

Huatai Research

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Equity | China | Internet Based Services

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Maintained

Takeaways from WeChat Public Class Pro 2019

WeChat to grow digitization ecosystem

Tencent hosted (9-10 January) the two-day WeChat Public Class Pro 2019 in Guangzhou. This year's WeChat Public Class shared the development strategy of WeChat mini programs, WeChat mini games, WeChat Pay, WeChat Enterprise, etc. WeChat aims to expand from ToC (denoting consumer focus) to also become an essential tool for enterprises and to form an ecosystem revolving around WeChat. WeChat will play an important role during Tencent's industrial Internet development process.

Strengthening ToB solutions and WeChat Enterprise

WeChat demonstrated its shift towards ToB (denoting business focus) solutions, leveraging its large user base and user stickiness in consumer Internet, as well as its mobile Internet services product development experience. Tencent will be able to provide unique services to enterprises, helping them to digitize and improve efficiency, customer management and marketing effectiveness. As of January, WeChat industrial solutions span 36 industries. WeChat Mini programs penetrated over 200 industries, facilitating more than 100bn governmental and commercial interactions. Transaction volume within WeChat mini programs grew 600% yoy in 2018. In addition, Tencent will further integrate WeChat Enterprise with WeChat to provide a seamless connection between consumers and businesses.

WeChat's monetization will remain at controlled pace

WeChat will maintain its monetization level in a prudent manner. Due to improved efforts to improve advertising effectiveness for advertising clients, Tencent's social advertising revenue will grow at a robust rate in 2019. The cumulative number of advertisers for WeChat advertising has surpassed 1mn. Tencent plans to launch more advertising formats such as video advertising for mini programs in 2019 to help developers achieve commercial value.

WeChat platform power has more development potential

The MAU of WeChat reached 1,082mn as of end-3Q18, with DAU surpassing 1bn in August 2018. As for Moments, there are over 750mn users of Moments per day, with total views surpassing 10bn per day, demonstrating its solid position as an Internet meeting point. The newly-launched function of Time Capsule and Wow should gradually cultivate users' habit of posting videos and consuming content within WeChat. We believe Tencent's core platform power remains unshaken.

Financials

YE 31 Dec	FY16	FY17	FY18E	FY19E	FY20E
Revenue (RMBmn)	151,938	237,760	312,361	400,781	511,994
yoy%	47.7	56.5	31.4	28.3	27.7
Net profit (RMBmn)	41,095	71,510	83,492	93,775	116,295
yoy%	42.7	74.0	16.8	12.3	24.0
EPS (diluted, RMB)	4.329	7.505	8.731	9.804	12.154
PE (x)	65.9	38.0	32.7	29.1	23.5
PB (x)	15.3	10.5	8.1	6.4	5.1
EV EBITDA (x)	42.6	24.6	21.9	18.7	14.5
Dividend yield (%)	0.2	0.0	0.0	0.0	0.0
Free cashflow yield (%)	2.1	3.5	5.7	3.5	7.4

Source: Company data, Huatai HK Research estimates

Huatai Financial Holdings (Hong Kong) Limited is abbreviated as Huatai HK throughout this report.

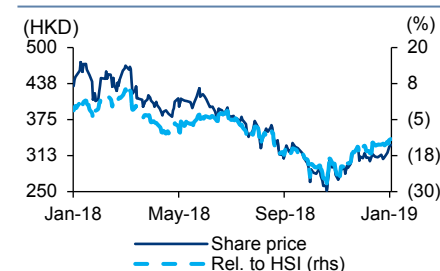
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Key data

Target price (HKD)	419.00
Closing price (HKD as of 11 Jan)	331.20
Upside +/- (%)	27
Mkt cap (USDmn)	402,549
6m avg daily val (USDmn)	1,022.18
52wk price range (HKD)	474.60/252.20
BVPS (RMB)	27.21

Share performance



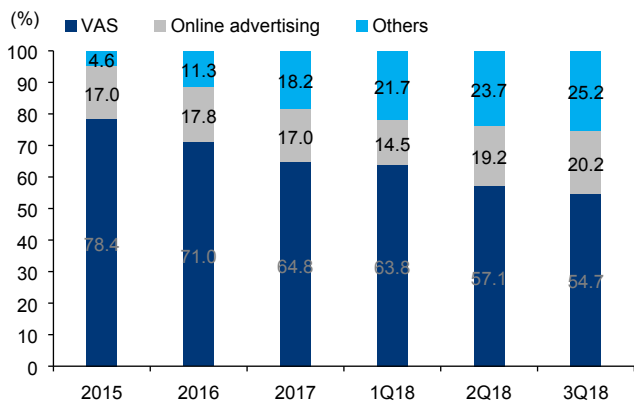
Source: FactSet

Key takeaways from WeChat Public Class Pro 2019

The WeChat Public Class series showcases Tencent's strategy to develop industrial Internet-related business and services via the WeChat platform: it will leverage the closed loop of WeChat mini programs, WeChat Pay, WeChat Enterprise and WeChat AI capabilities to provide digitalization solutions for China's enterprises. We believe Tencent's determination to develop industrial Internet will greatly enhance its cloud and payment businesses in 2019, and will also benefit the long-term growth of the company.

