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**Tencent 腾讯**  
**TENCENT HOLDINGS LIMITED**  
**騰訊控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 700)**

**ANNOUNCEMENT OF THE RESULTS  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013**

The Board is pleased to announce the unaudited consolidated results of the Group for the three and nine months ended 30 September 2013. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>Unaudited Nine months ended</b>		
	<b>30 September 2013</b>	30 September 2012	Year- on-year change
	(RMB in millions, unless specified)		
Revenues	<b>43,467.2</b>	31,740.7	36.9%
Gross profit	<b>23,886.8</b>	18,805.9	27.0%
Operating profit	<b>14,443.4</b>	11,753.3	22.9%
Profit for the period	<b>11,631.6</b>	9,314.0	24.9%
Profit attributable to equity holders of the Company	<b>11,590.9</b>	9,268.3	25.1%
Non-GAAP profit attributable to equity holders of the Company	<b>12,565.4</b>	10,218.7	23.0%
EPS (RMB per share)			
- basic	<b>6.318</b>	5.075	24.5%
- diluted	<b>6.208</b>	4.977	24.7%

	<b>Unaudited</b>				
	<b>Three months ended</b>				
	<b>30</b>	30	Quarter-	30	Year-
	<b>September</b>	June	on-quarter	September	on-year
	<b>2013</b>	2013	change	2012	change
	(RMB in millions, unless specified)				
Revenues	<b>15,535.1</b>	14,384.5	8.0%	11,565.6	34.3%
Gross profit	<b>8,498.8</b>	7,794.2	9.0%	6,778.5	25.4%
Operating profit	<b>4,815.8</b>	4,565.1	5.5%	4,124.4	16.8%
Profit for the period	<b>3,876.2</b>	3,684.3	5.2%	3,241.1	19.6%
Profit attributable to equity holders of the Company	<b>3,866.7</b>	3,680.4	5.1%	3,218.7	20.1%
Non-GAAP profit attributable to equity holders of the Company	<b>4,375.7</b>	4,152.0	5.4%	3,551.3	23.2%
EPS (RMB per share)					
- basic	<b>2.105</b>	2.009	4.8%	1.759	19.7%
- diluted	<b>2.070</b>	1.976	4.8%	1.727	19.9%

## **BUSINESS REVIEW AND OUTLOOK**

### **Overall Financial Performance**

In the third quarter of 2013, we achieved solid year-on-year growth in revenues and profits, while driving uptake of our smart phone applications and launching several smart phone games.

- *VAS*. Our online game business benefited from the growth of our major PC titles and initial contributions from smart phone games integrated with Mobile QQ and Weixin. Our social network revenues grew as applications on our open platforms registered a significant increase in item-based sales, offsetting weakness in subscription services.
- *Online advertising*. Our online advertising business achieved a solid revenue increase compared to the same period last year, reflecting growth across brand display and performance display categories. Performance-based social advertising and online video advertising were the key growth drivers of the business.
- *eCommerce transactions*. The third quarter of 2013 saw a significant year-on-year increase in revenues from principal eCommerce transactions as we improved our user experience and expanded our business coverage. Fees generated from transactions on our marketplaces also increased compared to the same period last year.

### **Strategic Highlights**

In September 2013, we made a joint press announcement with Sohu and Sogou regarding the establishment of a strategic co-operation, under which we invested a net cash amount of USD448 million in Sogou and merged our SoSo search-related businesses and certain other assets with Sogou. Immediately after the transaction, we held 36.5% of Sogou's equity capital and 20.6% of the voting interest of Sogou, each on a fully-diluted basis.

Sogou will continue to operate independently. We will work closely with Sogou on joint development, cross-promotion and integration related to products and services, while collaborating in areas of search technology, user insights and data sharing. Sogou's products will have direct access to the vast user base of our communities.

We believe Sogou is the ideal partner for us to further develop search opportunities in China. The transaction reinforces our “open, win-win” philosophy of working with leading teams to create innovative products for users, and to build a healthy, diversified ecosystem for the industry. We believe that Sogou, benefiting from its combination with SoSo, will deliver superior search experiences to users on our social, browser and content platforms, especially on mobile devices. We expect that Sogou may also enjoy cost synergies and greater monetisation potential as a result of the economies of scale inherent in the search business.

## **Divisional and Product Highlights**

### *Communications Platforms*

In the third quarter of 2013, the user base of QQ grew incrementally, with aggregate MAU increasing by 4% on a year-on-year basis to 816 million at the end of the quarter. Aggregate MAU was relatively stable quarter-on-quarter, while smart device MAU<sup>1</sup> grew by 10% quarter-on-quarter, reflecting increased user adoption of Mobile QQ as we enhanced its user experience and features. PCU for the quarter reached 178 million, representing year-on-year growth of 7%.

Combined MAU of Weixin and WeChat increased by 124% on a year-on-year basis to 272 million at the end of the third quarter of 2013. The rapid active user expansion was supported by the launch of new services and features, such as games and online payment for Weixin, and improved user experience. In addition, WeChat benefited from marketing activities in international markets.

### *Social Platforms*

Qzone’s MAU increased by 5% on a year-on-year basis to 623 million at the end of the third quarter of 2013. On a quarter-on-quarter basis, while aggregate MAU remained broadly stable, smart device MAU<sup>2</sup> grew by 10%, reflecting increased user adoption of Mobile Qzone.

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<sup>1</sup> Smart device MAU of QQ denotes the total number of QQ MAU that logged in via the Mobile QQ application on iOS or Android devices at least once during the last calendar month of the quarter. Aggregate MAU of QQ denotes the total number of user accounts that logged into QQ on any device at least once during the last calendar month of the quarter.

<sup>2</sup> Smart device MAU of Qzone denotes the total number of Qzone MAU that logged in via the Mobile Qzone applications on iOS or Android devices at least once during the last calendar month of the quarter. Aggregate MAU of Qzone denotes the total number of user accounts that logged into Qzone on any device at least twice during the last calendar month of the quarter.

## *Media Platforms*

In the third quarter of 2013, we made significant progress in mobilising our media platforms. For example, Tencent News has significantly expanded its user base and reinforced its leading position via mobile applications as well as plug-ins on Mobile QQ and Weixin. We are exploring monetising Tencent News via splash screen advertisements and sponsored news feeds.

## *VAS*

Our open platforms delivered significant year-on-year growth in paying users and revenues. During the quarter, we continued to focus on nurturing success for third-party developers and doubled the number of revenue-generating applications compared to the same period last year. We also strengthened our distribution capabilities, in order to enhance the reach of applications on our platforms.

