

**For Immediate Release**

**TENCENT ANNOUNCES 2012 FOURTH QUARTER AND ANNUAL RESULTS**

**Hong Kong, March 20, 2013** –Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 00700), a leading provider of comprehensive Internet services in China, today announced the unaudited consolidated results for the fourth quarter of 2012 and audited consolidated results for the year ended December 31, 2012.

***Highlights of 2012 full year:***

- Total revenues were RMB43,893.7 million (USD6,983.3 million<sup>1</sup>), an increase of 54.0% over the year ended December 31, 2011 (“YoY”).
- Revenues from Internet value-added services (“IVAS”) were RMB31,995.2 million (USD5,090.3 million), an increase of 38.9% YoY.
- Revenues from mobile & telecommunications value-added services (“MVAS”) were RMB3,723.0 million (USD592.3 million), an increase of 13.8% YoY.
- Revenues from online advertising were RMB3,382.3 million (USD538.1 million), an increase of 69.8% YoY.
- Revenues from e-Commerce transactions were RMB4,427.8 million (USD704.4 million).
- Gross profit was RMB25,686.4 million (USD4,086.6 million), an increase of 38.3% YoY. Gross margin decreased to 58.5% from 65.2% last year.
- Operating profit was RMB15,479.4 million (USD2,462.7 million), an increase of 26.3% YoY. Operating margin decreased to 35.3% from 43.0% last year. Non-GAAP operating profit<sup>2</sup> was RMB17,052.8 million (USD2,713.0 million), an increase of 29.1% YoY. Non-GAAP operating margin decreased to 38.9% from 46.4% last year.
- Profit for the year was RMB12,784.9 million (USD2,034.0 million), an increase of 25.0% YoY. Net margin decreased to 29.1% from 35.9% last year. Non-GAAP profit for the period<sup>2</sup> was RMB14,397.8 million (USD2,290.6 million), an increase of 30.8% YoY. Non-GAAP net margin decreased to 32.8% from 38.6% last year.
- Profit attributable to equity holders of the Company for the year was RMB12,731.9 million (USD2,025.6 million), an increase of 24.8% YoY. Non-GAAP profit attributable to equity holders of the Company for the year<sup>2</sup> was RMB14,286.4 million (USD2,272.9 million), an increase of 30.6% YoY.
- Basic earnings per share were RMB6.965. Diluted earnings per share were RMB6.833.
- The Board of Directors has recommended a final dividend of HKD1.00 per share for the year ended December 31, 2012, subject to the approval of the shareholders at the Annual General Meeting. The proposed dividend will be payable on May 30, 2013.

***Highlights of the fourth quarter of 2012:***

- Total revenues were RMB12,153.1 million (USD1,933.5 million), an increase of 5.1% over the third quarter of 2012 (“QoQ”) or an increase of 53.4% over the fourth quarter of 2011 (“YoY”).
- Revenues from IVAS were RMB8,455.9 million (USD1,345.3 million), an increase of 1.0% QoQ

<sup>1</sup> Figures stated in USD are based on USD1 to RMB6.2855

<sup>2</sup> See “Non-GAAP Financial Measures” section for more details on the reasons for presenting these measures

or an increase of 32.1% YoY.

- Revenues from MVAS were RMB933.9 million (USD148.6 million), a decrease of 1.3% QoQ or an increase of 9.3% YoY.
- Revenues from online advertising were RMB947.3 million (USD150.7 million), a decrease of 6.7% QoQ or an increase of 58.3% YoY.
- Revenues from e-Commerce transactions were RMB1,683.6 million (USD267.8 million), an increase of 48.5% QoQ.
- Gross profit was RMB6,880.5 million (USD1,094.7 million), an increase of 1.5% QoQ or an increase of 32.8% YoY. Gross margin decreased to 56.6% from 58.6% last quarter.
- Operating profit was RMB3,726.1 million (USD592.8 million), a decrease of 9.7% QoQ or an increase of 20.5% YoY. Operating margin decreased to 30.7% from 35.7% last quarter. Non-GAAP operating profit<sup>1</sup> was RMB4,320.2 million (USD687.3 million), a decrease of 2.8% QoQ or an increase of 22.9% YoY. Non-GAAP operating margin decreased to 35.5% from 38.4% last quarter.
- Profit for the quarter was RMB3,470.8 million (USD552.2 million), an increase of 7.1% QoQ or an increase of 36.0% YoY. Net margin increased to 28.6% from 28.0% last quarter. Non-GAAP profit for the quarter<sup>1</sup> was RMB4,089.7 million (USD650.7 million), an increase of 14.0% QoQ or an increase of 39.6% YoY. Non-GAAP net margin increased to 33.7% from 31.0% last quarter.
- Profit attributable to equity holders of the Company for the quarter was RMB3,463.6 million (USD551.0 million), an increase of 7.6% QoQ or an increase of 36.5% YoY. Non-GAAP profit attributable to equity holders of the Company for the quarter<sup>1</sup> was RMB4,067.8 million (USD647.2 million), an increase of 14.5% QoQ or an increase of 40.3% YoY.
- Basic earnings per share were RMB1.890. Diluted earnings per share were RMB1.856.
- Key platform statistics:
  - Monthly active Instant Messaging (“IM”) user accounts were 798.2 million, an increase of 1.8% QoQ or an increase of 10.7% YoY.
  - Peak simultaneous online IM user accounts were 176.4 million, an increase of 5.4% QoQ or an increase of 15.5% YoY.
  - Monthly active Qzone user accounts were 602.7 million, an increase of 1.7% QoQ or an increase of 9.2% YoY; Monthly active Pengyou user accounts were 247.3 million, a decrease of 4.5% QoQ or an increase of 22.1% YoY.
  - Peak simultaneous online QQ Game Platform user accounts were 8.8 million, a decrease of 6.4% QoQ or an increase of 4.8% YoY.
  - Fee-based IVAS registered subscriptions were 70.9 million, a decrease of 3.9% QoQ or a decrease of 8.2% YoY.
  - Fee-based MVAS registered subscriptions were 33.6 million, a decrease of 0.3% QoQ or an increase of 7.0% YoY.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During 2012, widespread smartphone adoption brought both disruption and opportunities to the China Internet industry. At Tencent, we began to see early results from substantial investments we have made, and continue to make, in mobile Internet products. Tencent now provides many of China’s most popular smartphone apps for activities such as communications, social networking, web browsing, games, news, and music, among others. These apps enable us to reach users who are increasingly spending time on smartphones, extend our ecosystem from PCs to mobile, and provide new mobile-specific features unavailable on PCs. During the year, we also introduced a powerful targeted advertising system

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<sup>1</sup> See “Non-GAAP Financial Measures” section for more details on the reasons for presenting these measures

leveraging our social networks, built the market-leading open platform in partnership with third party developers, diversified our game revenue internationally, and ramped up a sizeable e-commerce business. As a result, we achieved healthy increases in revenue and earnings in 2012, while continuing to invest aggressively in platforms, innovation and technology in order to enhance value to our users and drive long-term growth for our company."

## **Financial Review for the Fourth Quarter of 2012**

IVAS revenues increased 1.0% QoQ to RMB8,455.9 million and represented 69.6% of our total revenues for the fourth quarter of 2012. Online game revenues amounted to RMB5,990.4 million, broadly stable compared to the previous quarter. We registered growth in revenues from international markets and new self-developed titles. These factors were largely offset by the impact of weaker seasonality in China and our focus on future expansion packs rather than marketing for several major titles. Revenues from our community and open platforms climbed by 2.8% to RMB2,465.5 million. This primarily reflected an increase in revenues from item-based sales within applications on our open platforms. Revenues from QQ Membership also increased as a result of promotional activities.

MVAS revenues decreased 1.3% QoQ to RMB933.9 million and represented 7.7% of our total revenues. This mainly reflected a decrease in revenues from our bundled SMS packages, partially offset by revenue growth from our mobile games and mobile books.

Online advertising revenues decreased 6.7% QoQ to RMB947.3 million and represented 7.8% of our total revenues. This primarily reflected a decrease in brand display advertising revenues driven by the absence of the positive impact arising from the London Olympic Games, as well as weaker seasonality, partially offset by increased revenues from performance-based social advertising on our social networks and search advertising on our e-Commerce platforms.

e-Commerce transactions revenues increased 48.5% QoQ to RMB1,683.6 million and represented 13.8% of our total revenues. This mainly reflected an increase in volume of principal e-Commerce transactions as a result of seasonal promotional activities and geographic expansion in southern China from the original eastern China base. Fees generated from transactions on our marketplaces also increased.

## **Other Key Financial Information for the Fourth Quarter of 2012**

Share-based compensation was RMB302.8 million for the fourth quarter of 2012 as compared with RMB217.3 million for the previous quarter.

Capital expenditure was RMB1,783.8 million for the fourth quarter of 2012 as compared with RMB1,132.3 million for the previous quarter.

The Company didn't repurchase any shares on the Stock Exchange during the fourth quarter of 2012 and the previous quarter.

As at December 31, 2012, net cash position totaled RMB27,381.3 million which excluded borrowings of RMB3,182.8 million and long-term notes payable of RMB7,516.8 million.

As at December 31, 2012, the total number of shares of the Company in issue was 1.853 billion.

## **Business Review and Outlook**

2012 was a year of challenge and change, during which Tencent sharpened its focus on mobile Internet experiences.

From a macro perspective, China experienced slower GDP growth amid economic uncertainties in Europe and the US. China's Internet user growth continued to decelerate during the year as the scale of Internet user base expanded further and penetration reached 42% at the end of 2012 according to China Internet Network Information Center, limiting the simple growth brought about by new Internet users. Nevertheless, engagement per user increased further as the Internet deepened its penetration into users' daily lives and the value chains of different business sectors in China. As a result, business opportunities available on the Internet continued to broaden. We have been and will continue making substantial investment in our platforms and services to better serve our users and to catalyse the emergence of these business opportunities.

During the year, there was a significant shift in user activity from PC to mobile, driven by rapid expansion of China's mobile Internet user base, enhanced capabilities of smartphones and increased adoption of compelling mobile applications. Offering a revolutionary user experience, the mobile Internet is reshaping existing business models and the industry value chain. Against this backdrop, Tencent and some peers have been aggressively investing in products and marketing to build their mobile user base, although business models on the mobile Internet remain uncertain and, in areas such as advertising and value-added services, monetisation lags behind traffic growth.

2012 witnessed the continued evolution of other major Internet sectors in China. For the online games sector, mobile games and web games increasingly supplemented client games as drivers of industry user growth, albeit from a relatively low base. In the online advertising sector, advertisers shifted part of their spending to video advertising and, more notably, to performance-based social advertising. For the e-Commerce sector, B2C competition was intense but showed signs of moderation towards the end of the year, while transaction volumes maintained rapid growth.

## **Overall Financial Performance**

We achieved significant growth in revenues and earnings in 2012. Our diversified business portfolio, focus on building user platforms, and commitment to creating healthy industry value chains have enabled Tencent to remain resilient despite rapid and unpredictable value migration within the Internet industry.

- *IVAS*. Our online game business extended its leadership in China via new game genres, and achieved significant revenue contributions from international markets. For our community and open platforms, the year saw healthy revenue growth, primarily driven by a strong increase in item-based sales within applications on our open platforms.
- *MVAS*. The business benefited from revenue growth in mobile games and our bundled

SMS packages. Mobile books also demonstrated promising growth potential.

- *Online advertising.* We achieved above-industry-average revenue growth rates, primarily due to performance-based social advertising, as well as market share gains in portal and online video advertising.
- *e-Commerce transactions.* In 2012, we stepped up the scale of our B2C e-Commerce transactions business. Despite a highly competitive environment, we achieved significant growth in transaction volume and revenues through the year.

In the fourth quarter of 2012, the year-on-year growth rates of our revenues and earnings remained robust.

- *IVAS.* On a year-on-year basis, our online game business benefited from increased activity of our major titles, higher contributions from international markets and new self-developed titles launched during 2012. Item-based sales on our open platforms enjoyed strong year-on-year revenue growth.
- *MVAS.* Overall year-on-year revenue growth rate of the business reduced mainly due to slower subscriptions growth for our bundled SMS packages. Mobile games and mobile books continued to grow significantly compared to the same period last year.
- *Online advertising.* The business sustained significant revenue growth on a year-on-year basis, mainly driven by performance-based social advertising, video advertising and search advertising on our e-Commerce platforms. Traditional brand display advertising also registered solid growth.
- *e-Commerce transactions.* Principal transactions grew sequentially as a result of seasonal promotions and geographic expansion in southern China from the original eastern China base. Transaction volume on our marketplaces also increased on a quarter-on-quarter basis.

