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**Tencent 腾讯**  
**TENCENT HOLDINGS LIMITED**  
**騰訊 控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 700)**

**ANNOUNCEMENT OF THE RESULTS**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2018**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2018. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>Unaudited</b>				
	<b>Three months ended</b>				
	<b>31</b>	<b>31</b>	<b>Year-</b>	<b>31</b>	<b>Quarter-</b>
	<b>March</b>	<b>March</b>	<b>on-year</b>	<b>December</b>	<b>on-quarter</b>
	<b>2018</b>	<b>2017</b>	<b>change</b>	<b>2017</b>	<b>change</b>
	(RMB in millions, unless specified)				
Revenues	<b>73,528</b>	49,552	48%	66,392	11%
Gross profit	<b>37,042</b>	25,443	46%	31,495	18%
Operating profit	<b>30,692</b>	19,272	59%	25,724	19%
Profit for the period	<b>23,973</b>	14,548	65%	21,622	11%
Profit attributable to equity holders of the Company	<b>23,290</b>	14,476	61%	20,797	12%
Non-GAAP profit attributable to equity holders of the Company	<b>18,313</b>	14,211	29%	17,454	5%
EPS (RMB per share)					
- basic	<b>2.470</b>	1.540	60%	2.206	12%
- diluted	<b>2.435</b>	1.522	60%	2.177	12%
Non-GAAP EPS (RMB per share)					
- basic	<b>1.942</b>	1.512	28%	1.852	5%
- diluted	<b>1.915</b>	1.494	28%	1.827	5%

## BUSINESS REVIEW AND OUTLOOK

### 1. Company Financial Performance

*In the first quarter of 2018*

We achieved 48% year-on-year revenue growth. Smart phone games, payment related services, digital content subscriptions and sales, and social advertising were key contributors to the overall revenue growth.

Operating profit grew by 59% and operating margin was 42%, up 3 percentage points year-on-year. Non-GAAP operating profit grew by 36% and non-GAAP operating margin was down 3 percentage points year-on-year.

Profit attributable to equity holders of the Company increased by 61% year-on-year. Non-GAAP profit attributable to equity holders of the Company increased by 29%.

### 2. Company Business Highlights

*Operating Information*

	<b>As at 31 March 2018</b>	As at 31 March 2017 (in millions, unless specified)	Year- on-year change	As at 31 December 2017	Quarter- on-quarter change
MAU of QQ	<b>805.5</b>	860.6	-6.4%	783.4	2.8%
Smart device MAU of QQ	<b>694.1</b>	678.0	2.4%	683.0	1.6%
Combined MAU of Weixin and WeChat	<b>1,040.0</b>	937.8	10.9%	988.6	5.2%
MAU of Qzone	<b>562.3</b>	631.5	-11.0%	563.3	-0.2%
Smart device MAU of Qzone	<b>550.0</b>	604.6	-9.0%	554.0	-0.7%
Fee-based VAS registered subscriptions	<b>147.1</b>	119.0	23.6%	134.6	9.3%

## *Communications and Social*

- *QQ*: Smart device MAU was up by 2.4% year-on-year to 694.1 million and smart device MAU for users aged 21 years or below also increased year-on-year as we enriched chat features and entertainment-driven content appealing for young users. QQ KanDian, our news feed service within QQ, achieved over 80 million DAU. It enhanced recommendation for short videos, driving video views to increase by 300% year-on-year.
- *Weixin* and *WeChat*: Combined MAU was 1,040.0 million, representing year-on-year growth of 10.9%. The launch of Mini Games has achieved significant success, benefiting the overall Mini Program ecosystem as a whole. We opened up the platform to third party game developers in late March and over 500 Mini Games are now available. The increased popularity of Mini Programs has encouraged more retailers and other developers to embrace Mini Programs. For merchants, we introduced a Scan-to-Buy solution, as one of our smart retail initiatives. This solution integrates Mini Programs with Weixin Pay, allowing customers to skip the check-out queue, boosting transaction efficiency during peak hours. Supermarkets are among the early adopters of this innovative solution which enables them to achieve higher transactional efficiency.

## *Online Games*

Together with our investee companies, we have established global leadership in the tactical tournament genre. We developed 2 mobile titles leveraging the licensed IP of PUBG game of which the initial PC and Xbox version have been launched by its licensor. The two games achieved breakout popularity in China but have yet to be monetized and we have just started to monetize in overseas markets. Fortnite, a tactical tournament game developed by our investee company Epic Games, is a global phenomenon with over 40 million MAU across PC and console. After the launch of its mobile version on the iOS platform in March, it soon jumped to be the highest grossing game in the iOS App Store in the U.S.. In China, we have started the pre-registration of Fortnite's local PC version. We are cooperating with the PUBG's licensor in preparation to publish a localized PC version in China, which is currently pending government approval.

Smart phone games achieved approximately RMB21.7 billion revenues (including smart phone games revenues attributable to our social networks business), up 68% year-on-year, driven by in-house mobile titles such as Honour of Kings and QQ Speed Mobile. Revenues increased 28% sequentially due to seasonal promotional

activities and new games. Honour of Kings remained as the highest grossing smart phone game in China's iOS Top Grossing Chart. Its metrics were healthy with double-digit growth in DAU and strong growth in revenues on year-on-year basis. Our new title QQ Speed Mobile became the second-highest smart phone game in China's iOS Top Grossing Chart, during the first quarter. QQ Speed Mobile appealed to the existing players of the PC version, and also pulled in a substantial number of users new to the franchise, demonstrating our ability to extend successful game franchises from PC to mobile, and to expand their user base in that process. In recent months our platform has been focused on growing the user bases for our non-monetized tactical tournament games. The delay in China monetization and heavy marketing expenses is expected to impact our mobile games revenues in short term.

PC client games achieved approximately RMB14.1 billion revenues, flat compared with the prior year period. Active users declined due to the continued time shift to mobile devices while core user engagement remained largely stable. Revenues grew 10% sequentially, driven by seasonal content updates and marketing activities held during the Chinese New Year. DnF, which will celebrate the 10th anniversary of its China launch in June, delivered record quarterly revenues in the first quarter, demonstrating our capability to manage game franchises for the long term. We will seek to expand our PC game franchises through the launch of new titles including the China PC versions of the tactical tournament games plus several sandbox games. We also have upgraded versions for soccer and basketball games in our pipeline. To further enhance our user engagement, we are deepening game promotions with live broadcast platforms, such as Douyu and Huya.

### *Digital Content*

Total fee-based VAS subscriptions grew by 24% year-on-year to 147 million, primarily driven by video and music streaming services. Tencent Video reinforced its industry leadership in China by mobile DAU and subscriptions. We strengthened user engagement of our video platform, where the number of DAU and per user time spent on mobile grew rapidly year-on-year. Mobile daily video views increased by over 60% year-on-year, driven by the premium quality content from our self-commissioned and licensed productions. Total video revenues were up 75% year-on-year. Our investment in self-commissioned content successfully enhanced Tencent Video's user engagement, contributing to increased conversion to subscription rates and subscriber retention rates. We grew our video subscription revenues by 85% year-on-year.

