

Sep 26, 2016  
 Company Report  
 Rating: HOLD  
 TP: RMB 17.61

Share price (HK\$) 16.11  
 Est. share price return 9.34%  
 Est. dividend yield 2.85%  
 Est. total return 12.19%

Previous Rating BUY  
 Previous TP RMB 16.77

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#### Key Data

52Wk H/L(RMB) 19.5/12.51  
 Issued shares (mn) 6,064.80  
 Market cap (RMB mn) 97,703.93  
 3-mth avg daily turnover (RMB mn) 856.51  
 Major shareholder(s) (%):  
 Hohhot Investment Co Ltd 8.79  
 HK Securities Clearing Co. 6.22  
 Sunshine Insurance Group 4.17  
 Gang Pan 3.89  
 China Securities Finance Corp 3.06  
 China Asset Management Co Ltd 2.54  
 Source(s): Bloomberg, ABCI Securities

#### Key data

Core revenue composition (%)	1H15	1H16
Liquid milk	76.60	79.97
Chilled products	10.21	9.98
Milk formula	11.40	8.62
Mixed feed	1.79	1.39
Guarantee business income	0.00	0.04

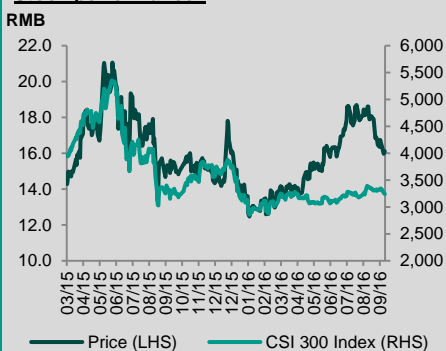
Source(s): Company, ABCI Securities

#### Share price performance (%)

	Absolute	Relative*
1-mth	(11.14)	(9.46)
3-mth	2.03	(3.60)
6-mth	24.22	16.92

\*Relative to CSI 300 Index  
 Source(s): Bloomberg, ABCI Securities

#### Stock performance



\* All market data as of closing of Sep 22, 2016

## Yili (600887 CH)

### Slower momentum, higher profitability

- Yili's revenue growth stalled in 1H16; to meet its annual growth target, revenue would need to grow by ~8.95% YoY – not an easily achievable goal in our view
- Improving profitability, rate of return, and working capital management demonstrate the Group's higher operational efficiency
- The Group's change in portfolio mix raises concerns on product concentration risk
- Downgrade to **HOLD** due to the murky outlook; TP at RMB 17.61

**Growth momentum stalled in 1H16.** Yili's revenue in 1H16 edged down by 0.21% YoY, indicating that its 2Q16 revenue declined by 2.63% YoY. For segment revenue, liquid milk grew 4.78% YoY, while chilled products and milk formula declined by 1.98% YoY and 24.05% YoY. According to Yili, its 1H16 market share in the dairy product market was ranked first at 20.1%; market shares of its liquid milk and milk formula segments were 30.9% and 4.9%. We believe the stagnant growth in 1H16 was caused by Mengniu's gain in the market.

**Profitability continued to improve.** Although Yili's top-line growth lost momentum in 1H16, bottom line increased. Core gross profit and net profit grew by 12.34% YoY and 20.63% YoY, mainly due to the benefits from reduced cost of sales and lower financial costs. However, operating profit declined by 5.62% YoY, reflecting the stiffening competition that drove up the Group's S&D expenses in 1H16. Core GPM and NPM improved to 39.53% and 10.67% (1H15: 35.31% and 8.83%). ROAA and ROAE went up to 8.65% and 15.9% (1H15: 6.76% and 14.08%). The improved profitability and return shows that it was able to raise operating efficiency regardless of the adverse situation.

**Subtle change in product portfolio raises concern.** In 1H16, Yili's core revenue contribution from the liquid milk segment was 79.97%, which was similar to FY15. But the core revenue contribution from milk formula segment declined to 8.62% from 1H15's 11.4%, which may be the result of fierce competition and lower demand in China's milk formula market. It is hard to tell whether the Group is moving away from the balanced product mix model to focus on the liquid milk product. Heavy dependence on any single product category is strategically dangerous, however.

