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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 2013**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2013. 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>	31	Quarter-	31	Year-
	<b>March</b>	December	on-quarter	March	on-year
	<b>2013</b>	2012	change	2012	change
	<i>(RMB in millions, unless specified)</i>				
Revenues	<b>13,547.6</b>	12,153.1	11.5%	9,647.9	40.4%
Gross profit	<b>7,593.8</b>	6,880.5	10.4%	5,811.5	30.7%
Operating profit	<b>5,062.5</b>	3,726.1	35.9%	3,691.4	37.1%
Profit for the period	<b>4,071.1</b>	3,470.8	17.3%	2,962.3	37.4%
Profit attributable to equity holders of the Company	<b>4,043.8</b>	3,463.6	16.8%	2,949.5	37.1%
Non-GAAP profit attributable to equity holders of the Company	<b>4,037.7</b>	4,067.8	-0.7%	3,281.1	23.1%
EPS (RMB per share)					
- basic	<b>2.204</b>	1.890	16.6%	1.618	36.2%
- diluted	<b>2.166</b>	1.856	16.7%	1.587	36.5%

## **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” 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 game 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 million at the end of the quarter, representing a year-on-year growth rate of 10%. PCU for the quarter increased by 3% year-on-year to 173 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 million, representing a year-on-year growth rate of 228%. 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 6% year-on-year to 611 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 pageviews 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 phone 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Change in Disclosure of Financial and Operating Information

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 in our financial statements and adjusted the revenue categories under IVAS and MVAS from the first quarter of 2013 onwards. Comparative figures have been restated to comply with the new presentation. Details of the changes are as follows:

- The IVAS and MVAS segments have been combined into the VAS segment which consists of two revenue categories, namely social networks and online games.
- Revenues from social networks under the VAS segment consist of: (a) community and open platforms revenues previously under the IVAS segment; and (b) non-mobile game revenues previously under the MVAS segment.
- Revenues from online games under the VAS segment consist of: (a) online game revenues previously under the IVAS segment; and (b) mobile game revenues previously under the MVAS segment.

The following table sets forth the breakdown of VAS revenues for the periods presented:

	<b>31 March 2013</b>	<b>Unaudited Three months ended 31 December 2012 (Restated) (RMB in millions)</b>	<b>31 March 2012 (Restated)</b>
Social network revenues			
Community and open platforms revenues previously under IVAS	<b>2,551.0</b>	2,465.5	2,060.7
Non-mobile game revenues previously under MVAS	<b><u>643.0</u></b>	<u>662.1</u>	<u>694.2</u>
	<b><u>3,194.0</u></b>	<u>3,127.6</u>	<u>2,754.9</u>
Online game revenues			
Online game revenues previously under IVAS	<b>7,134.5</b>	5,990.4	5,320.9
Mobile game revenues previously under MVAS	<b><u>337.5</u></b>	<u>271.8</u>	<u>219.6</u>
	<b><u>7,472.0</u></b>	<u>6,262.2</u>	<u>5,540.5</u>
Total VAS revenues	<b><u><u>10,666.0</u></u></b>	<u><u>9,389.8</u></u>	<u><u>8,295.4</u></u>



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

- For QQ, MAU continued to increase compared to the same period last year and the previous quarter. This was mainly driven by the expansion of our mobile user base. PCU declined sequentially, reflecting the fact that mobile users' usage pattern is more spread out across day parts as compared to PC users.
- Combined MAU of Weixin and WeChat grew strongly during the quarter. This was mainly attributable to the growth of Weixin in China, riding on its innovative features and compelling user experience. The quarter also saw robust growth in the user base of WeChat, especially in Southeast Asia.
- VAS registered subscriptions decreased as compared to the same period last year mainly due to stringent measures launched in the second quarter of 2012, which aim to improve the quality of our subscriber base. The decline also reflected increased smart phone adoption by our users coupled with slower development of our privileges on smart phones as compared to those on PCs and feature phones. Subscriptions were stable quarter-on-quarter.

## First Quarter of 2013 Compared to Fourth Quarter of 2012

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenues	<b>13,547,554</b>	12,153,053
Cost of revenues	<b><u>(5,953,761)</u></b>	<u>(5,272,571)</u>
Gross profit	<b>7,593,793</b>	6,880,482
Interest income	<b>276,371</b>	266,351
Other gains/(losses), net	<b>350,863</b>	(202,248)
Selling and marketing expenses	<b>(962,398)</b>	(1,094,775)
General and administrative expenses	<b><u>(2,196,111)</u></b>	<u>(2,123,735)</u>
Operating profit	<b>5,062,518</b>	3,726,075
Finance costs, net	<b>(82,198)</b>	(62,802)
Share of profit/(losses) of associates	<b>131,381</b>	(28,856)
Share of losses of jointly controlled entities	<b><u>(11,572)</u></b>	<u>(12,410)</u>
Profit before income tax	<b>5,100,129</b>	3,622,007
Income tax expense	<b><u>(1,029,001)</u></b>	<u>(151,201)</u>
Profit for the period	<b><u>4,071,128</u></b>	<u>3,470,806</u>
Attributable to:		
Equity holders of the Company	<b>4,043,819</b>	3,463,593
Non-controlling interests	<b><u>27,309</u></b>	<u>7,213</u>
	<b><u>4,071,128</u></b>	<u>3,470,806</u>
Non-GAAP profit attributable to equity holders of the Company	<b><u>4,037,730</u></b>	<u>4,067,756</u>



*Revenues.* Revenues increased by 11% to RMB13,548 million for the first quarter of 2013 from the fourth quarter of 2012. The following table sets forth our revenues by line of business for the first quarter of 2013 and the fourth quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2013</b>		<b>31 December 2012</b>	
	<b>Amount</b>	<b>% of total revenues</b>	<b>Amount</b>	<b>% of total revenues</b>
			(Restated)	(Restated)
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>10,666,080</b>	<b>78.7%</b>	9,389,812	77.3%
Online advertising	<b>849,541</b>	<b>6.3%</b>	947,258	7.8%
eCommerce transactions	<b>1,913,341</b>	<b>14.1%</b>	1,683,562	13.8%
Others	<b><u>118,592</u></b>	<b><u>0.9%</u></b>	<u>132,421</u>	<u>1.1%</u>
<b>Total revenues</b>	<b><u><u>13,547,554</u></u></b>	<b><u><u>100.0%</u></u></b>	<u><u>12,153,053</u></u>	<u><u>100.0%</u></u>

- Revenues from our VAS business increased by 14% to RMB10,666 million for the first quarter of 2013 from the fourth quarter of 2012. Online game revenues increased by 19% to RMB7,472 million. This was primarily driven by growth in revenues from China, where major titles such as Cross Fire, DnF and 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. Revenues from international markets and mobile games also experienced growth. Social network revenues increased by 2% to RMB3,194 million. This mainly reflected an increase in item-based sales within applications on our open platforms.<sup>1</sup>
- Revenues from our online advertising business decreased by 10% to RMB850 million for the first quarter of 2013 from the fourth quarter of 2012. This primarily reflected the impact of weaker seasonality on advertisers' spending. Performance-based social advertising and video advertising registered sequential revenue growth.

