

China / Hong Kong Company Update

PetroChina

Bloomberg: 857 HK EQUITY | Reuters: 0857.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Nov 2020

BUY

Last Traded Price (30 Oct 2020): HK\$2.17 (HSI : 24,107)

Price Target 12-mth: HK\$4.00 (84.3% upside)

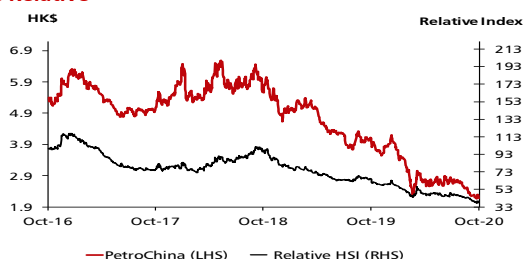
Analyst

Pei Hwa HO +65 6682 3714 peihwa@dbs.com

What's New

- 3Q20 back in the black; encouraging signs of recovery across segments
- Optimistic outlook underpinned by strong China economic recovery
- Expect decent final dividend translating to 9% yield for FY20
- Reiterate BUY; TP HK\$ 4.00

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2019A	2020F	2021F	2022F
Turnover	2,516.810	2,088.362	2,201.345	2,286.877
EBITDA	374.753	280.635	340.034	351.687
Pre-tax Profit	103.214	52.048	70.204	83.320
Net Profit	45.682	20.039	34.400	40.827
Net Pft (Pre Ex) (core profit)	65.181	(25.781)	34.400	40.827
Net Profit Gth (Pre-ex) (%)	(9.6)	N/A	N/A	18.7
EPS (RMB)	0.25	0.11	0.19	0.22
EPS (HK\$)	0.29	0.13	0.22	0.26
Core EPS (RMB)	0.36	(0.14)	0.19	0.22
Core EPS (HK\$)	0.41	(0.16)	0.22	0.26
EPS Gth (%)	(13.1)	(56.1)	71.7	18.7
Core EPS Gth (%)	(9.6)	N/A	N/A	18.7
Diluted EPS (HK\$)	0.29	0.13	0.22	0.26
DPS (HK\$)	0.17	0.20	0.11	0.13
BV Per Share (HK\$)	7.79	7.72	7.83	7.95
PE (X)	7.5	17.1	10.0	8.4
CorePE (X)	5.3	nm	10.0	8.4
P/Cash Flow (X)	1.0	1.1	1.1	1.0
P/Free CF (X)	12.9	8.9	85.5	6.9
EV/EBITDA (X)	2.4	3.0	2.6	2.5
Net Div Yield (%)	7.7	9.1	5.0	6.0
P/Book Value (X)	0.3	0.3	0.3	0.3
Net Debt/Equity (X)	0.2	0.2	0.2	0.2
ROAE (%)	3.7	1.6	2.8	3.3
Earnings Rev (%)		(21)	(48)	New
Consensus EPS (RMB)		(0.01)	0.11	0.23
Other Broker Recs:		B:10	S:4	H:4

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

Adding another page to the turnaround story

Investment Thesis

Trading near trough valuation at <0.3x P/BV, 2SD below its 5-year mean, which has priced in expectations of weak earnings and wider imported gas losses.

Pipeline asset transfer has concluded. The market's muted response on the pipeline transfer to PipeChina announced at end-July seems unwarranted, despite achieving a better-than-expected valuation of 1.2x P/BV. The pipeline deal removes an overhang on PetroChina, as it will be the largest shareholder of PipeChina post transaction with a 29.9% stake.

PetroChina is also an underappreciated oil price proxy given its 60-70% earnings exposure to upstream segment.

Valuation:

Our SOTP-based TP is **HK\$4.00**, and the E&P segment alone is worth HK\$2.11/share, representing about 61% of the total equity value. Natural Gas & Pipeline, Refining & Chemicals, and Marketing account for the remaining 22%, 14% and 3% respectively.

Where we differ:

Market has over-penalised PetroChina for "national service" and concerns on imported gas losses. We are optimistic that the liberalisation of the gas sector to market-based pricing will eventually allow cost pass through. Its share price has also ignored the favourable pipeline deal.