Our VAS subscription count continued to decline in the third quarter of 2013, primarily reflecting lower consumption of our paid subscriptions as users shift from PCs to mobile devices, due to fewer paid privileges on smart devices as compared to those on PCs or feature phones. In addition, stringent measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection impacted our subscription count. We are in the process of aligning our VAS subscription services with the mobile Internet opportunities, through smart-phone-oriented subscription services such as Super VIP.

In the third quarter of 2013, our online game business benefited from the growth of our major domestic titles and higher contribution from international markets. QQ Game experienced a decline in PCU compared to the same period last year as increasing mobile usage resulted in a more dispersed user activity pattern, and as our open platforms impacted user activity. Since August 2013, we have introduced a number of smart phone games integrated with Mobile QQ and Weixin, many of which achieved first-ranked positions in application store rankings of game downloads in China. We believe such consistent performance demonstrates that our mobile platforms can achieve not only extensive user reach via Mobile QQ and Weixin game centers, but also viral adoption and enhanced user engagement by enabling game players to interact with their friends and families. We will expand our smart phone game portfolio for Mobile QQ and Weixin with both self-developed and third-party games. In our income statement, we allocate revenues from games integrated with Mobile QQ and Weixin to different revenue categories under the VAS segment. The portion attributable to the Mobile QQ and Weixin platforms is included in social network revenues, while the remaining portion, which is related to game operations and game development, is included in online game revenues.

### *Online Advertising*

Our advertising business continued to expand in the third quarter of 2013, with revenue growth across the brand display and performance display categories compared to the same period last year. For brand display advertising, revenues from our online video platform achieved strong growth, riding on increased inventories and improved pricing. Our regional portals also registered revenue growth. For performance display advertising, revenues from our social platforms benefited from growth in impression volume and improved targeting, which enables advertisers to achieve competitive cost per click while yielding attractive revenue per thousand impressions for our platforms. For search advertising, we expect the integration between Sogou and SoSo to complete by the end of 2013.

### *eCommerce Transactions*

The third quarter of 2013 saw a significant year-on-year growth in the volume of principal eCommerce transactions. This reflected our focus on enhancing user experience, broadening product categories and expanding geographic coverage. Our marketplaces also achieved revenue growth compared to the same period last year, with improved product selection and customer service.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Information

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

	<b>As at 30 September 2013</b>	As at 30 June 2013	Quarter- on-quarter change	As at 30 September 2012	Year- on-year change
					(in millions, unless specified)
MAU of QQ	<b>815.6</b>	818.5	-0.4%	783.9	4.0%
PCU of QQ (for the quarter)	<b>178.2</b>	173.2	2.9%	167.3	6.5%
Combined MAU of Weixin and WeChat	<b>271.9</b>	235.8	15.3%	121.2	124.3%
MAU of Qzone	<b>623.3</b>	626.4	-0.5%	592.8	5.1%
PCU of QQ Game Platform (for the quarter)	<b>8.2</b>	8.4	-2.4%	9.4	-12.8%
Fee-based VAS registered subscriptions	<b>89.0</b>	98.7	-9.8%	107.5	-17.2%

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

- MAU and PCU of QQ grew organically compared to the same period last year. User adoption of Mobile QQ increased further, with smart device MAU increasing by 10% and aggregate MAU remaining broadly stable on a quarter-on-quarter basis. PCU registered sequential growth primarily due to the positive seasonal impact of summer holidays.
- Combined MAU of Weixin and WeChat registered healthy growth in the third quarter. This was supported by the launch of new versions which offer new services and improved user experience. In addition, WeChat benefited from marketing activities in international markets.

- MAU of Qzone increased organically compared to the same period last year. On a quarter-on-quarter basis, while aggregate MAU remained broadly stable, smart device MAU grew by 10%, reflecting increased user adoption of Mobile Qzone.
- PCU of QQ Game Platform decreased on a year-on-year basis as increasing mobile usage resulted in a more dispersed user activity pattern, and as open platforms impacted user activity.
- The transitional weakness of VAS subscriptions continued in the quarter. As usage of smart phones increased, some users reduced their consumption of our paid subscriptions while continuing to use our basic services, due to fewer paid privileges on smart phones as compared to those on PCs or feature phones. In addition, our stringent measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection continued to impact our VAS subscriptions.

### Third Quarter of 2013 Compared to Second Quarter of 2013

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 September</b>	<b>30 June</b>
	<b>2013</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenues	<b>15,535,112</b>	14,384,521
Cost of revenues	<b>(7,036,286)</b>	<u>(6,590,285)</u>
Gross profit	<b>8,498,826</b>	7,794,236
Interest income	<b>336,862</b>	324,241
Other gains, net	<b>67,111</b>	81,687
Selling and marketing expenses	<b>(1,465,936)</b>	(1,234,117)
General and administrative expenses	<b>(2,621,080)</b>	<u>(2,400,943)</u>
Operating profit	<b>4,815,783</b>	4,565,104
Finance (costs)/income, net	<b>(22,483)</b>	14,333
Share of profit of associates	<b>49,814</b>	46,070
Share of losses of jointly controlled entities	<b>(12,119)</b>	<u>(15,095)</u>
Profit before income tax	<b>4,830,995</b>	4,610,412
Income tax expense	<b>(954,801)</b>	<u>(926,157)</u>
Profit for the period	<b><u>3,876,194</u></b>	<u>3,684,255</u>
Attributable to:		
Equity holders of the Company	<b>3,866,662</b>	3,680,389
Non-controlling interests	<b>9,532</b>	<u>3,866</u>
	<b><u>3,876,194</u></b>	<u>3,684,255</u>
Non-GAAP profit attributable to equity holders of the Company	<b><u>4,375,718</u></b>	<u>4,152,001</u>

*Revenues.* Revenues increased by 8% to RMB15,535 million for the third quarter of 2013 from the second quarter of 2013. The following table sets forth our revenues by line of business for the third quarter of 2013 and the second quarter of 2013:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 September 2013</b>		<b>30 June 2013</b>	
	<b>% of total</b>		<b>% of total</b>	
	<b>Amount</b>	<b>revenues</b>	<b>Amount</b>	<b>revenues</b>
	(RMB in thousands, unless specified)			
VAS	<b>11,635,168</b>	<b>74.9%</b>	10,752,102	74.7%
Online advertising	<b>1,390,145</b>	<b>8.9%</b>	1,297,257	9.0%
eCommerce transactions	<b>2,359,305</b>	<b>15.2%</b>	2,199,448	15.3%
Others	<b><u>150,494</u></b>	<b><u>1.0%</u></b>	<u>135,714</u>	<u>1.0%</u>
Total revenues	<b><u>15,535,112</u></b>	<b><u>100.0%</u></b>	<u>14,384,521</u>	<u>100.0%</u>

