

## Company Report: Tencent (00700 HK)

公司报告: 腾讯控股 (00700 HK)

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# Weaker Monetization from New Games, "Buy"

新游戏的货币化进度较弱, "买入"

- **1Q18 shareholders' profit beat expectations with 64.8% yoy growth due to better-than-expected online games contribution.** Non-GAAP net profit grew 28.9% yoy in 1Q18. Non-GAAP operating margin lowered by 3 ppt yoy to 36% due to higher selling and marketing expenses, and decline in gross margin.
- **We lower FY18-FY20 online games revenue by 2.9%/ 3.7%/ 4.1%, respectively,** due to weaker monetization from newly launched games. Mobile game revenue grew 68.2% yoy in 1Q18, driven by game titles Honor of Kings and QQ Speed. The growth rate of mobile revenue improved 10.3 ppt QoQ in 1Q18, thanks to larger user base and ARPU improvement.
- **We expect FY18-FY20 advertising revenue to grow 40.0%/ 32.0%/ 23.0%, respectively.** 1Q18 advertising revenue grew 55.2% yoy, in line with expectations, driven by 31% yoy growth in media advertising and 69% yoy growth in social advertising. Profit margins are expected to be affected by more investment in video content acquisition, traffic acquisition and payment service subsidies.
- **Maintain the investment rating of "Buy", but cut TP from HK\$520.00 to HK\$510.00.** We lower FY18-FY20 EPS by 2.5%/ 3.1%/ 3.8%, respectively. The new TP implies 49.1x FY18 PER, 40.8x FY19 PER and 35.7x FY20 PER.
- **2018 年 1 季度股东净利润超过预期, 同比增长 64.8%, 主要由于好于预期的网络游戏贡献。** 2018 年 1 季度非 GAAP 净利润同比增长 28.9%。非 GAAP 经营利润率同比下降 3 个百分点至 36%, 主要由于销售费用增加以及毛利率下降。
- **我们分别将 2018 财年至 2020 财年的网络游戏收入下调 2.9%/ 3.7%/ 4.1%, 因在于新发行游戏的变现能力较弱。** 手机游戏收入于 2018 年 1 季度同比增长 68.2%, 主要受《王者荣耀》和《QQ 飞车》的驱动。2018 年 1 季度的手机游戏的增速环比提高了 10.3 个百分点, 主要受益于用户基数的增长与 ARPU 的提升。
- **我们预计 2018 财年至 2020 财年的广告收入将分别增长 40.0%/ 32.0%/ 23.0%。** 2018 年 1 季度的广告收入同比增长 55.2%, 符合预期, 主要受媒体广告 31% 的同比增长以及社交广告 69% 的同比增长的驱动。利润率预计将受加大向视频内容采购、流量获取和支付服务补贴中投资的影响。
- **维持公司的投资评级为“买入”, 但将目标价由 520.00 港元下调至 510.00 港元。** 我们将 2018 财年至 2020 财年的每股盈利预测分别下调了 2.5%/ 3.1%/ 3.8%。新的目标价对应 49.1 倍的 2018 财年市盈率、40.8 倍的 2019 财年市盈率以及 35.7 倍的 2020 财年市盈率。

Rating:

**Buy**

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

**HK\$510.00**

Revised from 原目标价:

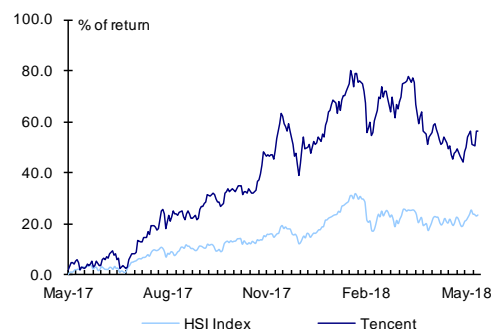
HK\$520.00

Share price 股价:

HK\$408.000

## Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	3.7	(9.4)	54.6
Rel. % to HS Index 相对恒指变动 %	0.4	(9.4)	29.8
Avg. Share price(HK\$) 平均股价 (港元)	395.0	420.3	367.5

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	151,938	41,095	4.383	41.5	83.4	18.625	19.6	0.395	0.1	27.9
2017A	237,760	71,510	7.599	73.4	43.5	27.210	12.1	0.537	0.2	33.2
2018F	335,875	83,929	8.831	16.2	37.4	33.399	9.9	0.624	0.2	29.3
2019F	455,179	101,370	10.634	20.4	31.1	38.364	8.6	0.751	0.2	29.7
2020F	575,340	115,944	12.127	14.0	27.3	41.818	7.9	0.857	0.3	30.3
Shares in issue (m) 总股数 (m)				9,504.0	Major shareholder 大股东				Naspers Ltd 31.2%	
Market cap. (HK\$ m) 市值 (HK\$ m)				3,877,632.0	Free float (%) 自由流通比率 (%)				68.8	
3 month average vol. 3 个月平均成交股数 ('000)				31,654.0	FY18 Net gearing (%) FY18 净负债/股东资金 (%)				Net cash	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				476.600 / 260.400						

Source: the Company, Guotai Junan International.

## 1Q18 Results Review

**1Q18 shareholders' profit beat expectations with 64.8% yoy growth**, due to better-than-expected online games contribution. Non-GAAP net profit grew 28.9% yoy in 1Q18. Non-GAAP operating margin lowered by 3 ppt yoy to 36% due to higher selling and marketing expenses, and decline in gross margin. Mobile games revenue grew 68% yoy, mainly driven by game titles Honor of Kings and QQ Speed Mobile. Tencent focused on growing their online games user base and was prudent to monetize mobile games, which may affect the Company's online game revenue growth in the short term. Online advertising revenue was up 55% yoy, driven by more pre-roll advertisements in video platforms, and Weixin Moments contributions. We expect stronger contributions from Weixin Moments and Fifa World Cup related marketing activities in 2018. There were over 500 mini games launched, which helped to cultivate new game users. 1Q18 gross margin was 50.4%, down 1 ppt YoY and up 11.7 ppt QoQ. VAS gross margin improved 2 ppt to 63% in 1Q18, thanks to better mobile games margin with higher proportion of self developed games contributions. Advertising gross margin lowered by 4 ppt to 31% in 1Q18 due to higher traffic acquisition costs and video content costs.

**Table-1: Tencent's Income Statement Analysis**

RMB (Million)	1Q18	1Q17	YoY	Comments
Total revenue	73,528	49,552	48.4%	
- VAS revenue	46,877	35,108	33.5%	Driven by 26% yoy growth in online games and 47% yoy growth in social networks
- Online advertising revenue	10,689	6,888	55.2%	Driven by 31% yoy growth in media advertising and 69% yoy growth in social advertising
- Others revenue	15,962	7,556	111.2%	Due to contributions from payment solutions and cloud services
Cost of revenue	(36,486)	(24,109)	51.3%	
Gross profit	37,042	25,443	45.6%	
Interest income	1,065	808	31.8%	
Other gains, net	7,585	3,191	137.7%	Due to fair value change and investment gains in some investee companies
S&M expenses	(5,570)	(3,158)	76.4%	Related to higher marketing spending on mobile platforms
G&A expenses	(9,430)	(7,012)	34.5%	
Operating profit	30,692	19,272	59.3%	
Finance costs, net	(654)	(691)	(5.4%)	
Share of (losses)/profits of associates and JV	(319)	(375)	(14.9%)	
Profit before tax	29,719	18,206	63.2%	
Income tax	(5,746)	(3,658)	57.1%	
Shareholders' profit	23,973	14,548	64.8%	
Non-GAAP Shareholders' profit	18,313	14,211	28.9%	
EPS (RMB)	2.47	1.54	60.4%	
Gross profit margin	50.4%	51.3%	(1.0ppt)	Due to lower margin businesses impact
Non-GAAP net profit margin	24.9%	28.7%	(3.8ppt)	

Source: the Company, Guotai Junan International.