Key Risks to Our View:

Oil price risk. OPEC+ members fail to comply with production cuts or US shale players ramp up output to higher-than-expected levels, oil prices may see a downward correction, impacting PetroChina's profits.

At A Glance

Issued Capital - H shares (m shs)	21,099
- Non H shrs (m shs)	161,922
H shs as a % of Total	12
Total Mkt Cap (HK\$m/US\$m)	809,117 / 104,375
Major Shareholders (%)	
China National Petroleum Corporation	94.3
Major H Shareholders (As % of H shares)	
H Shares-Free Float (%)	100.0
3m Avg. Daily Val. (US\$m)	29.16
GICS Industry: Energy / Oil, Gas & Consumable Fuels	



Live more, Bank less

WHAT'S NEW

In line quarter; broad-based recovery across all segments

3Q20 back in the black; results largely in line with consensus. PetroChina reported significantly higher headline net profit of RMB40.0bn in 3Q20, (+353.6% y-o-y, increase of RMB53.8bn from net loss of RMB13.8bn in 2Q20), largely driven by the recognition of divestment gains of RMB32.0bn during the quarter. Barring the one-time gain, net income would have come in at RMB8.0bn during the quarter, with 9M20 adjusted net loss at RMB21.9bn, which would be roughly in line with consensus' full-year projection of RMB15.2bn.

Sequentially stronger operating performance across the board. Core operating profit came in at RMB21.6bn (-13% y-o-y), a stark improvement from a net loss of RMB2.7bn in 2Q20:

- The upstream segment saw higher oil and gas prices, which helped temper the decline in production (-9.3% y-o-y).
- Its refining and petrochemical division recognised higher profits as PetroChina quickly optimised its product mix (reduced production of traditional fuels like jet fuel, and maximised production of chemical feedstock), and achieved higher production and sales volume on a quarterly basis.
- The marketing division also saw higher operating profits due to a strong showing by the company's trading arm, which booked pre-tax profit of RMB4.5bn in the third quarter.

Free cash flow contraction due to marked increase in capital spending; management maintained 20% reduction in FY20F capital spending. While PetroChina's operating cash flow in 3Q20 was fairly resilient at RMB84.2bn (-13.3% q-o-q), free cash flow was marginally negative as the company accelerated capital spending with the resumption of domestic supply chains during the period, raising 3Q20 capex to RMB86.1bn, up significantly from RMB25.8bn in 2Q20. Capital spending in 4Q20 will likely be much lower due to the absence of pipeline related capital spending and aggressive spending cuts across its other segments.

Management reiterated commitment to sustain steady dividend distributions. Even though PetroChina typically tries to maintain a 45% dividend payout ratio, the management highlighted that they will consider the interests of shareholders when formulating the final dividend. Despite the better-than-expected interim dividend, we believe that the substantial cash proceeds obtained from the divestment of its pipeline assets, and lower capital spending requirements,

should translate into another special final dividend to shareholders.

ESG-related initiatives to have limited near-term impact.

Unlike the European oil majors like Equinor and BP, that are taking considerable strides to diversify their operations into clean energy, we believe that oil and gas will continue to dominate PetroChina's asset portfolio in the short to medium term. Although PetroChina has announced its intention to be 'near carbon-neutral by 2050', the company is taking a more measured approach, and is only dedicating RMB10bn (c.US\$1.5bn) over the next five years on green energy projects, like wind and solar projects, and pilot projects along the hydrogen value chain.

Anticipate sequential earnings improvement in 4Q20 as China's domestic recovery remains on a firm footing.

PetroChina's management expressed confidence in domestic demand for refined oil/petrochemical products on the back of China's impressive economic growth momentum in the final quarter. Key demand indicators suggest that China's oil demand is already back at pre-COVID19 levels, and this will benefit PetroChina's refining and marketing operations. Meanwhile, its natural gas segment should realise healthier profits on the back of more robust winter gas demand. However, this will likely be moderated by weakness in its upstream division, as crude oil prices remain under pressure due to renewed fears over a resurgence in COVID-19 cases globally.