**Murky outlook ahead.** The 1H16 results of Yili and Mengniu, the two dairy giants in China, demonstrate the increasing complexity in China's consumer market. In addition, to achieve its annual revenue growth target of ~2.04% YoY, Yili face greater pressure to boost its performance as it needs to achieve revenue growth of ~8.95% YoY in 2H16. Moreover, recent changes in shareholding structure and halting of share trading raise concerns over the possibility that Yili may suffer from financial and management disturbances that could potentially distract it from business development.

**Downgrade to HOLD; TP at RMB 17.61.** In our view, the uneven performance of Yili and Mengniu in 1H16 drive us to adjust down the revenue growth outlook. Based on its increased profitability, we believe Yili's performance would improve swiftly once growth momentum is restored. We downgrade the Group's rating to **HOLD** and raise our TP to RMB 17.61, which represents 2016E P/E and 2017E P/E of 21.24x and 18.01x, and 2016E P/B and 2017E P/B of 4.66x and 4.52x.

#### Results and Valuation

FY ended Dec 31	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Revenue (RMB mn)</b>	<b>54,436.43</b>	<b>60,359.87</b>	<b>61,739.35</b>	<b>65,226.03</b>	<b>69,244.54</b>
Chg (% YoY)	13.93	10.88	2.29	5.65	6.16
<b>Net Profit (RMB mn)</b>	<b>4,144.28</b>	<b>4,631.79</b>	<b>5,030.33</b>	<b>5,931.22</b>	<b>6,871.70</b>
Chg (% YoY)	30.03	11.76	8.60	17.91	15.86
<b>Basic EPS (RMB)</b>	<b>0.68</b>	<b>0.76</b>	<b>0.83</b>	<b>0.98</b>	<b>1.13</b>
P/E (x)	23.69	21.20	19.42	16.47	14.22
BVPS (RMB)	3.06	3.30	3.78	4.38	5.14
P/B (x)	5.27	4.89	4.26	3.68	3.13
DPS (RMB)	0.40	0.45	0.46	0.54	0.63
Yield (%)	2.48	2.79	2.85	3.36	3.89
ROAA (%)	11.45	11.71	12.24	13.76	14.29
ROAE (%)	23.59	23.77	23.25	23.77	23.62

