

For Immediate Release

TENCENT ANNOUNCES 2013 FIRST QUARTER RESULTS

Hong Kong, May 15, 2013 –Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 00700), a leading provider of comprehensive Internet services in China, today announced the unaudited consolidated results for the first quarter of 2013 ended March 31, 2013.

Highlights of the first quarter of 2013:

- Total revenues were RMB13,547.6 million (USD2,161.1million¹), an increase of 11.5% over the fourth quarter of 2012 (“QoQ”) or an increase of 40.4% over the first quarter of 2012 (“YoY”).
- Revenues from value-added services (“VAS”) were RMB10,666.1 million (USD1,701.4 million), an increase of 13.6% QoQ or an increase of 28.6% YoY.
- Revenues from online advertising were RMB849.5 million (USD135.5 million), a decrease of 10.3% QoQ or an increase of 57.3% YoY.
- Revenues from eCommerce transactions were RMB1,913.3 million (USD305.2 million), an increase of 13.6% QoQ or an increase of 154.2% YoY.
- Gross profit was RMB7,593.8 million (USD1,211.3 million), an increase of 10.4% QoQ or an increase of 30.7% YoY. Gross margin decreased to 56.1% from 56.6% last quarter.
- Operating profit was RMB5,062.5 million (USD807.6 million), an increase of 35.9% QoQ or an increase of 37.1% YoY. Operating margin increased to 37.4% from 30.7% last quarter. Non-GAAP operating profit² was RMB5,060.9 million (USD807.3 million), an increase of 17.1% QoQ or an increase of 24.4% YoY. Non-GAAP operating margin increased to 37.4% from 35.5% last quarter.
- Profit for the quarter was RMB4,071.1 million (USD649.4 million), an increase of 17.3% QoQ or an increase of 37.4% YoY. Net margin increased to 30.1% from 28.6% last quarter. Non-GAAP profit for the quarter² was RMB4,089.3 million (USD652.3 million), flat QoQ or an increase of 23.5% YoY. Non-GAAP net margin decreased to 30.2% from 33.7% last quarter.
- Profit attributable to equity holders of the Company for the quarter was RMB4,043.8 million (USD645.1 million), an increase of 16.8% QoQ or an increase of 37.1% YoY. Non-GAAP profit attributable to equity holders of the Company for the quarter² was RMB4,037.7 million (USD644.1 million), a decrease of 0.7% QoQ or an increase of 23.1% YoY.
- Basic earnings per share were RMB2.204. Diluted earnings per share were RMB2.166.
- Key platform statistics:
 - Monthly active user accounts (“MAU”) of Instant Messaging (“IM”) were 825.4 million, an increase of 3.4% QoQ or an increase of 9.8% YoY.
 - Peak simultaneous online user accounts (“PCU”) of IM were 173.0 million, a decrease of 1.9% QoQ or an increase of 3.3% YoY.
 - Combined MAU of Weixin and WeChat were 194.4 million, an increase of 23.1% QoQ or an increase of 228.4% YoY.
 - MAU of Qzone were 611.0 million, an increase of 1.4% QoQ or an increase of 5.9% YoY.

¹ Figures stated in USD are based on USD1 to RMB6.2689

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

- PCU of QQ Game Platform were 9.2 million, an increase of 4.5% QoQ or an increase of 4.5% YoY.
- Fee-based VAS registered subscriptions were 104.6 million, flat QoQ or a decrease of 10.1% YoY.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "During the first quarter of 2013, we saw broad-based growth in user engagement and revenue across our key activities. This growth has enabled us to fund investments in longer-term opportunities such as WeChat international user acquisition, online video content aggregation, and eCommerce footprint expansion, while maintaining a healthy expansion rate in earnings and cash flow. We saw both strategic and financial benefits from our portfolio of investee companies, including a further special dividend from Mail.ru. We will continue to invest proactively in innovation and technology, and to cultivate our open platform, in order to capture the mobile opportunities ahead and strengthen our position as the leading Internet platform company in China."

