

For Immediate Release

TENCENT ANNOUNCES 2013 FOURTH QUARTER AND ANNUAL RESULTS

Hong Kong, March 19, 2014 – 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 2013 and audited consolidated results for the year ended December 31, 2013.

Highlights of 2013 full year:

- Total revenues were RMB60,437 million (USD 9,913 million¹), an increase of 38% over the year ended December 31, 2012 (“YoY”).
- Operating profit was RMB19,194 million (USD3,148 million), an increase of 24% YoY. Operating margin decreased to 32% from 35% last year. Non-GAAP operating profit² was RMB20,768 million (USD3,406 million), an increase of 22% YoY. Non-GAAP operating margin decreased to 34% from 39% last year.
- Profit attributable to equity holders of the Company for the year was RMB15,502 million (USD2,543 million), an increase of 22% YoY. Non-GAAP profit attributable to equity holders of the Company for the year was RMB17,063 million (USD2,799 million), an increase of 19% YoY.
- Basic earnings per share were RMB8.464. Diluted earnings per share were RMB8.298.

Highlights of the Fourth Quarter of 2013:

- Total revenues were RMB16,970 million (USD2,783 million), an increase of 9% over the third quarter of 2013 (“QoQ”) or an increase of 40% over the fourth quarter of 2012 (“YoY”).
- Operating profit was RMB4,751 million (USD779 million), a decrease of 1% QoQ or an increase of 28% YoY. Operating margin decreased to 28% from 31% of the third quarter of 2013. Non-GAAP operating profit was RMB5,325 million (USD873 million), stable QoQ or an increase of 23% YoY. Non-GAAP operating margin decreased to 31% from 34% of the third quarter of 2013.
- Profit attributable to equity holders of the Company for the quarter was RMB3,911 million (USD641 million), an increase of 1% QoQ or an increase of 13% YoY. Non-GAAP profit attributable to equity holders of the Company for the quarter was RMB4,498 million (USD738 million), an increase of 3% QoQ or an increase of 11% YoY.
- Basic earnings per share were RMB2.125. Diluted earnings per share were RMB2.092.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During 2013, we achieved sustained growth in revenue and earnings, while further embracing mobile internet and starting mobile monetization. We migrated our flagship QQ service from a primarily PC to a primarily smart phone

¹ Figures stated in USD are based on USD1 to RMB6.0969

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

experience, and enhanced our market-leading Weixin/WeChat app from a communications tool to a multi-functional platform, through initiatives such as smart phone games, Official Accounts, and Weixin Payment. Strategically, our partnerships with vertical category leaders such as Dianping in local life services, JD.com in eCommerce, and Sogou in search, provide best-in-class products to our users while building a diversified ecosystem for the industry. We will further expand our mobile leadership via app distribution and O2O services; invest in long term opportunities such as online video, online payment and WeChat international expansion; and deepen our integration with key strategic partners. "

Financial Review for the Fourth Quarter of 2013

- *VAS.* VAS revenues increased 3% QoQ to RMB11,932 million and represented 70.3% of our total revenues for the fourth quarter of 2013. Online games revenues remained broadly stable QoQ at RMB8,475 million. This mainly reflected the growth and full quarter contribution of revenues from smart phone games integrated with Mobile QQ and Weixin, the increased popularity of LoL across China and international markets, and contributions from new domestic PC game titles such as Blade and Soul, offset by weaker seasonality in China in the fourth quarter. Social networks revenues increased by 8% QoQ to RMB3,457 million. This was primarily driven by the growth and full quarter contribution of platform revenues from smart phone games integrated with Mobile QQ and Weixin, partly offset by a decline in subscription revenues.

- *Online advertising.* Online advertising revenues increased 8% QoQ to RMB1,497 million and represented 8.8% of our total revenues. This primarily reflected growth in revenues from online video advertising and from performance-based advertising, which more than offset the revenue impact of transferring our online search business to Sogou in September 2013.

- *eCommerce transactions.* eCommerce transactions revenues increased 41% QoQ to RMB3,324 million and represented 19.6% of our total revenues. This was mainly driven by growth in our principal eCommerce transactions volume as a result of seasonal effects, including seasonal promotional activities towards the end of the year.

Other Key Financial Information for the Fourth Quarter of 2013

Share-based compensation was RMB463 million for the fourth quarter of 2013 as compared with RMB478 million for the previous quarter.

