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**Tencent 腾讯**  
**TENCENT HOLDINGS LIMITED**  
**騰訊控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 700)**

**ANNOUNCEMENT OF THE RESULTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2017**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2017. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>Unaudited</b>				
	<b>Three months ended</b>				
	<b>31</b>	<b>31</b>	<b>Year-</b>	<b>31</b>	<b>Quarter-</b>
	<b>March</b>	<b>March</b>	<b>on-year</b>	<b>December</b>	<b>on-quarter</b>
	<b>2017</b>	<b>2016</b>	<b>change</b>	<b>2016</b>	<b>change</b>
	(RMB in millions, unless specified)				
Revenues	<b>49,552</b>	31,995	55%	43,864	13%
Gross profit	<b>25,443</b>	18,589	37%	23,626	8%
Operating profit	<b>19,272</b>	13,398	44%	13,930	38%
Profit for the period	<b>14,548</b>	9,268	57%	10,523	38%
Profit attributable to equity holders of the Company	<b>14,476</b>	9,183	58%	10,529	37%
Non-GAAP profit attributable to equity holders of the Company	<b>14,211</b>	10,032	42%	12,332	15%
EPS (RMB per share)					
- basic	<b>1.540</b>	0.981	57%	1.121	37%
- diluted	<b>1.522</b>	0.970	57%	1.108	37%
Non-GAAP EPS (RMB per share)					
- basic	<b>1.512</b>	1.072	41%	1.313	15%
- diluted	<b>1.494</b>	1.059	41%	1.298	15%

## BUSINESS REVIEW AND OUTLOOK

### 1. Company Financial Performance

*In the first quarter of 2017*

We achieved 55% year-on-year revenue growth, driven mainly by smart phone and PC games, payment related services, digital content and online advertising.

Operating profit grew by 44% year-on-year.

Profit attributable to equity holders of the Company increased by 58% year-on-year. Non-GAAP profit attributable to equity holders of the Company increased by 42% year-on-year. Free cash flow grew by 74% year-on-year.

### 2. Company Business Highlights

*Operating Information*

	<b>As at 31 March 2017</b>	As at 31 March 2016 (in millions, unless specified)	Year- on-year change	As at 31 December 2016	Quarter- on-quarter change
MAU of QQ	<b>860.6</b>	877.1	-1.9%	868.5	-0.9%
Smart device MAU of QQ <sup>1</sup>	<b>678.0</b>	680.8	-0.4%	671.6	1.0%
PCU of QQ (for the quarter)	<b>266.4</b>	259.5	2.7%	243.7	9.3%
Combined MAU of Weixin and WeChat	<b>937.8</b>	762.4	23.0%	889.3	5.5%
MAU of Qzone	<b>631.5</b>	647.9	-2.5%	638.0	-1.0%
Smart device MAU of Qzone <sup>2</sup>	<b>604.6</b>	600.3	0.7%	609.4	-0.8%
Fee-based VAS registered subscriptions	<b>119.0</b>	108.4	9.8%	110.2	8.0%

<sup>1</sup> We have adjusted historical smart device MAU figures for QQ so as to include users who only participate in certain activities inside the QQ application, such as Interest Tribe or, more recently, listening to online music and reading online literature. These changes had a relatively immaterial impact on the MAU count and growth rates, but we feel that they better reflect the broadening range of user activities within QQ.

<sup>2</sup> We have slightly adjusted historical smart device MAU figures for Qzone so as to more accurately reflect user behaviour on Qzone via smart devices.

## *Social and Communication*

- *QQ*: Smart device MAU was broadly stable year-on-year, while PCU including PC and mobile increased by 3% to 266 million. As a new generation of users come online, we seek to address their needs by sharpening QQ's focus on young people. For example, we introduced Kandian, which recommends personalised content to young QQ users based on their interest graphs and big data analytics. We also enriched our QQ Smart Campus service, providing tools to support the administration of college student affairs, facilitate school-student communication, pay tuition fees and host job listings.
- *Qzone*: Smart device MAU was flat year-on-year. We continued to increase user engagement through refining functionalities in live broadcasting and search.
- *Weixin* and *WeChat*: MAU reached 938 million, representing year-on-year growth of 23%. We have been nurturing the adoption of *Mini Programs* by introducing more developer-friendly features such as DIY scannable code, embedded links in Weixin Official Accounts, and *Mini Programs* discoverable based on location. We launched the Weixin Index which enables users to analyse the popularity of keywords within Weixin Official Accounts.

## *Online Games*

For PC client games, we achieved approximately RMB14.1 billion revenue and generated 24% year-on-year revenue growth, with increased contributions from key titles such as LoL, DnF, and FIFA Online 3, supported by seasonal expansion packs, promotional activities and eSports events. Paying users ratio increased on a year-on-year basis.

For smart phone games, we achieved approximately RMB12.9 billion revenue<sup>1</sup>, representing 57% year-on-year growth, driven by existing and new games such as Honour of Kings, CF Mobile and Dragon Nest Mobile.

## *Digital Content*

Digital content revenue recorded rapid growth during the quarter, as users were increasingly willing to pay for content, and as the copyright environment continued to improve.

Our video subscriptions revenue more than tripled year-on-year, driven by in-house productions such as Candle in the Tomb, and licensed content such as Country Romance 9.

<sup>1</sup> Including smart phone games revenue attributable to our social networks business.

For the QQ Music streaming service, we upgraded the listening and sharing experience with enhanced features in user-generated playlists, search and our music video player. WeSing, our karaoke app, saw significant growth in active users and paying users, benefitting from upgraded features such as singing contests with friends and the addition of higher-grossing virtual gifting items.

For online literature, we maintained our position as the leading online content library and publishing platform, with healthy growth in the number of daily paying readers.

### *Online Advertising*

During the first quarter of 2017, our advertising business delivered robust expansion, with Tencent Video and Tencent News being the key contributors to year-on-year growth for our media advertising business; and Weixin properties for our social and others advertising business.

Our news services maintained industry leadership in terms of DAU, and our video business ranked first in China in terms of mobile video views.

We upgraded our neighbourhood LBS advertising in Weixin Moments, enabling advertisers to more precisely target customers within their vicinity, which is particularly attractive to advertisers such as wedding suppliers and home decoration vendors.

### *Others*

We generated 224% year-on-year revenue growth driven mainly by payment related services and cloud services.

## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2017 Compared to First Quarter of 2016

The following table sets forth the comparative figures for the first quarter of 2017 and the first quarter of 2016:

	Unaudited	
	Three months ended	
	31 March 2017	31 March 2016
	(RMB in millions)	
Revenues	49,552	31,995
Cost of revenues	<u>(24,109)</u>	<u>(13,406)</u>
Gross profit	25,443	18,589
Interest income	808	703
Other gains, net	3,191	506
Selling and marketing expenses	(3,158)	(2,032)
General and administrative expenses	<u>(7,012)</u>	<u>(4,368)</u>
Operating profit	19,272	13,398
Finance costs, net	(691)	(491)
Share of losses of associates and joint ventures	<u>(375)</u>	<u>(1,089)</u>
Profit before income tax	18,206	11,818
Income tax expense	<u>(3,658)</u>	<u>(2,550)</u>
Profit for the period	<u>14,548</u>	<u>9,268</u>
Attributable to:		
Equity holders of the Company	14,476	9,183
Non-controlling interests	<u>72</u>	<u>85</u>
	<u>14,548</u>	<u>9,268</u>
Non-GAAP profit attributable to equity holders of the Company	<u>14,211</u>	<u>10,032</u>

*Revenues.* Revenues increased by 55% to RMB49,552 million for the first quarter of 2017 on a year-on-year basis. The following table sets forth our revenues by line of business for the first quarter of 2017 and the first quarter of 2016:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2017</b>		<b>31 March 2016</b>	
	<b>% of total</b>		<b>% of total</b>	
	<b>Amount</b>	<b>revenues</b>	<b>Amount</b>	<b>revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>35,108</b>	<b>71%</b>	24,964	78%
Online advertising	<b>6,888</b>	<b>14%</b>	4,701	15%
Others	<b>7,556</b>	<b>15%</b>	2,330	7%
Total revenues	<b><u>49,552</u></b>	<b><u>100%</u></b>	<b><u>31,995</u></b>	<b><u>100%</u></b>

- Revenues from our VAS business increased by 41% to RMB35,108 million for the first quarter of 2017 on a year-on-year basis. Online games revenues grew by 34% to RMB22,811 million. The increase mainly reflected higher revenues from both smart phone games (such as Honour of Kings and Dragon Nest Mobile) and PC client games (such as LoL and DnF). Social networks revenues grew by 56% to RMB12,297 million. The increase primarily reflected revenue growth from digital content services, including digital music, video, and literature services, and from virtual item sales.
- Revenues from our online advertising business increased by 47% to RMB6,888 million for the first quarter of 2017 on a year-on-year basis. In light of the increasingly blurred boundaries between performance-based advertising and brand display advertising, and advertisers increasingly purchasing performance ads on traditionally brand-oriented inventories, we have reclassified online advertising revenues by advertising properties, rather than advertising pricing models.

Media advertising revenues (mainly including those generated from our news, video and music properties) increased by 20% to RMB2,509 million, primarily reflecting growth in revenues from our mobile media platforms, Tencent News and Tencent Video. Social and others advertising revenues (mainly including those generated from our social properties, app store, browser and ad networks) grew by 67% to RMB4,379 million, mainly driven by higher advertising revenues derived from Weixin Moments, Weixin Official Accounts, our app store, and our mobile browser.

- Revenues from our other businesses increased by 224% to RMB7,556 million for the first quarter of 2017 on a year-on-year basis. The increase was primarily driven by higher revenues from our payment related and cloud services.

*Cost of revenues.* Cost of revenues increased by 80% to RMB24,109 million for the first quarter of 2017 on a year-on-year basis. The increase primarily reflected greater sharing and content costs, costs of payment related services, as well as channel costs. As a percentage of revenues, cost of revenues increased to 49% for the first quarter of 2017 from 42% for the first quarter of 2016, mainly reflecting business mix changes. The following table sets forth our cost of revenues by line of business for the first quarter of 2017 and the first quarter of 2016:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2017</b>		<b>31 March 2016</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount</b>	<b>% of segment revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>13,717</b>	<b>39%</b>	8,590	34%
Online advertising	<b>4,489</b>	<b>65%</b>	2,649	56%
Others	<b><u>5,903</u></b>	<b>78%</b>	<u>2,167</u>	93%
Total cost of revenues	<b><u>24,109</u></b>		<u>13,406</u>	

- Cost of revenues for our VAS business increased by 60% to RMB13,717 million for the first quarter of 2017 on a year-on-year basis. The increase primarily reflected greater sharing and content costs, notably for our video subscription service, as well as channel costs for our smart phone games.
- Cost of revenues for our online advertising business increased by 69% to RMB4,489 million for the first quarter of 2017 on a year-on-year basis. The increase mainly reflected greater investment in video content, traffic acquisition costs and commissions payable to advertising agencies.
- Cost of revenues for our other businesses increased by 172% to RMB5,903 million for the first quarter of 2017 on a year-on-year basis. The increase was primarily due to greater costs in payment related and cloud services, commensurate with our business growth for those services.

*Other gains, net.* We recorded net other gains totalling RMB3,191 million for the first quarter of 2017, which primarily consisted of net disposal/deemed disposal gains and dividend income arising from certain investee companies, as well as subsidies and tax rebates, partly offset by donations made to the Tencent Charity Fund and impairment provision charges for certain investee companies.

*Selling and marketing expenses.* Selling and marketing expenses increased by 55% to RMB3,158 million for the first quarter of 2017 on a year-on-year basis. The increase was mainly driven by greater marketing and promotional expenses, as well as staff costs. As a percentage of revenues, selling and marketing expenses were 6% for the first quarter of 2017, broadly stable compared to the first quarter of 2016.

*General and administrative expenses.* General and administrative expenses increased by 61% to RMB7,012 million for the first quarter of 2017 on a year-on-year basis. The increase mainly reflected greater research and development expenses, as well as staff costs, including share-based compensation expenses. As a percentage of revenues, general and administrative expenses were 14% for the first quarter of 2017, slightly higher compared to the first quarter of 2016.

*Finance costs, net.* Net finance costs increased by 41% to RMB691 million for the first quarter of 2017 on a year-on-year basis, primarily reflecting greater interest expenses due to higher amount of indebtedness.

*Income tax expense.* Income tax expense increased by 43% to RMB3,658 million for the first quarter of 2017 on a year-on-year basis. The increase mainly reflected greater profit before income tax and withholding tax.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 58% to RMB14,476 million for the first quarter of 2017 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 42% to RMB14,211 million.