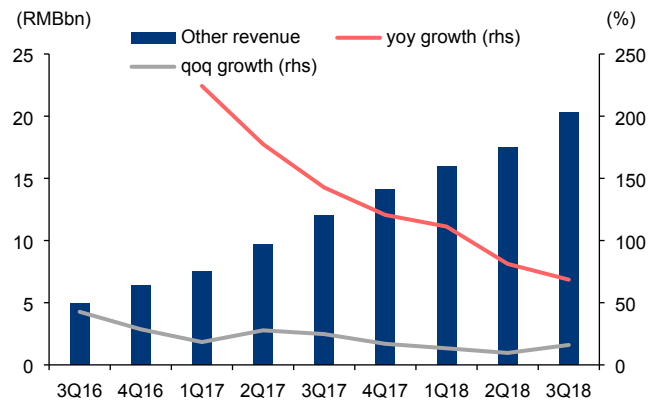
In 9M18, revenue for Tencent's cloud business surpassed RMB6bn, more than double year on year and up by double digits quarter on quarter. The number of paying cloud customers grew by triple digits year on year. As for the payment business, daily transaction volume increased by over 50% yoy, with offline daily commercial payment transaction volume growing 200% yoy.

Fig.1. Tencent: revenue mix



Source: Company data, Huatai HK Research

Fig.2. Tencent: other revenue

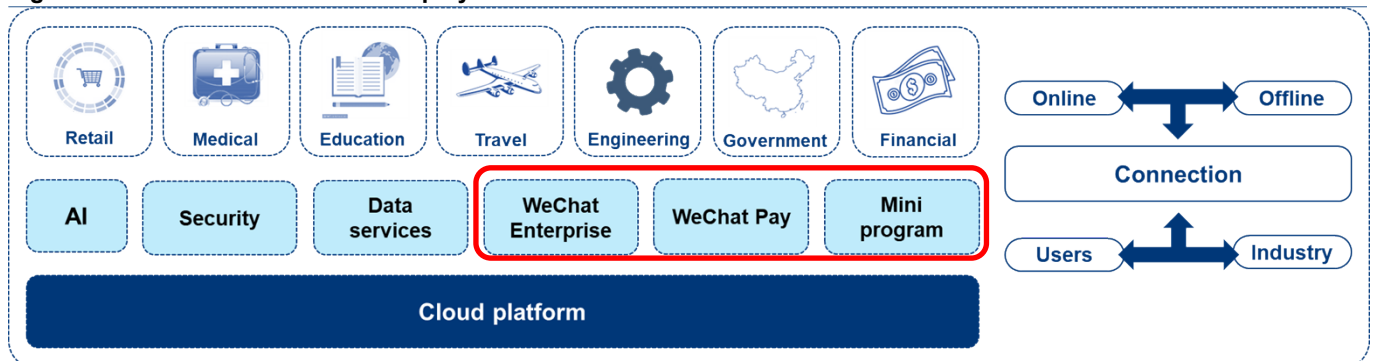


Source: Company data, Huatai HK Research

WeChat helping to usher in the industrial Internet

WeChat plays an essential role in the deployment of Tencent industrial Internet. It will put emphasis on verticals such as smart retail, education, travel, smart industrial manufacturing, government and financial services. As of January, WeChat industrial solutions span 36 industries, and Tencent plans to provide three major toolboxes for enterprises to help them achieve digitalization.

Fig.3. Tencent: industrial Internet deployment

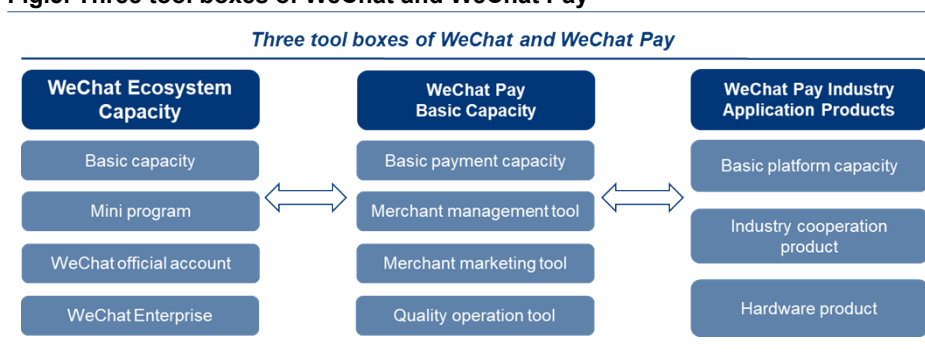


Source: Company data, Huatai HK Research

Fig.4. WeChat: industry coverage

Source: Company data, Huatai HK Research

Tencent plans to use three WeChat and WeChat Pay toolboxes to assist in enterprise digitalization: WeChat Ecosystem Capacity, WeChat Pay Basic Capacity, and WeChat Pay Industry Application Products.