Capital expenditure was RMB1,679 million for the fourth quarter of 2013 as compared with RMB1,621 million for the previous quarter.

The Company didn't repurchase any shares on the Stock Exchange during the fourth quarter of 2013 and the previous quarter.

As at December 31, 2013, net cash position totaled RMB36,218 million which excluded borrowings of RMB5,912 million and long-term notes payable of RMB9,141 million.

As at December 31, 2013, the total number of shares of the Company in issue was 1.862 billion.

Strategic Highlights

In 2013, we accelerated the mobilisation of our services and reinforced our leadership in mobile applications in China. Building on our strengths in communications and social platforms on mobile devices, we expanded the user base of various mobile applications, such as news, music and utilities, and launched new services on our core mobile platforms, such as Game Center and Weixin Payment, which enhanced user engagement, while opening up monetisation opportunities. We also extended our leadership in online games and open platforms, while expanding our online advertising business and our eCommerce transactions business.

We forged landmark transactions to further develop our search and eCommerce businesses. In September 2013, we announced a strategic partnership with Sogou for our search business, under which we invested in Sogou and merged our SoSo search-related businesses and certain other assets with Sogou. In March 2014, we announced a strategic partnership with JD.com for our eCommerce business, under which we invested in JD.com and merged our relevant eCommerce initiatives with JD.com. In addition to these two transactions which involve transfer of some of our businesses to our partners, we entered into other strategic transactions with partners including CSC, Dianping and Dididache. The strategic transactions with Sogou, JD.com and other partners entail close cooperation at both an investor and a business level, and reinforce our “open, win-win” philosophy of working with leading teams to create innovative products for users, and to build a healthy, diversified ecosystem for the Internet industry. These transactions also free up our internal resources, both human and financial, to focus on leveraging the core strengths of our platforms and to develop new products such as O2O services, while enabling us to continue benefiting from the growth potential of the underlying industries via our significant equity stakes.

Divisional and Product Highlights

- Key platform statistics:
 - Monthly active Instant Messaging (“IM”) user accounts were 808 million, a decrease of 1% QoQ or an increase of 1% YoY.
 - Peak simultaneous online IM user accounts were 180 million, an increase of 1% QoQ or an increase of 2% YoY.
 - Combined MAU of Weixin and WeChat¹ were 355 million, an increase of 6% QoQ or an increase of 121% YoY.
 - Monthly active Qzone user accounts were 625 million, an increase of 0.3% QoQ or an increase of 4% YoY.
 - Peak simultaneous online QQ Game Platform user accounts were 8.5 million, an increase of 4% QoQ or a decrease of 3% YoY.

¹ In view of the evolution of Weixin and WeChat from communications services to multi-functional platforms, we have revised the definition of combined MAU of Weixin and WeChat since the fourth quarter of 2013 to denote the total number of user accounts that sent out one or more messages via Weixin/WeChat or conducted other proactive operations on Weixin/WeChat, such as logging into Game Center or updating Moments, at least once during the last calendar month prior to the relevant date. Comparative figures have been restated to conform to the current period’s presentation.

- Fee-based VAS registered subscriptions were 88.6 million, stable QoQ or a decrease of 15% YoY.

Key Platforms

In 2013, QQ and Qzone maintained their leading positions in communications and social networking in China. User account growth decelerated as users continued to shift their traffic from PC to mobile devices because fewer mobile users than PC users employ multiple accounts and mobile users' usage pattern is more spread out across day parts as compared to PC users. For QQ, aggregate MAU increased modestly by 1% year-on-year to 808 million at the end of 2013, while PCU increased by 2% year-on-year to 180 million. During the year, we significantly expanded the mobile user base of QQ with enhanced user experience and enriched services such as Game Center. At the end of 2013, smart device MAU¹ of QQ increased by 74% year-on-year to 426 million. For Qzone, aggregate MAU increased by 4% year-on-year to 625 million at the end of 2013. The year saw increased user activity and engagement on mobile. This was evidenced by a significant growth in smart device MAU of Qzone, which increased by 63% year-on-year to 416 million at the end of 2013, as well as a substantial increase in photo uploads on Mobile Qzone.

