



Company Report: Tencent (00700 HK)

公司报告：腾讯控股 (00700 HK)

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Transition to Online Advertising and Cloud Business , "Buy"

向广告与云业务的过渡，“买入”

- **3Q18 shareholders' profit beat expectations with 29.6% yoy growth due to higher net other income gains generated from investment related items.** Non-GAAP net profit grew 15.5% yoy in 3Q18. Non-GAAP operating margin lowered by 5.2 ppt yoy to 28.0% due to higher selling and marketing expenses and decline in gross margin.
- **We estimate FY18-FY20 online games revenue to grow by 6.5%/ 3.7%/ 3.3%, respectively,** with the assumption of continued suspension of game monetization approval. Smartphone game revenue grew 7.1% yoy in 3Q18, driven by game titles such as MT4. However, revenue growth of PC client games dropped by 15.1% yoy due to constant user migration to smartphone games.
- **We expect FY18-FY20 online advertising revenue to grow 45.1%/ 43.2%/ 46.2%, respectively.** 3Q18 online advertising revenue grew 47.1% yoy, driven by 23.5% yoy growth in media advertising and 61.2% yoy growth in social and others advertising. Non-GAAP operating margin is expected to be effected by lower gross margin and higher marketing expenses.
- **We set investment rating of "Buy", and the TP as HK\$375.00.** In accordance with the expected slowdown in online game revenue but increasing online advertising and cloud business contribution, we believe the Company can still maintain its profit momentum. The new TP implies 36.7x FY18 PER, 33.5x FY19 PER and 27.6x FY20 PER.
- **2018年3季度股东净利润超过预期，同比增长29.6%，由于投资相关项目令其他收入项大幅增加。** 2018年3季度非GAAP净利润同比增长15.5%。非GAAP经营利润率同比下降5.2个百分点至28.0%，主要由于销售费用增加以及毛利率下降。
- **我们预计2018财年至2020财年在线游戏收入将分别增长6.5%/3.7%/3.3%，**基于游戏变现许可持续停止的假设。手机游戏收入于2018年3季度同比增长7.1%，主要受“我是MT4”的驱动。2018年3季度的电脑游戏的收入增速同比下滑15.1%，由于用户持续转移至移动游戏。
- **我们预计2018财年至2020财年的广告收入将分别增长45.1%/43.2%/46.2%。** 2018年3季度的广告收入同比增长47.1%，主要受媒体广告23.5%的同比增长以及社交及其他广告61.2%的同比增长的驱动。非GAAP经营利润率预期将会被低的毛利润率与高的市场营销支出所影响。
- **我们设定投资评级为“买入”及目标价375.00港元。** 预期在线游戏收入增速下降但广告和云业务贡献不断上升，我们相信公司仍可以维持盈利动力。新的目标价对应36.7倍的2018财年市盈率、33.5倍的2019财年市盈率以及27.6倍的2020财年市盈率。

Rating:

Buy

评级:

买入

6-18m TP 目标价:

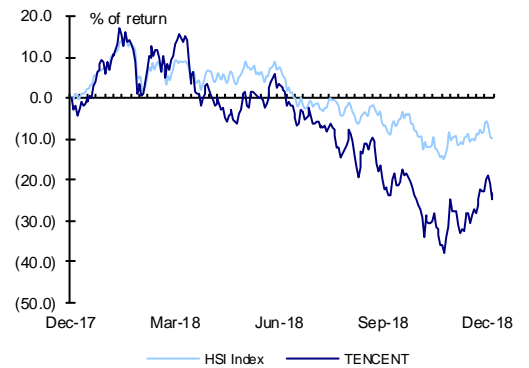
HK\$375.00

Share price 股价:

HK\$308.000

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 %	10.3	(1.8)	(21.8)
Rel. % to HSI Index 相对恒指变动 %	9.7	1.4	(11.7)
Avg. Share price(HK\$) 平均股价(港元)	299.1	297.9	375.5

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	(42.3)	62.9	18.625	14.8	0.395	0.1	11.8
2017A	237,760	71,510	7.599	73.4	33.7	27.210	9.4	0.537	0.2	33.2
2018F	311,013	84,900	8.982	18.2	30.2	34.552	7.8	0.635	0.2	29.2
2019F	395,052	93,444	9.842	9.6	27.5	43.471	6.2	0.695	0.3	25.3
2020F	496,074	113,971	11.951	21.4	22.7	54.337	5.0	0.844	0.3	24.5

Shares in issue (m) 总股数 (m)	9,520.0	Major shareholder 大股东	Naspers Ltd 31.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	2,932,160.0	Free float (%) 自由流通比率 (%)	59.9
3 month average vol. 3个月平均成交股数 ('000)	27,851.1	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	20.0
52 Weeks high/low (HK\$) 52周高/低 (HK\$)	476.600 / 251.400	FY 17-20 PEG	2.1

Source: the Company, Guotai Junan International.

