January 27, 2015
Company Report
Rating: BUY
TP: HK$ 32.40

Share price (HK$)	25.15
Est. share price return	28.8%
Est. dividend yield	1.4%
Est. total return	30.2%

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Key Data

52Wk H/L(HK$)	33.95/13.72
Issued shares (mn)	
H-share	1,178.3
A-share	9,838.6
Market cap	
H-share (HK$mn)	29,634
A- share (HK$mn)	348,972
3-mth avg daily turnover (HK$ mn)	695
Major shareholder(s) (%):	
CITIC Group Corporation	20.3

Source(s): Company, Bloomberg, ABCI Securities

1H14 Revenue breakdown (%)

Brokerage	28
Trading	35
Investment Banking	6
Asset management	14
Others	17

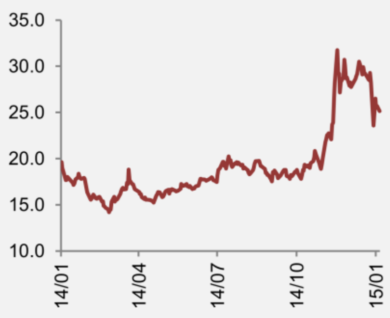
Source(s): Company, ABCI Securities

Share performance (%)

	Absolute	Relative*
1-mth	-9.37	-15.05
3-mth	38.04	30.34
6-mth	27.92	25.45

*Relative to HSI
Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK$)



Source(s): Bloomberg, ABCI Securities

CITIC Securities (6030 HK)

Key beneficiary of capital market reform

- Net investment banking fee income surged 168% YoY for 9M14 after A-share IPO had resumed in 1Q14. Given CITICS's leading position in the underwriting business, we expect its investment banking fee income would continue to rebound in 2015.
- As at Dec 31, 2014, CITIC's MFSL balance reached RMB 72.1bn and was ranked 1st in China with a market share of 7.0%. We expect CITICS would continue to optimize revenue mix
- Initiate **BUY** with TP at HK$ 32.40, equivalent to 2.4 x 2015E P/B.

A leader in multiple business lines. CITICS is the leading full-service investment bank in China and the largest securities firm in China. According to the SAC, CITICS was ranked 1st by total assets, net assets, and total revenue as of Dec 31, 2013. It also ranked 1st in terms of net income from investment banking business and net income from margin financing and securities lending (MFSL) business.

Diversified revenue mix. Trading, brokerage, asset management, and investment banking accounted for 35.0%, 27.5%, 14.0% and 5.6%, respectively, of the Group's total revenue in 1H14. Recognizing the challenges entailed in the traditional business model that relies heavily on retail brokerage, CITICS has been an early mover in diversifying its business into flow-based areas. As at Dec 31, 2014, CITIC's MFSL balance reached RMB 72.1bn and was ranked 1st in China with a market share of 7.0%. We also expect the Group would continue to optimize its revenue mix.

Promising outlook for investment banking business. According to Wind, CITICS was ranked 1st by debt underwriting amount and 2nd by equity underwriting amount among the Chinese brokers in 2014. Net investment banking fee income saw a robust growth of 168% YoY for 9M14. With its leading position in underwriting business, we expect its investment banking fee income would continue to rebound in 2015.

Double-digit ROAE is expected in medium term. The Group's gross leverage rose to 3.5x for 9M14 (vs. 2013: 2.5x) while core leverage (exclude client's deposits) reached 3.1x (vs 2013: 2.1x) for the same period. We expect the industry leverage would continue to climb on relaxation of capital rules, improving the industry ROAE over the long run. CITIC's ROAE in 9M14 increased by 2.81ppts to 7.05% on higher balance sheet leverage. Although its recent H-share placement may have diluted its ROAE, we expect the figure to reach double digits in the medium term.

Initiate CITICS with BUY on its leading position. CITICS would be the key beneficiary of the ongoing capital market reform and potential relaxation of capital rules. Its leading position in the industry and positive growth prospects have prompted us to initiate our coverage with a **BUY rating**. Our DDM-derived TP of HK$ 32.40 implies 2.4x 2015E P/B.

Risk factors: 1) Weaker-than-expected A-share market; 2) Slowdown in MFSL business; 3) Slowdown in China's economic growth; 4) EPS dilution risk on share placement.

Financial Summary

FY ended Dec 31	2012A	2013A	2014E	2015E	2016E
Revenue (RMB mn)	13,071	20,279	32,829	43,504	53,818
Chg (%,YoY)	(50.4)	55.1	61.9	32.5	23.7
Net profit (RMB mn)	4,237	5,244	9,054	11,264	13,322
Chg (%,YoY)	(66.3)	23.8	72.7	24.4	18.3
EPS (RMB)	0.38	0.48	0.82	0.96	1.06
Chg (%,YoY)	(68.8)	23.8	72.7	16.5	11.2
BVPS (RMB)	7.85	7.96	8.58	10.88	11.70
Chg (%,YoY)	(0.1)	1.4	7.8	26.8	7.5
P/E (x)	51.9	41.9	24.3	20.9	18.8
P/B (x)	2.5	2.5	2.3	1.8	1.7
ROAE (%)	4.9	6.0	9.9	9.8	9.4
ROAA (%)	2.7	2.4	2.8	2.7	2.7
DPS(RMB)	0.30	0.15	0.25	0.29	0.32
Yield (%)	1.5	0.8	1.2	1.4	1.6