<sup>1</sup> Under the previous financial disclosure which was adopted prior to the first quarter of 2013, our IVAS revenues for the first quarter of 2013 increased by 15% quarter-on-quarter, within which our online game revenues increased by 19% and our community and open platform revenues increased by 3%. Our MVAS revenues increased by 5% quarter-on-quarter.

- Revenues from our eCommerce transactions business increased by 14% to RMB1,913 million for the first quarter of 2013 from the fourth quarter of 2012. While the eCommerce industry is seasonally weaker in the first quarter, our revenues grew sequentially due to regional expansion.

*Cost of revenues.* Cost of revenues increased by 13% to RMB5,954 million for the first quarter of 2013 from the fourth quarter of 2012. This primarily reflected increases in sharing and content costs, cost of merchandise sold, and staff costs. As a percentage of revenues, cost of revenues increased to 44% for the first quarter of 2013 from 43% for the fourth quarter of 2012. The following table sets forth our cost of revenues by line of business for the first quarter of 2013 and the fourth quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2013</b>		31 December 2012	
		<b>% of</b>		<b>% of</b>
	<b>Amount</b>	<b>segment</b>	Amount	segment
		<b>revenues</b>	(Restated)	(Restated)
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>3,593,480</b>	<b>33.7%</b>	3,181,957	33.9%
Online advertising	<b>503,607</b>	<b>59.3%</b>	483,688	51.1%
eCommerce transactions	<b>1,781,700</b>	<b>93.1%</b>	1,539,903	91.5%
Others	<b><u>74,974</u></b>	<b>63.2%</b>	<u>67,023</u>	50.6%
 Total cost of revenues	 <b><u>5,953,761</u></b>		 <u>5,272,571</u>	

- Cost of revenues for our VAS business increased by 13% to RMB3,593 million for the first quarter of 2013 from the fourth quarter of 2012. This was primarily driven by increases in sharing costs for licensed game titles and staff costs.
- Cost of revenues for our online advertising business increased by 4% to RMB504 million for the first quarter of 2013 from the fourth quarter of 2012. This was mainly driven by increases in staff costs as well as bandwidth and server custody fees.
- Cost of revenues for our eCommerce transactions business increased by 16% to RMB1,782 million for the first quarter of 2013 from the fourth quarter of 2012. This primarily reflected growth in cost of merchandise sold as a result of increased principal eCommerce transactions.

*Other gains/(losses), net.* We recorded other gains, net of RMB351 million for the first quarter of 2013, compared to other losses, net of RMB202 million for the fourth quarter of 2012. The change mainly reflected the recognition of a special dividend income of RMB438 million from our investee company Mail.ru and the absence of impairment provision for selected investee companies recognised in the previous quarter, partially offset by a donation of RMB120 million made to the Tencent Charity Fund in the first quarter of 2013.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 12% to RMB962 million for the first quarter of 2013 from the fourth quarter of 2012. This primarily reflected a seasonal reduction in advertising and promotional activities, partly offset by increased marketing spending on WeChat in Asian markets and our corporate brand. As a percentage of revenues, selling and marketing expenses decreased to 7% for the first quarter of 2013 from 9% for the fourth quarter of 2012.

*General and administrative expenses.* General and administrative expenses increased by 3% to RMB2,196 million for the first quarter of 2013 from the fourth quarter of 2012. This primarily reflected increases in share-based compensation and other staff costs. As a percentage of revenues, general and administrative expenses decreased to 16% for the first quarter of 2013 from 17% for the fourth quarter of 2012.

*Finance costs, net.* Finance costs, net increased by 31% to RMB82 million for the first quarter of 2013 from the fourth quarter of 2012. This was mainly due to lower foreign exchange gain on our foreign currency denominated debts.

*Share of profit/(losses) of associates.* Share of profit of associates amounted to RMB131 million for the first quarter of 2013, compared to losses of RMB29 million for the fourth quarter of 2012. The higher-than-usual profit from associates mainly reflected contribution from Epic Games as a result of a new console game launched in the US and Europe during the quarter.

*Income tax expense.* Income tax expense amounted to RMB1,029 million for the first quarter of 2013, compared to RMB151 million for the fourth quarter of 2012. This primarily reflected the absence of the income tax expense reversal recognised in the previous quarter in respect of the qualification of a subsidiary in China for a lower CIT rate.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 17% to RMB4,044 million for the first quarter of 2013 from the fourth quarter of 2012. Non-GAAP profit attributable to equity holders of the Company decreased by 1% to RMB4,038 million for the first quarter of 2013 from the fourth quarter of 2012.

## First Quarter of 2013 Compared to First Quarter of 2012

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	31 March
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
Revenues	<b>13,547,554</b>	9,647,858
Cost of revenues	<b><u>(5,953,761)</u></b>	<u>(3,836,317)</u>
Gross profit	<b>7,593,793</b>	5,811,541
Interest income	<b>276,371</b>	166,733
Other gains/(losses), net	<b>350,863</b>	(63,642)
Selling and marketing expenses	<b>(962,398)</b>	(469,200)
General and administrative expenses	<b><u>(2,196,111)</u></b>	<u>(1,754,074)</u>
Operating profit	<b>5,062,518</b>	3,691,358
Finance costs, net	<b>(82,198)</b>	(69,982)
Share of profit/(losses) of associates	<b>131,381</b>	(9,753)
Share of (losses)/profit of jointly controlled entities	<b><u>(11,572)</u></b>	<u>1,380</u>
Profit before income tax	<b>5,100,129</b>	3,613,003
Income tax expense	<b><u>(1,029,001)</u></b>	<u>(650,673)</u>
Profit for the period	<b><u>4,071,128</u></b>	<u>2,962,330</u>
Attributable to:		
Equity holders of the Company	<b>4,043,819</b>	2,949,510
Non-controlling interests	<b><u>27,309</u></b>	<u>12,820</u>
	<b><u>4,071,128</u></b>	<u>2,962,330</u>
Non-GAAP profit attributable to equity holders of the Company	<b><u>4,037,730</u></b>	<u>3,281,064</u>

*Revenues.* Revenues increased by 40% to RMB13,548 million for the first quarter of 2013 from the first quarter of 2012. The following table sets forth our revenues by line of business for the first quarter of 2013 and the first quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2013</b>		<b>31 March 2012</b>	
	<b>Amount</b>	<b>% of total revenues</b>	<b>Amount</b>	<b>% of total revenues</b>
			(Restated)	(Restated)
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>10,666,080</b>	<b>78.7%</b>	8,295,463	86.0%
Online advertising	<b>849,541</b>	<b>6.3%</b>	540,113	5.6%
eCommerce transactions	<b>1,913,341</b>	<b>14.1%</b>	752,817	7.8%
Others	<b><u>118,592</u></b>	<b><u>0.9%</u></b>	<u>59,465</u>	<u>0.6%</u>
Total revenues	<b><u>13,547,554</u></b>	<b><u>100.0%</u></b>	<u>9,647,858</u>	<u>100.0%</u>

- Revenues from our VAS business increased by 29% to RMB10,666 million for the first quarter of 2013 from the first quarter of 2012. Online game revenues increased by 35% to RMB7,472 million. This mainly reflected revenue growth of our major titles such as DnF and LoL, contributions from our new self-developed titles and increased revenues from international markets. Mobile games also contributed to the growth of our online game business. Social network revenues increased by 16% to RMB3,194 million. This was primarily driven by a significant increase in item-based sales within applications on our open platforms, partly offset by decreased subscription revenues.<sup>2</sup>
- Revenues from our online advertising business increased by 57% to RMB850 million for the first quarter of 2013 from the first quarter of 2012. This was primarily driven by increased revenues from performance-based social advertising and video advertising. Traditional brand display advertising and search advertising also contributed to the revenue growth of the business.

<sup>2</sup> Under the previous financial disclosure which was adopted prior to the first quarter of 2013, our IVAS revenues for the first quarter of 2013 increased by 31% year-on-year, within which our online game revenues increased by 34% and our community and open platform revenues increased by 24%. Our MVAS revenues increased by 7% year-on-year.

- Revenues from our eCommerce transactions business increased by 154% to RMB1,913 million for the first quarter of 2013 from the first quarter of 2012. This mainly reflected an increase in volume of principal eCommerce transactions. Fees generated from transactions on our marketplace also increased.

*Cost of revenues.* Cost of revenues increased by 55% to RMB5,954 million for the first quarter of 2013 from the first quarter of 2012. This primarily reflected increases in cost of merchandise sold, sharing and content costs, as well as staff costs. As a percentage of revenues, cost of revenues increased to 44% for the first quarter of 2013 from 40% for the first quarter of 2012, primarily due to a revenue mix shift toward the eCommerce transactions business. The following table sets forth our cost of revenues by line of business for the first quarter of 2013 and the first quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2013</b>		31 March 2012	
		<b>% of</b>		<b>% of</b>
	<b>Amount</b>	<b>segment</b>	Amount	segment
		<b>revenues</b>	(Restated)	(Restated)
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>3,593,480</b>	<b>33.7%</b>	2,747,662	33.1%
Online advertising	<b>503,607</b>	<b>59.3%</b>	316,183	58.5%
eCommerce transactions	<b>1,781,700</b>	<b>93.1%</b>	732,051	97.2%
Others	<b><u>74,974</u></b>	<b>63.2%</b>	<u>40,421</u>	68.0%
<b>Total cost of revenues</b>	<b><u>5,953,761</u></b>		<b><u>3,836,317</u></b>	

- Cost of revenues for our VAS business increased by 31% to RMB3,593 million for the first quarter of 2013 from the first quarter of 2012. This primarily reflected increases in sharing costs for licensed game titles, staff costs as well as bandwidth and server custody fees.
- Cost of revenues for our online advertising business increased by 59% to RMB504 million for the first quarter of 2013 from the first quarter of 2012. This mainly reflected increases in bandwidth and server custody fees, commissions payable to advertising agencies, as well as video content costs.

- Cost of revenues for our eCommerce transactions business increased by 143% to RMB1,782 million for the first quarter of 2013 from the first quarter of 2012. This was primarily driven by increased cost of merchandise sold as a result of growth in principal eCommerce transactions.

*Other gains/(losses), net.* We recorded other gains, net of RMB351 million for the first quarter of 2013, compared to other losses, net of RMB64 million for the first quarter of 2012. The change mainly reflected the recognition of a special dividend income of RMB438 million from our investee company Mail.ru, partly offset by an increase in donations made to the Tencent Charity Fund.

*Selling and marketing expenses.* Selling and marketing expenses increased by 105% to RMB962 million for the first quarter of 2013 from the first quarter of 2012. This primarily reflected increased advertising and promotional spending on products and platforms such as online games, WeChat and our mobile security product. Staff costs also increased as our business scale expanded. As a percentage of revenues, selling and marketing expenses increased to 7% for the first quarter of 2013 from 5% for the first quarter of 2012.

*General and administrative expenses.* General and administrative expenses increased by 25% to RMB2,196 million for the first quarter of 2013 from the first quarter of 2012. This mainly reflected increases in share-based compensation and other staff costs. As a percentage of revenues, general and administrative expenses decreased to 16% for the first quarter of 2013 from 18% for the first quarter of 2012.

*Finance costs, net.* Finance costs, net increased by 17% to RMB82 million for the first quarter of 2013 from the first quarter of 2012. This mainly reflected higher interest expense, partly offset by the recognition of foreign exchange gain on our foreign currency denominated debts due to exchange rate movements in the first quarter of 2013.

*Share of profit/(losses) of associates.* Share of profit of associates amounted to RMB131 million for the first quarter of 2013, compared to losses of RMB10 million for the first quarter of 2012. The higher-than-usual profit from associates mainly reflected contribution from Epic Games as a result of a new console game launched in the US and Europe during the quarter.

*Income tax expense.* Income tax expense increased by 58% to RMB1,029 million for the first quarter of 2013 from the first quarter of 2012. This primarily reflected higher profit before income tax and an increase in deferred tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 37% to RMB4,044 million for the first quarter of 2013 from the first quarter of 2012. Non-GAAP profit attributable to equity holders of the Company increased by 23% to RMB4,038 million for the first quarter of 2013 from the first quarter of 2012.

## Other Financial Information

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2013</b>	2012	2012
	<i>(RMB in thousands, unless specified)</i>		
EBITDA (a)	<b>5,157,462</b>	4,362,868	4,254,547
Adjusted EBITDA (a)	<b>5,438,182</b>	4,640,940	4,461,209
Adjusted EBITDA margin (b)	<b>40.1%</b>	38.2%	46.2%
Interest expense	<b>98,304</b>	103,536	67,578
Net cash (c)	<b>32,730,672</b>	27,381,274	20,818,507
Capital expenditures (d)	<b>1,034,598</b>	1,783,830	662,130

*Note:*

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



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

	<b>31 March</b>	<b>Unaudited</b>	
		<b>Three months ended</b>	
	<b>2013</b>	31 December	31 March
	<b>RMB'000</b>	2012	2012
		<i>RMB'000</i>	<i>RMB'000</i>
Operating profit	<b>5,062,518</b>	3,726,075	3,691,358
Less: Interest income	<b>(276,371)</b>	(266,351)	(166,733)
Add: Other (gains)/losses, net	<b>(350,863)</b>	202,248	63,642
Add: Depreciation of fixed assets and investment properties	<b>560,467</b>	530,977	424,170
Add: Amortisation of intangible assets	<b><u>161,711</u></b>	<u>169,919</u>	<u>242,110</u>
EBITDA	<b>5,157,462</b>	4,362,868	4,254,547
Equity-settled share-based compensation	<b><u>280,720</u></b>	<u>278,072</u>	<u>206,662</u>
Adjusted EBITDA	<b><u>5,438,182</u></b>	<u>4,640,940</u>	<u>4,461,209</u>

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

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit for the period, non-GAAP net margin and non-GAAP profit attributable to equity holders of the Company, have been presented in this announcement. 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 Group's core operations by excluding certain non-cash items and certain impact of acquisitions. The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the first quarter of 2013, the fourth quarter of 2012 and the first quarter of 2012 to the nearest measures prepared in accordance with IFRS:

**Unaudited three months ended 31 March 2013**

	As reported	Adjustments					Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)	Impairment provision (c)	Special dividend income (d)	
<b>Operating profit</b>	<b>5,062,518</b>	<b>280,720</b>	<b>116,942</b>	<b>38,784</b>	—	<b>(438,074)</b>	<b>5,060,890</b>
<b>Profit for the period</b>	<b>4,071,128</b>	<b>280,720</b>	<b>116,942</b>	<b>58,628</b>	—	<b>(438,074)</b>	<b>4,089,344</b>
<b>Profit attributable to equity holders</b>	<b>4,043,819</b>	<b>278,306</b>	<b>103,648</b>	<b>50,031</b>	—	<b>(438,074)</b>	<b>4,037,730</b>
<b>Operating margin</b>	<b>37.4%</b>						<b>37.4%</b>
<b>Net margin</b>	<b>30.1%</b>						<b>30.2%</b>

**Unaudited three months ended 31 December 2012**

	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)	
Operating profit	3,726,075	278,072	24,765	40,267	251,000	—	4,320,179
Profit for the period	3,470,806	278,072	24,765	65,065	251,000	—	4,089,708
Profit attributable to equity holders	3,463,593	275,016	21,833	56,314	251,000	—	4,067,756
Operating margin	30.7%						35.5%
Net margin	28.6%						33.7%

**Unaudited three months ended 31 March 2012**

	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)	
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
Operating margin	38.3%						42.2%
Net margin	30.7%						34.3%

*Note:*

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

## Liquidity and Financial Resources

Our net cash positions as at 31 March 2013 and 31 December 2012 are as follows:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash and cash equivalents	<b>15,024,047</b>	13,383,398
Term deposits	<b><u>28,090,139</u></b>	<u>24,697,393</u>
	<b>43,114,186</b>	38,080,791
Borrowings	<b>(2,871,006)</b>	(3,182,751)
Long-term notes payable	<b><u>(7,512,508)</u></b>	<u>(7,516,766)</u>
Net cash	<b><u>32,730,672</u></b>	<u>27,381,274</u>

As at 31 March 2013, RMB7,369 million of our financial resources (31 December 2012: RMB8,055 million) were held in deposits and investments denominated in non-RMB currencies. Since there are no cost-effective hedges against the fluctuation of RMB and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

		<b>Unaudited</b>	Audited
		<b>31 March</b>	31 December
		<b>2013</b>	2012
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		<b>7,696,505</b>	7,402,766
Construction in progress		<b>613,559</b>	533,691
Investment properties		<b>21,591</b>	21,674
Land use rights		<b>828,042</b>	794,439
Intangible assets		<b>4,811,651</b>	4,719,075
Interests in associates	3	<b>7,571,646</b>	7,310,266
Investment in jointly controlled entities		<b>23,837</b>	35,409
Deferred income tax assets		<b>170,723</b>	168,906
Available-for-sale financial assets	4	<b>5,118,893</b>	5,632,590
Prepayments, deposits and other assets		<b>1,267,922</b>	1,236,129
Term deposits		<b><u>12,621,000</u></b>	<u>10,891,718</u>
		<b><u>40,745,369</u></b>	<u>38,746,663</u>
<b>Current assets</b>			
Inventories		<b>629,286</b>	568,084
Accounts receivable	5	<b>2,622,579</b>	2,353,959
Prepayments, deposits and other assets		<b>4,984,125</b>	3,877,800
Term deposits		<b>15,469,139</b>	13,805,675
Restricted cash		<b>2,609,872</b>	2,520,232
Cash and cash equivalents		<b><u>15,024,047</u></b>	<u>13,383,398</u>
		<b><u>41,339,048</u></b>	<u>36,509,148</u>
<b>Total assets</b>		<b><u>82,084,417</u></b>	<u>75,255,811</u>

		<b>Unaudited</b>	Audited
		<b>31 March</b>	31 December
		<b>2013</b>	2012
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
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		<u>42,312,904</u>	<u>38,269,085</u>
		<b>44,709,146</b>	<b>41,297,507</b>
<b>Non-controlling interests</b>		<u>873,092</u>	<u>850,759</u>
<b>Total equity</b>		<u>45,582,238</u>	<u>42,148,266</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	2,100,082	2,105,643
Long-term notes payable	8	7,512,508	7,516,766
Deferred income tax liabilities		1,456,988	1,311,562
Long-term payables		<u>1,533,015</u>	<u>1,508,578</u>
		<b>12,602,593</b>	<b>12,442,549</b>
<b>Current liabilities</b>			
Accounts payable	9	6,096,692	4,211,733
Other payables and accruals		5,931,524	6,301,449
Borrowings	7	770,924	1,077,108
Current income tax liabilities		871,868	419,872
Other tax liabilities		373,396	540,095
Deferred revenue		<u>9,855,182</u>	<u>8,114,739</u>
		<b>23,899,586</b>	<b>20,664,996</b>
<b>Total liabilities</b>		<u>36,502,179</u>	<u>33,107,545</u>
<b>Total equity and liabilities</b>		<u>82,084,417</u>	<u>75,255,811</u>
<b>Net current assets</b>		<u>17,439,462</u>	<u>15,844,152</u>
<b>Total assets less current liabilities</b>		<u>58,184,831</u>	<u>54,590,815</u>

**CONSOLIDATED INCOME STATEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenues</b>			
Value-added services		<b>10,666,080</b>	8,295,463
Online advertising		<b>849,541</b>	540,113
eCommerce transactions		<b>1,913,341</b>	752,817
Others		<b><u>118,592</u></b>	<u>59,465</u>
		<b>13,547,554</b>	9,647,858
Cost of revenues	11	<b><u>(5,953,761)</u></b>	<u>(3,836,317)</u>
<b>Gross profit</b>		<b>7,593,793</b>	5,811,541
Interest income		<b>276,371</b>	166,733
Other gains/(losses), net	10	<b>350,863</b>	(63,642)
Selling and marketing expenses	11	<b>(962,398)</b>	(469,200)
General and administrative expenses	11	<b><u>(2,196,111)</u></b>	<u>(1,754,074)</u>
<b>Operating profit</b>		<b>5,062,518</b>	3,691,358
Finance costs, net		<b>(82,198)</b>	(69,982)
Share of profit/(losses) of associates		<b>131,381</b>	(9,753)
Share of (losses)/profit of jointly controlled entities		<b><u>(11,572)</u></b>	<u>1,380</u>
<b>Profit before income tax</b>		<b>5,100,129</b>	3,613,003
Income tax expense	12	<b><u>(1,029,001)</u></b>	<u>(650,673)</u>
<b>Profit for the period</b>		<b><u><u>4,071,128</u></u></b>	<u><u>2,962,330</u></u>

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2013</b>	2012
<i>Note</i>		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Attributable to:</b>			
	Equity holders of the Company	<b>4,043,819</b>	2,949,510
	Non-controlling interests	<u><b>27,309</b></u>	<u>12,820</u>
		<u><b>4,071,128</b></u>	<u>2,962,330</u>
<b>Earnings per share for profit attributable</b>			
<b>to equity holders of the Company</b>			
<b>(in RMB per share)</b>			
	- basic	13 <u><b>2.204</b></u>	<u>1.618</u>
	- diluted	13 <u><b>2.166</b></u>	<u>1.587</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	<b><u>4,071,128</u></b>	<u>2,962,330</u>
<b>Other comprehensive income, net of tax:</b>		
Net (losses)/gains from changes in fair value of available-for-sale financial assets	(606,216)	1,288,914
Currency translation differences	<u>(11,744)</u>	<u>6,076</u>
	<u>(617,960)</u>	<u>1,294,990</u>
<b>Total comprehensive income for the period</b>	<b><u>3,453,168</u></b>	<u>4,257,320</u>
<b>Attributable to:</b>		
Equity holders of the Company	<b>3,428,301</b>	4,244,489
Non-controlling interests	<u>24,867</u>	<u>12,831</u>
	<b><u>3,453,168</u></b>	<u>4,257,320</u>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2013

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 January 2013</b>	<u>199</u>	<u>2,879,990</u>	<u>(667,464)</u>	<u>815,697</u>	<u>38,269,085</u>	<u>41,297,507</u>	<u>850,759</u>	<u>42,148,266</u>
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	4,043,819	4,043,819	27,309	4,071,128
Other comprehensive income:								
- net losses from changes in fair value of available-for-sale financial assets	-	-	-	(606,216)	-	(606,216)	-	(606,216)
- currency translation differences	-	-	-	(9,302)	-	(9,302)	(2,442)	(11,744)
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(615,518)</u>	<u>4,043,819</u>	<u>3,428,301</u>	<u>24,867</u>	<u>3,453,168</u>
<b>Transaction with owners</b>								
Employee share option schemes:								
- value of employee services	-	24,517	-	11,967	-	36,484	1,616	38,100
- proceeds from shares issued	-	27,357	-	-	-	27,357	-	27,357
Employee share award scheme:								
- value of employee services	-	235,169	-	6,653	-	241,822	798	242,620
- shares purchased for share award scheme	-	-	(6,767)	-	-	(6,767)	-	(6,767)
- vesting of awarded shares	-	(4,261)	4,261	-	-	-	-	-
Repurchase and cancellation of shares	-	(321,379)	-	-	-	(321,379)	-	(321,379)
Total contributions by and distributions to owners for the period	-	(38,597)	(2,506)	18,620	-	(22,483)	2,414	(20,069)
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	5,821	-	5,821	(4,948)	873
<b>Total transactions with owners for the period</b>	<u>-</u>	<u>(38,597)</u>	<u>(2,506)</u>	<u>24,441</u>	<u>-</u>	<u>(16,662)</u>	<u>(2,534)</u>	<u>(19,196)</u>
<b>Balance at 31 March 2013</b>	<u><u>199</u></u>	<u><u>2,841,393</u></u>	<u><u>(669,970)</u></u>	<u><u>224,620</u></u>	<u><u>42,312,904</u></u>	<u><u>44,709,146</u></u>	<u><u>873,092</u></u>	<u><u>45,582,238</u></u>

## Unaudited

	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
			for share award scheme					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2012</b>	<u>198</u>	<u>1,950,876</u>	<u>(606,874)</u>	<u>409,266</u>	<u>26,710,368</u>	<u>28,463,834</u>	<u>624,510</u>	<u>29,088,344</u>
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	2,949,510	2,949,510	12,820	2,962,330
Other comprehensive income:								
- net gains from changes in fair value of available-for-sale financial assets	—	—	—	1,288,914	—	1,288,914	—	1,288,914
- currency translation differences	—	—	—	6,065	—	6,065	11	6,076
<b>Total comprehensive income for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,294,979</u>	<u>2,949,510</u>	<u>4,244,489</u>	<u>12,831</u>	<u>4,257,320</u>
<b>Transaction with owners</b>								
Capital injection	—	—	—	—	—	—	7,220	7,220
Employee share option schemes:								
- value of employee services	—	35,954	—	—	—	35,954	—	35,954
- proceeds from shares issued	—	49,775	—	—	—	49,775	—	49,775
Employee share award scheme:								
- value of employee services	—	170,708	—	—	—	170,708	—	170,708
- shares purchased for share award scheme	—	—	(4,182)	—	—	(4,182)	—	(4,182)
- vesting of awarded shares	—	(4,916)	4,916	—	—	—	—	—
Profit appropriations to statutory reserves	—	—	—	(26)	26	—	—	—
Repurchase and cancellation of shares	—	(15,912)	—	—	—	(15,912)	—	(15,912)
Dividends	—	—	—	—	—	—	(18,180)	(18,180)
Total contributions by and distributions to owners for the period	<u>—</u>	<u>235,609</u>	<u>734</u>	<u>(26)</u>	<u>26</u>	<u>236,343</u>	<u>(10,960)</u>	<u>225,383</u>
Non-controlling interests arising from business combinations	—	—	—	—	—	—	(2,455)	(2,455)
Acquisition of an additional equity interest in non-wholly owned subsidiaries	—	—	—	(248,576)	—	(248,576)	(5,250)	(253,826)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	—	—	—	(357,618)	—	(357,618)	—	(357,618)
<b>Total transactions with owners for the period</b>	<u>—</u>	<u>235,609</u>	<u>734</u>	<u>(606,220)</u>	<u>26</u>	<u>(369,851)</u>	<u>(18,665)</u>	<u>(388,516)</u>
<b>Balance at 31 March 2012</b>	<u>198</u>	<u>2,186,485</u>	<u>(606,140)</u>	<u>1,098,025</u>	<u>29,659,904</u>	<u>32,338,472</u>	<u>618,676</u>	<u>32,957,148</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Net cash flows generated from operating activities</b>	<b>6,978,391</b>	4,863,761
<b>Net cash flows used in investing activities</b>	<b>(4,690,908)</b>	(1,827,502)
<b>Net cash flows used in financing activities</b>	<b><u>(610,012)</u></b>	<u>(2,298,544)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,677,471</b>	737,715
Cash and cash equivalents at beginning of period	<b>13,383,398</b>	12,612,140
Exchange losses on cash and cash equivalents	<b><u>(36,822)</u></b>	<u>(1,176)</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>15,024,047</u></b>	<u>13,348,679</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>8,617,368</b>	9,590,889
Term deposits and highly liquid investments with initial term within three months	<b><u>6,406,679</u></b>	<u>3,757,790</u>
	<b><u>15,024,047</u></b>	<u>13,348,679</u>

*Note:*

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

The Company was incorporated in the Cayman Islands. 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, online advertising services and eCommerce transactions services to users in the PRC.