We offered a mini video sharing app, WeiShi, to serve our users' short-session entertainment needs. WeiShi offers users a wide range of high quality PUGC (professional user generated content) from the market as well as our licensed digital content libraries covering music, games, sports and variety shows. It also distributes the content across our feed verticals, such as QQ KanDian and Mobile QQ Browser.

### *Online Advertising*

Our online advertising business achieved 55% year-on-year growth in revenues. For media advertising, revenues grew by 31% year-on-year. Within which, video ad revenues increased 64% year-on-year due to more pre-roll ads benefiting from the growth in video views, and our enhanced capability to develop creative ad formats within original productions. Video and news revenues decreased quarter-to-quarter due to the low seasonality for advertising activity in the first quarter.

For social and others advertising, the 69% year-on-year increase in revenues was driven by an expanded advertiser base boosting ad fill rates in Weixin Moments, and higher CPC for our Mobile Ad Network. The sequential decrease in revenues was mainly due to the low seasonality in the first quarter. Amid the low seasonality, QQ KanDian revenues increased due to fast growth in traffic. To cater to the strong demand for social advertising on our platforms, Weixin Moments increased its maximum ad load to two advertisements per user day in late March. Given our ad loads for social and feeds products are only small fractions of those of industry peers, we believe there is a long runway for continued growth of our social and others advertising.

### *Others*

Our other businesses grew revenues by 111% year-on-year, driven by our payment solution business and related financial services, as well as our cloud services business. The growth in our payment solution business was mainly contributed by the rapidly increasing offline commercial transaction volumes and consumer cash withdrawal fees.

Our cloud services revenues more than doubled on a year-on-year basis, which was driven by the growth in games, video, eCommerce and O2O industries. We rolled out new customized cloud products targeting financial, municipal and retail clients. Utilizing our advanced data analytics and AI technologies, we offered customized cloud solutions to large financial institutions, supermarkets, chain stores and leading fashion retailers, enabling them to achieve rapid sales growth and enhanced security. We will strengthen our core competencies in game and video cloud services, and our presence in categories such as financial, municipal and retail services. We will expand our global cloud infrastructure to support the overseas expansion of our external clients and internal businesses such as games.

## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2018 Compared to First Quarter of 2017

The following table sets forth the comparative figures for the first quarter of 2018 and the first quarter of 2017:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2017</b>
	(RMB in millions)	
Revenues	<b>73,528</b>	49,552
Cost of revenues	<u>(36,486)</u>	<u>(24,109)</u>
Gross profit	<b>37,042</b>	25,443
Interest income	<b>1,065</b>	808
Other gains, net	<b>7,585</b>	3,191
Selling and marketing expenses	<b>(5,570)</b>	(3,158)
General and administrative expenses	<u>(9,430)</u>	<u>(7,012)</u>
Operating profit	<b>30,692</b>	19,272
Finance costs, net	<b>(654)</b>	(691)
Share of losses of associates and joint ventures	<u>(319)</u>	<u>(375)</u>
Profit before income tax	<b>29,719</b>	18,206
Income tax expense	<u>(5,746)</u>	<u>(3,658)</u>
Profit for the period	<u><b>23,973</b></u>	<u>14,548</u>
Attributable to:		
Equity holders of the Company	<b>23,290</b>	14,476
Non-controlling interests	<u>683</u>	<u>72</u>
	<u><b>23,973</b></u>	<u>14,548</u>
Non-GAAP profit attributable to equity holders of the Company	<u><b>18,313</b></u>	<u>14,211</u>

*Revenues.* Revenues increased by 48% to RMB73,528 million for the first quarter of 2018 on a year-on-year basis. The following table sets forth our revenues by line of business for the first quarter of 2018 and the first quarter of 2017:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2018</b>		<b>31 March 2017</b>	
	<b>% of total</b>		<b>% of total</b>	
	<b>Amount</b>	<b>revenues</b>	<b>Amount</b>	<b>revenues</b>
	<b>(RMB in millions, unless specified)</b>			
VAS	<b>46,877</b>	<b>64%</b>	35,108	71%
Online advertising	<b>10,689</b>	<b>14%</b>	6,888	14%
Others	<b>15,962</b>	<b>22%</b>	7,556	15%
<b>Total revenues</b>	<b><u>73,528</u></b>	<b><u>100%</u></b>	<b><u>49,552</u></b>	<b><u>100%</u></b>

- Revenues from our VAS business increased by 34% to RMB46,877 million for the first quarter of 2018 on a year-on-year basis. Online games revenues grew by 26% to RMB28,778 million. The increase was mainly driven by revenue growth from our smart phone games, including existing titles such as Honour of Kings, and newly launched titles such as MU Awakening and QQ Speed Mobile. Revenues from our PC client games were broadly stable. Social networks revenues increased by 47% to RMB18,099 million. The increase primarily reflected growth in revenues from digital content services such as live broadcast, video streaming subscriptions and our music service namely WeSing, as well as from in-game virtual item sales.
- Revenues from our online advertising business increased by 55% to RMB10,689 million for the first quarter of 2018 on a year-on-year basis. Social and others advertising revenues grew by 69% to RMB7,390 million, mainly benefiting from an expanded advertiser base boosting advertising fill rates in Weixin Moments, and higher CPC for our mobile advertising network. Media advertising revenues increased by 31% to RMB3,299 million, primarily driven by revenue growth from Tencent Video due to an increase in video views, and new advertising formats within original productions.
- Revenues from our other businesses increased by 111% to RMB15,962 million for the first quarter of 2018 on a year-on-year basis. The increase primarily reflected contributions from our payment related and cloud services as a result of the expansion of our business scale.

*Cost of revenues.* Cost of revenues increased by 51% to RMB36,486 million for the first quarter of 2018 on a year-on-year basis. The increase primarily reflected greater channel costs and costs of payment related services, as well as content costs. As a percentage of revenues, cost of revenues increased to 50% for the first quarter of 2018 from 49% for the first quarter of 2017. The following table sets forth our cost of revenues by line of business for the first quarter of 2018 and the first quarter of 2017:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2018</b>		<b>31 March 2017</b>	
	<b>% of</b>		<b>% of</b>	
	<b>segment</b>		<b>segment</b>	
	<b>Amount</b>	<b>revenues</b>	<b>Amount</b>	<b>revenues</b>
	<b>(RMB in millions, unless specified)</b>			
VAS	<b>17,220</b>	<b>37%</b>	13,717	39%
Online advertising	<b>7,356</b>	<b>69%</b>	4,489	65%
Others	<b><u>11,910</u></b>	<b>75%</b>	<u>5,903</u>	78%
Total cost of revenues	<b><u>36,486</u></b>		<u>24,109</u>	

- Cost of revenues for our VAS business increased by 26% to RMB17,220 million for the first quarter of 2018 on a year-on-year basis. The increase was primarily due to greater channel costs for our smart phone games as a result of extended cooperation with third-party app stores, and higher content costs for products including licensed games and live broadcast.
- Cost of revenues for our online advertising business increased by 64% to RMB7,356 million for the first quarter of 2018 on a year-on-year basis. The increase mainly reflected greater content costs for our video advertising business. Bandwidth and server custody fees, as well as other costs, also increased.
- Cost of revenues for our other businesses increased by 102% to RMB11,910 million for the first quarter of 2018 on a year-on-year basis. The growth was primarily driven by the scale expansion of our payment related and cloud services.



*Other gains, net.* We recorded net other gains totalling RMB7,585 million for the first quarter of 2018, which primarily comprised of fair value gains as a result of increases in valuations of certain investee companies in verticals such as video clip sharing, news feed, online games and video content creation, as well as net deemed disposal/disposal gains relating to the capital activities of certain investee companies.

*Selling and marketing expenses.* Selling and marketing expenses increased by 76% to RMB5,570 million for the first quarter of 2018 on a year-on-year basis. The increase mainly reflected higher marketing spending on our mobile products and platforms such as payment related services, smart phone games and news feed apps. As a percentage of revenues, selling and marketing expenses increased to 8% for the first quarter of 2018 from 6% for the first quarter of 2017.

*General and administrative expenses.* General and administrative expenses increased by 34% to RMB9,430 million for the first quarter of 2018 on a year-on-year basis. The increase mainly reflected greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses decreased to 13% for the first quarter of 2018 from 14% for the first quarter of 2017.

*Finance costs, net.* Net finance costs decreased by 5% to RMB654 million for the first quarter of 2018 on a year-on-year basis. The decrease was primarily due to the recognition of foreign exchange gains for the first quarter of 2018, compared to foreign exchange losses for the same period last year, largely offset by an increase in interest expenses as a result of a greater amount of indebtedness.

*Income tax expense.* Income tax expense increased by 57% to RMB5,746 million for the first quarter of 2018 on a year-on-year basis. The increase primarily reflected greater withholding tax provided and higher profit before income tax.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 61% to RMB23,290 million for the first quarter of 2018 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 29% to RMB18,313 million.

## First Quarter of 2018 Compared to Fourth Quarter of 2017

The following table sets forth the comparative figures for the first quarter of 2018 and the fourth quarter of 2017:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	(RMB in millions)	
Revenues	<b>73,528</b>	66,392
Cost of revenues	<u><b>(36,486)</b></u>	<u>(34,897)</u>
Gross profit	<b>37,042</b>	31,495
Interest income	<b>1,065</b>	1,156
Other gains, net	<b>7,585</b>	7,906
Selling and marketing expenses	<b>(5,570)</b>	(6,022)
General and administrative expenses	<u><b>(9,430)</b></u>	<u>(8,811)</u>
Operating profit	<b>30,692</b>	25,724
Finance costs, net	<b>(654)</b>	(859)
Share of losses of associates and joint ventures	<u><b>(319)</b></u>	<u>(120)</u>
Profit before income tax	<b>29,719</b>	24,745
Income tax expense	<u><b>(5,746)</b></u>	<u>(3,123)</u>
Profit for the period	<u><b>23,973</b></u>	<u>21,622</u>
Attributable to:		
Equity holders of the Company	<b>23,290</b>	20,797
Non-controlling interests	<u><b>683</b></u>	<u>825</u>
	<u><b>23,973</b></u>	<u>21,622</u>
Non-GAAP profit attributable to equity holders of the Company	<u><b>18,313</b></u>	<u>17,454</u>

*Revenues.* Revenues increased by 11% to RMB73,528 million for the first quarter of 2018 on a quarter-on-quarter basis.

- Revenues from our VAS business increased by 17% to RMB46,877 million for the first quarter of 2018. Online games revenues grew by 18% to RMB28,778 million. The increase primarily reflected growth in revenues from our existing smart phone games such as Cross Fire Mobile and Honour of Kings, and newly launched smart phone games such as MU Awakening and QQ Speed Mobile. Our PC client games, such as DnF and Cross Fire, also contributed to the revenue growth due to seasonal activities in the first quarter. Social networks revenues increased by 16% to RMB18,099 million. The increase was mainly due to higher revenues from in-game virtual item sales, and from our digital content services such as video streaming subscriptions and music service namely WeSing.
- Revenues from our online advertising business decreased by 14% to RMB10,689 million for the first quarter of 2018. Social and others advertising revenues decreased by 10% to RMB7,390 million, and media advertising revenues decreased by 20% to RMB3,299 million, primarily reflecting the impact of weaker seasonality on advertisers' spending in the first quarter.
- Revenues from our other businesses increased by 13% to RMB15,962 million for the first quarter of 2018. The increase was mainly driven by our payment related and cloud services.

*Cost of revenues.* Cost of revenues increased by 5% to RMB36,486 million for the first quarter of 2018 on a quarter-on-quarter basis. The increase mainly reflected greater costs of payment related services and channel costs. As a percentage of revenues, cost of revenues decreased to 50% for the first quarter of 2018 from 53% for the fourth quarter of 2017.

- Cost of revenues for our VAS business increased by 6% to RMB17,220 million for the first quarter of 2018. The increase primarily reflected greater channel costs for our smart phone games, and greater revenues for our licensed games and video streaming subscription businesses flowing through into higher payments to content licensors.
- Cost of revenues for our online advertising business decreased by 5% to RMB7,356 million for the first quarter of 2018. The decrease mainly reflected seasonally lower revenues and thus lower revenue-related costs, such as revenues we shared with advertising network partners.
- Cost of revenues for our other businesses increased by 10% to RMB11,910 million for the first quarter of 2018. The increase was primarily driven by our payment related and cloud services.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 8% to RMB5,570 million for the first quarter of 2018 on a quarter-on-quarter basis, primarily reflecting seasonally less marketing activities in the first quarter of this year versus the fourth quarter of last year.

*General and administrative expenses.* General and administrative expenses increased by 7% to RMB9,430 million for the first quarter of 2018 on a quarter-on-quarter basis. The increase was mainly due to greater staff costs and R&D expenses.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 12% to RMB23,290 million for the first quarter of 2018 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 5% to RMB18,313 million.

## Other Financial Information

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2018</b>	2017	2017
	(RMB in millions, unless specified)		
EBITDA (a)	<b>29,247</b>	23,278	19,995
Adjusted EBITDA (a)	<b>30,856</b>	25,127	21,300
Adjusted EBITDA margin (b)	<b>42%</b>	38%	43%
Interest expense	<b>1,067</b>	839	667
Net (debt)/cash (c)	<b>(14,533)</b>	16,332	27,572
Capital expenditures (d)	<b>6,318</b>	4,975	2,108

Note:

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

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

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2018</b>	2017	2017
	(RMB in millions, unless specified)		
Operating profit	<b>30,692</b>	25,724	19,272
Adjustments:			
Interest income	<b>(1,065)</b>	(1,156)	(808)
Other gains, net	<b>(7,585)</b>	(7,906)	(3,191)
Depreciation of property, plant and equipment and investment properties	<b>1,664</b>	1,376	1,083
Amortisation of intangible assets	<b>5,541</b>	5,240	3,639
EBITDA	<b>29,247</b>	23,278	19,995
Equity-settled share-based compensation	<b>1,609</b>	1,849	1,305
Adjusted EBITDA	<b><u>30,856</u></b>	<u>25,127</u>	<u>21,300</u>

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

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

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

The following tables set forth the reconciliations of the Group's non-GAAP financial measures for the first quarter of 2018 and 2017, and the fourth quarter of 2017 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 March 2018						
As reported	Adjustments				Non-GAAP	
	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
(RMB in millions, unless specified)						
Operating profit	30,692	1,632	(7,788)	100	636	25,272
Profit for the period	23,973	1,682	(7,765)	531	709	19,130
Profit attributable to equity holders	23,290	1,585	(7,766)	495	709	18,313
EPS (RMB per share)						
- basic	2.470					1.942
- diluted	2.435					1.915
Operating margin	42%					34%
Net margin	33%					26%

Unaudited three months ended 31 December 2017						
As reported	Adjustments				Non-GAAP	
	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
(RMB in millions, unless specified)						
Operating profit	25,724	1,874	(6,281)	112	424	21,853
Profit for the period	21,622	2,146	(6,229)	474	358	18,371
Profit attributable to equity holders	20,797	2,084	(6,189)	442	320	17,454
EPS (RMB per share)						
- basic	2.206					1.852
- diluted	2.177					1.827
Operating margin	39%					33%
Net margin	33%					28%

Unaudited three months ended 31 March 2017

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

**Note:**

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

## Liquidity and Financial Resources

Our net (debt)/cash positions as at 31 March 2018 and 31 December 2017 are as follows:

	<b>Unaudited 31 March 2018</b>	Audited 31 December 2017
	(RMB in millions)	
Cash and cash equivalents	<b>117,072</b>	105,697
Term deposits and others	<u><b>25,454</b></u>	<u>42,540</u>
	<b>142,526</b>	148,237
Borrowings	<b>(96,732)</b>	(97,790)
Notes payable	<u><b>(60,327)</b></u>	<u>(34,115)</u>
Net (debt)/cash	<u><b>(14,533)</b></u>	<u>16,332</u>

As at 31 March 2018, the Group had net debt of RMB14,533 million, compared to net cash of RMB16,332 million as at 31 December 2017. While our cash flows from operations remained solid, the change to a net debt position, which resulted from higher notes payable, was mainly due to increased strategic investments under our M&A initiatives. Fair value of our stakes in listed investee companies (excluding subsidiaries) totalled RMB212.6 billion as at 31 March 2018, compared to RMB210.8 billion as at 31 December 2017.

As at 31 March 2018, RMB66,597 million of our financial resources (cash and cash equivalents, as well as term deposits and others, such as treasury investments with high liquidity) were denominated in non-RMB currencies.

For the first quarter of 2018, the Group had free cash flow of RMB13,000 million. This was a result of net cash flows generated from operating activities of RMB19,825 million, offset by payments for capital expenditure of RMB6,825 million. Free cash flow decreased by 46% on a quarter-on-quarter basis, primarily reflecting the decline in net cash flows from operations due to payment of year-end bonus, timing of payments of certain expenditures arising from our payment related services and tax expenses, as well as greater capital expenditure driven by payment of land use rights.



## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31 March</b>	
	Note	2018	2017
		RMB'Million	RMB'Million
<b>Revenues</b>			
Value-added services		46,877	35,108
Online advertising		10,689	6,888
Others		<u>15,962</u>	<u>7,556</u>
		<b>73,528</b>	49,552
Cost of revenues	4	<u>(36,486)</u>	<u>(24,109)</u>
<b>Gross profit</b>		<b>37,042</b>	25,443
Interest income		1,065	808
Other gains, net	3	7,585	3,191
Selling and marketing expenses	4	(5,570)	(3,158)
General and administrative expenses	4	<u>(9,430)</u>	<u>(7,012)</u>
<b>Operating profit</b>		<b>30,692</b>	19,272
Finance costs, net		(654)	(691)
Share of losses of associates and joint ventures		<u>(319)</u>	<u>(375)</u>
<b>Profit before income tax</b>		<b>29,719</b>	18,206
Income tax expense	5	<u>(5,746)</u>	<u>(3,658)</u>
<b>Profit for the period</b>		<b><u>23,973</u></b>	<b><u>14,548</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		23,290	14,476
Non-controlling interests		<u>683</u>	<u>72</u>
		<b><u>23,973</u></b>	<b><u>14,548</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>			
- basic	6	<u>2.470</u>	<u>1.540</u>
- diluted	6	<u>2.435</u>	<u>1.522</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Profit for the period</b>	<u><b>23,973</b></u>	<u>14,548</u>
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	<b>95</b>	111
Net gains from changes in fair value of available-for-sale financial assets	—	7,226
Transfer to profit or loss upon disposal of available-for-sale financial assets	—	(1,832)
Currency translation differences	<b>(5,379)</b>	(985)
Other fair value gains	<b>861</b>	59
<i>Items that may not be subsequently reclassified to profit or loss</i>		
Net gains from changes in fair value of financial assets at fair value through other comprehensive income	<b>1,070</b>	—
Other fair value losses	<u><b>(41)</b></u>	<u>(343)</u>
	<u><b>(3,394)</b></u>	<u>4,236</u>
<b>Total comprehensive income for the period</b>	<u><b>20,579</b></u>	<u>18,784</u>
<b>Attributable to:</b>		
Equity holders of the Company	<b>20,144</b>	18,717
Non-controlling interests	<u><b>435</b></u>	<u>67</u>
	<u><b>20,579</b></u>	<u>18,784</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

		<b>Unaudited 31 March 2018</b>	Audited 31 December 2017
	Note	RMB'Million	RMB'Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		25,884	23,597
Construction in progress		3,325	3,163
Investment properties		771	800
Land use rights		6,883	5,111
Intangible assets		41,239	40,266
Investments in associates	8	135,118	113,779
Investments in redeemable instruments of associates	1	—	22,976
Investments in joint ventures		5,598	7,826
Financial assets at fair value through profit or loss	1,9	111,471	—
Financial assets at fair value through other comprehensive income	1,10	70,622	—
Available-for-sale financial assets	1	—	127,218
Prepayments, deposits and other assets		12,977	11,173
Other financial assets	1	2,118	5,159
Deferred income tax assets		10,369	9,793
Term deposits		<u>5</u>	<u>5,365</u>
		<b><u>426,380</u></b>	<b><u>376,226</u></b>
<b>Current assets</b>			
Inventories		285	295
Accounts receivable	11	20,627	16,549
Prepayments, deposits and other assets		22,349	17,110
Other financial assets	1	466	465
Financial assets at fair value through profit or loss	1,9	5,022	—
Term deposits		20,287	36,724
Restricted cash		1,694	1,606
Cash and cash equivalents		<u>117,072</u>	<u>105,697</u>
		<b><u>187,802</u></b>	<b><u>178,446</u></b>
<b>Total assets</b>		<b><u>614,182</u></b>	<b><u>554,672</u></b>