Fig.5. Three tool boxes of WeChat and WeChat Pay

Source: Company data, Huatai HK Research

Smart transportation

Smart transportation is the third-largest sector on WeChat Pay, followed by smart retail and smart restaurant. The WeChat services in the smart transportation sector span over 130 cities and 8,000 transportation routes, and deployment has intensified in eight areas, including passenger transportation, shipping, railways, civil aviation, metro and taxis in public transportation; and parking lots, gas stations, highways and follow-up services in private transportation.

The transportation industry is an industry with strong growth potential in terms of payment digitalization. In 2018, the number of WeChat Pay transactions grew by 25 times in the transportation sector, which is the fastest growing sector for WeChat Pay. For parking and highway transportation, the number of registered private cars reached 235mn. Over 13mn car owners make 60mn transactions every day, with a total transaction revenue of RMB2.5bn. However, the penetration rate of mobile payment in these scenarios is only 9.3%, much lower than other industries, which indicates significant development potential.

Tencent will be deeply engaged in the transportation industry in 2019. The “unconscious” automatic payment function of WeChat is planned to be used in parking lots and highways. The retention rate of transportation mini programs reached 54% in 2018, demonstrating the strong demand in this industry.

Fig.6. WeChat: smart transportation solutions

Public transportation		Private transportation	
Bike-sharing	<ul style="list-style-type: none"> • Mobike 	Parking lot	<ul style="list-style-type: none"> • Scan to pay • Unconscious pay • Electronic invoice
Bus and metro	<ul style="list-style-type: none"> • WeChatPay • Riding QR code pay 	Gas station	<ul style="list-style-type: none"> • Gas card recharge • Scan to pay • Unconscious pay
Passengers transport	<ul style="list-style-type: none"> • Online ticket via official account • Scan and go • Electronic ticket • Face recognition 	Highway	<ul style="list-style-type: none"> • MTC pay • Unconscious pay • ETC recharge
Railway	<ul style="list-style-type: none"> • Online ticket via 12306 • Online food ordering 	Follow-up service	<ul style="list-style-type: none"> • Online fines paying • Automobile insurance
Taxi	<ul style="list-style-type: none"> • Scan to pay • Unconscious pay • Electronic invoice 		

Source: Huatai HK Research

Smart restaurant

The smart restaurant industry witnessed a significant increase in mobile payment in 2018. Mobile payment collects a large amount of valuable data for enterprises. Through data mining and analysis, a series of services such as precision marketing, cultivating active users, goods selection and site selection can be implemented leveraging WeChat's capabilities.

The application of mini programs for the restaurant industry has become wider and deeper. DAU of restaurant mini programs increased by 10 times from January 2018 to December 2018. For example, pre-ordering mini programs helps operators increase efficiency and sales by cutting queuing time, reducing labor costs as customers switch to ordering online. The mini programs can also reward customers with an integrated eLoyalty program. Customers' contacts with merchants after the first time are based more on mini programs rather than on offline stores. Besides the promotions implemented by merchants, social traffic entrance which gains traffic from WeChat groups and friend recommendation is also an important source, benefiting from the social features of WeChat.

WeChat Enterprise helps restaurant merchants by combining all working scenarios together and connecting the business side to the customer side. For the business side, WeChat Enterprise aggregates the functions of Enterprise Resource Planning (ERP), Office Automation (OA) and other business systems so as to improve the efficiency of operation and management. For the customer side, WeChat Enterprise can be connected with WeChat public accounts, mini programs, WeChat Pay and social advertisements to enhance the consumption experience.

