Net Profit	1,308	1,446	1,253	1,680	1,978
Net Profit before Except.	1,308	1,446	1,253	1,680	1,978
EBITDA	3,034	3,362	3,561	4,294	4,899
Growth					
Revenue Gth (%)	N/A	(0.8)	33.5	22.2	15.6
EBITDA Gth (%)	N/A	10.8	5.9	20.6	14.1
Opg Profit Gth (%)	N/A	8.9	13.0	(7.1)	11.9
Net Profit Gth (%)	N/A	10.5	(13.3)	34.1	17.7
Margins & Ratio					
Gross Margins (%)	25.7	25.9	23.4	21.2	22.4
Opg Profit Margin (%)	13.7	15.1	12.8	9.7	9.4
Net Profit Margin (%)	10.1	11.3	7.3	8.0	8.2
ROAE (%)	7.0	7.4	5.7	6.4	6.5
ROA (%)	3.4	3.6	2.6	2.8	2.8
ROCE (%)	4.2	4.3	3.9	3.0	2.8
Div Payout Ratio (%)	32.6	30.8	37.8	37.2	31.6
Net Interest Cover (x)	4.7	4.9	4.0	3.1	3.7

Source: Company, DBS HK

Towngas Smart Energy.

Interim Income Statement (HK\$ m)

FY Dec	2H2019	1H2020	2H2020	1H2021	2H2021
Revenue	6,412	5,563	7,263	7,773	9,353
Cost of Goods Sold	(4,657)	(4,204)	(5,301)	(5,979)	(7,143)
Gross Profit	1,755	1,359	1,961	1,793	2,210
Other Oper. (Exp)/Inc	(1,017)	(577)	(811)	(712)	(1,425)
Operating Profit	739	782	1,150	1,082	785
Other Non Opg (Exp)/Inc	0	0	0	0	1
Associates & JV Inc	378	301	396	373	495
Net Interest (Exp)/Inc	(209)	(193)	(233)	(235)	(354)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	908	890	1,313	1,220	926
Tax	(248)	(229)	(326)	(316)	(302)
Minority Interest	(108)	(80)	(120)	(126)	(148)
Net Profit	553	581	866	778	475
Net profit bef Except.	553	581	866	778	476
Growth					
Revenue Gth (%)	3.4	(14.6)	13.3	39.7	28.8
Opg Profit Gth (%)	(4.1)	(16.0)	55.7	38.3	(31.7)
Net Profit Gth (%)	(1.4)	(23.1)	56.7	34.0	(45.2)
Margins					
Gross Margins (%)	27.4	24.4	27.0	23.1	23.6
Opg Profit Margins (%)	11.5	14.1	15.8	13.9	8.4
Net Profit Margins (%)	8.6	10.4	11.9	10.0	5.1

Source: Company, DBS HK

Towngas Smart Energy.

Balance Sheet (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	18,019	20,899	23,752	28,804	37,145
Invt in Associates & JVs	7,020	8,086	14,813	21,226	21,883
Other LT Assets	8,208	8,307	7,946	7,946	7,946
Cash & ST Invt	1,937	2,226	4,071	3,768	3,873
Inventory	587	643	705	861	996
Debtors	1,941	2,237	2,463	2,931	3,389
Other Current Assets	482	494	487	510	515
Total Assets	38,195	42,893	54,237	66,046	75,746
ST Debt	3,434	5,137	8,633	8,433	8,313
Creditors	5,525	6,423	6,934	8,476	9,800
Other Current Liab	1,098	1,363	1,804	1,902	1,934
LT Debt	6,806	6,356	10,724	13,848	20,627
Other LT Liabilities	1,033	966	969	969	969
Shareholder's Equity	18,612	20,723	22,895	29,839	31,192
Minority Interests	1,688	1,926	2,278	2,579	2,910
Total Cap. & Liab.	38,195	42,893	54,237	66,046	75,746
Non-Cash Wkg. Capital	(3,612)	(4,411)	(5,083)	(6,075)	(6,835)
Net Cash/(Debt)	(8,302)	(9,267)	(15,286)	(18,513)	(25,067)
Debtors Turn (avg days)	54.8	59.4	50.1	47.0	47.6
Creditors Turn (avg days)	225.1	249.4	198.9	181.4	189.9
Inventory Turn (avg days)	23.9	25.7	20.1	18.4	19.3
Asset Turnover (x)	0.3	0.3	0.4	0.3	0.3
Current Ratio (x)	0.5	0.4	0.4	0.4	0.4
Quick Ratio (x)	0.4	0.3	0.4	0.4	0.4
Net Debt/Equity (X)	0.4	0.4	0.6	0.6	0.7
Net Debt/Equity ex MI (X)	0.4	0.4	0.7	0.6	0.8
Capex to Debt (%)	21.5	20.2	13.2	27.1	33.0
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