		<b>Unaudited</b>	Audited
		<b>31 March</b>	31 December
		<b>2018</b>	2017
	Note	<b>RMB' Million</b>	RMB' Million
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		—	—
Share premium		23,551	22,204
Shares held for share award schemes		(4,095)	(3,970)
Other reserves		15,937	35,158
Retained earnings		<u>242,150</u>	<u>202,682</u>
		<b>277,543</b>	<b>256,074</b>
<b>Non-controlling interests</b>		<u><b>23,512</b></u>	<u><b>21,019</b></u>
<b>Total equity</b>		<u><b>301,055</b></u>	<u><b>277,093</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	78,695	82,094
Notes payable	15	59,528	29,363
Long-term payables		4,939	3,862
Other financial liabilities		1,898	2,154
Deferred income tax liabilities		8,808	5,975
Deferred revenue		<u>3,592</u>	<u>2,391</u>
		<u><b>157,460</b></u>	<u><b>125,839</b></u>
<b>Current liabilities</b>			
Accounts payable	13	53,890	50,085
Other payables and accruals		27,433	29,433
Borrowings	14	18,037	15,696
Notes payable	15	799	4,752
Current income tax liabilities		8,748	8,708
Other tax liabilities		1,552	934
Deferred revenue		<u>45,208</u>	<u>42,132</u>
		<u><b>155,667</b></u>	<u><b>151,740</b></u>
<b>Total liabilities</b>		<u><b>313,127</b></u>	<u><b>277,579</b></u>
<b>Total equity and liabilities</b>		<u><b>614,182</b></u>	<u><b>554,672</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
Balance at 31 December 2017, as previously reported	—	22,204	(3,970)	35,158	202,682	256,074	21,019	277,093
Adjustment on adoption of IFRS 9 (Note 1)	—	—	—	(16,210)	16,210	—	—	—
Balance at 1 January 2018	—	22,204	(3,970)	18,948	218,892	256,074	21,019	277,093
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	23,290	23,290	683	23,973
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates and joint ventures	—	—	—	95	—	95	—	95
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	1,070	—	1,070	—	1,070
- currency translation differences	—	—	—	(5,131)	—	(5,131)	(248)	(5,379)
- other fair value gains, net	—	—	—	820	—	820	—	820
<b>Total comprehensive income for the period</b>	—	—	—	(3,146)	23,290	20,144	435	20,579
<b>Transactions with equity holders</b>								
Capital injection	—	—	—	—	—	—	49	49
Employee share option schemes:								
- value of employee services	—	365	—	65	—	430	58	488
- proceeds from shares issued	—	149	—	—	—	149	—	149
Employee share award schemes:								
- value of employee services	—	995	—	86	—	1,081	39	1,120
- shares withheld for share award schemes	—	—	(412)	—	—	(412)	—	(412)
- vesting of awarded shares	—	(287)	287	—	—	—	—	—
Tax benefit from share-based payments of a subsidiary	—	—	—	127	—	127	—	127
Profit appropriations to statutory reserves	—	—	—	32	(32)	—	—	—
Dividends	—	—	—	—	—	—	(5)	(5)
Non-controlling interests arising from business combination	—	—	—	—	—	—	417	417
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	125	—	(102)	—	23	(103)	(80)
Dilution of interests in subsidiaries	—	—	—	435	—	435	1,095	1,530
Transfer of equity interests of subsidiaries to non-controlling interests	—	—	—	(508)	—	(508)	508	—
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	—	1,347	(125)	135	(32)	1,325	2,058	3,383
Balance at 31 March 2018	—	23,551	(4,095)	15,937	242,150	277,543	23,512	301,055

Unaudited

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Net cash flows generated from operating activities</b>	<b>19,825</b>	26,614
<b>Net cash flows used in investing activities</b>	<b>(39,303)</b>	(34,100)
<b>Net cash flows generated from financing activities</b>	<u><b>33,072</b></u>	<u>4,571</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,594</b>	(2,915)
Cash and cash equivalents at beginning of the period	<b>105,697</b>	71,902
Exchange losses on cash and cash equivalents	<u><b>(2,219)</b></u>	<u>(126)</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>117,072</b></u>	<u>68,861</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>43,068</b>	32,049
Term deposits and highly liquid investments with initial terms within three months	<u><b>74,004</b></u>	<u>36,812</u>
	<u><b>117,072</b></u>	<u>68,861</u>

**Note:**

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

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

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

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 31 March 2018, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as set out in the 2017 annual report of the Company dated 21 March 2018 (the “2017 Financial Statements”).

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 2017 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments, which are carried at fair values.

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

Amendments to IFRS effective for the financial year ending 31 December 2018 do not have a material impact on the Group’s Interim Financial Information except IFRS 9 “Financial Instruments”, details of which are set out below:

The Group has adopted IFRS 9 on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under IFRS 9, comparative figures are not required to be restated. As a result, any adjustments to carrying amounts of financial assets or financial liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.



Management has assessed the business model and the terms relating to the collection of contractual cash flows applicable to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

<b>At 1 January 2018</b>	<b>AFS RMB' Million</b>	<b>RCPS RMB' Million</b>	<b>OFA RMB' Million</b>	<b>FVPL RMB' Million</b>	<b>FVOCI RMB' Million</b>	<b>Total RMB' Million</b>
<b>Opening balance — IAS 39</b>	127,218	22,976	5,624	—	—	155,818
Reclassification of AFS to FVPL	(68,703)	—	—	68,703	—	—
Reclassification of AFS to FVOCI	(58,515)	—	—	—	58,515	—
Reclassification of RCPS to FVPL	—	(22,976)	—	22,976	—	—
Reclassification of OFA to FVPL	—	—	(3,818)	3,818	—	—
<b>Opening balance — IFRS 9</b>	<u>—</u>	<u>—</u>	<u>1,806</u>	<u>95,497</u>	<u>58,515</u>	<u>155,818</u>

The main effects resulting from this reclassification on the Group's equity are as follows:

<b>At 1 January 2018</b>	<b>Effect on AFS reserves RMB'Million</b>	<b>Effect on FVOCI reserve RMB'Million</b>	<b>Effect on retained earnings RMB'Million</b>
<b>Opening balance — IAS 39</b>	31,152	—	202,682
Reclassification of AFS to FVPL	(16,210)	—	16,210
Reclassification of AFS to FVOCI	<u>(14,942)</u>	<u>14,942</u>	<u>—</u>
<b>Total impact</b>	<u>(31,152)</u>	<u>14,942</u>	<u>16,210</u>
<b>Opening balance — IFRS 9</b>	<u>—</u>	<u>14,942</u>	<u>218,892</u>

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities.

## 2 Segment information

The Group has the following reportable segments for the three months ended 31 March 2018 and 2017:

- VAS;
- Online advertising; and
- Others.

“Others” segment primarily comprises payment related services for individual and corporate users, cloud services and other services.

There were no material inter-segment sales during the three months ended 31 March 2018 and 2017. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three months ended 31 March 2018 and 2017 is as follows:

	<b>Unaudited</b>				
	<b>Three months ended 31 March 2018</b>				
	<b>VAS</b>	<b>Online</b>	<b>Others</b>	<b>Total</b>	
	<b>RMB' Million</b>	<b>advertising</b>	<b>RMB' Million</b>	<b>RMB' Million</b>	<b>RMB' Million</b>
<b>Segment revenues</b>	<u>46,877</u>	<u>10,689</u>	<u>15,962</u>	<u>73,528</u>	
<b>Gross profit</b>	<u>29,657</u>	<u>3,333</u>	<u>4,052</u>	<u>37,042</u>	
<b>Depreciation</b>	434	235	675	1,344	
<b>Amortisation</b>	<u>2,310</u>	<u>2,964</u>	<u>58</u>	<u>5,332</u>	
	<b>Unaudited</b>				
	<b>Three months ended 31 March 2017</b>				
	<b>VAS</b>	<b>Online</b>	<b>Others</b>	<b>Total</b>	
	<b>RMB' Million</b>	<b>advertising</b>	<b>RMB' Million</b>	<b>RMB' Million</b>	
<b>Segment revenues</b>	<u>35,108</u>	<u>6,888</u>	<u>7,556</u>	<u>49,552</u>	
<b>Gross profit</b>	<u>21,391</u>	<u>2,399</u>	<u>1,653</u>	<u>25,443</u>	
<b>Depreciation</b>	523	59	224	806	
<b>Amortisation</b>	<u>2,109</u>	<u>1,294</u>	<u>—</u>	<u>3,403</u>	