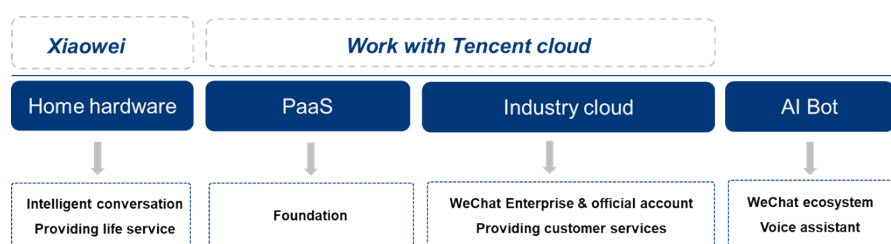
Smart retail

In the area of smart retail, mini programs have helped merchants shorten in-store checkout time, facilitate orders for home delivery and provide targeted product promotions via embedded links to official accounts. Many retailers find these capabilities extremely useful as they strive to digitize their businesses and seek engagement with customers online. Tencent's Scan-to-Buy function is being increasingly adopted in shopping malls, supermarkets and convenience stores. For example, Hotwind (热风) increased its profits by 25-30% after optimizing its WeChat official account and push notifications, which greatly improved its customer retention rate.

Tencent Xiaowei

Xiaowei is a Tencent Cloud intelligent service system, as well as an intelligent service open platform. Based on the speech recognition and interaction capabilities of WeChat Zhiling and WeChat Zhiyan, Xiaowei aims to connect the world with sound and recognize voice as a service. The major areas supported by Xiaowei include home hardware, intelligent manufacturing, intelligent mobility and outside-the-home scenario.

Fig.7. Tencent: Xiaowei



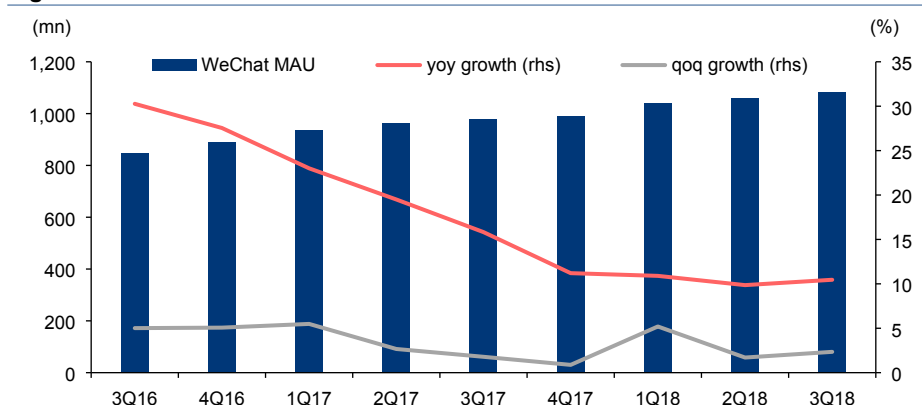
Source: Company data, Huatai HK Research

The capabilities and services provided by Xiaowai are based on the WeChat ecosystem, with content that ranges from QQ Music, Tencent Video and Penguin FM, and provide entertainment, education, and everyday services. It also enables users to connect with WeChat and QQ, linked with services from mini programs.

WeChat and WeChat 7.0.0

The MAU of WeChat reached 1,082mn as of end 3Q18, with DAU surpassing 1bn in August 2018, making WeChat the first app to achieve a DAU of 1bn in China. Zhang Xiaolong, the founder of WeChat, mentioned during the public class that the core motive of WeChat is to: 1) build a tool for users that can keep up with the times; and 2) help creators to realize their value. We believe WeChat will continue to develop its products to improve efficiency for users, focusing on user experience and serving as an indispensable Internet tool.

Fig.8. WeChat: MAU



Source: Company data, Huatai HK Research

Mr Zhang also addressed the public's concerns on WeChat Moments. Currently, there are over 750mn daily users of Moments, with total engagements surpassing 10bn per day. Moments remains the most highly-engaged Internet social meeting point for China's Internet users, like a plaza in offline scenarios.

On 21 December 2018, WeChat released version 7.0.0, the largest visible update in four years. This update involves a change in the WeChat interface, the addition of the Time Capsule (视频动态) function, and the “Like” button for articles being replaced by a “Wow (好看)” button. After clicking, friends will see article in the information flow of “Wow” within the “Top Stories” (看一看) function. We believe this WeChat update is in line with the rapid changes in the Internet, and satisfies the changing demands of users in an artistic way.