Cut FY20F earnings by 21% due to unfavourable tax movements; introduce FY22F earnings projection. Maintain BUY with unchanged TP of HK\$4.00. We are adjusting our FY20F earnings projection down by 20% primarily due to adverse tax implications, such as a higher than expected tax rate on gains recognised on the divestment of assets, and impact of non-tax-deductible expenses. Nonetheless, we still believe that the market is underappreciating PetroChina's turnaround story, with the stock trading at a new low of 0.3x P/BV (FY20F), and an impressive dividend yield (FY20F) of around 9%, despite passing its worst performance in 2Q20, and decent visibility on PetroChina's recovery trajectory. The dichotomy between its valuation and earnings prospects is far too wide, in our view, and will eventually correct itself as its multiples trend higher in the upcoming quarters.

Company Background

PetroChina is the largest integrated oil company in China with operations in the upstream, midstream and downstream segments (including chemicals) of the oil and gas value chain.

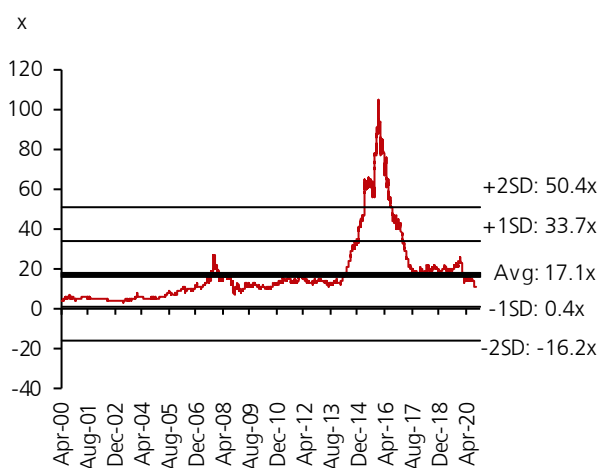
Quarterly Income Statement (RMBm)

FY Dec	3Q2019	2Q2020	3Q2020	% chg yoy	% chg qoq
Revenue	618,143	419,947	497,125	(19.6)	18.4
Cost of Goods Sold	(577,833)	(414,614)	(460,832)	(20.2)	11.1
Gross Profit	40,310	5,333	36,293	(10.0)	580.5
Other Oper. (Exp)/Inc	(15,590)	(7,997)	(15,789)	1.3	97.4
Operating Profit	24,720	(2,664)	20,504	(17.1)	(869.7)
Other Non Opg (Exp)/Inc	772	474	(494)	nm	nm
Associates & JV Inc	1,950	791	858	(56.0)	8.5
Net Interest (Exp)/Inc	(6,522)	(6,450)	(5,212)	20.1	19.2
Exceptional Gain/(Loss)	0.0	0.0	45,820	nm	nm
Pre-tax Profit	20,920	(7,847)	61,478	193.9	nm
Tax	(6,583)	(2,126)	(17,474)	165.4	721.9
Minority Interest	(5,507)	(3,778)	(3,952)	28.2	4.6
Net Profit	8,830	(13,753)	40,050	353.6	(391.2)
Net profit bef Except.	8,830	(13,753)	(5,770)	nm	(58.0)
EBITDA	83,816	55,166	71,871	(14.3)	30.3
Margins (%)					
Gross Margins	6.5	1.3	7.3		
Opg Profit Margins	4.0	(0.6)	4.1		
Net Profit Margins	1.4	(3.3)	8.1		