### 3 Other gains, net

	Unaudited	
	Three months ended	
	31 March	
	2018	2017
	RMB'Million	RMB'Million
Gains on disposals and deemed disposals of investee companies	1,572	2,728
Fair value gains on FVPL (Note)	6,042	—
Impairment provision for investee companies and intangible assets from acquisitions	(636)	(503)
Subsidies and tax rebates	1,224	804
Dividend income	45	676
Donation to Tencent Charity Funds	(570)	(550)
Others	(92)	36
	<u>7,585</u>	<u>3,191</u>

Note:

The fair value gains on FVPL during the three months ended 31 March 2018 comprised of net gains of approximately RMB6,042 million (Note 9) as a result of increases in valuations of certain FVPL (in vertical such as video clip sharing, news feed, online games and video content creation).

### 4 Expenses by nature

	Unaudited	
	Three months ended	
	31 March	
	2018	2017
	RMB'Million	RMB'Million
Employee benefits expenses (a)	9,575	7,423
Content costs (excluding amortisation of intangible assets) (b)	7,831	6,591
Channel and distribution costs (b)	7,853	4,313
Bandwidth and server custody fees	3,411	2,431
Promotion and advertising expenses	4,574	2,325
Operating lease rentals in respect of office buildings	355	306
Travelling and entertainment expenses	273	194
Amortisation of intangible assets (c)	5,541	3,639
Depreciation of property, plant and equipment	1,656	1,076

Note:

(a) During the three months ended 31 March 2018, the Group incurred expenses for the purpose of research and development of approximately RMB5,006 million (three months ended 31 March 2017: RMB3,597 million), which comprised employee benefits expenses of RMB4,393 million (three months ended 31 March 2017: RMB2,981 million).

No significant development expenses had been capitalised for the three months ended 31 March 2018 and 2017.

- (b) The comparative figures of certain costs have been reclassified to better reflect the nature of the costs and in conformity to current period's classification.
- (c) Mainly included amortisation charge of intangible assets in respect of media contents and game licences.

## **5 Income tax expense**

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three months ended 31 March 2018 and 2017.

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

Hong Kong profit tax has been provided for at the rate of 16.5% on the estimated assessable profit for the three months ended 31 March 2018 and 2017.

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

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the PRC for the three months ended 31 March 2018 and 2017. The general PRC CIT rate is 25% for the three months ended 31 March 2018 and 2017.

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprises, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the three months ended 31 March 2018 and 2017. Moreover, according to announcement and circular issued by relevant government authorities, for the year of 2015 and beyond, a software enterprise that qualifies as a national key software enterprise shall file its status with tax authorities for review and record in accordance with the relevant requirements at the time of final tax settlement each year in order to enjoy the preferential tax rate of 10%. The PRC CIT for the relevant subsidiaries of the Company filing for this preferential tax treatment has been provided for at their respective prevailing tax rates during the period. Upon receipt of notification, the relevant subsidiaries of the Company will be entitled to CIT rate of 10% and corresponding tax adjustments will be accounted for.

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

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

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, has been calculated on the estimated assessable profit for the three months ended 31 March 2018 and 2017 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 36%.

**(e) Withholding tax**

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

Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

The income tax expense of the Group for the three months ended 31 March 2018 and 2017 are analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
Current income tax	<b>4,489</b>	3,692
Deferred income tax	<u><b>1,257</b></u>	<u>(34)</u>
	<u><b>5,746</b></u>	<u><b>3,658</b></u>

## 6 Earnings per share

### (a) Basic

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
Profit attributable to equity holders of the Company (RMB' Million)	<u><u>23,290</u></u>	<u><u>14,476</u></u>
Weighted average number of ordinary shares in issue (million shares)	<u><u>9,429</u></u>	<u><u>9,398</u></u>
Basic EPS (RMB per share)	<u><u>2.470</u></u>	<u><u>1.540</u></u>

### (b) Diluted

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

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates should also have potential dilutive effect on the EPS. During the three months ended 31 March 2018 and 2017, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted EPS.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
Profit attributable to equity holders of the Company (RMB'Million)	<u><b>23,290</b></u>	<u>14,476</u>
Weighted average number of ordinary shares in issue (million shares)	<b>9,429</b>	9,398
Adjustments for share options and awarded shares (million shares)	<u><b>135</b></u>	<u>114</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u><b>9,564</b></u>	<u>9,512</u>
Diluted EPS (RMB per share)	<u><b>2.435</b></u>	<u>1.522</u>

## 7 Dividends

A final dividend in respect of the year ended 31 December 2017 of HKD0.88 per share (2016: HKD0.61 per share) was proposed pursuant to a resolution passed by the Board on 21 March 2018 and subject to the approval of the shareholders of the Company at the 2018 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

The Board did not declare any interim dividend for the three months ended 31 March 2018 and 2017.

## 8 Investments in associates

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>RMB'Million</b>	RMB'Million
Investments in associates		
- Listed entities (Note)	<b>62,808</b>	60,935
- Unlisted entities	<u><b>72,310</b></u>	<u>52,844</u>
	<u><b>135,118</b></u>	<u>113,779</u>

Note:

As at 31 March 2018, the fair value of the investments in associates which are listed entities was RMB145,486 million (31 December 2017: RMB156,968 million).

Movement of investments in associates is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>RMB'Million</b>	RMB'Million
At beginning of period	<b>113,779</b>	70,042
Additions ((a), (b), (c) and (d))	<b>21,109</b>	1,164
Deemed disposal gains	<b>576</b>	107
Share of losses of associates	<b>(303)</b>	(387)
Share of other comprehensive income of associates	<b>98</b>	111
Transfers	<b>363</b>	43
Disposals	<b>(414)</b>	(79)
Impairment provision (e)	<b>1,605</b>	(31)
Currency translation differences	<b>(1,695)</b>	(987)
	<u><b>135,118</b></u>	<u>69,983</u>
At end of period	<u><b>135,118</b></u>	<u>69,983</u>

Note:

- (a) During the three months ended 31 March 2018, the Group made additional investments in an existing associate which principally operates a group buying platform in Asia, to subscribe for approximately 9% of its equity interests, on an outstanding basis, at a total consideration of USD1,019 million (equivalent to approximately RMB6,462 million).
- (b) During the three months ended 31 March 2018, the Group further subscribed for approximately 28% of equity interests on an outstanding basis in an existing investee recorded as FVPL which is engaged in film and television production business, at a cash consideration of approximately RMB3,317 million. As a result, the investment in this investee was re-designated from FVPL to investment in an associate.
- (c) During the three months ended 31 March 2018, the Group entered into a share purchase agreement with an associate which is principally engaged in online game business, to subscribe for approximately 12% of its equity interests, on an outstanding basis, at a cash consideration of approximately RMB2,985 million.
- (d) The Group also acquired certain other associates and made additional investments in existing associates with an aggregate amount of RMB8,345 million during the three months ended 31 March 2018.
- (e) The amount mainly represents a reversal of an impairment provision against an associate of RMB1,615 million due to the significant improvement in operating performance and improvement of long-term business forecast.