- Revenues from our VAS business increased by 8% to RMB11,635 million for the third quarter of 2013 from the second quarter of 2013. Online games revenues increased by 11% to RMB8,424 million. This mainly reflected growth in domestic revenues, driven by positive seasonal impact on our major PC titles and contributions from new PC titles, as well as an increase in international revenues. Social networks revenues increased by 2% to RMB3,211 million. This primarily reflected growth in open platforms revenues due to positive seasonality, and new contributions from smart phone games integrated with Mobile QQ and Weixin, partly offset by a decline in subscription revenues.
- Revenues from our online advertising business increased by 7% to RMB1,390 million for the third quarter of 2013 from the second quarter of 2013. This mainly reflected growth in revenues from online video advertising and performance-based social advertising.
- Revenues from our eCommerce transactions business increased by 7% to RMB2,359 million for the third quarter of 2013 from the second quarter of 2013. This primarily reflected the continued growth of our principal eCommerce transactions business, partly offset by lower home appliances sales due to weaker seasonality and the expiry of certain government energy-saving subsidy programs for home appliances.

*Cost of revenues.* Cost of revenues increased by 7% to RMB7,036 million for the third quarter of 2013 from the second quarter of 2013. This primarily reflected increases in sharing and content costs as well as cost of merchandise sold. As a percentage of revenues, cost of revenues decreased to 45% for the third quarter of 2013 from 46% for the second quarter of 2013. The following table sets forth our cost of revenues by line of business for the third quarter of 2013 and the second quarter of 2013:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 September 2013</b>		<b>30 June 2013</b>	
		<b>% of</b>		<b>% of</b>
	<b>Amount</b>	<b>segment</b>	<b>Amount</b>	<b>segment</b>
		<b>revenues</b>		<b>revenues</b>
	(RMB in thousands, unless specified)			
VAS	<b>4,069,041</b>	<b>35.0%</b>	3,835,347	35.7%
Online advertising	<b>661,418</b>	<b>47.6%</b>	600,721	46.3%
eCommerce transactions	<b>2,220,558</b>	<b>94.1%</b>	2,073,121	94.3%
Others	<u><b>85,269</b></u>	<b>56.7%</b>	<u>81,096</u>	59.8%
Total cost of revenues	<u><b>7,036,286</b></u>		<u><b>6,590,285</b></u>	

- Cost of revenues for our VAS business increased by 6% to RMB4,069 million for the third quarter of 2013 from the second quarter of 2013. This primarily reflected increases in sharing and content costs as well as bandwidth and server custody fees.
- Cost of revenues for our online advertising business increased by 10% to RMB661 million for the third quarter of 2013 from the second quarter of 2013. This was mainly driven by increases in video content costs, commissions payable to advertising agencies as well as staff costs.
- Cost of revenues for our eCommerce transactions business increased by 7% to RMB2,221 million for the third quarter of 2013 from the second quarter of 2013. This primarily reflected growth in cost of merchandise sold as a result of expansion in the principal eCommerce transactions business.

*Other gains, net.* Other gains, net decreased by 18% to RMB67 million for the third quarter of 2013 from the second quarter of 2013. Subsidies and tax rebates increased compared to the previous quarter. On the other hand, we wrote off the prepaid royalty fee for an online game due to our decision to terminate its operations in the third quarter of 2013.

*Selling and marketing expenses.* Selling and marketing expenses increased by 19% to RMB1,466 million for the third quarter of 2013 from the second quarter of 2013. This mainly reflected an increase in advertising spending on products and platforms such as online games, WeChat and other mobile applications. As a percentage of revenues, selling and marketing expenses was 9% for the third quarter of 2013, broadly stable compared to the second quarter of 2013.

*General and administrative expenses.* General and administrative expenses increased by 9% to RMB2,621 million for the third quarter of 2013 from the second quarter of 2013. This primarily reflected increases in research and development expenses as well as administrative expenses such as office-related costs. As a percentage of revenues, general and administrative expenses was 17% for the third quarter of 2013, broadly stable compared to the second quarter of 2013.

*Finance (costs)/income, net.* We recorded finance costs, net of RMB22 million for the third quarter of 2013, compared to finance income, net of RMB14 million for the second quarter of 2013. The change was mainly driven by lower foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the third quarter of 2013.

*Income tax expense.* Income tax expense increased by 3% to RMB955 million for the third quarter of 2013 from the second quarter of 2013. In the third quarter of 2013, deferred tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies increased.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 5% to RMB3,867 million for the third quarter of 2013 from the second quarter of 2013. Non-GAAP profit attributable to equity holders of the Company increased by 5% to RMB4,376 million for the third quarter of 2013 from the second quarter of 2013.

### Third Quarter of 2013 Compared to Third Quarter of 2012

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 September 2013</b>	<b>30 September 2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenues	<b>15,535,112</b>	11,565,556
Cost of revenues	<b><u>(7,036,286)</u></b>	<u>(4,787,093)</u>
Gross profit	<b>8,498,826</b>	6,778,463
Interest income	<b>336,862</b>	205,781
Other gains/(losses), net	<b>67,111</b>	(14,791)
Selling and marketing expenses	<b><u>(1,465,936)</u></b>	<u>(819,790)</u>
General and administrative expenses	<b><u>(2,621,080)</u></b>	<u>(2,025,298)</u>
Operating profit	<b>4,815,783</b>	4,124,365
Finance costs, net	<b><u>(22,483)</u></b>	<u>(99,478)</u>
Share of profit/(losses) of associates	<b>49,814</b>	(21,188)
Share of losses of jointly controlled entities	<b><u>(12,119)</u></b>	<u>(6,089)</u>
Profit before income tax	<b>4,830,995</b>	3,997,610
Income tax expense	<b><u>(954,801)</u></b>	<u>(756,465)</u>
Profit for the period	<b><u><u>3,876,194</u></u></b>	<u><u>3,241,145</u></u>
Attributable to:		
Equity holders of the Company	<b>3,866,662</b>	3,218,693
Non-controlling interests	<b><u>9,532</u></b>	<u>22,452</u>
	<b><u><u>3,876,194</u></u></b>	<u><u>3,241,145</u></u>
Non-GAAP profit attributable to equity holders of the Company	<b><u><u>4,375,718</u></u></b>	<u><u>3,551,337</u></u>