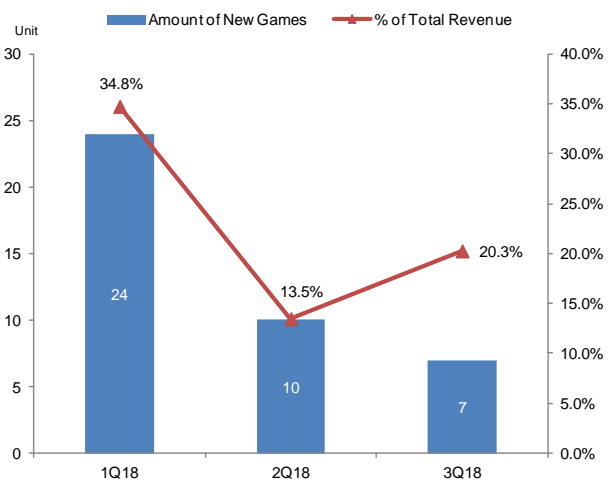
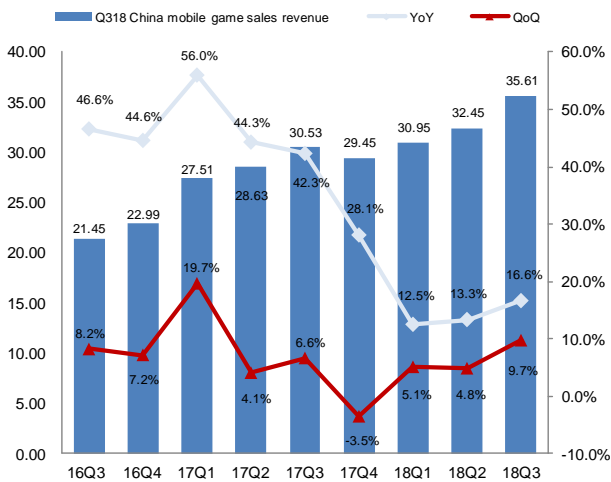
3Q Industrial Review

The growth in China mobile game sales revenue recorded a rebound in 3Q18 but deceleration is expected in 4Q18.

Growth in China mobile games sales revenue recorded a rebound in 3Q18, with 16.6% yoy growth, compared to 13.3% in 2Q18, and was up 9.7% qoq, the highest quarterly growth rate in the past six quarters. Growth was mainly driven by outperforming revenue from new released games in 3Q18, such as MT4 from Tencent. Among China's top 50 games by revenue, the number of new released mobile games in 3Q18 dropped to 7, which was the lowest level so far in 2018, but revenue proportion increased to 20.3% from 13.5% in 2Q18. Based on the gradually decreasing licensed game inventory, we expect that the continuing halt of new game monetization approval will not only impact small and medium-sized game companies, but also would start to have an incremental negative effect on leading game companies in the following quarters.

Figure-1: 2018 Q3 China mobile game sales revenue

Figure-2: Number of new released mobile games and its revenue portion within China's top 50 games by revenue



Source: CNG, Guotai Junan International.

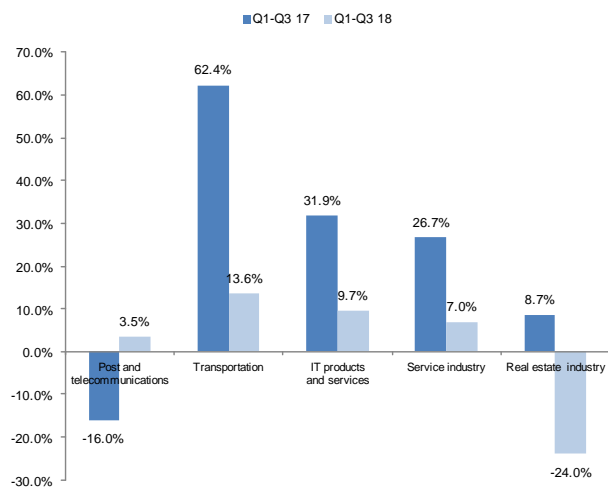
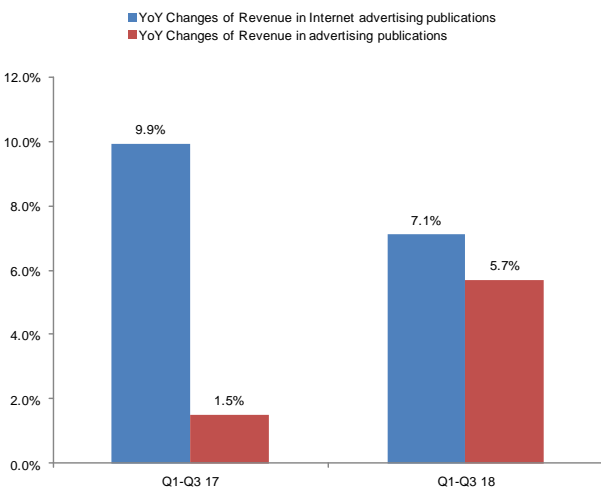
Source: CNG, Guotai Junan International.

