

# Tencent 腾讯

Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

(Stock Code 股份代號 : 700)



*smart communication inspires*

智慧溝通 靈感無限

**2015**  
Interim Report

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# Corporate Information

## DIRECTORS

### Executive Directors

Ma Huateng (*Chairman*)

Lau Chi Ping Martin

### Non-Executive Directors

Jacobus Petrus (Koos) Bekker

Charles St Leger Searle

### Independent Non-Executive Directors

Li Dong Sheng

Iain Ferguson Bruce

Ian Charles Stone

## AUDIT COMMITTEE

Iain Ferguson Bruce (*Chairman*)

Ian Charles Stone

Charles St Leger Searle

## CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle (*Chairman*)

Iain Ferguson Bruce

Ian Charles Stone

## INVESTMENT COMMITTEE

Lau Chi Ping Martin (*Chairman*)

Ma Huateng

Charles St Leger Searle

## NOMINATION COMMITTEE

Ma Huateng (*Chairman*)

Li Dong Sheng

Iain Ferguson Bruce

Ian Charles Stone

Charles St Leger Searle

## REMUNERATION COMMITTEE

Ian Charles Stone (*Chairman*)

Li Dong Sheng

Jacobus Petrus (Koos) Bekker

## AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## TENCENT GROUP HEAD OFFICE

Tencent Building

Kejizhongyi Avenue

Hi-tech Park

Nanshan District

Shenzhen, 518057

The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F., Three Pacific Place

No. 1 Queen's Road East

Wanchai

Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

## COMPANY WEBSITE

[www.tencent.com](http://www.tencent.com)

## STOCK CODE

700



# Financial Performance Highlights

## FIRST HALF OF 2015

	Unaudited		
	30 June 2015	30 June 2014	Year-on-year change
	(RMB in millions, unless specified)		
Revenues	<b>45,828</b>	38,146	20%
Gross profit	<b>27,872</b>	22,772	22%
Operating profit	<b>19,408</b>	15,633	24%
Profit for the period	<b>14,326</b>	12,258	17%
Profit attributable to equity holders of the Company	<b>14,197</b>	12,293	15%
Non-GAAP profit attributable to equity holders of the Company *	<b>15,177</b>	11,265	35%
EPS (RMB per share)			
– basic	<b>1.528</b>	1.332	15%
– diluted	<b>1.512</b>	1.313	15%
Non-GAAP EPS (RMB per share) *			
– basic	<b>1.634</b>	1.220	34%
– diluted	<b>1.616</b>	1.203	34%

# Financial Performance Highlights

## SECOND QUARTER OF 2015

	<b>30 June 2015</b>	<b>Unaudited Three months ended</b>			Quarter- on-quarter change
		30 June 2014	Year- on-year change	31 March 2015	
(RMB in millions, unless specified)					
Revenues	<b>23,429</b>	19,746	19%	22,399	5%
Gross profit	<b>14,438</b>	12,172	19%	13,434	7%
Operating profit	<b>10,036</b>	7,843	28%	9,372	7%
Profit for the period	<b>7,396</b>	5,826	27%	6,930	7%
Profit attributable to equity holders of the Company	<b>7,314</b>	5,836	25%	6,883	6%
Non-GAAP profit attributable to equity holders of the Company *	<b>7,975</b>	6,061	32%	7,202	11%
EPS (RMB per share)					
– basic	<b>0.787</b>	0.632	25%	0.741	6%
– diluted	<b>0.778</b>	0.623	25%	0.733	6%
Non-GAAP EPS (RMB per share) *					
– basic	<b>0.858</b>	0.656	31%	0.776	11%
– diluted	<b>0.849</b>	0.647	31%	0.767	11%

\* Since the second quarter of 2015, we have included relevant non-GAAP adjustments for our material associates in our non-GAAP adjustments. We adopted the new presentation in order to more clearly illustrate our non-GAAP financial measures, and to be more consistent with what we believe to be industry practice. Comparative figures have been adjusted to conform to the new presentation.





# Chairman's Statement

I am pleased to present our interim report for the three and six months ended 30 June 2015 to the shareholders.

## RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the three and six months ended 30 June 2015 increased by 25% and 15% on a year-on-year basis to RMB7,314 million and RMB14,197 million respectively. Basic EPS for the three and six months ended 30 June 2015 were RMB0.787 and RMB1.528 respectively. Diluted EPS for the three and six months ended 30 June 2015 were RMB0.778 and RMB1.512 respectively.

## BUSINESS REVIEW AND OUTLOOK

### Overall Financial Performance

In the second quarter of 2015, revenues increased by 19% year-on-year to RMB23,429 million. Excluding the eCommerce business, revenues increased by 27% year-on-year to RMB23,322 million.

- *VAS*. Revenues from our VAS business increased by 17% year-on-year to RMB18,428 million. Our online game business achieved stable growth in revenues, mainly driven by higher monetisation from core gamers on PC and by smart phone games. Our social networks revenues expanded, reflecting increased contributions from subscription services.
- *Online advertising*. Revenues from our online advertising business increased by 97% year-on-year to RMB4,073 million, primarily driven by performance-based social advertising on mobile inventories, as well as by video advertising.

Profit attributable to equity holders of the Company increased by 25% year-on-year to RMB7,314 million. Non-GAAP profit attributable to equity holders of the Company increased by 32% year-on-year to RMB7,975 million.

### Strategic Highlights

At the start of 2015, we outlined several strategic priorities through which we aim to cultivate a vibrant mobile ecosystem, bringing our own and our partners' products and services to consumers in China. During the second quarter of 2015, we sought to execute against these strategic priorities via:

- Driving transaction volumes of our payment services by leveraging a wider base of users who have integrated their bank cards with Mobile QQ Wallet or Weixin Payment, the increasing popularity of person-to-person transactions on mobile devices, and the growing number of partner companies adopting our payment solutions;
- Growing our performance-based advertising business by expanding our inventory, enlarging our advertiser base, and implementing an internal organisational change to optimise our performance-based advertising business process. By sharing our advertising revenues with content developers, such as certain Weixin Official Accounts publishers, we encourage better content and thus enhance user engagement in our ecosystem;

## Chairman’s Statement

- Enriching our digital content subscription services, such as online reading, video and music services, with new content and features, while extending our partnerships with key content providers; and
- Deepening our relationship with strategic partners in various verticals by, for example, further investing in 58.com, a leading online classified listings platform in China.

In addition, we continue to strengthen the infrastructure support to our “Connection” strategy. For example, we leveraged our technology strengths and the popularity of our core communications and social platforms to reinforce our position as one of China’s leading providers of mobile utility services, such as our mobile security solution, mobile browser, and mobile application store. We believe our products have reached either a first place or a strong second place market position in China within each of these mobile utility categories.

In terms of balance sheet management, in April 2015 we upsized the limit on the aggregate principal amount of our Global Medium Term Note Programme by USD5 billion to USD10 billion. In June 2015 we received a long-term corporate credit rating of A+ from Fitch Ratings. In July 2015 we issued USD100 million senior notes under the Programme for general corporate purposes.

### Divisional and Product Highlights

#### Operating Information

	<b>As at 30 June 2015</b>	As at 30 June 2014	Year- on-year change	As at 31 March 2015	Quarter- on-quarter change
MAU of QQ	<b>843.4</b>	829.3	1.7%	831.8	1.4%
Smart device MAU of QQ	<b>627.0</b>	520.7	20.4%	603.2	3.9%
PCU of QQ (for the quarter)	<b>233.0</b>	205.5	13.4%	228.0	2.2%
Combined MAU of Weixin and WeChat	<b>600.0</b>	438.2	36.9%	549.4	9.2%
MAU of Qzone	<b>659.2</b>	645.1	2.2%	667.9	-1.3%
Smart device MAU of Qzone	<b>573.5</b>	497.0	15.4%	567.6	1.0%
Fee-based VAS registered subscriptions	<b>84.3</b>	88.0	-4.2%	81.7	3.2%



## Chairman's Statement

### Key Platforms

- For QQ, smart device MAU increased by 20% year-on-year to 627 million at the end of the quarter, while overall PCU increased by 13% year-on-year to 233 million. Mobile QQ usage benefited from enhanced popularity of features such as interest tribes and video communication, as well as from integration with products and services provided by our partners from various verticals, such as eCommerce and O2O services.
- For Qzone, smart device MAU increased by 15% year-on-year to 574 million at the end of the quarter. User activity benefited from enhanced features in areas such as smart album storyline and photo editing.
- For Weixin and WeChat together, MAU reached 600 million at the end of the quarter, representing year-on-year growth of 37%. For Weixin, we enhanced user experience by promoting original content and enabling users to reward content producers on Official Accounts. We also cooperated with local governments to provide users in major cities with access to municipal services. For WeChat, we continued to drive user engagement in selected overseas markets, especially emerging Asian markets.

Our online media platforms extended their leadership in China. Tencent News leveraged premium content and plug-ins to Mobile QQ and Weixin to consolidate its position as the leading mobile news platform in China. Tencent Video solidified its position as the broadest-reach mobile video platform in China, thanks to enriched content and enhanced user experience.

### VAS

In the second quarter of 2015, our social networks business achieved 18% year-on-year revenue growth as we improved mobile privileges and enriched digital content subscription services. We will continue to add premium content for our reading, music and video subscription services.

In online games, we extended our leadership in China.

- For PC client games, the quarter registered healthy year-on-year revenue growth thanks to higher monetisation from core gamers and enhanced user engagement, supported by promotional activities such as expansion packs promotions.
- For smart phone games, we achieved 11% year-on-year revenue growth on a gross-to-gross basis, with approximately RMB4.5 billion revenue in the second quarter. We retained leadership in multiple genres, such as playing card, shooting, running and fighter plane games.

Looking forward, we intend to launch highly anticipated PC game titles such as Monster Hunter Online and Moonlight Blade, and to extend our leading PC game IPs, such as DnF and FIFA Online 3, into mobile game titles. We will also optimise and enhance our resource allocation to smart phone games, focusing on key titles that we believe can create or re-define important mobile game genres, such as WeFire contributing to the mobile shooting genre.



## Chairman's Statement

In addition, we are advancing our sports game portfolio via cross-promotions tied with global sport events. For example, we will promote NBA2K Online alongside the broadcast of the new NBA season on Tencent Video to attract more gamers and enhance user interaction. We are also seeking to reinforce users' loyalty via various promotional activities, such as eSports, live broadcasts, online forums, and offline events for gamers.

### Online Advertising

In the second quarter of 2015, our online advertising business achieved rapid year-on-year revenue growth, mainly reflecting more video views and advertisers on our video inventory, and increased performance-based advertising on mobile social inventory. During the quarter, video advertising revenues more than doubled year-on-year, of which more than 50% was generated on mobile platforms. Looking forward, we will continue to invest in premium content, such as online video streams of NBA games and the Voice of China 4, as well as expanding our mobile advertising inventory and enhancing our performance-based advertising service capabilities.

### DIVIDEND

The Board did not propose any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

### APPRECIATION

On behalf of the Board, I would like to thank wholeheartedly for the contributions made by our talented staff and professional management team for delivering remarkable achievements of the Group. I would also like to thank our shareholders and stakeholders for their unwavering confidence and support. Looking ahead, we will continue to cultivate a vibrant Internet ecosystem and, together with our partners, bring popular products and services to our users.

**Ma Huateng**

*Chairman*

Hong Kong, 12 August 2015



# Management Discussion and Analysis

## SECOND QUARTER OF 2015 COMPARED TO SECOND QUARTER OF 2014

The following table sets forth the comparative figures for the second quarter of 2015 and the second quarter of 2014:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	30 June
	<b>2015</b>	2014
	(RMB in millions)	
Revenues	<b>23,429</b>	19,746
Cost of revenues	<b>(8,991)</b>	(7,574)
Gross profit	<b>14,438</b>	12,172
Interest income	<b>598</b>	406
Other gains, net	<b>612</b>	691
Selling and marketing expenses	<b>(1,601)</b>	(1,973)
General and administrative expenses	<b>(4,011)</b>	(3,453)
Operating profit	<b>10,036</b>	7,843
Finance costs, net	<b>(341)</b>	(354)
Share of (losses)/profits of associates and joint ventures	<b>(452)</b>	23
Profit before income tax	<b>9,243</b>	7,512
Income tax expense	<b>(1,847)</b>	(1,686)
Profit for the period	<b>7,396</b>	5,826
Attributable to:		
Equity holders of the Company	<b>7,314</b>	5,836
Non-controlling interests	<b>82</b>	(10)
	<b>7,396</b>	5,826
Non-GAAP profit attributable to equity holders of the Company *	<b>7,975</b>	6,061

\* Since the second quarter of 2015, we have included relevant non-GAAP adjustments for our material associates in our non-GAAP adjustments. We adopted the new presentation in order to more clearly illustrate our non-GAAP financial measures, and to be more consistent with what we believe to be industry practice. Comparative figures have been adjusted to conform to the new presentation.

## Management Discussion and Analysis

*Revenues.* Revenues increased by 19% to RMB23,429 million for the second quarter of 2015 on a year-on-year basis. Excluding the eCommerce business, revenues increased by 27% to RMB23,322 million. The following table sets forth our revenues by line of business for the second quarter of 2015 and the second quarter of 2014:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Amount</b>	<b>% of total revenues</b>	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS <sup>(1)</sup>	<b>18,428</b>	<b>79%</b>	15,713	80%
Online advertising	<b>4,073</b>	<b>17%</b>	2,064	10%
Others <sup>(2)</sup>	<b>928</b>	<b>4%</b>	1,969	10%
Total revenues	<b>23,429</b>	<b>100%</b>	19,746	100%

Note:

<sup>(1)</sup> We recognise revenues from smart phone games we publish on an exclusive basis on a gross basis, from the fourth quarter of 2014 onward, primarily to reflect changes in our co-operation models that qualify us the principal, rather than agent, for certain licensed titles. Correspondingly, we record revenue sharing with third-party developers and channel costs of these titles in costs of revenues, instead of treating them as contra-revenue items. Net versus gross revenue recognition does not impact the Group's profits.

<sup>(2)</sup> In light of the reduction in size of our eCommerce business, we include the eCommerce in the "Others" business segment in our financial statements from the first quarter of 2015 onwards. Comparative figures have been reclassified to conform to the new presentation.

