

China

ADD (previously HOLD)

Consensus ratings*: Buy 25 Hold 5 Sell 2

Current price:	Rmb23.35
Target price:	Rmb35.00
Previous target:	Rmb35.00
Up/downside:	49.9%
CGS-CIMB / Consensus:	-1.6%
Reuters:	000002.SZ
Bloomberg:	000002 CH
Market cap:	US\$37,279m
	Rmb255,741m
Average daily turnover:	US\$182.0m
	Rmb1,203m
Current shares o/s:	11,015m
Free float:	46.3%

*Source: Bloomberg

Key changes in this note

- FY18F EPS increased by 5%.
- FY19F EPS increased by 5%.
- FY20F EPS increased by 5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.9	-14	2.3
Relative (%)	5.5	1.5	19.8

Major shareholders	% held
Shenzhen Metro Group	29.4
Baoneng Group	24.3

China Vanke-A

Upgrade to Add on attractive valuation

- Vanke's 1H18 core net profit rose 44% yoy to Rmb10.4bn, 15% above our estimate, on the back of higher-than-expected revenue and gross margin.
- We expect gross margin (post land appreciation tax, LAT) to stay at a high level of 25-27% over FY18-20F.
- We believe the major overhang on its share price has been removed as Baoneng has in the past few months already disposed of an 8% stake in it (vs. target of 10%).
- Vanke has a sizeable Rmb520bn of sold but unrecognised sales. We estimate it has already locked in over 95%/65% of FY18F/FY19F earnings.
- Upgrade to Add in view of its attractive valuation. Our TP of Rmb35.0 is unchanged.

1H18's core earnings beat our estimate by 15%

Vanke announced a stronger-than-expected set of results, with core net profit rising 44% yoy to Rmb10.4bn, 15% ahead our estimate, on the back of higher-than-expected volume and gross margin. No interim dividend was declared as usual. Net gearing increased from 9% at end-2017 to 33% at end-Jun, primarily due to one-off expenses to take Global Logistic Properties private.

Contracted sales could see 31% yoy growth in FY18F

In 7M18, Vanke grew its contracted sales by 12% yoy to Rmb350bn. Given that it will have more sellable resources in 2H18F, we estimate that Vanke should be able to achieve total contracted sales of Rmb695bn in FY18F, representing 31% yoy growth.

Gross margin to stay at 25-27% over FY18-20F

Its gross margin (post land appreciation tax, LAT) for 1H18 came in at 27.4%, up 2.1% pts yoy and 1.9% pts above our estimate, driven by bookings of relatively high profit margin projects in 1H18 and recovery of the overall property market since 2016. We expect its gross margin to be maintained at 25-27% over FY18-20F, supported by rapid price hikes for its property projects.

Overhang on Vanke removed

In Apr 2018, it was reported that Baoneng Group plans to dispose of a 10% stake in Vanke-A. In the subsequent months, Baoneng reduced its stake in Vanke-A by about 8%, according to the latter's stock exchange's announcements (refer to Figure 2 for more details). This suggests that it only has a c.2% stake to be disposed of in the coming months (total consideration of c.Rmb5bn at current share price). As such, we believe the major overhang on its share price has been removed.

Huge unbooked sales secure earnings for FY18F and FY19F

As at Jun, Vanke has a sizeable Rmb520bn of sold but unrecognised sales; we expect most of these to be recognised in 2H18F and FY19F. As such, we assess that Vanke has already locked in over 95% of FY18F earnings and 65% of FY19F earnings.

Upgrade to Add on attractive valuations

We raise our EPS estimates by 5% for FY18-20F after updating the property completion schedule. Our target price of Rmb35.0 is based on par to NAV. We upgrade to Add on attractive valuations. Vanke-A is currently trading at 33% discount to NAV, 6x FY19F P/E and 5% dividend yield, which looks appealing, in our view. Potential re-rating catalysts include stronger-than-expected contracted sales. Key downside risks are a slowdown in China's economy, and further tightening policies imposed by the government.