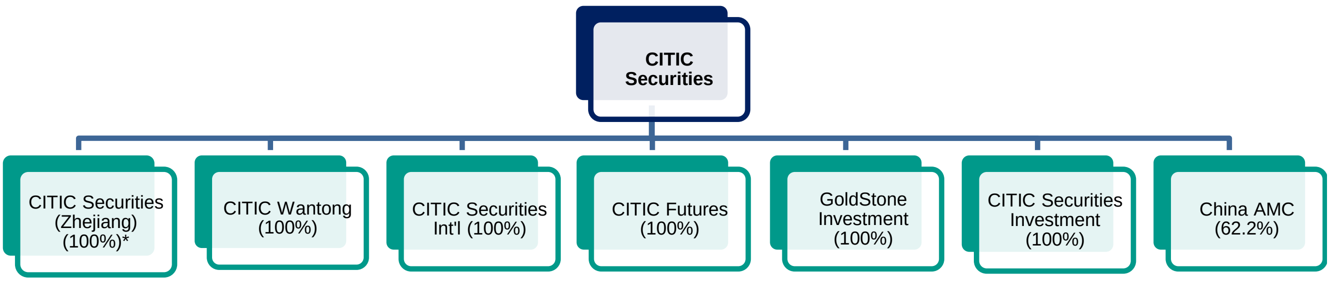
Source(s): Bloomberg, ABCI Securities estimates

Company Profile

Established in 1995, CITICS is the leading full-service investment bank in China as well as the largest securities firm in China. According to the SAC, CITICS was ranked No.1 by total assets, net assets, and total revenue as of Dec 31, 2013. It also was ranked No.1 in terms of net incomes from investment banking business and margin financing and securities lending (MFSL) business.

The Company currently owns 6 wholly-owned principal subsidiaries, namely, the CITIC Securities (Zhejiang), CITIC Wantong Securities, CITIC Securities Int'l Co. Ltd. ("CSI"), CITIC Futures, GoldStone Investment and CITIC Securities Investment. It also has 1 principal controlling subsidiary, China Asset Management Co., Ltd. ("China AMC").

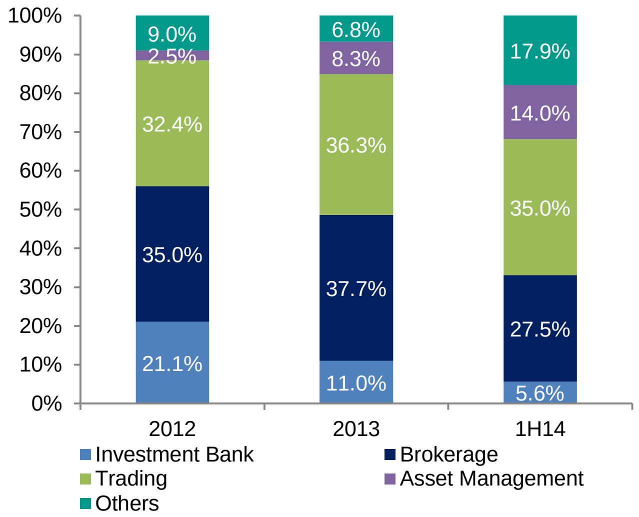
Exhibit 1: CITICS 's 7 principal subsidiaries



Note: CITICS proposed absorption and merger of CITIC Securities (Zhejiang) to further integrate internal resources; the proposal is subject to shareholders' approval
Source(s): Company, ABCI Securities

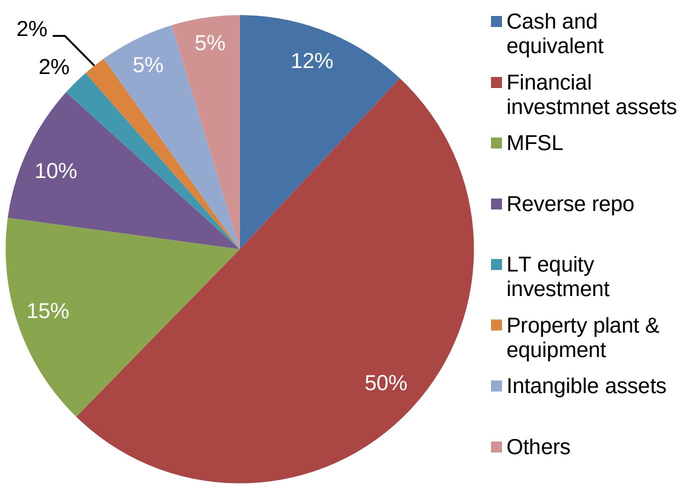
Principal lines of business include brokerage, investment banking, and asset management. Trading, brokerage, and asset management accounted for 35.0%, 27.5% and 14.0% of the Group's total revenue in 1H14.

