

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 3 Hold 1 Sell 0

Current price:	S\$0.47
Target price:	S\$0.55
Previous target:	S\$0.42
Up/downside:	17.0%
CGS-CIMB / Consensus:	20.4%
Reuters:	CHSN.SI
Bloomberg:	CSSC SP
Market cap:	US\$338.9m
	S\$456.2m
Average daily turnover:	US\$0.25m
	S\$0.34m
Current shares o/s:	976.3m
Free float:	35.0%

\*Source: Bloomberg

**Key changes in this note**

➤ FY20-22F EPS raised by 4.9-13.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	19	40.3	-9.6
Relative (%)	9.3	32.3	4.6

Major shareholders	% held
Success More Group Limited	63.3

**Analyst(s)**

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# China SunSine Chemical Holdings

## ASP uptrend points to a stronger 4Q20F

- SunSine provided a positive 3Q business update, in our view, with stronger-than-expected sales volumes and margin expansion.
- We expect an even better 4Q20F, as ASPs are observed to be on an uptrend, helped by stronger downstream demand and rising raw material costs.
- Reiterate Add with a higher TP of S\$0.55 (0.92x FY21F P/BV).

### Positive 3Q business update

In its business update, SunSine announced that it achieved a Rmb600m revenue in 3Q20 (1H20: Rmb1.05bn), riding on record sales volume of 46,000 tonnes (95% utilisation rate factoring in the new 20kt capacity expansion in Jun). While ASPs remained low during the quarter, SunSine was able to achieve GPM expansion to 28.3% in 3Q20 (1H20: 23.2%). While we had expected sequential improvements in 3Q on the back of stronger downstream demand, sales volumes and margin expansion were stronger than expected.

### Strong China auto market underpins demand recovery

The downstream demand recovery trend remains intact. We raise our sales volume forecast to 91.7kt (+20.1% hoh, +7.4% yoy) for 2H20F. Domestically, industrial production of the tyre manufacturing industry (Sep: +6% mom, +11% yoy) is riding on an upturn in the automobile industry helped by government stimulus measures and policies to promote domestic consumption in China. Meanwhile, export volume of China's rubber accelerators (Sep: +11% mom, +9% yoy) has picked up in recent months as overseas economies resume activities. Despite the resurgence in Covid-19 cases worldwide in recent months, management notes that demand for rubber chemicals has stayed solid.

### ASP uptrend in Oct points to stronger 4Q

Post a two-year downtrend, rubber accelerator and anti-oxidant industry prices saw recovery of 19% and 7% respectively since Oct; and we see further upside in coming months, driven by 1) continued downstream demand recovery, and 2) rise in raw material costs. Aniline, a key raw material, saw a price uptick in Oct (+10% mom) as producers' inventory levels return to a more normalised level. With volume and ASP uptick in 2H, we remain confident that SunSine can continue to achieve sequential earnings recovery, and raise our net profit forecast for 2H20F to Rmb131m (+59% hoh, +7% yoy).

### Maintain Add with a higher TP of S\$0.55

We raise our FY20-22F EPS forecasts by 4.9-13.4% to reflect higher ASP assumptions. Maintain Add. Our TP is lifted to S\$0.55, now based on 0.92x FY21F P/BV (China SunSine's 10-year historical mean), from 0.72x (0.75 s.d. below mean) before. Potential re-rating catalyst is stronger-than-expected selling price uptrend. Key risks include worse-than-expected pricing competition or resurgence of Covid-19, impacting demand.