## **Strategic Highlights**

In 2012, we established strong presence in a wide range of mobile application categories such as communications, social networking, media, security and browser. We have developed some of China's most popular mobile applications, including Wireless QQ and Weixin. While we will continue to invest aggressively in developing and marketing independent mobile services such as our security product and web browser, we are also organically integrating new applications into Weixin, which can enhance our users' experience while leveraging their existing social connections.

We reinforced and extended our social leadership during the year, with continued user expansion on our core platforms. We also deepened the integration of these platforms to further improve user engagement and enhanced the mobilisation of PC-oriented platforms to cater for increasing usage of the mobile Internet. Meanwhile, our open platforms continued to grow and create value for users and third-party developers.

In May 2012, we announced a re-organisation of our business units into six new business groups and a wholly-owned subsidiary focusing on e-Commerce business. This allows us to optimise resource allocation, to reinforce our entrepreneurial spirit, execution and innovation, and to sharpen our focus on users' needs. Each business line continues to leverage company-wide synergies under the new organisational structure.

Our business is increasingly benefitting from investments we have made in companies whose products or services are complementary to our own. For example, Riot Games' LoL has attained widespread popularity, strengthening our game portfolio in China and broadening our game revenue internationally. During 2012, we continued to selectively invest in companies where we see opportunities for long-term strategic benefits, notably businesses which can supply first-class products into our platforms, and businesses which we see as driving change in the Internet industry. For example, we purchased minority stakes in Epic Games, a US-based development team with a long history of creating popular games and a market-leading game development engine, and in Kakao, a leading mobile messaging service provider in Korea.

We completed a USD600 million senior unsecured notes offering in September 2012. This is our second international bond issue, following our first such transaction in December 2011, reflecting investors' confidence in our business model and financial performance. We remain firmly committed to maintaining our strong credit profile and investment grade credit ratings.

## **Divisional and Product Highlights**

### ***Communication Platforms***

QQ IM, the largest online community in China, grew steadily in 2012. MAU reached 798 million at the end of 2012, representing a year-on-year growth rate of 11%, which was broadly in line with the Internet user growth rate in China. PCU increased by 16% year-on-year to 176 million. Driven by increasing adoption of the mobile Internet, our mobile user base grew more rapidly compared to our PC user base.

Weixin enjoyed substantial user growth in 2012, thanks to its innovative features and compelling user experience. It has quickly become a major communications and social platform for smartphone users in China. Beyond the domestic market, we have launched the product "WeChat" which leverages Weixin's technology to serve the international markets. Recently, total registered user accounts of Weixin and Wechat have exceeded 300 million.

### ***Social Platforms***

Our leading social networks registered solid growth, with increase in the scale and activity of mobile users. MAU of Qzone increased by 9% year-on-year to 603 million at the end of 2012, while MAU of Pengyou increased by 22% to 247 million. Weixin Moments, a feature within Weixin which enables users to share experiences with their Weixin contact lists, enjoyed rapid user adoption.

## **Media Platforms**

In 2012, our media platforms expanded further with enhanced media influence and brand position. QQ.com maintained its position as the most-visited portal in China with solid traffic growth, leveraging the opportunities presented by the London Olympic Games. We also extended our vertical channels, such as news and finance, to the mobile Internet via vertical-specific smartphone applications. Tencent Microblog reached 87 million DAU at the end of 2012. As the growth of microblog users in China decelerates, we are exploring integration points between Tencent Microblog and Weixin to deepen our differentiation. Tencent Video gained significant audience share during the year riding on content enrichment and user experience enhancement, and has become one of the leading online video platforms in China in terms of monthly unique visitors and video views.

## **IVAS**

Our IVAS registered subscriptions count declined during 2012, primarily due to stringent measures we launched in the second quarter, which aimed to improve the quality of our subscriber base by cleaning up certain user accounts acquired through mobile channels, for whom fee collection was unlikely. To cater for users' increasing activity on mobile, we are enriching the mobile-related features and privileges of our IVAS subscription services.

We operate multiple open platforms providing third-party application developers with access to a large user base across our diverse product portfolio, including Qzone, QQ Game, and Tencent Microblog. In 2012, we increased significantly the number of third-party applications on our open platforms by collaborating with more developers and enhancing the support we provide to them. With increased user base and user activity, we achieved rapid growth in item-based sales within applications. To position for future growth opportunities, we are extending our open platforms to the mobile Internet and enriching our platforms with a greater diversity of applications.

Our online game business extended its domestic leadership, supported by growth in our major titles and contribution from self-developed titles launched during the year, including Legend of Yulong and Legend of Xuanyuan. We also achieved significant growth in international markets riding on the success of LoL. Our QQ Game Platform benefited from increased user activity and its PCU reached 8.8 million in the fourth quarter of 2012. In the future, we will focus on strengthening our market leadership by further enriching our game portfolio and by increasing our penetration into the web game and mobile game sectors. We will also continue to explore opportunities in international markets.

## **MVAS**

In 2012, our MVAS business registered steady revenue increase, mainly driven by our bundled SMS packages and mobile games. In addition, mobile books registered strong revenue growth, albeit from a relatively low base.

During the year, we increased our focus on mobile games and expanded our game portfolio as we believe that the sector presents one of the key business opportunities on the mobile Internet. In

addition, our mobile browser and mobile security product enhanced their market positions with significant user growth.

For certain key services such as QQ IM, Qzone and games, we managed the PC and mobile versions separately in the past. To deliver a unified user experience across platforms, we are now aligning the product development and management of these services between PC and mobile versions.

### ***Online Advertising***

Our online advertising business achieved strong revenue growth in 2012, underpinned by growth in brand display advertising and performance-based social advertising. In addition, search advertising registered growth.

In brand display advertising, we achieved healthy revenue growth and market share gains against a challenging macro environment. We also leveraged the London Olympic Games to better penetrate selected up-scale brand advertisers. Riding on the rapid user and traffic growth of Tencent Video, our online video advertising revenues grew strongly during the year. Traditional brand display advertising experienced solid growth along with increased traffic and the enhanced media influence of our platforms.

In performance-based social advertising, we benefited significantly from the launch of our targeted advertising system on social networks, which was well-received by advertisers such as e-Commerce companies and application developers. Supported by greater impression volume and improved click-through rates, performance-based social advertising has become a significant revenue contributor to our online advertising business.

In search advertising, we benefited from the rapid growth of e-Commerce search and new contributions from mobile search. We are in the process of revamping our search business and will focus on improving our basic search experience and operations.

### ***e-Commerce Transactions***

In 2012, we stepped up the scale of our B2C e-Commerce transactions business in certain product categories, such as consumer electronics, and registered significant growth in transaction volume. During the year, we expanded our geographical coverage and increased investments in logistics and fulfillment infrastructure. Our business structure was also re-organised to enable more focused and efficient management.

Although the e-Commerce industry is highly competitive, we believe that it is an appealing downstream opportunity to leverage our competitive advantages which include our massive logged-in user base, our existing billing and payment relationships with consumers, our insight into our users' interests, and our network's ability to enhance "word-of-mouth" effect by users. Looking ahead, we will continue to expand our geographic presence in China, to improve user experience by investing in our business infrastructure and to explore new opportunities such as mobile commerce.



## Outlook for 2013

During 2013, we intend to:

- Extend our communications and social leadership from PC to smartphone via applications such as Wireless QQ and Weixin, and enrich user experience by integrating additional services into these applications. Such additional services may include content applications, games, and location-based activities, among others.
- Take advantage of the disruptive opportunities which the mobile Internet creates to expand our product range and reach with users beyond what we have achieved on PC. In China, we are investing aggressively in our mobile security software and mobile browser services. Internationally, we are stepping up our marketing investment to acquire users for WeChat.
- Serve our users relevant content, products, and advertising by making appropriately targeted recommendations at the right time and under the right circumstances. We believe our logged-in relationship with users, together with our users' desire to share experiences with friends via our communications and social platforms, will enable us to provide highly relevant recommendations and customisation, which represent competitive advantages in downstream activities such as e-Commerce, digital entertainment, and media content. We will continue to invest heavily in such downstream activities, including e-Commerce and advertising, so as to fully capture the revenue opportunities surrounding our platforms.