Advertisers' expenditure on online advertising is expected to slow down due to the macroeconomic headwinds and regulatory environment.

China advertising market grew by 5.7% yoy between 1-3Q18, up 4.2 ppt from the same period last year, while internet advertising grew by 7.1% yoy, 2.8 ppt, less than the same period last year. Among the top 5 industries by internet advertisement expenditure, transportation yoy growth dropped the most, reaching 13.6% in 2018 for the first three quarters. The real estate industry recorded -24.0% yoy declined, due to the negative policy effect. In accordance with continuing policy effect and the uncertainty of the trade war, we expect that growth of internet advertising revenue will decelerate in the following quarters.

Figure-3: China Advertising Market yoy Growth and Internet Advertising Market yoy Growth

Figure-4: Top 5 Industries by Internet Advertisement Expenditure



Source: CTR, Guotai Junan International.

Source: CTR, Guotai Junan International.

3Q18 Results Review

3Q18 shareholders' profit beat market expectations with 29.6% yoy growth, mainly due to higher net other income gains generated from investment related items compared to the same period last year. Non-GAAP net profit grew 15.5% yoy in 3Q18. Non-GAAP operating margin lowered by 5.2 ppt yoy to 28.0% due to higher selling and marketing expenses and decline in gross margin. Under the tightening game policy environment, Tencent smartphone games yearly revenue growth rate declined to 7.1%, a drop of 76.7 ppt compared with last year's third quarter growth rate. Growth was mainly contributed by the new published games in 3Q18. Online advertising revenue was up 47.1% yoy, driven by Weixin Moments contributions. Other income also made a significant contribution with 68.5% yoy growth and 16% qoq growth, mainly contributed by the payment related services and cloud services. 3Q18 gross margin was 44.0%, down 4.6 ppt YoY and 2.8 ppt QoQ. VAS gross margin dropped 3.4 ppt yoy to 56.5% in 3Q18 due to high content costs for online games, channel costs for smartphone games, and video content costs. Online advertising gross margin reached 36.7% in 3Q18, 0.4 ppt higher yoy and 0.7ppt lower qoq, due to greater content costs and commissions payable to advertising agencies. Gross margin of other businesses increased by 2.4 ppt but was down by 2.1 ppt qoq due to the increase of variable costs of payment related and cloud businesses.

Table-1: Tencent's Income Statement Analysis

RMB (Million)	3Q18	3Q17	yoy	1Q-3Q 18	1Q-3Q 17	yoy	Comments
Total revenue	80,595	65,210	23.6%	227,798	171,368	32.9%	
- VAS revenue	44,049	42,124	4.6%	132,995	114,036	16.6%	Due to -3.8% yoy growth slowdown in online games
- Online advertising revenue	16,247	11,042	47.1%	41,046	28,078	46.2%	Driven by 23.5% yoy growth in media advertising and 61.2% yoy growth in social and others advertising
- Others revenue	20,299	12,044	68.5%	53,757	29,254	83.8%	Due to contributions from payment solutions and cloud services
Cost of revenue	(45,115)	(33,529)	34.6%	(120,830)	(85,938)	40.6%	Due to the increasing content costs, cost of payment-related services and channel costs
Gross profit	35,480	31,681	12.0%	106,968	85,430	25.2%	
Interest income	1,082	1,017	6.4%	3,219	2,784	15.6%	
Other gains, net	8,762	3,918	123.6%	18,853	12,234	54.1%	Due to fair value change and investment gains in some investee companies, such as Meituan Dianping upon its IPO
S&M expenses	(6,573)	(4,812)	36.6%	(18,503)	(11,630)	59.0%	Related to higher marketing spending on payment-related services, online video and smartphone games
G&A expenses	(10,890)	(9,058)	20.2%	(30,177)	(24,240)	24.5%	Mainly driven by greater R&D expenses and staff costs
Operating profit	27,861	22,746	22.5%	80,360	64,578	24.4%	
Finance costs, net	(1,492)	(524)	184.7%	(3,297)	(2,049)	60.9%	
Profit before tax	26,633	23,040	15.6%	78,534	63,470	23.7%	
Shareholders' profit	23,333	18,006	29.6%	64,490	50,713	27.2%	
Non-GAAP Shareholders' profit	19,710	17,070	15.5%	57,739	47,672	21.1%	

EPS (RMB)	2.47	1.91	29.1%	6.83	5.39	26.7%
Gross profit margin	44.0%	48.6%	(4.6ppt)	47.0%	49.9%	(2.9ppt)
Non-GAAP net profit margin	24.5%	26.2%	(1.7ppt)	25.3%	27.8	(2.5ppt)

Source: the Company, Guotai Junan International.

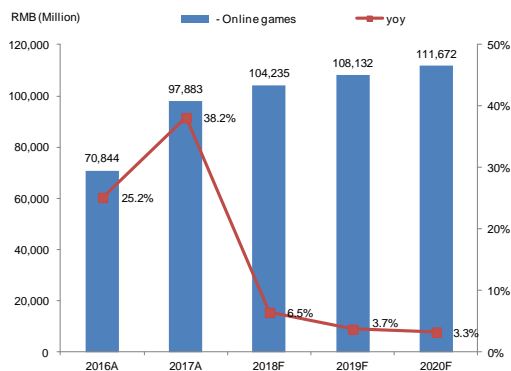
In assuming the continuing suspension of game monetization, we estimate FY18-FY20 revenue growth of online games to be 6.5%/ 3.7%/ 3.3%, respectively. Smartphone games revenue grew 7.1% yoy in 3Q18, partially contributed by the relatively high APRU RPG games, such as MT4, in 18Q3. However, total online games revenue declined 3.8% yoy due to revenue shrinkage of PC client games business, which was down by 15.1% yoy and 3.9% qoq. The shrinkage in PC client games revenue was due to the user migration to smartphone games and the high base of PC client games revenue in the same quarter last year. MT4, a new game released in 3Q18, recorded outstanding performance and climbed to the third place in the top 10 highest income games in China. Due to halted game license publication, Tencent has not yet monetized its popular tactical tournament games in China such as PUBG, which may continue to affect its revenue growth in the following quarters. Under the impact of license issue, Tencent is expected to take several ways to alleviate game monetization stress. One method is to rely on licensed game inventory, and another is to persuade independent studios, which have strong IP licensed games, to allow Tencent be the publisher. Tencent is also confident in enhancing its smartphone games revenue via the following three dimensions: 1) the release of new games with high APRU, such as MT4 released in 3Q18; 2) Tencent's paying ratio upside has been substantial relative to the industry, even having some impact from games that cannot be monetized such as PUBG; and 3) Tencent has a large game user base. The Company is expected to publish 15 games with monetization approval in 4Q18, including role-playing and action games associated with established IP titles. However, we still expect online games revenue growth to be affected under the uncertainty of the approval of new game monetization.

Table-2: Top 10 highest income games in China in 3Q18

Ranking	Grossing Games	Game Distributors
1	Honour of Kings (王者荣耀)	Tencent
2	Fantasy of Westward Journey (梦幻西游)	NetEase
3	MT4 (我叫MT4)	Tencent
4	QQ 飞车 (QQ Speed)	Tencent
5	Free Fantasy Online Mobile (自由幻想)	Tencent
6	Langrisser (梦幻模拟战)	Zilong
7	Saint Seiya (圣斗士星矢)	Tencent
8	Clans of Intrigue (楚留香)	NetEase
9	King of chaos (乱世王者)	Tencent
10	Onmyoji (阴阳师)	Tencent

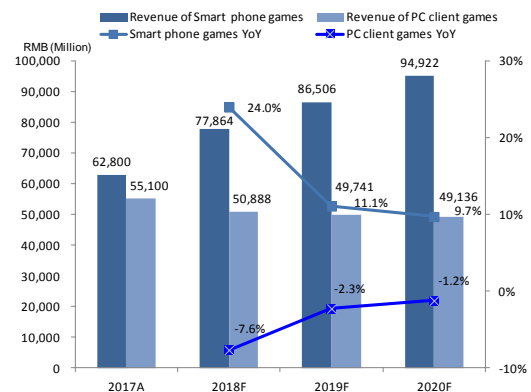
Source: Gamma Data, Guotai Junan International

Figure-5: Tencent's online games business revenue and yoy growth



Source: the Company, Guotai Junan International.

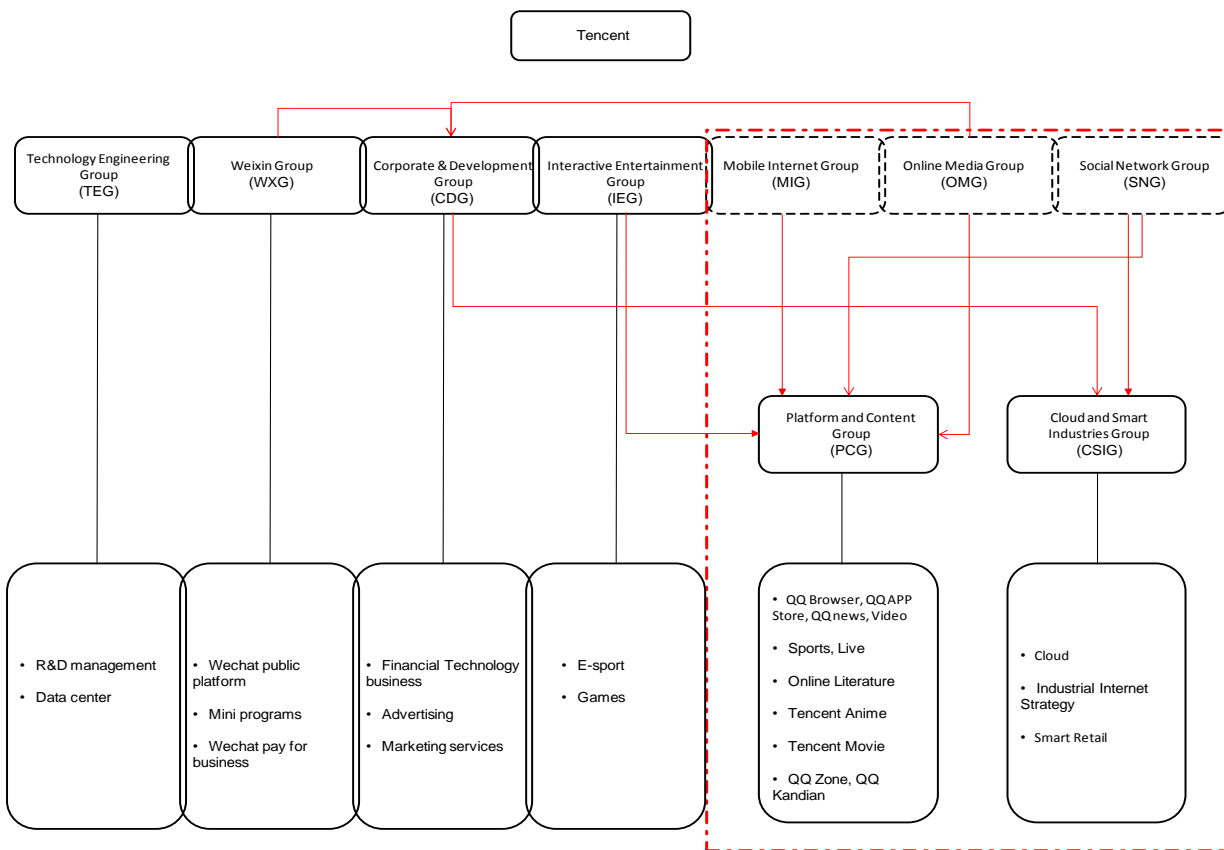
Figure-6: Tencent's revenue of smartphone games and pc client games and yoy growth



Source: the Company, Guotai Junan International.

We expect FY18-FY20 revenue contribution from online advertising business increase to 18.9%/ 21.3%/ 24.8%, respectively, and FY18-FY20 revenue contribution from other business to increase to 24.3%/ 27.2%/ 30.9%, respectively. On 1st Oct., Tencent officially announced strategic structure reorganization in order to seize industrial internet opportunities. The organization restructuring have had the following major adjustments: 1) Tencent retained four groups – "Corporate & Development Group" (CDG), "Technology Engineering Group" (TEG), "Interactive Entertainment Group" (IEG) and "Weixin Group" (WXG). Tencent have also added two new ones: "Platform & Content Group" (PCG) and "Cloud & Smart Industries Group" (CSIG). 2) In TEG, Tencent established a technical committee which aims to strengthen basic research and development, and build a technical middle office and other measures to support business innovation. 3) In online advertising business, Tencent combined the advertising sales department under OMG and the social and performance adverting department under CDG into Advertisement and Marketing Services (AMS), within CDG. We believe that the reform could lead to Tencent further improving internal data efficiency, which could benefit its B2B and online advertising business.

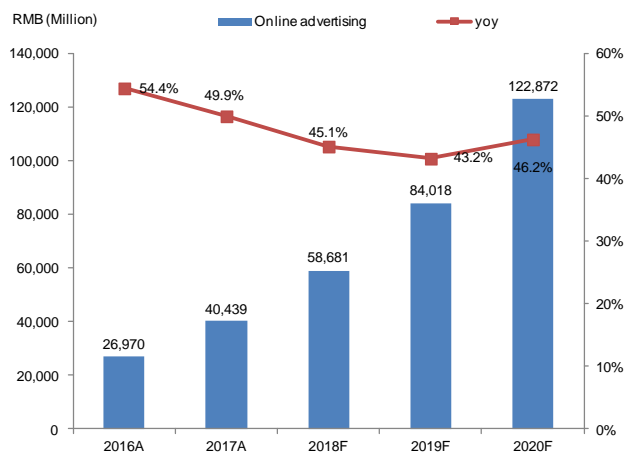
Figure-7: Tencent structural reform



Source: the Company, Guotai Junan International.

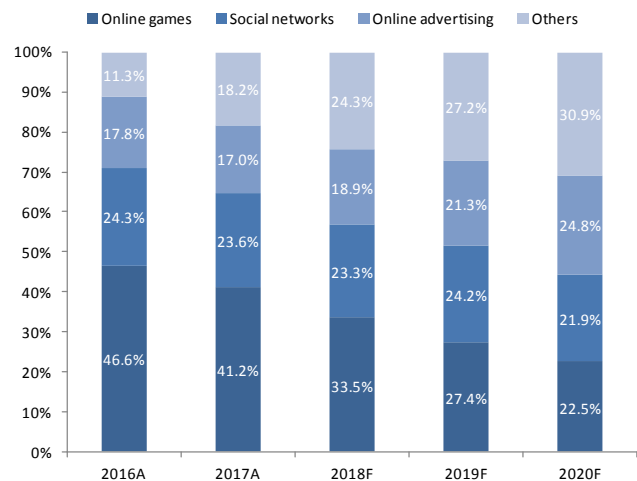
Due to the macro impact, we expect that FY18-FY20 online advertising revenue will maintain stable growth at 45.1%/ 43.2%/ 46.2%, respectively. 3Q18 online advertising revenue grew 47.1% yoy, driven by 23.5% yoy growth in media advertising and 61.2% yoy growth in social and others advertising. Social and others advertising was contributed by increased traffic and inventory in Weixin moments, mini programs and QQ Kandian. Even under the certain regulation and macro headwinds, such as the trade war between China and the U.S., we believe that the impact on Tencent online advertising business will be limited due to the following reasons: 1) Tencent’s online advertising is more likely to be supply constrained instead of demand constrained. Stronger online advertising revenue is expected if Tencent frees more inventory room especially within the mini programs, which was the biggest contributor to qq online advertising revenue growth this quarter; 2) Weixin, the highest online advertising contribution platform, increased its MAU growth in 3Q18, with 10.5% yoy growth, up 0.6 ppt in comparison with last quarter; and 3) Tencent’s online advertising load is still below the industry level.

Figure-8: Tencent's online advertising business revenue and yoy growth



Source: the Company, Guotai Junan International.

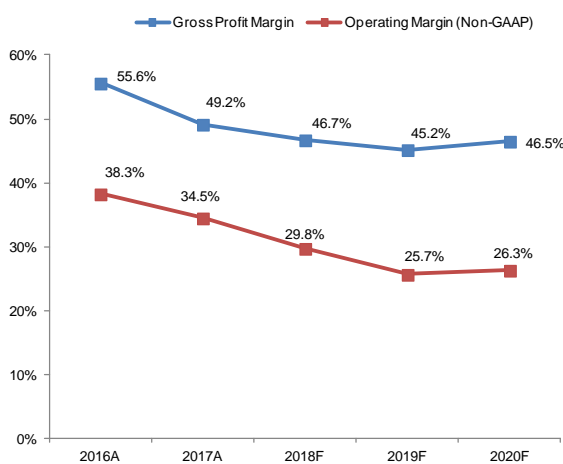
Figure-9: Revenue percentage contribution by each segment



Source: the Company, Guotai Junan International.

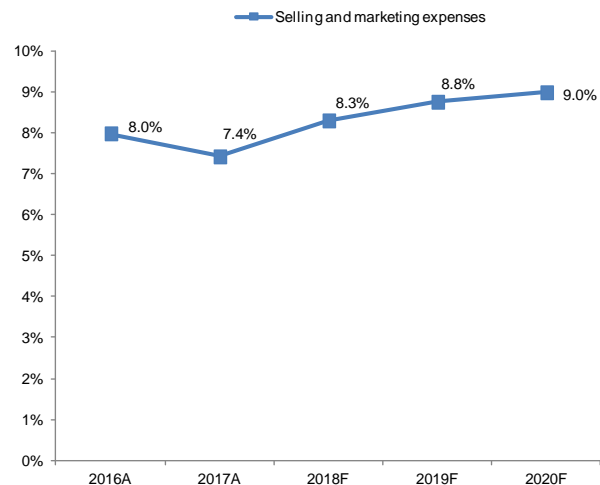
Non-GAAP operating margin in FY18-FY20 is estimated to be 29.8%/ 25.7%/ 26.3%, respectively, due to expected lower gross margin and higher marketing expense. Gross margin in 3Q18 was 44.0%, compared to 46.8% in 2Q18 and 48.6% in 3Q17. The qoq decrease of gross margin was mainly affected by 1) slowdown of both smartphone games business and PC client games business and 2) relatively high video content cost. We expect gross margin in FY18-FY20 to be 46.7%/ 45.2%/ 46.5% respectively, due to 1) expected decrease of VAS margin because of the expected increasing content cost and slowdown in revenue of online game business and 2) expected low margin of cloud business in the short term. However, we expect that gross margin could rebound in FY20 due to 1) momentum from online advertising business and 2) improvement in cloud business, which might shift part of the business from IAAS to high gross margin business such as PAAS and SAAS. Greater marketing expense is expected due to the promotion of its payments-related services, online video business and cloud business. However, we expect that Tencent will curb its marketing expense on gaming business before the approval policy of new game monetization. We estimate FY18-FY20 percentage of selling and marketing expense to total revenue to be 8.3%/ 8.8%/ 9.0%.

Figure-10: Gross profit margin and Non-GAAP operating margin



Source: the Company, Guotai Junan International.

