

Sun Art Retail Group

Bloomberg: 6808 HK Equity | Reuters: 6808.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

25 May 2022

BUY (Upgrade from HOLD)

Last Traded Price (24 May 2022): HK\$2.25 (HSI : 20,112)
Price Target 12-mth: HK\$2.94 (31% upside) (Prev HK\$3.23)

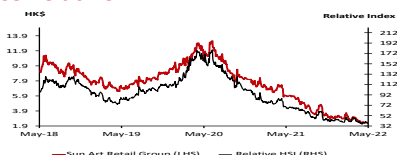
Analyst

Mavis Hui +852 36684188 mavis_hui@dbs.com
Clement Xu clementxu@dbs.com

What's New

- FY22 net loss of RMB0.83bn in line with profit warning
- Expect 7%/6% revenue growth in FY23/FY24 with better offline sales recovery, while B2C business should continue to grow at double-digit rates
- Efficiency improvement also supports margin recovery
- In view of its undemanding valuation, we upgrade from HOLD to BUY with new TP of HK\$2.94

Price Relative



Forecasts and Valuation

FY Mar (RMBm)	2021A	2022A	2023F	2024F
Turnover	93,086	88,134	94,303	99,490
EBITDA	7,708	3,880	5,841	6,511
Pre-tax Profit	3,063	(503)	1,246	1,701
Net Profit	2,183	(739)	835	1,140
Net Profit Gth (Pre-ex) (%)	(24.0)	N/A	N/A	36.5
EPS (RMB)	0.23	(0.08)	0.09	0.12
EPS (HK\$)	0.27	(0.09)	0.10	0.14
EPS Gth (%)	(24.0)	N/A	N/A	36.5
Diluted EPS (HK\$)	0.27	(0.09)	0.10	0.14
DPS (HK\$)	0.13	0.04	0.05	0.07
BV Per Share (HK\$)	3.24	2.96	2.99	3.04
PE (X)	8.3	nm	21.8	16.0
P/Cash Flow (X)	2.3	5.1	4.3	3.0
P/Free CF (X)	3.2	nm	39.1	7.5
EV/EBITDA (X)	0.0	0.0	0.1	0.1
Net Div Yield (%)	5.8	2.0	2.3	3.1
P/Book Value (X)	0.7	0.8	0.8	0.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	8.4	(2.9)	3.5	4.7
Earnings Rev (%)			(14)	(8)
Consensus EPS (RMB)			0.177	0.151
Other Broker Recs:		B:7	S:1	H:8

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

Better recovery ahead despite lingering competition

Investment Thesis

FY22 results in line. Sun Art recorded FY22 attributable loss of RMB0.74bn, vs. its attributable profit of RMB2.2bn in FY21. Core net profit was estimated at RMB0.58bn upon stripping away impairment provisions, above our expectations. Revenue contracted by 5.3% y-o-y to RMB88bn in FY22 as a result of intense competition and COVID-19 disruptions. GP margin also dropped 1.5ppt to 24.4% amid the changes in product/channel mix.

Offline sales recovery on the way. Supported by the higher demand for food and groceries, Sun Art has attained 5.7% same-store sales growth (SSSG) in April 2022 despite the COVID-19 disruptions in Shanghai and Jilin. Although competition from community group buying (CGB) platforms may continue in the near term, we expect Sun Art to score 7%/6% sales growth for FY23/FY24, driven by its successful hypermarket remodelling, the easing COVID-19 impacts, and the consolidation of the CGB sector. We also believe that Sun Art's continuing expansion in multi-store format may also serve as growth driver in the medium and longer run.

Promising online business. We believe Sun Art should continue to grow its B2C online business by double-digit in FY23/FY24 and aim at c.40% revenue contribution in the long run. In the meantime, Sun Art continues to improve operating efficiency in both online and offline channels, and is targeting at net profit margin of 2-3% over the medium term.

Valuation:

We cut FY23/FY24 earnings by 14%/8% in view of the impacts of COVID-19 resurgence and near-term competition. Our TP of HK\$2.94 is pegged to a 26x rolling PE. (Previous TP: 26x FY23 PE).

Where we differ:

We are more prudent than the consensus for FY23/FY24, as the overall retail industry in China remains volatile in the near term amid geopolitical uncertainties, rising inflation, and significant impacts from COVID-19 resurgence. Nevertheless, Sun Art may still achieve a relatively faster recovery than its peers, along with sound B2C performance and further consolidation of the CGB segment.

