

## Hong Kong

**ADD** (no change)

Consensus ratings\*: Buy 7 Hold 2 Sell 0

Current price:	HK\$5.21
Target price:	HK\$8.40
Previous target:	HK\$8.40
Up/downside:	61.2%
CGS-CIMB / Consensus:	-6.4%

Reuters:	3883.HK
Bloomberg:	3883 HK
Market cap:	US\$1,780m
	HK\$13,971m
Average daily turnover:	US\$7.95m
	HK\$62.36m
Current shares o/s:	2,533m
Free float:	45.9%

\*Source: Bloomberg

**Key changes in this note**

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.4	-24.4	73.7
Relative (%)	2.6	-13.3	71.7

Major shareholders	% held
Guo Zi Wen	54.1

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# China Aoyuan Property Group Ltd

## Rapid growth supported by healthy balance sheet

- Aoyuan's 1H18 core net profit was in line at 52% of our FY18 estimates; we expect gross profit margin (GPM) and net profit margin to remain stable in FY18 and FY19.
- We think Aoyuan will beat its FY18 contracted sales target and reach Rmb80bn.
- Management expects FY18 funding cost to stay below 7.5%; 35% of debt is denominated in foreign currencies with overseas projects financed by local banks.
- Proportion of short-term debt is expected to decline in 2H18.
- Maintain Add with TP of HK\$8.4.

### 1H18 results largely in line with our estimates

Aoyuan's 1H18 revenue was up 68% yoy to Rmb13.7bn. GPM of 28.6% was 2% pts higher than our estimate due to the delivery of higher-priced projects. This was partially offset by higher interest expense and higher land appreciation tax. Core net profit jumped 49% yoy to Rmb1.1bn, in line with our estimate. No interim DPS was declared but management expects the full-year payout ratio to stay at 30-40%. Net gearing of 67.5% was in line with its small-cap peers.

### Expect stable gross margin and net profit margin in FY18 and FY19

Aoyuan's GPM has been stable at 27-28% since 2015. For unrecognised sales which amounted to Rmb77bn as at 30 Jun 2018 and would be booked in FY18 and FY19, management expects GPM to stay flat and core net profit margin at c.10%.

### Contracted sales expected to grow by 75% in FY18

Aoyuan's 7M18 contracted sales of Rmb46.3bn translates into a 63% run-rate of FY18 target of Rmb73bn, and surpassed FY17 sales (Rmb45.6bn). Management is confident of maintaining a strong sales momentum for the rest of this year. With FY18 total sellable resources of over Rmb122bn and a higher sell-through rate of 65%, we think Aoyuan is likely to beat its FY18 sales target and reach Rmb80bn, up 75% yoy.

### Sufficient land bank to drive growth over FY18-20F

Aoyuan acquired 31 projects for total GFA of 7.2msqm at average land cost Rmb2k/sqm. It currently has total land bank of 30msqm and its land reserve in the Big Bay Area accounts for 33% of total sellable resources of Rmb328bn. Aoyuan will likely adhere to its landbanking strategy (land acquisition up to 50% of cash collection) and will gradually include redevelopment projects (mostly located in the Big Bay Area) in its land bank.

### Expect funding cost to stay below 7.5% with limited forex exposure

Aoyuan's 1H18 average finance cost was stable at 7.3% (vs. 7.2% at end-2017 and 7.6% in 1H17). Management attributed this to upward pressure on the cost of onshore financing since end-2017, though market sentiment has recently improved; it aims to maintain this at below 7.5% for FY18. With only 35% of its total debt denominated in foreign currencies and overseas projects financed by local banks, we think the impact of its forex exposure on its P/L will be rather limited.

### Expect proportion of short-term borrowing to decline in 2H18

Aoyuan's short-term debt at end-Jun 2018 amounted to Rmb25bn (55% of total) and half of the balance belonged to onshore project loans. We note that in Jul-Aug 2018, Aoyuan repaid Rmb3.6bn of short-term debt, the proceeds of which were probably from onshore and offshore refinancing obtained in Jul. We think its debt financing channels remain clear; we expect the proportion of short-term debt to decline in 2H18 due to onshore project delivery and project loan repayment.