Figure-11: Percentage of selling and marketing expense to total revenue



Source: the Company, Guotai Junan International.

Tencent announced a shared repurchase program from 7 September 2018 to 12 October 2018, under which the Company repurchased 2.8 million shares at an aggregate cost of about HKD 886.8 million. The repurchase accounted for around 0.03% of its total market capitalization. Even though the repurchase accounts for a small portion of its total market capitalization, we believe the announcement showed the management's confidence on its future strategy and growth prospects.

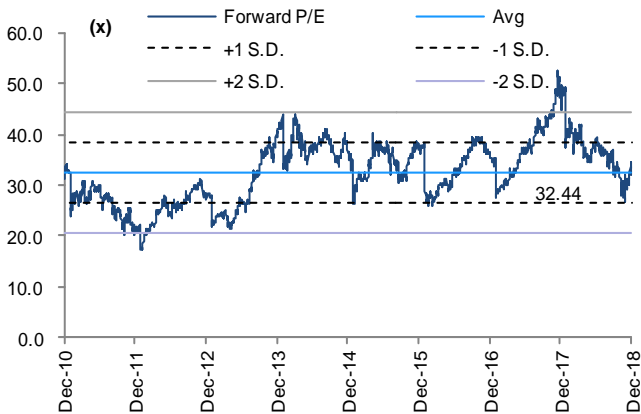
Profit Estimates

FY18-20 Basic EPS is expected to grow by 18.2%/ 9.6%/ 21.4%. In assuming further suspension of new game monetization, we expect revenue growth of online games business to further slow down in FY18-FY20. Growth in online advertisement business is expected to slightly slow down in FY19 due to the macro background and policy impact but rebound in FY20. Online advertising business and other business are expected to be the main contributors in the following quarters. With the expected increase in online advertising business and other business, we set FY18-20 basic EPS at RMB 8.98/ RMB9.84/ RMB11.95, respectively.

Valuation

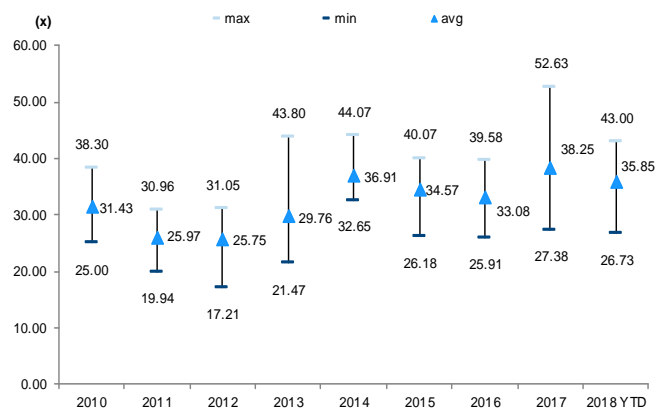
Negative impact on online games business may have already been priced in. Online advertising and cloud business is expected to provide future growth momentum but still needs time; we set the investment rating as "Buy" and the TP as HK\$375.00. We expect that market conditions are still full of uncertainty especially in the game sector, so we are a bit cautious on Tencent valuation. We expect that Tencent will still be affected by the suspension of new game monetization approval in the short run. However, even with the expected negative macro conditions in the following quarters, limited impact on Tencent's online advertising business is expected. We believe under increasing profit contribution of both online advertising and cloud business, Tencent could still keep its profit momentum. The new TP implies 36.7x FY18 PER, 33.5x FY19 Y18 PER and 27.6x FY20 PER.

Figure-12: Tencent's PE Graph



Source: Bloomberg.

Figure-13: Tencent's PER Range



Source: Bloomberg.