Fig.9. WeChat: Time Capsule

Source: Company data, Huatai HK Research

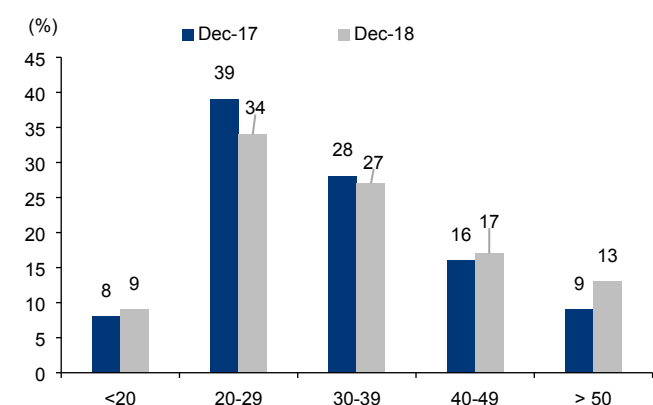
Fig.10. WeChat: Wow

Source: Company data, Huatai HK Research

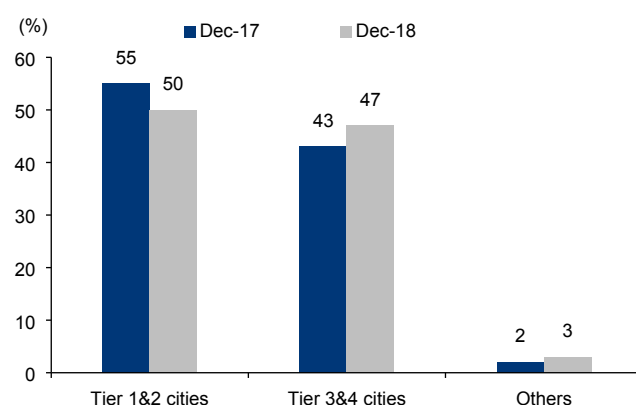
WeChat mini programs

After two years of development, WeChat mini programs have become essential tools in people's daily lives, including communication, consumption and entertainment. The WeChat mini program ecosystem is becoming both ToC and ToB focused. As of 9 January, WeChat mini programs have been adopted by more than 200 industries, facilitating more than 100bn governmental and commercial interactions. The transaction volume within WeChat mini programs grew 600% yoy in 2018.

WeChat mini programs extended their user base to all ages and lower-tier cities in 2018. Users aged between 20 and 49 still account for the majority of users, but the proportion of this age group decreased from 57.0% in December 2017 to 51.0% in December 2018. The proportion of users below age 20, between ages 40 and 49 and above age 50 increased to 9.0%, 17.0% and 13.0%, respectively, in December 2018. Mini programs also witnessed an increase in users in tier-3&4 cities, with the proportion of this group increasing from 43% to 47%.

Fig.11. WeChat mini programs: users age distribution

Source: Company data, Huatai HK Research

Fig.12. WeChat mini programs: region distribution

Source: Company data, Huatai HK Research

The number of active mini programs has been increasing, and mid- to long-tail mini programs witnessed an increase in traffic, indicating the healthy development of the mini program ecosystem. WeChat is trying to increase the exposure of high quality mini programs which meet the needs of users. It plans to further optimize the search function and the nearby mini program function in 2019 to help developers to gain traffic of their mini programs.

WeChat also launched a series of capabilities for mini program developers, supporting them to develop mini programs with ease. In addition, WeChat operates an open community to establish a communication mechanism for WeChat, mini program developers, enterprises and mini program service providers to achieve highly-efficient cooperation.

We expect WeChat to strengthen its advertising business for mini programs in a proper manner in 2019. Tencent plans to launch more advertising formats for mini programs in 2019, such as Video motivational advertising, to help developers achieve commercial value.

Fig.13. WeChat: advertising

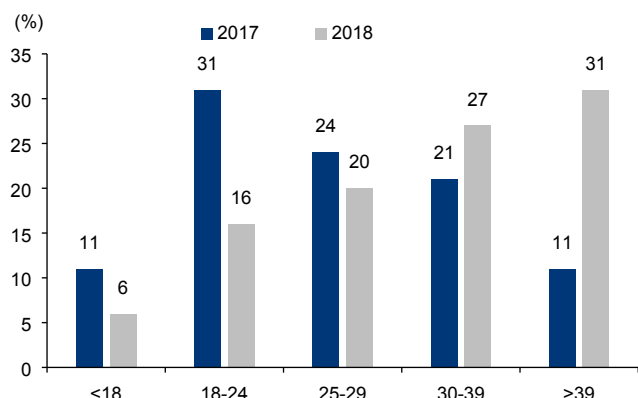
Source: Huatai HK Research

WeChat mini games

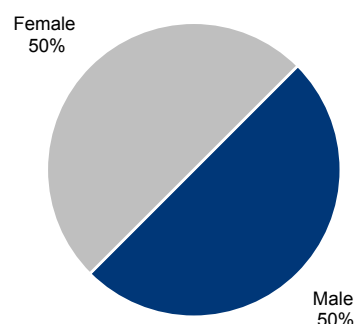
We believe WeChat mini games have played an important complementary role to Tencent's traditional apps and PC games and bring additional value to Tencent's long-term game revenue growth. As of 9 January, the MAU of WeChat mini games has exceeded 400mn, benefiting from their convenience, easy access of play and large user base of WeChat. WeChat mini games have also been recognized by users, with the retention rate of high-quality mini games reaching 60%, 54%, and 43% for the next day, seventh day and 30th day, higher than the industry average.