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Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues (Rmbm)	240,477	242,897	374,457	460,168	529,409
Operating EBITDA (Rmbm)	36,795	47,967	74,705	91,106	103,235
Net Profit (Rmbm)	21,412	26,097	35,824	43,747	50,980
Core EPS (Rmb)	1.98	2.48	3.25	3.97	4.63
Core EPS Growth	27.3%	25.3%	30.9%	22.1%	16.5%
FD Core P/E (x)	11.78	9.40	7.18	5.88	5.04
DPS (Rmb)	0.79	0.90	1.18	1.44	1.68
Dividend Yield	3.38%	3.85%	5.05%	6.16%	7.18%
EV/EBITDA (x)	9.44	6.83	4.92	4.04	3.61
P/FCFE (x)	6.81	2.60	4.77	2.98	3.01
Net Gearing	25.9%	8.8%	23.4%	17.9%	14.6%
P/BV (x)	2.27	1.94	1.62	1.36	1.15
ROE	20.4%	22.2%	24.6%	25.1%	24.6%
% Change In Core EPS Estimates			5.04%	4.66%	4.96%
CIMB/consensus EPS (x)			1.02	1.00	0.97

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Vanke's 1H18 results summary

Rmb m	1H17	1H18	yoy chg	CIMB estimate	Var (%)
Revenue	69,810	105,975	52%	97,842	8%
Cost of sales	(47,015)	(69,480)	48%	(65,554)	6%
LAT+Business Tax	(5,161)	(7,502)	45%	(7,338)	2%
Gross profit	17,635	28,993	64%	24,950	16%
Selling, administrative & other expenses	(4,707)	(7,151)	52%	(7,973)	-10%
Operating profit	12,927	21,841	69%	16,976	29%
Net finance costs	(847)	(1,455)	72%	(1,679)	-13%
Share of profit less losses of asso. & JV	1,520	784	-48%	1,791	-56%
Other income/(expenses)	165	(65)	-139%	-	NA
Profit before income tax	13,766	21,106	53%	17,088	24%
Taxation	(3,791)	(6,286)	66%	(4,889)	29%
Minority interests	(2,750)	(4,399)	60%	(3,155)	39%
Core profit	7,224	10,421	44%	9,044	15%
One-off items	78	(1,298)			
Reported net profit	7,302.8	9,123.7			
% of revenue			% pts chg		% pts chg
Gross margin (%)	25.3%	27.4%	2.1%	25.5%	1.9%
SG&A as a % of revenue	6.7%	6.7%	0.0%	8.1%	-1.4%
Operating margin	18.5%	20.6%	2.1%	17.4%	3.3%
core margin	10.3%	9.8%	-0.5%	9.2%	0.6%
Net gearing	9%	33%	23.7%	40.0%	-7.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Baoneng reduced its stake in Vanke-A by about 8% in 1H18

Date	No. of shares sold	No. of Vanke A-shares held after sale	% of Vanke's total issued capital
		2,803,897,216	25.40%
17/4	89,724,515	2,714,172,701	24.59%
18/4-27/4	99,365,898	2,614,806,803	23.69%
28/4-17/5	97,649,123	2,517,157,680	22.80%
18/5-21/5	86,982,500	2,430,175,180	22.01%
22/5-12/6	122,067,133	2,308,108,047	20.91%
13/6-24/7	100,277,700	2,207,830,347	20.00%
25/7-8/8	256,519,253	1,951,311,094	17.68%
9/8	19,544,985	1,931,766,109	17.50%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision

Rmb m	2018F			2019F			2020F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	349,436	374,457	7%	434,814	460,168	6%	500,235	529,409	6%
EBITDA	69,951	74,705	7%	86,103	91,106	6%	97,546	103,235	6%
Pretax profit	71,692	75,849	6%	88,828	93,164	5%	100,946	105,919	5%
Net profit	34,107	35,824	5%	41,798	43,747	5%	48,569	50,980	5%
EPS	3.10	3.25	5%	3.79	3.97	5%	4.41	4.63	5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Vanke's NAV breakdown

12-month forward NAV	Rmb m	Rmb/share
Property developments	433,271	39.3
Net debt	(45,640)	-4.1
NAV	387,630	35.0