## 9 Financial assets at fair value through profit or loss

FVPL include the following:

	<b>Unaudited 31 March 2018 RMB' Million</b>
<b>Included in non-current assets:</b>	
Investments in listed entities	11,179
Investments in unlisted entities	96,273
Others	<u>4,019</u>
	<u>111,471</u>
<b>Included in current assets:</b>	
Treasury investments and others	<u>5,022</u>
	<u><u>116,493</u></u>

Movement of FVPL is analysed as follows:

	<b>Unaudited Three months ended 31 March 2018 RMB' Million</b>
At beginning of period	—
Adjustment on adoption of IFRS 9 (Note 1)	95,497
Additions ((a), (b), and (c))	19,542
Disposals and transfers	(756)
Changes in fair value (Note 3)	6,042
Currency translation differences	<u>(3,832)</u>
At end of period	<u><u>116,493</u></u>

Note:

- (a) During the three months ended 31 March 2018, the Group entered into a share purchase agreement with an investee classified as FVPL, which is engaged in the provision of live broadcast business, to subscribe for approximately 35% of its equity interests, on an outstanding basis, at a total consideration of USD462 million (equivalent to approximately RMB2,922 million).
- (b) During the three months ended 31 March 2018, the Group made additional investment in an existing investee recorded as FVPL, which is principally engaged in video clip sharing business, to further subscribe for approximately 2% of its equity interests, on an outstanding basis, at a total consideration of USD400 million (equivalent to approximately RMB2,536 million).
- (c) The Group also made certain new investments and additional investments with an aggregate amount of approximately RMB14,084 million in listed and unlisted entities mainly operated in the United States, the PRC and other Asian countries. These companies are principally engaged in games, entertainment, technology and other Internet-related services.

## 10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	<b>Unaudited 31 March 2018 RMB'Million</b>
Equity investments in listed entities	
- United States	46,310
- Mainland China	6,774
- France	<u>2,867</u>
	<u>55,951</u>
Others	<u>14,671</u>
	<u><u>70,622</u></u>

Movement of FVOCI is analysed as follows:

	<b>Unaudited Three months ended 31 March 2018 RMB'Million</b>
At beginning of period	—
Adjustment on adoption of IFRS 9 (Note 1)	58,515
Additions ((a), (b), (c) and (d))	13,336
Changes in fair value	1,142
Currency translation differences	<u>(2,371)</u>
At end of period	<u><u>70,622</u></u>

Note:

- (a) During the three months ended 31 March 2018, the Group entered into a share purchase agreement with an investee classified as FVOCI, which is principally engaged in retail business, to subscribe for approximately 5% of its equity interests, on an outstanding basis, at a total consideration of RMB4,216 million.
- (b) During the three months ended 31 March 2018, the Group made additional investment in an existing investee recorded as FVOCI, which is principally engaged in social networking business, to further subscribe for approximately 3% of its equity interests, on an outstanding basis, at a total consideration of USD570 million (equivalent to approximately RMB3,712 million).
- (c) During the three months ended 31 March 2018, the Group entered into a share purchase agreement with an investee classified as FVOCI, which is engaged in online game business, to subscribe for approximately 5% of its equity interests, on an outstanding basis, at a total consideration of EUR371 million (equivalent to approximately RMB2,900 million).
- (d) During the three months ended 31 March 2018, the Group made additional investment in an existing investee recorded as FVOCI, which is principally engaged in streaming on-demand media business, to further subscribe for its certain equity interests, at a total consideration of USD395 million (equivalent to approximately RMB2,508 million).

## 11 Accounts receivable

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

	<b>Unaudited</b> <b>31 March</b> <b>2018</b> <b>RMB'Million</b>	Audited 31 December 2017 RMB'Million
0 - 30 days	4,853	4,399
31 - 60 days	7,233	6,394
61 - 90 days	3,618	2,259
Over 90 days	<u>4,923</u>	<u>3,497</u>
	<u><b>20,627</b></u>	<u><b>16,549</b></u>

Receivable balances as at 31 March 2018 and 31 December 2017 mainly represented amounts due from online advertising customers and agencies, third party platform providers, and telecommunication operators.

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

## 12 Share option and share award schemes

### (a) Share option schemes

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

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme II expired on 31 December 2011, 23 March 2014 and 16 May 2017 respectively. Upon the expiry of these schemes, no further options would be granted under these schemes but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes.

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

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme III		Post-IPO Option Scheme IV		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
<b>At 1 January 2018</b>	<b>HKD179.90</b>	<b>55,510,248</b>	<b>HKD31.70</b>	<b>2,500,000</b>	<b>HKD273.80</b>	<b>9,155,860</b>	<b>67,166,108</b>
Granted	–	–	–	–	<b>HKD444.20</b>	<b>155,050</b>	<b>155,050</b>
Exercised	<b>HKD66.43</b>	<b>(1,636,649)</b>	<b>HKD31.70</b>	<b>(2,500,000)</b>	–	–	<b>(4,136,649)</b>
Lapsed	<b>HKD131.47</b>	<b>(37,139)</b>	–	–	<b>HKD272.36</b>	<b>(67,970)</b>	<b>(105,109)</b>
<b>At 31 March 2018</b>	<b>HKD183.38</b>	<b><u>53,836,460</u></b>	–	<u>–</u>	<b>HKD276.67</b>	<b><u>9,242,940</u></b>	<b><u>63,079,400</u></b>
<b>Exercisable as at 31 March 2018</b>	<b>HKD159.40</b>	<b><u>23,614,945</u></b>	–	<u>–</u>	–	<u>–</u>	<b><u>23,614,945</u></b>
<b>At 1 January 2017</b>	<b>HKD120.95</b>	<b>31,247,436</b>	<b>HKD31.70</b>	<b>2,500,000</b>	–	–	<b>33,747,436</b>
Granted	<b>HKD225.44</b>	<b>28,526,215</b>	–	–	–	–	<b>28,526,215</b>
Exercised	<b>HKD38.85</b>	<b>(250,062)</b>	–	–	–	–	<b>(250,062)</b>
Lapsed	<b>HKD124.30</b>	<b>(14,625)</b>	–	–	–	–	<b>(14,625)</b>
<b>At 31 March 2017</b>	<b>HKD171.38</b>	<b><u>59,508,964</u></b>	<b>HKD31.70</b>	<b><u>2,500,000</u></b>	–	<u>–</u>	<b><u>62,008,964</u></b>
<b>Exercisable as at 31 March 2017</b>	<b>HKD103.93</b>	<b><u>14,927,718</u></b>	<b>HKD31.70</b>	<b><u>1,250,000</u></b>	–	<u>–</u>	<b><u>16,177,718</u></b>

During the three months ended 31 March 2018, no option was granted to any director of the Company (three months ended 31 March 2017: 5,250,000 options were granted to one director of the Company).