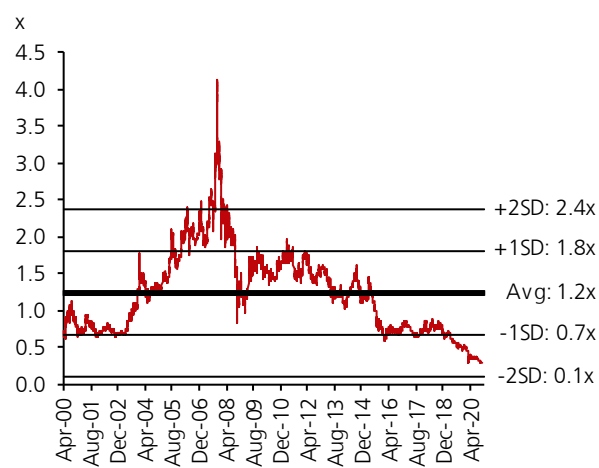
Source: Company, DBS HK

Historical PE and PB band

Forward PE band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
Brent price (US\$/bbl)	71.3	62.0	42.0	50.0	50.0
PetroChina realised crude oil price (RMB/ton)	3,213.0	2,821.0	1,801.0	2,201.2	2,201.2
PetroChina realised natural gas price (RMB/cubic metre)	1,367.0	1,313.0	1,590.1	1,517.8	1,758.7

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (RMB m)					
E&P	119,417	123,648	68,110	83,245	83,245
Refining & Chemicals	181,465	190,501	174,926	194,693	216,693
Marketing	1,722,466	1,850,234	1,431,426	1,540,042	1,556,268
Natural gas & pipeline	328,470	350,371	412,130	381,595	428,901
HQ and other	1,770	2,056	1,770	1,770	1,770
Total	2,353,588	2,516,810	2,088,362	2,201,345	2,286,877
Operating profit (RMB m)					
E&P	73,519	96,097	25,201	45,785	45,785
Refining & Chemicals	42,756	13,764	11,370	23,363	26,003
Marketing	(6,450)	(565)	1,431	3,080	3,113
Natural gas & pipeline	25,515	26,108	49,842	21,739	23,200
HQ and other	(14,343)	(13,642)	(10,232)	(10,743)	(11,280)
Total	120,997	121,762	77,613	83,224	86,820
Operating profit Margins (%)					
E&P	61.6	77.7	37.0	55.0	55.0
Refining & Chemicals	23.6	7.2	6.5	12.0	12.0
Marketing	(0.4)	0.0	0.1	0.2	0.2
Natural gas & pipeline	7.8	7.5	12.1	5.7	5.4
HQ and other	(810.3)	(663.5)	(578.1)	(607.0)	(637.3)
Total	5.1	4.8	3.7	3.8	3.8

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	2,353,588	2,516,810	2,088,362	2,201,345	2,286,877
Cost of Goods Sold	(2,213,092)	(2,375,549)	(2,056,569)	(2,118,121)	(2,200,057)
Gross Profit	140,496	141,261	31,793	83,224	86,820
Other Opng (Exp)/Inc	0	0	0	0	0
Operating Profit	140,496	141,261	31,793	83,224	86,820
Other Non Opng (Exp)/Inc	1,145	1	0	0	0
Associates & JV Inc	11,647	8,229	3,229	14,189	25,149
Net Interest (Exp)/Inc	(18,583)	(26,778)	(28,793)	(27,209)	(28,649)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	(19,499)	(19,499)	45,820	0	0
Pre-tax Profit	115,206	103,214	52,048	70,204	83,320
Tax	(42,790)	(36,199)	(23,422)	(21,061)	(24,996)
Minority Interest	(19,825)	(21,333)	(8,588)	(14,743)	(17,497)
Preference Dividend	0	0	0	0	0
Net Profit	52,591	45,682	20,039	34,400	40,827
Net Profit before Except.	72,090	65,181	(25,781)	34,400	40,827
EBITDA	385,217	374,753	280,635	340,034	351,687
Growth					
Revenue Gth (%)	16.8	6.9	(17.0)	5.4	3.9
EBITDA Gth (%)	22.1	(2.7)	(25.1)	21.2	3.4
Opg Profit Gth (%)	92.0	0.5	(77.5)	161.8	4.3
Net Profit Gth (%)	130.7	(13.1)	(56.1)	71.7	18.7
Margins & Ratio					
Gross Margins (%)	6.0	5.6	1.5	3.8	3.8
Opg Profit Margin (%)	6.0	5.6	1.5	3.8	3.8
Net Profit Margin (%)	2.2	1.8	1.0	1.6	1.8
ROAE (%)	4.4	3.7	1.6	2.8	3.3
ROA (%)	2.2	1.8	0.7	1.3	1.5
ROCE (%)	2.7	1.8	(2.4)	0.3	0.5
Div Payout Ratio (%)	62.2	57.7	155.3	50.0	50.0
Net Interest Cover (x)	7.6	5.3	1.1	3.1	3.0