The consolidated financial position as at 31 March 2013, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved by the Board on 15 May 2013.

The Interim Financial Information is prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

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

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2012 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

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

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

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair Value Measurement

## **2 Segment information**

In light of the increasing integration between the PC and mobile Internet and the latest development of the Group’s business, the IVAS and the MVAS segments have been combined

into VAS segment and the revenue categories previously under IVAS and MVAS have been adjusted from 1 January 2013 onwards, both in the internal reports to the chief operating decision-makers and in the Interim Financial Information. The comparative figures have been restated to comply with the new presentation. The management believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

The Group has the following reportable segments for the three months ended 31 March 2013 and 2012:

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

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

There were no material inter-segment sales during the three months ended 31 March 2013 and 2012. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three months ended 31 March 2013 and 2012 is as follows:

	<b>Unaudited</b>				
	<b>Three months ended 31 March 2013</b>				
	<b>VAS</b>	<b>Online advertising</b>	<b>eCommerce transactions</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment revenues</b>	<b><u>10,666,080</u></b>	<b><u>849,541</u></b>	<b><u>1,913,341</u></b>	<b><u>118,592</u></b>	<b><u>13,547,554</u></b>
<b>Gross profit</b>	<b><u>7,072,600</u></b>	<b><u>345,934</u></b>	<b><u>131,641</u></b>	<b><u>43,618</u></b>	<b><u>7,593,793</u></b>
<b>Depreciation</b>	<b>373,706</b>	<b>30,912</b>	<b>3,546</b>	<b>4,329</b>	<b>412,493</b>
<b>Amortisation</b>	<b>48,974</b>	<b>46,545</b>	<b>–</b>	<b>–</b>	<b>95,519</b>
<b>Share of profit/(losses) of associates</b>	<b>108,440</b>	<b>–</b>	<b>(9,475)</b>	<b>32,416</b>	<b>131,381</b>
<b>Share of losses of jointly controlled entities</b>	<b><u>(11,572)</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>(11,572)</u></b>

	Unaudited				
	Three months ended 31 March 2012				
	VAS	Online	eCommerce	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Restated)				
Segment revenues	<u>8,295,463</u>	<u>540,113</u>	<u>752,817</u>	<u>59,465</u>	<u>9,647,858</u>
Gross profit	<u>5,547,801</u>	<u>223,930</u>	<u>20,766</u>	<u>19,044</u>	<u>5,811,541</u>
Depreciation	273,694	23,734	1,757	4,283	303,468
Amortisation	41,891	40,821	—	—	82,712
Share of (losses)/profit of associates	(5,315)	—	(11,762)	7,324	(9,753)
Share of profit of jointly controlled entities	<u>1,380</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,380</u>

### 3 Interests in associates

	Unaudited	Audited
	31 March	31 December
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in associates (a)		
- Listed shares	<b>1,498,464</b>	1,481,056
- Unlisted shares	<b>4,958,673</b>	<u>4,829,057</u>
	<b>6,457,137</b>	6,310,113
Investments in redeemable preference shares of associates (b)	<b>908,923</b>	838,226
Loans to associates (c)	<u>205,586</u>	<u>161,927</u>
	<b>7,571,646</b>	<u>7,310,266</u>

Note:

(a) Investments in associates

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of period	<b>6,310,113</b>	3,764,027
Additions	<b>24,336</b>	252,847
Share of profit/(losses) of associates	<b>131,381</b>	(9,753)
Dividends received from associates	<b>(8,693)</b>	(2,698)
Disposal of an associate	<u>—</u>	<u>(68,263)</u>
At end of period	<b><u>6,457,137</u></b>	<b><u>3,936,160</u></b>

(b) Investments in redeemable preference shares of associates

As at 31 March 2013, the Group held certain redeemable preference shares of the associates, which are principally engaged in online community services, online game development and other Internet-related businesses. The redemption prices of the relevant shares are agreed at not less than their original subscription prices.

(c) Loans to associates

As at 31 March 2013, the aggregate principal amount of the loans to associates was RMB202,687,000 (31 December 2012: RMB159,993,000) with terms of two years generally. These loans are either with interest rates of 4.0% to 6.0% per annum or are interest-free.

4 Available-for-sale financial assets

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of period	<b>5,632,590</b>	4,343,602
Additions	<b>75,763</b>	215,581
(Losses)/gains from changes in fair value	<u>(589,460)</u>	<u>1,279,136</u>
At end of period, all non-current	<b><u>5,118,893</u></b>	<b><u>5,838,319</u></b>
Market value of listed securities	<b><u>3,493,640</u></b>	<b><u>4,597,930</u></b>

## 5 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 - 30 days	<b>1,518,668</b>	1,406,915
31 - 60 days	<b>573,345</b>	552,772
61 - 90 days	<b>354,316</b>	257,286
Over 90 days	<b><u>176,250</u></b>	<u>136,986</u>
	<b><u>2,622,579</u></b>	<u>2,353,959</u>

Receivable balances as at 31 March 2013 mainly represented amounts due from telecommunications operators, including China Mobile, China Unicom, China Telecom and their respective branches, subsidiaries and affiliates, as well as brand display advertising customers mainly located in the PRC.

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

## 6 Share option and share award schemes

### (a) Share option schemes

The Company has adopted several share option schemes for the purpose of providing incentives and rewards to its directors, executives or officers, employees, consultants and other eligible persons:

#### (i) Pre-IPO Option Scheme

As at the listing of the Company on 16 June 2004, all options under the pre-IPO Option Scheme had been granted. The Pre-IPO Option Scheme expired on 31 December 2011.

#### (ii) Post-IPO Option Scheme I

Post-IPO Option Scheme I was terminated upon the adoption of the Post-IPO Option Scheme II.

#### (iii) Post-IPO Option Scheme II

Pursuant to the Post-IPO Option Scheme II, the Board may, at its discretion, grant options to any eligible person to subscribe for shares in the Company. The Post-IPO Option Scheme II shall be valid and effective for a period of ten years commencing on its date of adoption.



(iv) **Post-IPO Option Scheme III**

Pursuant to the Post-IPO Option Scheme III, the Board may, at its discretion, grant options to any eligible person (any senior executive or senior officer, director of any member of the Group or any invested entity and any consultant, advisor or agent of any member of the Board) to subscribe for shares in the Company. The Post-IPO Option Scheme III shall be valid and effective for a period of ten years commencing on its date of adoption.