### Maintain Add with TP of HK\$8.4

We like Aoyuan for its balanced growth on stable margins and its exposure to the Big Bay Area. It is now trading at a 57% discount to NAV, 6x FY18F and 7% FY18F dividend yield. Our TP of HK\$8.4 is based on a 30% discount to NAV. Maintain Add. Key risks: further tightening policies, delay in execution of the BBA plan.

Financial Summary	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues (Rmbm)	11,827	18,607	28,461	38,532	51,699
Operating EBITDA (Rmbm)	2,283	3,005	5,292	7,080	9,361
Net Profit (Rmbm)	967	1,016	2,079	2,886	3,867
Core EPS (Rmb)	0.36	0.56	0.78	1.08	1.44
Core EPS Growth	15.4%	55.9%	37.7%	38.8%	34.0%
FD Core P/E (x)	12.85	8.06	5.86	4.22	3.15
DPS (Rmb)	0.15	0.22	0.31	0.40	0.54
Dividend Yield	3.2%	4.8%	6.8%	8.9%	11.9%
EV/EBITDA (x)	11.08	14.30	8.92	6.41	4.80
P/FCFE (x)	3.74	NA	6.87	1.47	1.64
Net Gearing	50.7%	51.0%	58.9%	44.4%	34.6%
P/BV (x)	1.36	1.20	0.98	0.77	0.61
ROE	11.3%	15.8%	18.4%	20.5%	21.6%
CIMB/consensus EPS (x)			0.88	0.89	0.90

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Aoyuan 1H18 results review**

Rmb m	1H17	1H18	YoY chg	CIMB estimates	Var (%)
<b>Turnover</b>	<b>8,154</b>	<b>13,667</b>	<b>68%</b>	<b>12,639</b>	<b>8%</b>
Cost of sales	(5,963)	(9,764)	64%	(9,290)	5%
<b>Gross profit</b>	<b>2,191</b>	<b>3,902</b>	<b>78%</b>	<b>3,349</b>	<b>17%</b>
Selling and marketing costs	(346)	(600)	74%	(552)	9%
Administrative expenses	(332)	(651)	96%	(455)	43%
Other income	110	266	142%	51	417%
<b>Operating profit</b>	<b>1,623</b>	<b>2,917</b>	<b>80%</b>	<b>2,394</b>	<b>22%</b>
Finance cost	(118)	(173)	46%	(158)	9%
JCE and associate	(39)	89	-326%	-	NA
<b>Profit before tax</b>	<b>1,466</b>	<b>2,833</b>	<b>93%</b>	<b>2,236</b>	<b>27%</b>
Taxation	(634)	(1,497)	136%	(895)	67%
Minority interest	(108)	(259)	139%	(249)	4%
<b>Core earnings</b>	<b>724</b>	<b>1,078</b>	<b>49%</b>	<b>1,091</b>	<b>-1%</b>
One-off items	26	139	426%		
Reported earnings	750	1,216	62%		
<b>Ratios</b>			<b>pts chg</b>		<b>ppt chg</b>
Gross margin	26.9%	28.6%	1.7%	26.5%	2.1%
Selling and marketing costs	6.0%	4.4%	-1.6%	4.4%	0.0%
Administrative expenses	5.8%	4.8%	-1.0%	7.9%	-3.2%
Operating margin	19.9%	21.3%	1.4%	18.9%	2.4%
Core margin	8.9%	7.9%	-1.0%	8.6%	-0.7%
Net gearing (%)	51.0%	67.5%	16.5%	65.0%	2.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Operating cash flow projection**

