China / Hong Kong Industry Focus

China E-commerce Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity 3 Oct 2023

Is growth momentum sustainable into 2H23 amid macro uncertainty?

- **Consumption downgrade in fact benefits e-commerce platforms given their low-price strategy; expect leading e-commerce to outperform overall retail growth**
- **Competition remains rational, as reflected by steady margin**
- **Online penetration rate stood at only 27% if excluding product returns, representing further room to grow**
- **Prefer PDD (PDD US) to Alibaba (9988 HK) and JD.com (9618 HK), thanks to its stronger revenue growth profile supported by its focus on low-price strategy**

Riding on consumption downgrade. Leading China e-commerce companies reported revenue-beating results in 2Q23, thanks to consumption downgrade. Looking ahead, online shopping is favoured amid economic uncertainty as prices of products sold on online channels are c.5-15% lower than that of traditional brick-and-mortar outlets. E-commerce platforms have also been enriching product offerings and prioritising value-for-money products to cater to this rising demand.

Rising online penetration with rational competition. The online penetration rate in China stood at only 27% if we use net Gross Merchandise Value "GMV" (vs. c.40% based on gross GMV), taking into account a 30-50% product return rate. This suggests further room to grow, with our sector growth rate projection of c.10% p.a. during 2023-2025. Competition remains rational, as demonstrated by the robust revenue and yet stable margin in 2Q23. Facing competition from Douyin and PDD, Alibaba has stepped up investment into its live streaming and affordable product offering, supporting steady revenue growth in Taobao and Tmall.

Prefer PDD > Alibaba > JD.com. We remain bullish on the medium-term revenue and earnings outlook for e-commerce players. We expect Alibaba, JD.com, and PDD's e-commerce segment to deliver 10%, 4%, and 48% y-o-y revenue growth, respectively, in 3Q23. We prefer PDD to Alibaba and JD.com, as it benefits the most from rising demand for value products and has the strongest growth profile supported by its focus on low-price strategy. Alibaba's revenue growth will be more driven by local consumer services, Cainiao as well as Digital Media and Entertainment segment. Profitability will be enhanced with narrower loss from non-e-commerce segments. Maintain BUY.

HSI: 17,810

ANALYSTS
Tsz Wang Tam +852 36684195 tszwangtam@dbs.com
Lilian Lv lilianlv@dbs.com
Andy Yu andyyuakh@dbs.com

Recommendation & valuation

Company	Currency	Price Local$	Target Price Local$	Recom	Mkt Cap US$m
Alibaba (9988 HK)	HKD	85.60	169	BUY	222,720
JD.com (9618 HK)	HKD	115.10	265	BUY	46,737
PDD (PDD US)	USD	99.67	159	BUY	131,523

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK")

DBS Insights Direct

Watchlist the stock on Insights Direct to receive prompt updates

ed- BM / sa-CS /AH

Introduction

Leading e-commerce companies Alibaba (9988 HK), JD.com (9618 HK), and PDD (PDD US) registered stronger-than-expected revenue growth in 2Q23. PDD's revenue increased by 66% y-o-y, while Alibaba's Taobao and Tmall segment revenue grew 12% y-o-y, with CMR rising by 10% y-o-y, reversing the downtrend seen in the past four consecutive quarters. JD.com's retail revenue increased by 5% y-o-y. While the market was excited about the growth recovery, there were also concerns about its sustainability amid the sluggish macro environment as well as the potential heating up of competition.

2Q23 results analysis

The market beating 2Q23 performance was supported by the consumption downgrade as well as the successful execution of individual companies' respective strategies, e.g., JD.com's Rmb10bn in subsidies and Alibaba's investment in enriching its low-price product offerings.