— Revenues from our VAS business increased by 17% to RMB18,428 million for the second quarter of 2015 on a year-on-year basis. Online games revenues grew by 17% to RMB12,970 million. The increase primarily reflected higher monetisation from core gamers on PC, growth in revenues from smart phone games, and, to a lesser extent, the impact of the aforementioned adoption of gross revenue recognition. Social networks revenues increased by 18% to RMB5,458 million. The increase was mainly driven by growth in subscription revenues as a result of improved mobile privileges and digital content. If gross revenue recognition for smart phone games was adopted for the second quarter of 2014, revenues from our VAS business would have increased by 12%, of which online games revenues would have increased by 11% and social networks revenues would have increased by 14% for the second quarter of 2015.

— Revenues from our online advertising business increased by 97% to RMB4,073 million for the second quarter of 2015 on a year-on-year basis. Brand display advertising revenues increased by 47% to RMB2,016 million, reflecting higher contributions from video advertising driven by more video views. Performance-based advertising increased by 196% to RMB2,057 million, primarily due to performance-based social advertising on mobile devices.



## Management Discussion and Analysis

*Cost of revenues.* Cost of revenues increased by 19% to RMB8,991 million for the second quarter of 2015 on a year-on-year basis. The increase primarily reflected greater sharing and content costs, channel costs, as well as bandwidth and server custody fees, partly offset by a significant decrease in cost of merchandise sold as a result of lower revenues from principal eCommerce transactions. As a percentage of revenues, cost of revenues was 38% for the second quarter of 2015, broadly stable compared to the second quarter of 2014. The following table sets forth our cost of revenues by line of business for the second quarter of 2015 and the second quarter of 2014:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount</b>	<b>% of segment revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>6,221</b>	<b>34%</b>	4,755	30%
Online advertising	<b>1,961</b>	<b>48%</b>	1,140	55%
Others <sup>(3)</sup>	<b>809</b>	<b>87%</b>	1,679	85%
Total cost of revenues	<b>8,991</b>		7,574	

<sup>(3)</sup> Cost of revenues for "Others" business segment include cost of merchandise sold of principal eCommerce transactions and other eCommerce costs of revenue since the first quarter of 2015. Comparative figures have been reclassified to conform to the new presentation.

- Cost of revenues for our VAS business increased by 31% to RMB6,221 million for the second quarter of 2015 on a year-on-year basis. The increase was mainly driven by higher sharing and content costs, channel costs, as well as bandwidth and server custody fees. If gross revenue recognition for smart phone games was adopted for the second quarter of 2014, cost of revenues for our VAS business would have increased by 14%.
- Cost of revenues for our online advertising business increased by 72% to RMB1,961 million for the second quarter of 2015 on a year-on-year basis. The increase was primarily due to higher sharing and content costs.

## Management Discussion and Analysis

*Other gains, net.* Other gains, net decreased by 11% to RMB612 million for the second quarter of 2015 on a year-on-year basis. The decrease primarily reflected higher impairment provision charges for certain investee companies, largely offset by an increase in deemed disposal gains and disposal gains arising from certain investee companies, as well as a donation made to Tencent Charity Funds in the second quarter of 2014, whereas no donation was made in the second quarter of 2015.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 19% to RMB1,601 million for the second quarter of 2015 on a year-on-year basis. The decrease mainly reflected reduced subsidies provided to users for taxi-hailing using Weixin Payment, as well as reduced marketing expenses for WeChat. As a percentage of revenues, selling and marketing expenses decreased to 7% for the second quarter of 2015 from 10% for the second quarter of 2014.

*General and administrative expenses.* General and administrative expenses increased by 16% to RMB4,011 million for the second quarter of 2015 on a year-on-year basis. The increase was primarily driven by greater staff costs, as well as research and development expenses. As a percentage of revenues, general and administrative expenses was 17% for the second quarter of 2015, broadly stable compared to the second quarter of 2014.

*Finance costs, net.* Finance costs, net decreased by 4% to RMB341 million for the second quarter of 2015 on a year-on-year basis. The decrease mainly reflected the recognition of foreign exchange gains in the second quarter of 2015, compared to foreign exchange losses in the same period last year, largely offset by an increase in interest expense due to a greater amount of notes payable.

*Income tax expense.* Income tax expense increased by 10% to RMB1,847 million for the second quarter of 2015 on a year-on-year basis. The increase primarily reflected growth in profit before income tax.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 25% to RMB7,314 million for the second quarter of 2015 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 32% to RMB7,975 million for the second quarter of 2015 on a year-on-year basis.





# Management Discussion and Analysis

## SECOND QUARTER OF 2015 COMPARED TO FIRST QUARTER OF 2015

The following table sets forth the comparative figures for the second quarter of 2015 and the first quarter of 2015:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	31 March
	<b>2015</b>	2015
	(RMB in millions)	
Revenues	<b>23,429</b>	22,399
Cost of revenues	<b>(8,991)</b>	(8,965)
Gross profit	<b>14,438</b>	13,434
Interest income	<b>598</b>	521
Other gains, net	<b>612</b>	411
Selling and marketing expenses	<b>(1,601)</b>	(1,326)
General and administrative expenses	<b>(4,011)</b>	(3,668)
Operating profit	<b>10,036</b>	9,372
Finance costs, net	<b>(341)</b>	(433)
Share of losses of associates and joint ventures	<b>(452)</b>	(310)
Profit before income tax	<b>9,243</b>	8,629
Income tax expense	<b>(1,847)</b>	(1,699)
Profit for the period	<b>7,396</b>	6,930
Attributable to:		
Equity holders of the Company	<b>7,314</b>	6,883
Non-controlling interests	<b>82</b>	47
	<b>7,396</b>	6,930
Non-GAAP profit attributable to equity holders of the Company *	<b>7,975</b>	7,202

\* Since the second quarter of 2015, we have included relevant non-GAAP adjustments for our material associates in our non-GAAP adjustments. We adopted the new presentation in order to more clearly illustrate our non-GAAP financial measures, and to be more consistent with what we believe to be industry practice. Comparative figures have been adjusted to conform to the new presentation.

## Management Discussion and Analysis

*Revenues.* Revenues increased by 5% to RMB23,429 million for the second quarter of 2015 on a quarter-on-quarter basis. Excluding the eCommerce business, revenues increased by 5% to RMB23,322 million.

- Revenues from our VAS business decreased slightly by 1% to RMB18,428 million for the second quarter of 2015 on a quarter-on-quarter basis. Online game revenues decreased by 3% to RMB12,970 million. The decrease primarily reflected the impact of adverse seasonality. Social networks revenues increased by 3% to RMB5,458 million. The increase mainly reflected growth in subscription services revenues as a result of improved mobile privileges and digital content.
- Revenues from our online advertising business increased by 50% to RMB4,073 million for the second quarter of 2015 on a quarter-on-quarter basis. Brand display advertising revenues increased by 45% to RMB2,016 million quarter-on-quarter, primarily due to positive seasonality and video advertising. Performance-based advertising revenues increased by 54% to RMB2,057 million quarter-on-quarter, primarily due to positive seasonality and expanded performance-based social advertising on mobile devices.

*Cost of revenues.* Cost of revenues was RMB8,991 million for the second quarter of 2015, broadly stable compared to the first quarter of 2015. This mainly reflected greater staff costs, as well as bandwidth and server custody fees, largely offset by a decline in cost of merchandise sold, and decreased sharing and content costs. As a percentage of revenues, cost of revenues decreased to 38% for the second quarter of 2015 from 40% for the first quarter of 2015.

- Cost of revenues for our VAS business decreased by 4% to RMB6,221 million for the second quarter of 2015 on a quarter-on-quarter basis. The decrease primarily reflected lower sharing and content costs, partly offset by higher bandwidth and server custody fees.
- Cost of revenues for our online advertising business increased by 18% to RMB1,961 million for the second quarter of 2015 on a quarter-on-quarter basis. The increase mainly reflected higher sharing and content costs.

*Selling and marketing expenses.* Selling and marketing expenses increased by 21% to RMB1,601 million for the second quarter of 2015 on a quarter-on-quarter basis. The increase was mainly due to a seasonal reduction in promotional activities in the first quarter, as well as greater advertising spending on products and platforms, such as online games and Weixin Payment in the second quarter.

*General and administrative expenses.* General and administrative expenses increased by 9% to RMB4,011 million for the second quarter of 2015 on a quarter-on-quarter basis. The increase was primarily driven by greater staff costs, as well as research and development expenses.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 6% to RMB7,314 million for the second quarter of 2015 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 11% to RMB7,975 million for the second quarter of 2015 on a quarter-on-quarter basis.



# Management Discussion and Analysis

## OTHER FINANCIAL INFORMATION

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	30 June	30 June	30 June	31 March	30 June
	2015	2014	2015	2015	2014
	(RMB in millions, unless specified)				
EBITDA (a)	<b>20,203</b>	14,805	<b>10,258</b>	9,945	8,018
Adjusted EBITDA (a)	<b>21,405</b>	15,566	<b>10,899</b>	10,506	8,445
Adjusted EBITDA margin (b)	<b>47%</b>	41%	<b>47%</b>	47%	43%
Interest expense	<b>728</b>	336	<b>399</b>	329	224
Net cash (c)	<b>21,663</b>	22,485	<b>21,663</b>	25,319	22,485
Capital expenditures (d)	<b>4,173</b>	2,055	<b>2,841</b>	1,332	917

Note:

- (a) EBITDA consists of operating profit less interest income and other gains/losses, net, and plus 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, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to fixed assets, construction in progress, land use rights and intangible assets (excluding game and other content licences).

## Management Discussion and Analysis

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

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	30 June 2015	30 June 2014	30 June 2015	31 March 2015	30 June 2014
	(RMB in millions, unless specified)				
Operating profit	<b>19,408</b>	15,633	<b>10,036</b>	9,372	7,843
Adjustments:					
Interest income	<b>(1,119)</b>	(781)	<b>(598)</b>	(521)	(406)
Other (gains)/losses, net	<b>(1,023)</b>	(2,298)	<b>(612)</b>	(411)	(691)
Depreciation of fixed assets and investment properties	<b>1,552</b>	1,467	<b>770</b>	782	763
Amortisation of intangible assets	<b>1,385</b>	784	<b>662</b>	723	509
EBITDA	<b>20,203</b>	14,805	<b>10,258</b>	9,945	8,018
Equity-settled share-based compensation	<b>1,202</b>	761	<b>641</b>	561	427
Adjusted EBITDA	<b>21,405</b>	15,566	<b>10,899</b>	10,506	8,445

### 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, non-GAAP profit attributable to equity holders of the Company, non-GAAP basic EPS and non-GAAP diluted EPS, have been presented in this interim report. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

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 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.



## Management Discussion and Analysis

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the first half of 2015 and 2014, the second quarter of 2015 and 2014, and the first quarter of 2015 to the nearest measures prepared in accordance with IFRS:

Unaudited six months ended 30 June 2015							
As reported	Adjustments					Non-GAAP*	
	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/ disposals		Amortisation of intangible assets		Impairment provision
		(a)	(b)	(c)	(d)		
(RMB in millions, unless specified)							
Operating profit	19,408	1,202	50	(2,326)	106	1,275	19,715
Profit for the period	14,326	1,364	50	(2,238)	598	1,285	15,385
Profit attributable to equity holders	14,197	1,323	48	(2,238)	578	1,269	15,177
EPS (RMB per share)							
– basic	1.528						1.634
– diluted	1.512						1.616
Operating margin	42%						43%
Net margin	31%						34%

Unaudited six months ended 30 June 2014							
As reported	Adjustments					Non-GAAP*	
	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/ disposals		Amortisation of intangible assets		Impairment provision
		(a)	(b)	(c)	(d)		
(RMB in millions, unless specified)							
Operating profit	15,633	761	394	(3,799)	31	1,145	14,165
Profit for the period	12,258	902	394	(3,736)	330	1,145	11,293
Profit attributable to equity holders	12,293	887	364	(3,749)	325	1,145	11,265
EPS (RMB per share)							
– basic	1.332						1.220
– diluted	1.313						1.203
Operating margin	41%						37%
Net margin	32%						30%



## Management Discussion and Analysis

### Unaudited three months ended 30 June 2015

	Adjustments						Non-GAAP
	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/		Amortisation of intangible assets	Impairment provision	
As reported			(a)	(b)	(c)	(d)	
(RMB in millions, unless specified)							
Operating profit	10,036	641	18	(1,487)	56	1,052	10,316
Profit for the period	7,396	720	18	(1,399)	300	1,057	8,092
Profit attributable to equity holders	7,314	699	17	(1,399)	287	1,057	7,975
EPS (RMB per share)							
– basic	0.787						0.858
– diluted	0.778						0.849
Operating margin	43%						44%
Net margin	32%						35%

### Unaudited three months ended 31 March 2015

	Adjustments						Non-GAAP*
	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/		Amortisation of intangible assets	Impairment provision	
As reported			(a)	(b)	(c)	(d)	
(RMB in millions, unless specified)							
Operating profit	9,372	561	32	(839)	50	223	9,399
Profit for the period	6,930	644	32	(839)	298	228	7,293
Profit attributable to equity holders	6,883	624	31	(839)	291	212	7,202
EPS (RMB per share)							
– basic	0.741						0.776
– diluted	0.733						0.767
Operating margin	42%						42%
Net margin	31%						33%



## Management Discussion and Analysis

Unaudited three months ended 30 June 2014

	Adjustments						Non-GAAP*
	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/ disposals		Amortisation of intangible assets	Impairment provision	
As reported		(a)	(b)	(c)	(d)		
(RMB in millions, unless specified)							
Operating profit	7,843	427	160	(1,082)	15	325	7,688
Profit for the period	5,826	547	160	(1,052)	271	325	6,077
Profit attributable to equity holders	5,836	538	145	(1,052)	269	325	6,061
EPS (RMB per share)							
– basic	0.632						0.656
– diluted	0.623						0.647
Operating margin	40%						39%
Net margin	30%						31%

\* Since the second quarter of 2015, we have included relevant non-GAAP adjustments for our material associates in our non-GAAP adjustments. We adopted the new presentation in order to more clearly illustrate our non-GAAP financial measures, and to be more consistent with what we believe to be industry practice. Comparative figures have been adjusted to conform to the new presentation.

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) (Gains)/losses, net on deemed disposals of investee companies and disposals of investee companies and businesses
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates, available-for-sale financial assets, and intangible assets arising from acquisitions

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

Our net cash positions as at 30 June 2015 and 31 March 2015 are as follows:

	<b>Unaudited 30 June 2015</b>	Unaudited 31 March 2015
	(RMB in millions)	
Cash and cash equivalents	<b>48,271</b>	55,583
Term deposits	<b>20,948</b>	18,268
	<b>69,219</b>	73,851
Borrowings	<b>(8,560)</b>	(9,369)
Notes payable	<b>(38,996)</b>	(39,163)
Net cash	<b>21,663</b>	25,319

As at 30 June 2015, the Group had net cash of RMB21,663 million. The sequential decrease in net cash was primarily driven by payment of our final dividend for the year ended 31 December 2014. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB90 billion as at 30 June 2015.