## First Quarter of 2017 Compared to Fourth Quarter of 2016

The following table sets forth the comparative figures for the first quarter of 2017 and the fourth quarter of 2016:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	(RMB in millions)	
Revenues	<b>49,552</b>	43,864
Cost of revenues	<u>(24,109)</u>	<u>(20,238)</u>
Gross profit	<b>25,443</b>	23,626
Interest income	<b>808</b>	653
Other gains, net	<b>3,191</b>	1,022
Selling and marketing expenses	<b>(3,158)</b>	(4,462)
General and administrative expenses	<u>(7,012)</u>	<u>(6,909)</u>
Operating profit	<b>19,272</b>	13,930
Finance costs, net	<b>(691)</b>	(483)
Share of losses of associates and joint ventures	<u>(375)</u>	<u>(522)</u>
Profit before income tax	<b>18,206</b>	12,925
Income tax expense	<u>(3,658)</u>	<u>(2,402)</u>
Profit for the period	<u><b>14,548</b></u>	<u>10,523</u>
Attributable to:		
Equity holders of the Company	<b>14,476</b>	10,529
Non-controlling interests	<u>72</u>	<u>(6)</u>
	<u><b>14,548</b></u>	<u>10,523</u>
Non-GAAP profit attributable to equity holders of the Company	<u><b>14,211</b></u>	<u>12,332</u>

*Revenues.* Revenues increased by 13% to RMB49,552 million for the first quarter of 2017 on a quarter-on-quarter basis.

- Revenues from our VAS business increased by 20% to RMB35,108 million for the first quarter of 2017. Online games revenues grew by 24% to RMB22,811 million. Our PC online games, including key titles such as LoL and DnF, experienced sequential revenue growth due to new expansion packs and promotional activities. Our smart phone games, including existing titles such as Honour of Kings and new titles such as Dragon Nest Mobile, also enjoyed sequential revenue growth, due primarily to more users and more paying users. Social networks revenues increased by 15% to RMB12,297 million, primarily reflecting higher revenues from our video, music and literature digital content services, and higher virtual item sales.
- Revenues from our online advertising business decreased by 17% to RMB6,888 million for the first quarter of 2017. The quarter-on-quarter decrease primarily reflected the impact of weaker seasonality on advertisers' spending in the first quarter.
- Revenues from our other businesses increased by 18% to RMB7,556 million for the first quarter of 2017. The increase mainly reflected revenue growth from our payment related services.

*Cost of revenues.* Cost of revenues increased by 19% to RMB24,109 million for the first quarter of 2017 on a quarter-on-quarter basis. The increase mainly reflected greater sharing and content costs, costs of payment related services, and channel costs. As a percentage of revenues, cost of revenues increased to 49% for the first quarter of 2017 from 46% for the fourth quarter of 2016.

- Cost of revenues for our VAS business increased by 28% to RMB13,717 million for the first quarter of 2017. The increase was primarily driven by greater sharing and content costs, including amortisation of content costs for our video subscription service, as well as channel costs.
- Cost of revenues for our online advertising business was RMB4,489 million for the first quarter of 2017, broadly stable compared to the prior quarter.
- Cost of revenues for our other businesses increased by 16% to RMB5,903 million for the first quarter of 2017. The increase mainly reflected variable costs related to payment related services.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 29% to RMB3,158 million for the first quarter of 2017 on a quarter-on-quarter basis. The decrease primarily reflected a seasonal reduction in marketing and promotion activities during the Lunar New Year.

*General and administrative expenses.* General and administrative expenses were RMB7,012 million for the first quarter of 2017, broadly stable compared to the prior quarter.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 37% to RMB14,476 million for the first quarter of 2017 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 15% to RMB14,211 million.

## Other Financial Information

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2017</b>	2016	2016
	(RMB in millions, unless specified)		
EBITDA (a)	<b>19,995</b>	16,775	14,329
Adjusted EBITDA (a)	<b>21,300</b>	18,495	15,004
Adjusted EBITDA margin (b)	<b>43%</b>	42%	47%
Interest expense	<b>667</b>	611	477
Net cash (c)	<b>27,572</b>	18,140	27,429
Capital expenditures (d)	<b>2,108</b>	2,839	4,105

Note:

- (a) EBITDA consists of operating profit less interest income and other gains/losses, net, and plus depreciation of property, plant and equipment as well as investment properties, and amortisation of intangible assets. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.
- (b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- (c) Net cash represents period end balance and is calculated as cash and cash equivalents, term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, land use rights and intangible assets (excluding online game and other content licences).

The following table reconciles our operating profit to our EBITDA and Adjusted EBITDA for the periods presented:

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2017</b>	2016	2016
	(RMB in millions, unless specified)		
Operating profit	<b>19,272</b>	13,930	13,398
Adjustments:			
Interest income	<b>(808)</b>	(653)	(703)
Other (gains)/losses, net	<b>(3,191)</b>	(1,022)	(506)
Depreciation of property, plant and equipment and investment properties	<b>1,083</b>	1,007	869
Amortisation of intangible assets	<b><u>3,639</u></b>	<u>3,513</u>	<u>1,271</u>
EBITDA	<b>19,995</b>	16,775	14,329
Equity-settled share-based compensation	<b><u>1,305</u></b>	<u>1,720</u>	<u>675</u>
Adjusted EBITDA	<b><u><u>21,300</u></u></b>	<u><u>18,495</u></u>	<u><u>15,004</u></u>

### **Non-GAAP Financial Measures**

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-GAAP financial measures (in terms of, operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS), have been presented in this announcement. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. In addition, non-GAAP adjustments include relevant non-GAAP adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-GAAP financial measures for the first quarters of 2017 and 2016, and the fourth quarter of 2016 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 March 2017						
As reported	Adjustments				Non-GAAP	
	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
(RMB in millions, unless specified)						
Operating profit	19,272	1,339	(2,747)	153	503	18,520
Profit for the period	14,548	1,530	(2,717)	500	511	14,372
Profit attributable to equity holders	14,476	1,483	(2,717)	458	511	14,211
EPS (RMB per share)						
- basic	1.540					1.512
- diluted	1.522					1.494
Operating margin	39%					37%
Net margin	29%					29%

Unaudited three months ended 31 December 2016						
As reported	Adjustments				Non-GAAP	
	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
(RMB in millions, unless specified)						
Operating profit	13,930	1,754	(1,502)	162	602	14,946
Profit for the period	10,523	1,980	(1,440)	541	828	12,432
Profit attributable to equity holders	10,529	1,940	(1,440)	493	810	12,332
EPS (RMB per share)						
- basic	1.121					1.313
- diluted	1.108					1.298
Operating margin	32%					34%
Net margin	24%					28%