**(b) Share award schemes**

The Company has adopted the Share Award Schemes as of 31 March 2018, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the three months ended 31 March 2018 and 2017 are as follows:

	No. of awarded shares	
	Three months ended 31 March	
	2018	2017
<b>At beginning of period</b>	<b>63,636,254</b>	86,365,812
Granted	<b>290,680</b>	3,275,615
Lapsed	<b>(649,768)</b>	(943,791)
Vested and transferred	<b><u>(4,711,789)</u></b>	<u>(6,149,853)</u>
<b>At end of period</b>	<b><u>58,565,377</u></b>	<u>82,547,783</u>
<b>Vested but not transferred as at the end of period</b>	<b><u>105,831</u></b>	<u>260,503</u>

During the three months ended 31 March 2018, no awarded share was granted to any independent non-executive director of the Company (three months ended 31 March 2017: 60,000 awarded shares were granted to four independent non-executive directors of the Company).

**13 Accounts payable**

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

	Unaudited	Audited
	31 March 2018	31 December 2017
	RMB'Million	RMB'Million
0 - 30 days	<b>35,437</b>	38,420
31 - 60 days	<b>5,915</b>	3,030
61 - 90 days	<b>4,733</b>	2,050
Over 90 days	<b><u>7,805</u></b>	<u>6,585</u>
	<b><u>53,890</u></b>	<u>50,085</u>

## 14 Borrowings

	<b>Unaudited 31 March 2018 RMB'Million</b>	Audited 31 December 2017 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings, unsecured (a)	<b>73,451</b>	76,326
Non-current portion of long-term RMB bank borrowings, unsecured (a)	<b>4,444</b>	4,459
Non-current portion of long-term HKD bank borrowings, unsecured (a)	<b>800</b>	834
Non-current portion of long-term RMB bank borrowings, secured (a)	<u>—</u>	<u>475</u>
	<b><u>78,695</u></b>	<u>82,094</u>
<b>Included in current liabilities:</b>		
HKD bank borrowings, unsecured (b)	<b>16,211</b>	14,293
USD bank borrowings, unsecured (b)	<b>1,258</b>	1,307
Current portion of long-term RMB bank borrowings, secured (a)	<b>475</b>	—
Current portion of long-term USD bank borrowings, unsecured (a)	<b>63</b>	66
Current portion of long-term RMB bank borrowings, unsecured (a)	<u><b>30</b></u>	<u>30</u>
	<b><u>18,037</u></b>	<u>15,696</u>
	<b><u>96,732</u></b>	<u>97,790</u>

Note:

- (a) The aggregate principal amounts of long-term USD bank borrowings, long-term RMB bank borrowings and long-term HKD bank borrowings were USD11,691 million (31 December 2017: USD11,691 million), RMB4,949 million (31 December 2017: RMB4,964 million) and HKD1,000 million (31 December 2017: HKD1,000 million), respectively. Applicable interest rates are at LIBOR/HIBOR plus 0.70% to 1.51% or a fixed interest rate of 1.875% for non-RMB bank borrowings and interest rates of 4.18% to 4.275% for RMB bank borrowings (31 December 2017: LIBOR/HIBOR plus 0.70% to 1.51% or a fixed interest rate of 1.875% for non-RMB bank borrowings and interest rates of 4.18% to 4.275% for RMB bank borrowings) per annum.
- (b) The aggregate principal amounts of short-term USD bank borrowings and short-term HKD bank borrowings were USD200 million (31 December 2017: USD200 million) and HKD20,273 million (31 December 2017: HKD17,133 million), respectively. Applicable interest rates are at LIBOR/HIBOR plus 0.50% to 0.55% for non-RMB bank borrowing (31 December 2017: LIBOR/HIBOR plus 0.50% to 0.55%) per annum.

## 15 Notes payable

	<b>Unaudited 31 March 2018 RMB'Million</b>	Audited 31 December 2017 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<b>56,972</b>	26,697
Non-current portion of long-term HKD notes payable	<u><b>2,556</b></u>	<u>2,666</u>
	<u><b>59,528</b></u>	<u>29,363</u>
<b>Included in current liabilities:</b>		
Current portion of long-term USD notes payable	—	3,919
Current portion of long-term HKD notes payable	<u><b>799</b></u>	<u>833</u>
	<u><b>799</b></u>	<u>4,752</u>
	<u><u><b>60,327</b></u></u>	<u><u>34,115</u></u>

Note:

The aggregate principal amounts of USD notes payable and HKD notes payable were USD9,100 million (31 December 2017: USD4,700 million) and HKD4,200 million (31 December 2017: HKD4,200 million), respectively. The interest rate range of the notes payable is from 2.30% to 4.70% and 3-month USD LIBOR plus 0.605% (31 December 2017: 2.30% to 4.70%) per annum.

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

On 19 January 2018, the Company issued four tranches of senior notes under the Global Medium Term Note Programme with aggregate principal amounts of USD5 billion set out below:

	<b>Amount (USD'Million)</b>	<b>Interest Rate (per annum)</b>	<b>Due</b>
2023 Notes	1,000	2.985%	2023
2023 Floating Rate Notes	500	3-month USD LIBOR + 0.605%	2023
2028 Notes	2,500	3.595%	2028
2038 Notes	<u>1,000</u>	3.925%	2038
	<u><u>5,000</u></u>		

In March 2018, the notes payable with an aggregate principal amount of USD600 million issued in September 2012 reached their maturity and were repaid in full by the Group.

## **OTHER INFORMATION**

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 31 March 2018.

### **Employee and Remuneration Policies**

As at 31 March 2018, the Group had 46,049 employees (31 March 2017: 39,258). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the three months ended 31 March 2018 was RMB9,575 million (for the three months ended 31 March 2017: RMB7,423 million).

### **Audit Committee**

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2018. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

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

Save as disclosed in the corporate governance report in the 2017 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2018 to 31 March 2018.

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



## APPRECIATION

On behalf of the Board, I would like to express our gratitude to all our staff and the management team for their commitment to excellence, strong teamwork and valuable contribution. I would also like to thank all our shareholders and stakeholders for their complete confidence in and support to our Group. Looking ahead, we will continue striving to enhance people's quality of life through our innovative products and services and to develop a healthy and balanced technology-enabled ecosystem.

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

Hong Kong, 16 May 2018

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

*Executive Directors:*

Ma Huateng and Lau Chi Ping Martin;

*Non-Executive Directors:*

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

*Independent Non-Executive Directors:*

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

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

## DEFINITION

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

<b>Term</b>	<b>Definition</b>
“2018 AGM”	the annual general meeting of the Company to be held on 16 May 2018 or any adjournment thereof
“AFS”	available-for-sale financial assets
“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“CIT”	corporate income tax
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“CPC”	cost per click
“DAU”	daily active user accounts
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Epic Games”	Epic Games, Inc., a Maryland corporation organized under the general laws of the State of Maryland, U.S.
“EPS”	earnings per share

“EUR”	the lawful currency of European Union
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong InterBank Offered Rate
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“IPO”	initial public offering
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“O2O”	online-to-offline, or offline-to-online
“OFA”	other financial assets
“PC”	personal computer
“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
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“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
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“RCPS”	investments in redeemable instruments of associates
“RMB”	the lawful currency of the PRC
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, as amended, and the share award scheme adopted by the Company on 13 November 2013, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Funds”	charity funds established by the Group
“United States” or “U.S.”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services