As at 30 June 2015, RMB9,532 million of our financial resources were held in deposits denominated in non-RMB currencies.

For the second quarter of 2015, the Group had free cash flow of RMB5,417 million. This was a result of net cash generated from operating activities of RMB7,607 million, offset by payments for capital expenditure of RMB2,190 million.



# Report on Review of Interim Financial Information

## TO THE BOARD OF DIRECTORS OF TENCENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 72, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related consolidated income statement, the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 ‘Interim Financial Reporting’. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 12 August 2015

# Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Unaudited 30 June 2015 RMB'Million	Audited 31 December 2014 RMB'Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	7	8,528	7,918
Construction in progress	7	4,005	3,830
Investment properties	7	265	268
Land use rights	7	2,286	751
Intangible assets	7	10,285	9,304
Investments in associates	8	53,446	51,131
Investments in redeemable preference shares of associates	8	4,776	2,941
Investments in joint ventures		566	63
Deferred income tax assets	19	621	322
Available-for-sale financial assets	9	26,370	13,277
Prepayments, deposits and other assets	11	2,115	1,209
Term deposits		3,619	4,831
		<b>116,882</b>	<b>95,845</b>
<b>Current assets</b>			
Inventories		238	244
Accounts receivable	10	5,536	4,588
Prepayments, deposits and other assets	11	9,544	7,804
Term deposits		17,329	10,798
Restricted cash	15	20,262	9,174
Cash and cash equivalents		48,271	42,713
		<b>101,180</b>	<b>75,321</b>
<b>Total assets</b>		<b>218,062</b>	<b>171,166</b>





# Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Unaudited 30 June 2015 RMB'Million	Audited 31 December 2014 RMB'Million
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	12	–	–
Share premium	12	6,155	5,131
Shares held for share award schemes	12	(1,405)	(1,309)
Other reserves		7,238	2,129
Retained earnings		85,614	74,062
		<b>97,602</b>	80,013
<b>Non-controlling interests</b>		<b>2,622</b>	2,111
<b>Total equity</b>		<b>100,224</b>	82,124
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	17	4,280	5,507
Notes payable	18	37,162	25,028
Long-term payables	16	1,881	2,052
Deferred income tax liabilities	19	3,017	2,942
Deferred revenue		3,000	3,478
		<b>49,340</b>	39,007

# Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Unaudited 30 June 2015 RMB'Million	Audited 31 December 2014 RMB'Million
<b>Current liabilities</b>			
Accounts payable	14	10,311	8,683
Other payables and accruals	15	32,085	19,123
Borrowings	17	4,280	3,215
Notes payable	18	1,834	1,834
Current income tax liabilities		1,584	461
Other tax liabilities		374	566
Deferred revenue		18,030	16,153
		<b>68,498</b>	<b>50,035</b>
<b>Total liabilities</b>		<b>117,838</b>	<b>89,042</b>
<b>Total equity and liabilities</b>		<b>218,062</b>	<b>171,166</b>
<b>Net current assets</b>		<b>32,682</b>	<b>25,286</b>
<b>Total assets less current liabilities</b>		<b>149,564</b>	<b>121,131</b>

The accompanying notes on pages 31 to 72 form an integral part of this Interim Financial Information.

On behalf of the Board

**Ma Huateng**  
Director

**Lau Chi Ping Martin**  
Director



# Consolidated Income Statement

For the three and six months ended 30 June 2015

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015 RMB'Million	2014 RMB'Million	2015 RMB'Million	2014 RMB'Million
<b>Revenues</b>					
Value-added services		18,428	15,713	37,054	30,126
Online advertising		4,073	2,064	6,797	3,241
Others		928	1,969	1,977	4,779
		<b>23,429</b>	19,746	<b>45,828</b>	38,146
Cost of revenues	21	<b>(8,991)</b>	(7,574)	<b>(17,956)</b>	(15,374)
<b>Gross profit</b>		<b>14,438</b>	12,172	<b>27,872</b>	22,772
Interest income		598	406	1,119	781
Other gains, net	20	612	691	1,023	2,298
Selling and marketing expenses	21	<b>(1,601)</b>	(1,973)	<b>(2,927)</b>	(3,828)
General and administrative expenses	21	<b>(4,011)</b>	(3,453)	<b>(7,679)</b>	(6,390)
<b>Operating profit</b>		<b>10,036</b>	7,843	<b>19,408</b>	15,633
Finance costs, net	22	<b>(341)</b>	(354)	<b>(774)</b>	(592)
Share of (losses)/profits of associates and joint ventures		<b>(452)</b>	23	<b>(762)</b>	67
<b>Profit before income tax</b>		<b>9,243</b>	7,512	<b>17,872</b>	15,108
Income tax expense	23	<b>(1,847)</b>	(1,686)	<b>(3,546)</b>	(2,850)
<b>Profit for the period</b>		<b>7,396</b>	5,826	<b>14,326</b>	12,258
<b>Attributable to:</b>					
Equity holders of the Company		7,314	5,836	14,197	12,293
Non-controlling interests		82	(10)	129	(35)
		<b>7,396</b>	5,826	<b>14,326</b>	12,258
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>					
– basic	24	<b>0.787</b>	0.632	<b>1.528</b>	1.332
– diluted	24	<b>0.778</b>	0.623	<b>1.512</b>	1.313

The accompanying notes on pages 31 to 72 form an integral part of this Interim Financial Information.

## Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2015

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Profit for the period</b>	<b>7,396</b>	5,826	<b>14,326</b>	12,258
<b>Other comprehensive income, net of tax:</b>				
Items that may be subsequently reclassified to profit or loss				
Share of other comprehensive income of associates	(168)	5	(98)	13
Net gains from changes in fair value of available-for-sale financial assets	4,795	730	6,559	693
Currency translation differences	(367)	(11)	(180)	6
	<b>4,260</b>	724	<b>6,281</b>	712
<b>Total comprehensive income for the period</b>	<b>11,656</b>	6,550	<b>20,607</b>	12,970
<b>Attributable to:</b>				
Equity holders of the Company	11,594	6,556	20,492	12,997
Non-controlling interests	62	(6)	115	(27)
	<b>11,656</b>	6,550	<b>20,607</b>	12,970

The accompanying notes on pages 31 to 72 form an integral part of this Interim Financial Information.



# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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
<b>Balance at 1 January 2015</b>	-	5,131	(1,309)	2,129	74,062	80,013	2,111	82,124
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	14,197	14,197	129	14,326
Other comprehensive income:								
- share of other comprehensive income of associates	-	-	-	(98)	-	(98)	-	(98)
- net gains from changes in fair value of available-for-sale financial assets	-	-	-	6,559	-	6,559	-	6,559
- currency translation differences	-	-	-	(166)	-	(166)	(14)	(180)
<b>Total comprehensive income for the period</b>	-	-	-	6,295	14,197	20,492	115	20,607
<b>Transaction with owners</b>								
Capital injection	-	-	-	-	-	-	54	54
Employee share option schemes:								
- value of employee services	-	96	-	81	-	177	12	189
- proceeds from shares issued	-	88	-	-	-	88	-	88
Employee share award schemes:								
- value of employee services	-	856	-	128	-	984	29	1,013
- shares purchased for share award schemes	-	-	(112)	-	-	(112)	-	(112)
- vesting of awarded shares	-	(16)	16	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	5	(5)	-	-	-
Dividends (Note 25)	-	-	-	-	(2,640)	(2,640)	(151)	(2,791)
Total contributions by and distributions to owners recognised directly in equity for the period	-	1,024	(96)	214	(2,645)	(1,503)	(56)	(1,559)
Non-controlling interests arising from business combination	-	-	-	-	-	-	247	247
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	26	-	26	(52)	(26)
Non-controlling interests arising from disposal of a subsidiary	-	-	-	-	-	-	26	26
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	(231)	-	(231)	231	-
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	-	-	-	(1,195)	-	(1,195)	-	(1,195)
<b>Total transactions with owners recognised directly in equity for the period</b>	-	1,024	(96)	(1,186)	(2,645)	(2,903)	396	(2,507)
<b>Balance at 30 June 2015</b>	-	6,155	(1,405)	7,238	85,614	97,602	2,622	100,224

The accompanying notes on pages 31 to 72 form an integral part of this Interim Financial Information.



# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Balance at 1 January 2014</b>	–	2,846	(871)	3,746	52,224	57,945	518	58,463
<b>Comprehensive income</b>								
<b>Profit for the period</b>	–	–	–	–	12,293	12,293	(35)	12,258
Other comprehensive income:								
– share of other comprehensive income of associates	–	–	–	13	–	13	–	13
– net gains from changes in fair value of available-for-sale financial assets	–	–	–	693	–	693	–	693
– currency translation differences	–	–	–	(2)	–	(2)	8	6
<b>Total comprehensive income for the period</b>	–	–	–	704	12,293	12,997	(27)	12,970
<b>Transaction with owners</b>								
Employee share option schemes:								
– value of employee services	–	60	–	51	–	111	10	121
– proceeds from shares issued	–	195	–	–	–	195	–	195
Employee share award schemes:								
– value of employee services	–	572	–	63	–	635	5	640
– shares purchased for Share Award Schemes	–	–	(38)	–	–	(38)	–	(38)
– vesting of awarded shares	–	(11)	11	–	–	–	–	–
Repurchase and cancellation of shares	–	(61)	–	–	–	(61)	–	(61)
Dividends	–	–	–	–	(1,761)	(1,761)	(115)	(1,876)
Total contributions by and distributions to owners for the period	–	755	(27)	114	(1,761)	(919)	(100)	(1,019)
Non-controlling interests arising from business combination	–	–	–	–	–	–	106	106
Disposal of equity interests in a non-wholly owned subsidiary	–	–	–	230	–	230	(10)	220
Acquisition of additional equity interests in non-wholly owned subsidiaries	–	–	–	(628)	–	(628)	6	(622)
Settlement of the financial liabilities in respect of the put option granted to non-controlling interests owners	–	–	–	357	–	357	–	357
<b>Total transactions with owners recognised directly in equity for the period</b>	–	755	(27)	73	(1,761)	(960)	2	(958)
<b>Balance at 30 June 2014</b>	–	3,601	(898)	4,523	62,756	69,982	493	70,475

The accompanying notes on pages 31 to 72 form an integral part of this Interim Financial Information.



# Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'Million	RMB'Million
<b>Cash flows from operating activities</b>		
Cash generated from operations	20,077	16,532
Income tax paid	(2,782)	(2,719)
Net cash flows generated from operating activities	17,295	13,813
<b>Cash flows from investing activities</b>		
Payments for business combinations, net of cash acquired	(1,340)	(4)
Net (outflow)/inflow of cash in respect of the disposal of subsidiaries	(51)	99
Purchase of fixed assets, construction in progress and investment properties	(2,316)	(1,894)
Proceeds from disposals of fixed assets	34	32
Payments for acquisition of investments in associates	(6,610)	(22,098)
Payments for acquisition of investments in redeemable preference shares of associates	(1,388)	(12)
Payments for acquisition of investments in joint ventures	(498)	(2)
Purchase/prepayment of intangible assets	(1,744)	(854)
Proceeds from disposals of intangible assets	2	30
Purchase/prepayment of land use rights	(1,128)	(3)
Purchase of available-for-sale financial assets	(2,812)	(2,652)
Proceeds from disposal of investments in associates	752	977
Proceeds from disposals of available-for-sale financial assets	48	21
Proceeds from settlement of loan to associates	-	63
Receipt from maturity of term deposits with initial term of over three months	26,109	15,777
Placement of term deposits with initial term over three months	(31,428)	(9,592)
Interest received	1,077	602
Dividends received	273	87
Net cash flows used in investing activities	(21,020)	(19,423)

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'Million	RMB'Million
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,226	1,254
Repayment of short-term borrowings	–	(35)
Proceeds from long-term borrowings	304	1,833
Repayment of long-term borrowings	(1,564)	(216)
Net proceeds from issuance of payable notes	12,194	16,894
Proceeds from issuance of ordinary shares	88	195
Payments for repurchase of shares	–	(61)
Payments for purchase of shares for share award schemes	(112)	(38)
Proceeds from capital injection from non-controlling interests	54	–
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries	–	(54)
Dividends paid to the Company's shareholders	(2,640)	(1,759)
Dividends paid to non-controlling interests	(151)	(115)
Net cash flows generated from financing activities	<u>9,399</u>	<u>17,898</u>
<b>Net increase in cash and cash equivalents</b>	<b>5,674</b>	<b>12,288</b>
Cash and cash equivalents at beginning of the period	42,713	20,228
Exchange (losses)/gains on cash and cash equivalents	(116)	123
<b>Cash and cash equivalents at end of the period</b>	<u><b>48,271</b></u>	<u>32,639</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	15,448	14,248
Term deposits and highly liquid investments with initial term within three months	32,823	18,391
	<u><b>48,271</b></u>	<u>32,639</u>

The accompanying notes on pages 31 to 72 form an integral part of this Interim Financial Information.



# Notes to the Interim Financial Information

## 1 GENERAL INFORMATION

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

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

The consolidated statement of financial position as at 30 June 2015, the related consolidated income statement, the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved by the Board on 12 August 2015.

This Interim Financial Information has not been audited.

The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

## 2 BASIS OF PREPARATION AND PRESENTATION

The Interim Financial Information is prepared in accordance with International Accounting Standards (“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 2014 as set out in the 2014 annual report of the Company dated 18 March 2015 (the “2014 Financial Statements”).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2014 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of assets and liabilities stated at fair value, such as available-for-sale financial assets 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 standards adopted by the Group, which are mandatory for the financial year of the Group beginning 1 January 2015, have no material impact on the Group’s Interim Financial Information.

## Notes to the Interim Financial Information

### 4 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2014 Financial Statements.

### 5 FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2014 Financial Statements.

There were no changes in any risk management policies during the six months ended 30 June 2015.