Unaudited three months ended 31 March 2016

	Adjustments					Non-GAAP
	As reported	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	
	(RMB in millions, unless specified)					
Operating profit	13,398	707	(728)	47	60	13,484
Profit for the period	9,268	898	(786)	356	398	10,134
Profit attributable to equity holders	9,183	889	(786)	348	398	10,032
EPS (RMB per share)						
- basic	0.981					1.072
- diluted	0.970					1.059
Operating margin	42%					42%
Net margin	29%					32%

Note:

- (a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Including net (gains)/losses on deemed disposals, disposals of investee companies and businesses, and fair value changes on options and other financial instruments arising from investments in investee companies
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates, available-for-sale financial assets, and intangible assets arising from acquisitions

## Liquidity and Financial Resources

Our net cash positions as at 31 March 2017 and 31 December 2016 are as follows:

	<b>Unaudited 31 March 2017</b>	Audited 31 December 2016
	(RMB in millions)	
Cash and cash equivalents	<b>68,861</b>	71,902
Term deposits and others	<u>72,995</u>	<u>55,735</u>
	<b>141,856</b>	127,637
Borrowings	<b>(74,824)</b>	(69,827)
Notes payable	<u>(39,460)</u>	<u>(39,670)</u>
Net cash	<u><b>27,572</b></u>	<u>18,140</u>

As at 31 March 2017, the Group had net cash of RMB27,572 million. The sequential increase in net cash was primarily driven by free cash flow generation, partly offset by payments for M&A initiatives and licensed content. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB112 billion as at 31 March 2017.

As at 31 March 2017, RMB35,899 million of our financial resources (cash and cash equivalents, as well as term deposits and others, such as treasury investments with high liquidity) were denominated in non-RMB currencies.

For the first quarter of 2017, the Group had free cash flow of RMB24,229 million. This was a result of net cash flow generated from operating activities of RMB26,614 million, offset by payments for capital expenditure of RMB2,385 million.

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2017

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31 March</b>	
	Note	2017	2016
		RMB'Million	RMB'Million
<b>Revenues</b>			
Value-added services		35,108	24,964
Online advertising		6,888	4,701
Others		<u>7,556</u>	<u>2,330</u>
		<b>49,552</b>	31,995
Cost of revenues	4	<u>(24,109)</u>	<u>(13,406)</u>
<b>Gross profit</b>		<b>25,443</b>	18,589
Interest income		808	703
Other gains, net	3	3,191	506
Selling and marketing expenses	4	(3,158)	(2,032)
General and administrative expenses	4	<u>(7,012)</u>	<u>(4,368)</u>
<b>Operating profit</b>		<b>19,272</b>	13,398
Finance costs, net		(691)	(491)
Share of losses of associates and joint ventures		<u>(375)</u>	<u>(1,089)</u>
<b>Profit before income tax</b>		<b>18,206</b>	11,818
Income tax expense	5	<u>(3,658)</u>	<u>(2,550)</u>
<b>Profit for the period</b>		<b><u>14,548</u></b>	<b><u>9,268</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		14,476	9,183
Non-controlling interests		<u>72</u>	<u>85</u>
		<b><u>14,548</u></b>	<b><u>9,268</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>			
- basic	6	<u>1.540</u>	<u>0.981</u>
- diluted	6	<u>1.522</u>	<u>0.970</u>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Profit for the period</b>	<u><b>14,548</b></u>	<u><b>9,268</b></u>
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates	<b>111</b>	<b>8</b>
Net gains/(losses) from changes in fair value of available-for-sale financial assets	<b>7,226</b>	<b>(1,653)</b>
Transfer to profit or loss upon disposal of available-for-sale financial assets	<b>(1,832)</b>	<b>—</b>
Currency translation differences	<b>(985)</b>	<b>(214)</b>
Other fair value gains/(losses)	<b>59</b>	<b>(139)</b>
<i>Items that may not be subsequently reclassified to profit or loss</i>		
Other fair value losses	<u><b>(343)</b></u>	<u><b>(262)</b></u>
	<u><b>4,236</b></u>	<u><b>(2,260)</b></u>
<b>Total comprehensive income for the period</b>	<u><u><b>18,784</b></u></u>	<u><u><b>7,008</b></u></u>
<b>Attributable to:</b>		
Equity holders of the Company	<b>18,717</b>	<b>6,920</b>
Non-controlling interests	<u><b>67</b></u>	<u><b>88</b></u>
	<u><u><b>18,784</b></u></u>	<u><u><b>7,008</b></u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017**

		<b>Unaudited 31 March 2017</b>	Audited 31 December 2016
	Note	RMB'Million	RMB'Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,708	13,900
Construction in progress		4,819	4,674
Investment properties		847	854
Land use rights		5,147	5,174
Intangible assets		36,338	36,467
Investments in associates	8	69,983	70,042
Investments in redeemable instruments of associates	9	14,161	9,627
Investments in joint ventures		696	630
Available-for-sale financial assets	10	97,527	83,806
Prepayments, deposits and other assets		7,499	7,363
Other financial assets		1,813	1,760
Deferred income tax assets		7,536	7,033
Term deposits		<u>5,414</u>	<u>5,415</u>
		<b><u>266,488</u></b>	<b><u>246,745</u></b>
<b>Current assets</b>			
Inventories		263	263
Accounts receivable	11	12,900	10,152
Prepayments, deposits and other assets		17,579	14,118
Other financial assets		2,253	1,649
Term deposits		66,631	50,320
Restricted cash		763	750
Cash and cash equivalents		<u>68,861</u>	<u>71,902</u>
		<b><u>169,250</u></b>	<b><u>149,154</u></b>
<b>Total assets</b>		<b><u>435,738</u></b>	<b><u>395,899</u></b>