Cash Flow Statement (HK\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	2,014	2,201	2,145	2,642	3,079
Dep. & Amort.	639	762	868	996	1,207
Tax Paid	(384)	(361)	(361)	(660)	(770)
Assoc. & JV Inc/(loss)	(743)	(697)	(867)	(1,269)	(1,419)
(Pft)/Loss on disposal of FAs	(31)	0	0	0	0
Chg in Wkg. Cap.	70	332	224	918	732
Other Operating CF	187	(37)	412	731	640
Net Operating CF	1,753	2,200	2,420	3,357	3,469
Capital Exp. (net)	(2,203)	(2,317)	(2,548)	(6,048)	(9,548)
Other Invt. (net)	(126)	0	0	0	0
Invt in Assoc. & JV	(140)	(19)	(19)	(5,405)	0
Div from Assoc & JV	353	483	483	261	763
Other Investing CF	(96)	(624)	(887)	0	0
Net Investing CF	(2,213)	(2,476)	(2,971)	(11,192)	(8,785)
Div Paid	(75)	(73)	(73)	0	(625)
Chg in Gross Debt	859	664	5,131	2,925	6,659
Capital Issues	0	0	0	5,264	0
Other Financing CF	96	(128)	(2,763)	(657)	(613)
Net Financing CF	880	464	2,295	7,532	5,421
Currency Adjustments	(94)	102	102	0	0
Chg in Cash	326	289	1,845	(303)	105
Opg CFPS (HK\$)	0.59	0.64	0.73	0.67	0.66
Free CFPS (HK\$)	(0.16)	(0.04)	(0.04)	(0.73)	(1.46)

Source: Company, DBS HK

Towngas Smart Energy.

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	19-Mar-21	HK\$3.50	HK\$4.00	Hold
2:	23-Aug-21	HK\$5.01	HK\$6.10	Buy
3:	26-Nov-21	HK\$5.39	HK\$6.80	Buy

Source: DBS HK

Analyst: Patricia Yeung
Ilan Chui

Towngas Smart Energy.

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 18 Mar 2022 08:29:38 (HKT)

Dissemination Date: 18 Mar 2022 09:20:30 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

Towngas Smart Energy.

Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.


COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 16 Mar 2022.
2. **Compensation for investment banking services:**
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.
3. **Disclosure of previous investment recommendation produced:**
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;"> Wong Ming Tek, Executive Director, ADBSR</p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact [Chanpen Sirithanarattanaku] at [research@th.dbs.com]</p>
United Kingdom	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>

Towngas Smart Energy.

Dubai International Financial Centre	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our--network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>
United States	<p>This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
Other jurisdictions	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

DBS Bank (Hong Kong) Limited

 13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

Towngas Smart Energy.

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Carol Wu

13th Floor One Island East,
18 Westlands Road, Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)

19th Floor, Menara Multi-Purpose, Capital Square,
8 Jalan Munshi Abdullah 50100, Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com
Co. Regn No. 198401015984 (128540-U)

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua

12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand