

Tencent 腾讯

Tencent Holdings Limited
Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司
於開曼群島註冊成立的有限公司
(Stock Code 股份代號 : 700)



腾讯网 QQ.com

2013

Interim Report

smart communication inspires

智慧溝通 靈感無限



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Corporate Information

DIRECTORS

Executive Directors

Ma Huateng (*Chairman*)
Lau Chi Ping Martin
Zhang Zhidong

Non-Executive Directors

Jacobus Petrus Bekker
Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng
Iain Ferguson Bruce
Ian Charles Stone

AUDIT COMMITTEE

Iain Ferguson Bruce (*Chairman*)
Ian Charles Stone
Charles St Leger Searle

CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle (*Chairman*)
Iain Ferguson Bruce
Ian Charles Stone

INVESTMENT COMMITTEE

Lau Chi Ping Martin (*Chairman*)
Ma Huateng
Zhang Zhidong
Charles St Leger Searle

NOMINATION COMMITTEE

Ma Huateng (*Chairman*)
Li Dong Sheng
Iain Ferguson Bruce
Ian Charles Stone
Charles St Leger Searle

REMUNERATION COMMITTEE

Ian Charles Stone (*Chairman*)
Li Dong Sheng
Jacobus Petrus Bekker

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKER

The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

TENCENT GROUP HEAD OFFICE

Tencent Building
Kejizhongyi Avenue
Hi-tech Park
Nanshan District
Shenzhen, 518057
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F., Three Pacific Place
No. 1 Queen's Road East
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY WEBSITE

www.tencent.com

STOCK CODE

700



Financial Performance Highlights

FIRST HALF OF 2013

	Unaudited		
	Six months ended		
	30 June 2013	30 June 2012	Year-on-year change
(RMB in millions, unless specified)			
Revenues	27,932.1	20,175.1	38.4%
Gross profit	15,388.0	12,027.4	27.9%
Operating profit	9,627.6	7,629.0	26.2%
Profit for the period	7,755.4	6,072.9	27.7%
Profit attributable to equity holders of the Company	7,724.2	6,049.6	27.7%
Non-GAAP profit attributable to equity holders of the Company	8,189.7	6,667.3	22.8%
EPS (RMB per share)			
- basic	4.213	3.316	27.1%
- diluted	4.141	3.252	27.3%

SECOND QUARTER OF 2013

	Unaudited				
	Three months ended				
	30 June 2013	31 March 2013	Quarter- on-quarter change	30 June 2012	Year-on-year change
(RMB in millions, unless specified)					
Revenues	14,384.5	13,547.6	6.2%	10,527.2	36.6%
Gross profit	7,794.2	7,593.8	2.6%	6,215.9	25.4%
Operating profit	4,565.1	5,062.5	-9.8%	3,937.6	15.9%
Profit for the period	3,684.3	4,071.1	-9.5%	3,110.6	18.4%
Profit attributable to equity holders of the Company	3,680.4	4,043.8	-9.0%	3,100.1	18.7%
Non-GAAP profit attributable to equity holders of the Company	4,152.0	4,037.7	2.8%	3,386.3	22.6%
EPS (RMB per share)					
- basic	2.009	2.204	-8.8%	1.698	18.3%
- diluted	1.976	2.166	-8.8%	1.665	18.7%



Chairman's Statement

I am pleased to present our interim report for the three and six months ended 30 June 2013 to the shareholders.

RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the three and six months ended 30 June 2013 increased by 19% and 28% on a year-on-year basis to RMB3,680 million and RMB7,724 million respectively. Basic EPS for the three and six months ended 30 June 2013 were RMB2.009 and RMB4.213 respectively. Diluted EPS for the three and six months ended 30 June 2013 were RMB1.976 and RMB4.141 respectively.

BUSINESS REVIEW AND OUTLOOK

Overall Financial Performance

In the second quarter of 2013, we registered solid year-on-year growth in revenues and profits, and continued to invest in new opportunities such as mobile platforms, eCommerce and international expansion. Our GAAP operating profit and net profit reduced sequentially mainly due to absence of the special dividend income from our investee company Mail.ru recognised in the previous quarter as well as a significant step up in marketing activities for WeChat in international markets during the second quarter, while our non-GAAP net profit increased sequentially primarily due to revenue growth.

- *VAS*. Our online games business benefited from the growth of our major titles and new self-developed titles in China as well as increased contribution from international markets. Our social networks revenues increased compared to the same period last year, thanks to the growth in item-based sales on our open platforms.
- *Online advertising*. Our online advertising business registered a significant year-on-year revenue increase, driven by growth across brand display and performance display categories. In particular, performance-based social advertising and video advertising continued to enjoy strong growth during the quarter.
- *eCommerce transactions*. The second quarter of 2013 saw the continued expansion of our eCommerce transactions business under a more competitive market environment. Revenues from principal transactions increased significantly compared to the same period last year, as a result of growth in transaction volume and revenue per transaction. Fees generated from transactions on our marketplaces also increased.

Financial Highlights

In June 2013, S&P raised its long-term corporate credit rating on Tencent to 'A-' from 'BBB+' with stable outlook, the highest rating it had assigned to a non-state-owned enterprise in China. It also raised the issue rating on our senior unsecured notes to 'A-' from 'BBB+' and its Greater China regional scale ratings on Tencent and the notes to 'cnAA' from 'cnA+'. According to S&P, the improved ratings reflected our stronger competitive position, underpinned by robust growth in business scale, an expanding user base, and improving service diversity, as well as our enhanced financial strength.



Chairman's Statement

Divisional and Product Highlights

Communications Platforms

In the second quarter of 2013, QQ enjoyed a significant year-on-year growth in its smart phone user base as the mobile Internet proliferated further. Its MAU reached 818 million at the end of the quarter, representing a growth rate of 4% compared to the same period last year. Smart phone MAU¹ increased to 478 million at the end of the quarter, representing a year-on-year growth of over 200%. PCU for the quarter increased by 4% year-on-year to 173 million. As fewer mobile users than PC users employ multiple accounts, QQ experienced a slowdown in the year-on-year growth rates of MAU and PCU, both measured in terms of number of accounts.

At the end of the second quarter of 2013, the combined MAU of Weixin and WeChat reached 236 million, representing a year-on-year growth rate of 177%. Weixin continued to enjoy rapid user growth thanks to its innovative features and compelling user experience, extending its position as the leading smart-phone-only community in China. We stepped up our marketing activities for WeChat in international markets and, as a result, WeChat's user growth accelerated during the quarter. In August 2013, we introduced new versions of Weixin and WeChat which integrate with services such as online games, stickers and payment, allowing us to broaden our service offering to users and explore new business opportunities.

Social Platforms

Qzone registered solid growth in user base, supported by an increasing number of mobile users. Its MAU increased by 5% year-on-year to 626 million at the end of the second quarter of 2013. Smart phone MAU² reached 357 million at the end of the quarter, representing 57% of total MAU. Activity of mobile users continued to grow, mainly reflected an expanded smart phone user base as well as enhanced features in areas such as photo and video sharing. Weixin Moments continued to gain popularity among smart phone users.

¹ Smart phone MAU of QQ denote the total number of QQ MAU that logged in the community via Mobile QQ application on iOS or Android phones at least once during the last calendar month of the quarter. QQ MAU denote the total number of user accounts that logged in QQ at least once during the last calendar month of the quarter.

² Smart phone MAU of Qzone denote the total number of Qzone MAU that logged in the social network via Mobile Qzone applications on iOS or Android phones at least once during the last calendar month of the quarter. Qzone MAU denote the total number of user accounts that logged in Qzone at least twice during the last calendar month of the quarter.

Chairman's Statement

Media Platforms

In the second quarter of 2013, QQ.com, Tencent Microblog and Tencent Video continued to deliver new content experiences to our users. As users' behaviour changes with growing usage of mobile devices and increasing fragmentation of time spent online, we are enhancing the mobilisation and personalisation of our media platforms, while continuing to upgrade our content. For instance, QQ.com has established a solid footing which addresses the content needs of smart phone users through a widely distributed news plugin linked to Weixin, an increasingly popular full-function news application on smart phones, and a market leading WAP portal which is becoming increasingly smart-phone-enabled.

VAS

Our open platforms registered a robust year-on-year growth in paying users. Cumulative revenues distributed to third-party developers reached RMB3 billion within less than two years, following our launch in June 2011. With strong commitment and consistent efforts in developing a healthy ecosystem, we have become a cradle for innovative developers in China. 26 third-party applications on our platforms have achieved monthly revenues of over RMB10 million and the most successful third-party application has recorded monthly revenues of over RMB30 million. To broaden our user base and diversity of applications, we are enhancing our support offered to developers, particularly for those with large user bases but relatively lower revenue generation or non-game applications.

The second quarter of 2013 saw a year-on-year decline in our VAS subscription count. Some of our users who migrated to smart phones, while continuing to use our basic services such as QQ and Qzone, reduced their consumption of our paid subscriptions, due to fewer smart phone (versus PC or feature phone) privileges within such subscriptions. After initially focusing purely on the free, basic service smart phone experience, we have only recently begun extending our subscriber privileges to smart phone users, adding value to the paid subscriptions. In addition, we tightened our measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection. Towards the end of the second quarter, we launched a 'Super VIP' package, which bundles privileges on PCs and smart phones and offers new features, to provide more value to people using QQ on both PCs and smart phones.

Our online games business registered a healthy year-on-year growth in revenues. This mainly reflected growth of our existing major titles, contribution from new self-developed titles and increased revenues from international markets. Mobile games registered revenue growth as we continued to expand our game portfolio. QQ Game Platform experienced a decline in PCU compared to the same period last year as increasing mobile usage made user activity pattern more dispersed, and as open platforms impacted user activity.



Chairman's Statement

Online Advertising

Our online advertising business registered a significant revenue growth, primarily driven by performance-based social advertising, which benefited from greater impression volume. While traditional brand display advertising continued to deliver growth, video advertising revenue approximately doubled compared to the same period last year, thanks to inventory expansion and higher sell-through rates. Growth of search advertising slowed as we reduced traffic from search distribution partnerships.

eCommerce Transactions

In the second quarter of 2013, price competition in the B2C market intensified. Our principal eCommerce transactions business continued to experience a strong year-on-year revenue growth rate as we enhanced user experience, broadened product range and expanded geographic coverage. Our marketplaces also registered significant revenue growth compared to the same period last year as we improved product selection and customer service.

DIVIDEND

The Board did not propose any interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

APPRECIATION

On behalf of the Board, I would like to express special thanks to the entire Tencent family, including our employees and management for their outstanding contribution and commitment. It is largely due to their contribution and commitment that we are able to consistently deliver and maximise value for our shareholders. Our thanks extend to our shareholders and stakeholders for their continuous support and confidence in us.

Ma Huateng

Chairman

Hong Kong, 14 August 2013



Management Discussion and Analysis

OPERATING INFORMATION

The following table sets forth certain operating statistics relating to our Internet platforms and value-added services as at the dates and for the periods presented:

	As at 30 June 2013	As at 31 March 2013	Quarter- on-quarter change	As at 30 June 2012	Year- on-year change
					(in millions, unless specified)
MAU of QQ	818.5	825.4	-0.8%	783.6	4.5%
PCU of QQ (for the quarter)	173.2	173.0	0.1%	166.6	4.0%
Combined MAU of Weixin and WeChat	235.8	194.4	21.3%	85.2	176.8%
MAU of Qzone	626.4	611.0	2.5%	597.6	4.8%
PCU of QQ Game Platform (for the quarter)	8.4	9.2	-8.7%	8.8	-4.5%
Fee-based VAS registered subscriptions	98.7	104.6	-5.6%	109.3	-9.7%

Key highlights for the second quarter of 2013 are as follows:

- MAU of QQ registered a slight sequential decline and a reduced year-on-year growth rate, reflecting users' trend of shifting from PCs to mobile devices and the lower proportion of mobile users employing multiple accounts as compared to that of PC users. PCU of QQ remained broadly stable on a quarter-on-quarter basis.
- Combined MAU of Weixin and WeChat continued to register robust growth during the quarter. While the user base of Weixin expanded further, the sequential user growth of WeChat accelerated in the quarter as we stepped up marketing activities in international markets.
- PCU of QQ Game Platform declined compared to the same period last year as increasing mobile usage made user activity pattern more dispersed, and as open platforms impacted user activity. The sequential reduction also reflected weaker seasonality.
- The declining trend of VAS registered subscriptions continued in the second quarter of 2013. This reflected that some of our users who migrated to smart phones, while continuing to use our basic services such as QQ and Qzone, reduced their consumption of our paid subscriptions, due to fewer smart phone (versus PC or feature phone) privileges within such subscriptions. During the quarter, we also tightened our measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection.



Management Discussion and Analysis

SECOND QUARTER OF 2013 COMPARED TO FIRST QUARTER OF 2013

The following table sets forth the comparative figures for the second quarter of 2013 and the first quarter of 2013:

	Unaudited	
	Three months ended	
	30 June	31 March
	2013	2013
	RMB'000	RMB'000
Revenues	14,384,521	13,547,554
Cost of revenues	(6,590,285)	(5,953,761)
Gross profit	7,794,236	7,593,793
Interest income	324,241	276,371
Other gains, net	81,687	350,863
Selling and marketing expenses	(1,234,117)	(962,398)
General and administrative expenses	(2,400,943)	(2,196,111)
Operating profit	4,565,104	5,062,518
Finance income/(costs), net	14,333	(82,198)
Share of profit of associates	46,070	131,381
Share of losses of jointly controlled entities	(15,095)	(11,572)
Profit before income tax	4,610,412	5,100,129
Income tax expense	(926,157)	(1,029,001)
Profit for the period	3,684,255	4,071,128
Attributable to:		
Equity holders of the Company	3,680,389	4,043,819
Non-controlling interests	3,866	27,309
	3,684,255	4,071,128
Non-GAAP profit attributable to equity holders of the Company	4,152,001	4,037,730



Management Discussion and Analysis

Revenues. Revenues increased by 6% to RMB14,385 million for the second quarter of 2013 from the first quarter of 2013. The following table sets forth our revenues by line of business for the second quarter of 2013 and the first quarter of 2013:

	Unaudited			
	Three months ended			
	30 June 2013		31 March 2013	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in thousands, unless specified)				
VAS	10,752,102	74.7%	10,666,080	78.7%
Online advertising	1,297,257	9.0%	849,541	6.3%
eCommerce transactions	2,199,448	15.3%	1,913,341	14.1%
Others	135,714	1.0%	118,592	0.9%
Total revenues	<u>14,384,521</u>	<u>100.0%</u>	<u>13,547,554</u>	<u>100.0%</u>

- Revenues from our VAS business increased by 1% to RMB10,752 million for the second quarter of 2013 from the first quarter of 2013. Online games revenues increased by 2% to RMB7,594 million, despite weaker seasonality in China as a result of school examinations. This mainly reflected revenue growth from our major titles, such as DnF and LoL, in China as well as higher contribution from international markets. Social networks revenues decreased by 1% to RMB3,158 million. This primarily reflected a decrease in subscription revenues, partly offset by an increase in item-based sales within applications on our open platforms.³
- Revenues from our online advertising business increased by 53% to RMB1,297 million for the second quarter of 2013 from the first quarter of 2013. This was primarily driven by more favourable seasonality in the second quarter. It also reflected the continued growth in performance-based social advertising and video advertising.
- Revenues from our eCommerce transactions business increased by 15% to RMB2,199 million for the second quarter of 2013 from the first quarter of 2013. This was primarily driven by seasonal promotional activities, regional expansion, and category expansion.

³ Under the previous financial disclosure which was adopted prior to the first quarter of 2013, our IVAS revenues for the second quarter of 2013 increased by 1% quarter-on-quarter, within which our online games revenues increased by 2% and our community and open platform revenues decreased by 2%. Our MVAS revenues decreased by 3% quarter-on-quarter.



Management Discussion and Analysis

Cost of revenues. Cost of revenues increased by 11% to RMB6,590 million for the second quarter of 2013 from the first quarter of 2013. This mainly reflected increases in cost of merchandise sold as well as sharing and content costs. As a percentage of revenues, cost of revenues increased to 46% for the second quarter of 2013 from 44% for the first quarter of 2013. The following table sets forth our cost of revenues by line of business for the second quarter of 2013 and the first quarter of 2013:

	Unaudited			
	Three months ended			
	30 June 2013		31 March 2013	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in thousands, unless specified)			
VAS	3,835,347	35.7%	3,593,480	33.7%
Online advertising	600,721	46.3%	503,607	59.3%
eCommerce transactions	2,073,121	94.3%	1,781,700	93.1%
Others	81,096	59.8%	74,974	63.2%
Total cost of revenues	<u>6,590,285</u>		<u>5,953,761</u>	

- Cost of revenues for our VAS business increased by 7% to RMB3,835 million for the second quarter of 2013 from the first quarter of 2013. This was mainly driven by higher operating costs associated with international expansion of our game operations and our business growth in China.
- Cost of revenues for our online advertising business increased by 19% to RMB601 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected greater commissions payable to advertising agencies driven by revenue growth. Video content costs and staff costs also increased.
- Cost of revenues for our eCommerce transactions business increased by 16% to RMB2,073 million for the second quarter of 2013 from the first quarter of 2013. This was mainly driven by an increase in cost of merchandise sold as a result of growth in principal eCommerce transactions.

Other gains, net. Other gains, net decreased by 77% to RMB82 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected the net impact of the absence of a special dividend income of RMB438 million from our investee company Mail.ru and the absence of a donation of RMB120 million made to the Tencent Charity Fund, both of which were recognised in the previous quarter.



Management Discussion and Analysis

Selling and marketing expenses. Selling and marketing expenses increased by 28% to RMB1,234 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected a step up in marketing activities related to WeChat in international markets, which resulted in accelerated user growth. As a percentage of revenues, selling and marketing expenses increased to 9% for the second quarter of 2013 from 7% for the first quarter of 2013.

General and administrative expenses. General and administrative expenses increased by 9% to RMB2,401 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected an increase in staff costs, mainly driven by annual salary increments and certain acquisition-related items. Administrative expenses also increased. As a percentage of revenues, general and administrative expenses increased to 17% for the second quarter of 2013 from 16% for the first quarter of 2013.

Finance income/(costs), net. We recorded finance income, net of RMB14 million for the second quarter of 2013, compared to finance costs, net of RMB82 million for the first quarter of 2013. The change primarily reflected higher foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the second quarter of 2013.

Share of profit of associates. Share of profit of associates decreased by 65% to RMB46 million for the second quarter of 2013 from the first quarter of 2013. In the first quarter of 2013, share of profit of associates was higher-than-usual as Epic Games benefited from the launch of a new console game in US and Europe.

Income tax expense. Income tax expense decreased by 10% to RMB926 million for the second quarter of 2013 from the first quarter of 2013. The second quarter of 2013 saw a decrease in deferred tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 9% to RMB3,680 million for the second quarter of 2013 from the first quarter of 2013. This mainly reflected absence of the special dividend income from Mail.ru recognised in the previous quarter as well as a significant step up in marketing activities for WeChat in international markets during the second quarter. Non-GAAP profit attributable to equity holders of the Company increased by 3% to RMB4,152 million for the second quarter of 2013 from the first quarter of 2013.



Management Discussion and Analysis

SECOND QUARTER OF 2013 COMPARED TO SECOND QUARTER OF 2012

The following table sets forth the comparative figures for the second quarter of 2013 and the second quarter of 2012:

	Unaudited	
	Three months ended	
	30 June	30 June
	2013	2012
	RMB'000	RMB'000
Revenues	14,384,521	10,527,244
Cost of revenues	(6,590,285)	(4,311,379)
Gross profit	7,794,236	6,215,865
Interest income	324,241	196,806
Other gains/(losses), net	81,687	(3,219)
Selling and marketing expenses	(1,234,117)	(609,672)
General and administrative expenses	(2,400,943)	(1,862,165)
Operating profit	4,565,104	3,937,615
Finance income/(costs), net	14,333	(115,256)
Share of profit of associates	46,070	5,411
Share of losses of jointly controlled entities	(15,095)	(9,375)
Profit before income tax	4,610,412	3,818,395
Income tax expense	(926,157)	(707,824)
Profit for the period	3,684,255	3,110,571
Attributable to:		
Equity holders of the Company	3,680,389	3,100,075
Non-controlling interests	3,866	10,496
	3,684,255	3,110,571
Non-GAAP profit attributable to equity holders of the Company	4,152,001	3,386,266



Management Discussion and Analysis

Revenues. Revenues increased by 37% to RMB14,385 million for the second quarter of 2013 from the second quarter of 2012. The following table sets forth our revenues by line of business for the second quarter of 2013 and the second quarter of 2012:

	Unaudited			
	Three months ended			
	30 June 2013		30 June 2012	
	Amount	% of total revenues	Amount	% of total revenues
			(Restated)	(Restated)
(RMB in thousands, unless specified)				
VAS	10,752,102	74.7%	8,715,632	82.8%
Online advertising	1,297,257	9.0%	879,691	8.4%
eCommerce transactions	2,199,448	15.3%	857,526	8.1%
Others	135,714	1.0%	74,395	0.7%
Total revenues	<u>14,384,521</u>	<u>100.0%</u>	<u>10,527,244</u>	<u>100.0%</u>

- Revenues from our VAS business increased by 23% to RMB10,752 million for the second quarter of 2013 from the second quarter of 2012. Online games revenues increased by 31% to RMB7,594 million. This was primarily driven by revenue growth of our major titles such as DnF and LoL, contribution from our new self-developed titles and increased revenues from international markets. Mobile games also contributed to the growth of the business. Social networks revenues increased by 8% to RMB3,158 million. This mainly reflected an increase in item-based sales within applications on our open platforms, partly offset by decreased subscription revenues.⁴
- Revenues from our online advertising business increased by 47% to RMB1,297 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected the strong growth in revenues from performance-based social advertising. Traditional brand display advertising and video advertising also contributed to the revenue growth of the business.
- Revenues from our eCommerce transactions business increased by 156% to RMB2,199 million for the second quarter of 2013 from the second quarter of 2012. This was primarily driven by growth in volume of principal eCommerce transactions and revenue per transaction. Fees generated from transactions on our marketplace also increased.

⁴ Under the previous financial disclosure which was adopted prior to the first quarter of 2013, our IVAS revenues for the second quarter of 2013 increased by 26% year-on-year, within which our online games revenues increased by 31% and our community and open platform revenues increased by 13%. Our MVAS revenues increased by 3% year-on-year.



Management Discussion and Analysis

Cost of revenues. Cost of revenues increased by 53% to RMB6,590 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected increases in cost of merchandise sold as well as sharing and content costs. As a percentage of revenues, cost of revenues increased to 46% for the second quarter of 2013 from 41% for the second quarter of 2012, mainly due to a revenue mix shift towards the eCommerce transactions business. The following table sets forth our cost of revenues by line of business for the second quarter of 2013 and the second quarter of 2012:

	Unaudited			
	Three months ended			
	30 June 2013		30 June 2012	
		% of		% of
	Amount	segment	Amount	segment
		revenues	(Restated)	revenues
			(Restated)	(Restated)
	(RMB in thousands, unless specified)			
VAS	3,835,347	35.7%	3,004,309	34.5%
Online advertising	600,721	46.3%	421,288	47.9%
eCommerce transactions	2,073,121	94.3%	836,005	97.5%
Others	81,096	59.8%	49,777	66.9%
Total cost of revenues	<u>6,590,285</u>		<u>4,311,379</u>	

- Cost of revenues for our VAS business increased by 28% to RMB3,835 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected an increase in sharing and content costs. Staff costs as well as bandwidth and server custody fees also increased.
- Cost of revenues for our online advertising business increased by 43% to RMB601 million for the second quarter of 2013 from the second quarter of 2012. This was primarily driven by increases in bandwidth and server custody fees, commissions payable to advertising agencies, as well as video content costs due to our business growth.
- Cost of revenues for our eCommerce transactions business increased by 148% to RMB2,073 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected an increase in cost of merchandise sold due to growth in principal eCommerce transactions.



Management Discussion and Analysis

Other gains/(losses), net. We recorded other gains, net of RMB82 million for the second quarter of 2013, compared to other losses, net of RMB3 million for the second quarter of 2012. A disposal gain of RMB25 million related to an associate and subsidies and tax rebates of RMB15 million were recognised in the second quarter of 2013.

Selling and marketing expenses. Selling and marketing expenses increased by 102% to RMB1,234 million for the second quarter of 2013 from the second quarter of 2012. This primarily reflected a step up in marketing activities related to WeChat in international markets and increased advertising and promotional spending on other products and platforms such as online games and mobile security product. As a percentage of revenues, selling and marketing expenses increased to 9% for the second quarter of 2013 from 6% for the second quarter of 2012.

General and administrative expenses. General and administrative expenses increased by 29% to RMB2,401 million for the second quarter of 2013 from the second quarter of 2012. This primarily reflected an increase in staff costs, mainly driven by annual salary increments, growth in headcounts and certain acquisition-related items. Administrative expenses also increased. As a percentage of revenues, general and administrative expenses decreased to 17% for the second quarter of 2013 from 18% for the second quarter of 2012.

Finance income/(costs), net. We recorded finance income, net of RMB14 million for the second quarter of 2013, compared to finance costs, net of RMB115 million for the second quarter of 2012. The change mainly reflected the recognition of foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the second quarter of 2013, compared to foreign exchange losses in the same period last year.

Income tax expense. Income tax expense increased by 31% to RMB926 million for the second quarter of 2013 from the second quarter of 2012. This primarily reflected an increase in profit before income tax.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 19% to RMB3,680 million for the second quarter of 2013 from the second quarter of 2012. Non-GAAP profit attributable to equity holders of the Company increased by 23% to RMB4,152 million for the second quarter of 2013 from the second quarter of 2012.



Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	30 June 2013	30 June 2012	30 June 2013	31 March 2013	30 June 2012
	(RMB in thousands, unless specified)				
EBITDA (a)	10,126,062	8,585,869	4,968,600	5,157,462	4,331,322
Adjusted EBITDA (a)	10,666,615	9,020,172	5,228,433	5,438,182	4,558,963
Adjusted EBITDA margin (b)	38.2%	44.7%	36.3%	40.1%	43.3%
Interest expense	190,306	136,922	92,002	98,304	69,344
Net cash (c)	33,556,493	19,631,631	33,556,493	32,730,672	19,631,631
Capital expenditures (d)	2,498,618	1,577,286	1,464,020	1,034,598	915,156

Note:

- (a) 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.
- (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 restricted cash pledged for secured bank borrowings, minus borrowings and long-term notes payable.
- (d) 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).



Management Discussion and Analysis

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

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	30 June 2013 RMB'000	30 June 2012 RMB'000	30 June 2013 RMB'000	31 March 2013 RMB'000	30 June 2012 RMB'000
Operating profit	9,627,622	7,628,973	4,565,104	5,062,518	3,937,615
Less: Interest income	(600,612)	(363,539)	(324,241)	(276,371)	(196,806)
Add: Other losses/(gains), net	(432,550)	66,861	(81,687)	(350,863)	3,219
Add: Depreciation of fixed assets and investment properties	1,160,510	869,000	600,043	560,467	444,830
Add: Amortisation of intangible assets	371,092	384,574	209,381	161,711	142,464
EBITDA	10,126,062	8,585,869	4,968,600	5,157,462	4,331,322
Equity-settled share-based compensation	540,553	434,303	259,833	280,720	227,641
Adjusted EBITDA	10,666,615	9,020,172	5,228,433	5,438,182	4,558,963

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated results of the Group 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 interim report. 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.



Management Discussion and Analysis

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 acquisitions. The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the first half of 2013 and 2012, the second quarter of 2013 and 2012, and the first quarter of 2013 to the nearest measures prepared in accordance with IFRS:

Unaudited six months ended 30 June 2013						
	As reported	Adjustments			Non-GAAP	
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)		
(RMB in thousands, unless specified)						
Operating profit	9,627,622	540,553	303,686	77,568	(438,074)	10,111,355
Profit for the period	7,755,383	540,553	303,686	117,256	(438,074)	8,278,804
Profit attributable to equity holders	7,724,208	536,159	267,376	100,062	(438,074)	8,189,731
Operating margin	34.5%					36.2%
Net margin	27.8%					29.6%

Unaudited six months ended 30 June 2012						
	As reported	Adjustments			Non-GAAP	
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)		
(RMB in thousands, unless specified)						
Operating profit	7,628,973	434,303	57,975	168,511	–	8,289,762
Profit for the period	6,072,901	434,303	57,975	155,752	–	6,720,931
Profit attributable to equity holders	6,049,585	425,609	51,130	141,006	–	6,667,330
Operating margin	37.8%					41.1%
Net margin	30.1%					33.3%



Management Discussion and Analysis

Unaudited three months ended 30 June 2013

	As reported	Adjustments			Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)	
(RMB in thousands, unless specified)					
Operating profit	4,565,104	259,833	186,744	38,784	5,050,465
Profit for the period	3,684,255	259,833	186,744	58,628	4,189,460
Profit attributable to equity holders	3,680,389	257,853	163,728	50,031	4,152,001
Operating margin	31.7%				35.1%
Net margin	25.6%				29.1%

Unaudited three months ended 31 March 2013

	As reported	Adjustments			Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)	
(RMB in thousands, unless specified)					
Operating profit	5,062,518	280,720	116,942	38,784	5,060,890
Profit for the period	4,071,128	280,720	116,942	58,628	4,089,344
Profit attributable to equity holders	4,043,819	278,306	103,648	50,031	4,037,730
Operating margin	37.4%				37.4%
Net margin	30.1%				30.2%



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Our net cash positions as at 30 June 2013 and 31 March 2013 are as follows:

	Unaudited 30 June 2013 RMB'000	Unaudited 31 March 2013 RMB'000
Cash and cash equivalents	14,791,822	15,024,047
Term deposits	29,001,732	28,090,139
	43,793,554	43,114,186
Borrowings	(2,840,415)	(2,871,006)
Long-term notes payable	(7,396,646)	(7,512,508)
Net cash	33,556,493	32,730,672

As at 30 June 2013, RMB5,986 million of our financial resources (31 March 2013: RMB7,369 million) were held in deposits and investments denominated in non-RMB currencies. Since there are no cost-effective hedges against the fluctuation of RMB and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.



Report on Review of Interim Financial Information

**TO THE BOARD OF DIRECTORS OF
TENCENT HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 66, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related consolidated income statement, the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 ‘Interim Financial Reporting’. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410 ‘Review of interim financial information performed by the independent auditor of the entity’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not properly prepared, in all material respects, in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 August 2013



Consolidated Statement of Financial Position

As at 30 June 2013

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Fixed assets	7	8,182,143	7,402,766
Construction in progress	7	918,776	533,691
Investment properties	7	21,476	21,674
Land use rights	7	823,789	794,439
Intangible assets	7	4,798,610	4,719,075
Interests in associates	8	8,073,492	7,310,266
Investment in jointly controlled entities		8,742	35,409
Deferred income tax assets	19	174,135	168,906
Available-for-sale financial assets	9	6,282,289	5,632,590
Prepayments, deposits and other assets	11	1,060,129	1,236,129
Term deposits		13,081,000	10,891,718
		43,424,581	38,746,663
Current assets			
Inventories		715,789	568,084
Accounts receivable	10	2,895,327	2,353,959
Prepayments, deposits and other assets	11	5,240,152	3,877,800
Term deposits		15,920,732	13,805,675
Restricted cash	15	3,165,791	2,520,232
Cash and cash equivalents		14,791,822	13,383,398
		42,729,613	36,509,148
Total assets		86,154,194	75,255,811



Consolidated Statement of Financial Position

As at 30 June 2013

		Unaudited	Audited
		30 June	31 December
		2013	2012
	Note	RMB'000	RMB'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	12	199	199
Share premium	12	2,193,289	2,879,990
Shares held for share award scheme	12	(674,674)	(667,464)
Other reserves		584,071	815,697
Retained earnings		<u>44,525,134</u>	<u>38,269,085</u>
		46,628,019	41,297,507
Non-controlling interests		<u>823,757</u>	<u>850,759</u>
Total equity		<u>47,451,776</u>	<u>42,148,266</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	2,471,480	2,105,643
Long-term notes payable	18	7,396,646	7,516,766
Deferred income tax liabilities	19	1,388,002	1,311,562
Long-term payables	16	<u>1,535,840</u>	<u>1,508,578</u>
		12,791,968	12,442,549



Consolidated Statement of Financial Position

As at 30 June 2013

		Unaudited	Audited
		30 June	31 December
		2013	2012
	Note	RMB'000	RMB'000
Current liabilities			
Accounts payable	14	6,410,489	4,211,733
Other payables and accruals	15	7,546,012	6,301,449
Borrowings	17	368,935	1,077,108
Current income tax liabilities		869,441	419,872
Other tax liabilities		579,855	540,095
Deferred revenue		10,135,718	8,114,739
		<u>25,910,450</u>	<u>20,664,996</u>
Total liabilities		<u>38,702,418</u>	<u>33,107,545</u>
Total equity and liabilities		<u>86,154,194</u>	<u>75,255,811</u>
Net current assets		<u>16,819,163</u>	<u>15,844,152</u>
Total assets less current liabilities		<u>60,243,744</u>	<u>54,590,815</u>

The accompanying notes on pages 32 to 66 form an integral part of this Interim Financial Information.

On behalf of the Board

Ma Huateng
Director

Lau Chi Ping Martin
Director



Consolidated Income Statement

For the three and six months ended 30 June 2013

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenues					
Value-added services		10,752,102	8,715,632	21,418,182	17,011,095
Online advertising		1,297,257	879,691	2,146,798	1,419,804
eCommerce transactions		2,199,448	857,526	4,112,789	1,610,343
Others		135,714	74,395	254,306	133,860
		14,384,521	10,527,244	27,932,075	20,175,102
Cost of revenues	21	(6,590,285)	(4,311,379)	(12,544,046)	(8,147,696)
Gross profit		7,794,236	6,215,865	15,388,029	12,027,406
Interest income		324,241	196,806	600,612	363,539
Other gains/(losses), net	20	81,687	(3,219)	432,550	(66,861)
Selling and marketing expenses	21	(1,234,117)	(609,672)	(2,196,515)	(1,078,872)
General and administrative expenses	21	(2,400,943)	(1,862,165)	(4,597,054)	(3,616,239)
Operating profit		4,565,104	3,937,615	9,627,622	7,628,973
Finance income/(costs), net	22	14,333	(115,256)	(67,865)	(185,238)
Share of profit/(losses) of associates	8	46,070	5,411	177,451	(4,342)
Share of losses of jointly controlled entities		(15,095)	(9,375)	(26,667)	(7,995)
Profit before income tax		4,610,412	3,818,395	9,710,541	7,431,398
Income tax expense	23	(926,157)	(707,824)	(1,955,158)	(1,358,497)
Profit for the period		3,684,255	3,110,571	7,755,383	6,072,901
Attributable to:					
Equity holders of the Company		3,680,389	3,100,075	7,724,208	6,049,585
Non-controlling interests		3,866	10,496	31,175	23,316
		3,684,255	3,110,571	7,755,383	6,072,901
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	24	2.009	1.698	4.213	3.316
– diluted	24	1.976	1.665	4.141	3.252

The accompanying notes on pages 32 to 66 form an integral part of this Interim Financial Information.



Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2013

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period	3,684,255	3,110,571	7,755,383	6,072,901
Other comprehensive income, net of tax:				
Items that may be reclassified to profit or loss				
Share of other comprehensive income of associates	495	–	495	–
Net gains/(losses) from changes in fair value of available-for-sale financial assets	367,783	(530,203)	(238,433)	758,711
Currency translation differences	(28,407)	7,743	(40,151)	13,819
	339,871	(522,460)	(278,089)	772,530
Total comprehensive income for the period	4,024,126	2,588,111	7,477,294	6,845,431
Attributable to:				
Equity holders of the Company	4,025,050	2,576,886	7,453,351	6,821,375
Non-controlling interests	(924)	11,225	23,943	24,056
	4,024,126	2,588,111	7,477,294	6,845,431

The accompanying notes on pages 32 to 66 form an integral part of this Interim Financial Information.



Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	<u>199</u>	<u>2,879,990</u>	<u>(667,464)</u>	<u>815,697</u>	<u>38,269,085</u>	<u>41,297,507</u>	<u>850,759</u>	<u>42,148,266</u>
Comprehensive income								
Profit for the period	-	-	-	-	7,724,208	7,724,208	31,175	7,755,383
Other comprehensive income:								
– share of other comprehensive income of associates	-	-	-	495	-	495	-	495
– net losses from changes in fair value of available-for-sale financial assets	-	-	-	(238,433)	-	(238,433)	-	(238,433)
– currency translation differences	-	-	-	(32,919)	-	(32,919)	(7,232)	(40,151)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,857)</u>	<u>7,724,208</u>	<u>7,453,351</u>	<u>23,943</u>	<u>7,477,294</u>
Transaction with owners								
Capital injection	-	-	-	-	-	-	4,900	4,900
Employee share option schemes:								
– value of employee services	-	47,772	-	22,896	-	70,668	3,449	74,117
– proceeds from shares issued	-	145,782	-	-	-	145,782	-	145,782
Employee share award scheme:								
– value of employee services	-	456,744	-	8,747	-	465,491	945	466,436
– shares purchased for share award scheme	-	-	(20,758)	-	-	(20,758)	-	(20,758)
– vesting of awarded shares	-	(13,548)	13,548	-	-	-	-	-
Repurchase and cancellation of shares	-	(1,323,451)	-	-	-	(1,323,451)	-	(1,323,451)
Dividends (Note 25)	-	-	-	-	(1,468,159)	(1,468,159)	(54,150)	(1,522,309)
Total contributions by and distributions to owners for the period	<u>-</u>	<u>(686,701)</u>	<u>(7,210)</u>	<u>31,643</u>	<u>(1,468,159)</u>	<u>(2,130,427)</u>	<u>(44,856)</u>	<u>(2,175,283)</u>
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	7,588	-	7,588	(6,089)	1,499
Total transactions with owners for the period	<u>-</u>	<u>(686,701)</u>	<u>(7,210)</u>	<u>39,231</u>	<u>(1,468,159)</u>	<u>(2,122,839)</u>	<u>(50,945)</u>	<u>(2,173,784)</u>
Balance at 30 June 2013	<u>199</u>	<u>2,193,289</u>	<u>(674,674)</u>	<u>584,071</u>	<u>44,525,134</u>	<u>46,628,019</u>	<u>823,757</u>	<u>47,451,776</u>

The accompanying notes on pages 32 to 66 form an integral part of this Interim Financial Information.



Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	198	1,950,876	(606,874)	409,266	26,710,368	28,463,834	624,510	29,088,344
Comprehensive income								
Profit for the period	-	-	-	-	6,049,585	6,049,585	23,316	6,072,901
Other comprehensive income:								
– net gains from changes in fair value of available-for-sale financial assets	-	-	-	758,711	-	758,711	-	758,711
– currency translation differences	-	-	-	13,079	-	13,079	740	13,819
Total comprehensive income for the period	-	-	-	771,790	6,049,585	6,821,375	24,056	6,845,431
Transaction with owners								
Capital injection	-	-	-	-	-	-	7,220	7,220
Employee share option schemes:								
– value of employee services	-	55,669	-	34,432	-	90,101	18,182	108,283
– proceeds from shares issued	-	113,640	-	-	-	113,640	-	113,640
Employee share award scheme:								
– value of employee services	-	295,814	-	25,792	-	321,606	4,415	326,021
– shares purchased for share award scheme	-	-	(16,946)	-	-	(16,946)	-	(16,946)
– vesting of awarded shares	-	(14,163)	14,163	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	(26)	26	-	-	-
Repurchase and cancellation of shares	-	(20,232)	-	-	-	(20,232)	-	(20,232)
Dividends	-	-	-	-	(1,107,889)	(1,107,889)	(18,180)	(1,126,069)
Total contributions by and distributions to owners for the period	-	430,728	(2,783)	60,198	(1,107,863)	(619,720)	11,637	(608,083)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	(2,455)	(2,455)
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	(244,197)	-	(244,197)	(7,050)	(251,247)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	-	-	-	(357,618)	-	(357,618)	-	(357,618)
Total transactions with owners for the period	-	430,728	(2,783)	(541,617)	(1,107,863)	(1,221,535)	2,132	(1,219,403)
Balance at 30 June 2012	198	2,381,604	(609,657)	639,439	31,652,090	34,063,674	650,698	34,714,372

The accompanying notes on pages 32 to 66 form an integral part of this Interim Financial Information.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited	
	Six months ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Net cash flows generated from operating activities	11,952,396	8,945,857
Net cash flows used in investing activities	(7,471,036)	(6,455,778)
Net cash flows used in financing activities	(2,962,051)	(4,506,408)
Net increase/(decrease) in cash and cash equivalents	1,519,309	(2,016,329)
Cash and cash equivalents at beginning of period	13,383,398	12,612,140
Exchange (losses)/gains on cash and cash equivalents	(110,885)	6,640
Cash and cash equivalents at end of period	14,791,822	10,602,451
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	8,006,981	6,699,446
Term deposits and highly liquid investments with initial term within three months	6,784,841	3,903,005
	14,791,822	10,602,451

The accompanying notes on pages 32 to 66 form an integral part of this Interim Financial Information.



Notes to the Interim Financial Information

1 GENERAL INFORMATION

Tencent Holdings Limited (the “Company”) was incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2004.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of Internet and mobile value-added services (“VAS”), online advertising services and eCommerce transactions services to users in the People’s Republic of China (the “PRC”).

The consolidated statement of financial position as at 30 June 2013, the related consolidated income statement, the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved by the Board on 14 August 2013.

This Interim Financial Information has not been audited.

2 BASIS OF PREPARATION AND PRESENTATION

The Interim Financial Information is prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ issued by the International Accounting Standards Board.

The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012 as set out in the 2012 annual report of the Company dated 20 March 2013 (the “2012 Financial Statements”).

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2012 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of assets and liabilities stated at fair value, such as available-for-sale financial assets.

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

The following new standards adopted by the Group, which are mandatory for the financial year of the Group beginning 1 January 2013, have no material impact on the Group’s Interim Financial Information.



Notes to the Interim Financial Information

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRS 10 'Consolidated Financial Statements' builds on the existing principles by identifying the concept of control as the determining factor for whether an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control in situations where assessment is difficult.
- IFRS 11 'Joint Arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 'Disclosures of Interests in Other Entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2012 Financial Statements.

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2012 Financial Statements.

There were no changes in any risk management policies during the six months ended 30 June 2013.

The functional currency of the Company is RMB. Listed below are the Group's major non-RMB monetary assets and liabilities as at 30 June 2013, which are exposed to foreign exchange risk:

	Denomination currency	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Monetary assets			
Non-current assets	USD	–	718
Current assets	USD	5,419,466	7,818,738
Current assets	HKD	460,722	285,222
Current assets	EUR	723,274	417,766
Current assets	TWD	26,933	–
Monetary liabilities			
Non-current liabilities	USD	10,705,908	10,645,843
Current liabilities	USD	2,499,216	2,276,453
Current liabilities	HKD	41,566	22,606
Current liabilities	TWD	8,212	–

During the three and six months ended 30 June 2013, the Group reported exchange gains of RMB106,335,000 and RMB122,441,000, respectively (for the three and six months ended 30 June 2012: exchange losses of RMB45,912,000 and RMB48,316,000, respectively) (Note 22). The gains were recorded in "Finance income/(costs), net" in the consolidated income statement for the three and six months ended 30 June 2013.



Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management

The Group monitors capital by regularly reviewing the gearing ratio. The gearing ratio is calculated as total liabilities divided by total assets. The total capital is the “total equity” of the Group as shown in the consolidated statement of financial position, which is also equal to total assets less total liabilities.

As at 30 June 2013, the gearing ratio of the Group was 45% (31 December 2012: 44%).

(c) Fair value estimation

The Group’s main financial instruments carried at fair value are available-for-sale financial assets, and the valuation method is the same as that applied in the 2012 Financial Statements.

During the three and six months ended 30 June 2013, the Group reported a net gain (net of tax) of RMB367,783,000 and a net loss (net of tax) of RMB238,433,000, respectively (for the three and six months ended 30 June 2012: a net loss (net of tax) of RMB530,203,000 and a net gain (net of tax) of RMB758,711,000, respectively), for available-for-sale financial assets in other comprehensive income, which mainly resulted from the change in fair value of available-for-sale financial assets which have quoted prices (unadjusted) in active markets.

There were no reclassifications of financial assets during the three and six months ended 30 June 2013 and 2012.

6 SEGMENT INFORMATION

The chief operating decision-makers mainly include the executive directors of the Company. They review the Group’s internal reports in order to determine the operating segments, assess performance and allocate resources based on these reports.

In light of the increasing integration between the personal computer (“PC”) and mobile Internet and the latest development of the Group’s business, the Internet value-added services (“IVAS”) and the mobile and telecommunications value-added services (“MVAS”) segments have been combined into VAS segment and the revenue categories previously under IVAS and MVAS have been adjusted from 1 January 2013 onwards, both in the internal reports to the chief operating decision-makers and in the Interim Financial Information. The comparative figures have been restated to comply with the new presentation. The Board believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.



Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

The Group has the following reportable segments for the three and six months ended 30 June 2013 and 2012:

- VAS;
- Online advertising;
- eCommerce transactions; and
- Others.

Other segments of the Group mainly comprises of the provision of trademark licensing, software development services and software sales.

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for the operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains/(losses), net, finance income/(costs), net and income tax expense are not allocated to individual operating segment either.

There were no material inter-segment sales during the three and six months ended 30 June 2013 and 2012. 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.

Other information, together with the segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that applied in the Interim Financial Information. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.



Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2013 and 2012 is as follows:

	Unaudited				Total RMB'000
	Three months ended 30 June 2013				
	VAS RMB'000	Online advertising RMB'000	eCommerce transactions RMB'000	Others RMB'000	
Segment revenues	<u>10,752,102</u>	<u>1,297,257</u>	<u>2,199,448</u>	<u>135,714</u>	<u>14,384,521</u>
Gross profit	<u>6,916,755</u>	<u>696,536</u>	<u>126,327</u>	<u>54,618</u>	<u>7,794,236</u>
Depreciation	401,120	32,996	3,770	4,568	442,454
Amortisation	73,493	71,932	–	–	145,425
Share of profit/(losses) of associates	16,100	–	(3,646)	33,616	46,070
Share of losses of jointly controlled entities	<u>(15,095)</u>	–	–	–	<u>(15,095)</u>

	Unaudited				Total RMB'000
	Three months ended 30 June 2012				
	VAS RMB'000 (Restated)	Online advertising RMB'000	eCommerce transactions RMB'000	Others RMB'000	
Segment revenues	<u>8,715,632</u>	<u>879,691</u>	<u>857,526</u>	<u>74,395</u>	<u>10,527,244</u>
Gross profit	<u>5,711,323</u>	<u>458,403</u>	<u>21,521</u>	<u>24,618</u>	<u>6,215,865</u>
Depreciation	289,975	24,899	1,940	4,397	321,211
Amortisation	48,315	44,756	–	–	93,071
Share of profit/(losses) of associates	7,885	–	(8,338)	5,864	5,411
Share of losses of jointly controlled entities	<u>(9,375)</u>	–	–	–	<u>(9,375)</u>



Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

	Unaudited				Total RMB'000
	Six months ended 30 June 2013				
	VAS RMB'000	Online advertising RMB'000	eCommerce transactions RMB'000	Others RMB'000	
Segment revenues	<u>21,418,182</u>	<u>2,146,798</u>	<u>4,112,789</u>	<u>254,306</u>	<u>27,932,075</u>
Gross profit	<u>13,989,355</u>	<u>1,042,470</u>	<u>257,968</u>	<u>98,236</u>	<u>15,388,029</u>
Depreciation	774,826	63,908	7,316	8,897	854,947
Amortisation	122,467	118,477	–	–	240,944
Share of profit/(losses) of associates	124,540	–	(13,121)	66,032	177,451
Share of losses of jointly controlled entities	<u>(26,667)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(26,667)</u>

	Unaudited				Total RMB'000
	Six months ended 30 June 2012				
	VAS RMB'000 (Restated)	Online advertising RMB'000	eCommerce transactions RMB'000	Others RMB'000	
Segment revenues	<u>17,011,095</u>	<u>1,419,804</u>	<u>1,610,343</u>	<u>133,860</u>	<u>20,175,102</u>
Gross profit	<u>11,259,124</u>	<u>682,333</u>	<u>42,287</u>	<u>43,662</u>	<u>12,027,406</u>
Depreciation	563,669	48,633	3,697	8,680	624,679
Amortisation	90,206	85,577	–	–	175,783
Share of profit/(losses) of associates	2,570	–	(20,100)	13,188	(4,342)
Share of losses of jointly controlled entities	<u>(7,995)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,995)</u>



Notes to the Interim Financial Information

6 SEGMENT INFORMATION (continued)

The reconciliation of gross profit to profit before tax is shown in the consolidated income statement.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in Mainland China. Revenues derived from external customers in Mainland China for the three and six months ended 30 June 2013 were RMB13,381,203,000 and RMB26,012,167,000, respectively (for the three and six months ended 30 June 2012: RMB10,097,850,000 and RMB19,391,349,000, respectively), and revenues derived from external customers in other regions were RMB1,003,318,000 and RMB1,919,908,000, respectively (for the three and six months ended 30 June 2012: RMB429,394,000 and RMB783,753,000, respectively).

As at 30 June 2013, the total non-current assets, excluding available-for-sale financial assets and deferred income tax assets, located in Mainland China and other regions were RMB29,936,123,000 and RMB7,032,034,000, respectively (31 December 2012: RMB26,536,881,000 and RMB6,408,286,000, respectively).

Revenues derived from any single external customer were less than 10% of the Group's total revenues for the three and six months ended 30 June 2013 and 2012.



Notes to the Interim Financial Information

7 FIXED ASSETS, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Unaudited				
	Fixed assets	Construction in progress	Investment properties	Land use rights	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at 1 January 2013	7,402,766	533,691	21,674	794,439	4,719,075
Business combinations	3,495	–	–	–	45,459
Other additions	1,833,126	502,466	35	37,794	447,540
Transfers	117,381	(117,381)	–	–	–
Disposals	(1,429)	–	–	–	–
Depreciation/amortisation	(1,160,277)	–	(233)	(8,444)	(371,092)
Exchange difference	(12,919)	–	–	–	(42,372)
Net book amount at 30 June 2013	8,182,143	918,776	21,476	823,789	4,798,610
Net book amount at 1 January 2012	5,884,952	158,656	21,871	230,915	3,779,976
Business combinations	503	–	–	–	84,906
Other additions	1,041,695	315,119	–	120,760	706,834
Transfers	149,989	(149,989)	–	–	–
Disposals	(1,298)	–	–	–	–
Depreciation/amortisation	(868,772)	–	(228)	(3,166)	(384,574)
Exchange difference	(5,890)	–	–	–	7,275
Net book amount at 30 June 2012	6,201,179	323,786	21,643	348,509	4,194,417

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

There was no indication of impairment for fixed assets, construction in progress, investment properties, land use rights and intangible assets during the three and six months ended 30 June 2013.



Notes to the Interim Financial Information

8 INTERESTS IN ASSOCIATES

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Investments in associates		
– Listed shares	1,375,874	1,481,056
– Unlisted shares	5,532,720	4,829,057
	6,908,594	6,310,113
Investments in redeemable preference shares of associates	951,983	838,226
Loans to associates	212,915	161,927
	8,073,492	7,310,266

(a) Investments in associates

	Unaudited	
	Six months ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
At beginning of period	6,310,113	3,764,027
Additions (Note (i) and (ii))	579,645	746,342
Share of profit/(losses) of associates	177,451	(4,342)
Share of other comprehensive income of associates	495	–
Dividends received from associates	(26,519)	(21,748)
Partial disposal/disposal of associates	(132,591)	(68,263)
	6,908,594	4,416,016



Notes to the Interim Financial Information

8 INTERESTS IN ASSOCIATES (continued)

(a) Investments in associates (continued)

Note:

- (i) In June 2013, the Group acquired additional preference shares in Kingsoft Internet Security Software Holdings Limited (“KIS”), an existing associate of the Group which is principally engaged in development and sales of Internet security software and antivirus software, for a cash consideration of USD46,980,000 (equivalent to approximately RMB290,318,000), and increased the Group’s equity interest in KIS from approximately 10.0% to approximately 18.0%. Since the Group has significant influence in KIS through its representative in the board of directors, KIS is accounted for as an associate of the Group.
- (ii) In addition to the above, the Group acquired some other associates or made additional investments in existing associates for an aggregate consideration of RMB289,327,000 during the six months ended 30 June 2013. They are principally engaged in provision of online community services, online games development and other Internet-related businesses.

(b) Investments in redeemable preference shares of associates

As at 30 June 2013, the Group held certain redeemable preference shares in the associates, which are principally engaged in online community services, online games development and other Internet-related businesses. The redemption prices of the relevant shares are agreed at not less than their original subscription prices.

(c) Loans to associates

As at 30 June 2013, the aggregate principal amount of the loans to associates was RMB210,687,000 (31 December 2012: RMB159,993,000) with terms of two years generally. These loans are either with interest rates of 4.2% to 6.0% per annum or are interest-free.

(d) Transactions with associates

During the three and six months ended 30 June 2013, the Group entered into cooperation agreements with certain associates, pursuant to which the associates operate their games/applications on the Group’s Internet platforms, which are available to the users of the Group. The Group pays the associates a pre-determined percentage of the fees paid by and collected from end users for the virtual products/items utilised in their games/applications. In these arrangements, the Group acts as an agent and recognises the related revenue on a net basis. During the three and six months ended 30 June 2013 and 2012, revenues recorded by the Group from the above cooperation with associates were not material to the Group.

As at 30 June 2013, there were certain call or conversion options embedded in interests in associates. The directors of the Company considered that the fair values of such options were insignificant and accordingly, the Group did not separately recognise these options in the Interim Financial Information.



Notes to the Interim Financial Information

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
At beginning of period	5,632,590	4,343,602
Additions (Note (a) and (b))	815,309	252,063
Transfer to interests in associates	–	(31,139)
(Losses)/gains from changes in fair value	<u>(165,610)</u>	<u>756,343</u>
At end of period, all non-current	<u>6,282,289</u>	<u>5,320,869</u>
Market value of listed securities	<u>3,917,490</u>	<u>4,075,137</u>

Note:

- (a) In June 2013, the Group acquired certain equity interest in a company incorporated in US which is mainly engaged in the provision of eCommerce services in US and Europe, for a consideration of USD50,000,000 (equivalent to approximately RMB308,980,000).
- (b) The Group also acquired some other available-for-sale financial assets at an aggregate consideration of RMB506,329,000 during the six months ended 30 June 2013. They are principally engaged in software development, digital photo sharing and equity investments.

As at 30 June 2013, there were certain call or conversion options embedded in available-for-sale financial assets. The directors of the Company considered that the fair values of such options were insignificant and accordingly, the Group did not separately recognise these options in the Interim Financial Information.



Notes to the Interim Financial Information

10 ACCOUNTS RECEIVABLE

Accounts receivable and their ageing analysis are as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
0 - 30 days	1,622,650	1,406,915
31 - 60 days	475,591	552,772
61 - 90 days	448,567	257,286
Over 90 days	348,519	136,986
	<u>2,895,327</u>	<u>2,353,959</u>

Accounts receivable were mainly denominated in RMB.

Receivable balances as at 30 June 2013 mainly represented amounts due from telecommunications operators, including China Mobile Communications Corporation, China United Telecommunications Co. Ltd., China Telecommunications Corporation and their respective branches, subsidiaries and affiliates, as well as brand display advertising customers mainly located in the PRC.

While there are no contractual requirements for the telecommunications operators to pay amounts owed to the Group within a specified period of time, they usually settle the amounts due by them within a period of 30 to 120 days. Brand display advertising customers, which are mainly advertising agencies, are usually granted a credit period of 90 days after full execution of the contracted advertisement orders.

The directors of the Company considered that the carrying amounts of the receivable balances approximated to their fair value as at 30 June 2013.



Notes to the Interim Financial Information

11 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Included in non-current assets:		
Prepayment for purchase of buildings	–	243,754
Prepayment for licensed contents	566,257	575,452
Running royalty fees for online games	45,357	96,993
Loans to jointly controlled entities	69,490	49,765
Others	379,025	270,165
	1,060,129	1,236,129
Included in current assets:		
Running royalty fees for online games	2,188,920	1,640,229
Prepaid expenses	719,761	502,743
Refundable value-added tax	556,354	588,903
Interest receivables	689,005	353,202
Rental deposits and other deposits	132,720	119,976
Others	953,392	672,747
	5,240,152	3,877,800
	6,300,281	5,113,929

The directors of the Company considered that the carrying amounts of the prepayments, deposits and other assets approximated to their fair values as at 30 June 2013.

Prepayments, deposits and other assets were neither past due nor impaired. Their recoverability was assessed with reference made to the credit status of the respective recipients.



Notes to the Interim Financial Information

12 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME

The total authorised share capital of the Company comprises 10,000,000,000 ordinary shares (31 December 2012: 10,000,000,000 shares) with par value of HKD0.0001 per share (31 December 2012: HKD0.0001 per share).

As at 30 June 2013, the total number of issued ordinary shares of the Company was 1,852,482,351 shares (31 December 2012: 1,853,333,230 shares) which included 18,884,397 shares (31 December 2012: 19,349,672 shares) held under the Share Award Scheme (Note 13(b)). They were all fully paid up.

	Unaudited				Total RMB'000
	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	
At 1 January 2013	1,853,333,230	199	2,879,990	(667,464)	2,212,725
Employee share option schemes:					
– value of employee services	–	–	47,772	–	47,772
– shares issued and proceeds received	5,792,121	–	145,782	–	145,782
Employee share award scheme:					
– value of employee services	–	–	456,744	–	456,744
– shares purchased for share award scheme	–	–	–	(20,758)	(20,758)
– shares vested from share award scheme and transferred to the grantees	–	–	(13,548)	13,548	–
Repurchase and cancellation of shares	(6,643,000)	–	(1,323,451)	–	(1,323,451)
At 30 June 2013	1,852,482,351	199	2,193,289	(674,674)	1,518,814



Notes to the Interim Financial Information

12 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (continued)

	Number of ordinary shares	Unaudited			Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	
At 1 January 2012	1,839,814,008	198	1,950,876	(606,874)	1,344,200
Employee share option schemes:					
– value of employee services	–	–	55,669	–	55,669
– shares issued and proceeds received	4,430,528	–	113,640	–	113,640
Employee share award scheme:					
– value of employee services	–	–	295,814	–	295,814
– shares purchased for share award scheme	–	–	–	(16,946)	(16,946)
– shares vested from share award scheme and transferred to the grantees	–	–	(14,163)	14,163	–
Repurchase and cancellation of shares	(154,400)	–	(20,232)	–	(20,232)
At 30 June 2012	<u>1,844,090,136</u>	<u>198</u>	<u>2,381,604</u>	<u>(609,657)</u>	<u>1,772,145</u>



Notes to the Interim Financial Information

13 SHARE-BASED PAYMENTS

(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 Post-IPO Option Scheme III, under which the directors of the Company 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 Pre-IPO Option Scheme expired on 31 December 2011. Post-IPO Option Scheme I was terminated upon the adoption of the Post-IPO Option Scheme II.

In respect of Post-IPO Option Scheme II and Post-IPO Option Scheme III, the exercise price must be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. 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.

(i) Movements in share options

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2013	HKD11.13	4,596,489	HKD65.50	20,633,097	HKD158.50	1,000,000	26,229,586
Exercised	HKD11.51	(1,685,849)	HKD39.51	(4,106,272)	-	-	(5,792,121)
Lapsed	-	-	HKD147.04	(91,510)	-	-	(91,510)
At 30 June 2013	HKD10.91	<u>2,910,640</u>	HKD71.54	<u>16,435,315</u>	HKD158.50	<u>1,000,000</u>	<u>20,345,955</u>
Exercisable as at 30 June 2013	HKD10.91	<u>2,910,640</u>	HKD46.38	<u>8,072,784</u>	-	-	<u>10,983,424</u>
At 1 January 2012	HKD12.39	8,761,937	HKD59.97	26,156,088	HKD158.50	1,000,000	35,918,025
Exercised	HKD15.65	(2,026,139)	HKD45.06	(2,404,389)	-	-	(4,430,528)
Lapsed	HKD8.17	(157)	HKD47.31	(85,024)	-	-	(85,181)
At 30 June 2012	HKD11.41	<u>6,735,641</u>	HKD61.53	<u>23,666,675</u>	HKD158.50	<u>1,000,000</u>	<u>31,402,316</u>
Exercisable as at 30 June 2012	HKD11.16	<u>6,615,641</u>	HKD40.87	<u>9,526,152</u>	-	-	<u>16,141,793</u>



Notes to the Interim Financial Information

13 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options (continued)

During the six months ended 30 June 2013 and 2012, no share option was granted to any director of the Company.

As a result of options exercised during the six months ended 30 June 2013, 5,792,121 ordinary shares (during the six months ended 30 June 2012: 4,430,528 ordinary shares) were issued by the Company (Note 12). The weighted average price of the shares at the time these options were exercised was HKD286.19 per share (equivalent to approximately RMB229.08 per share) (for the six months ended 30 June 2012: HKD213.57 per share (equivalent to approximately RMB173.46 per share)).

(ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2013 and 31 December 2012 are as follows:

Expiry Date	Range of exercise price	Number of share options	
		30 June 2013	31 December 2012
10 years commencing from the adoption date of 24 March 2004 (Post-IPO Option Scheme I)	HKD3.665-HKD8.35	1,480,149	2,362,976
	HKD11.55-HKD25.26	1,430,491	2,233,513
		2,910,640	4,596,489
7 years commencing from the date of grant of options (Post-IPO Option Scheme II)	HKD31.75-HKD43.50	6,753,317	9,718,200
	HKD45.50-HKD90.30	5,980,323	7,125,022
	HKD128.40-HKD248.80	3,701,675	3,789,875
	16,435,315	20,633,097	
10 years commencing from the date of grant of options (Post-IPO Option Scheme III)	HKD158.50	1,000,000	1,000,000
		20,345,955	26,229,586



Notes to the Interim Financial Information

13 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(ii) Outstanding share options (continued)

The outstanding share options as of 30 June 2013 were divided into four or five tranches on an equal basis as at their grant date. The first tranche can be exercised after a specified period ranging from one to three years from the grant date, and the remaining tranches are exercisable in each subsequent year.

(b) Share award scheme

The Company has adopted a share award scheme (the “Share Award Scheme”), which is managed by an independent trustee appointed by the Group (the “Trustee”). The vesting period of the awarded share is determined by the Board.

Movements in the number of shares held for the Share Award Scheme and awarded shares for the six months ended 30 June 2013 and 2012 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2013	405,230	18,944,442	19,349,672
Purchased and withheld	110,343	–	110,343
Granted	(420,337)	420,337	–
Lapsed	460,742	(460,742)	–
Vested and transferred	–	(575,618)	(575,618)
At 30 June 2013	555,978	18,328,419	18,884,397
Vested but not transferred as at 30 June 2013			–
At 1 January 2012	1,970,840	15,838,999	17,809,839
Purchased and withheld	107,981	–	107,981
Granted	(759,400)	759,400	–
Lapsed	321,925	(321,925)	–
Vested and transferred	–	(499,528)	(499,528)
At 30 June 2012	1,641,346	15,776,946	17,418,292
Vested but not transferred as at 30 June 2012			3,005



Notes to the Interim Financial Information

13 SHARE-BASED PAYMENTS (continued)

(b) Share award scheme (continued)

During the six months ended 30 June 2013 and 2012, no awarded share was granted to any director of the Company.

The fair value of the Awarded Shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of Awarded Shares granted during the six months ended 30 June 2013 was HKD299.56 per share (equivalent to approximately RMB240.97 per share) (during the six months ended 30 June 2012: HKD215.62 per share (equivalent to approximately RMB183.07 per share)).

The outstanding awarded shares as of 30 June 2013 were divided into two to five tranches on an equal basis as at their grant date. The first tranche can be exercised immediately or after a specified period ranging from six months to four years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(c) Employee incentive scheme

In 2011, the Group established an employee incentive scheme in a form of limited liability partnership (the "EIS") for incentive purpose pursuant to a shareholders' resolution passed at the 2011 annual general meeting of the Company held on 11 May 2011. The Board may, at its absolute discretion, select any employees of the Group to participate in the EIS by subscribing for partnership interest at cash consideration. The total cash contribution by selected employees is limited to approximately RMB80,000,000. The participating employees are entitled to all the economic benefits generated by the EIS (if any) after a specified vesting period under the EIS, ranging from 4 to 7 years. A wholly-owned subsidiary of the Company which acts as a general partner of the EIS manages and in essence, controls it. The EIS is therefore consolidated by the Company. In addition, because certain continuous service conditions are attached to the partnership interest subscribed by the employees, the EIS is accounted for as an equity-settled share-based payment transaction, the expenses of which for the six months ended 30 June 2013 and 2012 were considered not material to the Group by the directors of the Company.



Notes to the Interim Financial Information

13 SHARE-BASED PAYMENTS (continued)

(d) Share options and restricted share award schemes adopted by non-wholly owned subsidiaries

Other than the above, certain non-wholly owned subsidiaries of the Company operate their own share-based compensation plans (share option and/or restricted share award schemes). The exercise prices of the share options, as well as the vesting periods of the share options and restricted shares are determined by the board of directors of these subsidiaries at their sole discretion in accordance with the relevant plans. Similar to the share option/award schemes adopted by the Company, the share options or restricted shares of the subsidiaries so granted are normally vested in several tranches.

The directors of the Company considered that the fair value of share options/restricted shares granted under the share-based compensation plans of the non-wholly owned subsidiaries, and the relevant share-based compensation expense charged to the consolidated income statement of the Group for the six months ended 30 June 2013 and 2012, are not significant to the Group.

(e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the share option and share award schemes (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the income statement. As at 30 June 2013, the Expected Retention Rate for the grantees from the Group’s wholly-owned subsidiaries was assessed to be 91% (31 December 2012: 91%).

14 ACCOUNTS PAYABLE

Accounts payable and their ageing analysis are as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
0 - 30 days	4,082,922	3,573,610
31 - 60 days	500,154	430,408
61 - 90 days	586,765	176,116
Over 90 days	1,240,648	31,599
	6,410,489	4,211,733



Notes to the Interim Financial Information

15 OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Staff costs and welfare accruals	2,171,108	2,221,853
Marketing and administrative expense accruals	1,230,510	872,886
Prepayments received from customers and eCommerce business (Note)	3,155,380	2,486,804
Running royalty fee for online games	61,787	43,999
Purchase consideration payables for business combinations	34,877	40,345
Others	892,350	635,562
	<u>7,546,012</u>	<u>6,301,449</u>

Note:

Certain prepayments received from eCommerce business were recorded as restricted cash.

16 LONG-TERM PAYABLES

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Liabilities in relation to the put options granted to non-controlling shareholders of subsidiaries	1,209,111	1,137,770
Purchase consideration payables for business combinations	97,321	103,885
Running royalty fee for online games	45,357	96,993
Others	184,051	169,930
	<u>1,535,840</u>	<u>1,508,578</u>



Notes to the Interim Financial Information

17 BORROWINGS

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings		
– Unsecured (Note)	2,471,480	2,105,643
Included in current liabilities:		
RMB bank borrowings		
– Secured	–	15,000
– Unsecured	60,000	25,000
USD bank borrowings		
– Unsecured	–	942,825
Current portion of long-term USD bank borrowings		
– Unsecured (Note)	308,935	94,283
	368,935	1,077,108
	2,840,415	3,182,751

Movement in the borrowings is analysed as follows:

	Unaudited	
	Six months ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
At beginning of period	3,182,751	7,999,440
Additions of bank borrowings	1,893,000	1,893,240
Repayments of bonds	–	(629,190)
Repayments of bank borrowings	(2,187,275)	(4,729,060)
Exchange difference	(48,061)	23,628
At end of period	2,840,415	4,558,058



Notes to the Interim Financial Information

17 BORROWINGS (continued)

Note:

Unsecured long-term bank borrowings of carrying amount of RMB2,780,415,000 as at 30 June 2013 were denominated in USD. The aggregate principal amount was USD450,000,000 with interest rates of LIBOR plus 1.05% to 1.97% per annum.

The unsecured long-term bank borrowings were repayable as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Within 1 year	308,935	94,283
Between 1 and 2 years	1,266,634	188,565
Between 2 and 5 years	1,204,846	1,917,078
	2,780,415	2,199,926

The fair value of the borrowings approximated to their carrying amounts as at 30 June 2013.

18 LONG-TERM NOTES PAYABLE

On 12 December 2011, the Company issued long-term notes (the "2011 Notes") with an aggregate principal amount of USD600,000,000 for general corporate purposes. The 2011 Notes bear an interest at 4.625% per annum from 12 December 2011, payable semi-annually in arrears on 12 June and 12 December of each year, beginning on 12 June 2012. The 2011 Notes are listed on Singapore Exchange Securities Trading Limited and will mature on 12 December 2016.

On 5 September 2012, the Company issued another long-term notes (the "2012 Notes") with an aggregate principal amount of USD600,000,000 for general corporate purposes. The 2012 Notes bear an interest at 3.375% per annum from 5 September 2012, payable semi-annually in arrears on 5 March and 5 September of each year, beginning on 5 March 2013. The 2012 Notes are listed on the Stock Exchange and will mature on 5 March 2018.

As at 30 June 2013, the aggregate fair value of these notes was RMB7,651,331,000. The fair value is calculated using the market price of the senior notes on the balance sheet date.



Notes to the Interim Financial Information

19 DEFERRED INCOME TAXES

The movements of the deferred income tax assets/liabilities account were as follows:

	Deferred income tax assets RMB'000	Unaudited Deferred income tax liabilities RMB'000	Deferred income tax, net RMB'000
At 1 January 2013	168,906	(1,311,562)	(1,142,656)
Credit/(Charge) to consolidated income statement	12,546	(199,007)	(186,461)
Charge to other comprehensive income	(7,317)	(65,506)	(72,823)
Withholding tax paid in relation to the remittance of dividends from the PRC to foreign investors	–	187,224	187,224
Exchange difference	–	849	849
At 30 June 2013	174,135	(1,388,002)	(1,213,867)
At 1 January 2012	198,058	(939,534)	(741,476)
Charge to consolidated income statement	(15,818)	(105,714)	(121,532)
Credit to other comprehensive income	2,368	–	2,368
Temporary differences arising from a business combination	–	(3,082)	(3,082)
Withholding tax paid in relation to the remittance of dividends from the PRC to foreign investors	–	156,968	156,968
Exchange difference	–	(2,460)	(2,460)
At 30 June 2012	184,608	(893,822)	(709,214)



Notes to the Interim Financial Information

20 OTHER GAINS/(LOSSES), NET

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Dividend income	6,658	11,125	444,732	11,125
Gains on partial disposal/disposal of associates	24,864	–	24,864	11,543
Subsidies and tax rebates	15,268	13,258	55,782	32,836
Donation to Tencent Charity Fund	–	–	(120,000)	(60,000)
Others	34,897	(27,602)	27,172	(62,365)
	81,687	(3,219)	432,550	(66,861)

21 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefits expenses (Note)	2,583,036	1,908,491	5,002,030	3,597,857
Content costs and agency fees	2,119,914	1,697,518	4,053,328	3,140,491
Cost of merchandise sold	2,006,328	810,273	3,736,339	1,524,365
Mobile and telecommunications charges and bandwidth and server custody fees	1,028,652	817,869	2,020,111	1,593,286
Promotion and advertising expenses	842,671	386,383	1,447,069	663,444
Depreciation of fixed assets (Note)	599,928	444,716	1,160,277	868,772
Operating lease rentals in respect of office buildings	210,648	145,827	415,106	288,674
Amortisation of intangible assets	209,381	142,464	371,092	384,574
Travelling and entertainment expenses	94,769	73,669	165,108	131,113
Other expenses	530,018	356,006	967,155	650,231
	10,225,345	6,783,216	19,337,615	12,842,807



Notes to the Interim Financial Information

21 EXPENSES BY NATURE (continued)

Note:

Research and development expenses for the three and six months ended 30 June 2013 were RMB1,240,723,000 and RMB2,440,812,000 (for the three and six months ended 30 June 2012: RMB1,042,440,000 and RMB1,983,203,000, respectively) which included employee benefit expenses of RMB1,002,073,000 and depreciation of fixed assets of RMB133,134,000 for the three months ended 30 June 2013 (for the three months ended 30 June 2012: RMB842,449,000 and RMB109,412,000, respectively) and employee benefit expenses of RMB1,988,786,000 and depreciation of fixed assets of RMB258,028,000 for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB1,617,522,000 and RMB217,176,000, respectively). No research and development expenses had been capitalised for the six months ended 30 June 2013 and 2012.