Exhibit 2: CITICS's revenue mix



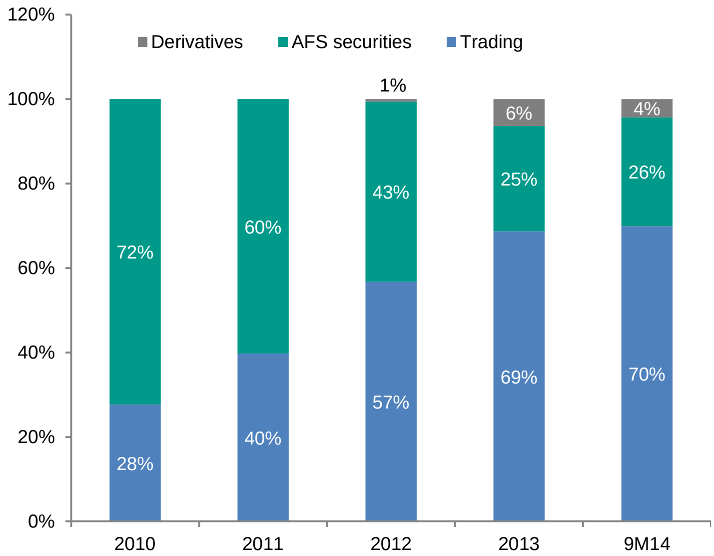
Source(s): Company, ABCI Securities

Exhibit 3: CITICS's asset breakdown as at end-2013



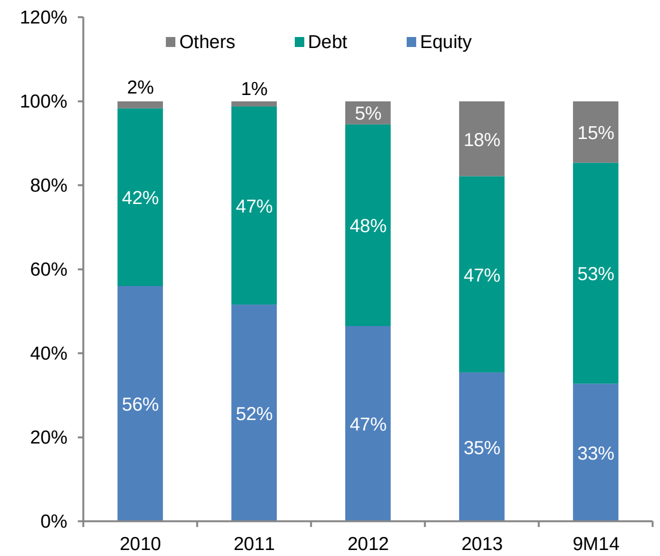
Source(s): Company, ABCI Securities

Exhibit 4: Investment asset mix by accounting category



Source(s): Company, ABCI Securities

Exhibit 5: Investment asset mix by securities category



Source(s): Company, ABCI Securities

Leading position across different business lines

Investment banking business

Investment banking services primarily include equity financing, debt financing, and financial advisory to institutional clients. The number of listed companies in China increased rapidly from 1,700 in 2009 to 2,613 in 2014, representing a CAGR of 9.0%.

After the stock market downturn in 2008, China's equity financing increased rapidly from 2009 to 2011. Due to the IPO suspension by CSRC in 2012, equity financing decreased sharply in 2012-13. Along with the reduced demand for bond issuance pressured by the rising bond yields in 2H13, CITICS' investment banking business declined by 19.3% YoY to RMB 2,224mn in 2013.

Since China resumed A-share IPO market in 1Q14, a total of 125 companies have executed their IPOs in 2014. Total new equity funds raised in 2014 (including IPO, placement and rights issuance) was RMB 772bn, up 89.5% YoY.

For debt financing, according to Wind, the amount of proceeds raised through bond issuance, including short-term financing bills and medium-term notes, corporate bonds, enterprise bonds, financial bonds, convertibles, government-backed institutional bonds, municipal bonds, asset-backed securities, and private placement notes increased from RMB 1,991bn in 2009 to RMB 6,317bn in 2014, representing a CAGR of 26.0%.

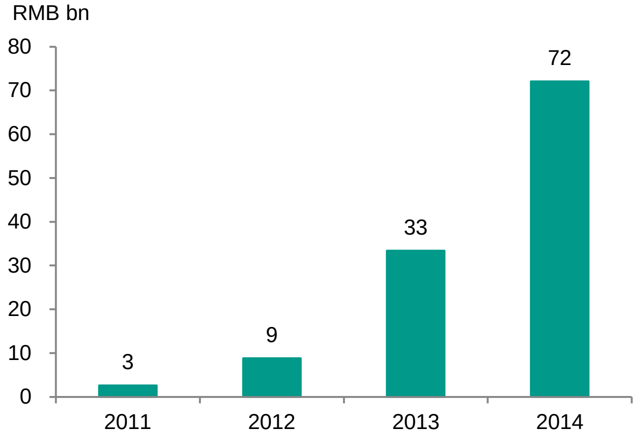
According to Wind, CITICS was ranked No.1 by debt underwriting amount and No.2 by equity underwriting amount among the Chinese brokers in 2014. Net investment banking fee income saw a robust growth of 168% YoY for 9M14. Given its leading position in underwriting business, we expect its investment banking fee income would continue to recover in 2015

Margin-financing and securities-lending business

According to SAC, CITICS was ranked the first in terms of the net income from margin financing and securities lending (MFSL) business in 2013.

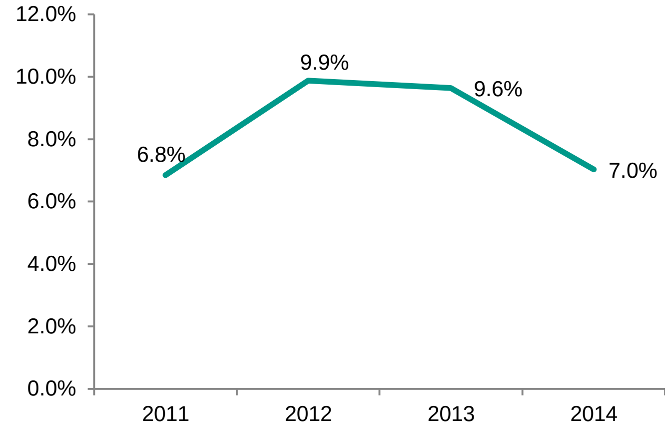
As at Dec 31 2014, the aggregate market share of the MFSL business of the Company, CITIC Securities (Zhejiang), and CITIC Securities (Shandong) was 7.0% and was ranked 1st in the market. Interest income on margin and other financing soared 180% YoY to RMB 2,219.5mn for 1H14. With the progressive deregulation of the financial industry, capital-based intermediary business is expected to be one of the Group's future earning drivers.

Exhibit 6: CITICS's MFSL balance



Source(s): WIND, ABCI Securities

Exhibit 7: Market share of CITICS's MFSL balance



Source(s): WIND, ABCI Securities

Brokerage business

In 2014, CITICS recorded a total trading turnover of RMB 7.7tn of stocks and funds on the Shanghai Stock Exchange and Shenzhen Stock Exchange, representing a market share of 6.5% and was ranked No. 2 in the Chinese brokerage market.

Exhibit 8: Market share for brokerage trading in 2014

Ranking	Brokers	Stock and funds trading amount (RMB tr)	Market share (%)
1	Huatai	9.32	7.9%
2	**CITICS**	**7.72**	**6.5%**
3	CGS	5.99	5.1%
4	Guotai Junan	5.74	4.8%
5	Haitong	5.59	4.7%

Source(s): Wind, ABCI Securities

Less vulnerable to commission rate pressure

The average commission rate of the industry stabilized in 2013 to reach ~ 7.9bps; however, it further declined to ~7.1bps in 1H14, down 0.1% as compared to end-2013. Apart from the competition from online discount brokerage firms, the recent removal of the 'one investor one account' policy is expected to intensify the competition and slash the brokerage commission rate further.

We believe CITICS is less vulnerable to the new accounting rules due to its well-balanced revenue mix with less reliance on traditional brokerage business. Recognizing the inherent weakness of the traditional business model of the Chinese brokers that relies heavily on investment banking and retail brokerage, CITICS has been an early mover in diversifying its business into flow-based areas. In 1H14, the scale of flow-based businesses, such as margin financing, stock repo, stock-pledged repo, OTC derivatives, and ETF market-making, experienced rapid growth. We expect CITICS would continue to optimize revenue mix going forward.

Asset management business

CITICS provides asset management services and products to domestic and overseas client. The Group provides collective-asset management (CAM) plans for retail customers, target-asset-management (TAM), and special-asset management (SAM) plans for high-net-worth individuals, institutional investors, annuity plans, and the National Social Security Fund (NSSF).

As at June 30, 2014, the Company's total AUM amounted to RMB 648,292mn, up 28.4% from end-2013, with CAM, TAM (including enterprise annuity and NSSF) and SAM contributing RMB 40,851mn, RMB 599,380mn and RMB 8,061mn, respectively.

China AMC

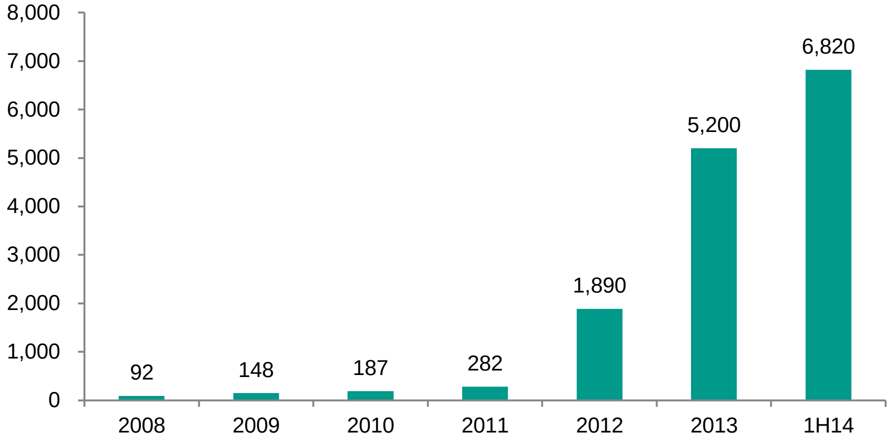
CITICS conducted asset management business through its subsidiary, China AMC, which was acquired by the Group in Sep 2007. CITICS regained a controlling stake of 62.2% in China AMC as of 2013. The principal businesses of China AMC include fund raising, fund distribution, asset management, and other businesses permitted by CSRC. As at Dec 31, 2013, the staff size of China AMC was 710; its gross and net profits were RMB 1,285.37mn and RMB 970.79mn.

China AMC was the largest fund management company in China with a total AUM of RMB 432,374mn as at June 30, 2014, up 29.70% from end-2013; the AUM of its mutual funds was RMB 331,627mn, up 35.52% from end-2013. Its market share of 9.18% was the 2nd highest in China.

According to the SAC, the asset management business of PRC securities firms has grown substantially in 2008-13, with AUM increasing from RMB 92bn in 2008 to RMB 6.82tn in 1H14.

