

China

ADD (no change)

Consensus ratings*: Buy 25 Hold 0 Sell 0

Current price:	Rmb22.15
Target price:	Rmb24.90
Previous target:	Rmb22.90
Up/downside:	12.4%
CGS-CIMB / Consensus:	-8.6%
Reuters:	001979.SZ
Bloomberg:	001979 CH
Market cap:	US\$26,051m
	Rmb175,076m
Average daily turnover:	US\$99.34m
	Rmb667.2m
Current shares o/s:	7,905m
Free float:	21.7%

*Source: Bloomberg

Key changes in this note

- FY19-20F EPS decreased by 5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.1	20.4	1.7
Relative (%)	-5.2	-3.1	-0.6

Major shareholders	% held
China Merchants Group	71.3

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China Merchants Shekou Industrial Zone

High gross margin looks sustainable

- China Merchant Shekou's (CMSK) payout ratio of 40% for FY18 was one of the highest among state-owned developers.
- Its ample low-cost land reserves in Shenzhen would enable it to sustain its high gross margin.
- We believe CMSK is a key beneficiary of the upcoming increase in weighting of A shares in MSCI indexes. Maintain Add with a higher TP of Rmb24.90.

FY18 core profit a slight miss; payout ratio stood high

CMSK's core profit of Rmb15bn was up 23% yoy but 5% below our forecast, due to lower property sales booking, higher interest expense and higher minority interests (MIs). It declared FY18 DPS of Rmb0.78, up 26% yoy. The 40% payout ratio was one of the highest among the state-owned developers listed in HK and China.

Contracted sales to reach Rmb200bn in FY19F

Following its active landbanking since FY17, CMSK's contracted sales grew 51% in FY18 to Rmb170bn. Management has set a sales target of Rmb200bn for FY19F (implying 18% yoy growth), based on Rmb350bn saleable resources. We think it will have no problem meeting the sales target given a reasonable sell-through rate of 57%.

Gross margin to stay high thanks to land reserve in Shenzhen

Its gross margin (pre-LAT) stood high at 38% in FY18. Given the low cost for its ample land reserves in Shenzhen (in particular for its non-residential development in Qianhai, Shekou and Prince Bay) which we think could yield lucrative gross margins of 50% or more, properties sold there would lift overall gross margin. We therefore project FY19-21F gross margin (pre-LAT) of no less than 35%.

Huge land bank in Shenzhen to be a multi-year growth driver

It acquired 13.6m sq m of land bank in FY18 at an average cost of Rmb7.5k psm. As of end-2018, CMSK had a total land bank GFA of over 53m sq m (including investment properties under construction), 28% of which is located in the Greater Bay Area (GBA). We think its huge land bank in Shenzhen, which makes CMSK stand out among its peers, will be a multi-year earnings growth driver.

A key beneficiary of weight increase of A shares in MSCI indexes

As a large-cap A-share developer, CMSK will be a key beneficiary of the upcoming weight increase of A shares in the MSCI indexes. We cut FY19-20F EPS by 5% to factor in a smoother booking schedule and higher MIs, but lift target FY19F P/E from 9.4x to 10.8x (1 s.d. above average 12M forward P/E) on the back of improved property market sentiment and lift our TP accordingly to Rmb24.90. Maintain Add. Potential re-rating catalysts are higher-than-expected contracted sales and easing of property market tightening policies. Key downside risk: economic slowdown in China.

Financial Summary

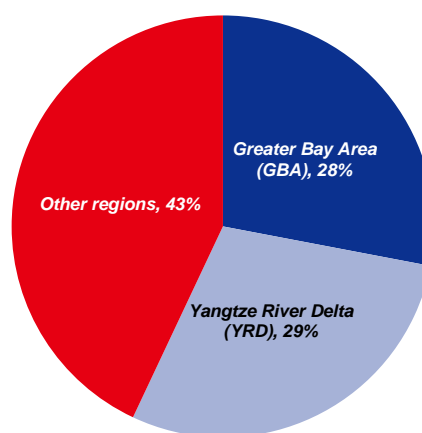
	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues (Rmbm)	75,455	88,278	111,195	127,283	145,221
Operating EBITDA (Rmbm)	18,993	23,458	28,780	33,165	37,513
Net Profit (Rmbm)	12,184	15,240	18,231	20,736	23,668
Core EPS (Rmb)	1.54	1.90	2.31	2.62	2.99
Core EPS Growth	31.2%	23.3%	21.4%	13.7%	14.1%
FD Core P/E (x)	14.37	11.66	9.60	8.44	7.40
DPS (Rmb)	0.62	0.78	0.93	1.06	1.21
Dividend Yield	2.80%	3.52%	4.21%	4.79%	5.47%
EV/EBITDA (x)	13.63	11.26	9.52	8.41	7.52
P/FCFE (x)	NA	6.11	7.13	5.40	4.78
Net Gearing	66.9%	55.0%	53.9%	48.2%	41.7%
P/BV (x)	2.72	2.54	2.16	1.86	1.60
ROE	20.2%	22.5%	24.3%	23.7%	23.2%
% Change In Core EPS Estimates			(5.29%)	(4.79%)	
CIMB/consensus EPS (x)			0.97	0.94	0.89