Source: Company, DBS HK

Quarterly Income Statement (RMB m)

FY Dec	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020
Revenue	618,143	702,408	509,098	419,947	497,125
Cost of Goods Sold	(577,833)	(653,699)	(497,208)	(414,614)	(460,832)
Gross Profit	40,310	48,709	11,890	5,333	36,293
Other Oper. (Exp)/Inc	(15,590)	(22,330)	(15,269)	(7,997)	(15,789)
Operating Profit	24,720	26,379	(3,379)	(2,664)	20,504
Other Non Opg (Exp)/Inc	772	(481)	(31)	474	(494)
Associates & JV Inc	1,950	1,572	(221)	791	858
Net Interest (Exp)/Inc	(6,522)	(6,952)	(7,040)	(6,450)	(5,212)
Exceptional Gain/(Loss)	0	0	0	0	45,820
Pre-tax Profit	20,920	20,518	(10,670)	(7,847)	61,478
Tax	(6,583)	(6,978)	(2,678)	(2,126)	(17,474)
Minority Interest	(5,507)	(5,111)	(2,881)	(3,778)	(3,952)
Net Profit	8,830	8,429	(16,230)	(13,753)	40,050
Net profit bef Except.	8,830	8,429	(16,229)	(13,751)	(5,768)
EBITDA	87,751	87,751	54,195	55,166	71,871

Growth (QoQ)

Revenue Gth (%)	2.8	13.6	(27.5)	(17.5)	18.4
EBITDA Gth (%)	(13.7)	4.7	(38.2)	1.8	30.3
Opg Profit Gth (%)	(39.9)	6.7	(112.8)	(21.2)	(869.7)
Net Profit Gth (%)	(51.4)	(4.5)	(292.5)	(15.3)	(391.2)

Growth (YoY)

Revenue Gth (%)	2.8	9.1	(14.4)	(30.2)	(19.6)
EBITDA Gth (%)	(14.2)	5.0	(37.4)	(43.2)	(14.3)
Opg Profit Gth (%)	(43.8)	137.2	(111.5)	(106.5)	(17.1)
Net Profit Gth (%)	(58.0)	88.7	N/A	N/A	353.6

Margins

Gross Margins (%)	6.5	6.9	2.3	1.3	7.3
Opg Profit Margins (%)	4.0	3.8	(0.7)	(0.6)	4.1
Net Profit Margins (%)	1.4	1.2	(3.2)	(3.3)	8.1

Source: Company, DBS HK

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	1,709,388	1,783,224	1,553,533	1,610,912	1,671,194
Invts in Associates & JVs	89,362	102,073	244,802	248,991	264,140
Other LT Assets	203,886	380,700	381,200	381,700	382,200
Cash & ST Invts	95,489	110,665	205,918	164,794	162,116
Inventory	177,577	181,921	156,627	165,101	171,516
Debtors	59,522	64,184	41,767	44,027	45,738
Other Current Assets	105,653	110,143	99,147	104,511	108,571
Total Assets	2,440,877	2,732,910	2,682,995	2,720,036	2,805,475
ST Debt	145,150	175,840	175,840	175,840	175,840
Creditors	299,848	328,314	298,393	310,828	369,068
Other Current Liab	151,432	157,265	152,534	155,923	158,489
LT Debt	269,422	290,882	315,882	315,882	315,882
Other LT Liabilities	166,134	336,304	307,116	311,133	315,353
Shareholder's Equity	1,213,783	1,230,156	1,219,081	1,236,281	1,256,695
Minority Interests	195,108	214,149	214,149	214,149	214,149
Total Cap. & Liab.	2,440,877	2,732,910	2,682,995	2,720,036	2,805,475
Non-Cash Wkg. Capital	(108,528)	(129,331)	(153,385)	(153,112)	(201,732)
Net Cash/(Debt)	(319,083)	(356,057)	(285,804)	(326,928)	(329,606)
Debtors Turn (avg days)	8.7	9.0	9.3	7.1	7.2
Creditors Turn (avg days)	59.3	53.3	63.2	59.3	63.3
Inventory Turn (avg days)	29.7	30.5	34.1	31.3	31.3
Asset Turnover (x)	1.0	1.0	0.8	0.8	0.8
Current Ratio (x)	0.7	0.7	0.8	0.7	0.7
Quick Ratio (x)	0.3	0.3	0.4	0.3	0.3
Net Debt/Equity (X)	0.2	0.2	0.2	0.2	0.2
Net Debt/Equity ex MI (X)	0.3	0.3	0.2	0.3	0.3
Capex to Debt (%)	61.7	71.3	58.0	61.0	61.0
Z-Score (X)	NA	NA	NA	NA	NA