In 2013, asset management business accounted for 4% of the industry revenue, which is twice the percentage in 2012. The proportion further increased to 5% in 1H14. As social wealth and the number of high-net-worth individuals increase, we believe asset management business will continue to expand.

Exhibit 9: AUM of brokers' asset management business in China (RMB bn)



Source(s): SAC, WIND, ABCI Securities

Synergies between CITICS and CLSA

On July 31, 2013, the Group acquired a 100% interest in CLSA at a consideration of US$ 1.09bn, or RMB 6.74bn, equivalent to 2.4x P/B based on the latter's net assets value by end-July 2013. CLSA contributed RMB 1,413mn in revenue and RMB 128mn in net profit in Aug-Dec 2013. Acquisition of CLSA provides the Group with a unique opportunity to develop its global equity business based on the former's strength in the Asia-Pacific region.

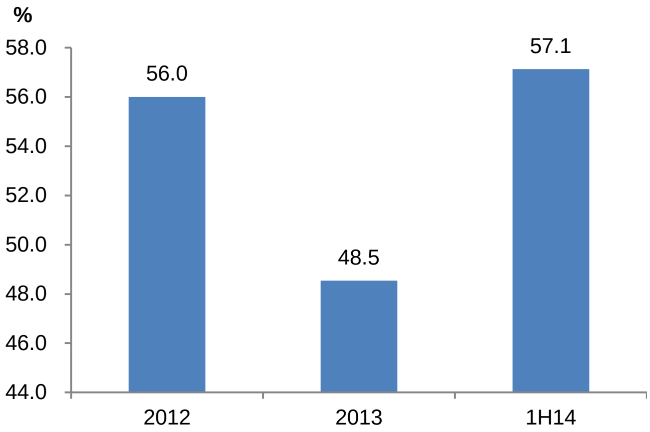
In our view, the synergies for CITICS and CLSA have yet to be realized as further business integration between two parties is necessary. Nonetheless, the acquisition marks an important step towards the Group's internationalization. CITICS would cooperate with CLSA to develop a global network to enhance cross-border business and expand market coverage in Europe, North America, Asia, Australia, and emerging markets such as Africa and South America. CLSA's oversea franchises in brokerage, research, and investment banking are expected to facilitate CITICS's overseas expansion plan.

Key beneficiary of potential capital rule relaxation

CITICS's capital has been stretched due to business expansion since long-term equity investment is currently 100% deductible in the net capital calculation. The Group's net capital-to-net asset ratio was 48.5% as at end-2013, close to the alert level of 48% primarily due to the consolidation of China AMC and CLSA.

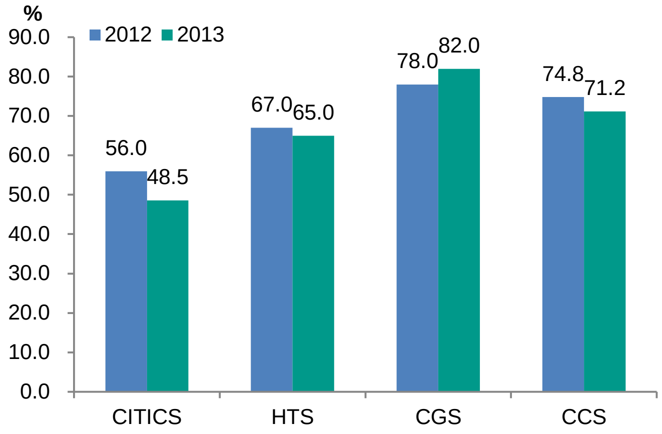
CITICS's net capital-to-net assets ratio increased to 57% as of June 30, 2014, rising by 8.6ppts HoH due to issuance of sub-debt and one-off disposal gain on asset sales. If the net capital-to-net assets ratio falls from 40% to 20%, we estimate that a 20ppt cut in net capital-to-net assets ratio requirement will free up ~RMB 14bn in capital for the Group. As CITIC's net capital-to- net assets ratio is the lowest among the HK-listed Chinese brokers, we believe it would benefit much from the potential relaxation of capital rules.