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2013	HKD11.13	4,596,489	HKD65.50	20,633,097	HKD158.50	1,000,000	26,229,586
Granted	—	—	—	—	—	—	—
Exercised	HKD11.56	(559,943)	HKD53.83	(507,537)	—	—	(1,067,480)
Lapsed	—	—	HKD49.29	(19,032)	—	—	(19,032)
At 31 March 2013	HKD11.07	<u>4,036,546</u>	HKD65.81	<u>20,106,528</u>	HKD158.50	<u>1,000,000</u>	<u>25,143,074</u>
Exercisable as at 31 March 2013	HKD11.07	<u>4,036,546</u>	HKD44.90	<u>10,291,639</u>	—	—	<u>14,328,185</u>
At 1 January 2012	HKD12.39	8,761,937	HKD59.97	26,156,088	HKD158.50	1,000,000	35,918,025
Granted	—	—	—	—	—	—	—
Exercised	HKD10.59	(876,483)	HKD48.88	(1,065,956)	—	—	(1,942,439)
Lapsed	—	—	HKD47.53	(75,604)	—	—	(75,604)
At 31 March 2012	HKD12.59	<u>7,885,454</u>	HKD60.48	<u>25,014,528</u>	HKD158.50	<u>1,000,000</u>	<u>33,899,982</u>
Exercisable as at 31 March 2012	HKD11.57	<u>7,297,454</u>	HKD42.82	<u>8,833,218</u>	—	—	<u>16,130,672</u>

During the three months ended 31 March 2013 and 2012, no share option was granted to any directors of the Company.

**(b) Share award scheme**

The Company has adopted the Share Award Scheme, which is managed by the Trustee. The vesting period of the awarded share is determined by the Board.

Movements in the number of shares held for the Share Award Scheme and awarded shares for the three months ended 31 March 2013 and 2012 are as follows:

	<b>Number of shares held for the Share Award Scheme</b>	<b>Number of awarded shares</b>
<b>At 1 January 2013</b>	<b>405,230</b>	<b>18,944,442</b>
Purchased and withheld	36,488	—
Granted	(64,900)	64,900
Lapsed	188,610	(188,610)
Vested and exercised	<u>—</u>	<u>(181,022)</u>
<b>At 31 March 2013</b>	<b><u>565,428</u></b>	<b><u>18,639,710</u></b>
<b>Exercisable as at 31 March 2013</b>		<b><u>5</u></b>
At 1 January 2012	1,970,840	15,838,999
Purchased and withheld	37,118	—
Granted	(436,500)	436,500
Lapsed	208,216	(208,216)
Vested and exercised	<u>—</u>	<u>(173,391)</u>
At 31 March 2012	<u>1,779,674</u>	<u>15,893,892</u>
Exercisable as at 31 March 2012		<u>5,200</u>

During the three months ended 31 March 2013 and 2012, no awarded share was granted to any directors of the Company.

## 7 Borrowings

	<b>Unaudited 31 March 2013 RMB'000</b>	Audited 31 December 2012 RMB'000
<i>Included in non-current liabilities:</i>		
Non-current portion of long-term USD bank borrowings		
- Unsecured (a)	<u><b>2,100,082</b></u>	<u>2,105,643</u>
<i>Included in current liabilities:</i>		
RMB bank borrowings		
- Secured	<b>10,000</b>	15,000
- Unsecured	<b>40,000</b>	25,000
USD bank borrowings		
- Unsecured (b)	<b>626,890</b>	942,825
Current portion of long-term USD bank borrowings		
- Unsecured (a)	<u><b>94,034</b></u>	<u>94,283</u>
	<u><b>770,924</b></u>	<u>1,077,108</u>
	<u><b>2,871,006</b></u>	<u>3,182,751</u>

Movement in the borrowings is analysed as follows:

	<b>Unaudited Three months ended 31 March</b>	
	<b>2013 RMB'000</b>	2012 RMB'000
At beginning of period	<b>3,182,751</b>	7,999,440
Additions of bank borrowings	<b>15,000</b>	315,045
Repayments of bonds	—	(629,190)
Repayments of bank borrowings	<b>(319,275)</b>	(2,003,120)
Exchange difference	<u><b>(7,470)</b></u>	<u>(5,850)</u>
At end of period	<u><b>2,871,006</b></u>	<u>5,676,325</u>

*Note:*

- (a) Unsecured long-term bank borrowings of carrying amount of RMB2,194,116,000 as at 31 March 2013 were denominated in USD. The aggregate principal amount was USD350,000,000 with interest rates of LIBOR plus 2.10% to 2.44% per annum.
- (b) Unsecured short-term bank borrowings of carrying amount of RMB626,890,000 as at 31 March 2013 were denominated in USD. The aggregate principal amount was USD100,000,000 with an interest rate of LIBOR plus 1.75% per annum.

## 8 Long-term notes payable

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

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

As at 31 March 2013, the carrying amount of these notes was RMB7,512,508,000.

## 9 Accounts payable

Accounts payable and their ageing analysis are as follows:

	<b>Unaudited 31 March 2013 RMB'000</b>	<b>Audited 31 December 2012 RMB'000</b>
0 - 30 days	<b>3,746,014</b>	3,573,610
31 - 60 days	<b>948,879</b>	430,408
61 - 90 days	<b>390,363</b>	176,116
Over 90 days	<b><u>1,011,436</u></b>	<u>31,599</u>
	<b><u>6,096,692</u></b>	<u>4,211,733</u>

## 10 Other gains/(losses), net

	<b>Unaudited Three months ended 31 March 2013 RMB'000</b>	<b>2012 RMB'000</b>
Dividend income	<b>438,074</b>	—
Gains on disposal of an associate	—	11,543
Subsidies and tax rebates	<b>40,514</b>	19,578
Losses from derivative financial instruments	—	(19,860)
Donation to Tencent Charity Fund	<b>(120,000)</b>	(60,000)
Others	<b><u>(7,725)</u></b>	<u>(14,903)</u>
	<b><u>350,863</u></b>	<u>(63,642)</u>

## 11 Expenses by nature

	Unaudited	
	Three months ended	
	31 March	
	2013	2012
	RMB'000	RMB'000
Employee benefits expenses ( <i>Note</i> )	2,418,994	1,689,366
Content costs and agency fees	1,933,414	1,442,973
Cost of merchandise sold	1,730,011	714,092
Mobile and telecommunications charges and bandwidth and server custody fees	991,459	775,417
Promotion and advertising expenses	604,398	277,061
Depreciation of fixed assets ( <i>Note</i> )	560,349	424,056
Operating lease rentals in respect of office buildings	204,458	142,847
Amortisation of intangible assets	161,711	242,110
Travelling and entertainment expenses	70,339	57,444
Other expenses	<u>437,137</u>	<u>294,225</u>
	<u>9,112,270</u>	<u>6,059,591</u>

*Note:*

Research and development expenses for the three months ended 31 March 2013 were RMB1,200,089,000 (for the three months ended 31 March 2012: RMB940,763,000) which included employee benefit expenses of RMB986,713,000 and depreciation of fixed assets of RMB124,894,000 (for the three months ended 31 March 2012: RMB775,073,000 and RMB107,764,000, respectively). No research and development expenses had been capitalised for the three months ended 31 March 2013 and 2012.