Table-3: Peers Comparison

Company	Ticker	Currency	Price	PER (x)			PBR (x)			P/S	PEG	Market Cap
				18F	19F	20F	18F	19F	20F	18F	18F-20F	Local currency (million)
US Online Game Companies												
Changyou	CYOU US	USD	19.190	10.9	9.7	9.4	1.3	1.2	1.1	2.1	1.4	1,012
Electronic Arts Inc	EA US	USD	82.520	24.3	18.1	16.1	5.5	4.6	4.0	7.3	1.6	24,932
Activision Blizzard Inc	ATVI US	USD	47.230	18.1	16.8	14.8	3.2	2.7	2.4	4.8	1.7	36,039
Netease	NTES US	USD	236.610	24.5	20.6	17.6	4.1	3.5	3.0	3.2	1.3	31,074
Simple Average				19.5	16.3	14.5	3.5	3.0	2.6	4.3	1.5	
Weighted Average				21.9	18.3	16.0	4.1	3.5	3.0	4.9	1.6	
HK Online Game Companies												
Kingsoft Corp Ltd	3888 HK	HKD	12.280	47.4	15.3	13.3	1.2	1.1	1.0	2.6	0.5	16,857
Forgame Holdings Ltd	484 HK	HKD	6.020	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	825
Linekong Interactive Group C	8267 HK	HKD	0.760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	280
Idreamsky Technology Holding	1119 HK	HKD	5.220	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6,628
Tencent	700 HK	HKD	308.000	32.3	26.9	21.1	7.6	6.0	4.8	8.3	1.4	2,932,241
Boyaa Interactive Int.	434 HK	HKD	1.380	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,000
IGG	799 HK	HKD	9.620	7.9	7.1	6.8	4.2	3.1	2.5	2.0	1.0	12,330
Netdragon	777 HK	HKD	13.140	34.4	21.5	20.1	1.3	1.2	1.2	1.3	1.1	6,979
Simple Average				30.5	17.7	15.3	3.6	2.9	2.4	3.5	1.0	
Weighted Average				32.2	26.8	21.0	7.6	6.0	4.8	8.2	1.4	
Advertising Companies												
Momo Inc-Spon Adr	MOMO US	USD	24.570	10.4	8.4	6.8	4.3	3.0	2.3	2.5	0.4	5,024
Bilibili Inc-Sponsored Adr	BILI US	USD	14.690	n.a.	n.a.	61.7	5.1	6.0	5.3	6.9	n.a.	4,091
Sohu.Com Inc	SOHU US	USD	22.270	n.a.	n.a.	n.a.	1.6	2.0	2.3	0.5	1.9	867
Weibo	WB US	USD	61.620	23.4	19.5	15.5	7.2	5.2	3.8	8.0	1.0	13,751
Bitauto	BITA US	USD	19.080	14.4	13.8	8.9	0.7	0.7	0.7	0.9	0.5	1,388
Cheetah Mobile	CMCM US	USD	6.570	10.2	8.7	n.a.	1.3	1.1	0.9	1.3	n.a.	934
58.com	WUBA US	USD	58.060	23.1	19.6	15.2	2.9	2.7	2.4	4.5	1.0	8,601
Soufun	SFUN US	USD	1.760	44.0	8.4	5.3	1.1	0.9	0.8	2.3	0.2	783
Phoenix New Media	FENG US	USD	3.540	118.0	41.2	27.7	0.7	0.7	0.7	1.2	1.1	256
Sina	SINA US	USD	63.220	20.7	17.3	13.1	1.4	1.3	1.1	2.1	0.8	4,518
Facebook	FB US	USD	137.420	16.4	16.2	14.2	4.5	3.6	2.9	7.2	2.2	395,495
Simple Average				31.2	17.0	18.7	2.8	2.5	2.1	3.4	1.0	
Weighted Average				16.8	16.3	14.6	4.5	3.6	2.9	7.0	2.1	
E-commerce Companies												
Pinduoduo Inc-Adr	PDD US	USD	20.610	(48.2)	468.4	13.5	32.9	30.5	14.8	12.9	n.a.	22,831
Alibaba*	BABA US	USD	153.060	29.1	29.9	23.2	6.8	5.7	4.7	11.8	1.0	396,760
VIPSHOP	VIPS US	USD	5.200	9.0	8.0	6.9	1.3	1.1	1.0	0.3	0.6	3,447
EBay	EBAY US	USD	29.060	12.6	11.3	9.9	4.6	4.7	3.2	2.6	1.0	27,980
JD.com	JD US	USD	20.930	91.8	49.4	25.4	3.8	3.6	3.3	0.5	1.0	35,102
AMAZON	MZN US	USD	1629.130	61.5	46.5	34.6	18.2	12.9	8.9	3.4	1.8	796,593
Simple Average				26.0	102.3	18.9	11.3	9.8	6.0	5.3	1.1	
Weighted Average				49.1	48.1	29.8	14.2	10.5	7.4	6.1	1.5	
Search Engine Companies												
Sogou Inc-Adr	SOGO US	USD	5.960	25.4	21.9	16.4	2.3	2.1	1.9	2.1	1.0	2,367
Alphabet Inc-CIA	GOOGL US	USD	1046.580	19.2	18.5	15.2	4.2	3.4	2.9	6.6	1.5	724,130
Baidu Inc - Spon Adr	BIDU US	USD	179.560	18.4	16.6	13.7	2.7	2.3	2.0	4.2	1.2	62,588
Simple Average				21.0	19.0	15.1	3.1	2.6	2.2	4.3	1.2	
Weighted Average				19.2	18.3	15.1	4.0	3.4	2.8	6.4	1.5	
Overall Average				29.2	34.5	16.5	4.8	4.2	3.1	4.2	1.2	
Overall Weighted Average				31.1	25.6	19.3	6.9	5.4	4.2	6.5	1.6	

Source: Bloomberg.

Notes: * represents figures of FY19/FY20/FY21

See the last page for disclaimer

Table-4: 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
IAAS	Infrastructure as a Service	基础即服务
PAAS	Platform as a Service	平台即服务
SAAS	Software as a Service	软件即服务
PCU	Peak Concurrent User Accounts	最高同时在线用户数
TAC	Traffic Acquisition Cost	流量获得成本
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.

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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