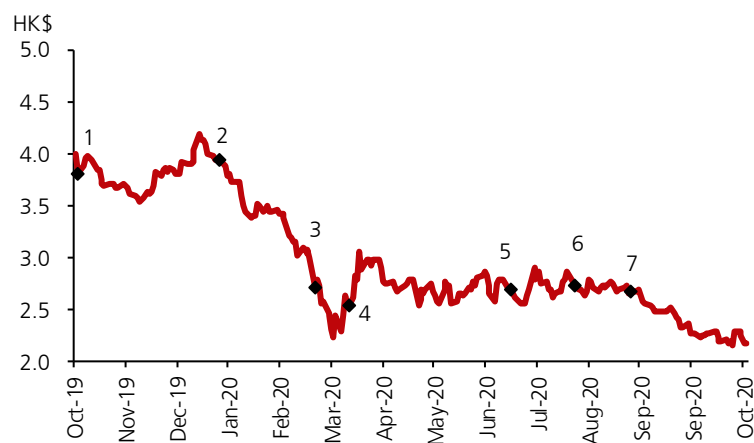
Source: Company, DBS HK

Cash Flow Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	115,206	103,214	52,048	70,204	83,320
Dep. & Amort.	231,929	225,262	245,614	242,621	239,718
Tax Paid	(42,790)	(36,199)	(23,422)	(21,061)	(24,996)
Assoc. & JV Inc/(loss)	(11,647)	(8,229)	(3,229)	(14,189)	(25,149)
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	(64,244)	2,699	23,554	(773)	48,120
Other Operating CF	124,802	72,863	28,793	27,209	28,649
Net Operating CF	353,256	359,610	323,359	304,011	349,662
Capital Exp.(net)	(255,974)	(332,948)	(285,000)	(300,000)	(300,000)
Other Invts.(net)	(100)	(100)	(100)	(100)	(99)
Invts in Assoc. & JV	0	0	(149,500)	0	0
Div from Assoc & JV	10,000	10,000	10,000	10,000	10,000
Other Investing CF	(21,738)	(9,900)	273,877	7,211	5,772
Net Investing CF	(267,812)	(332,948)	(150,723)	(282,889)	(284,327)
Div Paid	(52,549)	(47,688)	(39,702)	(31,943)	(37,911)
Chg in Gross Debt	0	0	25,000	0	0
Capital Issues	0	0	0	0	0
Other Financing CF	(73,154)	20,412	(62,781)	(30,404)	(30,201)
Net Financing CF	(125,703)	(27,276)	(77,483)	(62,347)	(68,112)
Currency Adjustments	3,436	1,069	0	0	0
Chg in Cash	(36,823)	455	95,153	(41,225)	(2,777)
Opg CFPS (RMB)	2.28	1.95	1.64	1.67	1.65
Free CFPS (RMB)	0.53	0.15	0.21	0.02	0.27

Source: Company, DBS HK

Target Price & Ratings History



Source: DBS HK

Analyst: Pei Hwa HO

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: 2 Nov 2020 15:05:45 (HKT)

Dissemination Date: 2 Nov 2020 15:51:29 (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 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 have a proprietary position in PetroChina Co Ltd (857 HK) recommended in this report as of 29 Oct 2020.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.
3. **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.
4. **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 in the first page 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>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 6327 2288 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.
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>
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.

United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
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) Limited13th 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: 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