		<b>Unaudited</b>	Audited
		<b>31 March</b>	31 December
		<b>2017</b>	2016
	Note	<b>RMB'Million</b>	RMB'Million
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		—	—
Share premium		<b>18,524</b>	17,324
Shares held for share award schemes		<b>(3,332)</b>	(3,136)
Other reserves		<b>27,892</b>	23,693
Retained earnings		<b><u>151,219</u></b>	<u>136,743</u>
		<b>194,303</b>	174,624
<b>Non-controlling interests</b>		<b><u>11,384</u></b>	<u>11,623</u>
<b>Total equity</b>		<b><u>205,687</u></b>	<u>186,247</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	<b>62,935</b>	57,549
Notes payable	15	<b>31,879</b>	36,204
Long-term payables		<b>4,422</b>	4,935
Other financial liabilities		<b>2,560</b>	2,576
Deferred income tax liabilities		<b>5,515</b>	5,153
Deferred revenue		<b><u>1,650</u></b>	<u>2,038</u>
		<b><u>108,961</u></b>	<u>108,455</u>
<b>Current liabilities</b>			
Accounts payable	13	<b>32,804</b>	27,413
Other payables and accruals		<b>17,998</b>	20,873
Borrowings	14	<b>11,889</b>	12,278
Notes payable	15	<b>7,581</b>	3,466
Current income tax liabilities		<b>6,551</b>	5,219
Other tax liabilities		<b>1,754</b>	745
Deferred revenue		<b><u>42,513</u></b>	<u>31,203</u>
		<b><u>121,090</u></b>	<u>101,197</u>
<b>Total liabilities</b>		<b><u>230,051</u></b>	<u>209,652</u>
<b>Total equity and liabilities</b>		<b><u>435,738</u></b>	<u>395,899</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
<b>Balance at 1 January 2017</b>	—	17,324	(3,136)	23,693	136,743	174,624	11,623	186,247
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	14,476	14,476	72	14,548
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates	—	—	—	111	—	111	—	111
- net gains from changes in fair value of available-for-sale financial assets	—	—	—	7,226	—	7,226	—	7,226
- transfer to profit or loss upon disposal of available-for-sale financial assets	—	—	—	(1,832)	—	(1,832)	—	(1,832)
- currency translation differences	—	—	—	(980)	—	(980)	(5)	(985)
- other fair value losses, net	—	—	—	(284)	—	(284)	—	(284)
<b>Total comprehensive income for the period</b>	—	—	—	4,241	14,476	18,717	67	18,784
<b>Transactions with equity holders</b>								
Capital injection	—	—	—	—	—	—	195	195
Employee share option schemes:								
- value of employee services	—	134	—	41	—	175	24	199
- proceeds from shares issued	—	8	—	—	—	8	—	8
Employee share award schemes:								
- value of employee services	—	984	—	105	—	1,089	23	1,112
- shares withheld for share award schemes	—	—	(339)	—	—	(339)	—	(339)
- vesting of awarded shares	—	(143)	143	—	—	—	—	—
Tax benefit from share-based payments of a subsidiary	—	—	—	30	—	30	—	30
Dividends	—	—	—	—	—	—	(419)	(419)
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	217	—	(260)	—	(43)	(75)	(118)
Disposal of a subsidiary	—	—	—	—	—	—	(12)	(12)
Transfer of equity interests of subsidiaries to non-controlling interests	—	—	—	42	—	42	(42)	—
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	—	1,200	(196)	(42)	—	962	(306)	656
<b>Balance at 31 March 2017</b>	—	18,524	(3,332)	27,892	151,219	194,303	11,384	205,687

## Unaudited

	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million
<b>Balance at 1 January 2016</b>	—	12,167	(1,817)	9,673	100,012	120,035	2,065	122,100
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	9,183	9,183	85	9,268
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates	—	—	—	8	—	8	—	8
- net losses from changes in fair value of available-for-sale financial assets	—	—	—	(1,653)	—	(1,653)	—	(1,653)
- currency translation differences	—	—	—	(217)	—	(217)	3	(214)
- other fair value losses, net	—	—	—	(401)	—	(401)	—	(401)
<b>Total comprehensive income for the period</b>	—	—	—	(2,263)	9,183	6,920	88	7,008
<b>Transactions with equity holders</b>								
Capital injection	—	—	—	—	—	—	149	149
Employee share option schemes:								
- value of employee services	—	48	—	—	—	48	—	48
- proceeds from shares issued	—	75	—	—	—	75	—	75
Employee share award schemes:								
- value of employee services	—	554	—	68	—	622	9	631
- shares withheld for share award schemes	—	—	(496)	—	—	(496)	—	(496)
- vesting of awarded shares	—	(56)	56	—	—	—	—	—
Tax benefit from share-based payments of a subsidiary	—	—	—	102	—	102	—	102
Profit appropriations to statutory reserves	—	—	—	10	(10)	—	—	—
Dividends	—	—	—	—	—	—	(508)	(508)
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	882	—	(1,090)	—	(208)	208	—
Transfer of equity interests of subsidiaries to non-controlling interests	—	—	—	(232)	—	(232)	232	—
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	—	1,503	(440)	(1,142)	(10)	(89)	90	1
<b>Balance at 31 March 2016</b>	—	13,670	(2,257)	6,268	109,185	126,866	2,243	129,109

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Net cash flows generated from operating activities</b>	<b>26,614</b>	16,916
<b>Net cash flows used in investing activities</b>	<b>(34,100)</b>	(9,908)
<b>Net cash flows generated from financing activities</b>	<u><b>4,571</b></u>	<u>6,207</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,915)</b>	13,215
Cash and cash equivalents at beginning of the period	<b>71,902</b>	43,438
Exchange losses on cash and cash equivalents	<u>(126)</u>	<u>(46)</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>68,861</b></u>	<u>56,607</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>32,049</b>	32,980
Term deposits and highly liquid investments with initial terms within three months	<u><b>36,812</b></u>	<u>23,627</u>
	<u><b>68,861</b></u>	<u>56,607</u>

**Note:**

**1 General information, basis of preparation and presentation**

The Company was incorporated in the Cayman Islands with limited liability. The shares of the Company have been listed on the main board of the Stock Exchange since 16 June 2004.

The Company is an investment holding company. The Group is principally engaged in the provision of VAS and online advertising services to users in the PRC.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 31 March 2017, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with IFRS, as set out in the 2016 annual report of the Company dated 22 March 2017 (the “2016 Financial Statements”).

The accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2016 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair values.

Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.

Amendments to IFRS effective for the financial year ending 31 December 2017 do not have a material impact on the Group’s Interim Financial Information.

## 2 Segment information

The Group has following reportable segments for the three months ended 31 March 2017 and 2016:

- VAS;
- Online advertising; and
- Others.

“Others” segment of the Group primarily comprises payment related services, cloud services and other services.

There were no material inter-segment sales during the three months ended 31 March 2017 and 2016. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three months ended 31 March 2017 and 2016 is as follows:

	<b>Unaudited</b>			
	<b>Three months ended 31 March 2017</b>			
	<b>VAS</b>	<b>Online</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'Million</b>	<b>advertising</b>	<b>RMB'Million</b>	<b>RMB'Million</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Segment revenues</b>	<b><u>35,108</u></b>	<b><u>6,888</u></b>	<b><u>7,556</u></b>	<b><u>49,552</u></b>
<b>Gross profit</b>	<b><u>21,391</u></b>	<b><u>2,399</u></b>	<b><u>1,653</u></b>	<b><u>25,443</u></b>
<b>Depreciation</b>	<b>523</b>	<b>59</b>	<b>224</b>	<b>806</b>
<b>Amortisation</b>	<b><u>2,109</u></b>	<b><u>1,294</u></b>	<b><u>–</u></b>	<b><u>3,403</u></b>

	<b>Unaudited</b>			
	<b>Three months ended 31 March 2016</b>			
	<b>VAS</b>	<b>Online</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'Million</b>	<b>advertising</b>	<b>RMB'Million</b>	<b>RMB'Million</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Segment revenues</b>	<b><u>24,964</u></b>	<b><u>4,701</u></b>	<b><u>2,330</u></b>	<b><u>31,995</u></b>
<b>Gross profit</b>	<b><u>16,374</u></b>	<b><u>2,052</u></b>	<b><u>163</u></b>	<b><u>18,589</u></b>
<b>Depreciation</b>	<b>447</b>	<b>47</b>	<b>108</b>	<b>602</b>
<b>Amortisation</b>	<b><u>489</u></b>	<b><u>672</u></b>	<b><u>–</u></b>	<b><u>1,161</u></b>



### 3 Other gains, net

	Unaudited	
	Three months ended	
	31 March	
	2017	2016
	RMB'Million	RMB'Million
Gains on disposals and deemed disposals of investee companies	2,728	733
Impairment provision for investee companies and intangible assets from acquisition	(503)	(60)
Subsidies and tax rebates	804	132
Dividend income	676	18
Donations to Tencent Charity Fund	(550)	(350)
Others	36	33
	<u>3,191</u>	<u>506</u>

### 4 Expenses by nature

	Unaudited	
	Three months ended	
	31 March	
	2017	2016
	RMB'Million	RMB'Million
Content costs and agency fees (excluding amortisation of intangible assets)	7,603	5,275
Employee benefits expenses (a)	7,423	4,779
Channel costs	3,046	1,587
Bandwidth and server custody fees	2,431	1,703
Promotion and advertising expenses	2,325	1,416
Operating lease rentals in respect of office buildings	306	243
Travelling and entertainment expenses	194	165
Amortisation of intangible assets (b)	3,639	1,271
Depreciation of property, plant and equipment	1,076	868

Note:

- (a) During the three months ended 31 March 2017, the Group incurred expenses for the purpose of research and development of approximately RMB3,597 million (three months ended 31 March 2016: RMB2,333 million), which comprised employee benefits expenses of RMB2,981 million (three months ended 31 March 2016: RMB1,860 million).

No significant development expenses had been capitalised for the three months ended 31 March 2017 and 2016.

- (b) Mainly included amortisation charge of intangible assets in respect of game licences and licensed online contents.

## **5 Income tax expense**

Income tax expense is recognised based on management's best knowledge of the income tax rates expected for the financial year.

### **(a) Cayman Islands and British Virgin Islands corporate income tax**

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three months ended 31 March 2017 and 2016.

### **(b) Hong Kong profits tax**

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the three months ended 31 March 2017 and 2016.

### **(c) PRC corporate income tax**

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits and on the estimated assessable profits of entities within the Group established in the PRC for the three months ended 31 March 2017 and 2016. The general PRC CIT rate is 25% for the three months ended 31 March 2017 and 2016.

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the three months ended 31 March 2017 and 2016. Meanwhile certain subsidiaries of the Company were in the process of renewing such entitlements by applying to the relevant government authorities as at 31 March 2017. The directors of the Company expect that they will continue to be approved as High and New Technology Enterprise. As such, CIT rate of 15% was adopted by these subsidiaries in accruing their CIT for the three months ended 31 March 2017.

In addition, according to announcement and circular issued by relevant government authorities, for the year of 2015 and beyond, software enterprise that entitled to the preferential tax rate of 10% as approved as a national key software enterprise, shall at the time of final tax settlement each year, file with tax authorities for record in accordance with the relevant requirements. The filing record will be subject to verification by relevant government authorities. Accordingly, PRC CIT for the relevant subsidiaries of the Company applying for this preferential tax treatment has been provided for at their respective prevailing tax rates during the period. When the verification process is completed, the relevant subsidiaries of the Company will be entitled to CIT rate of 10% and corresponding tax adjustments will be accounted for.

Moreover, according to relevant tax circulars issued by the PRC tax authorities, certain subsidiaries of the Company are entitled to other tax concessions and they are exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operation or from the first year of profitable operation, after offsetting tax losses generated in prior years.

**(d) Corporate income tax in other countries**

Income tax on profits arising from other jurisdictions, including the United States, Europe, East Asia and South America has been calculated on the estimated assessable profits for the three months ended 31 March 2017 and 2016 at the rates prevailing in the relevant jurisdictions, ranging from 12.5 % to 36%.

**(e) Withholding tax**

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable to the Group will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

Withholding taxes on dividends distribution at respective applicable tax rates are under certain jurisdictions that the Group's entities operate.

The income tax expense of the Group for the three months ended 31 March 2017 and 2016 are analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
Current tax	<b>3,692</b>	2,360
Deferred income tax	<u><b>(34)</b></u>	<u>190</u>
	<u><b>3,658</b></u>	<u>2,550</u>

## 6 Earnings per share

### (a) Basic

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company (RMB' Million)	<u><b>14,476</b></u>	<u>9,183</u>
Weighted average number of ordinary shares in issue (million shares)	<u><b>9,398</b></u>	<u>9,357</u>
Basic EPS (RMB per share)	<u><b>1.540</b></u>	<u>0.981</u>

### (b) Diluted

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to earnings (numerator).

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates, and the convertible bonds of the subsidiaries should also have potential dilutive effect on the EPS. During the three months ended 31 March 2017 and 2016, these share options, restricted shares and convertible bonds had either anti-dilutive effect or insignificant dilutive effect to the Group.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company (RMB' Million)	<u><b>14,476</b></u>	<u>9,183</u>
Weighted average number of ordinary shares in issue (million shares)	<b>9,398</b>	9,357
Adjustments for share options and awarded shares (million shares)	<u><b>114</b></u>	<u>112</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u><b>9,512</b></u>	<u>9,469</u>
Diluted EPS (RMB per share)	<u><b>1.522</b></u>	<u>0.970</u>

## 7 Dividends

A final dividend in respect of the year ended 31 December 2016 of HKD0.61 per share (2015: HKD0.47 per share) was proposed pursuant to a resolution passed by the Board on 22 March 2017 and subject to the approval of the shareholders of the Company at the 2017 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

The Board did not declare any interim dividend for the three months ended 31 March 2017 and 2016.

## 8 Investments in associates

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2017</b>	2016
	<b>RMB' Million</b>	RMB' Million
Investments in associates		
- Listed entities	<b>38,460</b>	38,516
- Unlisted entities	<u><b>31,523</b></u>	<u>31,526</u>
	<u><b>69,983</b></u>	<u>70,042</u>

Movement of investments in associates is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>RMB'Million</b>	RMB'Million
At beginning of period	<b>70,042</b>	60,171
Additions (a)	<b>1,164</b>	1,638
Deemed disposal gains	<b>107</b>	347
Share of losses of associates	<b>(387)</b>	(1,092)
Share of other comprehensive income of associates	<b>111</b>	8
Dividends from associates	–	(12)
Disposals and transfers	<b>(36)</b>	(22)
Impairment provision (b)	<b>(31)</b>	(27)
Currency translation differences	<b>(987)</b>	(264)
	<b><u>69,983</u></b>	<u>60,747</u>
At end of period	<b><u>69,983</u></b>	<u>60,747</u>

Note:

- (a) The Group acquired certain associates and made additional investments in existing associates with an aggregate amount of RMB1,164 million during the three months ended 31 March 2017.
- (b) During the three months ended 31 March 2017, the Group made an aggregate impairment provision of RMB31 million against the carrying amounts of a number of associates. The impairment loss mainly resulted from revisions of long-term financial outlook and the changes in business models of the affected associates.

## **9 Investments in redeemable instruments of associates**

During the three months ended 31 March 2017, the Group made aggregate investments in redeemable instruments of associates, including certain additional investments in existing investees of the Group, of RMB4,747 million. These investments mainly invested in companies that are principally engaged in online community services, bike sharing service, online game business and other Internet-related businesses.

During the three months ended 31 March 2017, the Group also made an impairment provision of approximately RMB106 million (three months ended 31 March 2016: RMB33 million) against the carrying amounts of certain investments in redeemable instruments of associates based on the impairment assessment performed with reference to the business performances and recoverable amounts of these investee companies.

## 10 Available-for-sale financial assets

	<b>Unaudited 31 March 2017 RMB'Million</b>	Audited 31 December 2016 RMB'Million
Equity investments in listed entities	<b>34,151</b>	20,477
Equity investments in unlisted entities	<b>61,739</b>	62,580
Others	<u><b>1,637</b></u>	<u>749</u>
	<u><b>97,527</b></u>	<u>83,806</u>

Movement of available-for-sale financial assets is analysed as follows:

	<b>Unaudited Three months ended 31 March 2017 RMB'Million</b>	2016 RMB'Million
At beginning of period	<b>83,806</b>	44,339
Additions ((a)and(b))	<b>10,313</b>	1,204
Disposals and transfers	<b>(2,968)</b>	20
Changes in fair value (c)	<b>7,212</b>	(1,902)
Impairment provision (d)	<b>(366)</b>	–
Currency translation differences	<u><b>(470)</b></u>	<u>(172)</u>
At end of period	<u><b>97,527</b></u>	<u>43,489</u>

Note:

- (a) During the three months ended 31 March 2017, the Group made additional investments of approximately USD1,041 million (equivalent to approximately RMB7,207 million) in Tesla, Inc. (“Tesla”), a listed company in the United States which is principally engaged in the development and sales of electric vehicles, sustainable energy generation and storage equipment. As at 31 March 2017, the Group’s equity interest in Tesla accounted for approximately to 5% of the total issued common stocks of Tesla.

- (b) During the three months ended 31 March 2017, the Group made certain new investments and additional investments in aggregate of approximately RMB3,106 million in listed and unlisted entities mainly operated in the United States and the PRC. These companies are principally engaged in entertainment, technology, O2O and other Internet-related services.
- (c) Fair value gains of RMB7,212 million (three months ended 31 March 2016: fair value losses of RMB1,902 million) were recognised in other comprehensive income during the three months ended 31 March 2017 as a result of the remeasurement of the changes in fair values of the available-for-sale financial assets as at 31 March 2017.
- (d) The Group made an aggregate impairment provision of RMB366 million (three months ended 31 March 2016: Nil) against the carrying amounts of certain available-for-sale financial assets during the three months ended 31 March 2017, with reference to their assessed fair values as at 31 March 2017.

## 11 Accounts receivable

Accounts receivable and their ageing analysis, based on recognition date, are as follows:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2017</b>	2016
	<b>RMB'Million</b>	RMB'Million
0 - 30 days	<b>4,255</b>	3,260
31 - 60 days	<b>4,929</b>	4,019
61 - 90 days	<b>1,506</b>	1,294
Over 90 days	<u><b>2,210</b></u>	<u>1,579</u>
	<u><b>12,900</b></u>	<u>10,152</u>

Receivable balances as at 31 March 2017 and 31 December 2016 mainly represented amounts due from online advertising customers, third party platform providers, and telecommunication operators.

Some online advertising customers are granted with a credit period of 90 days after full execution of the contracted advertisement orders. Third party platform providers and telecommunication operators usually settle the amounts due by them within 60 days and a period of 30 to 120 days, respectively.



## 12 Share option and share award schemes

### (a) Share option schemes

The Company has adopted four share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III.

The Pre-IPO Option Scheme and the Post-IPO Option Scheme I expired on 31 December 2011 and 23 March 2014, respectively.

In respect of the Post-IPO Option Scheme II and the Post-IPO Option Scheme III, the Board may, at their discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year or 10-year period after the date of grant of option.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2017	HKD120.95	31,247,436	HKD31.70	2,500,000	33,747,436
Granted	HKD225.44	28,526,215	–	–	28,526,215
Exercised	HKD38.85	(250,062)	–	–	(250,062)
Lapsed	HKD124.30	(14,625)	–	–	(14,625)
At 31 March 2017	HKD171.38	<u>59,508,964</u>	HKD31.70	<u>2,500,000</u>	<u>62,008,964</u>
Exercisable as at 31 March 2017	HKD103.93	<u>14,927,718</u>	HKD31.70	<u>1,250,000</u>	<u>16,177,718</u>
At 1 January 2016	HKD80.59	25,697,305	HKD31.70	5,000,000	30,697,305
Granted	HKD158.10	10,425,000	–	–	10,425,000
Exercised	HKD24.84	(420,962)	HKD31.70	(2,500,000)	(2,920,962)
At 31 March 2016	HKD103.88	<u>35,701,343</u>	HKD31.70	<u>2,500,000</u>	<u>38,201,343</u>
Exercisable as at 31 March 2016	HKD70.33	<u>11,568,571</u>	–	<u>–</u>	<u>11,568,571</u>

During the three months ended 31 March 2017, 5,250,000 options were granted to one director of the Company (three months ended 31 March 2016: 3,750,000 options were granted to one director of the Company).