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: CMSK FY18 results summary

Rmb m	FY17	FY18	yoy chg	FY18F	var %
Property development	69,046	78,689	14%	93,755	-16%
Industrial park development	5,814	9,019	55%	6,686	35%
Cruise operations	595	570	-4%	655	-13%
Total revenue	75,455	88,278	17%	101,096	-13%
Cost of sales (incl. LAT + BT)	(53,712)	(61,739)	15%	(70,680)	-13%
Gross profit	21,742	26,539	22%	30,416	-13%
Selling & admin expense	(2,749)	(3,081)	12%	(4,347)	-29%
Operating profit	18,993	23,458	24%	26,069	-10%
Net interest (expense)/income	(836)	(2,448)	193%	(1,158)	111%
Share of results from asso & JV	236	1,697	619%	283	499%
Other income/(expense)	2,416	4,229	75%	0	n.a.
Profit before tax (PBT)	20,810	26,936	29%	25,194	7%
Taxation	(5,803)	(7,377)	27%	(6,228)	18%
Minority interests	(2,789)	(4,542)	63%	(3,199)	42%
Core Profit	12,217	15,018	23%	15,768	-5%
Total one-off items	3	223	n.a.		
Reported profit	12,220	15,240	25%		
Core EPS (Rmb)	1.55	1.90	23%	1.99	-5%
DPS (Rmb)	0.62	0.78	26%	0.80	-3%
Ratios (%)			% pt chg		var % pt
Gross margin (post-LAT)	28.8%	30.1%	1.2%	30.1%	0.0%
Gross margin (pre-LAT)	35.4%	38.4%	3.1%	37.1%	1.4%
SG&A expense ratio	3.6%	3.5%	-0.2%	4.3%	-0.8%
Operating margin	25.2%	26.6%	1.4%	25.8%	0.8%
Core profit margin	16.2%	17.0%	0.8%	15.6%	1.4%
Net gearing	67%	55%	-12%	81%	-26%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Lank bank by geographical location (end-2018)


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Summary of target price for CMSK

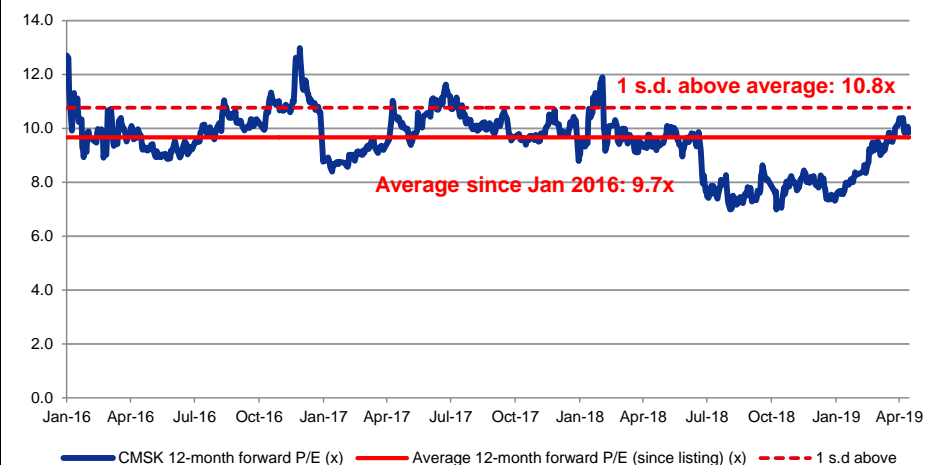
FY19F EPS (Rmb)	Target 12-month forward PE (x)	Target price (Rmb)	Upside (%)
2.31	10.8	24.90	12%