Exhibit 10: CITIC's net capital/net assets ratio



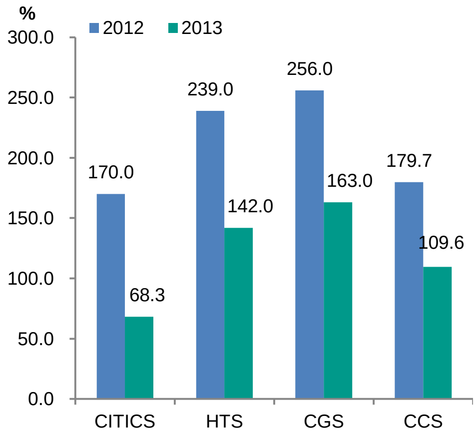
Source(s): Company, ABCI Securities

Exhibit 11: Net capital/net assets ratio for HK-listed mainland brokers



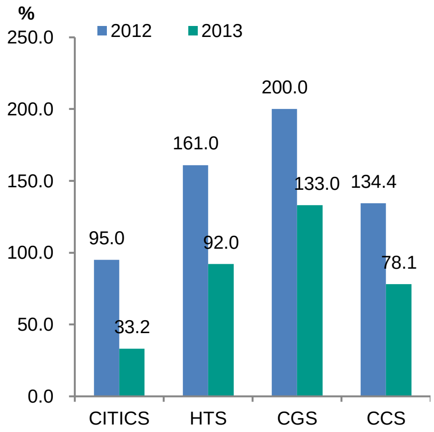
Source(s): Company, ABCI Securities

Exhibit 12: Net assets/total liabilities ratio for HK-listed mainland brokers



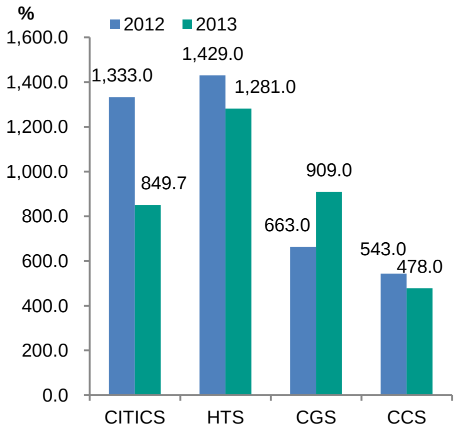
ource(s): Company, ABCI Securities

Exhibit 13: Net capital/total liabilities ratio for HK-listed mainland brokers



Source(s): Company, ABCI Securities

Exhibit 14: Net capital/total risk capital reserves ratio for HK-listed mainland brokers



Source(s): Company, ABCI Securities

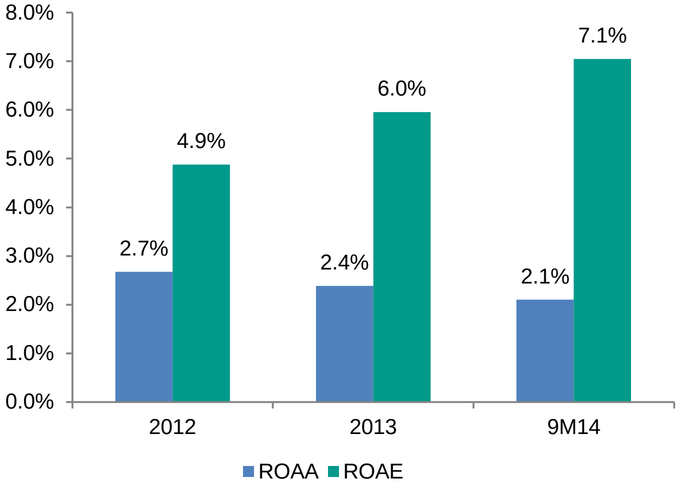
Expansion of balance sheet

Under CSRC's support, financing channels and sources of fund are diversifying with the issuance of corporate bonds, subordinated bonds, and short-term financing bills. Coupon rate for CITIC's short-term financing bills have been falling gradually in 2014. With a stable lending rate in capital-based businesses, the Group's net interest margin could be enhanced.

Under the potential relaxation of capital rules, if the net assets-to-liabilities ratio is lowered to 10%, the maximum leverage will be increased from 6x to 11x. CITIC's ROAE in 9M14 increased by 2.81ppts to 7.05% on the higher balance sheet leverage. We expect the industry leverage to rise upon relaxation in regulatory requirements, thus improving the industry ROE in the long run.

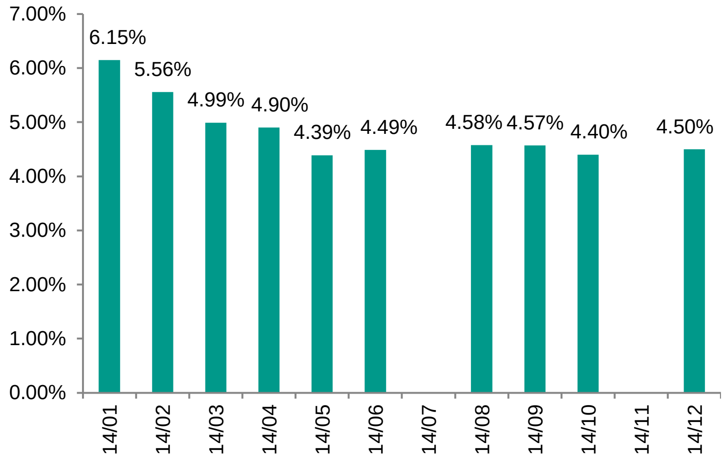
CITICS announced a placement plan on Dec 2014 to issue no more than 1.5bn shares for HK$ 35-40bn. According to CITICS, 70% of the placement proceeds will be used for developing flow-based businesses, such as margin financing and equity derivatives products; 20% will be invested in its cross-border business platform; the remainder will be used to replenish working capital. ROE in 2015 would fall on the dilution impact from the share placement. Nonetheless, we expect CITIC's ROAE to reach double digits in medium term