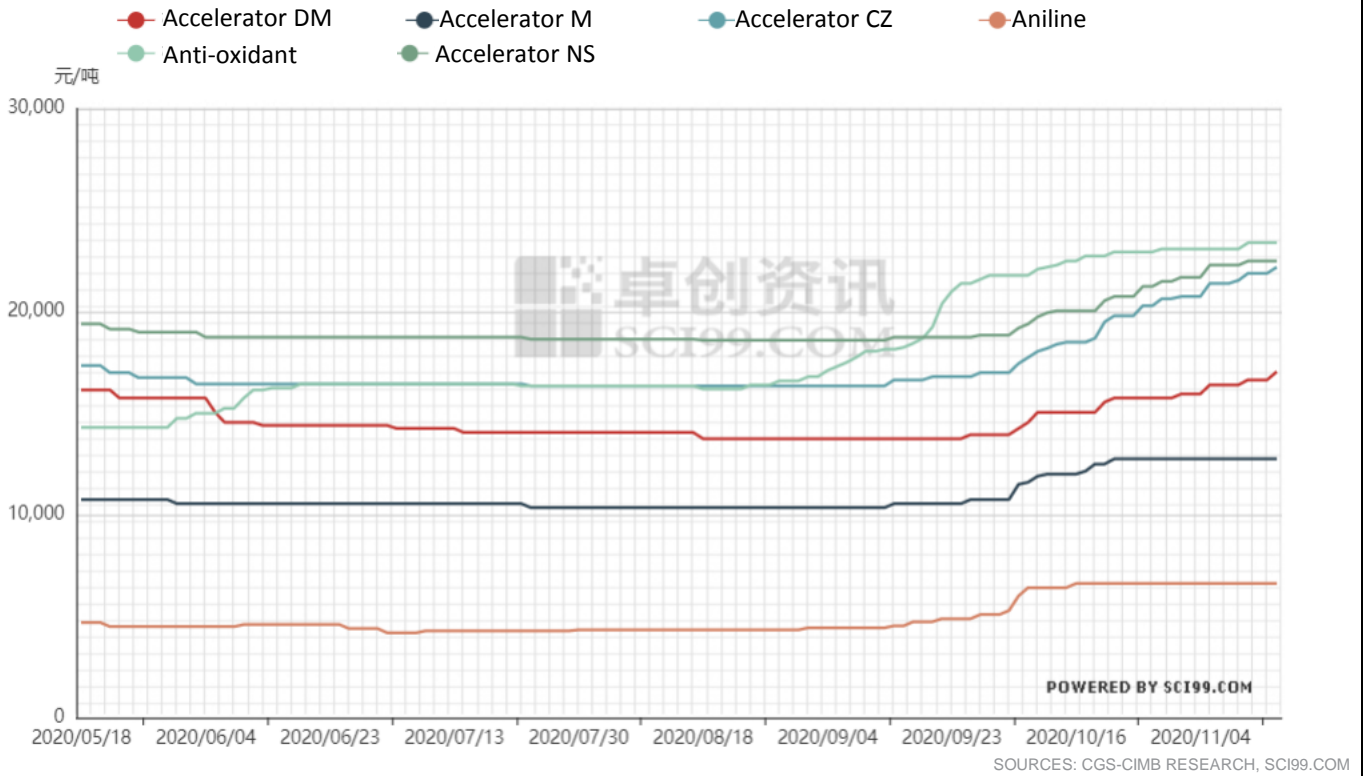
**Financial Summary**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (Rmbm)	3,283	2,692	2,292	2,697	2,951
Operating EBITDA (Rmbm)	803.9	528.0	391.3	505.1	570.8
Net Profit (Rmbm)	641.3	388.9	213.6	283.7	323.6
Core EPS (Rmb)	0.61	0.38	0.22	0.29	0.33
Core EPS Growth	72.6%	(38.6%)	(41.7%)	32.9%	14.1%
FD Core P/E (x)	3.76	6.15	10.51	7.91	6.94
DPS (Rmb)	0.14	0.05	0.04	0.06	0.07
Dividend Yield	5.87%	2.16%	1.90%	2.53%	2.88%
EV/EBITDA (x)	1.52	1.83	3.07	2.44	1.99
P/FCFE (x)	4.3	6.3	NA	144.8	14.6
Net Gearing	(44.7%)	(50.0%)	(38.2%)	(34.2%)	(34.4%)
P/BV (x)	0.97	0.88	0.82	0.76	0.69
ROE	29.5%	15.0%	8.1%	10.0%	10.4%
% Change In Core EPS Estimates			11.8%	13.4%	4.9%
CGS-CIMB/Consensus EPS (x)			1.11	1.06	0.82