Source(s): The Group, Bloomberg, ABCI Securities estimates

## Appendix I: Financial Statements of the Group

### Consolidated income statement (FY14A - FY18E)

As of Dec 31 (RMB mn, except per share data)	FY14A	FY15A	FY16E	FY17E	FY18E	1H15A	1H16A
<b>Operating Revenue</b>	<b>54,436.43</b>	<b>60,359.87</b>	<b>61,739.35</b>	<b>65,226.03</b>	<b>69,244.54</b>	<b>30,151.09</b>	<b>30,086.54</b>
<b>Core operating revenue</b>	<b>53,486.91</b>	<b>58,763.51</b>	<b>60,026.16</b>	<b>63,328.91</b>	<b>66,956.25</b>	<b>29,273.67</b>	<b>29,377.60</b>
- Liquid milk	42,406.30	47,151.39	48,944.20	51,519.35	54,264.20	22,422.93	23,494.61
- Chilled product	4,283.72	4,097.82	4,091.78	4,256.93	4,435.77	2,989.73	2,930.66
- Milk formula	6,013.46	6,447.20	5,771.65	5,937.74	6,214.12	3,335.84	2,533.51
- Mixed feed	783.02	1,058.18	1,200.52	1,583.22	2,008.69	523.99	408.22
- Guarantee business	0.40	8.92	18.01	31.66	33.48	1.18	10.60
<b>Non-core operating revenue</b>	<b>472.39</b>	<b>1,099.98</b>	<b>1,108.73</b>	<b>1,367.57</b>	<b>1,821.27</b>	<b>581.95</b>	<b>547.93</b>
<b>Interest income</b>	<b>477.13</b>	<b>496.39</b>	<b>615.52</b>	<b>540.89</b>	<b>479.64</b>	<b>295.47</b>	<b>161.00</b>
<b>COGS</b>	<b>(36,399.99)</b>	<b>(38,375.58)</b>	<b>(37,244.13)</b>	<b>(38,512.21)</b>	<b>(40,580.63)</b>	<b>(19,473.19)</b>	<b>(18,267.68)</b>
<b>Core operating COGS</b>	<b>(36,048.88)</b>	<b>(37,376.06)</b>	<b>(36,294.37)</b>	<b>(37,354.10)</b>	<b>(39,029.41)</b>	<b>(18,936.45)</b>	<b>(17,765.09)</b>
- Liquid milk	(29,334.83)	(31,082.20)	(30,282.08)	(31,336.40)	(32,827.15)	(15,099.42)	(14,755.82)
- Chilled product	(2,782.41)	(2,609.31)	(2,277.25)	(2,142.93)	(2,141.46)	(1,852.27)	(1,651.32)
- Milk formula	(3,270.39)	(2,838.55)	(2,755.22)	(2,660.18)	(2,573.50)	(1,599.55)	(1,050.40)
- Mixed feed	(661.25)	(846.02)	(979.82)	(1,214.60)	(1,487.31)	(385.21)	(307.55)
- Guarantee business	0.00	0.00	1.00	2.00	3.00	3.00	3.00
<b>Non-core operating COGS</b>	<b>(351.11)</b>	<b>(999.51)</b>	<b>(949.76)</b>	<b>(1,158.10)</b>	<b>(1,551.22)</b>	<b>(536.74)</b>	<b>(502.59)</b>
<b>Gross profit</b>	<b>18,036.44</b>	<b>21,984.30</b>	<b>24,495.22</b>	<b>26,713.82</b>	<b>28,663.91</b>	<b>10,677.90</b>	<b>11,818.85</b>
<b>Core operating gross profit</b>	<b>17,438.03</b>	<b>21,387.44</b>	<b>23,731.78</b>	<b>25,974.80</b>	<b>27,926.83</b>	<b>10,337.22</b>	<b>11,612.51</b>
- Liquid milk	13,071.46	16,069.19	18,662.11	20,182.95	21,437.05	7,323.51	8,738.80
- Chilled product	1,501.31	1,488.52	1,814.53	2,114.00	2,294.31	1,137.46	1,279.34
- Milk formula	2,743.07	3,608.65	3,016.43	3,277.56	3,640.62	1,736.29	1,483.11
- Mixed feed	121.78	212.17	220.71	368.63	521.38	138.78	100.67
- Guarantee business	0.40	8.92	18.01	31.66	33.48	1.18	10.60
<b>Non-core operating gross profit</b>	<b>121.28</b>	<b>100.46</b>	<b>158.97</b>	<b>209.47</b>	<b>270.05</b>	<b>45.21</b>	<b>45.34</b>
<b>Gross profit on interest income</b>	<b>477.13</b>	<b>496.39</b>	<b>615.52</b>	<b>540.89</b>	<b>479.64</b>	<b>0.00</b>	<b>0.00</b>
Sales tax	(185.39)	(251.04)	(283.80)	(285.86)	(284.40)	(127.15)	(176.40)
Selling and distribution expense	(10,074.55)	(13,258.33)	(15,316.96)	(16,441.54)	(17,601.47)	(6,014.89)	(7,076.16)
Administrative expenses	(3,163.23)	(3,456.16)	(3,679.63)	(3,790.92)	(3,568.64)	(1,348.67)	(1,558.12)
<b>EBIT</b>	<b>4,613.27</b>	<b>5,018.76</b>	<b>5,214.84</b>	<b>6,195.50</b>	<b>7,209.41</b>	<b>3,187.18</b>	<b>3,008.17</b>
Asset impairment expense	(176.43)	(13.62)	(73.49)	(77.97)	(107.46)	(27.54)	(42.06)
Investment income	107.74	186.35	159.17	214.81	248.33	130.54	317.90
Non-operating profit/(loss)	396.20	629.21	652.90	627.90	705.98	111.62	541.39
Finance cost	(154.89)	(297.16)	42.54	108.29	133.14	(213.68)	(18.35)
<b>Pretax profit</b>	<b>4,785.89</b>	<b>5,523.53</b>	<b>5,995.96</b>	<b>7,068.53</b>	<b>8,189.39</b>	<b>3,188.12</b>	<b>3,807.06</b>
Tax	(619.35)	(869.11)	(939.83)	(1,107.60)	(1,282.86)	(513.84)	(584.96)
<b>Net profit</b>	<b>4,166.54</b>	<b>4,654.43</b>	<b>5,056.13</b>	<b>5,960.92</b>	<b>6,906.53</b>	<b>2,674.28</b>	<b>3,222.10</b>
- Profit attributable to shareholders	4,144.28	4,631.79	5,030.33	5,931.22	6,871.70	2,662.18	3,211.49
- Minority interest	22.26	22.63	25.80	29.70	34.83	12.10	10.61
Cash dividend	2,451.50	2,729.16	2,780.87	3,278.51	3,798.59	0.00	0.00
<b>EPS (RMB)</b>							
- Basic	0.68	0.76	0.83	0.98	1.13	0.43	0.53
- Diluted	0.68	0.76	0.83	0.98	1.13	0.43	0.53
<b>Cash DPS (RMB)</b>	<b>0.40</b>	<b>0.45</b>	<b>0.46</b>	<b>0.54</b>	<b>0.63</b>	<b>0.00</b>	<b>0.00</b>