**We lower FY18-FY20 online games revenue by 2.9%/ 3.7%/ 4.1%, respectively, due to weaker monetization from newly launched games.** Mobile games revenue grew 68.2% yoy in 1Q18, driven by some key game titles including Honor of Kings and QQ Speed. The growth rate of mobile revenue improved 10.3 ppt QoQ in 1Q18, thanks to larger user base and ARPU

improvement. Honor of Kings maintained the top position in China's iOS grossing chart driven by the launch of new versions and upgrade packs to improve users' experiences. PC game revenue was flat yoy, but there was a decline in active users due to the time shift of users from PC platform to mobile platform, which resulted from the increasingly comparable experiences in mobile games. Tencent has not yet monetized its battle royale games (PUBG, Fortnite), which may affect its mobile games revenue growth in the short term. The DAU of PUBG exceeded 50 million. Fortnite has started to allow pre-registration and Tencent is waiting for approval to launch this game. Tencent focused on users' experiences and user base development instead of rushing to make profit from new games. Compared to Honor of Kings, we think revenue contributions from the battle royale games to be weaker due to difficult game genre and business model. Tencent is also increasing efforts to improve game ecosystems, including the arrangement of eSports activities, short video platform WeiShi development and launching live broadcasting services (through investments in Douyu and Huya). We expect that these services and activities should help game users to improve loyalty.

**Table-2: China's iOS Top 10 Free Online Games Chart**

Ranking	Grossing Games	Game Distributors
1	PUBG: Exciting Battleground (绝地求生: 刺激战场)	Tencent
2	King of Fighters Destiny (拳皇命运)	Tencent
3	Identity V (第五人格)	NetEase
4	PUBG: Full Ahead (绝地求生: 全军出击)	Tencent
5	Angry Birds 2	Rovio
6	Honour of Kings (王者荣耀)	Tencent
7	Ultra Kill Apocalypse (超杀默示录)	Hero Games
8	Warring States Chronicles (战国志)	NetEase
9	Tactics in Palace Mobile (宫廷计手游)	Friend Times
10	Love Balls	SuperTapx

Source: App Annie.

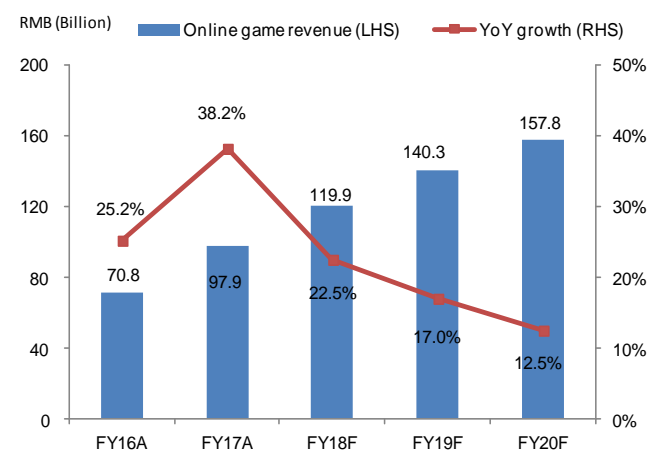
**Table-3: China's iOS Top 10 Online Grossing Games Chart**

Ranking	Grossing Games	Game Distributors
1	Honour of Kings (王者荣耀)	Tencent
2	Fantasy in Westward Journey (梦幻西游)	NetEase
3	Onmyoji (阴阳师)	NetEase
4	King of Fighters Destiny (拳皇命运)	Tencent
5	Naruto Mobile (火影忍者)	Tencent
6	King of Chaos (乱世王者)	Tencent
7	QQ Speed (QQ 飞车)	Tencent
8	QQ Dance (QQ 炫舞)	Tencent
9	JX Online (新剑侠情缘)	Tencent
10	Ghost (倩女幽魂)	NetEase