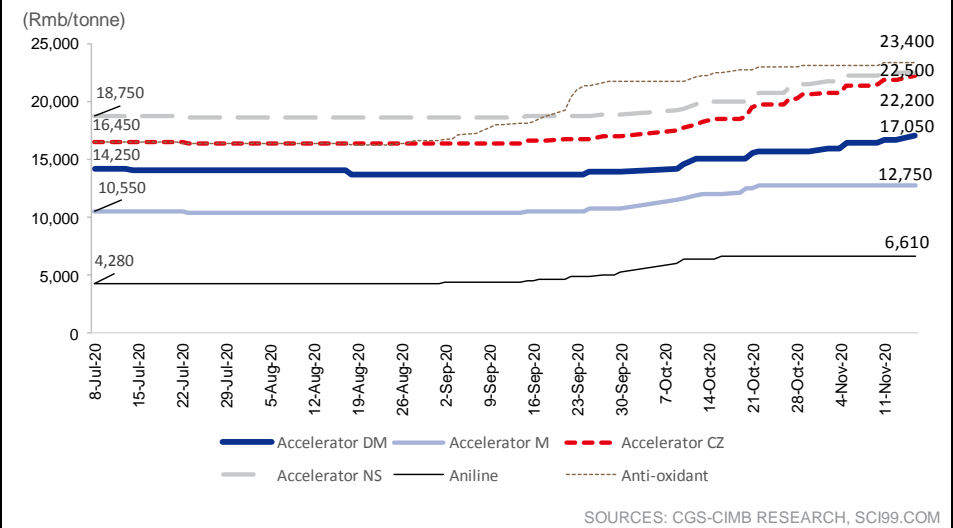
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## ASP uptrend points to a stronger 4Q20F

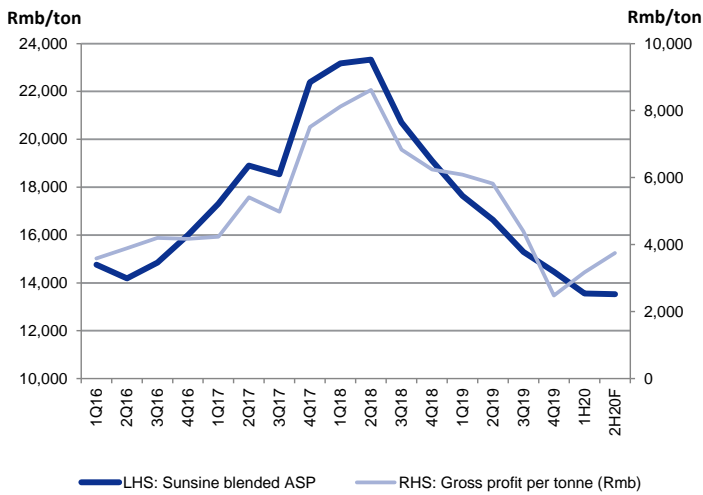
**Figure 1: Rubber accelerator and aniline prices (6-month horizon)**