Key Risks to Our View:

Food safety issues, catastrophic events, etc.

At A Glance

Issued Capital (m shrs)	9,540
Mkt Cap (HKm/US\$m)	23,373 / 2,978
Major Shareholders (%)	
Alibaba Group Holding Ltd.	78.7
Free Float (%)	21.3
3m Avg. Daily Val. (US\$m)	4.45
GICS Industry: Consumer Staples / Food & Staples Retailing	



Watchlist the stock on Insights Direct to receive prompt updates



Sun Art Retail Group**WHAT'S NEW**

FY22 results highlights. In FY22 (i.e., 12 months ended Mar 2022), Sun Art recorded net loss/attributable loss of RMB0.83bn/RMB0.74bn vs. its net profit/attributable profit of RMB2.3bn/RMB2.2bn in FY21. Adding back the after-tax provision of c.RMB1.4bn from store impairment, special loss allowance, and litigation, core net profit should amount to RMB0.58bn, above our expectations. Revenue contracted by 5.3% y-o-y to RMB88bn in FY22, with SSSG of -6.7%, mainly due to the fierce competition in offline sales from other channels such as CGB along with impacts of the COVID-19 resurgence in 2H FY22. Gross profit declined by 11% to RMB21.4bn while the GP margin dropped 1.5ppt to 24.4%, mainly due to the higher contribution from fresh food products and online sales. Operating profit was down by 99.5% y-o-y to RMB18m, mainly due to the RMB1.9bn pre-tax provision, excluding which operating profit would amount to c.RMB1.9bn, with an OP margin of 2.1%. Sun Art also proposed a FY22 final DPS of HK\$0.045/RMB0.038, despite the net loss.

Offline sales recovery. Faced with the fierce competition from CGB players and the lingering sales pressure, Sun Art has further launched its hypermarket remodelling version 2.0 that focuses on larger shopping scenes, more fresh products, and an optimised tenant structure. In fact, the first remodeled store has seen a double-digit SSSG y-o-y in 2H FY22 vs. the decline in 1H FY22. Riding on the success of the pilot store, we believe Sun Art further should aim to remodel 50+ hypermarkets into "offline experience centers" under its new remodelling scheme in FY23. Despite the near-term COVID disruptions on store operations, Sun Art has attained sequential improvements since March 2022. Out of its 504 hypermarkets in China, Sun Art currently operates 10/26 hypermarkets in Jilin/Shanghai. Sun Art has recorded an overall positive SSSG in March this year, followed by a SSSG of 5.7% y-o-y in April (or 11.3% if excluding the COVID impacts in Shanghai and Jilin), supported by the recovery of consumer traffic driven by the increasing demand for food and groceries. Although the sales pressure posed by CGB players may continue in the near-term, we expect Sun Art to see a better recovery in offline sales and to attain 7%/6% revenue growth in FY23/FY24, with the easing COVID-19 impacts in the coming months and to retrieve customer traffic amid the normalising business environment.

Multi-store format a key focus. In addition to hypermarkets, Sun Art continues to expand its smaller store formats featuring its superstore (RT-Super) and mini store (RT-Mini), with currently 9 and 103 stores under operation, respectively. While RT-Super is already profit-making, Sun Art has also narrowed the loss in RT-Mini with positive cash flows during FY22. We expect RT-Mini to also see a turnaround and achieve above breakeven in FY23. We believe Sun Art should continue to invest in these smaller stores in FY23/FY24. Looking ahead, RT-Mini could also potentially serve as the logistics centres to support Sun Art's online sales fulfillment.

Online channel to boost sales growth. During FY22, the average daily order per store (DOPS) of Sun Art's B2C business grew by a double-digit percentage to 1,250, while the average ticket size also increased by 6.5% y-o-y to RMB70 per order. In 2H FY22, B2C online sales contributed 30% to Sun Art's total revenue (vs. 25% in 1H FY22). While Sun Art has already scored positive results in its B2C business, we believe Sun Art should further aim at a 1% net profit margin in FY23/FY24. We also expect Sun Art to continue to expand its online segment and aim at a 40% revenue contribution from B2C platforms in the long run. Meanwhile, the cooperation with Alibaba Group's CGB business (i.e., Taocaicai [淘菜菜]) also saw strong expansion during FY22 and should continue to support Sun Art's revenue growth.