Rmb bn	1H18	2H18F	FY18F
<b>Cash receipt</b>	<b>31.2</b>	<b>27.2</b>	<b>58.4</b>
<b>Cash outflow</b>			
Land premium	(12.6)	(15.4)	(28.0)
Construction CAPEX	(13.4)	(9.8)	(23.2)
SG&A	(1.2)	(1.5)	(2.7)
Interest expenses	(1.4)	(1.9)	(3.3)
Taxation	(2.8)	(2.9)	(5.7)
<b>Total cash outflow</b>	<b>(31.4)</b>	<b>(31.5)</b>	<b>(62.9)</b>
<b>Net operating cash inflow / (outflow)</b>	<b>(0.2)</b>	<b>(4.3)</b>	<b>(4.5)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

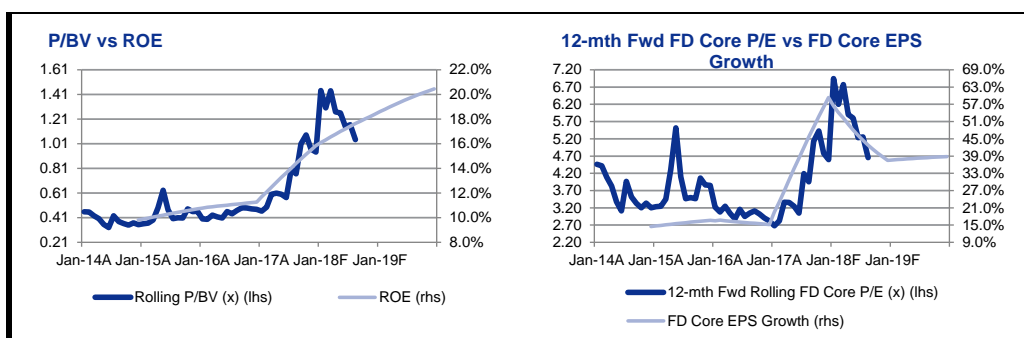
**Figure 3: Peers comparison**

Company	Bloomberg Ticker	Share price		TP	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV (%)	Upside (%)	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	HOLD		55,641	35.0	33	50	9.4	7.5	6.2	5.3	1.9	1.6	1.4	3.9	4.8	5.9	9	25	24	
China Vanke - H	2202 HK	25.00	41.70	ADD		55,586	41.7	40	67	8.8	7.1	5.8	5.0	1.8	1.5	1.3	4.1	5.1	6.3	9	25	24	
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	
<b>Big Bay Area plays (BBA)</b>																							
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	
<b>BBA average</b>										<b>57</b>	<b>56</b>	<b>7.0</b>	<b>5.8</b>	<b>4.3</b>	<b>3.5</b>	<b>1.1</b>	<b>0.9</b>	<b>0.7</b>	<b>5.9</b>	<b>7.4</b>	<b>49</b>	<b>50</b>	<b>41</b>
<b>Small and mid-cap avg</b>										<b>51</b>	<b>48</b>	<b>6.4</b>	<b>5.3</b>	<b>4.2</b>	<b>3.5</b>	<b>0.9</b>	<b>0.7</b>	<b>0.6</b>	<b>5.4</b>	<b>6.5</b>	<b>60</b>	<b>58</b>	<b>51</b>
<b>Overall average</b>										<b>45</b>	<b>44</b>	<b>9.1</b>	<b>6.6</b>	<b>5.1</b>	<b>4.3</b>	<b>1.3</b>	<b>1.0</b>	<b>0.9</b>	<b>4.8</b>	<b>6.4</b>	<b>70</b>	<b>63</b>	<b>54</b>