22 FINANCE INCOME/(COSTS), NET

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Interest and related expenses	(92,002)	(69,344)	(190,306)	(136,922)
Exchange gains/(losses)	106,335	(45,912)	122,441	(48,316)
	14,333	(115,256)	(67,865)	(185,238)

Interest and related expenses mainly arose from the borrowings (Note 17) and long-term notes payable (Note 18).

23 TAX EXPENSES

(a) Income tax

- (i) Cayman Islands and British Virgin Islands profits tax

The Group was not subject to any taxation in the Cayman Islands and British Virgin Islands for the three and six months ended 30 June 2013 and 2012.

- (ii) Hong Kong profits tax

Hong Kong profits tax provision has been provided at the rate of 16.5% on the estimated assessable profits for the three and six months ended 30 June 2013 and 2012.



Notes to the Interim Financial Information

23 TAX EXPENSES (continued)

(a) Income tax (continued)

(iii) PRC Corporate Income Tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the three and six months ended 30 June 2013 and 2012, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People’s Congress on 16 March 2007 (the “CIT Law”), the CIT rate is 25% for domestic and foreign enterprise in 2013.

In 2011, certain subsidiaries of the Company 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 a 3-year period from 2011 to 2013 according to the applicable CIT Law.

In addition, according to relevant tax circulars issued by the PRC tax authorities, certain subsidiaries of the Company 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.

(iv) United States corporate income tax

United States corporate income tax provision was provided for the three and six months ended 30 June 2013 and 2012 for the entities within the Group which were incorporated in the US with estimated assessable profits, at applicable tax rate of 36%.

(v) Corporate income tax in other countries

Corporate income tax provision has been provided for the three and six months ended 30 June 2013 for the entities within the Group which were incorporated in Europe, East Asia and South America to the extent that there were estimated assessable profits under these jurisdictions, at applicable tax rates ranging from 12.5% to 35%.



Notes to the Interim Financial Information

23 TAX EXPENSES (continued)

(a) Income tax (continued)

(vi) PRC withholding tax

According to applicable PRC tax regulations, 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. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain Hong Kong intermediate holding companies which are expected to fulfill the aforesaid conditions.

The income tax expense of the Group for the three and six months ended 30 June 2013 and 2012 are analysed as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current tax	866,677	631,810	1,768,697	1,236,965
Deferred income tax (Note 19)	59,480	76,014	186,461	121,532
	<u>926,157</u>	<u>707,824</u>	<u>1,955,158</u>	<u>1,358,497</u>



Notes to the Interim Financial Information

23 TAX EXPENSES (continued)

(a) Income tax (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the three and six months ended 30 June 2013 and 2012, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Profit before income tax	4,610,412	3,818,395	9,710,541	7,431,398
Share of (profit)/losses of associates and jointly controlled entities	(30,975)	3,964	(150,784)	12,337
	<u>4,579,437</u>	<u>3,822,359</u>	<u>9,559,757</u>	<u>7,443,735</u>
Tax calculated at a tax rate of 25%	1,144,859	955,590	2,389,939	1,860,934
Effects of different tax rates applicable to different subsidiaries of the Group	(423,451)	(308,254)	(849,229)	(672,381)
Effects of tax holiday on assessable profits of subsidiaries	(21,045)	(67,650)	(42,935)	(135,057)
Income not subject to tax	(42,499)	(27,478)	(79,007)	(46,456)
Expenses not deductible for tax purposes	80,827	60,843	154,887	120,092
Withholding tax on earnings expected to be remitted by PRC subsidiaries	70,000	78,603	212,000	171,603
Unrecognised deferred income tax assets	97,688	29,588	149,725	73,180
Others	19,778	(13,418)	19,778	(13,418)
Income tax expense	<u>926,157</u>	<u>707,824</u>	<u>1,955,158</u>	<u>1,358,497</u>



Notes to the Interim Financial Information

23 TAX EXPENSES (continued)

(b) Value-added tax, business tax and related taxes

The operations of the Group are also subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Value-added tax ("VAT")	6-17%	Sales value of goods sold and service fee income, offsetting by VAT on purchases
	3%	Sales value of goods sold and services fee income
Business tax ("BT")	3-5%	Services fee income
City construction tax	7%	Net VAT and BT payable amount
Construction fee for cultural undertakings	3%	Advertising income
Educational surcharge	5%	Net VAT and BT payable amount

24 EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("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:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013	2012	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	<u>3,680,389</u>	<u>3,100,075</u>	<u>7,724,208</u>	<u>6,049,585</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,831,783</u>	<u>1,826,071</u>	<u>1,833,341</u>	<u>1,824,501</u>
Basic EPS (RMB per share)	<u>2.009</u>	<u>1.698</u>	<u>4.213</u>	<u>3.316</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).



Notes to the Interim Financial Information

24 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates should also have potential dilutive effect on the EPS. During the three and six months ended 30 June 2013, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013	2012	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	3,680,389	3,100,075	7,724,208	6,049,585
Weighted average number of ordinary shares in issue (thousand shares)	1,831,783	1,826,071	1,833,341	1,824,501
Adjustments for share options (thousand shares)	17,243	23,766	18,332	24,406
Adjustments for awarded shares (thousand shares)	13,743	11,496	13,744	11,515
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	1,862,769	1,861,333	1,865,417	1,860,422
Diluted EPS (RMB per share)	1.976	1.665	4.141	3.252

25 DIVIDENDS

A final dividend in respect of the year ended 31 December 2012 of HKD1.00 per share (2011: HKD0.75 per share) was proposed pursuant to a resolution passed by the Board on 20 March 2013 and approved by the shareholders at the 2013 annual general meeting of the Company held on 15 May 2013. Such dividend, amounted to HKD1,832,450,000 (equivalent to approximately RMB1,468,159,000) (final dividend for 2011: HKD1,369,117,000 (equivalent to approximately RMB1,107,889,000)), had been paid as at 30 June 2013.

The Board did not propose any interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).



Notes to the Interim Financial Information

26 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2013.

27 COMMITMENTS

(a) Capital commitments

Capital commitments as at 30 June 2013 and 31 December 2012 are analysed as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Contracted:		
Construction/purchase of buildings and purchase of land use rights	2,376,394	446,869
Purchase of other fixed assets	246,750	142,226
Capital investment in investees	997,875	868,377
	<u>3,621,019</u>	<u>1,457,472</u>
Authorised but not contracted:		
Construction/purchase of buildings and purchase of land use rights	1,042,619	1,109,244
Capital investment in investees	–	450,400
	<u>1,042,619</u>	<u>1,559,644</u>
	<u><u>4,663,638</u></u>	<u><u>3,017,116</u></u>



Notes to the Interim Financial Information

27 COMMITMENTS (continued)

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Contracted:		
Not later than one year	523,611	533,308
Later than one year and not later than five years	1,232,412	1,359,686
Later than five years	258,419	288,003
	<u>2,014,442</u>	<u>2,180,997</u>

(c) Other commitments

The future aggregate minimum payments under non-cancellable bandwidth and server custody leases, online game licensing and contents agreements are as follows:

	Unaudited	Audited
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Contracted:		
Not later than one year	1,258,416	1,051,632
Later than one year and not later than five years	1,347,649	1,299,057
	<u>2,606,065</u>	<u>2,350,689</u>



Notes to the Interim Financial Information

28 RELATED PARTIES TRANSACTIONS

Except as disclosed in Note 8 (loans to associates and transactions with associates), Note 11 (loans to jointly controlled entities), Note 13 (share option schemes and Share Award Scheme) to this Interim Financial Information, the Group had no other material transactions with related parties for the three and six months ended 30 June 2013, and no other material related parties' balances as at 30 June 2013.



Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(A) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of director	Nature of interest	Number of shares/ underlying shares held	Percentage of issued share capital
Ma Huateng	Corporate (Note 1)	189,892,880	10.25%
Zhang Zhidong	Corporate (Note 2)	65,000,000	3.51%
Lau Chi Ping Martin	Personal	9,203,600 (Note 3)	0.50%
Li Dong Sheng	Personal	40,000 (Note 4)	0.002%
Iain Ferguson Bruce	Personal	92,000 (Note 5)	0.005%
Ian Charles Stone	Personal	75,000 (Note 6)	0.004%

Note:

1. These shares are held by Advance Data Services Limited, a British Virgin Islands company wholly-owned by Ma Huateng.
2. These shares are held by Best Update International Limited, a British Virgin Islands company wholly-owned by Zhang Zhidong.



Other Information

3. The interest comprises 5,703,600 shares and 3,500,000 underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme II and the Post-IPO Option Scheme III. Details of the share options granted to this director are set out below under “Share Option Schemes”.
4. The interest represents the underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme I. Details of the share options granted to this director are set out below under “Share Option Schemes”.
5. The interest comprises 40,000 shares and 52,000 underlying shares in respect of the 40,000 share options granted pursuant to the Post-IPO Option Scheme I and 12,000 awarded shares granted pursuant to the Share Award Scheme. Details of the share options and awarded shares granted to this director are set out below under “Share Option Schemes” and “Share Award Scheme” respectively.
6. The interest comprises 66,000 shares and 9,000 underlying shares in respect of the 9,000 awarded shares granted pursuant to the Share Award Scheme. Details of the awarded shares granted to this director are set out below under “Share Award Scheme”.

(B) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATIONS

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Percentage of issued share capital
Ma Huateng	Tencent Computer	Personal	RMB16,285,710 (registered capital)	54.29%
	Shiji Kaixuan	Personal	RMB5,971,427 (registered capital)	54.29%
Zhang Zhidong	Tencent Computer	Personal	RMB6,857,130 (registered capital)	22.86%
	Shiji Kaixuan	Personal	RMB2,514,281 (registered capital)	22.86%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interest or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2013.



Other Information

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, under which the directors of the Company 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. No further options will be granted under the Pre-IPO Option Scheme and the Post-IPO Option Scheme I. Movements of the options under the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III are detailed in Note 13 to the Interim Financial Information as included in this interim report.

As at 30 June 2013, there were a total of 3,580,000 outstanding share options granted to the directors of the Company, details of which are as follows:

Name of director	Date of grant	Exercise price HKD	Number of share options			As at 30 June 2013	Exercise Period
			As at 1 January 2013	Granted during the period	Exercised during the period		
Lau Chi Ping Martin	5 July 2007	33.05	1,000,000	–	600,000 (Note 5)	400,000	5 July 2009 to 4 July 2014 (Note 2)
	5 July 2007	33.05	3,000,000	–	900,000 (Note 5)	2,100,000	5 July 2010 to 4 July 2014 (Note 3)
	24 March 2010	158.50	1,000,000	–	–	1,000,000	24 March 2015 to 23 March 2020 (Note 4)
	Total:		5,000,000	–	1,500,000	3,500,000	
Li Dong Sheng	4 April 2007	25.26	40,000	–	–	40,000	4 April 2008 to 23 March 2014 (Note 1)
Iain Ferguson Bruce	4 April 2007	25.26	40,000	–	–	40,000	4 April 2008 to 23 March 2014 (Note 1)
Ian Charles Stone	4 April 2007	25.26	60,000	–	60,000 (Note 5)	–	4 April 2008 to 23 March 2014 (Note 1)
	Grand Total:		5,140,000	–	1,560,000	3,580,000	



Other Information

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 20% of the option can be exercised one year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
2. For options granted with exercisable date determined based on the grant date of options, the first 20% of the option can be exercised two years after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 20% of the option can be exercised three years after the grant date, and 20% each of the total options will become exercisable in each subsequent year, except the last 20% of the total options which will become exercisable in the eleventh month after the fourth 20% of the total options become exercisable.
4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the option can be exercised five years after the grant date, and 25% each of the total options will become exercisable in each subsequent year.
5. The closing price immediately before the dates on which the options were exercised by each of the directors were as follows:-

Name of director	Closing prices HKD
Lau Chi Ping Martin	309.4
Ian Charles Stone	300.4

6. No options were granted, cancelled or lapsed during the period.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme in which eligible persons (including any director) of the Group will be entitled to participate. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on the adoption date. The maximum number of shares which can be awarded under the Share Award Scheme and to an Awarded Person are limited to two percent (i.e. 35,755,232 shares) and one percent (i.e. 17,877,616 shares) of the issued share capital of the Company respectively as at the date of adoption.