In view of the increasing integration between the PC and mobile Internet, we will combine the IVAS and MVAS segments in our financial reports and merge related revenue categories under IVAS and MVAS from the first quarter of 2013 onwards. We believe that this adjustment in financial reporting better reflects current market trends and our future business development.

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## About Tencent

Tencent aims to enrich the interactive online experience of Internet users by providing a comprehensive range of Internet and wireless value-added services. Through its various online platforms, including Instant Messaging QQ, web portal QQ.com, the QQ Game Platform under Tencent Games, multi-media social networking service Qzone and wireless portal, Tencent services the largest online community in China and fulfills the user's needs for communication, information, entertainment and e-Commerce on the Internet.

Tencent has four main streams of revenues: Internet value-added services, mobile and telecommunications value-added services, online advertising and e-Commerce.

Shares of Tencent Holdings Limited are traded on the Main Board of the Stock Exchange of Hong Kong Limited, under stock code 00700. The Company became a constituent of the Hong Kong's Hang Seng Index (HSI) on June 10, 2008. For more information, please visit [www.tencent.com/ir](http://www.tencent.com/ir).

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### Non-GAAP Financial Measures

To supplement the consolidated results of the Company prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit for the period, non-GAAP net margin and non-GAAP profit attributable to equity holders of the Company, have been presented in this press release. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company'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 Company's core operations by excluding certain non-cash items and certain impact of acquisitions.

### Forward-Looking Statements

*This press release contains forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. 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 realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.*

## CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Audited	
	4Q2012	4Q2011	2012	2011
<b>Revenues</b>	<b>12,153,053</b>	<b>7,922,451</b>	<b>43,893,711</b>	<b>28,496,072</b>
Internet VAS	8,455,911	6,401,763	31,995,183	23,042,758
Mobile & Telecom VAS	933,901	854,310	3,722,968	3,270,841
Online advertising	947,258	598,438	3,382,328	1,992,216
e-Commerce transactions	1,683,562	-	4,427,806	-
Others	132,421	67,940	365,426	190,257
<b>Cost of revenues</b>	<b>(5,272,571)</b>	<b>(2,741,535)</b>	<b>(18,207,360)</b>	<b>(9,928,308)</b>
<b>Gross profit</b>	<b>6,880,482</b>	<b>5,180,916</b>	<b>25,686,351</b>	<b>18,567,764</b>
<i>Gross margin</i>	<b>56.6%</b>	<b>65.4%</b>	<b>58.5%</b>	<b>65.2%</b>
Interest income	266,351	137,623	835,671	468,990
Other (losses)/gains, net	(202,248)	69,725	(283,900)	420,803
Selling and marketing expenses	(1,094,775)	(743,657)	(2,993,437)	(1,920,853)
General and administrative expenses	(2,123,735)	(1,553,038)	(7,765,272)	(5,283,154)
<b>Operating profit</b>	<b>3,726,075</b>	<b>3,091,569</b>	<b>15,479,413</b>	<b>12,253,550</b>
<i>Operating margin</i>	<b>30.7%</b>	<b>39.0%</b>	<b>35.3%</b>	<b>43.0%</b>
Finance (costs)/income, net	(62,802)	(5,494)	(347,518)	35,505
Share of losses of associates	(28,856)	(63,721)	(54,386)	(24,255)
Share of losses of jointly controlled entities	(12,410)	(40,819)	(26,494)	(165,731)
<b>Profit before income tax</b>	<b>3,622,007</b>	<b>2,981,535</b>	<b>15,051,015</b>	<b>12,099,069</b>
Income tax expense	(151,201)	(430,332)	(2,266,163)	(1,874,238)
<b>Profit for the period</b>	<b>3,470,806</b>	<b>2,551,203</b>	<b>12,784,852</b>	<b>10,224,831</b>
<i>Net margin</i>	<b>28.6%</b>	<b>32.2%</b>	<b>29.1%</b>	<b>35.9%</b>
<b>Attributable to:</b>				
Equity holders of the Company	3,463,593	2,537,026	12,731,871	10,203,083
Non-controlling interests	7,213	14,177	52,981	21,748
Non-GAAP profit attributable to equity holders of the Company	4,067,756	2,899,588	14,286,423	10,940,208
<b>Earnings per share (GAAP)</b>				
- basic (RMB)	1.890	1.396	6.965	5.609
- diluted (RMB)	1.856	1.370	6.833	5.490