*Revenues.* Revenues increased by 34% to RMB15,535 million for the third quarter of 2013 from the third quarter of 2012. The following table sets forth our revenues by line of business for the third quarter of 2013 and the third quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 September 2013</b>		<b>30 September 2012</b>	
	<b>Amount</b>	<b>% of total revenues</b>	<b>Amount</b>	<b>% of total revenues</b>
			(Restated)	(Restated)
	(RMB in thousands, unless specified)			
VAS	<b>11,635,168</b>	<b>74.9%</b>	9,317,244	80.6%
Online advertising	<b>1,390,145</b>	<b>8.9%</b>	1,015,266	8.8%
eCommerce transactions	<b>2,359,305</b>	<b>15.2%</b>	1,133,901	9.8%
Others	<b><u>150,494</u></b>	<b><u>1.0%</u></b>	<u>99,145</u>	<u>0.8%</u>
Total revenues	<b><u>15,535,112</u></b>	<b><u>100.0%</u></b>	<u>11,565,556</u>	<u>100.0%</u>

- Revenues from our VAS business increased by 25% to RMB11,635 million for the third quarter of 2013 from the third quarter of 2012. Online games revenues increased by 35% to RMB8,424 million. This mainly reflected higher revenues from major domestic PC titles, contribution from new PC titles, and an increase in international revenues. Social networks revenues increased by 4% to RMB3,211 million. This was primarily driven by growth in item-based sales within applications on our open platforms, partly offset by a decline in subscription revenues. Smart phone games integrated with Mobile QQ and Weixin also contributed to the revenue growth of our online games and social networks.
- Revenues from our online advertising business increased by 37% to RMB1,390 million for the third quarter of 2013 from the third quarter of 2012. This was primarily driven by significant growth in revenues from performance-based social advertising and online video advertising. Revenues from traditional brand advertising also increased.
- Revenues from our eCommerce transactions business increased by 108% to RMB2,359 million for the third quarter of 2013 from the third quarter of 2012. This mainly reflected a significant growth in our principal eCommerce transactions. Fees generated from transactions on our marketplace also increased.

*Cost of revenues.* Cost of revenues increased by 47% to RMB7,036 million for the third quarter of 2013 from the third quarter of 2012. This primarily reflected increases in cost of merchandise sold, sharing and content costs as well as staff costs. As a percentage of revenues, cost of revenues increased to 45% for the third quarter of 2013 from 41% for the third quarter of 2012, mainly due to a revenue mix shift towards the eCommerce transactions business. The following table sets forth our cost of revenues by line of business for the third quarter of 2013 and the third quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 September 2013</b>		<b>30 September 2012</b>	
		<b>% of</b>		<b>% of</b>
	<b>Amount</b>	<b>segment</b>	<b>Amount</b>	<b>segment</b>
		<b>revenues</b>	<b>(Restated)</b>	<b>(Restated)</b>
	(RMB in thousands, unless specified)			
VAS	<b>4,069,041</b>	<b>35.0%</b>	3,130,390	33.6%
Online advertising	<b>661,418</b>	<b>47.6%</b>	511,545	50.4%
eCommerce transactions	<b>2,220,558</b>	<b>94.1%</b>	1,084,637	95.7%
Others	<b><u>85,269</u></b>	<b>56.7%</b>	<u>60,521</u>	61.0%
<b>Total cost of revenues</b>	<b><u>7,036,286</u></b>		<b><u>4,787,093</u></b>	

- Cost of revenues for our VAS business increased by 30% to RMB4,069 million for the third quarter of 2013 from the third quarter of 2012. This primarily reflected increases in sharing and content costs, staff costs as well as bandwidth and server custody fees.
- Cost of revenues for our online advertising business increased by 29% to RMB661 million for the third quarter of 2013 from the third quarter of 2012. This mainly reflected increases in bandwidth and server custody fees, commissions payable to advertising agencies as well as staff costs.
- Cost of revenues for our eCommerce transactions business increased by 105% to RMB2,221 million for the third quarter of 2013 from the third quarter of 2012. This was primarily driven by growth in cost of merchandise sold as a result of expansion in our principal eCommerce transactions business.

*Other gains/(losses), net.* We recorded other gains, net of RMB67 million for the third quarter of 2013, compared to other losses, net of RMB15 million for the third quarter of 2012. The change mainly reflected the net impact of the absence of certain items recognised in the same period last year, including an impairment provision for selected investee companies. On the other hand, subsidies and tax rebates decreased compared to same period last year, and we wrote off the prepaid royalty fee for an online game due to our decision to terminate its operations in the third quarter of 2013.

*Selling and marketing expenses.* Selling and marketing expenses increased by 79% to RMB1,466 million for the third quarter of 2013 from the third quarter of 2012. This primarily reflected a step up in marketing activities related to WeChat in international markets and an increase in advertising spending on other products and platforms such as online games, eCommerce platforms and certain mobile products. The increase was partly offset by the absence of marketing spending related to London Olympic Games as compared to the same period last year. As a percentage of revenues, selling and marketing expenses increased to 9% for the third quarter of 2013 from 7% for the third quarter of 2012.

*General and administrative expenses.* General and administrative expenses increased by 29% to RMB2,621 million for the third quarter of 2013 from the third quarter of 2012. This mainly reflected increases in research and development expenses, staff costs (including share-based compensation) as well as other administrative expenses such as office-related costs. As a percentage of revenues, general and administrative expenses decreased to 17% for the third quarter of 2013 from 18% for the third quarter of 2012.

*Finance costs, net.* Finance costs, net decreased by 77% to RMB22 million for the third quarter of 2013 from the third quarter of 2012. This primarily reflected the recognition of foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the third quarter of 2013, compared to foreign exchange losses in the same period last year.

*Income tax expense.* Income tax expense increased by 26% to RMB955 million for the third quarter of 2013 from the third quarter of 2012. This mainly reflected higher profit before income tax and increased deferred tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 20% to RMB3,867 million for the third quarter of 2013 from the third quarter of 2012. Non-GAAP profit attributable to equity holders of the Company increased by 23% to RMB4,376 million for the third quarter of 2013 from the third quarter of 2012.