Pursuant to the Share Award Scheme, the Board shall select the eligible persons for participation in the Share Award Scheme and determine the number of shares to be awarded. Shares will be acquired by an independent trustee at the cost of the Company or shares will be allotted to the independent trustee under the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time and be held in trust for the Awarded Persons, excluding the directors and substantial shareholders of the Group, until the end of each vesting period.

Vested shares will be transferred at no cost to the Awarded Persons. The Company shall comply with the relevant Listing Rules when granting the Awarded Shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.



Other Information

The Awarded Shares and the related income derived therefrom are subject to a vesting scale to be determined by the Board at the date of the grant of the award. Vesting of the Awarded Shares will be conditional on the Awarded Persons satisfying all vesting conditions specified by the Board at the time of making the award and, for the majority of the Awarded Persons, the relevant Awarded Shares will be transferred to the Awarded Persons on or about the relevant vesting dates.

During the six months ended 30 June 2013, a total of 420,337 Awarded Shares were granted and no Awarded Shares was granted to the directors of the Company. Details of the movements in the Share Award Scheme during the six months ended 30 June 2013 are set out in Note 13 to the Interim Financial Information as included in this interim report.

As at 30 June 2013, there were a total of 21,000 outstanding Awarded Shares granted to directors of the Company, details of which are as follows:

Name of director	Date of grant	Number of Awarded Shares				Vesting period
		As at 1 January 2013	Granted during the period	Vested during the period	As at 30 June 2013	
Iain Ferguson Bruce	17 March 2011	16,000	–	4,000	12,000	17 March 2012 to 17 March 2016
Ian Charles Stone	17 March 2011	12,000	–	3,000	9,000	17 March 2012 to 17 March 2016
	Total:	<u>28,000</u>	<u>–</u>	<u>7,000</u>	<u>21,000</u>	



Other Information

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

Ma Huateng, age 41, is an executive director, Chairman of the Board and CEO of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma is a deputy to the 5th Shenzhen Municipal People's Congress and the 12th National People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and more than 19 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited, which holds shares of the Company and also a substantial shareholder of the Company. Mr Ma is entitled to an annual base salary of RMB4,245,800 in 2013 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Lau Chi Ping Martin, age 40, is an executive director with effect from 21 March 2007. Mr Lau was appointed as the President of the Company in February 2006 to assist Mr Ma, Chairman of the Board and CEO, in managing the day-to-day operation of the Company. In February 2005, he joined the Company as the Chief Strategy and Investment Officer of the Company, and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. Prior to joining the Company, Mr Lau was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at Mckinsey & Company, Inc. as a management consultant. Mr Lau received a Bachelor of Science Degree in Electrical Engineering from the University of Michigan, a Master of Science Degree in Electrical Engineering from Stanford University and a MBA from Kellogg Graduate School of Management, Northwestern University. On 28 July 2011, Mr Lau was appointed as a non-executive director of Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider listed in Hong Kong. Mr Lau is entitled to an annual base salary of USD685,600 in 2013 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Zhang Zhidong, age 41, is an executive director and Chief Technology Officer of the Company. Mr Zhang has overall responsibilities for the development of our proprietary technologies, including the basic IM platform and massive-scale online application systems. Mr Zhang is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Zhang worked at Liming Network Group focusing on software and network application systems research and development. Mr Zhang has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and a Master's degree in Computer Application and System Structure from South China University of Technology obtained in 1996. Mr Zhang has more than 16 years of experience in the telecommunications and Internet industries. He is also a director of Best Update International Limited which holds shares of the Company. Mr Zhang is entitled to an annual base salary of RMB2,971,800 in 2013 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.



Other Information

Jacobus Petrus Bekker, age 60, has been a non-executive director since November 2012. Mr Bekker is the managing director and CEO of Naspers Limited, a company listed on the Johannesburg Stock Exchange since 1997 and the controlling shareholder of the Company. Mr Bekker is one of the founding members of M-Net/ MultiChoice South Africa pay-television business in 1985. He was also a founder of the cellular telephony business MTN. Mr Bekker led the MIH group until 1997 when he became CEO of Naspers Limited. He served on the local organising committee for the 2010 FIFA World Cup and the Council of the University of Stellenbosch. Mr Bekker obtained a Bachelor of Arts degree in law and an honours degree in languages at the University of Stellenbosch in 1974 and 1975 respectively. He also obtained a Bachelor of Laws degree from University of the Witwatersrand in 1978 and an MBA from Columbia University in 1984. Mr Bekker was awarded an honorary doctorate degree in commerce from the University of Stellenbosch. Mr Bekker as a non-executive director is not entitled to any director's fee or emoluments.

Charles St Leger Searle, age 49, has been a non-executive director since June 2001. Mr Searle is currently CEO of MIH Internet Listed Assets. Prior to joining the MIH group companies, he held various corporate finance positions at Cable & Wireless plc and Hong Kong Telecom. Prior to joining Cable & Wireless plc, he was a senior corporate finance manager at Deloitte & Touche in London and Sydney. Currently, Mr Searle serves on the boards of directors of a number of companies that are subsidiaries of or associated companies with MIH. Mr Searle graduated from the University of Cape Town in 1987 with a Bachelor of Commerce degree and is a member of the Institute of Chartered Accountants in Australia (1992). Mr Searle has more than 19 years of experience in the telecommunications and Internet industries. Mr Searle as a non-executive director is not entitled to any director's fee or emoluments.

Li Dong Sheng, age 56, has been an independent non-executive director since April 2004. Mr Li is the Chairman and CEO of TCL Corporation, the Chairman of the Hong Kong listed TCL Multimedia Technology Holdings Limited and the Chairman of the Hong Kong listed TCL Communication Technology Holdings Limited, all of which produce consumer electronic products. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 18 years of experience in the information technology field. Mr Li is entitled to a director's fee of HKD450,000 per annum for the year 2013, which is determined with reference to his duties and responsibilities with the Company.



Other Information

Iain Ferguson Bruce, age 72, has been an independent non-executive director since April 2004. Mr Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the Senior Partner of KPMG from 1991 until his retirement in 1996 and served as Chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr Bruce has been a member of the Institute of Chartered Accountants of Scotland and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 48 years' experience in the accounting profession. He is also a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities Institute. Mr Bruce is currently an independent non-executive director of Goodbaby International Holdings Limited, a manufacturer of durable juvenile products, Paul Y. Engineering Group Limited, a construction and engineering services company, Sands China Ltd., an operator of integrated resorts and casinos, Vitasoy International Holdings Limited, a beverage manufacturing company, and Wing On Company International Limited, a department store operating and real property investment company; all of these companies are publicly listed companies in Hong Kong. Mr Bruce is also a non-executive director of Noble Group Limited, a commodity trading company that is publicly listed in Singapore, of China Medical Technologies, Inc., a China-based medical device company that is listed on NASDAQ, and of Yingli Green Energy Holding Company Limited, a China-based vertically integrated photovoltaic product manufacturer that is listed on the New York Stock Exchange. Mr Bruce is an independent non-executive director of Citibank (Hong Kong) Limited and is the Chairman of KCS Limited. Mr Bruce is entitled to a director's fee of HKD800,000 per annum for the year 2013, which is determined with reference to his duties and responsibilities with the Company.

Ian Charles Stone, age 62, has been an independent non-executive director since April 2004. Mr Stone is currently an Advisor on International Projects for PCCW Limited and CEO of SITC (a PCCW joint venture) in Saudi Arabia. Since 2001 in PCCW he has been CEO of UK Broadband in UK and then PCCW Mobile in Hong Kong, followed by being the Managing Director of the International Projects business. Mr Stone has more than 42 years of experience in the telecom and mobile industries. He was CEO of SmarTone between 1999 and 2001 prior to which held various senior positions in telecom businesses of the First Pacific Group in Hong Kong and Philippines. Mr Stone has also held senior positions at Cable & Wireless plc and Hong Kong Telecom, including as Managing Director of CSL and Commercial Director of Hong Kong Telecom. Mr Stone is a fellow member of The Hong Kong Institute of Directors. Mr Stone is entitled to a director's fee of HKD550,000 per annum for the year 2013, which is determined with reference to his duties and responsibilities with the Company.



Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

LONG POSITION IN THE SHARES IN THE COMPANY

Name of shareholder	Nature of interest	Number of shares held	Percentage of issued share capital
MIH TC	Corporate (Note 1)	630,240,380	34.02%
Advance Data Services Limited	Corporate (Note 2)	189,892,880	10.25%

Note:

1. As MIH TC is controlled by Naspers Limited through its wholly-owned intermediary companies, MIH (Mauritius) Limited, MIH Ming He Holdings Limited and MIH Holdings (Proprietary) Limited (formerly known as MIH Holdings Limited). As such, Naspers Limited, MIH (Mauritius) Limited, MIH Ming He Holdings Limited and MIH Holdings (Proprietary) Limited (formerly known as MIH Holdings Limited) are deemed to be interested in the same block of 630,240,380 shares under Part XV of the SFO.
2. As Advance Data Services Limited is wholly-owned by Ma Huateng, Mr Ma has interest in these shares as disclosed under the section of "Directors' Interests in Securities".

Save as disclosed above, the Company had not been notified of any other persons (other than a director or chief executive of the Company) who, as at 30 June 2013, had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.



Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2013, the Company repurchased 6,643,000 shares on the Stock Exchange for an aggregate consideration of approximately HKD1,634.3 million before expenses. The repurchased shares were subsequently cancelled. The repurchases were effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the six months ended 30 June 2013	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
March	2,057,300	258.8	239.6	508,772,607
April	<u>4,585,700</u>	251.4	238.4	<u>1,125,505,991</u>
Total:	<u>6,643,000</u>			<u>1,634,278,598</u>

Save as disclosed above and in the Interim Financial Information, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2013.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 25,517 employees (30 June 2012: 20,000). 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 six months ended 30 June 2013 was RMB5,002 million (for the six months ended 30 June 2012: RMB3,598 million).



Other Information

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 2013.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The directors of the Company have complied with such code of conduct throughout the accounting periods covered by this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the 2012 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 CG Code during the period from 1 January 2013 to 30 June 2013.

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.



Definition

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Awarded Person”	a person who is eligible to participate in the Share Award Scheme
“Awarded Shares”	the shares of the Company awarded under the Share Award Scheme
“B2C”	business to consumer
“Board”	the board of directors of the Company
“CEO”	chief executive officer
“CG Code”	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
“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
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Epic Games”	Epic Games, Inc.
“EPS”	earnings per share
“EUR”	the common currency that have been adopted by the 17 European Union countries
“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
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering



Definition

Term	Definition
“IVAS”	Internet value-added services
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LoL”	League of Legends
“Mail.ru”	Mail.ru Group Limited
“MAU”	monthly active user accounts
“MIH TC”	MIH TC Holdings Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MVAS”	mobile and telecommunications value-added services
“PC(s)”	personal computer(s)
“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
“S&P”	Standard & Poor’s Rating Services
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Award Scheme”	the share award scheme adopted by the Company on 13 December 2007



Definition

Term	Definition
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Fund”	a charity fund established by the Group
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited
“TWD”	the official currency of Taiwan
“United States” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services
“WAP”	Wireless Application Protocol





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