**Figure 2: Rubber accelerator and aniline prices (3-month horizon)**

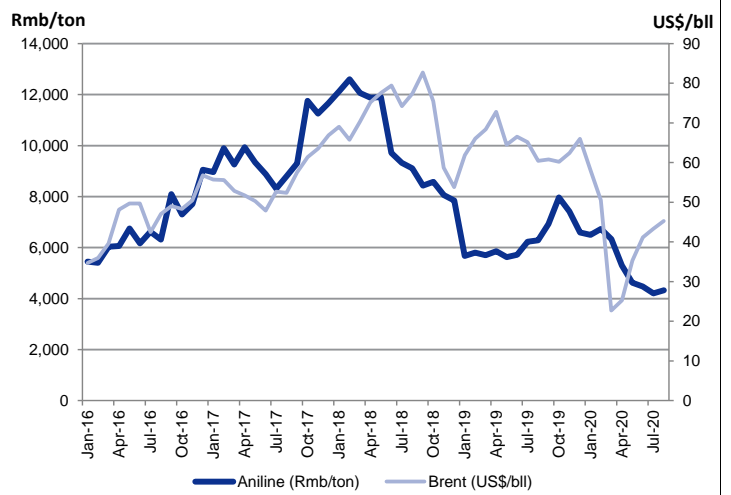


**Figure 3: Sunsine's blended ASP and gross profit per tonne**



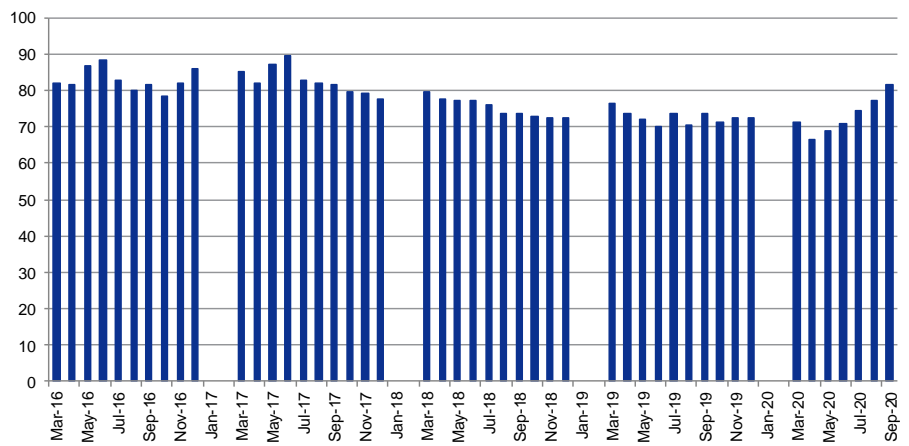
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 4: Aniline prices vs. Brent**



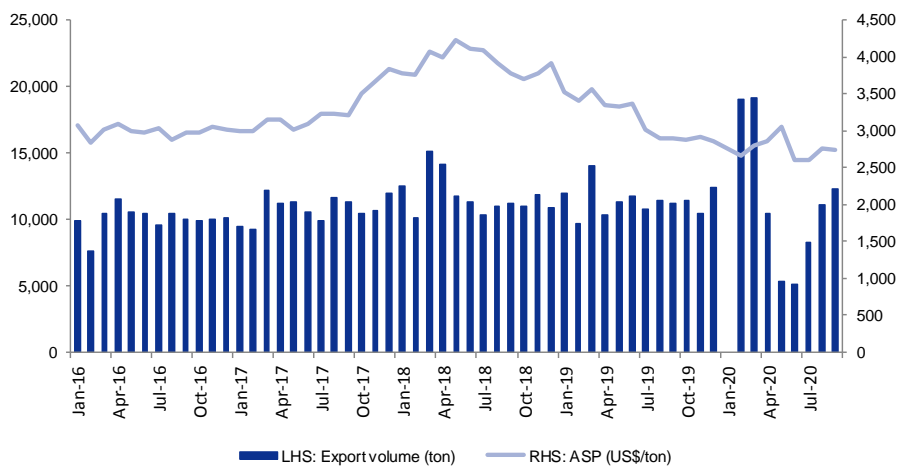
SOURCES: CGS-CIMB RESEARCH, CEIC, BLOOMBERG

**Figure 5: Rubber tyre production volume in China (millions)**



SOURCES: CGS-CIMB RESEARCH, NATIONAL BUREAU OF STATISTICS

**Figure 6: Monthly export data of rubber accelerators (China)**



SOURCES: CGS-CIMB RESEARCH, CHINA PETROLEUM AND CHEMICAL INDUSTRY FEDERATION

**Figure 7: Earnings revision**

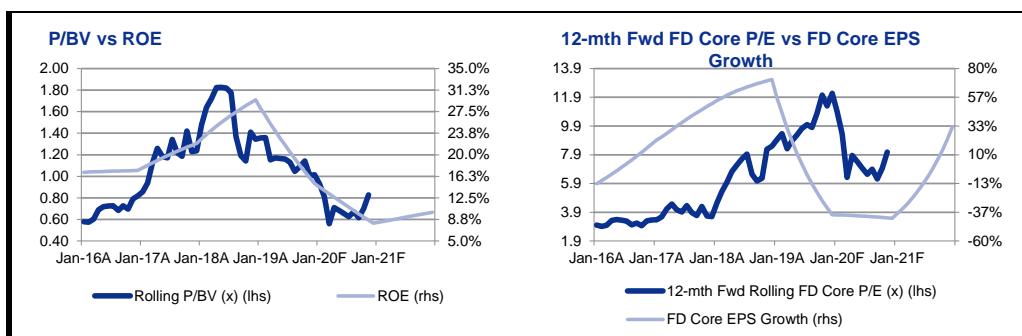
Earnings revision (Rmbm)	FY20F			FY21F			FY22F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	2,235	2,292	2.5%	2,586	2,697	4.3%	2,903	2,951	1.7%
EBITDA	358	391	9.4%	454	505	11.2%	548	571	4.2%
Net profit	191	214	11.8%	250	284	13.4%	309	324	4.9%
Core net profit	191	214	11.8%	250	284	13.4%	309	324	4.9%
Core EPS (Rmb cents)	19.6	21.9	11.8%	25.6	29.1	13.4%	31.6	33.1	4.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Peer comparison**