**(b) Share award schemes**

The Company has adopted the Share Award Schemes, which are administered by an independent trustee appointed by the Group as of 31 March 2017. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the three months ended 31 March 2017 and 2016 are as follows:

	<b>Number of awarded shares</b>
<b>At 1 January 2017</b>	<b>86,365,812</b>
Granted	3,275,615
Lapsed	(943,791)
Vested and transferred	<u>(6,149,853)</u>
<b>At 31 March 2017</b>	<b><u>82,547,783</u></b>
<b>Vested but not transferred as at 31 March 2017</b>	<b><u>260,503</u></b>
At 1 January 2016	91,786,907
Granted	25,025,432
Lapsed	(696,043)
Vested and transferred	<u>(17,660,724)</u>
At 31 March 2016	<u>98,455,572</u>
Vested but not transferred as at 31 March 2016	<u>533,005</u>

During the three months ended 31 March 2017, 60,000 awarded shares were granted to four independent non-executive directors of the Company (three months ended 31 March 2016: 50,000 awarded shares were granted to three independent non-executive directors of the Company).

**13 Accounts payable**

Accounts payable and their ageing analysis, based on recognition date, are as follows:

	<b>Unaudited 31 March 2017 RMB'Million</b>	<b>Audited 31 December 2016 RMB'Million</b>
0 - 30 days	<b>22,567</b>	20,815
31 - 60 days	<b>4,210</b>	2,740
61 - 90 days	<b>2,911</b>	1,495
Over 90 days	<u><b>3,116</b></u>	<u>2,363</u>
	<u><b>32,804</b></u>	<u>27,413</u>

## 14 Borrowings

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2017</b>	2016
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings, unsecured (a)	<b>58,582</b>	57,549
Non-current portion of long-term RMB bank borrowings, unsecured (a)	<b>3,878</b>	—
Non-current portion of long-term RMB bank borrowings, secured (a)	<u><b>475</b></u>	<u>—</u>
	<u><b>62,935</b></u>	<u>57,549</u>
<b>Included in current liabilities:</b>		
USD bank borrowings, unsecured (b)	<b>11,384</b>	12,139
Current portion of long-term USD bank borrowings, unsecured (a)	<b>483</b>	139
Current portion of long-term RMB bank borrowings, unsecured (a)	<u><b>22</b></u>	<u>—</u>
	<u><b>11,889</b></u>	<u>12,278</u>
	<u><b>74,824</b></u>	<u>69,827</u>

Note:

- (a) The aggregate principal amount of long-term USD bank borrowings and long-term RMB bank borrowings were USD8,561 million (31 December 2016: USD8,316 million) and RMB4,375 million (31 December 2016: Nil), respectively. Applicable interest rates are at LIBOR plus 0.85% to 1.51% or an interest rate of 4.18% or 4.275% (31 December 2016: LIBOR plus 0.85% to 1.35% or an interest rate of 1.875%) per annum.
- (b) The aggregate principal amount of short-term USD bank borrowings was USD1,650 million (31 December 2016: USD1,750 million). Applicable interest rates are at LIBOR plus 0.70% to 0.75% (31 December 2016: LIBOR plus 0.70% to 0.75%) per annum.

## 15 Notes payable

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2017</b>	2016
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<b>28,163</b>	32,461
Non-current portion of long-term HKD notes payable	<u><b>3,716</b></u>	<u>3,743</u>
	<u><b>31,879</b></u>	<u>36,204</u>
<b>Included in current liabilities:</b>		
Current portion of long-term USD notes payable	<u><b>7,581</b></u>	<u>3,466</u>
	<u><b>39,460</b></u>	<u>39,670</u>

Note:

The aggregate principal amount of USD notes payable and HKD notes payable were USD5,200 million (31 December 2016: USD5,200 million) and HKD4,200 million (31 December 2016: HKD4,200 million), respectively. The interest rate range of the notes payable is from 2.00% to 4.70% (31 December 2016: 2.00% to 4.70%) per annum.

All of these notes payable issued by the Group were unsecured.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 31 March 2017.

### **Employee and Remuneration Policies**

As at 31 March 2017, the Group had 39,258 employees (31 March 2016: 31,047). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programs, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the three months ended 31 March 2017 was RMB7,423 million (for the three months ended 31 March 2016: RMB4,779 million).

### **Audit Committee**

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2017. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

### **Compliance with the Corporate Governance Code**

Save as disclosed in the corporate governance report in the 2016 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2017 to 31 March 2017.

As to the deviation from code provisions A.2.1 and A.4.2 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our dedicated staff and management team for their commitment, diligence and professionalism. I would also like to express our sincere gratitude to the continuing support of our shareholders and stakeholders. We will continue to enrich our platforms with quality products and services for the development of a healthy and prosperous Internet ecosystem.

By Order of the Board  
**Ma Huateng**  
*Chairman*

Hong Kong, 17 May 2017

*As at the date of this announcement, the directors of the Company are:*

*Executive Directors:*

Ma Huateng and Lau Chi Ping Martin;

*Non-Executive Directors:*

Jacobus Petrus (Koos) Bekker and Charles St Leger Searle; and

*Independent Non-Executive Directors:*

Li Dong Sheng, Iain Ferguson Bruce, Ian Charles Stone and Yang Siu Shun.

*This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.*

## DEFINITION

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

<b>Term</b>	<b>Definition</b>
“2017 AGM”	the annual general meeting of the Company to be held on 17 May 2017 or any adjournment thereof
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CF”	Cross Fire
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“CIT”	corporate income tax
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DAU”	daily active user accounts
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC

“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“LBS”	Location Based Service
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LoL”	League of Legends
“M&A”	merger and acquisition
“MAU”	monthly active user accounts
“O2O”	online-to-offline, or offline-to-online
“PC”	personal computer
“PCU”	peak concurrent user accounts
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“RMB”	the lawful currency of the PRC
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, as amended, and the share award scheme adopted by the Company on 13 November 2013, as amended



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Fund”	a charity fund established by the Group
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services