Source(s): Company, ABCI Securities estimates

**Consolidated balance sheet (FY14A - FY18E)**

As of Dec 31 (RMB mn, except per share data)	FY14A	FY15A	FY16E	FY17E	FY18E	1H15A	1H16A
Cash and cash equivalent	14,272.62	13,083.67	13,960.79	13,447.45	21,011.29	14,163.73	10,879.06
Bills receivable	139.40	147.17	217.27	167.76	241.00	204.51	132.72
Trade receivable	513.02	572.18	573.58	547.91	595.67	753.75	687.00
Inventory	5,008.25	4,663.13	4,356.29	5,192.40	4,539.82	4,238.31	3,738.39
Other current assets	1,067.78	1,320.01	1,653.61	1,531.93	1,812.21	1,291.17	1,458.20
<b>Total current assets</b>	<b>21,001.07</b>	<b>19,786.15</b>	<b>20,761.56</b>	<b>20,887.45</b>	<b>28,199.98</b>	<b>20,651.47</b>	<b>16,895.37</b>
PP&E	13,121.34	14,558.60	15,679.11	16,388.95	16,709.53	13,599.40	12,891.54
Construction in progress	939.36	776.27	719.47	664.28	664.15	839.14	596.61
Biological assets	1,289.07	1,298.54	1,412.15	1,529.57	1,598.21	1,302.02	0.00
Goodwill	10.68	10.68	10.68	10.68	10.68	10.68	10.68
Other intangible assets	930.40	956.43	994.86	1,035.39	1,078.11	961.98	971.52
Other non-current assets	2,202.39	2,244.30	3,014.54	3,081.25	4,345.37	1,852.65	3,288.08
<b>Total non-current assets</b>	<b>18,493.23</b>	<b>19,844.82</b>	<b>21,830.81</b>	<b>22,710.12</b>	<b>24,406.06</b>	<b>18,565.85</b>	<b>17,758.42</b>
<b>Total assets</b>	<b>39,494.30</b>	<b>39,630.97</b>	<b>42,592.36</b>	<b>43,597.56</b>	<b>52,606.04</b>	<b>39,217.33</b>	<b>34,653.79</b>
Bills payable	266.08	563.11	514.58	234.45	430.46	225.76	286.83
Trade payable	5,280.71	6,078.85	6,028.42	6,781.28	6,562.46	6,737.71	5,973.64
ST debt	8,071.98	6,190.00	1,094.43	1,491.30	2,009.55	6,236.42	790.00
Other current liabilities	5,137.78	5,370.07	10,284.03	6,533.17	10,065.75	5,100.76	5,888.31
<b>Total current liabilities</b>	<b>18,756.55</b>	<b>18,202.02</b>	<b>17,921.47</b>	<b>15,040.20</b>	<b>19,068.21</b>	<b>18,300.64</b>	<b>12,938.78</b>
LT debt	703.97	0.29	23.64	38.07	61.10	703.35	0.29
Other non-current liabilities	1,212.22	1,282.74	1,527.81	1,742.93	2,057.31	1,222.82	1,139.83
<b>Total non-current liabilities</b>	<b>1,916.20</b>	<b>1,283.03</b>	<b>1,551.45</b>	<b>1,780.99</b>	<b>2,118.42</b>	<b>1,926.17</b>	<b>1,140.12</b>
Shareholders' equity	18,633.92	19,984.40	22,934.08	26,561.69	31,167.51	18,803.06	20,403.03
Minority interest	187.63	161.52	185.36	214.68	251.90	187.46	171.86
<b>Total equity</b>	<b>18,821.55</b>	<b>20,145.92</b>	<b>23,119.44</b>	<b>26,776.37</b>	<b>31,419.41</b>	<b>18,990.52</b>	<b>20,574.89</b>
<b>Total liabilities and equity</b>	<b>39,494.30</b>	<b>39,630.97</b>	<b>42,592.36</b>	<b>43,597.56</b>	<b>52,606.04</b>	<b>39,217.33</b>	<b>34,653.79</b>