The functional currency of the Company is USD. Listed below are the Group's major non-functional monetary assets and liabilities as at 30 June 2015, which are exposed to foreign exchange risk:

RMB'Million	Denomination currency				
	EUR	HKD	KRW	RMB	USD
<b>As at 30 June 2015</b>					
Monetary assets					
Current assets	<b>881</b>	<b>318</b>	<b>1,201</b>	<b>714</b>	<b>1,010</b>
Monetary liabilities					
Non-current liabilities	-	(2,516)	-	-	-
Current liabilities	-	(38)	-	(109)	(1,467)
	<b>881</b>	<b>(2,236)</b>	<b>1,201</b>	<b>605</b>	<b>(457)</b>
<b>As at 31 December 2014</b>					
Monetary assets					
Current assets	1,474	578	1,228	3,075	1,049
Monetary liabilities					
Non-current liabilities	-	(2,528)	-	-	-
Current liabilities	-	(4)	-	(302)	(1,319)
	1,474	(1,954)	1,228	2,773	(270)

## Notes to the Interim Financial Information

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

During the three and six months ended 30 June 2015, the Group reported exchange gains of RMB58 million and exchange losses of RMB46 million, respectively (for the three and six months ended 30 June 2014: exchange losses of RMB130 million and RMB256 million, respectively) (Note 22). Such gains or losses were recorded in “Finance costs, net” in the consolidated income statement for the three and six months ended 30 June 2015.

#### (b) Capital risk management

The Group’s objectives on managing capital are to safeguard the Group’s ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long term.

Capital referred to the equity and external debts (including borrowings and notes payable). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company’s shares or raise/repay debts.

The Group monitors capital by regularly reviewing debts to adjusted earnings before interest, tax, depreciation and amortisation (“EBITDA”) (Note) ratio, being the measure of the Group’s ability to pay off all debts that reflecting financial health and liquidity position. The debts/adjusted EBITDA ratio is calculated by dividing the debts by adjusted EBITDA as follows:

	Unaudited Twelve months ended 30 June	
	2015 RMB'Million	2014 RMB'Million
Borrowings	8,560	8,820
Notes payable	38,996	26,192
Total debts	47,556	35,012
Adjusted EBITDA	38,549	26,634
Debts/Adjusted EBITDA Ratio	1.23	1.31

Note:

Adjusted EBITDA represents operating profit less interest income and other gains/losses, net, and plus depreciation of fixed assets and investment properties and amortisation of intangible assets and equity-settled share-based compensation expenses.

## Notes to the Interim Financial Information

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Fair value estimation

The Group's main financial instruments carried at fair value are available-for-sale financial assets, and the valuation method is the same as that applied in the 2014 Financial Statements.

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

#### As at 30 June 2015

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
<b>Assets</b>				
Available-for-sale financial assets				
– Equity interests (Note 9)	6,443	4,175	15,728	26,346
– Other investments (Note 9)	–	24	–	24
	<u>6,443</u>	<u>4,199</u>	<u>15,728</u>	<u>26,370</u>

#### As at 31 December 2014

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
<b>Assets</b>				
Available-for-sale financial assets				
– Equity interests	3,631	3,370	6,276	13,277
	<u>3,631</u>	<u>3,370</u>	<u>6,276</u>	<u>13,277</u>

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

## Notes to the Interim Financial Information

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015 and 2014:

	<b>Available-for-sale financial assets</b>	
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Opening balance	<b>6,276</b>	2,775
Additions	<b>2,411</b>	1,514
Transfer from investments in associates	<b>3,130</b>	–
Gains from changes in fair value	<b>4,009</b>	1,084
Impairment provision	–	(327)
Transfer to investments in associates	<b>(61)</b>	(67)
Disposal of available-for-sale financial assets	<b>(22)</b>	–
Currency translation differences	<b>(15)</b>	(11)
	<b>15,728</b>	4,968
Closing balance	<b>15,728</b>	4,968

During the six months ended 30 June 2015, no impairment losses were recognised for the level 3 instruments held at the end of the reporting period (for the six months ended 30 June 2014: total impairment losses were RMB327 million) under “Other gains, net”.



# Notes to the Interim Financial Information

## 5 FINANCIAL RISK MANAGEMENT (continued)

### (c) Fair value estimation (continued)

Valuation processes of the Group (Level 3)

The Group has a team that manages the valuation logistics of level 3 instruments for financial reporting purposes. The team manages the valuation logistics at least once every quarter, in line with the Group's quarterly reporting dates. On an annual basis, the team would also manage the valuation logistics, and use valuation techniques to determine the fair value of the Group's level 3 instruments by themselves.

The valuation of the level 3 instruments mainly included private funds and unlisted companies. As these investments are not traded in an active market, their fair value have been determined using discounted cash flow valuation techniques if applicable. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates and estimate of weighted average cost of capital (WACC), etc.

## 6 SEGMENT INFORMATION

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

In light of the reduction in size of the Group's eCommerce business, the revenue previously presented under the "eCommerce transactions" segment has also been reclassified to the "Others" segment from 1 January 2015 onwards, both in the internal management reports adopted by the chief operating decision-makers, as well as in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were taken to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

The Group has the following reportable segments for the three and six months ended 30 June 2015 and 2014:

- VAS;
- Online advertising; and
- Others

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

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



## Notes to the Interim Financial Information

### 6 SEGMENT INFORMATION (continued)

There were no material inter-segment sales during the three and six months ended 30 June 2015 and 2014. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

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

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2015 and 2014 is as follows:

	Unaudited			
	Three months ended 30 June 2015			
	VAS	Online	Others	Total
	RMB'Million	advertising RMB'Million	RMB'Million	RMB'Million
<b>Segment revenues</b>	<b>18,428</b>	<b>4,073</b>	<b>928</b>	<b>23,429</b>
<b>Gross profit</b>	<b>12,207</b>	<b>2,112</b>	<b>119</b>	<b>14,438</b>
<b>Depreciation</b>	<b>491</b>	<b>42</b>	<b>9</b>	<b>542</b>
<b>Amortisation</b>	<b>116</b>	<b>446</b>	<b>–</b>	<b>562</b>
<b>Share of (losses)/profits of associates and joint ventures</b>	<b>(60)</b>	<b>27</b>	<b>(419)</b>	<b>(452)</b>

	Unaudited			
	Three months ended 30 June 2014			
	VAS	Online	Others	Total
	RMB'Million	advertising RMB'Million	RMB'Million	RMB'Million
Segment revenues	15,713	2,064	1,969	19,746
Gross profit	10,958	924	290	12,172
Depreciation	487	39	9	535
Amortisation	44	416	–	460
Share of profits/(losses) of associates and joint ventures	(46)	6	63	23

## Notes to the Interim Financial Information

### 6 SEGMENT INFORMATION (continued)

	Unaudited			
	Six months ended 30 June 2015			
	VAS	Online	Others	Total
	RMB'Million	advertising RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>37,054</u>	<u>6,797</u>	<u>1,977</u>	<u>45,828</u>
Gross profit	<u>24,379</u>	<u>3,174</u>	<u>319</u>	<u>27,872</u>
Depreciation	990	85	19	1,094
Amortisation	215	965	–	1,180
Share of (losses)/profits of associates and joint ventures	<u>(128)</u>	<u>19</u>	<u>(653)</u>	<u>(762)</u>

	Unaudited			
	Six months ended 30 June 2014			
	VAS	Online	Others	Total
	RMB'Million	advertising RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>30,126</u>	<u>3,241</u>	<u>4,779</u>	<u>38,146</u>
Gross profit	<u>21,000</u>	<u>1,335</u>	<u>437</u>	<u>22,772</u>
Depreciation	941	77	19	1,037
Amortisation	89	598	–	687
Share of profits/(losses) of associates and joint ventures	<u>99</u>	<u>(39)</u>	<u>7</u>	<u>67</u>

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in Mainland China. Revenues derived from external customers in Mainland China for the three and six months ended 30 June 2015 were RMB21,590 million and RMB42,271 million, respectively (for the three and six months ended 30 June 2014: RMB18,218 million and RMB35,101 million, respectively), and revenues derived from external customers in other regions were RMB1,839 million and RMB3,557 million, respectively (for the three and six months ended 30 June 2014: RMB1,528 million and RMB3,045 million, respectively).

## Notes to the Interim Financial Information

### 6 SEGMENT INFORMATION (continued)

As at 30 June 2015, the total non-current assets, excluding financial instruments and deferred income tax assets, located in Mainland China and other regions were RMB59,970 million and RMB20,902 million, respectively (31 December 2014: RMB57,205 million and RMB16,758 million, respectively).

Revenues derived from any single external customer were less than 10% of the Group's total revenues for the three and six months ended 30 June 2015 and 2014.

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

	Unaudited				
	Fixed assets	Construction in progress	Investment properties	Land use rights	Intangible assets
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Net book amount at 1 January 2015</b>	<b>7,918</b>	<b>3,830</b>	<b>268</b>	<b>751</b>	<b>9,304</b>
Business combinations	6	–	–	–	1,200
Other additions	1,253	1,117	–	1,548	1,401
Transfers	942	(942)	–	–	–
Disposals	(25)	–	–	–	(40)
Depreciation/amortisation	(1,549)	–	(3)	(13)	(1,385)
Impairment	–	–	–	–	(174)
Currency translation differences	(17)	–	–	–	(21)
<b>Net book amount at 30 June 2015</b>	<b>8,528</b>	<b>4,005</b>	<b>265</b>	<b>2,286</b>	<b>10,285</b>
Net book amount at 1 January 2014	8,693	2,041	–	871	4,103
Business combinations	1	–	–	–	206
Other additions	1,393	550	–	3	747
Transfers	(196)	(76)	272	–	–
Disposals	(96)	(5)	–	(63)	(112)
Depreciation/amortisation	(1,465)	–	(2)	(9)	(784)
Currency translation differences	6	–	–	–	21
Net book amount at 30 June 2014	8,336	2,510	270	802	4,181

## Notes to the Interim Financial Information

### 7 FIXED ASSETS, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS (continued)

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

During the six months ended 30 June 2015, the carrying amount of goodwill and other identify intangible assets recognised for investment in a subsidiary had been reduced to their expected recoverable amount by recognising an impairment loss amounting to RMB174 million and related tax impact. The loss and related tax impact had been included in “Other gains, net” and “Income tax expense” in the consolidated income statement.

Other than the above, there was no indication of impairment for fixed assets, construction in progress, investment properties and land use rights during the three and six months ended 30 June 2015.

### 8 INTERESTS IN ASSOCIATES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Investments in associates (Note (a))		
– Listed shares	<b>34,668</b>	32,064
– Unlisted shares	<b>18,778</b>	19,067
	<b>53,446</b>	51,131
Investments in redeemable preference shares of associates (Note (b))	<b>4,776</b>	2,941
	<b>58,222</b>	54,072

## Notes to the Interim Financial Information

### 8 INTERESTS IN ASSOCIATES (continued)

Note:

#### (a) Investments in associates

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'Million	RMB'Million
At beginning of period	51,131	10,867
Additions (Notes (i), (ii) and (iii))	6,185	30,526
Deemed disposal gains	1,278	986
Share of (losses)/profits of associates	(767)	68
Share of other comprehensive income of associates	(102)	13
Dividends from associates	(55)	(25)
Transfer to available-for-sale financial assets	(3,259)	–
Disposal of associates	(301)	(261)
Impairment provision (Note (iv))	(606)	(429)
Currency translation differences	(58)	(79)
	<u>53,446</u>	<u>41,666</u>
At end of period		

- (i) In April 2015, the Group signed a share purchase agreement with 58.com Inc. (“58.com”), an existing associate, to purchase certain of its newly issued shares at USD52 per American Depositary Share, for a consideration of approximately USD400 million (equivalent to approximately RMB2,457 million). As a result, the Group’s equity interests in 58.com increased to approximately 26.3% as at 30 June 2015, on an outstanding basis. 58.com operates an online classified listings platform focusing on local services in the PRC.
- (ii) In April 2015, the Group signed a share purchase agreement with Glu Mobile Inc. (“Glu Mobile”), a mobile games company listed on NASDAQ, to purchase approximately 16.3% of common shares of Glu Mobile on an outstanding basis at a consideration of approximately USD126 million (equivalent to approximately RMB773 million).
- (iii) The Group also acquired several other associates or made additional investments in existing associates or transfer from available-for-sale financial assets for an aggregate consideration of RMB2,955 million during the six months ended 30 June 2015. These associates are principally engaged in online games business and other Internet-related businesses.
- (iv) During the six months ended 30 June 2015, the Group made an impairment provision of RMB606 million (for the six months ended 30 June 2014: RMB429 million) against the carrying amounts of investments in certain associates, of which RMB503 million was provided for an associate, based on the results of assessment performed with reference to their business performance and their underlying recoverable amount.

## Notes to the Interim Financial Information

### 8 INTERESTS IN ASSOCIATES (continued)

#### (a) Investments in associates (continued)

Management has assessed the level of influence that the Group has on certain investments and determined that it has significant influence, even though its respective shareholding is below 20% in these investments because of Board representation or other arrangements. Consequently, these investments have been accounted for as associates.

#### (b) Investments in redeemable preference shares of associates

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.

In January 2015, the Group, entered into a series of agreements with a third party company, primarily engaged in the online automotive financing platform business, to subscribe for its convertible redeemable preference shares, representing 26.60% of its total equity capital on a fully-diluted basis, at a cash consideration of USD150 million (equivalent to approximately RMB921 million).

During the six months ended 30 June 2015, no impairment provision was made (for the six months ended 30 June 2014: RMB280 million) for investments in redeemable preference shares.

#### (c) Transactions with associates

The Group also provided/purchased online traffic and other Internet value-added services to/from certain of its associates. Revenues/costs recorded by the Group from such transactions were summarised as below:

##### (i) Transactions with JD.com

On 10 March 2014, the Group entered into a strategic co-operation agreement and formed a strategic partnership with JD.com, Inc. ("JD.com"), an associate of the Group. As part of the strategic partnership, the Group agreed to offer JD.com level 1 access points in the mobile applications Weixin and Mobile QQ, provide Internet traffic and other support. The fair value of this arrangement, at the inception date, was recorded as "deferred revenue" in the consolidated statement of financial position, and has subsequently credited to the consolidated income statement over a period of five years. During the six months ended 30 June 2015, the Group had recognised revenue in respect of the above arrangement.

## Notes to the Interim Financial Information

### 8 INTERESTS IN ASSOCIATES (continued)

#### (c) Transactions with associates (continued)

##### (ii) Transactions with other associates

During the six months ended 30 June 2015 and 2014, the Group entered into co-operation agreements with certain associates, pursuant to which the associates operate their games/applications on the Group's Internet platforms, which are made available to the users of the Group. The Group pays the associates a pre-determined percentage of the fees paid by and collected from end users for the virtual products/items utilised in their games/applications. During the six months ended 30 June 2015 and 2014, the revenue recorded by the Group from the above co-operation with associates was considered to be insignificant.