Ongoing efficiency improvement. To cope with near-term competition from e-grocery players, Sun Art should continue to improve its operating efficiency by leveraging on its fresh processing centres to achieve scale economy in the future. We believe Sun Art would see sequential GP margin improvements in its fresh product sales with room of 5-6ppt for GP margin expansion in the sector. In the meantime, Sun Art is also committed to reducing staff cost in its hypermarket format that is supported by Sun Art's ongoing remodelling in the medium to long run. With competition from other B2C players potentially easing (e.g., increasing delivery charges for customers), Sun Art's B2C business should also score a GP margin closer to that of the offline sales of hypermarkets going ahead.

Sun Art Retail Group

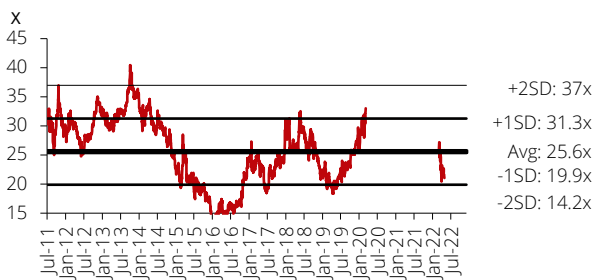
Company Background

Sun Art is a leading hypermarket operator in China. As of 31 Mar 2022, the company operated a total of 490 hypermarkets under “RT-Mart”, nine supermarkets under “RT-Super”, and 103 “RT-Mini” stores, with total GFA of 13.7m sqm. As of 31 Mar 2022, Taobao China directly or indirectly held 78.7% of the issued share capital in Sun Art,

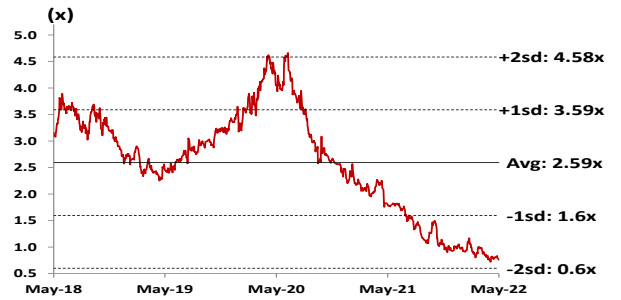
and, therefore, is the ultimate controlling shareholder of the company.

Historical PE and PB band

Forward PE band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

Sun Art Retail Group

Segmental Breakdown (RMB m)

FY Mar	2020A	2021A	2022A	2023F	2024F
Revenues (RMB m)					
Sales of goods	91,984	89,458	84,595	90,587	95,514
Rental income	3,502	3,628	3,539	3,716	3,976
Total	95,486	93,086	88,134	94,303	99,490

Source: Company, DBS HK

Income Statement (RMB m)

FY Mar	2020A	2021A	2022A	2023F	2024F
Revenue	95,486	93,086	88,134	94,303	99,490
Cost of Goods Sold	(71,143)	(68,960)	(66,661)	(70,256)	(73,424)
Gross Profit	24,343	24,126	21,473	24,047	26,066
Other Opng (Exp)/Inc	(19,679)	(20,522)	(21,455)	(22,291)	(23,865)
Operating Profit	4,664	3,604	18	1,756	2,201
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	(3)	(4)	(1)	(1)	0
Net Interest (Exp)/Inc	(547)	(537)	(520)	(510)	(499)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	4,114	3,063	(503)	1,246	1,701
Tax	(1,068)	(769)	(323)	(349)	(476)
Minority Interest	(174)	(111)	87	(62)	(85)
Preference Dividend	0	0	0	0	0
Net Profit	2,872	2,183	(739)	835	1,140
Net Profit before Except.	2,872	2,183	(739)	835	1,140
EBITDA	8,768	7,708	3,880	5,841	6,511
Growth					
Revenue Gth (%)	0.1	(2.5)	(5.3)	7.0	5.5
EBITDA Gth (%)	(5.7)	(12.1)	(49.7)	50.5	11.5
Opg Profit Gth (%)	(4.6)	(22.7)	(99.5)	9,656.1	25.3
Net Profit Gth (%)	1.3	(24.0)	N/A	N/A	36.5
Margins & Ratio					
Gross Margins (%)	25.5	25.9	24.4	25.5	26.2
Opg Profit Margin (%)	4.9	3.9	0.0	1.9	2.2
Net Profit Margin (%)	3.0	2.3	(0.8)	0.9	1.1
ROAE (%)	11.6	8.4	(2.9)	3.5	4.7
ROA (%)	4.1	3.1	(1.1)	1.2	1.6
ROCE (%)	10.2	7.8	0.1	4.0	5.1
Div Payout Ratio (%)	0.0	48.1	N/A	50.0	50.0
Net Interest Cover (x)	8.5	6.7	0.0	3.4	4.4