## Other Financial Information

	Unaudited		Unaudited		
	Nine months ended		Three months ended		
	30 September 2013	30 September 2012	30 September 2013	30 June 2013	30 September 2012
	(RMB in thousands, unless specified)				
EBITDA (a)	<b>15,382,040</b>	13,177,472	<b>5,255,978</b>	4,968,600	4,591,603
Adjusted EBITDA (a)	<b>16,266,266</b>	13,804,192	<b>5,599,651</b>	5,228,433	4,784,020
Adjusted EBITDA margin (b)	<b>37.4%</b>	43.5%	<b>36.0%</b>	36.3%	41.4%
Interest expense	<b>288,616</b>	223,026	<b>98,310</b>	92,002	86,104
Net cash (c)	<b>34,400,433</b>	23,492,375	<b>34,400,433</b>	33,556,493	23,492,375
Capital expenditures (d)	<b>4,119,482</b>	2,709,600	<b>1,620,864</b>	1,464,020	1,132,314

Note:

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

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

	Unaudited		Unaudited		
	Nine months ended		Three months ended		
	30 September 2013 RMB'000	30 September 2012 RMB'000	30 September 2013 RMB'000	30 June 2013 RMB'000	30 September 2012 RMB'000
Operating profit	14,443,405	11,753,338	4,815,783	4,565,104	4,124,365
Adjustments:					
Interest income	(937,474)	(569,320)	(336,862)	(324,241)	(205,781)
Other (gains)/losses, net	(499,661)	81,652	(67,111)	(81,687)	14,791
Depreciation of fixed assets and investment properties	1,804,316	1,349,101	643,806	600,043	480,101
Amortisation of intangible assets	<u>571,454</u>	<u>562,701</u>	<u>200,362</u>	<u>209,381</u>	<u>178,127</u>
EBITDA	15,382,040	13,177,472	5,255,978	4,968,600	4,591,603
Equity-settled share-based compensation	<u>884,226</u>	<u>626,720</u>	<u>343,673</u>	<u>259,833</u>	<u>192,417</u>
Adjusted EBITDA	<u>16,266,266</u>	<u>13,804,192</u>	<u>5,599,651</u>	<u>5,228,433</u>	<u>4,784,020</u>

## Non-GAAP Financial Measures

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

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of acquisitions. The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the first nine months of 2013 and 2012, the third quarter of 2013 and 2012, and the second quarter of 2013 to the nearest measures prepared in accordance with IFRS:

Unaudited nine months ended 30 September 2013								
		Adjustments						
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	Non-GAAP
(RMB in thousands, unless specified)								
Operating profit	14,443,405	884,226	437,557	–	115,626	–	(438,074)	15,442,740
Profit for the period	11,631,577	884,226	437,557	–	175,225	–	(438,074)	12,690,511
Profit attributable to equity holders	11,590,870	876,370	386,445	–	149,838	–	(438,074)	12,565,449
Operating margin	33.2%							35.5%
Net margin	26.8%							29.2%

Unaudited nine months ended 30 September 2012

	As reported	Adjustments					Special dividend income (e)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
(RMB in thousands, unless specified)								
Operating profit	11,753,338	626,720	82,835	5,150	207,005	448,000	(390,472)	12,732,576
Profit for the period	9,314,046	626,720	82,835	5,150	221,765	448,000	(390,472)	10,308,044
Profit attributable to equity holders	9,268,278	615,269	73,051	5,150	199,391	448,000	(390,472)	10,218,667
Operating margin	37.0%							40.1%
Net margin	29.3%							32.5%

Unaudited three months ended 30 September 2013

	As reported	Adjustments					Special dividend income (e)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)		
(RMB in thousands, unless specified)								
Operating profit	4,815,783	343,673	133,871	–	38,058	–	–	5,331,385
Profit for the period	3,876,194	343,673	133,871	–	57,969	–	–	4,411,707
Profit attributable to equity holders	3,866,662	340,211	119,069	–	49,776	–	–	4,375,718
Operating margin	31.0%							34.3%
Net margin	25.0%							28.4%

Unaudited three months ended 30 June 2013

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

Unaudited three months ended 30 September 2012

	Adjustments							Non-GAAP
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	
	(RMB in thousands, unless specified)							
Operating profit	4,124,365	192,417	24,860	5,150	38,494	448,000	(390,472)	4,442,814
Profit for the period	3,241,145	192,417	24,860	5,150	66,013	448,000	(390,472)	3,587,113
Profit attributable to equity holders	3,218,693	189,660	21,921	5,150	58,385	448,000	(390,472)	3,551,337
Operating margin	35.7%							38.4%
Net margin	28.0%							31.0%

Note:

- (a) Including put options granted to employees of investees on their shares and shares to be issued under investees' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Losses/(gains) on deemed disposal of previously held interests in associates
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates and available-for-sale financial assets
- (e) Special dividend income from Mail.ru

## Liquidity and Financial Resources

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

	<b>Unaudited 30 September 2013 RMB'000</b>	Unaudited 30 June 2013 RMB'000
Cash and cash equivalents	<b>18,602,602</b>	14,791,822
Term deposits	<b><u>31,021,202</u></b>	<u>29,001,732</u>
	<b>49,623,804</b>	43,793,554
Borrowings	<b>(6,006,980)</b>	(2,840,415)
Long-term notes payable	<b><u>(9,216,391)</u></b>	<u>(7,396,646)</u>
Net cash	<b><u>34,400,433</u></b>	<u>33,556,493</u>

As at 30 September 2013, RMB8,449 million of our financial resources (30 June 2013: RMB5,986 million) were held in deposits denominated in non-RMB currencies. Since there are no cost-effective hedges against the fluctuation of RMB and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

		Unaudited 30 September 2013 RMB'000	Audited 31 December 2012 RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		8,529,409	7,402,766
Construction in progress		1,310,208	533,691
Investment properties		—	21,674
Land use rights		883,339	794,439
Intangible assets		4,870,541	4,719,075
Interests in associates	3	11,495,242	7,310,266
Investment in jointly controlled entities		9,256	35,409
Deferred income tax assets		175,370	168,906
Available-for-sale financial assets	4	8,756,251	5,632,590
Prepayments, deposits and other assets		1,201,334	1,236,129
Term deposits		<u>13,620,000</u>	<u>10,891,718</u>
		<b><u>50,850,950</u></b>	<b><u>38,746,663</u></b>
<b>Current assets</b>			
Inventories		984,761	568,084
Accounts receivable	5	2,669,501	2,353,959
Prepayments, deposits and other assets		5,476,141	3,877,800
Term deposits		17,401,202	13,805,675
Restricted cash		3,437,669	2,520,232
Cash and cash equivalents		<u>18,602,602</u>	<u>13,383,398</u>
		<b><u>48,571,876</u></b>	<b><u>36,509,148</u></b>
<b>Total assets</b>		<b><u>99,422,826</u></b>	<b><u>75,255,811</u></b>