As at 30 June 2015, the Group had been entitled to certain call options and conversion options associated with its interests in associates. The directors of the Company considered that the fair values of such options were insignificant and accordingly, the Group did not separately recognise these options in the Interim Financial Information.

There were no contingent liabilities relating to the Group's interest in the associates as of 30 June 2015.

### 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
<b>Available-for-sale financial assets</b>		
– Listed equity interests (Note (a), (b), (d) and (e))	<b>6,443</b>	3,631
– Unlisted interests		
– Equity interests	<b>19,903</b>	9,646
– Other investments	<b>24</b>	–
	<b>26,370</b>	13,277



## Notes to the Interim Financial Information

### 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Movement in the unlisted interests is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'Million	RMB'Million
At beginning of period	9,646	6,270
Additions (Note (c))	2,435	1,514
Transfer from investments in associates	3,130	–
Changes in fair value	4,821	1,643
Impairment provision	–	(327)
Transfer to investments in associates	(61)	(67)
Disposal of available-for-sale financial assets	(22)	–
Currency translation differences	(22)	(22)
	<u>19,927</u>	<u>9,011</u>
At end of period	<u>19,927</u>	<u>9,011</u>

Note:

- (a) The gains from changes in fair value recognised for the listed equity interests during the six months ended 30 June 2015 were RMB1,975 million (for the six months ended 30 June 2014: losses from changes in fair value were RMB979 million).
- (b) In January 2015, the Group, entered into a series of agreements with a third party company, which is a company listed on the New York Stock Exchange engages in Internet content and marketing services of the automobile industry in China, to subscribe for 3.3% of its outstanding shares, on a fully-diluted basis, at a cash consideration of USD150 million (equivalent to approximately RMB921 million).
- (c) It mainly represented the Group's acquisition of available-for-sale financial assets or additional investments in certain existing available-for-sale financial assets. These investments are principally engaged in O2O business and other Internet-related businesses.
- (d) During the six months ended 30 June 2015, the Group made an impairment provision of RMB521 million (for the six months ended 30 June 2014: RMB436 million) against the carrying amounts of its certain listed available-for-sale financial assets, with reference to their market value, due to the significant decline of market price.
- (e) The fair value of these investments are measured at quoted price in active capital markets.

As at 30 June 2015, there were certain call or conversion options embedded in available-for-sale financial assets. The directors of the Company considered that the fair values of such options were insignificant to the Group, accordingly, the Group did not separately recognise these options in the Interim Financial Information.



## Notes to the Interim Financial Information

### 10 ACCOUNTS RECEIVABLE

Accounts receivable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
0 - 30 days	<b>3,019</b>	2,032
31 - 60 days	<b>1,792</b>	1,464
61 - 90 days	<b>518</b>	667
Over 90 days	<b>207</b>	425
	<b>5,536</b>	4,588

Accounts receivable were mainly denominated in RMB.

Receivable balances as at 30 June 2015 and 31 December 2014 mainly represented amounts due from telecommunications operators, including China Mobile Communications Corporation, China United Network Communications Group Company Limited, China Telecommunications Corporation, and their respective branches, subsidiaries and affiliates, other third party online/mobile apps platform providers, as well as brand display advertising customers mainly located in the PRC.

These telecommunication operators and third party platform providers usually settle the amounts due by them within a period of 30 to 120 days and 60 days, respectively. Online advertising customers, which are mainly advertising agencies related to brand display advertising business, are usually granted a credit period of 90 days after full execution of the contracted advertisement orders.

The directors of the Company considered that the carrying amounts of the receivable balances approximated to their fair value as at 30 June 2015.

## Notes to the Interim Financial Information

### 11 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current assets:</b>		
Prepayments for licensed contents	<b>1,071</b>	656
Prepayments for land use rights	<b>353</b>	–
Others	<b>691</b>	553
	<b>2,115</b>	1,209
<b>Included in current assets:</b>		
Running royalty fees for online games	<b>1,732</b>	1,596
Interest receivables	<b>1,259</b>	1,339
Prepaid expenses	<b>2,521</b>	2,028
Refundable value-added tax	<b>697</b>	303
Rental deposits and other deposits	<b>385</b>	461
Others (Note)	<b>2,950</b>	2,077
	<b>9,544</b>	7,804
	<b>11,659</b>	9,013

Note:

As at 30 June 2015, the amount includes loans to investees and investees' shareholders of RMB1,389 million (31 December 2014: RMB688 million). These balances are required to be repaid within one year. Certain amounts bear interest rates of 0.3% to 10% per annum (31 December 2014: 0.3% to 8.0% per annum), while the remaining is interest-free.

The directors of the Company considered that the carrying amounts of deposits and other assets approximated to their respective fair values as at 30 June 2015. Deposits and other assets were neither past due nor impaired. Their recoverability was assessed with reference to the credit status of the recipients.

## Notes to the Interim Financial Information

### 12 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEMES

The par value of the ordinary shares of the Company was initially at HKD0.0001 per share. With effect from 15 May 2014, each of the then existing issued and unissued shares of the Company was subdivided into five subdivided shares of HKD0.00002 each (each defined as “Subdivided Share”), after an ordinary resolution was passed at the annual general meeting of the Company held on 14 May 2014 and with an approval obtained from the Stock Exchange on the listing of and provision to deal in the Subdivided Shares (the “Share Subdivision”). Upon the Share Subdivision became effective, the authorised capital of the Company became HKD1,000,000, divided into 50,000,000,000 Subdivided Shares of HKD0.00002 each. The other rights and terms of the shares remain unchanged as at 30 June 2015 (31 December 2014: 50,000,000,000 shares at HKD0.00002 per share).

As at 30 June 2015, the total number of issued ordinary shares of the Company was 9,377,452,380 shares (31 December 2014: 9,370,678,830 shares) which included 85,115,886 shares (31 December 2014: 88,686,054 shares) held under the Share Award Schemes (Note 13(b)). They were all fully paid up.

	Unaudited				Total RMB'Million
	Number of ordinary shares	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	
<b>At 1 January 2015</b> (Note (b))	<b>9,370,678,830</b>	–	<b>5,131</b>	<b>(1,309)</b>	<b>3,822</b>
Employee share option schemes:					
– value of employee services	–	–	<b>96</b>	–	<b>96</b>
– shares issued and proceeds received	<b>6,773,550</b>	–	<b>88</b>	–	<b>88</b>
Employee share award schemes:					
– value of employee services	–	–	<b>856</b>	–	<b>856</b>
– shares purchased for share award schemes	–	–	–	<b>(112)</b>	<b>(112)</b>
– shares vested from share award schemes and transferred to the grantees	–	–	<b>(16)</b>	<b>16</b>	–
<b>At 30 June 2015</b> (Note (b))	<b>9,377,452,380</b>	–	<b>6,155</b>	<b>(1,405)</b>	<b>4,750</b>

## Notes to the Interim Financial Information

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

	Number of ordinary shares	Unaudited			Total RMB'Million
		Share capital RMB'Million	Share premium RMB'Million	Shares held for share award scheme RMB'Million	
At 1 January 2014 (Note (a))	1,862,110,840	–	2,846	(871)	1,975
Employee share option schemes:					
– value of employee services	–	–	60	–	60
– shares issued and proceeds received before the Share Subdivision (Note (a))	3,715,616	–	114	–	114
– shares issued and proceeds received after the Share Subdivision (Note (b))	14,171,923	–	81	–	81
Employee share award schemes:					
– value of employee services	–	–	572	–	572
– shares purchased for share award schemes	–	–	–	(38)	(38)
– shares vested from share award schemes and transferred to the grantees	–	–	(11)	11	–
Repurchase and cancellation of shares before the Share Subdivision (Note (a))	(153,000)	–	(61)	–	(61)
Effect of Share Subdivision (Note (c))	<u>7,462,693,824</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2014 (Note (b))	<u>9,342,539,203</u>	<u>–</u>	<u>3,601</u>	<u>(898)</u>	<u>2,703</u>

Note:

- (a) The numbers of shares were presented as before the effect of the Share Subdivision.
- (b) The numbers of shares were presented as after the effect of the Share Subdivision.
- (c) It represented the effects of adjustments made to the number of shares as a result of the Share Subdivision.

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS

#### (a) Share option schemes

The Company has adopted four share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and Post-IPO Option Scheme III, under which the directors of the Company may, at their discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

The Pre-IPO Option Scheme expired on 31 December 2011. Post-IPO Option Scheme I was terminated upon the adoption of the Post-IPO Option Scheme II.

In respect of Post-IPO Option Scheme II and Post-IPO Option Scheme III, the exercise price must be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year or 10-year period after the date of grant of option.

Upon the Share Subdivision became effective, pro-rata adjustments were made to the exercise prices and the number of share options outstanding, so as to give the participants the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

#### (a) Share option schemes (continued)

##### (i) Movements in share options

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
<b>At 1 January 2015</b> (Note (2))	-	-	HKD57.36	36,432,000	HKD31.70	5,000,000	41,432,000
Granted (Note (2))	-	-	HKD149.80	525,000	-	-	525,000
Exercised (Note (2))	-	-	HKD16.48	(6,773,550)	-	-	(6,773,550)
Lapsed (Note (2))	-	-	HKD25.14	(212,500)	-	-	(212,500)
<b>At 30 June 2015</b> (Note (2))	-	-	HKD68.45	29,970,950	HKD31.70	5,000,000	34,970,950
<b>Exercisable as at 30 June 2015</b> (Note (2))	-	-	HKD48.82	8,998,615	HKD31.70	1,250,000	10,248,615
At 1 January 2014 (Note(1))	HKD11.25	819,266	HKD75.69	12,648,005	HKD158.50	1,000,000	14,467,271
Granted before the Share Subdivision (Note(1))	-	-	HKD572.60	2,307,500	-	-	2,307,500
Granted after the Share Subdivision (Note(2))	-	-	HKD112.30	62,500	-	-	62,500
Exercised before the Share Subdivision (Note(1))	HKD11.25	(819,224)	HKD46.54	(2,896,392)	-	-	(3,715,616)
Exercised after the Share Subdivision (Note(2))	-	-	HKD7.15	(14,171,923)	-	-	(14,171,923)
Lapsed before the Share Subdivision (Note(1))	HKD14.53	(42)	HKD116.38	(600,000)	-	-	(600,042)
Lapsed after the Share Subdivision (Note(2))	-	-	HKD6.35	(100)	-	-	(100)
Effect of Share Subdivision (Note (3))	-	-	-	45,836,452	-	4,000,000	49,836,452
At 30 June 2014 (Note(2))	-	-	HKD45.84	43,186,042	HKD31.70	5,000,000	48,186,042
Exercisable as at 30 June 2014 (Note(2))	-	-	HKD14.83	16,028,572	-	-	16,028,572

Note:

- (1) The numbers of shares and average exercise price were presented as before the effect of the Share Subdivision.
- (2) The numbers of shares and average exercise price were presented as after the effect of the Share Subdivision.
- (3) It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.



## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

#### (a) Share option schemes (continued)

##### (i) Movements in share options (continued)

During the six months ended 30 June 2015, no share options was granted to any director of the Company (for the six months ended 30 June 2014: 1,000,000 share options (before the effect of the Share Subdivision) were granted to an executive director of the Company).

As a result of options exercised during the six months ended 30 June 2015, 6,773,550 ordinary shares after the effect of the Share Subdivision (during the six months ended 30 June 2014: 32,750,003 ordinary shares after the effect of the Share Subdivision) were issued by the Company (Note 12). The weighted average price of the shares at the time these options were exercised was HKD141.76 per share after the effect of the Share Subdivision (equivalent to approximately RMB111.97 per share) (for the six months ended 30 June 2014: HKD107.27 per share after the effect of the Share Subdivision (equivalent to approximately RMB84.92 per share) after the effect of the Share Subdivision).

##### (ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2015 and 31 December 2014 are as follows:

Expiry Date	Range of exercise price	Number of share options	
		30 June 2015	31 December 2014
7 years commencing from the date of grant of options (Post-IPO Option Scheme II)	HKD6.35-HKD8.70	83,300	405,950
	HKD9.10-HKD18.06	5,752,050	10,964,950
	HKD25.68-HKD149.80	24,135,600	25,061,100
		<b>29,970,950</b>	<b>36,432,000</b>
10 years commencing from the date of grant of options (Post-IPO Option Scheme III)	HKD31.70	5,000,000	5,000,000
		<b>34,970,950</b>	<b>41,432,000</b>

The outstanding share options as of 30 June 2015 were divided into three to five tranches on an equal basis as at their grant date. The first tranche can be exercised after a specified period ranging from one to five years from the grant date, and the remaining tranches are exercisable in each subsequent year.

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

#### (a) Share option schemes (continued)

##### (iii) Fair value of options

The directors of the Company have used the Black-Scholes valuation model (the “BS Model”) to determine the fair value of the options granted, which is to be expensed over the vesting period. The weighted average fair value of options granted during the six months ended 30 June 2015 was HKD43.59 per share (equivalent to approximately RMB34.52 per share) after the effect of the Share Subdivision (for the six months ended 30 June 2014: HKD36.63 per share (equivalent to approximately RMB29.00 per share)).

Other than the exercise price mentioned above, significant judgment on parameters, such as risk free rate, dividend yield and expected volatility, is required to be made by the directors in applying the BS Model, which is summarised as below.

	Unaudited	
	Six months ended 30 June	
	2015	2014
Weighted average share price at the grant date (Note (1))	<b>HKD149.80</b>	HKD111.70
Risk free rate	<b>0.36%-0.97%</b>	1.56%-1.91%
Dividend yield	<b>0.36%</b>	0.34%
Expected volatility (Note (2))	<b>41.00%</b>	44.20%-44.50%

Note:

- (1) The weighted average share price at the grant date was presented as after the effect of the Share Subdivision.
- (2) The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

#### (b) Share award schemes

The Company has adopted two share award schemes (the “Share Award Schemes”), both of which are administered by an independent trustee appointed by the Group (the “Trustee”). The vesting period of the awarded share is determined by the Board.