Exhibit 15: CITICS's ROAA and ROAE



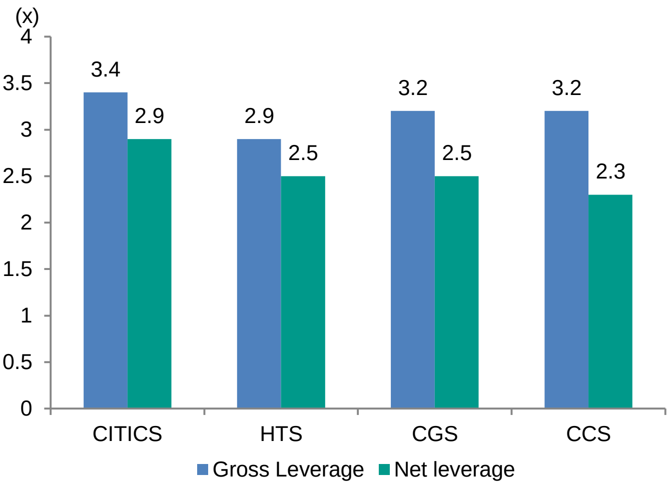
Source(s): Company, ABCI Securities

Exhibit 16: Coupon rate of CITICS's short-term financing bills



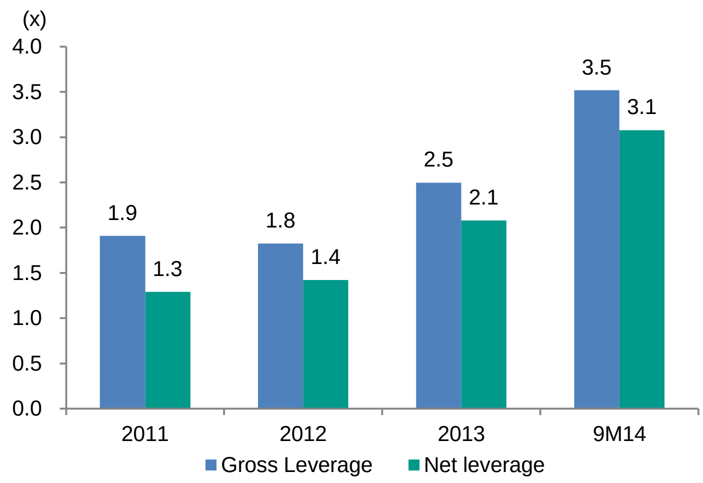
Source(s): Company, ABCI Securities

Exhibit 17: Leverage ratios as at June 30, 2014



Note: Net leverage = Average assets (excl. clients' deposits) / Average equity
Gross leverage = Average assets / Average equity
Source(s): Company, ABCI Securities

Exhibit 18: CITICS's gross and net leverage ratios



Note: Net leverage = Average assets (excl. clients' deposits) / Average equity
Gross leverage = Average assets / Average equity
Source(s): Company, ABCI Securities

Valuation

As a leading full-service investment bank in China, CITICS is well-positioned to benefit from the accelerated internationalization and liberalization of China's capital markets. We expect growth in its brokerage, capital-based intermediary and investment banking businesses, and increased balance sheet leverage will be supportive to future earnings. Key concerns remain on the slower-than-expected growth in China's economy, intensifying commission price war, and failure to expand financing channels.

We derive CITICS's fair value with a P/B of 2.4x by applying the three-stage dividend discount model (DDM). Our derived TP of HK$32.40 is based on the 2015E BVPS. We assume a cost of equity at 14.0%, a long-term growth rate of 7.6%, and a sustainable ROAE of 19.0%.

Relative valuation

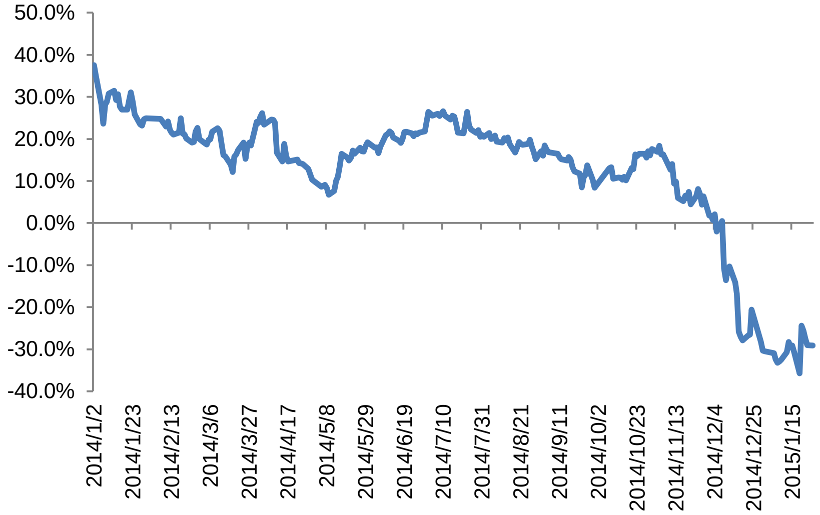
According to the Bloomberg consensus, A-share brokerage sector on average is trading at 3.5x 2015E P/B; the H-share brokers, including CITICS, HTS(6837 HK), CGS (6881 HK), and CCS (1375 HK), are trading at a weighted average of 2.0x 2015E P/B. The higher valuation in the A-share market may reflect different investor structure between A-share and H-share market. A-share market is retail investors oriented while H-share market is institutional investors oriented.

CITICS is currently trading at 2.1x 2015E P/B, while the ratios for HTS, CGS and CCS are at 1.8x, 1.7x and 2.5x, respectively. We believe the counter deserves a premium valuation as it is a full-service provider with a leading position in brokerage, underwriting business, and capital-based intermediary businesses. Its solid business model with a diversified revenue mix also reduces its reliance on traditional fee-based business.