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 December
		<b>2013</b>	2012
	Note	<b>RMB'000</b>	RMB'000
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital		200	199
Share premium		2,533,575	2,879,990
Shares held for share award scheme		(858,924)	(667,464)
Other reserves		2,813,403	815,697
Retained earnings		<u>48,391,639</u>	<u>38,269,085</u>
		<b>52,879,893</b>	41,297,507
<b>Non-controlling interests</b>		<u>806,931</u>	<u>850,759</u>
<b>Total equity</b>		<u>53,686,824</u>	<u>42,148,266</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	3,442,880	2,105,643
Long-term notes payable	8	9,216,391	7,516,766
Deferred income tax liabilities		1,593,835	1,311,562
Long-term payables		<u>1,546,136</u>	<u>1,508,578</u>
		<b>15,799,242</b>	<b>12,442,549</b>
<b>Current liabilities</b>			
Accounts payable	9	6,563,151	4,211,733
Other payables and accruals		8,210,724	6,301,449
Borrowings	7	2,564,100	1,077,108
Current income tax liabilities		1,197,483	419,872
Other tax liabilities		549,247	540,095
Deferred revenue		<u>10,852,055</u>	<u>8,114,739</u>
		<b>29,936,760</b>	<b>20,664,996</b>
<b>Total liabilities</b>		<u>45,736,002</u>	<u>33,107,545</u>
<b>Total equity and liabilities</b>		<u>99,422,826</u>	<u>75,255,811</u>
<b>Net current assets</b>		<u>18,635,116</u>	<u>15,844,152</u>
<b>Total assets less current liabilities</b>		<u>69,486,066</u>	<u>54,590,815</u>

**CONSOLIDATED INCOME STATEMENT  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013**

	Note	Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenues</b>					
Value-added services		<b>11,635,168</b>	9,317,244	<b>33,053,350</b>	26,328,339
Online advertising		<b>1,390,145</b>	1,015,266	<b>3,536,943</b>	2,435,070
eCommerce transactions		<b>2,359,305</b>	1,133,901	<b>6,472,094</b>	2,744,244
Others		<b>150,494</b>	99,145	<b>404,800</b>	233,005
		<b>15,535,112</b>	11,565,556	<b>43,467,187</b>	31,740,658
Cost of revenues	11	<b>(7,036,286)</b>	(4,787,093)	<b>(19,580,332)</b>	(12,934,789)
<b>Gross profit</b>		<b>8,498,826</b>	6,778,463	<b>23,886,855</b>	18,805,869
Interest income		<b>336,862</b>	205,781	<b>937,474</b>	569,320
Other gains/(losses), net	10	<b>67,111</b>	(14,791)	<b>499,661</b>	(81,652)
Selling and marketing expenses	11	<b>(1,465,936)</b>	(819,790)	<b>(3,662,451)</b>	(1,898,662)
General and administrative expenses	11	<b>(2,621,080)</b>	(2,025,298)	<b>(7,218,134)</b>	(5,641,537)
<b>Operating profit</b>		<b>4,815,783</b>	4,124,365	<b>14,443,405</b>	11,753,338
Finance costs, net		<b>(22,483)</b>	(99,478)	<b>(90,348)</b>	(284,716)
Share of profit/(losses) of associates		<b>49,814</b>	(21,188)	<b>227,265</b>	(25,530)
Share of losses of jointly controlled entities		<b>(12,119)</b>	(6,089)	<b>(38,786)</b>	(14,084)
<b>Profit before income tax</b>		<b>4,830,995</b>	3,997,610	<b>14,541,536</b>	11,429,008
Income tax expense	12	<b>(954,801)</b>	(756,465)	<b>(2,909,959)</b>	(2,114,962)
<b>Profit for the period</b>		<b><u>3,876,194</u></b>	<u>3,241,145</u>	<b><u>11,631,577</u></b>	<u>9,314,046</u>

		Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
Note		RMB'000	RMB'000	RMB'000	RMB'000
<b>Attributable to:</b>					
	Equity holders of the Company	<b>3,866,662</b>	3,218,693	<b>11,590,870</b>	9,268,278
	Non-controlling interests	<u>9,532</u>	<u>22,452</u>	<u>40,707</u>	<u>45,768</u>
		<b><u>3,876,194</u></b>	<u>3,241,145</u>	<b><u>11,631,577</u></b>	<u>9,314,046</u>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>					
	- basic	13	<u>2.105</u>	<u>1.759</u>	<u>6.318</u>
	- diluted	13	<u>2.070</u>	<u>1.727</u>	<u>6.208</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013**