Balanced player

WeChat mini games have a balanced user base, which has attracted a large number of female and adults players who do not play games frequently to play in WeChat mini games. According to company data, the gender distribution of WeChat mini games is 50/50. The percentage of female players is much higher than that of traditional games. Players age 30 and above account for 58% of total players, with adult players (age 18 and above) representing 94% of total players.

Fig.14. WeChat mini games: users age distribution

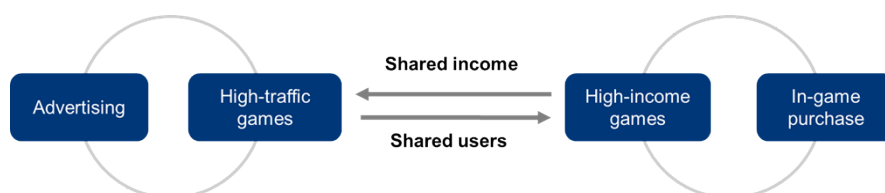
Source: Company data, Huatai HK Research

Fig.15. WeChat mini games: user gender distribution

Source: Company data, Huatai HK Research

Sustainable monetization by in-game purchasing and advertising

The monetization method of WeChat mini games has proved to be sustainable, with high-traffic games gaining revenue from advertising, while high-income games earn revenue from in-game purchasing. More than 10 games have achieved monthly sales of over RMB10mn on the Android platform, and more than 11 games have gained monthly advertising revenue of over RMB10mn. To support the development of innovative mini games, WeChat will maintain its preferential profit-sharing plans in 2019.

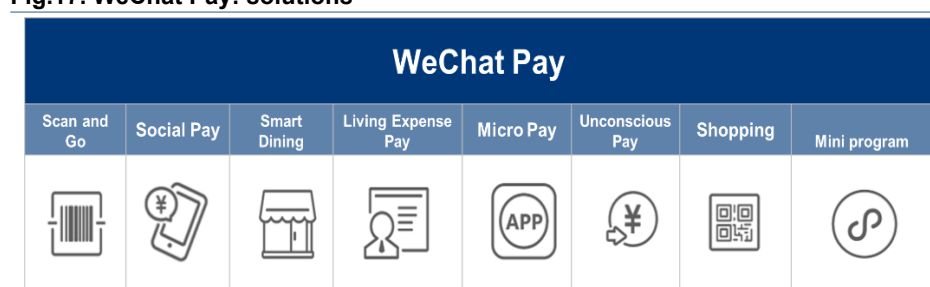
Fig.16. WeChat mini games: monetization channels

Source: Company data, Huatai HK Research

WeChat Pay

After five years of development, WeChat Pay has seen MAU reach 800mn, growing to include tens of millions of merchants, and with transaction services available in 49 countries. WeChat Pay has been a key component in the transition from consumer Internet to industrial Internet. WeChat Pay is not only a payment tool for consumers, but has also started to help merchants improve operating efficiency by offering digital capabilities.

WeChat Pay has three main functions: 1) to connect the commercial process between consumers and enterprises by offering transaction tools; 2) to lower the cost of fundamental technology for merchants by offering them, for example, fingerprint payment, face payment, touchless payment and scan payment; and 3) to offer data analysis by leveraging the WeChat ecosystem. Tencent has rolled out payment solutions in over 90 cities across China. Some operators simply adopted payment QR codes, while others developed their own mini programs with additional functionalities as well as advertising to broaden their revenue streams.

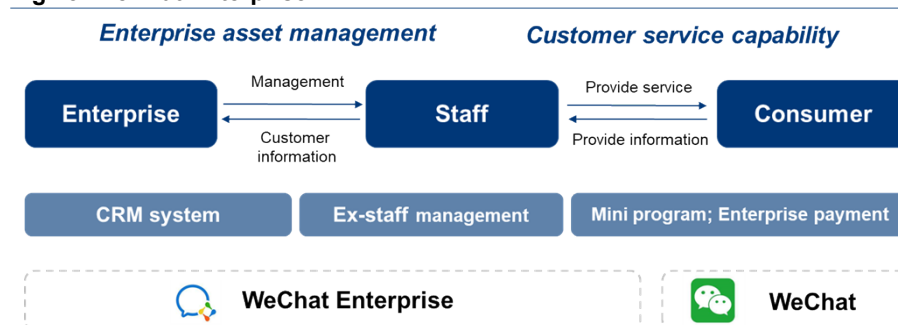
Fig.17. WeChat Pay: solutions

Source: Company data, Huatai HK Research

WeChat Enterprise

Tencent plans to further integrate WeChat Enterprise with the WeChat to provide seamless connections between consumers and businesses. WeChat Enterprise is an important tool for companies aiming to connect with the industrial Internet. Its ability to leverage a series of functions within WeChat's existing ecosystem is its key competitive strength and is key to its growth potential, in our view. Leveraging mini programs, official accounts, WeChat Pay and Tencent Cloud, companies can make better use of the Internet, big data and AI technologies offered by Tencent.