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY20F	P/E (x) CY21F	3-year EPS CAGR (%)	P/BV (x) CY20F	Recurring ROE (%) CY20F	EV/EBITDA (x) CY20F	EV/EBITDA (x) CY21F	Dividend Yield (%) CY20F
China Sunshine Chemical Holc	CSSC SP	ADD	0.47	0.55	339	10.5	7.9	-2.6%	0.82	7.9%	3.2	2.5	1.9%
<b>Rubber chemical peers</b>													
Shandong Yanggu Huatai	300121 CH	Not rated	11.36	na	650	19.9	13.5	37.6%	2.46	13.7%	11.3	8.0	2.6%
Eastman Chemical Co	EMN US	Not rated	98.00	na	13,276	16.6	13.9	12.5%	2.16	11.8%	10.8	9.8	2.6%
LANXESS AG	LXS GY	Not rated	53.28	na	5,532	17.5	14.0	23.3%	1.39	7.5%	8.3	7.3	1.8%
<b>Simple average (rubber chemical peers)</b>						<b>18.0</b>	<b>13.8</b>	<b>24.4%</b>	<b>2.00</b>	<b>11.0%</b>	<b>10.1</b>	<b>8.4</b>	<b>2.4%</b>
<b>Tyre manufacturers</b>													
Anhui Zhongding	000887 CH	Not rated	12.79	na	2,382	31.9	21.9	11.8%	1.72	5.2%	15.3	11.9	1.4%
Shandong Linglong Tyre Co L	601966 CH	Not rated	32.54	na	6,502	20.0	17.5	9.7%	3.08	16.0%	13.5	11.9	1.6%
Bridgestone Corp	5108 JP	Not rated	3,672	na	25,136	33.9	12.6	-6.0%	1.11	4.0%	7.3	5.6	2.9%
Yokohama Rubber	5101 JP	Not rated	1,687	na	2,743	16.4	9.2	-8.0%	0.64	3.7%	7.9	6.4	3.4%
Cie Generale des Etab.	ML FP	Not rated	106.9	na	22,665	25.7	12.4	3.6%	1.42	5.3%	7.4	5.7	1.7%
Goodyear Tire & Rubber Co/T	GT US	Not rated	10.46	na	2,439	na	14.6	na	0.84	-18.3%	18.2	6.3	2.0%
Cooper Tire & Rubber Co	CTB US	Not rated	41.54	na	2,093	14.0	11.2	23.2%	1.69	10.9%	5.8	4.7	1.0%
Apollo Tyres Ltd	APTY IN	Not rated	173.1	na	1,329	20.8	19.7	11.9%	0.97	3.3%	8.7	6.0	1.2%
Cheng Shin Rubber Ind	2105 TT	Not rated	40.35	na	4,584	53.6	27.0	14.4%	1.69	3.2%	8.7	7.8	1.7%
Hankook Tire & Technology	161390 KS	Add	32,950	50,000	3,683	10.6	6.7	15.5%	0.55	5.4%	3.7	3.2	1.8%
Kumho Tire Co Inc	073240 KS	Not rated	4,055	na	1,053	na	na	na	na	-11.4%	na	na	na
Nexen Tire Corp	002350 KS	Not rated	5,640	na	498	17.7	5.9	-1.0%	0.37	2.3%	6.3	4.4	1.8%
<b>Simple average (tyre manufacturers)</b>						<b>24.4</b>	<b>14.4</b>	<b>7.5%</b>	<b>1.28</b>	<b>2.5%</b>	<b>9.3</b>	<b>6.7</b>	<b>1.9%</b>