Share price data as of 20 August 2018; \* Vanke-A data stated in Rmb

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>Total Net Revenues</b>	<b>11,827</b>	<b>18,607</b>	<b>28,461</b>	<b>38,532</b>	<b>51,699</b>
<b>Gross Profit</b>	<b>3,277</b>	<b>4,603</b>	<b>7,681</b>	<b>10,359</b>	<b>13,806</b>
<b>Operating EBITDA</b>	<b>2,283</b>	<b>3,005</b>	<b>5,292</b>	<b>7,080</b>	<b>9,361</b>
Depreciation And Amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,283</b>	<b>3,005</b>	<b>5,292</b>	<b>7,080</b>	<b>9,361</b>
Financial Income/(Expense)	(157)	(254)	(351)	(392)	(433)
Pretax Income/(Loss) from Assoc.	(32)	0	0	92	110
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>2,093</b>	<b>2,752</b>	<b>4,941</b>	<b>6,780</b>	<b>9,039</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>2,093</b>	<b>2,752</b>	<b>4,941</b>	<b>6,780</b>	<b>9,039</b>
<b>Taxation</b>	<b>(1,001)</b>	<b>(1,424)</b>	<b>(2,238)</b>	<b>(2,818)</b>	<b>(3,693)</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,092</b>	<b>1,328</b>	<b>2,702</b>	<b>3,961</b>	<b>5,346</b>
Minority Interests	(126)	(312)	(623)	(1,075)	(1,479)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>967</b>	<b>1,016</b>	<b>2,079</b>	<b>2,886</b>	<b>3,867</b>
Recurring Net Profit	967	1,511	2,079	2,886	3,867
<b>Fully Diluted Recurring Net Profit</b>	<b>967</b>	<b>1,511</b>	<b>2,079</b>	<b>2,886</b>	<b>3,867</b>

### Cash Flow

(Rmbm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>EBITDA</b>	<b>2,283</b>	<b>3,005</b>	<b>5,292</b>	<b>7,080</b>	<b>9,361</b>
Cash Flow from Inv. & Assoc.	(32)	0	0	92	110
Change In Working Capital	6,092	(13,326)	(2,234)	3,458	1,568
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(306)	(200)	(965)	(1,258)	(1,564)
Net Interest (Paid)/Received	(1,612)	(2,512)	(3,407)	(3,714)	(3,937)
Tax Paid	(480)	(1,139)	(1,791)	(2,255)	(2,954)
<b>Cashflow From Operations</b>	<b>5,945</b>	<b>(14,172)</b>	<b>(3,105)</b>	<b>3,403</b>	<b>2,584</b>
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4,069)	(279)	(120)	(138)	(159)
<b>Cash Flow From Investing</b>	<b>(4,069)</b>	<b>(279)</b>	<b>(120)</b>	<b>(138)</b>	<b>(159)</b>
Debt Raised/(repaid)	1,442	3,000	5,000	5,000	5,000
Proceeds From Issue Of Shares	(156)	0	0	0	0
Shares Repurchased					
Dividends Paid	(572)	(236)	(535)	(733)	(962)
Preferred Dividends					
Other Financing Cashflow	94	1	1	1	1
<b>Cash Flow From Financing</b>	<b>808</b>	<b>2,765</b>	<b>4,466</b>	<b>4,268</b>	<b>4,039</b>

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	10,956	26,540	27,781	35,314	41,778
Properties Under Development					
Total Debtors	3,604	7,407	13,220	19,105	24,470
Inventories	43,803	78,528	97,760	116,108	139,330
Total Other Current Assets	1,466	3,635	3,920	4,229	4,563
<b>Total Current Assets</b>	<b>59,830</b>	<b>116,110</b>	<b>142,681</b>	<b>174,756</b>	<b>210,141</b>
Fixed Assets	5,950	7,193	7,313	7,451	7,610
<b>Total Investments</b>	<b>316</b>	<b>683</b>	<b>683</b>	<b>683</b>	<b>683</b>
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	323	1,819	366	440	528
<b>Total Non-current Assets</b>	<b>6,589</b>	<b>9,696</b>	<b>8,363</b>	<b>8,574</b>	<b>8,821</b>
Short-term Debt	4,506	20,490	22,990	25,490	27,990
Current Portion of Long-Term Debt					
Total Creditors	27,318	49,340	66,575	89,527	114,475
Other Current Liabilities	4,318	5,744	5,869	6,012	6,170
<b>Total Current Liabilities</b>	<b>36,143</b>	<b>75,573</b>	<b>95,434</b>	<b>121,028</b>	<b>148,635</b>
Total Long-term Debt	13,875	19,880	22,380	24,880	27,380
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>13,875</b>	<b>19,880</b>	<b>22,380</b>	<b>24,880</b>	<b>27,380</b>
Total Provisions	1,770	3,226	3,364	3,530	3,729
<b>Total Liabilities</b>	<b>51,787</b>	<b>98,680</b>	<b>121,179</b>	<b>149,439</b>	<b>179,745</b>
<b>Shareholders' Equity</b>	<b>8,918</b>	<b>10,155</b>	<b>12,457</b>	<b>15,759</b>	<b>20,082</b>
Minority Interests	5,713	16,971	17,408	18,160	19,195
<b>Total Equity</b>	<b>14,631</b>	<b>27,126</b>	<b>29,865</b>	<b>33,919</b>	<b>39,278</b>