Source(s): Company, ABCI Securities estimates

**Consolidated cash flow statement (FY14A - FY18E)**

FY ends at Dec 31 (RMB mn)	FY14A	FY15A	FY16E	FY17E	FY18E	1H15A	1H16A
Net profit	4,166.54	4,654.43	5,056.13	5,960.92	6,906.53	2,674.28	3,222.10
Depreciation and amortization	1,655.17	1,794.46	1,840.73	2,029.93	2,264.50	951.77	964.05
Change of working capital	(3,574.98)	2,897.65	1,243.30	(512.07)	268.44	1,943.51	3,572.41
Others	189.76	189.97	27.11	(86.36)	(135.56)	526.73	(256.70)
<b>Cash flow from operating activities</b>	<b>2,436.49</b>	<b>9,536.50</b>	<b>8,167.27</b>	<b>7,392.43</b>	<b>9,303.91</b>	<b>6,096.28</b>	<b>7,501.87</b>
Change in PP&E, intangible assets, and other non-current assets	(3,931.55)	(3,625.77)	(1,733.73)	(2,208.80)	(3,107.48)	(1,559.31)	(1,552.75)
Others	2,932.90	138.83	1,226.72	8.73	(70.31)	(3.88)	1,227.90
<b>Cash flow from investing activities</b>	<b>(998.65)</b>	<b>(3,486.94)</b>	<b>(507.01)</b>	<b>(2,200.07)</b>	<b>(3,177.80)</b>	<b>(1,420.15)</b>	<b>(1,331.38)</b>
Change in debt	4,689.67	(2,585.67)	(5,072.22)	411.29	541.28	(1,835.08)	(5,400.00)
Dividend paid	(1,807.19)	(2,658.97)	(2,792.46)	(3,244.82)	(3,851.36)	(2,556.48)	(2,756.01)
Others	0.00	(1,034.38)	0.00	(622.60)	1,654.30	0.00	(0.30)
<b>Cash flow from financing activities</b>	<b>2,882.48</b>	<b>(6,279.02)</b>	<b>(7,864.68)</b>	<b>(3,456.13)</b>	<b>(1,655.78)</b>	<b>(4,391.56)</b>	<b>(8,156.31)</b>
<b>Net change in cash</b>	<b>4,320.31</b>	<b>(229.46)</b>	<b>(204.42)</b>	<b>1,736.23</b>	<b>4,470.34</b>	<b>284.57</b>	<b>(1,985.82)</b>
Cash at the beginning	8,140.46	12,460.64	12,216.72	12,484.48	13,447.32	12,460.64	12,216.72
ForEx effect	(0.13)	(14.46)	472.18	(773.40)	(420.90)	(3.96)	38.59
<b>Cash at the end of FY</b>	<b>12,460.64</b>	<b>12,216.72</b>	<b>12,484.48</b>	<b>13,447.32</b>	<b>17,496.75</b>	<b>12,741.25</b>	<b>10,269.49</b>