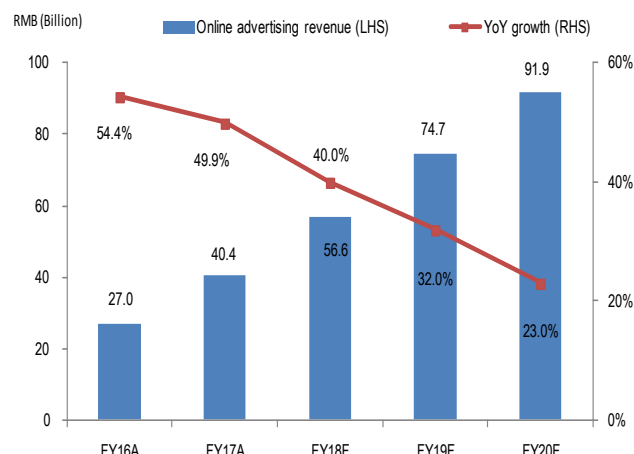
Source: App Annie.

**We expect FY18-FY20 advertising revenue to grow 40.0%/ 32.0%/ 23.0%, respectively.** 1Q18 advertising revenue grew 55.2% yoy, in line with expectations, driven by 31% yoy growth in media advertising and 69% yoy growth in social advertising. Media advertising was contributed by video advertising growth thanks to better adoption of pre-roll advertisements in video platforms with better platform traffic and larger user base. The revenue growth rate in media advertising improved 9 ppt QoQ thanks to the launch of quality video programs which improved traffic. Tencent managed to launch quality video content through self-developing, licensing and IP purchase. There may be more advertising contributions from Fifa World Cup related marketing activities in 2018 by commercial customers to boost consumption and improve branding. Social advertising revenue maintained robust growth thanks to contributions from Weixin Moments and other mobile platforms. We expect advertising growth in Weixin Moments to maintain strong pace thanks to larger user base and increasing usage time. The revenue growth rates of social advertising in 1Q18 and 4Q17 were similar due to moderate launch of advertisements in Weixin Moments to reduce impact to

users' experiences. News feed advertising is also ramping up contribution within the mobile platform.

**Figure-1: Tencent's Online Game Revenue and YoY Growth**


Source: the Company, Guotai Junan International.

**Figure-2: Tencent's Online Advertising Revenue and YoY Growth**


Source: the Company, Guotai Junan International.

## Profit Revisions

**We cut FY18-FY19 EPS by 2.5%/ 3.1%/ 3.8%, respectively.** We lower FY18-FY20 online games revenue by 2.9%/ 3.7%/ 4.1%, respectively, to reflect weaker monetization from the newly launch battle royale games.

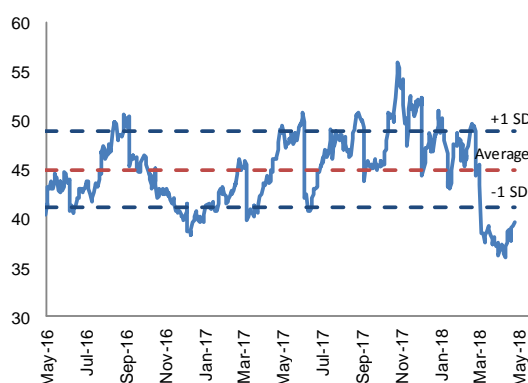
**Table-4: Financial Estimations Revisions**

RMB (Million)	OLD			NEW			CHANGE		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Total revenue	342,032	468,291	594,360	335,875	455,179	575,340	(1.8%)	(2.8%)	(3.2%)
Net profit	86,081	104,613	120,524	83,929	101,370	115,944	(2.5%)	(3.1%)	(3.8%)
EPS (RMB)	9.057	10.974	12.606	8.831	10.634	12.127	(2.5%)	(3.1%)	(3.8%)

Source: Guotai Junan International.