Combined MAU of Weixin and WeChat reached 355 million at the end of 2013. During the year, Weixin enjoyed rapid expansion and enhanced user engagement in China. With the launch of new services, such as Game Center, Official Accounts and Weixin Payment, as well as the increasing adoption of Moments, Weixin is evolving from a pure communications service into a multi-functional platform. In international markets, WeChat achieved robust aggregate user growth, but we are increasingly focused on driving engagement in specific target geographic regions. Looking ahead, we aim to further improve user engagement on Weixin and WeChat by enhancing the core communications and social functions. We will also leverage Official Accounts and Weixin Payment to explore O2O and mobile eCommerce opportunities in China.

For our core media platforms, QQ.com, Tencent Microblog and Tencent Video, we sought to upgrade our content and enhance user experience, especially on mobile devices. For example, Tencent News achieved significant user growth during the year via mobile applications and plug-ins on Mobile QQ and Weixin. Going forward, we will further develop our portfolio of mobile media applications and enhance the monetisation of our mobile media traffic. We will also invest more aggressively in video content to further expand Tencent Video's market presence, as we believe the online video industry is still at a formative stage and our massive media traffic provides us with competitive advantage.

VAS

In 2013, our open platforms continued to create value for the Internet industry, and enjoyed significant growth in users and revenues as a result. We believe we have become the partner of choice for application developers in China, offering access to our large logged-in user base, the

¹ Since the fourth quarter of 2013, smart device MAU of QQ has been revised to denote the total number of QQ MAU that sent out one or more messages via Mobile QQ application on iOS or Android devices, or conducted other proactive operations via Mobile QQ application on iOS or Android devices, such as logging into Game Center or updating Qzone, at least once during the last calendar month prior to the relevant date. Comparative figures have been restated to conform to the current period's presentation.

network effect of our leading social platforms, our targeted advertising solutions, and our proprietary cloud-based infrastructure support. We are extending our open platforms to mobile and targeting to build a cross-platform ecosystem.

The weakness in our VAS subscription services continued in 2013. This was primarily due to rapid adoption of smart phones by users, whereas our paid subscription services are traditionally focused on PC or feature phones. The weakness was also driven by our stringent measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection. To better align our VAS subscription services with the mobile Internet opportunities, we unified the product teams and product experiences between PC and smart phones, and introduced smart phone-oriented subscription services, such as Super VIP, during the year.

For online games, we consolidated our leading position in China in 2013. While major domestic PC game titles continued to deliver solid growth, we benefited significantly from increased contribution from international markets via LoL, and from the launch of new domestic PC game titles. In the fast-growing mobile game market, we launched our Game Center on Mobile QQ and Weixin, including a range of self-developed and third-party smart phone games. Riding on the extensive user reach and social network effect offered by Mobile QQ and Weixin, these games generated a revenue contribution of over RMB600 million for the fourth quarter of 2013, validating the distribution capabilities of our mobile platforms. We will continue to enrich our game portfolios for PC and mobile. In addition, we will strengthen our mobile distribution platforms to complement the rapid growth of our mobile games.

Online Advertising

Leveraging the growth of our media platforms and social platforms, our online advertising business expanded further in 2013, with revenue growth across the brand display and performance display categories. For brand display advertising, revenues from our online video platform achieved strong growth, driven by increased inventories, improved pricing and enhanced recognition from advertisers. Traditional brand advertising also registered solid revenue growth. For performance display advertising, revenues from our social platforms benefited from growth in impression volume and improved targeting. For search advertising, revenues declined as we transferred our search business to Sogou in September 2013. We believe Sogou is well-positioned to grow its share in the PC and mobile search market after the completion of its integration with SoSo towards the end of 2013.

Longer term, we believe the fast-growing user base and traffic of our mobile platforms will increasingly become an attractive proposition for advertisers. We are exploring different formats of mobile advertising on our platforms to capture the emerging opportunities.

eCommerce Transactions

In 2013, our principal eCommerce transactions business experienced strong growth in transaction volume and revenues as we enhanced our geographic presence, expanded our product range and improved our eCommerce infrastructure. Our marketplaces also registered growth in fee income as we improved product selection and customer service.

Under our strategic partnership with JD.com, we transferred our Wanggou B2C and Paipai C2C marketplace businesses, logistics personnel and assets, as well as a minority stake in Yixun to JD.com, and JD.com has a call option to acquire our remaining stake in Yixun in future. We will support JD.com's growth in the physical goods eCommerce business by offering level 1 access points at Mobile QQ and Weixin, as well as support from other key platforms to JD.com. Both parties will also cooperate on online payment services to improve users' online shopping experience.