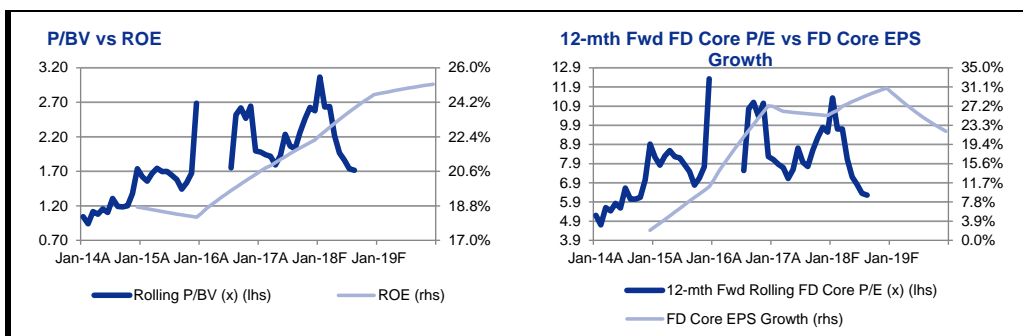
SOURCES: CGS-CIMB RESEARCH

Figure 5: Peer comparison

Company	Bloomberg Ticker	Share price		TP Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV		P/E (x)				P/BV(x)			Yield (%)			Net Gearing (%)			
		(HK\$)	(HK\$)				(%)	(%)	2017	2018F	2019F	2020F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	
COLI	688 HK	23.70	33.30	ADD	39,152	37.0	36	41	7.6	6.4	5.3	4.5	1.0	0.9	0.8	3.4	4.4	5.0	27	21	19	
CR Land	1109 HK	27.35	33.60	ADD	26,004	42.0	35	23	10.2	8.3	7.1	6.2	1.3	1.2	1.2	3.5	4.2	5.0	36	34	31	
China Vanke - A*	000002 CH	23.35	35.00	ADD	55,641	35.0	33	50	9.4	7.2	5.9	5.0	1.9	1.6	1.4	3.9	5.0	6.2	9	23	18	
China Vanke - H	2202 HK	25.00	39.10	ADD	55,586	39.1	36	56	8.8	6.7	5.5	4.7	1.8	1.5	1.3	4.1	5.4	6.6	9	23	18	
CIFI	884 HK	4.45	9.10	ADD	6,770	13.0	66	104	6.8	5.3	4.1	3.2	1.2	1.0	0.8	5.3	6.4	7.4	51	47	41	
Country Garden	2007 HK	11.34	12.60	REDUCE	46,363	14.0	19	11	10.6	7.1	5.3	4.5	2.3	1.8	1.5	4.0	5.9	7.8	57	40	37	
Evergrande	3333 HK	28.00	35.00	ADD	46,661	35.0	20	25	11.8	7.5	5.9	4.9	2.8	2.0	1.8	0.0	11.5	8.5	184	119	97	
Greentown	3900 HK	8.18	9.00	REDUCE	3,154	15.0	45	10	8.6	9.4	8.8	8.0	0.6	0.6	0.5	2.8	2.7	2.9	75	76	81	
Guangzhou R&F	2777 HK	14.38	25.90	ADD	8,153	37.0	61	80	6.1	4.1	3.0	2.3	0.7	0.6	0.5	7.9	9.2	10.8	180	165	134	
KWG	1813 HK	8.44	12.60	ADD	4,622	18.0	53	49	6.5	4.9	3.8	3.0	0.8	0.8	0.7	5.5	7.1	9.2	68	69	65	
Longfor	960 HK	20.20	30.60	ADD	18,541	34.0	41	51	10.5	8.4	7.0	6.1	1.5	1.3	1.2	4.3	4.8	5.7	48	39	36	
Shimao Prop	813 HK	21.50	29.60	ADD	9,817	37.0	42	38	9.6	7.6	6.4	5.7	1.1	1.0	0.8	4.4	4.3	5.1	56	54	47	
Sino-Ocean	3377 HK	4.05	6.12	HOLD	5,606	10.2	60	51	6.9	5.0	3.8	3.3	0.5	0.5	0.5	7.5	7.8	10.2	62	46	37	
SOHO China	410 HK	3.09	2.70	REDUCE	2,736	4.5	31	(13)	NA	52.6	31.8	23.0	0.4	0.5	0.5	34.1	1.0	1.6	51	49	52	
Sunac	1918 HK	23.85	22.40	REDUCE	19,226	28.0	15	(6)	28.3	10.2	5.4	3.8	2.1	1.8	1.4	2.1	3.4	6.4	257	213	167	
Yuzhou	1628 HK	3.85	6.60	ADD	3,071	11.0	65	71	4.5	3.4	2.7	2.3	0.9	0.7	0.6	7.7	9.2	10.7	58	53	50	
Big Bay Area plays (BBA)																						
Agile	3383 HK	11.16	19.20	ADD	8,473	24.0	54	72	6.8	4.9	3.6	2.9	0.9	0.8	0.7	8.1	10.6	14.3	71	57	42	
China Aoyuan	3883 HK	5.21	8.40	ADD	2,528	12.0	57	61	8.1	5.9	4.2	3.2	1.2	1.0	0.8	5.5	7.3	10.7	51	59	44	
Logan Property	3380 HK	9.29	14.00	ADD	8,592	20.0	54	51	10.1	6.7	4.5	3.3	1.9	1.3	1.0	3.7	6.0	8.9	43	46	46	
SZ Investment	604 HK	2.55	3.60	HOLD	3,491	7.2	65	41	4.3	7.4	6.4	5.9	0.4	0.4	0.4	6.9	6.4	6.7	22	28	31	
Times China	1233 HK	8.96	14.00	ADD	2,860	20.0	55	56	5.5	4.0	2.9	2.2	0.9	0.7	0.6	5.3	6.9	8.9	58	61	39	
BBA average																						
Small and mid-cap avg																						
Overall average																						
							45	44	9.1	6.5	5.1	4.2	1.3	1.0	0.9	4.8	6.4	7.8	70	63	54	

Share price data as of 20 Aug 2018; Vanke-A data stated in Rmb.