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RMB '000 (unless otherwise stated)

	Unaudited		Audited	
	4Q2012	4Q2011	2012	2011
<b>Profit for the period</b>	<b>3,470,806</b>	<b>2,551,203</b>	<b>12,784,852</b>	<b>10,224,831</b>
<b>Other comprehensive income, net of tax:</b>				
Net gains/ (losses) from changes in fair value of available-for-sale financial assets	103,105	(324,624)	823,893	(1,233,873)
Currency translation differences	(3,879)	(21,067)	10,065	(34,256)
<b>Total comprehensive income for the period</b>	<b>3,570,032</b>	<b>2,205,512</b>	<b>13,618,810</b>	<b>8,956,702</b>
<b>Attributable to:</b>				
Equity holders of the Company	3,564,351	2,194,008	13,566,608	8,937,627
Non-controlling interests	5,681	11,504	52,202	19,075

## OTHER FINANCIAL INFORMATION

In RMB '000 (unless otherwise stated)

	Unaudited			Audited	
	4Q2012	3Q2012	4Q2011	2012	2011
<b>EBITDA (a)</b>	<b>4,362,868</b>	<b>4,591,603</b>	<b>3,502,553</b>	<b>17,540,340</b>	<b>13,298,239</b>
Adjusted EBITDA (a)	4,640,940	4,784,020	3,722,671	18,445,132	14,030,930
<b>Adjusted EBITDA margin (b)</b>	<b>38.2%</b>	<b>41.4%</b>	<b>47.0%</b>	<b>42.0%</b>	<b>49.2%</b>
Interest expense	103,536	86,104	27,959	326,562	72,537
<b>Net cash (c)</b>	<b>27,381,274</b>	<b>23,492,375</b>	<b>17,667,030</b>	<b>27,381,274</b>	<b>17,667,030</b>
<b>Capital expenditures (d)</b>	<b>1,783,830</b>	<b>1,132,314</b>	<b>891,994</b>	<b>4,493,430</b>	<b>3,689,199</b>

Note:

- EBITDA consists of operating profit less interest income, and plus other losses/(gains), net, depreciation of fixed assets and investment properties and amortisation of intangible assets. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.
- Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- Net cash represents year/period end balance and is calculated as cash and cash equivalents, short-term and long-term deposits, and restricted cash pledged for secured bank borrowings, minus total borrowings and long-term notes payable.
- Capital expenditures consist of additions (excluding business combinations) to fixed assets, construction in progress, land use rights and intangible assets (excluding game and other content licences).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

	Audited	
	As at 31 December	
	2012	2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	7,402,766	5,884,952
Construction in progress	533,691	158,656
Investment properties	21,674	21,871
Land use rights	794,439	230,915
Intangible assets	4,719,075	3,779,976
Interests in associates	7,310,266	4,433,374
Investment in jointly controlled entities	35,409	61,903
Deferred income tax assets	168,906	198,058
Available-for-sale financial assets	5,632,590	4,343,602
Prepayments, deposits and other assets	1,236,129	2,187,570
Long-term deposits	10,891,718	-
	<b>38,746,663</b>	<b>21,300,877</b>
<b>Current assets</b>		
Inventories	568,084	-
Accounts receivable	2,353,959	2,020,796
Prepayments, deposits and other assets	3,877,800	2,211,917
Short-term deposits	13,805,675	13,716,040
Restricted cash	2,520,232	4,942,595
Cash and cash equivalents	13,383,398	12,612,140
	<b>36,509,148</b>	<b>35,503,488</b>
<b>Total assets</b>	<b>75,255,811</b>	<b>56,804,365</b>
<b>EQUITY</b>		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	199	198
Share premium	2,879,990	1,950,876
Shares held for share award scheme	(667,464)	(606,874)
Other reserves	815,697	409,266
Retained earnings	38,269,085	26,710,368
	<b>41,297,507</b>	<b>28,463,834</b>
<b>Non-controlling interests</b>	<b>850,759</b>	<b>624,510</b>
<b>Total equity</b>	<b>42,148,266</b>	<b>29,088,344</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	2,105,643	-
Long-term notes payable	7,516,766	3,733,331
Deferred income tax liabilities	1,311,562	939,534
Long-term payables	1,508,578	1,859,808
	<b>12,442,549</b>	<b>6,532,673</b>
<b>Current liabilities</b>		
Accounts payable	4,211,733	2,244,114
Other payables and accruals	6,301,449	5,014,281
Derivative financial instruments	-	20,993
Borrowings	1,077,108	7,999,440
Current income tax liabilities	419,872	708,725
Other tax liabilities	540,095	179,499
Deferred revenue	8,114,739	5,016,296
	<b>20,664,996</b>	<b>21,183,348</b>
<b>Total liabilities</b>	<b>33,107,545</b>	<b>27,716,021</b>
<b>Total equity and liabilities</b>	<b>75,255,811</b>	<b>56,804,365</b>

**RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS**

Year ended 31 December 2012

	As reported	Adjustments					Special dividend Income (e)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
<i>(RMB in thousands ,unless specified)</i>								
Operating profit	15,479,413	904,792	107,600	5,150	247,272	699,000	(390,472)	17,052,755
Profit for the year	12,784,852	904,792	107,600	5,150	286,830	699,000	(390,472)	14,397,752
Profit attributable to equity holders	12,731,871	890,285	94,884	5,150	255,705	699,000	(390,472)	14,286,423
Operating margin	35.3%							38.9%
Net margin	29.1%							32.8%

Year ended 31 December 2011

	As reported	Adjustments					Special dividend Income (e)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
<i>(RMB in thousands ,unless specified)</i>								
Operating profit	12,253,550	732,691	82,080	(708,486)	607,851	243,000	-	13,210,686
Profit for the year	10,224,831	732,691	82,080	(708,486)	431,434	243,000	-	11,005,550
Profit attributable to equity holders	10,203,083	724,266	75,749	(708,486)	402,596	243,000	-	10,940,208
Operating margin	43.0%							46.4%
Net margin	35.9%							38.6%

## RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

	As reported	Adjustments					Special dividend Income (e)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
<b>Unaudited three months ended 31 December 2012 (RMB in thousands , unless specified)</b>								
Operating profit	3,726,075	278,072	24,765	-	40,267	251,000	-	4,320,179
Profit for the period	3,470,806	278,072	24,765	-	65,065	251,000	-	4,089,708
Profit attributable to equity holders	3,463,593	275,016	21,833	-	56,314	251,000	-	4,067,756
Operating margin	30.7%							35.5%
Net margin	28.6%							33.7%
<b>Unaudited three months ended 30 September 2012 (RMB in thousands , unless specified)</b>								
Operating profit	4,124,365	192,417	24,860	5,150	38,494	448,000	(390,472)	4,442,814
Profit for the period	3,241,145	192,417	24,860	5,150	66,013	448,000	(390,472)	3,587,113
Profit attributable to equity holders	3,218,693	189,660	21,921	5,150	58,385	448,000	(390,472)	3,551,337
Operating margin	35.7%							38.4%
Net margin	28.0%							31.0%
<b>Unaudited three months ended 31 December 2011 (RMB in thousands , unless specified)</b>								
Operating profit	3,091,569	220,118	24,249	(249,449)	185,194	243,000	-	3,514,681
Profit for the period	2,551,203	220,118	24,249	(249,449)	140,554	243,000	-	2,929,675
Profit attributable to equity holders	2,537,026	216,959	24,249	(249,449)	129,753	243,000	-	2,899,588
Operating margin	39.0%							44.4%
Net margin	32.2%							37.0%

Note:

- (a) Including put options granted to employees of investees on their shares and shares to be issued under investees' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Losses/(gains) on deemed disposal of previously held interests in associates and/or available-for-sale financial assets
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for interests in associates, jointly controlled entities and/or available-for-sale financial assets
- (e) Special dividend income from Mail.ru