Financial Review for the First Quarter of 2013

VAS revenues increased 13.6% QoQ to RMB10,666.1 million and represented 78.7% of our total revenues for the first quarter of 2013. Online games revenues increased 19.3% QoQ to RMB7,472.1 million. This was primarily driven by growth in revenues from China, where major titles such as Cross Fire, Dungeon and Fighter ("DnF") and League of Legends ("LoL") benefited from the positive impacts of Chinese New Year holidays, the winter break for students, and favourably-received expansion packs, assisted by increased contributions from certain new self-developed titles. Revenue from international markets and mobile games also experienced growth. Social networks revenues increased 2.1% QoQ to RMB3,194.0 million. This mainly reflected an increase in item-based sales within applications on our open platforms.

Online advertising revenues decreased 10.3% QoQ to RMB849.5 million and represented 6.3% of our total revenues. This primarily reflected the impact of weaker seasonality on advertisers' spending. Performance-based social advertising and video advertising registered sequential revenue growth.

eCommerce transactions revenues increased 13.6% QoQ to RMB1,913.3 million and represented 14.1% of our total revenues. While the eCommerce industry is seasonally weaker in the first quarter, our revenues grew sequentially due to regional expansion.

Other Key Financial Information for the First Quarter of 2013

Share-based compensation was RMB397.7 million for the first quarter of 2013 as compared with RMB302.8 million for the previous quarter.

Capital expenditure was RMB1,034.6 million for the first quarter of 2013 as compared with RMB1,783.8 million for the previous quarter.

The Company repurchased 2,057,300 shares on the Stock Exchange for an aggregate consideration of approximately HKD508.8 million. The Company didn't repurchase any shares on

the Stock Exchange in the previous quarter.

As at March 31, 2013, net cash position totaled RMB32,730.7 million which excluded borrowings of RMB2,871.0 million and long-term notes payable of RMB7,512.5 million.

As at March 31, 2013, the total number of shares of the Company in issue was 1.853 billion.

Business Review and Outlook

In light of the increasing integration between the PC and mobile Internet and the latest development of our business, we have combined the IVAS and MVAS segments into the VAS segment in our financial statements and adjusted the revenue categories previously under IVAS and MVAS from the first quarter of 2013 onwards. We have also revised the disclosure of certain operating information. Please refer to “Management Discussion and Analysis” in the results announcement for further details on the changes in our financial and operating information disclosure.

Overall Financial Performance

In the first quarter of 2013, we achieved healthy year-on-year growth in revenues and earnings, while extending our communications and social leadership from PCs to mobile devices and continuing to invest in new opportunities.

- *VAS.* The year-on-year growth of our VAS business mainly reflected the revenue expansion of our online games business in both domestic and international markets, and the robust revenue growth of item-based sales on our open platforms. Subscription revenues decreased compared to the same period last year.
- *Online advertising.* Our online advertising business registered significant year-on-year revenue growth, mainly driven by performance-based social advertising and video advertising. Traditional brand display advertising and search advertising also registered growth in revenues.
- *eCommerce transactions.* We continued to develop our eCommerce transactions business. The quarter saw substantial year-on-year growth in revenues from principal transactions. Fees generated from transactions on our marketplaces also increased.

Divisional and Product Highlights

Communications Platforms

QQ enjoyed steady growth in the first quarter of 2013. MAU amounted to 825.4 million at the end of the quarter, representing a year-on-year growth rate of 9.8%. PCU for the quarter increased by 3.3% year-on-year to 173.0 million. During the quarter, we continued to experience a significant increase in mobile users as smart phone adoption expanded rapidly. Organisationally, we aligned the product teams of PC and mobile versions of QQ to ensure unified user experiences across different platforms.

Weixin enjoyed robust user growth in China, and we stepped up our marketing investments for acquiring users for WeChat in Asian markets. At the end of the first quarter of 2013, the combined MAU of Weixin and WeChat was 194.4 million, representing a year-on-year growth rate of 228.4%. Looking ahead, we are integrating new services into Weixin to explore emerging business opportunities on the mobile Internet. In addition, we will continue investing in user acquisition activities for WeChat in international markets.