A/H valuation

CITICS's H-share is trading at a 29.1% discount to its A-share as at Jan 26, 2015. Its A-H valuation discrepancy has been fluctuating in the past year. With the commencement of the SH-HK stock connect, we expect the valuation discrepancy will be narrowed on increased arbitrage trading.

Exhibit 19: CITICS's H-share is trading at a 29.1% discount to its A-share



Source(s): Bloomberg, ABCI Securities estimates

Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Fee and commission income	7,090	10,699	17,196	21,778	27,177
Interest income	2,172	4,090	7,273	11,510	15,079
Investment income	3,648	5,259	8,005	9,804	11,085
Other income	161	231	356	413	477
Revenue	**13,071**	**20,279**	**32,829**	**43,504**	**53,818**
Operating costs	(8,016)	(13,644)	(21,029)	(28,860)	(36,533)
Operating Profits	**5,055**	**6,635**	**11,801**	**14,644**	**17,285**
Associates & JCEs	432	211	249	294	347
Profit before tax	**5,487**	**6,846**	**12,049**	**14,937**	**17,632**
Tax	(1,180)	(1,538)	(2,707)	(3,356)	(3,961)
Profit after tax	**4,307**	**5,308**	**9,342**	**11,582**	**13,671**
Minority interests	(69)	(64)	(289)	(317)	(349)
Net profits	**4,237**	**5,244**	**9,054**	**11,264**	**13,322**
Growth (%)					
Fee and commission income	(27.0)	50.9	60.7	26.6	24.8
Interest income	5.6	88.3	77.8	58.3	31.0
Investment income	(74.7)	44.2	52.2	22.5	13.1
Other income	(22.7)	43.0	54.2	16.1	15.6
Total Revenue	(50.4)	55.1	61.9	32.5	23.7
Total Operating costs	(31.8)	70.2	54.1	37.2	26.6
Operating profit	(65.4)	31.3	77.9	24.1	18.0
Net profit	(66.3)	23.8	72.7	24.4	18.3
Operating performance (%)					
Operating margin (%)	38.7	32.7	35.9	33.7	32.1
Net margin (%)	32.4	25.9	27.6	25.9	24.8
Effective tax rate (%)	21.5	22.5	22.5	22.5	22.5
Dividend payout (%)	78.0	31.5	30.0	30.0	30.0
ROAE (%)	4.9	6.0	9.9	9.8	9.4
ROAA (%)	2.7	2.4	2.8	2.7	2.7
Segmental revenue (RMB mn)					
Investment bank	2,755	2,224	3,672	4,223	4,890
Brokerage	4,574	7,642	10,819	12,976	14,387
Asset management	328	1,686	3,157	4,230	6,269
Trading	4,238	7,353	13,580	20,247	26,134
Other income	1,176	1,374	1,601	1,829	2,137

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Fixed assets	3,712	4,070	4,051	4,417	4,815
Goodwill	501	10,047	10,550	11,394	12,305
Other intangible assets	161	1,916	2,012	2,112	2,218
Investment assets	12,258	13,009	13,570	14,328	15,283
Other non-current assets	11,706	6,841	7,551	8,259	9,009
Total non-current assets	**28,338**	**35,884**	**37,734**	**40,509**	**43,630**
Cash & equivalents	25,836	27,685	29,623	31,696	33,915
Cash held for clients	33,852	40,125	46,144	51,681	55,816
Investment assets	64,850	99,085	133,453	158,292	187,387
Loans to margin clients	9,423	34,302	99,476	124,345	142,996
Other current assets	6,209	34,274	46,065	57,806	68,590
Total current assets	**140,170**	**235,470**	**354,760**	**423,820**	**488,704**
Total assets	**168,508**	**271,354**	**392,494**	**464,329**	**532,335**
Accounts payable	34,807	45,196	51,976	56,134	59,502
Repo and other short-term borrowings	25,734	62,939	93,399	129,572	167,356
Other current liabilities	19,193	44,572	107,880	78,162	70,832
Total current liabilities	**79,735**	**152,708**	**253,255**	**263,867**	**297,690**
Bond payables	1,500	26,177	39,266	56,935	79,709
Other non-current liabilities	588	3,067	3,723	4,553	5,578
Total non-current liabilities	**2,088**	**29,245**	**42,989**	**61,489**	**85,287**
Total liabilities	**81,823**	**181,952**	**296,243**	**325,356**	**382,977**
Equity attributable to owners of the parent	86,465	87,688	94,363	136,248	146,429
Minority interest	219	1,714	1,887	2,725	2,929
Total equity	**86,684**	**89,402**	**96,251**	**138,973**	**149,358**
Balance sheet structure					
Investment assets	45.8%	41.3%	37.5%	37.2%	38.1%
Cash & equivalents	15.3%	10.2%	7.5%	6.8%	6.4%
Cash held for clients	20.1%	14.8%	11.8%	11.1%	10.5%
Loans to margin clients	5.6%	12.6%	25.3%	26.8%	26.9%
Other assets	13.2%	21.1%	17.9%	18.1%	18.2%
Total assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Accounts payable	42.5%	24.8%	17.6%	17.3%	15.5%
Repo and other short-term borrowings	31.5%	34.6%	31.5%	39.8%	43.7%
Other liabilities	26.0%	40.6%	50.9%	42.9%	40.8%
Total liabilities	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

I, Leung Sam Mun, Pandora, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 from 2010-2014

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	2.6 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤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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