## 12 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 profits tax

The Group was not subject to any taxation in the Cayman Islands and British Virgin Islands for the three months ended 31 March 2013 and 2012.

### (b) Hong Kong profits tax

Hong Kong profits tax provision has been provided at the rate of 16.5% on the estimated assessable profits for the three months ended 31 March 2013. No such provision was made for the three months ended 31 March 2012.

**(c) PRC CIT**

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

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

In 2011, certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for a 3-year period from 2011 to 2013 according to the applicable CIT Law.

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

**(d) United States corporate income tax**

United States corporate income tax provision has been provided for the three months ended 31 March 2013 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36%.

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

Corporate income tax provision has been provided for the three months ended 31 March 2013 for the entities within the Group which were incorporated in Europe, East Asia and South America to the extent that there were estimated assessable profits under these jurisdictions, at applicable tax rates ranging from 12.5% to 35%.

**(f) PRC withholding tax**

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. Hence, the Group used 5% to accrue the withholding tax for certain Hong Kong intermediate holding companies which are expected to fulfil the aforesaid conditions.

The income tax expense of the Group for the three months ended 31 March 2013 and 2012 are analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current tax	<b>902,020</b>	605,155
Deferred income tax	<b><u>126,981</u></b>	<u>45,518</u>
	<b><u><u>1,029,001</u></u></b>	<u><u>650,673</u></u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the three months ended 31 March 2013 and 2012, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before income tax	<b>5,100,129</b>	3,613,003
Add: Share of (profit)/losses of associates and jointly controlled entities	<b><u>(119,809)</u></b>	<u>8,373</u>
	<b><u><u>4,980,320</u></u></b>	<u><u>3,621,376</u></u>
Tax calculated at a tax rate of 25%	<b>1,245,080</b>	905,344
Effects of different tax rates available to different subsidiaries of the Group	<b>(425,778)</b>	(364,127)
Effects of tax holiday on assessable profit of subsidiaries	<b>(21,890)</b>	(67,407)
Income not subject to tax	<b>(36,508)</b>	(18,978)
Expenses not deductible for tax purposes	<b>74,060</b>	59,249
Withholding tax on earnings expected to be remitted by PRC subsidiaries	<b>142,000</b>	93,000
Unrecognised deferred income tax assets	<b><u>52,037</u></b>	<u>43,592</u>
Income tax expense	<b><u><u>1,029,001</u></u></b>	<u><u>650,673</u></u>

## 13 EPS

### (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>2013</b>	2012
Profit attributable to equity holders of the Company (RMB'000)	<u><b>4,043,819</b></u>	<u>2,949,510</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u><b>1,834,917</b></u>	<u>1,823,002</u>
Basic EPS (RMB per share)	<u><b>2.204</b></u>	<u>1.618</u>

### (b) Diluted

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 2013, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2013</b>	2012
Profit attributable to equity holders of the Company (RMB'000)	<u><b>4,043,819</b></u>	<u>2,949,510</u>
Weighted average number of ordinary shares in issue (thousand shares)	<b>1,834,917</b>	1,823,002
Adjustments for share options (thousand shares)	<b>19,290</b>	24,924
Adjustments for awarded shares (thousand shares)	<u><b>12,818</b></u>	<u>10,917</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	<u><b>1,867,025</b></u>	<u>1,858,843</u>
Diluted EPS (RMB per share)	<u><b>2.166</b></u>	<u>1.587</u>



## **14 Dividends**

A final dividend in respect of the year ended 31 December 2012 of HKD1.00 per share (2011: HKD0.75 per share) was proposed pursuant to a resolution passed by the Board on 20 March 2013 and subject to the approval of the shareholders at the 2013 AGM. The Interim Financial Information does not reflect this dividend payable.

The Board did not propose any interim dividend for the three months ended 31 March 2013 (for the three months ended 31 March 2012: Nil).

## OTHER INFORMATION

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

During the three months ended 31 March 2013, the Company repurchased 2,057,300 shares on the Stock Exchange for an aggregate consideration of approximately HKD509 million before expenses. The repurchased shares were subsequently cancelled. The repurchases were effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 31 March 2013	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid <i>HKD</i>
		Highest price paid <i>HKD</i>	Lowest price paid <i>HKD</i>	
March	<u>2,057,300</u>	258.8	239.6	<u>508,772,607</u>
Total	<u>2,057,300</u>			<u>508,772,607</u>

Save as disclosed above and in the "Financial Information" section, 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 2013.

### Employee and Remuneration Policies

As at 31 March 2013, the Group had 24,649 employees (31 March 2012: 19,130). 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 2013 was RMB2,419 million (for the three months ended 31 March 2012: RMB1,689 million).

### Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2013.

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

Save as disclosed in the 2012 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the CG Code during the period from 1 January 2013 to 31 March 2013.

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

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation and wholehearted gratitude to our employees for their dedication, commitment and their unabated innovation which keep the Group competitive and strong. The same thanks should also extend to our shareholders and stakeholders for their support and confidence which are highly valued both in the past and for the years to come.

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

Hong Kong, 15 May 2013

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

*Executive Directors:*

Ma Huateng, Lau Chi Ping Martin and Zhang Zhidong;

*Non-Executive Directors:*

Jacobus Petrus Bekker and Charles St Leger Searle; and

*Independent Non-Executive Directors:*

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

*This announcement contains forward-looking statements relating to the business outlook, 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>
“2013 AGM”	the annual general meeting of the Company to be held on 15 May 2013 or any adjournment thereof
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“B2C”	business to consumer
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
“China Mobile”	China Mobile Communications Corporation
“China Telecom”	China Telecommunications Corporation
“China Unicom”	China United Telecommunications Co. Ltd.
“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
“DAU”	daily active user accounts
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Epic Games”	Epic Games, Inc.
“EPS”	earnings per share

“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standard
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“IVAS”	Internet value-added services
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LoL”	League of Legends
“Mail.ru”	Mail.ru Group Limited
“MAU”	monthly active user accounts
“MVAS”	mobile and telecommunications value-added services
“PC(s)”	personal computer(s)
“PCU”	peak concurrent user accounts
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“PRC” or “China”	the People’s Republic of China

“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“RMB”	the lawful currency of the PRC
“Share Award Scheme”	the share award scheme adopted by the Company on 13 December 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Fund”	a charity fund established by the Group
“Trustee”	an independent trustee appointed by the Company for managing the Share Award Scheme
“United States” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services