Social Platforms

MAU of Qzone increased by 5.9% year-on-year to 611.0 million at the end of the first quarter of 2013. As users shift their time spent online to the mobile Internet, we have been enhancing the features of Mobile Qzone, which enjoyed robust growth in DAU over the last few months, to extend our social leadership from PCs to mobile devices. We are also leveraging Weixin Moments to build a social network for smart phone users based on the social graph of Weixin.

Media Platforms

In the first quarter of 2013, our media platforms achieved solid growth while we deepened our differentiation through cross-platform integration. QQ.com continued to lead amongst portals in China in terms of page views and unique visitors. Tencent Microblog achieved 81 million in DAU at the end of the first quarter of 2013. Tencent Video enjoyed significant year-on-year growth in users with enriched content and enhanced user experience.

VAS

In the first quarter of 2013, our open platforms achieved strong year-on-year revenue growth, reflecting an expanded paying user base and increased users' propensity to spend on item-based purchases. We believe we are the partner of choice for third-party developers in China as such developers can enjoy access to our large logged-in user base across multiple devices, the network effect of our leading social platforms, our targeted advertising solutions, as well as our proprietary cloud-based infrastructure support. We are enhancing our open platforms by extending them to mobile devices and by broadening the range of applications we make available.

Our VAS subscription count declined compared to the same period last year, reflecting the impact of two key factors. First, the stringent measures launched in the second quarter of 2012, which aim to improve the quality of our subscriber base by cleaning up certain user accounts acquired through mobile channels with low possibility of fee collection, continued to impact our subscription base. Second, increased smart phone adoption of our users, coupled with slower development of our privileges on smart phones as compared to those on PCs and feature phones, resulted in lower paying user penetration. We are addressing this issue by unifying product teams and product experiences between PCs and smart phones, and by developing new smart phone privileges. Based on healthy smart phone penetration for certain products such as our Super QQ subscription service, we believe users will show similar propensity to pay for privileges on smart phones as on PCs over the longer term.

The quarter saw continued expansion of our online game business. While our major established titles, such as DnF and LoL, grew revenue at a healthy rate, some of our new self-developed titles, such as Legend of Yulong and Legend of Xuanyuan, also contributed notably to our game user metrics and revenues. Our mobile games achieved over 50% year-on-year revenue growth, thanks to increased smart phones adoption and our enriched mobile game portfolio. QQ Game Platform registered growth with its PCU reaching 9.2 million in the first quarter of 2013. In international markets, we continued to enhance our presence through the success of LoL.

Online Advertising

In brand display advertising, we achieved over 100% year-on-year growth in video advertising revenue as advertisers responded favorably to the traffic we delivered, and as we optimised the sales processes for our inventories from first-tier cities. Traditional brand display advertising also achieved solid growth, assisted by new inventories on our regional portals. In performance-based social advertising, we enjoyed robust year-on-year revenue growth. This growth flowed from our expanded inventories providing greater impression volume and our enhanced click-through rates. During the quarter, we launched a new advertising platform for Tencent Microblog to target small and medium enterprises. In search advertising, we upgraded our infrastructure to improve search results quality. We also redesigned search homepage and result pages for PCs and mobile devices to enable faster search experience.

eCommerce Transactions

In the first quarter of 2013, our eCommerce transactions business achieved strong year-on-year revenue growth. This reflected increased volume of principal transactions mainly driven by improved user experience, widened product range and geographic expansion in southern and northern China. Fees generated from transactions on our marketplaces also increased from a relatively low base.

For the rest of the year, we will continue to expand our geographic presence in China and optimise our eCommerce infrastructure. We are also enhancing the user experience of our B2C marketplace by working with selected premium merchants to improve product selection and customer service.

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About Tencent

Tencent uses technology to enrich the lives of Internet users. Every day, hundreds of millions of people communicate, share experiences, consume information, seek entertainment, and shop online through our integrated platforms. Our diversified services include QQ, Weixin and WeChat for communications; Qzone for social networking; QQ Game Platform for online games; QQ.com for information; as well as our eCommerce open platform. Our company was founded in Shenzhen in 1998 and went public on the Hong Kong Stock Exchange in 2004. We seek to evolve with the Internet by investing in innovation, providing a hospitable environment for our partners, and staying close to our users.

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

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Non-GAAP Financial Measures

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

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Company's core operations by excluding certain non-cash items and certain impact of acquisitions.

Forward-Looking Statements

This press release contains forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.

CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	1Q2013	4Q2012	1Q2013	1Q2012
Revenues	13,547,554	12,153,053	13,547,554	9,647,858
VAS	10,666,080	9,389,812	10,666,080	8,295,463
Online advertising	849,541	947,258	849,541	540,113
eCommerce transactions	1,913,341	1,683,562	1,913,341	752,817
Others	118,592	132,421	118,592	59,465
Cost of revenues	(5,953,761)	(5,272,571)	(5,953,761)	(3,836,317)
Gross profit	7,593,793	6,880,482	7,593,793	5,811,541
Gross margin	56.1%	56.6%	56.1%	60.2%
Interest income	276,371	266,351	276,371	166,733
Other gains/(losses), net	350,863	(202,248)	350,863	(63,642)
S&M expenses	(962,398)	(1,094,775)	(962,398)	(469,200)
G&A expenses	(2,196,111)	(2,123,735)	(2,196,111)	(1,754,074)
Operating profit	5,062,518	3,726,075	5,062,518	3,691,358
Operating margin	37.4%	30.7%	37.4%	38.3%
Finance costs, net	(82,198)	(62,802)	(82,198)	(69,982)
Share of profit/(losses) of associates	131,381	(28,856)	131,381	(9,753)
Share of (losses)/profit of jointly controlled entities	(11,572)	(12,410)	(11,572)	1,380
Profit before income tax	5,100,129	3,622,007	5,100,129	3,613,003
Income tax expense	(1,029,001)	(151,201)	(1,029,001)	(650,673)
Profit for the period	4,071,128	3,470,806	4,071,128	2,962,330
Net margin	30.1%	28.6%	30.1%	30.7%
Attributable to:				
Equity holders of the Company	4,043,819	3,463,593	4,043,819	2,949,510
Non-controlling interests	27,309	7,213	27,309	12,820
Non-GAAP profit attributable to equity holders of the Company	4,037,730	4,067,756	4,037,730	3,281,064
Earnings per share (GAAP)				
- basic (RMB)	2.204	1.890	2.204	1.618
- diluted (RMB)	2.166	1.856	2.166	1.587

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	1Q2013	4Q2012	1Q2013	1Q2012
Profit for the period	4,071,128	3,470,806	4,071,128	2,962,330
Other comprehensive income, net of tax:				
Net (losses)/gains from changes in fair value of available-for-sale financial assets	(606,216)	103,105	(606,216)	1,288,914
Currency translation differences	(11,744)	(3,879)	(11,744)	6,076
Total comprehensive income for the period	3,453,168	3,570,032	3,453,168	4,257,320
Attributable to:				
Equity holders of the Company	3,428,301	3,564,351	3,428,301	4,244,489
Non-controlling interests	24,867	5,681	24,867	12,831

OTHER FINANCIAL INFORMATION

In RMB '000 (unless otherwise stated)

	Unaudited		
	1Q2013	4Q2012	1Q2012
EBITDA (a)	5,157,462	4,362,868	4,254,547
Adjusted EBITDA (a)	5,438,182	4,640,940	4,461,209
Adjusted EBITDA margin (b)	40.1%	38.2%	46.2%
Interest expense	98,304	103,536	67,578
Net cash (c)	32,730,672	27,381,274	20,818,507
Capital expenditures (d)	1,034,598	1,783,830	662,130

Note:

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

	Unaudited	Audited
	31 March	31 December
	2013	2012
ASSETS		
Non-current assets		
Fixed assets	7,696,505	7,402,766
Construction in progress	613,559	533,691
Investment properties	21,591	21,674
Land use rights	828,042	794,439
Intangible assets	4,811,651	4,719,075
Interests in associates	7,571,646	7,310,266
Investment in jointly controlled entities	23,837	35,409
Deferred income tax assets	170,723	168,906
Available-for-sale financial assets	5,118,893	5,632,590
Prepayments, deposits and other assets	1,267,922	1,236,129
Term deposits	12,621,000	10,891,718
	40,745,369	38,746,663
Current assets		
Inventories	629,286	568,084
Accounts receivable	2,622,579	2,353,959
Prepayments, deposits and other assets	4,984,125	3,877,800
Term deposits	15,469,139	13,805,675
Restricted cash	2,609,872	2,520,232
Cash and cash equivalents	15,024,047	13,383,398
	41,339,048	36,509,148
Total assets	82,084,417	75,255,811
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	199	199
Share premium	2,841,393	2,879,990
Shares held for share award scheme	(669,970)	(667,464)
Other reserves	224,620	815,697
Retained earnings	42,312,904	38,269,085
	44,709,146	41,297,507
Non-controlling interests	873,092	850,759
Total equity	45,582,238	42,148,266
LIABILITIES		
Non-current liabilities		
Borrowings	2,100,082	2,105,643
Long-term notes payable	7,512,508	7,516,766
Deferred income tax liabilities	1,456,988	1,311,562
Long-term payables	1,533,015	1,508,578
	12,602,593	12,442,549
Current liabilities		
Accounts payable	6,096,692	4,211,733
Other payables and accruals	5,931,524	6,301,449
Borrowings	770,924	1,077,108
Current income tax liabilities	871,868	419,872
Other tax liabilities	373,396	540,095
Deferred revenue	9,855,182	8,114,739
	23,899,586	20,664,996
Total liabilities	36,502,179	33,107,545
Total equity and liabilities	82,084,417	75,255,811

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

In RMB '000 except percentages	As reported	Adjustments					Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)	Impairment provision (c)	Special dividend income (d)	
Unaudited three months ended 31 March 2013							
Operating profit	5,062,518	280,720	116,942	38,784	-	(438,074)	5,060,890
Profit for the period	4,071,128	280,720	116,942	58,628	-	(438,074)	4,089,344
Profit attributable to equity holders	4,043,819	278,306	103,648	50,031	-	(438,074)	4,037,730
<i>Operating margin</i>	<i>37.4%</i>						<i>37.4%</i>
<i>Net margin</i>	<i>30.1%</i>						<i>30.2%</i>
Unaudited three months ended 31 December 2012							
Operating profit	3,726,075	278,072	24,765	40,267	251,000	-	4,320,179
Profit for the period	3,470,806	278,072	24,765	65,065	251,000	-	4,089,708
Profit attributable to equity holders	3,463,593	275,016	21,833	56,314	251,000	-	4,067,756
<i>Operating margin</i>	<i>30.7%</i>						<i>35.5%</i>
<i>Net margin</i>	<i>28.6%</i>						<i>33.7%</i>
Unaudited three months ended 31 March 2012							
Operating profit	3,691,358	206,662	29,894	140,374	-	-	4,068,288
Profit for the period	2,962,330	206,662	29,894	111,692	-	-	3,310,578
Profit attributable to equity holders	2,949,510	203,792	26,487	101,275	-	-	3,281,064
<i>Operating margin</i>	<i>38.3%</i>						<i>42.2%</i>
<i>Net margin</i>	<i>30.7%</i>						<i>34.3%</i>

(a) Including put options granted to employees of investees on their shares and shares to be issued under investees' share-based incentive plans which can be acquired by the Group, and other incentives

(b) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax

(c) Impairment provision for interests in associates, jointly controlled entities and/or available-for-sale financial assets

(d) Special dividend income from Mail.ru