## Valuation

**Maintain the investment rating of "Buy", but cut the TP from HK\$520.00 to HK\$510.00.** We expect Tencent's short-term business to be affected by weaker monetization progress in online games but will turn positive in the medium term due to strategy of growing user base with user experience improvement instead of rushing to monetize. The new TP implies 49.1x FY18 PER, 40.8x FY19 PER and 35.7x FY20 PER.

**Figure-3: Tencent's PE Graph**


Source: Bloomberg.

**Table-5: Peers Comparison**

				PER (x)			PBR (x)			ROE(%)	ROA(%)
Company	Ticker	Currency	Price	17A	18F	19F	17A	18F	19F	18F	18F
US Online Game Companies											
Changyou	CYOU US	USD	18.530	9.0	13.2	10.0	0.7	1.3	1.2	11.0	12.9
Electronic Arts Inc	EA US	USD	132.180	41.4	39.0	26.4	10.0	8.8	7.6	24.1	12.8
Activision Blizzard Inc	ATVI US	USD	71.350	198.2	27.5	23.7	5.7	4.9	4.1	18.4	10.4
Netease	NTES US	USD	235.380	19.5	18.5	15.3	4.4	3.6	3.0	18.8	12.9
Simple Average				67.0	24.5	18.9	5.2	4.7	4.0	18.1	12.3
Weighted Average				103.0	28.9	22.4	6.7	5.8	4.9	20.2	11.8
HK Online Game Companies											
Tencent	00700 HK	HKD	408.000	46.5	37.5	28.4	12.6	9.3	7.3	28.2	13.9
Boyya Interactive Int.	00434 HK	HKD	2.970	7.3	6.0	5.8	0.9	0.6	0.5	10.7	8.7
IGG	00799 HK	HKD	12.720	13.9	9.8	9.0	9.4	5.5	4.1	66.2	50.5
Netdragon	00777 HK	HKD	19.820	n.a.	85.8	37.3	1.9	1.8	1.7	3.0	2.1
Simple Average				22.6	34.8	20.1	6.2	4.3	3.4	27.1	18.8
Weighted Average				46.3	37.5	28.3	12.6	9.3	7.2	28.3	14.0
Advertising Companies											
Sohu.Com Inc	SOHU US	USD	35.950	n.a.	n.a.	n.a.	1.9	2.0	2.3	(52.5)	(10.3)
Weibo	WB US	USD	102.660	64.2	36.9	25.4	19.2	12.8	8.5	40.7	23.4
Bitauto	BITA US	USD	23.070	n.a.	15.5	10.6	1.0	0.7	0.7	1.9	0.7
Cheetah Mobile	CMCM US	USD	12.850	9.0	28.6	19.3	2.7	2.3	2.0	9.6	7.8
58.com	WUBA US	USD	83.200	63.7	35.4	26.1	4.1	3.7	3.3	10.3	7.9
Soufun	SFUN US	USD	5.410	108.2	22.0	16.1	3.2	2.9	2.4	15.0	5.7
Phoenix New Media	FENG US	USD	5.620	72.7	50.6	28.7	1.1	1.1	1.0	2.3	1.5
Sina	SINA US	USD	90.390	41.1	28.1	18.2	2.3	2.0	1.8	7.0	5.4
Facebook	FB US	USD	183.800	33.5	21.4	17.8	7.2	5.7	4.3	24.8	21.7
Simple Average				56.0	29.8	20.3	4.7	3.7	2.9	6.6	7.1
Weighted Average				35.7	22.4	18.2	7.5	5.9	4.4	24.5	21.0
E-commerce Companies											
Alibaba	BABA US	USD	195.870	75.2	51.7	30.4	12.2	8.6	6.8	19.9	10.5
VIPSHOP	VIPS US	USD	12.120	24.7	16.2	12.1	3.6	3.1	2.5	16.1	5.8
EBay	EBAY US	USD	37.770	n.a.	16.5	14.3	4.8	5.2	4.7	28.2	8.7
JD.com	JD US	USD	36.360	n.a.	54.3	36.1	6.5	6.2	5.6	3.3	0.6
AMAZON	MZN US	USD	1581.400	250.2	77.3	55.5	27.6	19.8	14.2	16.3	3.8
Simple Average				137.4	41.1	29.5	10.6	8.6	6.7	16.0	4.7
Weighted Average				247.9	72.7	52.2	25.1	18.2	13.2	16.0	3.9
Search Engine Companies											
Alphabet Inc	GOOG US	USD	1075.310	58.9	20.9	18.6	4.9	4.1	3.4	17.4	14.7
Baidu	BIDU US	USD	239.970	30.7	23.3	19.8	4.7	3.9	3.3	16.2	7.9
Simple Average				44.8	22.1	19.2	4.8	4.0	3.3	16.8	11.3
Weighted Average				56.0	21.1	18.7	4.9	4.1	3.4	17.3	14.0
Overall Average				65.6	30.5	21.6	6.3	5.0	4.1	16.9	10.8
Overall Weighted Average				97.8	36.5	28.0	11.4	8.7	6.6	21.3	12.9