Upon the Share Subdivision became effective, pro-rata adjustments have been made to the number of outstanding awarded shares, so as to give the participants the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

Movements in the number of shares held for the Share Award Schemes and awarded shares for the six months ended 30 June 2015 and 2014 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
<b>At 1 January 2015</b> (Note (ii))	<b>6,650,532</b>	<b>82,035,522</b>	<b>88,686,054</b>
Purchased and withheld (Note (ii))	986,469	–	986,469
Shares to be allotted to the Share Award Schemes (Note (ii) and (iv))	4,344,340	–	4,344,340
Granted (Note (ii))	(10,088,130)	10,088,130	–
Lapsed (Note (ii))	2,289,714	(2,289,714)	–
Vested and transferred (Note (ii))	–	(4,556,637)	(4,556,637)
<b>At 30 June 2015</b> (Note (ii))	<b>4,182,925</b>	<b>85,277,301</b>	<b>89,460,226</b>
<b>Vested but not transferred as at 30 June 2015</b> (Note (ii))			–

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

#### (b) Share award schemes (continued)

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2014 (Note (i))	1,435,659	18,065,996	19,501,655
Purchased and withheld before the Share Subdivision (Note (i))	31,583	–	31,583
Purchased and withheld after the Share Subdivision (Note (ii))	286,770	–	286,770
Granted before the Share Subdivision (Note (i))	(1,183,445)	1,183,445	–
Granted after the Share Subdivision (Note (ii))	(597,100)	597,100	–
Lapsed before the Share Subdivision (Note (i))	461,220	(461,220)	–
Lapsed after the Share Subdivision (Note (ii))	542,080	(542,080)	–
Vested and transferred before the Share Subdivision (Note (i))	–	(226,797)	(226,797)
Vested and transferred after the Share Subdivision (Note (ii))	–	(1,593,290)	(1,593,290)
Effect of Share Subdivision (Note (iii))	<u>2,980,068</u>	<u>74,245,696</u>	<u>77,225,764</u>
At 30 June 2014 (Note (ii))	<u>3,956,835</u>	<u>91,268,850</u>	<u>95,225,685</u>
Vested but not transferred as at 30 June 2014 (Note (ii))			<u>68,585</u>

Note:

- (i) The numbers of shares were presented as before the effect of the Share Subdivision.
- (ii) The numbers of shares were presented as after the effect of the Share Subdivision.
- (iii) It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.
- (iv) The share allotment was not completed as at 30 June 2015.

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

#### (b) Share award schemes (continued)

During the six months ended 30 June 2015, 75,000 awarded shares (after the effect of the Share Subdivision) were granted to three independent non-executive directors of the Company (for the six months ended 30 June 2014: 25,000 awarded shares (before the effect of the Share Subdivision) were granted to three independent non-executive directors of the Company).

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

The weighted average fair value of awarded shares granted during the six months ended 30 June 2015 was HKD149.59 per share after the effect of the Share Subdivision (equivalent to approximately RMB118.43 per share) (during the six months ended 30 June 2014: HKD109.35 per share after the effect of the Share Subdivision (equivalent to approximately RMB86.40 per share)).

The outstanding awarded shares as of 30 June 2015 are divided into one to five tranches as at their grant date. The first tranche can be exercised immediately or after a specified period ranging from two months to four years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

#### (c) Employee incentive schemes

In 2011, for aligning the interests of key employees with the Group, the Group established an employees' investment plan in the form of a limited liability partnership (the "EIS") pursuant to a shareholders' resolution passed at the 2011 annual general meeting of the Company held on 11 May 2011. The Board may, at its absolute discretion, select any employee of the Group, excluding any director of the Company, to participate in the EIS by subscribing for the partnership interest at cash consideration. The participating employees are entitled to all the economic benefits generated by the EIS (if any) after a specified vesting period under the EIS, ranging from up to 4 to 7 years. In 2014, another EIS with similar arrangement was approved by the Board and was established accordingly.

Two wholly-owned subsidiaries of the Company act as general partner of these two EISs administrate respectively and in essence, control them. These two EISs are therefore consolidated by the Company. The related expenses incurred for the six months ended 30 June 2015 and 2014 were considered to be insignificant to the Group by the directors of the Company.

## Notes to the Interim Financial Information

### 13 SHARE-BASED PAYMENTS (continued)

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

Certain non-wholly owned subsidiaries of the Group operate their own share-based compensation plans (share option and/or restricted share award schemes). Their exercise prices of the share options, as well as the vesting periods of the share options and awarded shares are determined by the board of directors of these subsidiaries at their sole discretion. Similar to the share option/award schemes adopted by the Company, the share options or restricted shares of the subsidiaries so granted are normally vested by several tranches. Some non-wholly owned subsidiaries' participants have the right to request the Group to repurchase their vested equity interest in those non-wholly owned subsidiaries ("Repurchase Transaction"). For certain of those participants, the Group have discretion to settle the Repurchase Transaction by using either equity instruments of the Group or by cash. For the Repurchase Transaction which the Group have settlement options, there are certain portions that the directors of the Company are currently of the view that they would be settled by equity instruments of the Group and they are accounted for using the equity-settled share-based payment method. The remaining portion is accounted for as cash-settled share-based payments.

#### (e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the share options and share award schemes (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 30 June 2015, the Expected Retention Rate for the grantees from the Group's wholly-owned subsidiaries was assessed to be 85% (31 December 2014: 85%).

### 14 ACCOUNTS PAYABLE

Accounts payable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
0 - 30 days	<b>7,022</b>	5,775
31 - 60 days	<b>804</b>	936
61 - 90 days	<b>794</b>	618
Over 90 days	<b>1,691</b>	1,354
	<b>10,311</b>	8,683

## Notes to the Interim Financial Information

### 15 OTHER PAYABLES AND ACCRUALS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Prepayments received from customers and certain users (Note)	<b>19,661</b>	8,949
Staff costs and welfare accruals	<b>5,252</b>	6,019
Selling and marketing expense accruals	<b>1,190</b>	1,409
Payables for land use rights	<b>773</b>	–
Bank charges	<b>669</b>	351
General and administrative expenses accruals	<b>546</b>	407
Convertible bonds	<b>463</b>	–
Interests payable	<b>352</b>	208
Liabilities in relation to the put options granted to non-controlling shareholders of a subsidiary	<b>314</b>	–
Others	<b>2,865</b>	1,780
	<b>32,085</b>	19,123

Note:

Prepayments received from certain users were recorded as restricted cash of the Group.

### 16 LONG-TERM PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Present value of liabilities in relation to the put options granted to non-controlling shareholders of subsidiaries	<b>1,416</b>	1,080
Purchase consideration payables for business combinations	<b>46</b>	93
Convertible bonds assumed in business combination	<b>–</b>	489
Others	<b>419</b>	390
	<b>1,881</b>	2,052



## Notes to the Interim Financial Information

### 17 BORROWINGS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings		
– Unsecured (Note(a))	<b>4,280</b>	5,507
<b>Included in current liabilities:</b>		
RMB bank borrowings		
– Unsecured	–	125
USD bank borrowings		
– Unsecured (Note(b))	<b>3,057</b>	1,836
Current portion of long-term USD bank borrowings		
– Unsecured (Note(a))	<b>1,223</b>	1,254
	<b>4,280</b>	3,215
	<b>8,560</b>	8,722

## Notes to the Interim Financial Information

### 17 BORROWINGS (continued)

Note:

- (a) The aggregate principal amount of long-term USD bank borrowings was USD900 million (31 December 2014: USD1,105 million). Applicable interest rates are at LIBOR plus 1.35% to 1.52 % (31 December 2014: LIBOR plus 1.35% to 1.75%) per annum.

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Within 1 year	<b>1,223</b>	1,254
Between 1 and 2 years	<b>1,834</b>	612
Between 2 and 5 years	<b>2,446</b>	4,895
	<b>5,503</b>	6,761

- (b) The aggregate principal amount of short-term USD bank borrowings was USD500 million (31 December 2014: USD300 million). Applicable interest rates are at LIBOR plus 0.75% to 0.85% or an interest rate of 1.125% (31 December 2014: LIBOR plus 0.85% to 1.00%) per annum.

The carrying amounts of borrowings approximated to their fair values as at 30 June 2015.

### 18 NOTES PAYABLE

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<b>34,646</b>	22,511
Non-current portion of long-term HKD notes payable	<b>2,516</b>	2,517
	<b>37,162</b>	25,028
<b>Included in current liabilities:</b>		
Current portion of long-term USD notes payable	<b>1,834</b>	1,834
	<b>38,996</b>	26,862

## Notes to the Interim Financial Information

### 18 NOTES PAYABLE (continued)

Note:

The aggregate principal amount of USD notes payable and HKD notes payable were USD6,000 million (31 December 2014: USD4,000 million) and HKD3,200 million (31 December 2014: HKD3,200 million), respectively. The interest rate range of the notes payable is from 1.860% to 4.625% (31 December 2014: 1.860% to 4.625%) per annum.

The notes payable were repayable as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Within 1 year	<b>1,834</b>	1,834
Between 1 and 2 years	<b>6,697</b>	3,651
Between 2 and 5 years	<b>25,014</b>	18,860
Over 5 years	<b>5,451</b>	2,517
	<b>38,996</b>	26,862

In February 2015, the Company issued two tranches of senior notes under the Global Medium Term Note Programme (the “Programme”) with an aggregate principal amount of USD2 billion, comprising of USD1.1 billion senior notes due 2020 (the “2015 Notes I”) and USD900 million senior notes due 2025 (the “2015 Notes II”). Both of the 2015 Notes I and 2015 Notes II are listed on the Stock Exchange.

In April 2015, the Company updated the Programme and increased the limit on the aggregate principal amount from USD5 billion to USD10 billion.

There is no security or pledge offered by the Group for issuing these notes.

As at 30 June 2015, the fair value of the notes payable amounted to RMB39,685 million (31 December 2014: RMB27,528 million). The respective fair values are assessed based on the active market price of these notes on the reporting date or by making reference to similar instruments traded in the observable market.



## Notes to the Interim Financial Information

### 19 DEFERRED INCOME TAXES

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

	<b>Deferred income tax assets RMB'Million</b>	<b>Unaudited Deferred income tax liabilities RMB'Million</b>	<b>Deferred income tax, net RMB'Million</b>
<b>At 1 January 2015</b>	<b>322</b>	<b>(2,942)</b>	<b>(2,620)</b>
Credit/(charge) to consolidated income statement relating to origination and reversal of temporary differences (Note 23)	299	(175)	124
Withholding tax paid in relation to the remittance of dividends	–	326	326
Charge to other comprehensive income	–	(227)	(227)
Business combinations	–	2	2
Currency translation differences	–	(1)	(1)
<b>At 30 June 2015</b>	<b>621</b>	<b>(3,017)</b>	<b>(2,396)</b>
At 1 January 2014	431	(1,441)	(1,010)
Charge to consolidated income statement relating to origination and reversal of temporary differences	(115)	(1,082)	(1,197)
Credit to other comprehensive income	–	29	29
Withholding tax paid in relation to the remittance of dividends	–	575	575
Disposal of a subsidiary	–	11	11
Business combinations	–	(8)	(8)
Currency translation differences	1	(1)	–
At 30 June 2014	317	(1,917)	(1,600)

## Notes to the Interim Financial Information

### 20 OTHER GAINS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Gains on disposals/deemed disposals of investees and businesses (Note (a) and (b))	<b>1,487</b>	1,082	<b>2,326</b>	3,799
Subsidies and tax rebates	<b>56</b>	45	<b>65</b>	52
Dividend income	<b>173</b>	64	<b>214</b>	69
Impairment provision for investee companies and intangible assets from acquisition	<b>(1,052)</b>	(325)	<b>(1,275)</b>	(1,145)
Donation to Tencent Charity Funds	<b>–</b>	(100)	<b>(250)</b>	(250)
Others	<b>(52)</b>	(75)	<b>(57)</b>	(227)
	<b>612</b>	691	<b>1,023</b>	2,298

Note:

- (a) During the six months ended 30 June 2015, an associate of the Group completed a new round of ordinary share issuance. Following the completion of that issuance, the Group's equity interest in this associate was diluted from 15.0% to 12.1% and a dilution gain of RMB668 million had been recognised accordingly.
- (b) Following the completion of a round of equity financing of a then existing associate during the six months ended 30 June 2015, the Group's equity interest in that associate decreased to below 20.0%, and the Group also ceased to have board representation or other arrangements to exert significant influence on that associate. Accordingly, the Group reclassified the investment from investments in associates to available-for-sale financial assets, and recognised a step-down gain of approximately USD79 million (equivalent to approximately RMB484 million) from such reclassification.

## Notes to the Interim Financial Information

### 21 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Employee benefits expenses (Note (a))	<b>4,544</b>	3,776	<b>8,602</b>	7,020
Content costs and agency fees	<b>3,582</b>	2,356	<b>7,255</b>	4,557
Cost of merchandise sold	<b>34</b>	1,395	<b>193</b>	3,747
Bandwidth and server custody fees	<b>1,333</b>	1,065	<b>2,509</b>	2,042
Channel costs	<b>955</b>	388	<b>1,944</b>	759
Promotion and advertising expenses	<b>1,080</b>	1,463	<b>1,944</b>	2,768
Depreciation of fixed assets (Note (a))	<b>769</b>	761	<b>1,549</b>	1,465
Amortisation of intangible assets (Note (b))	<b>662</b>	509	<b>1,385</b>	784
Operating lease rentals in respect				
of office buildings	<b>223</b>	257	<b>436</b>	513
Travelling and entertainment expenses	<b>131</b>	113	<b>270</b>	209

Note:

- (a) Research and development expenses for the three and six months ended 30 June 2015 were RMB2,072 million and RMB4,099 million (for the three and six months ended 30 June 2014: RMB1,881 million and RMB3,393 million, respectively), which included employee benefit expenses of RMB1,643 million and depreciation of fixed assets of RMB175 million for the three months ended 30 June 2015 (for the three months ended 30 June 2014: RMB1,491 million and RMB162 million, respectively) and employee benefit expenses of RMB3,288 million and depreciation of fixed assets of RMB346 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB2,692 million and RMB312 million, respectively). No development expenses had been capitalised for the three and six months ended 30 June 2015 and 2014.
- (b) Included the amortisation charge for intangible assets in respect of licenses and licensed online contents.

## Notes to the Interim Financial Information

### 22 FINANCE COSTS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Interest and related expenses	399	224	728	336
Exchange (gains)/losses	(58)	130	46	256
	<u>341</u>	<u>354</u>	<u>774</u>	<u>592</u>

Interest and related expenses mainly arose from the borrowings (Note 17) and notes payable (Note 18). No interest and related expenses were capitalised for the three and six months ended 30 June 2015 (for the three and six months ended 30 June 2014: Nil).

### 23 TAX EXPENSES

#### (a) Income tax expense

- (i) Cayman Islands and British Virgin Islands Corporate Income Tax

The Group was not subject to any taxation in the Cayman Islands and British Virgin Islands for the three and six months ended 30 June 2015 and 2014.