Outlook and strategies for 2014

During 2014, we intend to leverage our leading communications and social applications to: (1) support a broad portfolio of associated applications spanning activities such as games, entertainment, information, and utilities; (2) popularise our application stores and application distribution platforms; and (3) build a prosperous ecosystem for O2O and mobile eCommerce activities. We also strive to leverage our platforms to accelerate the growth of mobile games, while reinforcing our leadership in PC client games.

We will continue investing heavily in certain long-term projects we deem strategic, including: (1) purchasing content and improving user experience for our online video service; (2) marketing and popularising our WeChat service in selected international markets; and (3) encouraging uptake of our payment solutions, for example via subsidies to consumers and merchants.

We aim to deepen our relationships with strategic business partners such as CSC, Dianping, Dididache, JD.com and Sogou, among others, providing our partners with our full platform support and bringing their products and services to our users.

###

About Tencent

Tencent uses technology to enrich the lives of Internet users. Every day, hundreds of millions of people communicate, share experiences, consume information, seek entertainment, and shop online through our integrated platforms. Our diversified services include QQ, Weixin and WeChat for communications; Qzone for social networking; QQ Game Platform for online games; QQ.com for information; as well as our eCommerce services.

Our company was founded in Shenzhen in 1998 and went public on the Main Board of the Stock Exchange of Hong Kong Limited on in 2004. The Company has been one of the 50 constituent stocks of the Hang Seng Index since June 10, 2008, under stock code 00700. We seek to evolve with the Internet by investing in innovation, providing a hospitable environment for our partners, and staying close to our users.

For more information, please visit www.tencent.com/ir

For enquiries, please contact:

Catherine Chan Tel: (86) 755 86013388 ext 88369 or (852) 31485100 Email: cchan@tencent.com

Jane Yip Tel: (86) 755 86013388 ext 81374 or (852) 31485100 Email: janeyip@tencent.com

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

RMB in millions, unless specified

	Unaudited		Audited	
	4Q2013	4Q2012	2013	2012
Revenues	16,970	12,153	60,437	43,894
VAS	11,932	9,390	44,985	35,718
Online advertising	1,497	947	5,034	3,382
eCommerce transactions	3,324	1,684	9,796	4,428
Others	217	132	622	366
Cost of revenues	(8,198)	(5,273)	(27,778)	(18,207)
Gross profit	8,772	6,880	32,659	25,687
Gross margin	52%	57%	54%	59%
Interest income	377	266	1,314	836
Other gains/(losses), net	405	(202)	904	(284)
Selling and marketing expenses	(2,033)	(1,095)	(5,695)	(2,994)
General and administrative expenses	(2,770)	(2,123)	(9,988)	(7,766)
Operating profit	4,751	3,726	19,194	15,479
Operating margin	28%	31%	32%	35%
Finance income/(costs), net	6	(63)	(84)	(348)
Share of (losses)/profit of associates	(14)	(29)	213	(54)
Share of losses of joint ventures	(4)	(12)	(42)	(26)
Profit before income tax	4,739	3,622	19,281	15,051
Income tax expense	(808)	(151)	(3,718)	(2,266)
Profit for the period	3,931	3,471	15,563	12,785
Net margin	23%	29%	26%	29%
Attributable to:				
Equity holders of the Company	3,911	3,464	15,502	12,732
Non-controlling interests	20	7	61	53
Non-GAAP profit attributable to equity holders of the Company	4,498	4,068	17,063	14,286
Earnings per share (GAAP)				
- basic (RMB)	2.125	1.890	8.464	6.965
- diluted (RMB)	2.092	1.856	8.298	6.833

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Unaudited		Audited	
	4Q2013	4Q2012	2013	2012
Profit for the period	3,931	3,471	15,563	12,785
Other comprehensive income, net of tax:				
Items that may be subsequently reclassified to profit or loss				
Share of other comprehensive income of associates	48	-	48	-
Net gains from changes in fair value of available-for-sale financial assets	830	103	2,825	824
Currency translation differences	(50)	(4)	(60)	10
Total comprehensive income for the period	4,759	3,570	18,376	13,619
Attributable to:				
Equity holders of the Company	4,746	3,564	18,327	13,567
Non-controlling interests	13	6	49	52