Source(s): Company, ABCI Securities estimates

**Key operating and financial ratios (FY14A - FY18E)**

FY ended Dec 31	FY14A	FY15A	FY16E	FY17E	FY18E	1H15A	1H16A
<b>Growth (YoY %)</b>							
Total revenue	13.93	10.88	2.29	5.65	6.16	9.76	-0.21
Core revenue	12.71	9.87	2.15	5.50	5.73	8.04	0.36
- Liquid milk	14.25	11.19	3.80	5.26	5.33	8.28	4.76
- Chilled products	0.96	-4.34	-0.15	4.04	4.20	-1.66	-1.96
- Milk formula	9.09	7.21	-10.48	2.88	4.65	9.68	-24.05
- Mixed feed	34.27	35.14	13.45	31.88	26.87	71.55	-22.09
- Guarantee business	N/A	2104.15	101.93	75.84	5.73	N/A	799.87
Non-core revenue	45.59	132.85	0.80	23.35	33.18	205.32	-5.85
Gross profit	31.69	21.89	11.42	9.06	7.30	15.78	10.69
Core gross profit	28.65	22.65	10.96	9.45	7.52	15.05	12.34
- Liquid milk	34.98	22.93	16.14	8.15	6.21	13.91	19.33
- Chilled products	7.95	-0.85	21.90	16.50	8.53	1.29	12.47
- Milk formula	13.64	31.56	-16.41	8.66	11.08	24.46	-14.58
- Mixed feed	84.95	74.22	4.02	67.02	41.44	262.74	-27.46
Non-core gross profit	-14.33	-17.16	58.24	31.76	28.92	-14.63	0.29
Operating profit	82.75	8.79	3.91	18.81	16.37	33.62	-5.62
EBITDA	66.13	11.62	2.68	16.69	14.96	31.71	-4.41
Pretax Profit	56.38	15.41	8.55	17.89	15.86	18.76	19.41
Net profit	30.03	11.76	8.60	17.91	15.86	15.95	20.63
<b>Profitability ratios (%)</b>							
GPM	33.13	36.42	39.68	40.96	41.40	35.41	39.28
Core GPM	32.60	36.40	39.54	41.02	41.71	35.31	39.53
- Liquid milk	30.82	34.08	38.13	39.18	39.50	32.66	37.19
- Chilled products	35.05	36.32	44.35	49.66	51.72	38.05	43.65
- Milk formula	45.62	55.97	52.26	55.20	58.59	52.05	58.54
- Mixed feed	15.55	20.05	18.38	23.28	25.96	26.49	24.66
Non-core GPM	25.67	9.13	14.34	15.32	14.83	7.77	8.27
OPM	8.47	8.31	8.45	9.50	10.41	10.57	10.00
EBITDA margin	11.19	11.27	11.31	12.49	13.53	13.64	13.06
Pretax margin	8.79	9.15	9.71	10.84	11.83	10.57	12.65
NPM	7.61	7.67	8.15	9.09	9.92	8.83	10.67
<b>Revenue contribution (%)</b>							
Core revenue to total revenue	98.26	97.36	97.23	97.09	96.70	97.09	97.64
Non-core revenue to total revenue	0.87	1.82	1.80	2.10	2.63	1.93	1.82
Interest income to total revenue	0.88	0.82	1.00	0.83	0.69	0.98	0.54
Core revenue's composition							
- Liquid milk	79.28	80.24	81.54	81.35	81.04	76.60	79.97
- Chilled products	8.01	6.97	6.82	6.72	6.62	10.21	9.98
- Milk formula	11.24	10.97	9.62	9.38	9.28	11.40	8.62
- Mixed feed	1.46	1.80	2.00	2.50	3.00	1.79	1.39
- Guarantee business	0.00	0.02	0.03	0.05	0.05	0.00	0.04
<b>Return ratios (%)</b>							
ROAA	11.45	11.71	12.24	13.76	14.29	6.76	8.65
ROAE	23.59	23.77	23.25	23.77	23.62	14.08	15.90
ROIC	35.59	37.62	47.72	53.17	57.96	22.68	44.48
<b>Liquidity ratio (x)</b>							
Current ratio	1.12	1.09	1.16	1.39	1.48	112.85	130.58
Quick ratio	0.85	0.83	0.92	1.04	1.24	89.69	101.69
Cash ratio	0.76	0.72	0.78	0.89	1.10	77.39	84.08
<b>Cash conversion cycle (days)</b>							
Days of outstanding receivable	2.86	3.28	3.39	3.14	3.01	3.83	3.82
Days of inventory on hand	44.00	47.22	45.35	46.65	45.51	43.33	41.97
Days of outstanding payable	51.14	55.98	61.40	61.21	63.46	58.64	63.41
CCC	(4.28)	(5.48)	(12.66)	(11.42)	(14.93)	-11.47	-17.63
<b>Leverage ratios (%)</b>							
Total debt/Equity	46.63	30.73	4.84	5.71	6.59	36.54	3.84
Total debt/Total assets	22.22	15.62	2.63	3.51	3.94	17.70	2.28

Source(s): Company, ABCI Securities estimates



## Disclosures

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### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return - 6% $\leq$ Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate

Time horizon of share price target: 12-month

### Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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