- (ii) Hong Kong profits tax

Hong Kong profits tax provision has been provided at the rate of 16.5% on the estimated assessable profits for the three and six months ended 30 June 2015 and 2014.

## Notes to the Interim Financial Information

### 23 TAX EXPENSES (continued)

#### (a) Income tax expense (continued)

##### (iii) PRC Corporate Income Tax

Corporate Income Tax (“CIT”) provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the three and six months ended 30 June 2015 and 2014, 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 promulgated 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 2015.

In 2014, 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 2014 to 2016 according to the applicable CIT Law. In 2014, one of these subsidiaries was approved as a national key software enterprise, and accordingly, its CIT rate for 2014 was reduced to the preferential rate of 10%. This subsidiary adopted CIT rate of 15% for the three and six months ended 30 June 2015.

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 either from the first year of commercial operation or from the first year of profitable operation, after offsetting tax losses generated in prior years.

##### (iv) United States Corporate Income Tax

United States CIT provision was provided for the three and six months ended 30 June 2015 and 2014 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36%.

##### (v) Corporate Income Tax in other countries

CIT provision has been provided for the three and six months ended 30 June 2015 and 2014 for the entities within the Group which were incorporated in Europe, East Asia and South America to the extent that there were estimated assessable profits under these jurisdictions, at applicable tax rates ranging from 12.5% to 35%.



## Notes to the Interim Financial Information

### 23 TAX EXPENSES (continued)

#### (a) Income tax expense (continued)

##### (vi) PRC withholding tax

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

The income tax expense of the Group for the three and six months ended 30 June 2015 and 2014 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current tax	1,885	1,229	3,670	1,653
Deferred income tax (Note 19)	(38)	457	(124)	1,197
	<u>1,847</u>	<u>1,686</u>	<u>3,546</u>	<u>2,850</u>

## Notes to the Interim Financial Information

### 23 TAX EXPENSES (continued)

#### (a) Income tax expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the three and six months ended 30 June 2015 and 2014, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit before income tax	9,243	7,512	17,872	15,108
Share of losses/(profits) of associates and joint ventures	452	(23)	762	(67)
	<u>9,695</u>	<u>7,489</u>	<u>18,634</u>	<u>15,041</u>
Tax calculated at a tax rate of 25%	2,424	1,872	4,659	3,760
Effects of different tax rates applicable to different subsidiaries of the Group	(621)	(856)	(1,391)	(2,509)
Effects of tax holiday on assessable profits of subsidiaries	(139)	(121)	(215)	(185)
Income not subject to tax	(5)	–	(11)	–
Expenses not deductible for tax purposes	107	253	288	503
Withholding tax on earnings expected to be remitted by PRC subsidiaries	–	350	–	800
Unrecognised deferred income tax assets	21	220	156	478
Others	60	(32)	60	3
	<u>1,847</u>	<u>1,686</u>	<u>3,546</u>	<u>2,850</u>
Income tax expense				

## Notes to the Interim Financial Information

### 23 TAX EXPENSES (continued)

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

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

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

### 24 EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share (“EPS”) is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Profit attributable to equity holders of the Company (RMB' Million)	<u>7,314</u>	<u>5,836</u>	<u>14,197</u>	<u>12,293</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,292</u>	<u>9,237</u>	<u>9,289</u>	<u>9,231</u>
Basic EPS (RMB per share)	<u>0.787</u>	<u>0.632</u>	<u>1.528</u>	<u>1.332</u>

## Notes to the Interim Financial Information

### 24 EARNINGS PER SHARE (continued)

#### (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 and six months ended 30 June 2015 and 2014, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Profit attributable to equity holders of the Company (RMB'Million)	<u>7,314</u>	<u>5,836</u>	<u>14,197</u>	<u>12,293</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,292</u>	9,237	<u>9,289</u>	9,231
Adjustments for share options (million shares)	<u>21</u>	40	<u>21</u>	45
Adjustments for awarded shares (million shares)	<u>82</u>	<u>84</u>	<u>81</u>	<u>85</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,395</u>	<u>9,361</u>	<u>9,391</u>	<u>9,361</u>
Diluted EPS (RMB per share)	<u>0.778</u>	<u>0.623</u>	<u>1.512</u>	<u>1.313</u>

## Notes to the Interim Financial Information

### 25 DIVIDENDS

A final dividend in respect of the year ended 31 December 2014 of HKD0.36 per share (2013: HKD1.20 per share before the effect of the Share Subdivision, or HKD0.24 per share after the effect of the Share Subdivision) was proposed pursuant to a resolution passed by the Board on 18 March 2015 and approved by the shareholders at the annual general meeting held on 13 May 2015. Such dividend, which excluded the dividends related to the shares held for the Share Award Schemes, amounting to RMB2,640 million (final dividend for 2013: RMB1,761 million), was paid/payable as at 30 June 2015.

The Board did not propose any interim dividend for the six months ended 30 June 2015 and 2014.

### 26 BUSINESS COMBINATIONS

In February 2015, the Group acquired approximately 81.47% equity interest, in an European based online game company, at a cash consideration of USD177 million (equivalent to approximately RMB1,085 million) (the “Acquisition”).

The goodwill and fair value of the acquired identifiable intangible assets was determined based on the valuation performed on the assets acquired.

The Acquisition related costs were not significant and have been charged to general and administrative expenses in the consolidated income statement for the six months ended 30 June 2015.

The revenue and the results contributed by the Acquisition to the Group for the period since the date of acquisition were insignificant to the Group.

The Group’s revenue and results for the period would not be materially different if the Acquisition had occurred on 1 January 2015.

### 27 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2015.



## Notes to the Interim Financial Information

### 28 COMMITMENTS

#### (a) Capital commitments

Capital commitments as at 30 June 2015 and 31 December 2014 are analysed as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	<b>3,761</b>	2,496
Purchase of other fixed assets	<b>557</b>	494
Capital investment in investees	<b>1,384</b>	912
	<b>5,702</b>	3,902
Authorised but not contracted:		
Construction/purchase of buildings and purchase of land use rights	<b>8,429</b>	3,242
	<b>14,131</b>	7,144

#### (b) Operating lease commitments

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Contracted:		
Not later than one year	<b>723</b>	746
Later than one year and not later than five years	<b>1,013</b>	1,347
Later than five years	<b>1,219</b>	1,200
	<b>2,955</b>	3,293

## Notes to the Interim Financial Information

### 28 COMMITMENTS (continued)

#### (c) Other commitments

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'Million</b>	RMB'Million
Contracted:		
Not later than one year	<b>3,498</b>	1,778
Later than one year and not later than five years	<b>6,730</b>	1,571
	<b><u>10,228</u></b>	<u>3,349</u>

### 29 RELATED PARTIES TRANSACTIONS

Except as disclosed in Note 8 (Transactions with associates), Note 11 (Loans to investees and investees' shareholders) and Note 13 (Share option and share award schemes) to this Interim Financial Information, the Group had no other material transactions undertaken with related parties for the three and six months ended 30 June 2015, and no other material related parties' balances as at 30 June 2015.

## Other Information

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2015, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Nature of interest	Number of shares/ underlying shares held	Percentage of issued share capital
Ma Huateng	Corporate (Note 1)	904,353,200	9.64%
Lau Chi Ping Martin	Personal *	44,268,000 (Note 2)	0.47%
Li Dong Sheng	Personal *	40,000 (Note 3)	0.0004%
Iain Ferguson Bruce	Personal *	470,000 (Note 4)	0.005%
Ian Charles Stone	Personal * Family +	155,000 <u>300,000</u> 455,000 (Note 5)	0.005%

Note:

1. These shares are held by Advance Data Services Limited, a British Virgin Islands company wholly-owned by Ma Huateng.
2. The interest comprises 34,268,000 shares and 10,000,000 underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme II and the Post-IPO Option Scheme III. Details of the share options granted to this director are set out below under "Share Option Schemes".
3. The interest comprises 5,000 shares and 35,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme and the 2013 Share Award Scheme. Details of the awarded shares granted to this director are set out below under "Share Award Schemes".



## Other Information

4. The interest comprises 380,000 shares and 90,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme and the 2013 Share Award Scheme. Details of the awarded shares granted to this director are set out below under “Share Award Schemes”.
  5. The interest comprises 370,000 shares and 85,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme and the 2013 Share Award Scheme. Details of the awarded shares granted to this director are set out below under “Share Award Schemes”.
- \* Interests of beneficial owner
- † Interests of spouse or child under 18 as beneficial owner

### (B) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Percentage of issued share capital
Ma Huateng	Tencent Computer	Personal	RMB35,285,705 (registered capital)	54.29%
	Shiji Kaixuan	Personal	RMB5,971,427 (registered capital)	54.29%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2015.

## Other Information

### SHARE OPTION SCHEMES

The Company has adopted four share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III, under which the directors of the Company may, at their discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. No further options will be granted under the Pre-IPO Option Scheme and the Post-IPO Option Scheme I. Movements of the options under the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III are detailed in Note 13 to the Interim Financial Information as included in this interim report.

As at 30 June 2015, there were a total of 10,000,000 outstanding share options granted to the directors of the Company, details of which are as follows:

Name of director	Date of grant	Number of share options			As at 30 June 2015	Exercise price HKD	Exercise period
		As at 1 January 2015	Granted during the period	Exercised during the period			
Lau Chi Ping Martin	24 March 2010	5,000,000	–	–	5,000,000	31.70	24 March 2015 to 23 March 2020 (Note 1)
	25 March 2014	5,000,000	–	–	5,000,000	114.52	25 March 2015 to 24 March 2021 (Note 2)
	Total:	<u>10,000,000</u>	<u>–</u>	<u>–</u>	<u>10,000,000</u>		

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 5 years after the grant date, and 25% each of the total options will become exercisable in each subsequent year.
2. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 1 year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
3. No options were granted, exercised, cancelled or lapsed during the period.

## Other Information

Details of share options granted to employees of the Company during the six months ended 30 June 2015 are as follows:

Date of grant	As at 1 January 2015	Number of share options			As at 30 June 2015	Exercise price HKD	Exercise period
		Granted during the period	Exercised during the period	Lapsed during the period			
29 Jan 2008	1,098,050	–	1,098,050	–	–	9.30	29 Jan 2009 to 28 Jan 2015 (Note 1)
29 Jan 2008	362,800	–	362,800	–	–	9.30	17 May 2009 to 28 Jan 2015 (Note 2)
29 Jan 2008	70,000	–	70,000	–	–	9.30	29 Jan 2010 to 28 Jan 2015 (Note 3)
18 Feb 2008	131,350	–	131,350	–	–	9.99	18 Feb 2009 to 17 Feb 2015 (Note 1)
25 Mar 2008	277,050	–	277,050	–	–	8.53	25 Mar 2009 to 24 Mar 2015 (Note 1)
11 Apr 2008	54,650	–	54,650	–	–	9.54	11 Apr 2009 to 10 Apr 2015 (Note 1)
11 Apr 2008	20,390	–	20,390	–	–	9.54	11 Apr 2011 to 10 Apr 2015 (Note 4)
3 Jul 2008	2,540,030	–	2,540,030	–	–	12.12	3 Jul 2009 to 2 Jul 2015 (Note 1)
3 Jul 2008	200,300	–	200,300	–	–	12.12	3 Jul 2010 to 2 Jul 2015 (Note 3)
3 Jul 2008	57,930	–	57,930	–	–	12.12	3 Jul 2011 to 2 Jul 2015 (Note 4)
10 Oct 2008	72,500	–	50,000	–	22,500	9.78	10 Oct 2009 to 9 Oct 2015 (Note 1)
10 Oct 2008	85,000	–	–	–	85,000	9.78	10 Oct 2010 to 9 Oct 2015 (Note 3)
1 Dec 2008	128,900	–	45,600	–	83,300	8.70	1 Dec 2009 to 30 Nov 2015 (Note 1)
17 Feb 2009	1,330,000	–	25,000	–	1,305,000	9.60	17 Feb 2010 to 16 Feb 2016 (Note 1)
10 Jul 2009	202,300	–	–	–	202,300	18.06	10 Jul 2010 to 9 Jul 2016 (Note 1)
10 Jul 2009	1,835,900	–	477,400	25,000	1,333,500	18.06	10 Jul 2011 to 9 Jul 2016 (Note 3)
10 Jul 2009	2,903,750	–	100,000	–	2,803,750	18.06	10 Jul 2012 to 9 Jul 2016 (Note 4)
24 Nov 2009	1,250,000	–	–	–	1,250,000	29.32	24 Nov 2012 to 23 Nov 2016 (Note 4)
24 Mar 2010	125,000	–	100,000	–	25,000	31.70	24 Mar 2012 to 23 Mar 2017 (Note 3)



## Other Information

Date of grant	As at 1 January 2015	Number of share options			As at 30 June 2015	Exercise price HKD	Exercise period
		Granted during the period	Exercised during the period	Lapsed during the period			
24 Mar 2010	500,000	–	–	–	500,000	31.70	24 Mar 2014 to 23 Mar 2017 (Note 5)
5 Jul 2010	281,250	–	48,750	–	232,500	26.08	5 Jul 2011 to 4 Jul 2017 (Note 1)
5 Jul 2010	3,092,375	–	400,100	–	2,692,275	26.08	5 Jul 2012 to 4 Jul 2017 (Note 3)
5 Jul 2010	2,610,100	–	367,500	187,500	2,055,100	26.08	5 Jul 2013 to 4 Jul 2017 (Note 4)
13 Aug 2010	25,000	–	–	–	25,000	30.14	13 Aug 2012 to 12 Aug 2017 (Note 3)
24 Mar 2011	1,043,750	–	112,500	–	931,250	38.88	24 Mar 2014 to 23 Mar 2018 (Note 4)
24 Mar 2011	250,000	–	–	–	250,000	38.88	24 Mar 2015 to 23 Mar 2018 (Note 5)
15 Aug 2011	202,625	–	15,700	–	186,925	37.80	15 Aug 2012 to 14 Aug 2018 (Note 1)
15 Aug 2011	1,181,050	–	48,450	–	1,132,600	37.80	15 Aug 2013 to 14 Aug 2018 (Note 3)
15 Aug 2011	125,000	–	25,000	–	100,000	37.80	15 Aug 2014 to 14 Aug 2018 (Note 4)
13 Sep 2012	812,500	–	20,000	–	792,500	49.76	13 Sep 2013 to 12 Sep 2019 (Note 1)
25 Mar 2014	2,562,500	–	–	–	2,562,500	114.52	25 Mar 2015 to 24 Mar 2021 (Note 6)
25 Mar 2014	3,975,000	–	125,000	–	3,850,000	114.52	25 Mar 2015 to 24 Mar 2021 (Note 1)
22 May 2014	62,500	–	–	–	62,500	112.30	22 May 2015 to 21 May 2021 (Note 6)
10 Jul 2014	1,881,800	–	–	–	1,881,800	124.30	10 Jul 2015 to 9 Jul 2021 (Note 7)
12 Dec 2014	80,650	–	–	–	80,650	116.40	12 Dec 2016 to 11 Dec 2021 (Note 8)
2 Apr 2015	–	525,000	–	–	525,000	149.80	2 April 2016 to 1 April 2022 (Notes 7 and 9)
Total:	<u>31,432,000</u>	<u>525,000</u>	<u>6,773,550</u>	<u>212,500</u>	<u>24,970,950</u>		

## Other Information

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 1 year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
2. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised on or after 17 May 2009, and 20% each of the total options will become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 2 years after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
4. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 3 years after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
5. For options granted with exercisable date determined based on the grant date of options, the first 33.33% (one-third) of the total options can be exercised 4 years after the grant date, and 33.33% each of the total options will become exercisable in each subsequent year.
6. For options granted with exercisable date determined based on the grant date of options, the first 33.33% (one-third) of the total options can be exercised 1 year after the grant date, and 33.33% each of the total options will become exercisable in each subsequent year.
7. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 1 year after the grant date, and 25% each of the total options will become exercisable in each subsequent year.
8. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 2 years after the grant date, and 25% each of the total options will become exercisable in each subsequent year.
9. The closing price immediately before the date on which the options were granted on 2 April 2015 was HKD148.00.