SOURCES: CGS-CIMB RESEARCH, Bloomberg, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	240,477	242,897	374,457	460,168	529,409
Gross Profit	48,756	63,095	97,173	118,716	134,999
Operating EBITDA	36,795	47,967	74,705	91,106	103,235
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	36,795	47,967	74,705	91,106	103,235
Financial Income/(Expense)	(2,014)	(3,344)	(4,797)	(5,367)	(6,596)
Pretax Income/(Loss) from Assoc.	4,931	4,569	5,940	7,425	9,281
Non-Operating Income/(Expense)	230	324	0	0	0
Profit Before Tax (pre-EI)	39,941	49,516	75,849	93,164	105,919
Exceptional Items					
Pre-tax Profit	39,941	49,516	75,849	93,164	105,919
Taxation	(11,202)	(14,263)	(17,477)	(21,435)	(24,160)
Exceptional Income - post-tax					
Profit After Tax	28,739	35,253	58,371	71,729	81,760
Minority Interests	(7,328)	(9,157)	(22,547)	(27,982)	(30,780)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	21,412	26,097	35,824	43,747	50,980
Recurring Net Profit	21,834	27,365	35,824	43,747	50,980
Fully Diluted Recurring Net Profit	21,834	27,365	35,824	43,747	50,980

Cash Flow

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	36,795	47,967	74,705	91,106	103,235
Cash Flow from Inv. & Assoc.	4,931	4,569	5,940	7,425	9,281
Change In Working Capital	127,678	168,141	170,036	210,136	189,122
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(89,395)	(88,917)	(125,173)	(148,362)	(152,422)
Net Interest (Paid)/Received	(6,682)	(9,677)	(13,045)	(16,377)	(19,682)
Tax Paid	(33,760)	(39,760)	(47,712)	(54,868)	(49,382)
Cashflow From Operations	39,566	82,323	64,752	89,058	80,153
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries	913	6,283	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(18,183)	(20,704)	(16,258)	(18,777)	(18,973)
Other Investing Cashflow	(26,119)	(37,192)	(52,176)	(41,741)	(33,393)
Cash Flow From Investing	(43,389)	(51,613)	(68,435)	(60,518)	(52,366)
Debt Raised/(repaid)	41,594	68,266	57,646	57,646	57,646
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	(16,027)	(19,134)	(21,048)	(23,153)	(25,468)
Preferred Dividends					
Other Financing Cashflow	5,729	6,133	0	0	0
Cash Flow From Financing	31,297	55,265	36,598	34,493	32,178

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	87,032	174,121	197,242	260,276	320,241
Properties Under Development					
Total Debtors	116,639	172,327	241,258	277,447	319,064
Inventories	467,361	598,088	717,705	825,361	949,165
Total Other Current Assets	50,263	73,017	61,640	67,328	64,484
Total Current Assets	721,295	1,017,553	1,217,845	1,430,412	1,652,954
Fixed Assets	29,451	36,933	42,066	47,930	54,628
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	79,928	110,862	112,309	113,974	115,889
Total Non-current Assets	109,379	147,794	154,376	161,904	170,516
Short-term Debt	43,350	62,273	62,273	62,273	62,273
Current Portion of Long-Term Debt					
Total Creditors	141,651	176,770	194,447	213,891	235,280
Other Current Liabilities	394,997	608,313	707,953	813,526	923,151
Total Current Liabilities	579,998	847,355	964,672	1,089,690	1,220,704
Total Long-term Debt	85,515	128,352	185,998	243,644	301,290
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,981	2,701	3,241	3,889	4,667
Total Non-current Liabilities	88,495	131,052	189,238	247,532	305,956
Total Provisions	504	265	325	399	449
Total Liabilities	668,998	978,673	1,154,235	1,337,621	1,527,110
Shareholders' Equity	113,445	132,675	158,586	189,356	224,488
Minority Interests	48,232	53,999	59,398	65,338	71,872
Total Equity	161,677	186,674	217,985	254,694	296,360