**Key Ratios**

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	23.6%	57.3%	53.0%	35.4%	34.2%
Operating EBITDA Growth	20.0%	31.6%	76.1%	33.8%	32.2%
Operating EBITDA Margin	19.3%	16.2%	18.6%	18.4%	18.1%
Net Cash Per Share (Rmb)	(2.78)	(5.17)	(6.57)	(5.63)	(5.08)
BVPS (Rmb)	3.34	3.79	4.65	5.89	7.50
Gross Interest Cover	1.29	1.05	1.34	1.60	1.92
Effective Tax Rate	34.7%	34.4%	25.0%	24.6%	24.6%
Net Dividend Payout Ratio	28.9%	38.3%	26.1%	29.6%	30.3%
Accounts Receivables Days	82.9	108.0	132.3	153.1	154.2
Inventory Days	1,618	1,594	1,548	1,385	1,234
Accounts Payables Days	909	999	1,018	1,011	985
ROIC (%)	8.9%	9.6%	9.1%	10.6%	13.6%
ROCE (%)	7.4%	5.9%	7.3%	8.8%	10.3%
Return On Average Assets	2.83%	2.34%	3.11%	3.46%	3.79%

**Key Drivers**

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Unbooked Presales (m) (Rmb)	25,602.0	46,047.7	70,285.0	93,605.4	121,687.0
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 (%)	27.7%	27.5%	27.0%	26.9%	26.7%
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 (%)	9.1%	9.0%	8.8%	8.8%	8.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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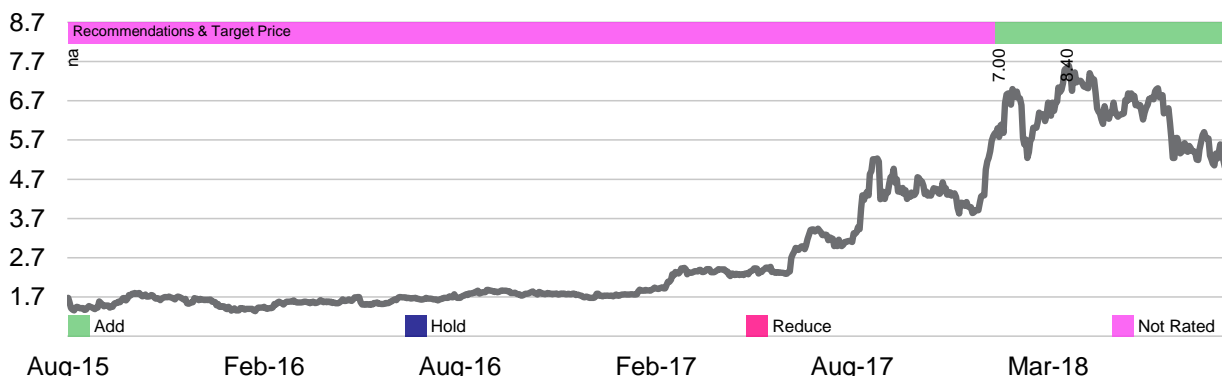
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Reduce	9.3%	0.8%

**Spitzer Chart for stock being researched ( 2 year data )**

**China Aoyuan Property Group Ltd (3883 HK)**

— Price Close



**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.