The major competitive advantages of WeChat Enterprise are: 1) its connection with WeChat; starting from October 2018, Tencent further strengthened the ability of WeChat Enterprise to connect with WeChat, helping companies expand internal communication to their external businesses; 2) due to the similar layout and design between WeChat and WeChat Enterprise, as well as the interconnected chat history between the two, WeChat Enterprise is easy for beginners to pick up, reducing the training cost for companies; and 3) its strong capability to provide secure services for company data.

Fig.18. WeChat Enterprise

Source: Company data, Huatai HK Research

Full financials

Income statement

YE 31 Dec (RMBmn)	FY16	FY17	FY18E	FY19E	FY20E
Revenue	151,938	237,760	312,361	400,781	511,994
Cost of goods sold	(67,439)	(120,835)	(168,108)	(217,775)	(279,581)
Gross profit	84,499	116,925	144,254	183,006	232,413
Selling and distrib cost	(12,136)	(17,652)	(24,989)	(30,860)	(36,864)
Admin expenses	(22,109)	(33,051)	(40,295)	(48,494)	(59,391)
Others oper inc/exp	5,863	24,080	24,600	14,600	11,100
Operating profit	56,117	90,302	103,570	118,252	147,258
Financial cost-net	(1,955)	(2,908)	(4,000)	(2,200)	(2,500)
Share of P&L of assoc	(2,522)	821	1,750	1,000	1,000
Others inc/exp	0	0	0	0	0
Profit before tax	51,640	88,215	101,320	117,052	145,758
Tax expense	(10,193)	(15,744)	(16,211)	(21,069)	(26,237)
Minority interest/other	(352)	(961)	(1,617)	(2,208)	(3,227)
Net profit	41,095	71,510	83,492	93,775	116,295
Depr and amortization	12,741	23,611	22,343	28,668	36,623
EBITDA	64,029	110,865	122,046	143,512	179,154
EPS (RMB basic)	4.383	7.600	8.844	9.917	12.294

Cash flow statement

YE 31 Dec (RMBmn)	FY16	FY17	FY18E	FY19E	FY20E
EBITDA	64,029	110,865	122,046	143,512	179,154
Financing costs	352	961	1,617	2,208	3,227
Chg in working capital	10,967	23,663	46,322	31,294	58,465
Tax	(10,193)	(15,744)	(16,211)	(21,069)	(26,237)
Other	363	(14,566)	24,877	(28,555)	25,388
Operating cash flow	65,518	105,179	178,651	127,389	239,998
Capital expenditure	(8,399)	(12,108)	(24,989)	(32,062)	(40,960)
Other investing activ's	(62,524)	(76,542)	(93,110)	(98,134)	(103,661)
Investing cash flow	(70,923)	(88,650)	(118,098)	(130,196)	(144,620)
Increase in debt	37,464	29,012	(27,963)	0	0
Increase in equity	225	171	0	0	0
Dividends paid	(4,606)	(5,998)	(9,358)	(10,510)	(13,035)
Other financing activ's	(1,640)	3,413	7,161	0	0
Financing cash flow	31,443	26,598	(30,160)	(10,510)	(13,035)
Change in cash	26,038	43,127	30,393	(13,318)	82,343
Cash at start of year	43,438	71,902	105,697	140,090	128,972
Effect of forex rate chg	2,426	(2,551)	4,000	2,200	2,500
Year-end cash	71,902	112,478	140,090	128,972	213,815