Quarterly revenue growth of leading e-commerce platforms (y-o-y change)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Alibaba (China commerce)	21%	45%	-19%	36%	-3%	-1%	3%	-1%	-3%	12%
JD.com (JD retail)	35%	23%	23%	21%	17%	4%	7%	4%	-2%	5%
PDD	239%	89%	51%	3%	7%	36%	65%	46%	58%	66%

Note: Alibaba's 2Q23 growth is based on Taobao Tmall Group segment, due to changes of segment disclosure

Source: Companies, DBS HK

Alibaba. Taobao and Tmall revenue increased by 12% y-o-y (vs. market expectations of 8%) in 2Q23, with CMR rising by 10% y-o-y, reversing the downtrend seen over the past four quarters. Segment EBITA grew by 9% y-o-y, with the margin slightly contracting from 44% to 43% in the quarter ended Jun. Management explained that the company stepped up investment to enhance the user experience of and, in turn, traffic to the Taobao app over the past few quarters, which started yielding positive results in 2Q23. International digital commerce, Local Services, Cainiao as well as Digital Media and Entertainment segment revenue grew by 41%, 30%, 34% and 36% y-o-y respectively. They are the key drivers for group revenue growth.

JD.com. JD retail revenue rose 5% y-o-y, vs. market expectations of 3%. If we were to exclude the short-term impact from strategic adjustments (streamlining SKUs), the growth rate should be a double-digit percentage. Management shared that GMV growth was actually a few percentage points higher than revenue growth. There were also seasonal factors that dictated price cuts for certain branded products, which stimulated buying interest in 2Q23. The JD retail margin remains at a stable level of 3.2%, vs. 3.4% in 2Q22 and 4.6% in 1Q23. JD Logistics revenue grew by 31% y-o-y, with operating income increasing to Rmb510m, compared with 2Q22's Rmb36m.

PDD. Revenue surged 66% y-o-y, exceeding market expectations by 22%, thanks to its successful execution of its low-price strategy amid economic uncertainty. Besides, expansion of its overseas e-commerce platform Temu contributed to transaction services revenue.

Market share of leading e-commerce platforms

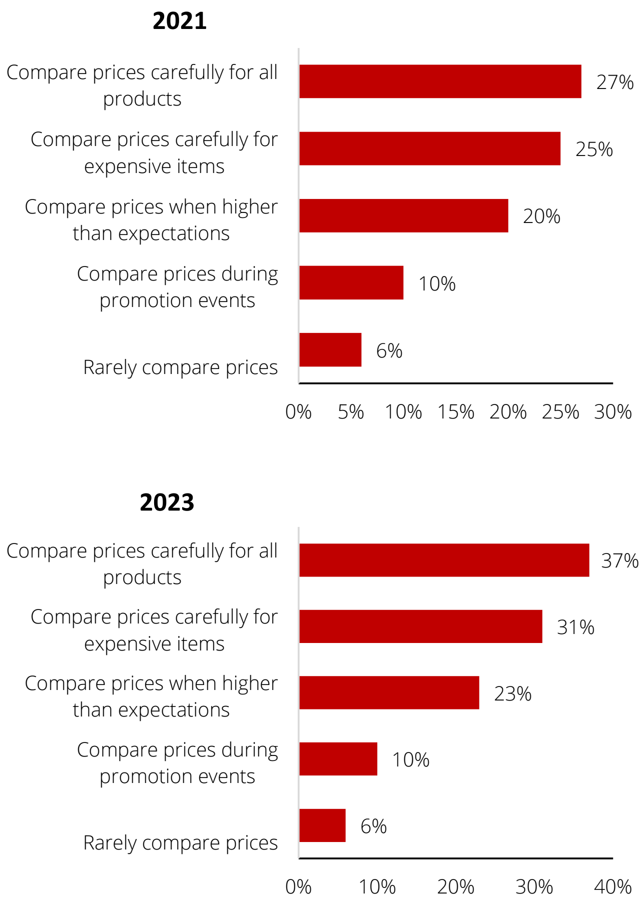
	2021	2022	2023F
Alibaba	52%	47%	44%
JD.com	20%	19%	18%
PDD	16%	17%	19%
Others	13%	17%	20%

Note 1: Market share is based on net GMV

Note 2: Others include live streaming platforms such as Douyin and Kuaishou

Source: Companies, DBS HK

Consumer price comparison behaviour (2021 vs 2023)



Note: A high proportion indicates that more people tend to choose this option during the survey