SOURCE: CGS-CIMB RESEARCH

Figure 4: End-2019F NAV breakdown

12-month forward NAV	Rmb m	Rmb/sh
Property development	141,295	17.9
Investment properties	59,182	7.5
Industrial land properties	115,205	14.6
Gross asset value (GAV)	315,682	39.9
Net debt	(63,022)	(8.0)
NAV	252,660	32.0

SOURCE: CGS-CIMB RESEARCH

Figure 5: CMSK 1-year forward P/E chart (since 2016)


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 6: Earnings revisions

Rmb m	2019F			2020F		
	Old	New	% chg	Old	New	% chg
Revenue	127,452	111,195	-13%	157,945	127,283	-19%
Net profit	19,248	18,231	-5%	21,778	20,736	-5%
EPS (Rmb)	2.44	2.31	-5%	2.76	2.62	-5%
DPS (Rmb)	0.98	0.93	-4%	1.10	1.06	-4%

SOURCE: CGS-CIMB RESEARCH

Figure 7: Peer comparison

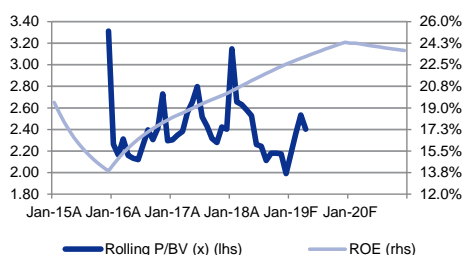
Company	Bloomberg Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV		P/E (x)				P/BV(x)			Yield (%)			Net Gearing (%)		
							NAV (%)	Upside (%)	2017	2018	2019F	2020F	2017	2018	2019F	2017	2018	2019F	2017	2018	2019F
COLI	688 HK	29.00	33.80	ADD	40,511	37.6	23	17	9.3	8.6	7.4	6.7	1.2	1.1	1.0	2.8	3.1	3.5	27	32	24
CR Land	1109 HK	34.35	37.40	ADD	29,200	41.6	17	9	12.6	9.7	8.1	6.9	1.7	1.5	1.3	2.7	3.6	4.3	36	34	35
China Vanke - H	2202 HK	30.75	34.20	ADD	49,036	38.0	19	11	10.6	8.3	6.9	6.0	2.2	1.9	1.6	3.4	4.1	4.9	9	31	34
CIFI	884 HK	5.29	7.20	ADD	5,241	12.0	56	36	7.9	6.3	5.0	4.1	1.4	1.2	1.0	4.4	5.8	6.6	51	67	64
Country Garden	2007 HK	12.60	9.50	REDUCE	34,797	13.5	7	(25)	11.5	7.1	6.0	5.3	2.5	1.9	1.6	3.7	4.5	6.3	58	45	44
Evergrande	3333 HK	25.00	38.10	ADD	41,837	45.0	44	52	10.4	5.8	4.9	4.3	2.5	2.1	1.8	0.0	5.2	6.7	183	152	108
Greentown	3900 HK	7.37	5.60	REDUCE	2,039	13.9	47	(24)	7.6	6.6	5.8	5.4	0.5	0.5	0.5	3.2	3.6	4.1	75	105	101
Guangzhou R&F	2777 HK	16.08	21.00	ADD	6,607	35.0	54	31	6.7	5.1	3.7	2.9	0.7	0.7	0.6	8.0	8.9	10.1	180	184	158
KWG	1813 HK	9.31	9.60	ADD	3,768	19.2	52	3	7.0	7.6	5.3	4.2	0.9	0.9	0.8	5.1	7.0	8.0	68	65	59
Longfor	960 HK	28.30	31.50	ADD	21,471	35.0	19	11	14.4	11.1	9.0	7.4	2.0	1.8	1.6	3.1	4.1	5.0	48	53	57
Shimao Prop	813 HK	23.75	28.00	ADD	9,997	40.0	41	18	10.0	8.0	6.3	5.3	1.1	1.0	0.9	4.0	4.8	5.4	56	57	54
Sino-Ocean	3377 HK	3.58	3.40	HOLD	3,476	8.5	58	(5)	6.0	12.6	7.3	6.6	0.5	0.5	0.5	8.6	6.1	5.1	62	73	73
SOHO China	410 HK	2.95	2.60	REDUCE	1,956	5.2	43	(12)	NA	36.0	30.3	23.6	0.4	0.4	0.4	36.5	1.2	1.3	51	42	42
Sunac	1918 HK	41.20	43.20	HOLD	23,284	54.0	24	5	48.0	9.2	6.4	4.6	3.5	2.7	2.2	1.4	2.3	3.9	257	170	121
Yuzhou	1628 HK	4.30	5.60	ADD	2,632	11.2	62	30	5.0	4.7	4.1	3.6	0.9	0.9	0.7	7.0	7.6	9.1	58	67	67
Greater Bay Area (GBA) plays																					
Agile	3383 HK	12.16	15.30	ADD	6,073	25.5	52	26	7.3	5.8	4.9	4.2	1.0	0.8	0.7	7.6	8.4	10.7	71	79	67
China Aoyuan	3883 HK	9.71	12.00	ADD	3,315	15.0	35	24	14.7	9.5	6.7	4.8	2.2	1.9	1.4	3.0	4.2	6.2	51	59	57
Logan Property	3380 HK	12.66	15.00	ADD	8,878	21.4	41	18	12.9	8.5	6.5	5.4	2.8	2.2	1.4	2.8	4.9	8.0	57	54	54
SZ Investment	604 HK	3.13	3.06	HOLD	3,368	6.8	54	(2)	6.1	8.1	8.1	7.9	0.6	0.6	0.6	5.7	5.7	5.8	38	41	39
Times China	1233 HK	14.70	21.00	ADD	3,437	30.0	51	43	8.8	5.5	4.4	3.5	1.5	1.4	0.9	3.3	5.5	6.9	58	63	51
GBA average																					
HK-listed developers' average																					
China Vanke - A	000002 CH	29.60	34.40	ADD	49,036	33.1	11	16	11.9	9.3	7.7	6.7	2.5	2.1	1.8	3.0	3.6	4.3	9	31	34
CMSK	001979 CH	22.15	24.90	ADD	26,051	32.0	31	12	14.4	11.7	9.6	8.4	2.7	2.5	2.2	2.8	3.5	4.2	67	55	54
Future Land - A	601155 CH	40.10	38.50	ADD	13,466	39.0	(3)	(4)	17.9	11.4	8.0	6.3	4.4	3.0	2.4	2.0	3.7	4.0	71	35	47
Gemdale Corp	600383 CH	12.44	15.60	ADD	8,357	15.1	18	25	9.5	7.3	6.4	5.9	1.4	1.2	1.1	4.3	4.8	5.5	44	66	50
Poly Developments	600048 CH	13.36	15.00	HOLD	23,647	19.2	30	12	10.2	8.8	7.0	6.0	1.5	1.3	1.1	3.0	3.7	4.3	87	83	76
A-share developers' average*																					
Small and mid-cap average																					
Overall average																					