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited			Audited	
	4Q2013	3Q2013	4Q2012	2013	2012
EBITDA (a)	5,184	5,257	4,363	20,566	17,540
Adjusted EBITDA (a)	5,467	5,601	4,641	21,734	18,445
Adjusted EBITDA margin (b)	32%	36%	38%	36%	42%
Interest expense	105	99	104	394	327
Net cash (c)	36,218	34,400	27,381	36,218	27,381
Capital expenditures (d)	1,679	1,621	1,784	5,799	4,493

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 period end balance and is calculated as cash and cash equivalents, term deposits, and restricted cash pledged for secured bank borrowings, minus 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 millions (unless otherwise stated)

	Audited	
	As at 31 December	
	2013	2012
ASSETS		
Non-current assets		
Fixed assets	8,693	7,403
Construction in progress	2,041	534
Investment properties	-	22
Land use rights	871	794
Intangible assets	4,103	4,719
Interests in associates	12,170	7,310
Investment in joint ventures	9	35
Deferred income tax assets	431	169
Available-for-sale financial assets	12,515	5,633
Prepayments, deposits and other assets	1,296	1,236
Term deposits	11,420	10,892
	53,549	38,747
Current assets		
Inventories	1,384	568
Accounts receivable	2,955	2,354
Prepayments, deposits and other assets	5,365	3,878
Term deposits	19,623	13,806
Restricted cash	4,131	2,520
Cash and cash equivalents	20,228	13,383
	53,686	36,509
Total assets	107,235	75,256
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	-	-
Share premium	2,846	2,880
Shares held for share award schemes	(871)	(667)
Other reserves	3,746	816
Retained earnings	52,224	38,269
	57,945	41,298
Non-controlling interests	518	850
Total equity	58,463	42,148
LIABILITIES		
Non-current liabilities		
Borrowings	3,323	2,106
Long-term notes payable	9,141	7,517
Deferred income tax liabilities	1,441	1,312
Long-term payables	1,600	1,508
	15,505	12,443
Current liabilities		
Accounts payable	6,680	4,212
Other payables and accruals	10,246	6,301
Borrowings	2,589	1,077
Current income tax liabilities	1,318	420
Other tax liabilities	593	540
Deferred revenue	11,841	8,115
	33,267	20,665
Total liabilities	48,772	33,108
Total equity and liabilities	107,235	75,256

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

<i>RMB in millions, unless specified</i>	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)		
Year ended 31 December 2013								
Operating profit	19,194	1,168	618	-	139	87	(438)	20,768
Profit for the year	15,563	1,168	618	-	240	87	(438)	17,238
Profit attributable to equity holders	15,502	1,155	547	-	210	87	(438)	17,063
<i>Operating margin</i>	32%							34%
<i>Net margin</i>	26%							29%
Year ended 31 December 2012								
Operating profit	15,479	905	108	5	247	699	(390)	17,053
Profit for the year	12,785	905	108	5	286	699	(390)	14,398
Profit attributable to equity holders	12,732	890	95	5	255	699	(390)	14,286
<i>Operating margin</i>	35%							39%
<i>Net margin</i>	29%							33%

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

<i>RMB in millions, unless specified</i>	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)		
Unaudited three months ended 31 December 2013								
Operating profit	4,751	283	180	-	24	87	-	5,325
Profit for the period	3,931	283	180	-	66	87	-	4,547
Profit attributable to equity holders	3,911	278	160	-	62	87	-	4,498
Operating margin	28%							31%
Net margin	23%							27%
Unaudited three months ended 30 September 2013								
Operating profit	4,815	344	134	-	38	-	-	5,331
Profit for the period	3,877	344	134	-	58	-	-	4,413
Profit attributable to equity holders	3,867	340	119	-	50	-	-	4,376
Operating margin	31%							34%
Net margin	25%							28%
Unaudited three months ended 31 December 2012								
Operating profit	3,726	278	25	-	40	251	-	4,320
Profit for the period	3,471	278	25	-	65	251	-	4,090
Profit attributable to equity holders	3,464	275	22	-	56	251	-	4,068
Operating margin	31%							36%
Net margin	29%							34%

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
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates and available-for-sale financial assets
- (e) Special dividend income from Mail.ru