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Profit for the period</b>	<b><u>3,876,194</u></b>	<u>3,241,145</u>	<b><u>11,631,577</u></b>	<u>9,314,046</u>
<b>Other comprehensive income, net of tax:</b>				
Items that may be reclassified to profit or loss				
Share of other comprehensive (losses)/income of associates	(106)	—	389	—
Net gains/(losses) from changes in fair value of available-for-sale financial assets	<u>2,233,412</u>	(37,923)	<u>1,994,979</u>	720,788
Currency translation differences	<u>29,892</u>	125	<u>(10,259)</u>	13,944
	<b><u>2,263,198</u></b>	<u>(37,798)</u>	<b><u>1,985,109</u></b>	<u>734,732</u>
<b>Total comprehensive income for the period</b>	<b><u>6,139,392</u></b>	<u>3,203,347</u>	<b><u>13,616,686</u></b>	<u>10,048,778</u>
<b>Attributable to:</b>				
Equity holders of the Company	<u>6,127,983</u>	3,180,882	<u>13,581,334</u>	10,002,257
Non-controlling interests	<u>11,409</u>	22,465	<u>35,352</u>	46,521
	<b><u>6,139,392</u></b>	<u>3,203,347</u>	<b><u>13,616,686</u></b>	<u>10,048,778</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	199	2,879,990	(667,464)	815,697	38,269,085	41,297,507	850,759	42,148,266
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	11,590,870	11,590,870	40,707	11,631,577
Other comprehensive income:								
- share of other comprehensive income of associates	-	-	-	389	-	389	-	389
- net gains from changes in fair value of available-for-sale financial assets	-	-	-	1,994,979	-	1,994,979	-	1,994,979
- currency translation differences	-	-	-	(4,904)	-	(4,904)	(5,355)	(10,259)
<b>Total comprehensive income for the period</b>	-	-	-	1,990,464	11,590,870	13,581,334	35,352	13,616,686
<b>Transaction with owners</b>								
Capital injection	-	-	-	-	-	-	4,900	4,900
Employee share option schemes:								
- value of employee services	-	66,281	-	47,219	-	113,500	5,911	119,411
- proceeds from shares issued	1	233,835	-	-	-	233,836	-	233,836
Employee share award scheme:								
- value of employee services	-	746,767	-	16,600	-	763,367	1,945	765,312
- shares purchased for share award scheme	-	-	(261,307)	-	-	(261,307)	-	(261,307)
- vesting of awarded shares	-	(69,847)	69,847	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	157	(157)	-	-	-
Repurchase and cancellation of shares	-	(1,323,451)	-	-	-	(1,323,451)	-	(1,323,451)
Dividends (Note 14)	-	-	-	-	(1,468,159)	(1,468,159)	(59,436)	(1,527,595)
<b>Total contributions by and distributions to owners for the period</b>	1	(346,415)	(191,460)	63,976	(1,468,316)	(1,942,214)	(46,680)	(1,988,894)
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	(56,734)	-	(56,734)	(32,500)	(89,234)
<b>Total transactions with owners for the period</b>	1	(346,415)	(191,460)	7,242	(1,468,316)	(1,998,948)	(79,180)	(2,078,128)
<b>Balance at 30 September 2013</b>	<u>200</u>	<u>2,533,575</u>	<u>(858,924)</u>	<u>2,813,403</u>	<u>48,391,639</u>	<u>52,879,893</u>	<u>806,931</u>	<u>53,686,824</u>

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	198	1,950,876	(606,874)	409,266	26,710,368	28,463,834	624,510	29,088,344
Comprehensive income								
Profit for the period	-	-	-	-	9,268,278	9,268,278	45,768	9,314,046
Other comprehensive income:								
- net gains from changes in fair value of available-for-sale financial assets	-	-	-	720,788	-	720,788	-	720,788
- currency translation differences	-	-	-	13,191	-	13,191	753	13,944
Total comprehensive income for the period	-	-	-	733,979	9,268,278	10,002,257	46,521	10,048,778
Transaction with owners								
Capital injection	-	-	-	-	-	-	17,020	17,020
Employee share option schemes:								
- value of employee services	-	75,291	-	46,309	-	121,600	19,822	141,422
- proceeds from shares issued	-	187,960	-	-	-	187,960	-	187,960
Employee share award scheme:								
- value of employee services	-	444,124	-	35,672	-	479,796	5,502	485,298
- shares purchased for share award scheme	-	-	(112,480)	-	-	(112,480)	-	(112,480)
- vesting of awarded shares	-	(93,394)	93,394	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	(26)	26	-	-	-
Repurchase and cancellation of shares	-	(20,232)	-	-	-	(20,232)	-	(20,232)
Dividends	-	-	-	-	(1,107,889)	(1,107,889)	(76,830)	(1,184,719)
Total contributions by and distributions to owners for the period	-	593,749	(19,086)	81,955	(1,107,863)	(451,245)	(34,486)	(485,731)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	249,181	249,181
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	(241,547)	-	(241,547)	(8,776)	(250,323)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	-	-	-	(357,618)	-	(357,618)	-	(357,618)
Total transactions with owners for the period	-	593,749	(19,086)	(517,210)	(1,107,863)	(1,050,410)	205,919	(844,491)
Balance at 30 September 2012	198	2,544,625	(625,960)	626,035	34,870,783	37,415,681	876,950	38,292,631

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

	<b>Unaudited</b>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Net cash flows generated from operating activities</b>	<b>17,509,945</b>	14,117,844
<b>Net cash flows used in investing activities</b>	<b>(13,983,717)</b>	(13,014,232)
<b>Net cash flows generated from/(used in) financing activities</b>	<b><u>1,852,268</u></b>	<u>(315,311)</u>
<b>Net increase in cash and cash equivalents</b>	<b>5,378,496</b>	788,301
Cash and cash equivalents at beginning of period	<b>13,383,398</b>	12,612,140
Exchange (losses)/gains on cash and cash equivalents	<b><u>(159,292)</u></b>	<u>41,327</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>18,602,602</u></b>	<u>13,441,768</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>10,641,976</b>	7,388,954
Term deposits and highly liquid investments with initial term within three months	<b><u>7,960,626</u></b>	<u>6,052,814</u>
	<b><u>18,602,602</u></b>	<u>13,441,768</u>

Note:

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

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

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

The consolidated financial position as at 30 September 2013, the related consolidated income statement and the consolidated statement of comprehensive income for the three and nine months then ended, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the nine 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 13 November 2013.

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

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

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

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

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

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

## 2 Segment information

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

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

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

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

There were no material inter-segment sales during the three and nine months ended 30 September 2013 and 2012. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

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

	Unaudited				Total RMB'000
	Three months ended 30 September 2013				
	VAS RMB'000	Online advertising RMB'000	eCommerce transactions RMB'000	Others RMB'000	
Segment revenues	<u>11,635,168</u>	<u>1,390,145</u>	<u>2,359,305</u>	<u>150,494</u>	<u>15,535,112</u>
Gross profit	<u>7,566,127</u>	<u>728,727</u>	<u>138,747</u>	<u>65,225</u>	<u>8,498,826</u>
Depreciation	429,502	35,987	4,188	4,882	474,559
Amortisation	64,013	72,312	–	–	136,325
Share of profit/(losses) of associates	43,591	134	(22,170)	28,259	49,814
Share of losses of jointly controlled entities	<u>(12,119)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(12,119)</u>

	Unaudited				
	Three months ended 30 September 2012				
	Online		eCommerce		Total
	VAS	advertising	transactions	Others	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment revenues	<u>9,317,244</u>	<u>1,015,266</u>	<u>1,133,901</u>	<u>99,145</u>	<u>11,565,556</u>
Gross profit	<u>6,186,854</u>	<u>503,721</u>	<u>49,264</u>	<u>38,624</u>	<u>6,778,463</u>
Depreciation	316,479	27,454	2,452	4,320	350,705
Amortisation	53,994	61,197	—	—	115,191
Share of (losses)/profit of associates	(37,857)	—	(7,924)	24,593	(21,188)
Share of losses of jointly controlled entities	<u>(6,089)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,089)</u>