Balance sheet

YE 31 Dec (RMBmn)	FY16	FY17	FY18E	FY19E	FY20E
Inventories	263	295	1,666	2,137	2,730
Acc & bill receivable	10,152	16,549	17,687	22,694	28,991
Cash & cash equiv	71,902	105,697	140,090	128,972	213,815
Other current assets	66,837	55,905	123,276	175,951	257,620
Total current assets	149,154	178,446	282,718	329,754	503,156
Fixed assets	24,602	32,671	35,317	38,712	43,049
Intangible assets	36,467	40,266	49,112	57,958	66,804
Other long-term assets	185,676	303,289	312,432	375,006	383,638
Total long-term assets	246,745	376,226	396,861	471,676	493,491
Total assets	395,899	554,672	679,579	801,431	996,648
Accounts payable	51,752	84,270	132,115	148,200	211,670
Short-terms loans	12,278	15,696	12,278	12,278	12,278
Other liabilities	37,167	51,774	69,887	87,982	110,741
Total current liabs	101,197	151,740	214,280	248,460	334,689
Long-term debt	57,549	82,094	57,549	57,549	57,549
Other long-term liabs	50,906	43,745	50,906	50,906	50,906
Total long-term liabs	108,455	125,839	108,455	108,455	108,455
Equity	136,743	202,682	280,816	366,280	472,041
Reserves/other items	37,881	53,392	53,392	53,392	53,392
Shareholder equity	174,624	256,074	334,208	419,672	525,433
Minority interest	11,623	21,019	22,636	24,844	28,071
Total equity	186,247	277,093	356,844	444,516	553,503
BVPS (RMB basic)	18.63	27.21	35.40	44.38	55.55

Valuation

YE 31 Dec (x)	FY16	FY17	FY18E	FY19E	FY20E
PE	65.9	38.0	32.7	29.1	23.5
PB	15.3	10.5	8.1	6.4	5.1
EV EBITDA	42.6	24.6	21.9	18.7	14.5
Dividend yield (%)	0.2	0.0	0.0	0.0	0.0
FCF yield (%)	2.1	3.5	5.7	3.5	7.4

Performance

YE 31 Dec	FY16	FY17	FY18E	FY19E	FY20E
Growth (%)					
Revenue	47.7	56.5	31.4	28.3	27.7
Gross profit	38.0	38.4	23.4	26.9	27.0
Operating profit	38.1	60.9	14.7	14.2	24.5
Net profit	42.7	74.0	16.8	12.3	24.0
EPS	41.2	73.4	16.4	12.1	24.0

Profitability ratios (%)

Gross profit	55.6	49.2	46.2	45.7	45.4
EBITDA	42.1	46.6	39.1	35.8	35.0
Net profit	27.0	30.1	26.7	23.4	22.7
ROE	27.9	33.2	28.3	24.9	24.6
ROA	11.7	15.0	13.5	12.7	12.9

Solvency (x)

Net gearing ratio (%)	(1.1)	(2.9)	(19.7)	(13.3)	(26.0)
Current ratio	1.5	1.2	1.3	1.3	1.5
Quick ratio	1.5	1.2	1.3	1.3	1.5

Operating capability (days)

Total assets t/o ratio (x)	0.4	0.4	0.5	0.5	0.5
Receivable	24	25	20	20	20
Payable	276	251	283	245	273
Inventory	1	1	4	4	4
Cash conversion cycle	(251)	(225)	(259)	(221)	(249)

Source: Company data, Huatai HK Research estimates

Valuation methodology and risks statement

We derive our target price of HKD419.0 for Tencent using SOTP methodology. We use a DCF model to derive the value of Tencent's core businesses, which suggests a value of HKD3,248.7bn, which translates into HKD342.2 per share. We also add a value of HKD728.9bn to Tencent's total valuation to measure the value of Tencent's strategic investments, which translates into HKD76.8 per share. We calculate the value by using the market cap multiplied by ownership of listed companies in which Tencent has made investments, and the historical transaction value multiplied by ownership of unlisted companies in which Tencent has made investments. Our target price of HKD419.0 implies 37x 2019E PE and 30x 2020E PE. Maintain BUY.

Downside risks: 1) competition from other social platforms; 2) slower-than-expected growth of mobile games business; and 3) change in regulatory environment may impact the growth of gaming and advertising businesses.

Fig.19. SOTP model: discount rate of 11.0%, terminal growth rate of 3.0%

RMBbn	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net revenue	312.4	400.8	512.0	635.6	773.4	916.5	1,059.3
NPV of FCF	1,165.3	1,159.0	1,152.6	1,094.9	1,015.4	878.8	712.4
Discounted terminal value	1,526.4	1,694.3	1,880.6	2,087.5	2,317.1	2,572.0	2,854.9
Tencent core valuation	2,691.7	2,853.3	3,033.2	3,182.4	3,332.5	3,450.8	3,567.3
Number of shares (Diluted) (mn)	9,494.0	9,494.0	9,494.0	9,494.0	9,494.0	9,494.0	9,494.0
Valuation per share (HKD) - core business	325.9	345.4	367.2	385.3	403.5	417.8	431.9
Valuation per share (HKD) - investment	73.7	77.4	81.3	85.3	89.6	94.1	98.8
Valuation per share (HKD) - Tencent	399.6	422.8	448.5	470.6	493.0	511.8	530.7

Source: Huatai HK Research estimates

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The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers; and no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in this report. Saiyi HE; Yi YU; Ye TAO

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