Source: Bloomberg.

**Table-6: Technical Terms Glossary**

Abbreviation	Definitions	定义
IVAS	Internet Value-Added Services	互联网增值服务
MVAS	Mobile and Telecommunication Value-Added Services	移动及电信增值服务
VAS	Value-Added Services	电讯服务
LOL	League of Legends	英雄联盟
DNF	Dungeon and Fighter	地下城与勇士
ACU	Average Concurrent User Accounts	平均同时在线用户数
PCU	Peak Concurrent User Accounts	最高同时在线用户数
TAC	Traffic Acquisition Cost	流量获得成本
TLBB	Tian Long Ba Bu	天龙八部
TMT	Technology, Media and Telecom	电信、媒体和科技
ACG	Advanced Casual Game	高级休闲游戏
MCG	Mini Casual Game	小型休闲游戏
ARPU	Average Revenue Per User	平均每月用户收入
DAU	Daily Active User Accounts	日活跃用户数
FPS	First Person Shooting	第一人称射击游戏
MMO Racing	Massive Multiplayer Online Racing	大型多人在线赛车游戏
MMOFPS	Massive Multiplayer Online First-Person Shoot	大型多人在线第一人称射击游戏
MMOG	Massive Multiplayer Online Game	大型多人在线音乐游戏
MMORPG	Massive Multiplayer Online Role-Playing Game	大型多人在线角色扮演游戏
MMORTS	Massive Multiplayer Online Real-Time Strategy	大型多人在线实时战略游戏
SNS	Social Network Site	社交网站