Share price data as of 24 Apr 2019; * A-share data stated in Rmb

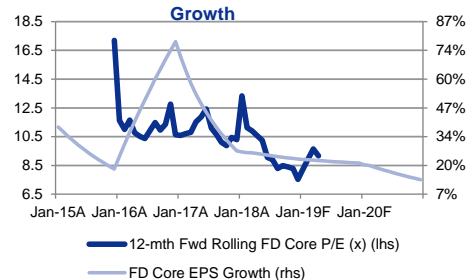
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	75,455	88,278	111,195	127,283	145,221
Gross Profit	21,742	26,539	32,561	37,365	42,160
Operating EBITDA	18,993	23,458	28,780	33,165	37,513
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	18,993	23,458	28,780	33,165	37,513
Financial Income/(Expense)	(872)	(2,448)	(2,451)	(2,517)	(2,528)
Pretax Income/(Loss) from Assoc.	236	1,697	2,037	2,240	2,464
Non-Operating Income/(Expense)	2,419	4,452	1,781	1,835	1,890
Profit Before Tax (pre-EI)	20,776	27,159	30,147	34,723	39,339
Exceptional Items					
Pre-tax Profit	20,776	27,159	30,147	34,723	39,339
Taxation	(5,803)	(7,377)	(7,028)	(8,121)	(9,219)
Exceptional Income - post-tax					
Profit After Tax	14,973	19,782	23,119	26,602	30,120
Minority Interests	(2,789)	(4,542)	(4,888)	(5,866)	(6,453)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,184	15,240	18,231	20,736	23,668
Recurring Net Profit	12,181	15,018	18,231	20,736	23,668
Fully Diluted Recurring Net Profit	12,181	15,018	18,231	20,736	23,668