Source: Company, DBS HK

Sun Art Retail Group

Balance Sheet (RMB m)

FY Mar	2020A	2021A	2022A	2023F	2024F
Net Fixed Assets	33,054	33,388	30,331	30,629	30,570
Invt in Associates & JVs	0	0	0	0	0
Other LT Assets	1,309	1,297	1,678	1,829	1,994
Cash & ST Invt	18,501	21,285	19,912	18,518	18,907
Inventory	14,928	9,990	9,723	13,522	14,265
Debtors	2,835	3,267	4,102	4,269	4,504
Other Current Assets	0	0	0	0	0
Total Assets	70,627	69,227	65,746	68,766	70,241
ST Debt	0	0	0	0	0
Creditors	23,819	20,644	20,211	23,253	24,532
Other Current Liab	12,534	13,472	13,882	14,154	14,432
LT Debt	0	0	0	0	0
Other LT Liabilities	7,116	7,257	6,587	5,971	5,417
Shareholder's Equity	25,487	26,223	23,958	24,217	24,604
Minority Interests	1,671	1,631	1,108	1,170	1,255
Total Cap. & Liab.	70,627	69,227	65,746	68,766	70,241
Non-Cash Wkg. Capital	(18,590)	(20,859)	(20,268)	(19,616)	(20,195)
Net Cash/(Debt)	18,501	21,285	19,912	18,518	18,907
Debtors Turn (avg days)	11.1	12.0	15.3	16.2	16.1
Creditors Turn (avg days)	135.2	125.1	118.7	119.9	126.2
Inventory Turn (avg days)	88.9	70.1	57.3	64.1	73.4
Asset Turnover (x)	1.3	1.3	1.3	1.4	1.4
Current Ratio (x)	1.0	1.0	1.0	1.0	1.0
Quick Ratio (x)	0.6	0.7	0.7	0.6	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	N/A	N/A	N/A	N/A
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

Cash Flow Statement (RMB m)

FY Mar	2020A	2021A	2022A	2023F	2024F
Pre-Tax Profit	4,114	3,063	(503)	1,246	1,701
Dep. & Amort.	4,104	4,104	3,862	4,085	4,310
Tax Paid	(1,131)	(1,103)	(323)	(349)	(476)
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	918	1,730	330	(924)	300
Other Operating CF	199	203	203	207	211
Net Operating CF	8,204	7,998	3,569	4,265	6,046
Capital Exp.(net)	(1,561)	(2,320)	(4,000)	(3,800)	(3,610)
Other Invt.(net)	(9,750)	(2,852)	7,131	0	0
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	368	329	(831)	336	336
Net Investing CF	(10,943)	(4,843)	2,300	(3,464)	(3,274)
Div Paid	(1,498)	(1,049)	(363)	(417)	(570)
Chg in Gross Debt	0	0	0	0	0
Capital Issues	0	0	0	0	0
Other Financing CF	(1,483)	(1,540)	(1,743)	(1,778)	(1,814)
Net Financing CF	(2,981)	(2,590)	(2,106)	(2,195)	(2,383)
Currency Adjustments	0	0	0	0	0
Chg in Cash	(5,720)	565	3,763	(1,394)	389
Opg CFPS (RMB)	0.76	0.66	0.34	0.54	0.60
Free CFPS (RMB)	0.70	0.60	(0.05)	0.05	0.26

Source: Company, DBS HK

Sun Art Retail Group

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	27-May-21	HK\$5.84	HK\$8.42	Buy
2:	3-Nov-21	HK\$3.72	HK\$3.81	Hold
3:	9-Feb-22	HK\$2.91	HK\$3.06	Hold
4:	14-Mar-22	HK\$2.70	HK\$3.23	Buy
5:	29-Mar-22	HK\$3.06	HK\$3.23	Hold

Source: DBS HK

Analyst: *Mavis Hui*
Clement Xu

Sun Art Retail Group

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: 25 May 2022 17:29:38 (HKT)

Dissemination Date: 25 May 2022 18:29:57 (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.

Sun Art Retail Group

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 23 May 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 Bank Ltd, London Branch ("DBS UK"). DBS Bank Ltd is regulated by the Monetary Authority of Singapore. DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, 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 UK. 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>

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

Sun Art Retail Group

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

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

SINGAPORE

DBS Bank Ltd

Contact: Paul Yong

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 Pivat 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