Source: Syntun, DBS HK

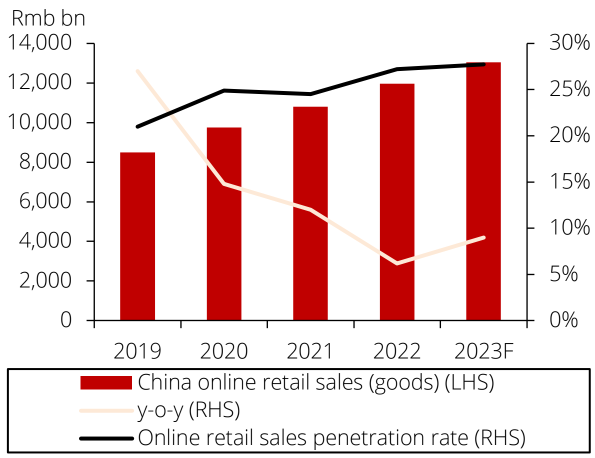
3Q23 outlook

Consumption downgrade. The market is expecting a consumption downgrade amid macroeconomic uncertainty. According to Syntun survey, Chinese consumers are becoming more price-sensitive and cautious on consumption spending in 2023, with 68% now rigorously comparing prices in their daily shopping, marking a 12% increase from 2021. This signals a preference for channels that offering products with competitive prices. E-commerce platforms are, by nature, "go-to" channels where customers seek for low-price or affordable products, especially unbranded clothing, cosmetics, and daily necessities. Pricing on e-commerce platforms is generally 5-15% lower than that of traditional brick-and-mortar outlets. PDD has been focusing on a "low-price strategy". Alibaba and JD.com started prioritising value-for-money offerings to cater to rising consumption demand.

Online penetration. Some investors are concerned about the long-term growth outlook amid the currently high online penetration. If we were to use leading e-commerce platforms' reported GMVs, online penetration in China stood at c.40%. However, we cross-checked this against internet companies and understand from the market that the product return ratio could be high in certain categories (as much as 50%). Thus, the net GMV (paid and fulfilled) could be 30-50% lower than gross GMV. The penetration rate should stand at just 27% in 2022, based on net GMV.

Our sector growth forecast of c.10% p.a. during 2023-2025 looks feasible.

China online retail sales penetration rate



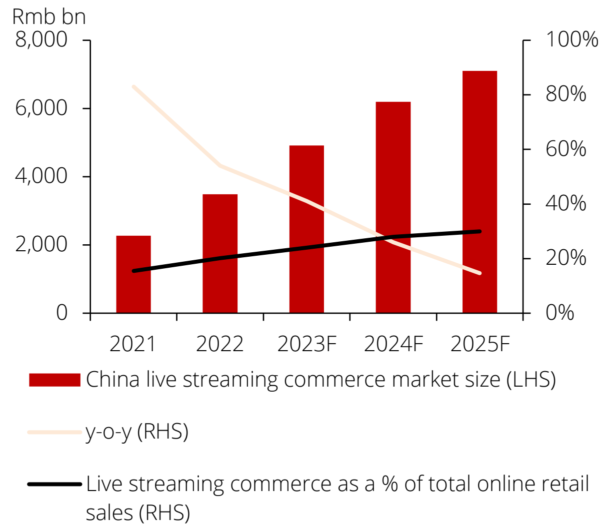
Source: NBS, DBS HK

Competition. We spoke with a few internet companies recently and concluded that the competition environment remains rational. The market has been concerned about potentially intensified market competition triggered by JD.com's Rmb10bn in subsidies. We believe it is more a campaign slogan. As highlighted by JD.com's management, the subsidies will be contributed by both JD.com and its merchants, and the net margin impact to JD retail is limited. As demonstrated in the 2Q23 results, leading e-commerce platforms can deliver respectable revenue growth while maintaining a steady margin. Meanwhile, e-commerce platforms are scaling down loss-making businesses which are positive to overall profitability.

On the other hand, live streaming platforms, such as Douyin and Kuaishou, are entering into the e-commerce market. Conventional e-commerce platforms such as Taobao view live streaming as an additional marketing tool. Taobao has ramped up "Taobao Live" to attract small and medium-sized merchants and KOLs to its live stream platforms, which will, in turn, lead to the retention of Taobao's user traffic and engagement.

All in all, product variety and fulfillment capability will be the key differentiators and limit the threat from live streaming platforms. In the medium term, we expect live streaming commerce market size will reach c.Rmb7 trillion, or account for 30% of online retail sales in 2025, up from 20% in 2022, which implies 27% p.a. revenue growth during 2022-2025.