## Other Information

### SHARE AWARD SCHEMES

The Company has adopted two share award schemes, namely, the 2007 Share Award Scheme and the 2013 Share Award Scheme, in which eligible participants (including any director) of the Group will be entitled to participate.

#### 2007 Share Award Scheme

Unless early terminated by the Board, the 2007 Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date I. The maximum number of shares which can be awarded under the 2007 Share Award Scheme and to a Selected Participant are limited to two percent (i.e. 178,776,160 shares) and one percent (i.e. 89,388,080 shares) of the issued share capital of the Company respectively as at the Adoption Date I.

Pursuant to the 2007 Share Award Scheme, the Board shall select the Eligible Person(s) for participation in the 2007 Share Award Scheme and determine the number of shares to be awarded.

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

#### 2013 Share Award Scheme

The 2013 Share Award Scheme shall be valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date II; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2013 Share Award Scheme and to a Selected Participant are limited to three percent (i.e. 278,937,260 shares) and one percent (i.e. 92,979,085 shares) of the issued share capital of the Company respectively as at the Adoption Date II.

Pursuant to the 2013 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

The vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting, an Eligible Person, subject to the rules of the 2013 Share Award Scheme. Subject to the satisfaction of all vesting conditions as prescribed in the 2013 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

For the above two share award schemes, upon granting of the Awarded Shares, shares will be acquired by the Trustee at the cost of the Company or shares will be allotted to the Trustee under the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time and will be held in trust for the Selected Participants, excluding the directors and substantial shareholders of the Group, until the end of each vesting period. Vested shares will be transferred at no cost to the Selected Participants.

## Other Information

During the six months ended 30 June 2015, a total of 10,088,130 Awarded Shares were granted under the 2013 Share Award Scheme and out of which, 75,000 Awarded Shares were granted to the independent non-executive directors of the Company. Details of the movements in the Share Award Schemes during the six months ended 30 June 2015 are set out in Note 13 to the Interim Financial Information as included in this interim report.

As at 30 June 2015, there were a total of 210,000 outstanding Awarded Shares granted to directors of the Company, details of which are as follows:

Name of director	Date of grant	Number of Awarded Shares			As at 30 June 2015	Vesting period
		As at 1 January 2015	Granted during the period	Vested during the period		
Iain Ferguson Bruce	17 March 2011	40,000	–	20,000	20,000	17 March 2012 to 17 March 2016
	24 March 2014	50,000	–	10,000	40,000	24 March 2015 to 24 March 2019
	2 April 2015	–	30,000	–	30,000	2 April 2016 to 2 April 2019
	Total:	90,000	30,000	30,000	90,000	
Ian Charles Stone	17 March 2011	30,000	–	15,000	15,000	17 March 2012 to 17 March 2016
	24 March 2014	50,000	–	10,000	40,000	24 March 2015 to 24 March 2019
	2 April 2015	–	30,000	–	30,000	2 April 2016 to 2 April 2019
	Total:	80,000	30,000	25,000	85,000	
Li Dong Sheng	24 March 2014	25,000	–	5,000	20,000	24 March 2015 to 24 March 2019
	2 April 2015	–	15,000	–	15,000	2 April 2016 to 2 April 2019
	Total:	25,000	15,000	5,000	35,000	
Grand Total:		195,000	75,000	60,000	210,000	



## Other Information

### BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

**Ma Huateng**, age 43, is an executive director, Chairman of the Board and Chief Executive Officer of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma is a deputy to the 12th National People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and more than 21 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr Ma is entitled to an annual base salary of RMB5,616,000 in 2015 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

**Lau Chi Ping Martin**, age 42, is an executive director and President of the Company. Mr Lau joined the Company in 2005 as the Chief Strategy and Investment Officer and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. In 2006, Mr Lau was promoted as President of the Company to manage the day-to-day operation of the Company. In 2007, he was appointed as an executive director of the Company. Prior to joining the Company, Mr Lau was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant. Mr Lau received a Bachelor of Science degree in Electrical Engineering from the University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University. On 28 July 2011, Mr Lau was appointed as a non-executive director of Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider listed in Hong Kong. On 10 March 2014, Mr Lau was appointed as a director of JD.com, Inc., an online direct sales company in China, which has been listed on NASDAQ since May 2014. On 31 March 2014, Mr Lau was appointed as a director of Leju Holdings Limited, an online-to-offline real estate services provider in China, which has been listed on New York Stock Exchange since April 2014. Mr Lau is entitled to an annual base salary of USD906,700 in 2015 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

**Jacobus Petrus (Koos) Bekker**, age 62, has been a non-executive director since November 2012. Koos led the founding team of the M-Net/MultiChoice pay-television business in 1985. He was also a founder director of MTN in cellular telephony. Koos headed the MIH group in its international and Internet expansions until 1997, when he became chief executive of Naspers. He serves on the boards of other companies within the group and associates, as well as on public bodies. In April 2015, he succeeded Mr Vosloo as non-executive chair. Academic qualifications include BA Hons and honorary doctorate in commerce (Stellenbosch University), LLB (University of the Witwatersrand) and MBA (Columbia University, New York). Koos as a non-executive director is not entitled to any director's fee or emoluments.



## Other Information

**Charles St Leger Searle**, age 51, has been a non-executive director since June 2001. Mr Searle is currently the Chief Executive Officer of Naspers Internet Listed Assets. He serves on the boards of a number of companies associated with the Naspers Group, including Mail.ru Group Limited that is listed on the London Stock Exchange. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr Searle is a graduate of the University of Cape Town and a member of the Institute of Chartered Accountants in Australia. Mr Searle has more than 21 years of international experience in the telecommunications and Internet industries. Mr Searle as a non-executive director is not entitled to any director's fee or emoluments.

**Li Dong Sheng**, age 58, has been an independent non-executive director since April 2004. Mr Li is the Chairman and Chief Executive Officer of TCL Corporation, the Chairman of the Hong Kong listed TCL Multimedia Technology Holdings Limited and the Chairman of the Hong Kong listed TCL Communication Technology Holdings Limited, all of which produce consumer electronic products. Mr Li is a non-executive director of Fantasia Holdings Group Co., Limited, a leading property developer and property related service provider in China that is listed on the Stock Exchange. Mr Li is also an independent director of Legrand, the global specialist in electrical and digital building infrastructures, shares of which are listed on New York Stock Exchange Euronext. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 20 years of experience in the information technology field. Mr Li is entitled to a director's fee of HKD650,000 per annum for the year 2015, which is determined with reference to his duties and responsibilities with the Company.

**Iain Ferguson Bruce**, age 74, has been an independent non-executive director since April 2004. Mr Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the Senior Partner of KPMG from 1991 until his retirement in 1996 and served as Chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr Bruce has been a member of the Institute of Chartered Accountants of Scotland, and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 50 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors and the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute). Mr Bruce is an independent non-executive director of Citibank (Hong Kong) Limited and MSIG Insurance (Hong Kong) Limited. Mr Bruce is currently an independent non-executive director of Goodbaby International Holdings Limited, a manufacturer of durable juvenile products, Louis XIII Holdings Limited (formerly known as Paul Y. Engineering Group Limited), a construction, engineering services and hotel development company, Sands China Ltd., an operator of integrated resorts and casinos, and Wing On Company International Limited, a department store operating and real property investment company; all of these companies are publicly listed on the Stock Exchange. Mr Bruce is also an independent non-executive director of Noble Group Limited, a commodity trading company that is publicly listed on The Singapore Exchange Securities Trading Limited and of Yingli Green Energy Holding Company Limited, a China-based vertically integrated photovoltaic product manufacturer that is listed on the New York Stock Exchange. Mr Bruce was an independent non-executive director of China Medical Technologies, Inc., a China-based medical device company that was listed on NASDAQ, up to 3 July 2012, and Vitasoy International Holdings Limited, a beverage manufacturing company that is publicly listed on the Stock Exchange, up to 4 September 2014. Mr Bruce is entitled to a director's fee of HKD1,000,000 per annum for the year 2015, which is determined with reference to his duties and responsibilities with the Company.



## Other Information

**Ian Charles Stone**, age 64, has been an independent non-executive director since April 2004. Mr Stone is an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. Prior to this, he held senior roles in PCCW, SmarTone, First Pacific, Hong Kong Telecom and CSL, as Chief Executive or at Director level, primarily in Hong Kong, and also in London and Manila. His career in the last 20 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology. Since 2011, Mr Stone has provided telecoms advisory services to telecom companies and investors in Hong Kong, China, South East Asia and the Middle East. Mr Stone has more than 44 years of experience in the telecom and mobile industries. Mr Stone is a fellow member of The Hong Kong Institute of Directors. Mr Stone is entitled to a director's fee of HKD800,000 per annum for the year 2015, which is determined with reference to his duties and responsibilities with the Company.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

#### LONG/ SHORT POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Long/ short position	Nature of interest/ capacity	Number of shares/ underlying shares held	Percentage of issued share capital
MIH TC	Long position	Corporate (Note 1)	3,151,201,900	33.60%
Advance Data Services Limited	Long position	Corporate (Note 2)	904,353,200	9.64%
JPMorgan Chase & Co.	Long position	Beneficial owner	191,923,463	
		Investment manager	95,009,185	
		Trustee (other than a bare trustee)	24,090	
		Custodian corporation/ approved lending agent	300,211,641	
		Total (Note 3(i)):	587,168,379	6.26%
	Short position	Beneficial owner (Note 3(ii))	83,683,675	0.89%

## Other Information

Note:

1. MIH TC is controlled by Naspers Limited through its wholly-owned intermediary companies, MIH (Mauritius) Limited, MIH Ming He Holdings Limited and MIH Holdings Proprietary Limited. As such, Naspers Limited, MIH (Mauritius) Limited, MIH Ming He Holdings Limited and MIH Holdings Proprietary Limited are deemed to be interested in the same block of 3,151,201,900 shares under Part XV of the SFO.
2. As Advance Data Services Limited is wholly-owned by Ma Huateng, Mr Ma has interest in these shares as disclosed under the section of “Directors’ Interests in Securities”.
3. (i) Such long position includes derivative interests in 25,267,191 underlying shares of the Company of which 9,070,580 underlying shares are derived from listed and physically settled derivatives, 245,300 underlying shares are derived from listed and cash settled derivatives, 8,843,251 underlying shares are derived from unlisted and physically settled derivatives and 7,108,060 underlying shares are derived from unlisted and cash settled derivatives. It also includes 300,211,641 shares in lending pool.  
  
(ii) Such short position includes derivative interests 32,999,844 underlying shares of the Company of which 9,074,980 underlying shares are derived from listed and physically settled derivatives, 11,595,550 underlying shares are derived from listed and cash settled derivatives, 3,609,150 underlying shares are derived from unlisted and physically settled derivatives and 8,720,164 underlying shares are derived from unlisted and cash settled derivatives.

Save as disclosed above, the Company had not been notified of any other persons (other than a director or chief executive of the Company) who, as at 30 June 2015, had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

## Other Information

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

Save as disclosed in this interim report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2015.

### EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2015, the Group had 28,072 employees (30 June 2014: 24,993). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the six months ended 30 June 2015 was RMB8,602 million (for the six months ended 30 June 2014: RMB7,020 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 and six months ended 30 June 2015.

### ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the corporate governance report in the 2014 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 2015 to 30 June 2015.

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

## Definition

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

<b>Term</b>	<b>Definition</b>
“2007 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date I, as amended
“2013 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date II
“58.com”	58.com Inc., a company incorporated under the laws of the Cayman Islands whose American depositary shares are listed on the New York Stock Exchange
“Adoption Date I”	13 December 2007, being the date on which the Company adopted the 2007 Share Award Scheme
“Adoption Date II”	13 November 2013, being the date on which the Company adopted the 2013 Share Award Scheme
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Awarded Shares”	the shares of the Company awarded under the Share Award Schemes
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Eligible Person”	a person who is eligible to participate in the respective Share Award Schemes
“EPS”	earnings per share
“GAAP”	Generally Accepted Accounting Principles
“Grant Date”	in relation to any Awarded Share, the date on which the Awarded Share is, was or is to be granted



## Definition

<b>Term</b>	<b>Definition</b>
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IFRS”	International Financial Reporting Standards
“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
“NASDAQ”	NASDAQ Global Select Market
“MIH TC”	MIH TC Holdings Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NBA”	the National Basketball Association
“O2O”	online-to-offline, or offline-to-online
“PC”	personal computer
“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



## Definition

<b>Term</b>	<b>Definition</b>
“RMB”	the lawful currency of the PRC
“Selected Participant(s)”	any Eligible Persons selected by the Board to participate in the respective Share Award Schemes
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Funds”	charity funds established by the Group
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited
“Trustee”	an independent trustee appointed by the Company for managing the Share Award Schemes
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services
“Voice of China 4”	the fourth season of The Voice of China (中國好聲音), a Chinese reality talent show





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