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>Total Net Revenues</b>	<b>3,283</b>	<b>2,692</b>	<b>2,292</b>	<b>2,697</b>	<b>2,951</b>
<b>Gross Profit</b>	<b>1,126</b>	<b>781</b>	<b>586</b>	<b>742</b>	<b>834</b>
<b>Operating EBITDA</b>	<b>804</b>	<b>528</b>	<b>391</b>	<b>505</b>	<b>571</b>
Depreciation And Amortisation	(98)	(114)	(96)	(113)	(124)
<b>Operating EBIT</b>	<b>706</b>	<b>414</b>	<b>295</b>	<b>392</b>	<b>447</b>
Financial Income/(Expense)	5	13	(1)	(1)	(1)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>712</b>	<b>427</b>	<b>295</b>	<b>391</b>	<b>446</b>
Exceptional Items	48	26	0	0	0
<b>Pre-tax Profit</b>	<b>760</b>	<b>453</b>	<b>295</b>	<b>391</b>	<b>446</b>
Taxation	(118)	(64)	(81)	(108)	(123)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>641</b>	<b>389</b>	<b>214</b>	<b>284</b>	<b>324</b>
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>641</b>	<b>389</b>	<b>214</b>	<b>284</b>	<b>324</b>
Recurring Net Profit	601	367	214	284	324
<b>Fully Diluted Recurring Net Profit</b>	<b>601</b>	<b>367</b>	<b>214</b>	<b>284</b>	<b>324</b>

**Cash Flow**

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>EBITDA</b>	<b>803.9</b>	<b>528.0</b>	<b>391.3</b>	<b>505.1</b>	<b>570.8</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(2.0)	20.1	32.6	(101.5)	(63.7)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(72.1)	(24.1)	0.0	0.0	0.0
Net Interest (Paid)/Received	5.3	12.7	(0.5)	(0.5)	(0.5)
Tax Paid	(84.1)	(121.1)	(81.0)	(107.6)	(122.7)
<b>Cashflow From Operations</b>	<b>651.0</b>	<b>415.6</b>	<b>342.4</b>	<b>295.5</b>	<b>383.8</b>
Capex	(129.7)	(72.4)	(530.0)	(280.0)	(230.0)
Disposals Of FAs/subsidiaries	0.2	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	5.3	13.2	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(124.2)</b>	<b>(59.2)</b>	<b>(530.0)</b>	<b>(280.0)</b>	<b>(230.0)</b>
Debt Raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	(2.1)	(19.6)	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(58.5)	(135.5)	(50.1)	(43.8)	(56.7)
Preferred Dividends					
Other Financing Cashflow	9.1	7.3	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(51.5)</b>	<b>(147.8)</b>	<b>(50.1)</b>	<b>(43.8)</b>	<b>(56.7)</b>
Total Cash Generated	475.3	208.6	(237.6)	(28.3)	97.1
<b>Free Cashflow To Equity</b>	<b>526.8</b>	<b>356.4</b>	<b>(187.6)</b>	<b>15.5</b>	<b>153.8</b>
<b>Free Cashflow To Firm</b>	<b>526.8</b>	<b>356.9</b>	<b>(187.1)</b>	<b>16.0</b>	<b>154.3</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	1,039	1,280	1,042	1,014	1,111
Total Debtors	761	693	597	702	768
Inventories	217	247	234	268	290
Total Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>2,016</b>	<b>2,220</b>	<b>1,873</b>	<b>1,984</b>	<b>2,169</b>
Fixed Assets	691	650	1,083	1,250	1,356
Total Investments	0	0	0	0	0
Intangible Assets	40	49	49	49	49
Total Other Non-Current Assets	0	0	0	0	0
<b>Total Non-current Assets</b>	<b>731</b>	<b>699</b>	<b>1,132</b>	<b>1,299</b>	<b>1,405</b>
Short-term Debt	0	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	341	323	246	284	309
Other Current Liabilities	81	24	24	24	24
<b>Total Current Liabilities</b>	<b>422</b>	<b>347</b>	<b>271</b>	<b>309</b>	<b>333</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	9	9	9	9
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>422</b>	<b>357</b>	<b>280</b>	<b>318</b>	<b>342</b>
Shareholders' Equity	2,326	2,562	2,725	2,965	3,232
Minority Interests	0	0	0	0	0
<b>Total Equity</b>	<b>2,326</b>	<b>2,562</b>	<b>2,725</b>	<b>2,965</b>	<b>3,232</b>