China live streaming commerce market size



Source: Syntun, DBS HK

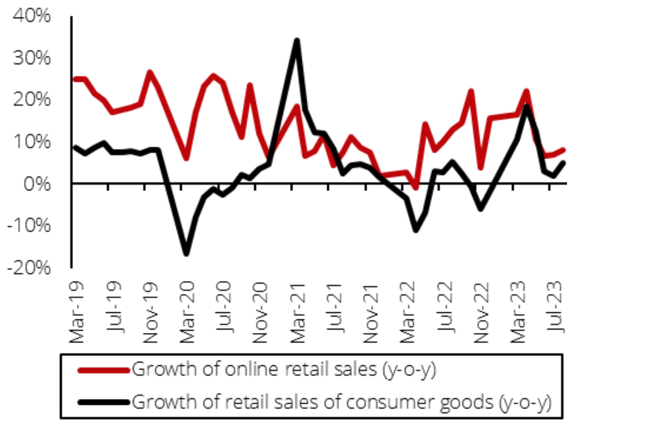
E-commerce revenue and net margin (2Q22 vs. 2Q23)

Revenue growth (y-o-y)	2Q22	2Q23
Alibaba	-0.3%	13.9%
JD.com	5.0%	8.0%
PDD	36.0%	66.3%
Adjusted net margin		
Alibaba	15.0%	19.0%
JD.com	2.4%	3.0%
PDD	34.0%	29.0%

Source: Companies, DBS HK

Retail sales. Retails sales growth in July and Aug was 2% y-o-y and 5% y-o-y, respectively, reflecting a slowdown from 2Q23's 11%. Online retail sales growth remained solid at 8% y-o-y in Aug. We expect online retail sales y-o-y growth will be moderated in 3Q23, but it should continue to outpace overall retail sales.

China online retail sales vs. overall retail sales



Source: NBS, DBS HK

Operating matrices of leading e-commerce platforms

	Alibaba	JD.com	PDD
GMV in 2022 (Rmb bn)	8,116	3,484	3,040
Annual active customer (m)	903	570	869
ARPU (Rmb)	8,479	6,068	3,360
Adjusted net margin	16%	3%	30%
Category focus	Apparel, cosmetics, home appliances	Electronics, home appliances, FMCG	Fresh grocery, daily necessities
Strength	Wide product range with Tmall focusing on high-quality products and Taobao providing diversified products	Self-built fulfillment infrastructure, and strong supply chain management in 3C products	Low-price strategy and white-label products

Note: The figures are based on FY22 financial data, and Alibaba's figures are based on FY3/2023 financial data

Source: Companies, DBS HK

Conclusion and valuation

Looking ahead, we expect Alibaba, JD.com, and PDD's e-commerce segments to deliver 10%, 4%, and 48% y-o-y revenue growth, respectively, in 3Q23. The growth rate will be slightly moderated from 2Q23, given the low base in 2Q22. However, the medium-term momentum will remain healthy, supported by creative content and enhanced product offerings. We prefer PDD due to its stronger growth profile supported by its low-price strategy that is favoured amid economic uncertainty. Bearing the quarterly volatility, we remain bullish on FY24 and FY25 outlook. In terms of valuation, we are inclined to use PE as the core of the valuation matrix, given that earnings are more sustainable and predictable going forward.

Valuation of leading e-commerce platforms

	P/S	P/GMV	P/E	2023-25 earnings CAGR	2023-25 revenue CAGR
Alibaba	1.1	0.2	8.2	17%	12%
JD.com	0.3	0.1	9.4	17%	10%
PDD	3.6	0.2	12.7	25%	22%

Note: The ratio is based on FY24 financial data and FY3/25 for Alibaba; Earnings refers to the adjusted earnings

Source: Companies, DBS HK

Alibaba. We forecast China e-commerce to grow by 10% y-o-y and 10% y-o-y for 2QFY3/24 and FY3/24, respectively; and overall revenue to grow by 11% y-o-y and 14% y-o-y for 2QFY3/24 and FY3/24, respectively. Other growth drivers include its international commerce business, where AliExpress's Choice 1P is inflating revenue (compared with the 3P business previously), local services (mainly Ele.me), Cainiao as well as Digital Media and Entertainment segment. Note that some non-e-commerce segments are still loss making except Cainiao and Digital Media and Entertainment segment where EBITA contribution was 2% and <1% respectively to the group as of 1QFY3/24.