Cash Flow

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	18,993	23,458	28,780	33,165	37,513
Cash Flow from Inv. & Assoc.	236	1,697	2,037	2,240	2,464
Change In Working Capital	15,979	27,068	54,866	60,553	62,988
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(21,892)	(18,344)	(23,824)	(27,794)	(31,804)
Net Interest (Paid)/Received	(3,421)	(6,922)	(7,115)	(7,746)	(8,322)
Tax Paid	(14,604)	(16,478)	(18,126)	(19,939)	(21,932)
Cashflow From Operations	(4,709)	10,478	36,617	40,479	40,907
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries	1,019	6,117	2,703	2,591	3,115
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(3,024)	(4,319)	(3,584)	(3,735)	(3,879)
Other Investing Cashflow	(30,652)	1,157	(21,168)	(16,935)	(13,548)
Cash Flow From Investing	(32,657)	2,955	(22,050)	(18,079)	(14,312)
Debt Raised/(repaid)	35,765	15,211	10,000	10,000	10,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(8,656)	(11,320)	(14,588)	(16,818)	(18,852)
Preferred Dividends					
Other Financing Cashflow	6,674	(3,040)	0	0	0
Cash Flow From Financing	33,783	851	(4,588)	(6,818)	(8,852)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	45,278	67,378	77,357	92,939	110,683
Properties Under Development					
Total Debtors	71,282	73,558	84,592	97,281	111,873
Inventories	164,233	210,821	242,444	278,811	320,632
Total Other Current Assets	5,792	2,679	4,235	3,457	3,846
Total Current Assets	286,585	354,436	408,629	472,488	547,035
Fixed Assets	30,398	43,448	49,783	57,050	65,387
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	15,637	25,338	17,940	18,886	19,973
Total Non-current Assets	46,036	68,786	67,723	75,935	85,360
Short-term Debt	31,566	38,230	38,230	38,230	38,230
Current Portion of Long-Term Debt					
Total Creditors	21,769	26,047	28,652	31,517	34,668
Other Current Liabilities	113,975	166,338	183,858	217,883	261,004
Total Current Liabilities	167,310	230,615	250,740	287,630	333,903
Total Long-term Debt	69,094	78,146	95,146	112,146	129,146
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,064	12,140	13,168	14,402	15,882
Total Non-current Liabilities	76,158	90,286	108,314	126,547	145,028
Total Provisions	370	458	436	504	573
Total Liabilities	243,838	321,359	359,490	414,682	479,503
Shareholders' Equity	64,368	68,909	80,974	94,335	109,614
Minority Interests	24,415	32,954	35,887	39,406	43,278
Total Equity	88,783	101,863	116,861	133,742	152,892

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	18.7%	17.0%	26.0%	14.5%	14.1%
Operating EBITDA Growth	40.1%	23.5%	22.7%	15.2%	13.1%
Operating EBITDA Margin	25.2%	26.6%	25.9%	26.1%	25.8%
Net Cash Per Share (Rmb)	(7.51)	(7.08)	(7.97)	(8.15)	(8.06)
BVPS (Rmb)	8.14	8.72	10.24	11.93	13.87
Gross Interest Cover	4.07	2.69	3.18	3.29	3.38
Effective Tax Rate	27.9%	27.2%	23.3%	23.4%	23.4%
Net Dividend Payout Ratio	40.2%	40.5%	40.5%	40.5%	40.5%
Accounts Receivables Days	265.1	299.4	259.6	261.5	262.8
Inventory Days	946	1,109	1,052	1,061	1,061
Accounts Payables Days	135.6	141.3	126.9	122.5	117.2
ROIC (%)	19.4%	15.5%	17.6%	17.8%	18.2%
ROCE (%)	12.2%	12.0%	12.7%	12.9%	13.0%
Return On Average Assets	5.43%	5.88%	5.69%	5.68%	5.53%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Unbooked Presales (m) (Rmb)	112,779.0	170,584.0	200,549.5	226,619.9	253,814.2
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	28.8%	30.1%	29.3%	29.4%	29.0%
Contracted Sales ASP (per Sm) (Rmb)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	3.6%	3.5%	3.4%	3.3%	3.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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China Merchants Shekou Industrial Zone (001979 CH)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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