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	23.0%	1.0%	54.2%	22.9%	15.0%
Operating EBITDA Growth	20.5%	30.4%	55.7%	22.0%	13.3%
Operating EBITDA Margin	15.3%	19.7%	20.0%	19.8%	19.5%
Net Cash Per Share (Rmb)	(3.80)	(1.50)	(4.63)	(4.14)	(3.93)
BVPS (Rmb)	10.30	12.05	14.40	17.19	20.38
Gross Interest Cover	4.73	4.54	5.43	5.38	5.13
Effective Tax Rate	28.0%	28.8%	23.0%	23.0%	22.8%
Net Dividend Payout Ratio	40.6%	38.0%	36.2%	36.2%	36.2%
Accounts Receivables Days	140.6	217.1	201.6	205.7	206.2
Inventory Days	815	1,081	866	825	823
Accounts Payables Days	222.5	323.2	244.3	218.2	208.4
ROIC (%)	16.8%	17.4%	27.2%	25.1%	25.4%
ROCE (%)	14.9%	14.6%	17.9%	17.8%	17.0%
Return On Average Assets	4.20%	3.78%	4.88%	5.11%	5.08%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Unbooked Presales (m) (Rmb)	360,467.8	530,311.4	635,835.0	725,016.7	721,490.0
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 (%)	20.3%	26.0%	26.0%	25.8%	25.5%
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 (%)	5.0%	6.2%	6.0%	6.0%	6.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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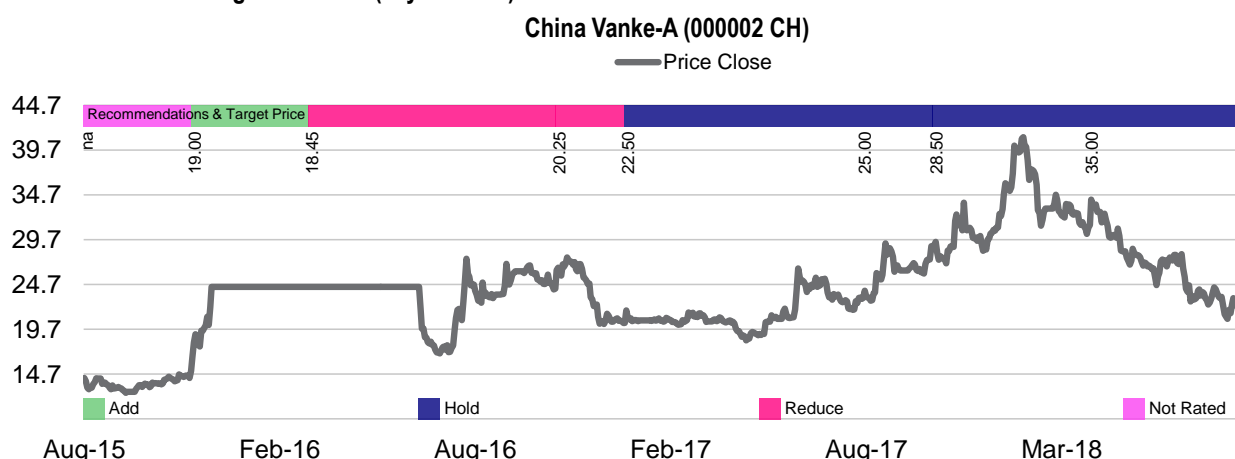
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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, ADVANC – Excellent, Certified, AEONTS – Good, n/a, AMATA – Very Good, n/a, ANAN – Excellent, n/a, AOT – Excellent, Declared, AP – Excellent, Declared, ASK – Very Good, Declared, ASP – Very Good, Certified, BANPU – Excellent, Certified, BAY – Excellent, Certified, BBL – Very Good, Certified, BCH – Good, Declared, BCP - Excellent, Certified, BCPG – Very Good, n/a, BEM – Very Good, n/a, BDMS – Very Good, n/a, BEAUTY – Good, n/a, BEC – Very Good, n/a, BGRIM – not available, n/a, BH - Good, n/a, BJC – Very Good, Declared, BJCHI – Very Good, Declared, BLA – Very Good, Certified, BPP – Good, n/a, BR - Good, Declared, BTS - Excellent, Certified, CBG – Good, n/a, CCET – Good, n/a, CENTEL – Very Good, Certified, CHG – Very Good, Declared, CK – Excellent, n/a, COL – Very Good, Declared, CPALL – not available, Declared, CPF – Excellent, Declared, CPN - Excellent, Certified, DELTA - Excellent, n/a, DEMCO – Excellent, Certified, DIF – not available, n/a,

DTAC – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

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

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.