**Key Ratios**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	19.9%	(18.0%)	(14.8%)	17.7%	9.4%
Operating EBITDA Growth	42.2%	(34.3%)	(25.9%)	29.1%	13.0%
Operating EBITDA Margin	24.5%	19.6%	17.1%	18.7%	19.3%
Net Cash Per Share (Rmb)	1.06	1.31	1.07	1.04	1.14
BVPS (Rmb)	2.37	2.62	2.79	3.04	3.31
Gross Interest Cover	N/A	827.8	590.1	783.7	893.7
Effective Tax Rate	15.6%	14.1%	27.5%	27.5%	27.5%
Net Dividend Payout Ratio	22.4%	13.4%	20.0%	20.0%	20.0%
Accounts Receivables Days	81.9	98.5	102.9	87.9	90.9
Inventory Days	36.33	44.36	51.57	46.82	48.09
Accounts Payables Days	53.41	63.43	61.05	49.51	51.12
ROIC (%)	56.8%	32.2%	22.9%	23.2%	22.8%
ROCE (%)	35.0%	17.5%	11.2%	13.8%	14.4%
Return On Average Assets	24.1%	12.4%	7.2%	9.0%	9.5%

**Key Drivers**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	19.3%	-27.6%	-20.0%	3.5%	3.0%
Unit sales grth (% , main prod./serv.)	-0.1%	6.0%	6.3%	12.8%	3.0%
Util. rate (% , main prod./serv.)	95.7%	91.0%	80.2%	90.5%	93.2%
ASP (% chg, 2ndary prod./serv.)	5.6%	-21.3%	-16.5%	3.5%	3.0%
Unit sales grth (% ,2ndary prod/serv)	15.6%	16.1%	-9.7%	20.0%	20.0%
Util. rate (% , 2ndary prod/serv)	85.9%	99.7%	90.0%	54.0%	64.8%
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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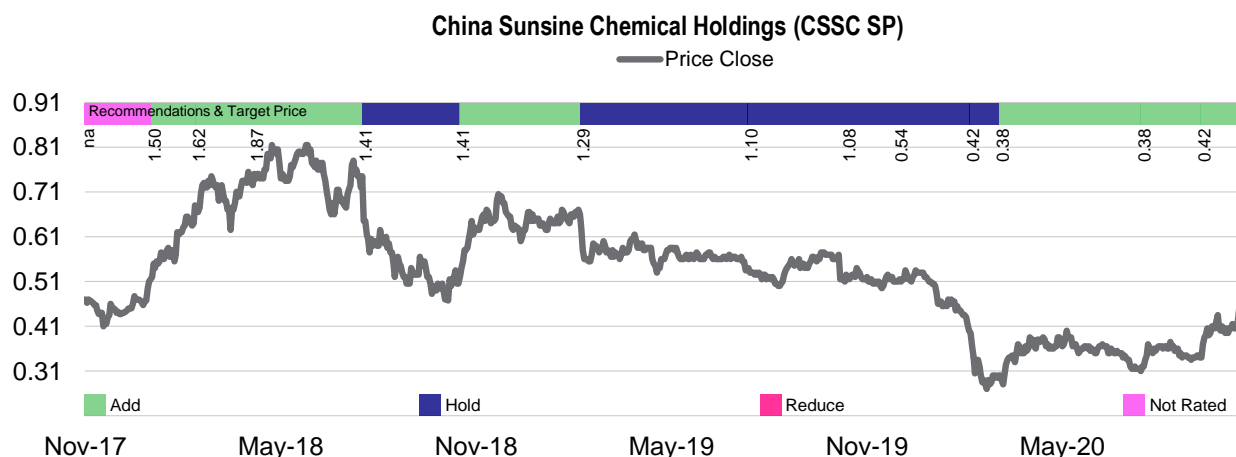
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Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **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, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – 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, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, 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** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

**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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