We forecast non-GAAP net profit to increase by 16% to Rmb186bn in FY3/24. Maintain BUY with TPs of HK$169/US$171 based on SOTP methodology. (1) Core commerce: 15x PE on FY3/24F core commerce earnings (HK$142); (2) cloud: 3x price-to-sales on FY3/24F (HK$13); (3) local services: 3x P/S on FY3/24F (HK$10); (4) Cainiao: 1x P/S on FY3/24F (HK$4). Note that Alibaba has recently announced the IPO of Cainiao Logistics at an estimated valuation of US$20bn, based on news reporting. If we were to apply 66% shareholdings, it will be translated into HK$5 per share of Alibaba, representing a slight upside to our current assigned valuation of HK$4 per share.

JD.com. We forecast JD retail to grow by 3% y-o-y and 3% y-o-y for 3Q23 and FY23, respectively, and overall revenue to grow by 4% y-o-y and 5% y-o-y for 3Q23 and FY23, respectively. We expect the JD retail margin to improve to 4.7% y-o-y in 3Q23 (vs. 2Q23's 3.2%). We expect non-GAAP net profit to increase by 27% y-o-y to Rmb36bn in FY23 and 19% y-o-y to Rmb43bn in FY24. Maintain BUY with TPs of HK$265 /US$67 based on (1) core retail business valuation:10x PE on FY24F core profit (HK$149) and (2) fair value of other investees (HK$116).

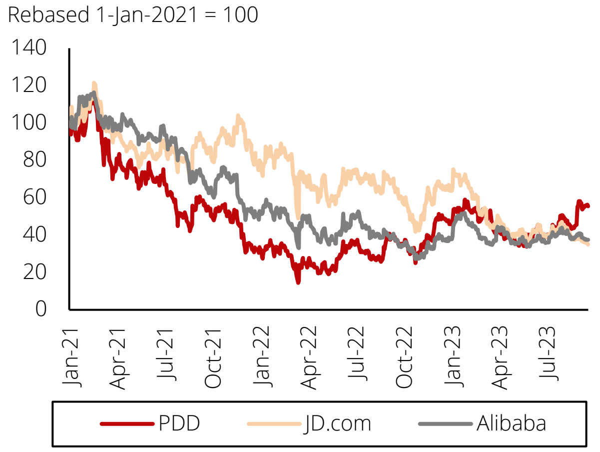
PDD. We forecast revenue will grow by 49% y-o-y to 3Q23 and 55% y-o-y in FY23. Management re-iterated that its overseas business Temu is still at the exploration stage, and no operating matrices will be disclosed in the near term. We expect PDD's net margin will remain at 20%+ over the next few years. Maintain BUY with TP of US$159, premised on 20x FY24 non-GAAP net profit, on the back of 25% p.a. earnings growth during FY23F-FY25F.

Share price performance

Share price performance (%)	1-mth	3-mth	6-mth	12-mth	YTD
Alibaba Group (9988 HK)	(5.8)	4.1	(9.5)	11.4	(0.8)
JD.com (9618 HK)	(14.0)	(13.4)	(27.7)	(43.0)	(47.7)
PDD (PDD US)	5.2	42.3	34.6	61.4	20.3
HSI Index	(3.6)	(5.9)	(11.8)	3.8	(10.0)
HSTECH Index	(7.4)	(0.3)	(7.7)	12.6	(5.0)

Source: Thomson Reuters

Share price performance



Source: Thomson Reuters

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: 3 Oct 2023 15:09:38 (HKT)
Dissemination Date: 3 Oct 2023 16:58:13 (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.

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 associate[1] 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 interests[2] 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 have proprietary positions in Alibaba (HK) (9988 HK) and JD.com Inc (9618 HK) recommended in this report as of 29 Sep 2023.

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	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. 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. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
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	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. Wong Ming Tek, Executive Director, ADBSR
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	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. For any query regarding the materials herein, please contact [Chanpen Sirithanarattanakul] at [research@th.dbs.com]
United Kingdom	This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority 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. 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.

Dubai International Financial Centre	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. 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. 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. 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. 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). 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. 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.
United States	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.
Other jurisdictions	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.

DBS Bank (Hong Kong) Limited

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

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

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 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