Source: the Company, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
VAS	107,810	153,983	201,252	251,733	299,359	PPE	13,900	23,597	33,145	43,068	56,533
Online advertising	26,970	40,439	56,615	74,731	91,919	Intangible assets	36,467	40,266	58,386	81,740	130,784
Others	17,158	43,338	78,008	128,714	184,061	Investment in JCE & associates	70,672	121,605	160,434	230,626	264,413
Total Revenue	151,938	237,760	335,875	455,179	575,340	Others	125,706	190,758	213,788	246,368	264,852
Cost of revenues	(67,439)	(120,835)	(174,655)	(243,521)	(316,437)	Total Non-current Assets	246,745	376,226	465,752	601,802	716,582
Gross profit	84,499	116,925	161,220	211,658	258,903						
Interest Income	2,619	3,940	5,686	7,255	6,445	Accounts receivable	10,152	16,549	18,369	21,860	26,013
Other gains, net	3,594	20,140	10,070	8,560	6,848	Other receivables	14,118	17,110	18,821	20,327	21,953
S&M	(12,136)	(17,652)	(25,191)	(34,594)	(44,301)	Cash & Cash Equivalents	71,902	105,697	135,881	118,684	82,566
G&A	(22,459)	(33,051)	(44,000)	(59,173)	(74,794)	Others	52,982	39,090	31,924	26,354	21,904
Operating Profit	56,117	90,302	107,786	133,706	153,100	Total Current Assets	149,154	178,446	204,995	187,225	152,436
Finance cost, net	(1,955)	(2,908)	(3,543)	(4,574)	(5,318)	Total Assets	395,899	554,672	670,747	789,027	869,018
Share of associate / JC	(2,522)	821	862	905	950						
Profit Before Tax	51,640	88,215	105,105	130,037	148,733	Accounts payable	27,413	50,085	57,598	63,358	66,525
Income Tax	(10,193)	(15,744)	(18,758)	(25,747)	(29,449)	Deferred revenue, current portion	31,203	42,132	48,452	53,297	57,561
Profit After Tax	41,447	72,471	86,346	104,290	119,284	Accrued expenses and other payables	24,339	34,185	38,706	42,853	45,364
Non-controlling Interest	(352)	(961)	(2,418)	(2,920)	(3,340)	Others	18,242	25,338	32,657	40,673	44,490
Shareholders' Profit / Loss	41,095	71,510	83,929	101,370	115,944	Total Current Liabilities	101,197	151,740	177,412	200,181	213,940
Basic EPS	4.383	7.599	8.831	10.634	12.127						
Cash Flow Statement						Note payable	36,204	29,363	35,236	39,464	42,621
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Long term borrowings	57,549	82,094	98,513	132,992	159,591
Profit before taxation	41,447	72,471	86,346	104,290	119,284	Others	14,702	14,382	16,805	19,311	21,673
Depreciation & Amortisation of intangible assets	12,741	13,723	14,781	15,921	17,149	Total Non-current Liabilities	108,455	125,839	150,554	191,767	223,884
Changes in working capital	10,967	30,305	12,743	(56,703)	(63,744)						
Income tax paid	(10,516)	(11,244)	(16,395)	(23,763)	(28,183)	Total Liabilities	209,652	277,579	327,966	391,948	437,824
Others	686	(14,859)	2,089	1,535	1,548	Share capital	14,188	18,234	21,168	23,036	25,060
Cash from Operating Activities	65,518	106,140	118,323	67,027	75,503	Reserves	160,436	237,840	296,243	342,661	374,751
CAPEX	(8,399)	(7,475)	(6,653)	(5,921)	(5,270)	Total Shareholders' Equity	174,624	256,074	317,410	365,697	399,811
Financial assets purchases	(33,556)	(41,686)	(43,353)	(45,088)	(46,891)	Minority Interest	11,623	21,019	25,371	31,383	31,383
Associates & JV investments	(12,320)	(13,608)	(11,253)	(9,340)	(7,783)	Total Equity	186,247	277,093	342,781	397,079	431,194
Others	(16,648)	(33,623)	(46,480)	(59,702)	(73,458)						
Cash from Investing Activities	(70,923)	(96,392)	(107,740)	(120,051)	(133,402)	Financial Ratios					
Dividends paid to the Company's shareholders	(4,606)	(3,884)	(5,305)	(6,226)	(7,520)		2016A	2017A	2018F	2019F	2020F
Change in borrowings	42,090	37,614	21,912	40,836	29,353	Gross margin	55.6	49.2	48.0	46.5	45.0
Others	(6,041)	(7,132)	5,646	3,975	2,817	Operating margin	36.9	38.0	32.1	29.4	26.6
Cash from Financing Activities	31,443	26,598	22,254	38,586	24,650	Net margin	27.0	30.1	25.0	22.3	20.2
Net Changes in Cash	26,038	36,346	32,837	(14,437)	(33,248)	Net gearing	Net cash	Net cash	Net cash	16.4	33.7
Cash at Beg of Year	43,438	71,902	105,697	135,881	118,684						
FX change	2,426	(2,551)	(2,653)	(2,759)	(2,870)						
Cash at End of Year	71,902	105,697	135,881	118,684	82,566						

Source: the Company, Guotai Junan International.

23 May 2018

Tencent 腾讯控股 (00700 HK)

Company Report



### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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