	Unaudited				
	Nine months ended 30 September 2013				
	Online		eCommerce		Total
	VAS	advertising	transactions	Others	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment revenues	<u>33,053,350</u>	<u>3,536,943</u>	<u>6,472,094</u>	<u>404,800</u>	<u>43,467,187</u>
Gross profit	<u>21,555,482</u>	<u>1,771,197</u>	<u>396,715</u>	<u>163,461</u>	<u>23,886,855</u>
Depreciation	1,204,328	99,895	11,504	13,779	1,329,506
Amortisation	186,480	190,789	—	—	377,269
Share of profit/(losses) of associates	168,131	134	(35,291)	94,291	227,265
Share of losses of jointly controlled entities	<u>(38,786)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(38,786)</u>

	Unaudited				
	Nine months ended 30 September 2012				
	Online		eCommerce		Total
	VAS	advertising	transactions	Others	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment revenues	<u>26,328,339</u>	<u>2,435,070</u>	<u>2,744,244</u>	<u>233,005</u>	<u>31,740,658</u>
Gross profit	<u>17,445,978</u>	<u>1,186,054</u>	<u>91,551</u>	<u>82,286</u>	<u>18,805,869</u>
Depreciation	880,148	76,087	6,149	13,000	975,384
Amortisation	144,200	146,774	—	—	290,974
Share of (losses)/profit of associates	(35,287)	—	(28,024)	37,781	(25,530)
Share of losses of jointly controlled entities	<u>(14,084)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14,084)</u>

### 3 Interests in associates

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Investments in associates (a)		
- Listed shares	<b>1,409,860</b>	1,481,056
- Unlisted shares	<b><u>7,300,349</u></b>	<u>4,829,057</u>
	<b>8,710,209</b>	6,310,113
Investments in preference shares of associates (b)	<b>2,602,059</b>	838,226
Loans to associates (c)	<b><u>182,974</u></b>	<u>161,927</u>
	<b><u>11,495,242</u></b>	<u>7,310,266</u>

Note:

#### (a) Investments in associates

	<b>Unaudited</b>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
At beginning of period	<b>6,310,113</b>	3,764,027
Additions ((i), (ii) and (iii))	<b>2,338,992</b>	2,822,569
Share of profit/(losses) of associates	<b>227,265</b>	(25,530)
Share of other comprehensive income of associates	<b>389</b>	—
Dividends received from associates	<b>(33,959)</b>	(32,798)
Partial disposal/disposal of associates	<b>(132,591)</b>	(81,709)
Decrease as a result of step-up business combinations	<b>—</b>	(43,391)
Impairment provision	<b><u>—</u></b>	<u>(109,496)</u>
At end of period	<b><u>8,710,209</u></b>	<u>6,293,672</u>

- (i) In June 2013, the Group acquired additional shares in KIS, an existing associate of the Group which is principally engaged in development and sales of Internet security software and antivirus software, for a cash consideration of USD46,980,000 (equivalent to approximately RMB290,318,000). The Group's equity interest in KIS then increased from approximately 10.0% to approximately 18.0%.
- (ii) In September 2013, the Group subscribed for ordinary shares and preference shares in Sogou, representing 36.5% of the share capital of Sogou and 20.6% of the voting interest in Sogou, for a total consideration comprising of search related businesses and certain other assets of the Group and a net cash consideration of USD448,000,000 (equivalent to approximately RMB2,765,000,000). Sogou is principally engaged in the provision of Internet search services, as well as in the development and operations of a suite of Internet applications in the PRC, including Sogou Pinyin, Sogou Browser and Sogou Web Directory. Since the Group has representatives in the board of directors, Sogou is accounted for as an associate of the Group.
- (iii) In addition to the above, the Group also acquired some other associates or made additional investments in existing associates for an aggregate consideration of RMB418,720,000 during the nine months ended 30 September 2013. They are principally engaged in provision of online community services, online games development and other Internet-related businesses.

**(b) Investments in preference shares of associates**

Other than Sogou's preference shares as described in Note 3(a)(ii), as at 30 September 2013, the Group held certain preference shares in other associates. These associates are principally engaged in the provision of online community services, online games development and other Internet-related businesses.

**(c) Loans to associates**

As at 30 September 2013, the aggregate principal amount of the loans to associates was RMB179,585,000 (31 December 2012: RMB159,993,000) with terms of two years generally. These loans are either with interest rates of 4.2% to 6.0% per annum or interest-free.

#### 4 Available-for-sale financial assets

	<b>Unaudited</b>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
At beginning of period	<b>5,632,590</b>	4,343,602
Additions ((a) and (b))	<b>828,061</b>	507,499
Gains from changes in fair value	<b>2,295,600</b>	719,220
Transfer to interests in associates	—	(31,139)
Impairment provision	<u>—</u>	<u>(34,767)</u>
At end of period, all non-current	<b><u>8,756,251</u></b>	<b><u>5,504,415</u></b>
Market value of listed securities	<b><u>6,378,701</u></b>	<b><u>4,038,014</u></b>

Note:

- (a) In June 2013, the Group acquired certain equity interest in a company incorporated in US, which is mainly engaged in the provision of eCommerce services in US and Europe, for a consideration of USD50,000,000 (equivalent to approximately RMB308,980,000).
- (b) The Group also acquired some other available-for-sale financial assets for an aggregate consideration of RMB519,081,000 during the nine months ended 30 September 2013. They are principally engaged in software development, digital photo sharing and equity investments.

#### 5 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
0 - 30 days	<b>1,515,820</b>	1,406,915
31 - 60 days	<b>446,568</b>	552,772
61 - 90 days	<b>447,633</b>	257,286
Over 90 days	<u><b>259,480</b></u>	<u>136,986</u>
	<b><u>2,669,501</u></b>	<b><u>2,353,959</u></b>

Receivable balances as at 30 September 2013 mainly represented amounts due from telecommunications operators, including China Mobile, China Unicom, China Telecom and their respective branches, subsidiaries and affiliates, as well as brand display advertising customers mainly located in the PRC.

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

## **6 Share option and share award schemes**

### **(a) Share option schemes**

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

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

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

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

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

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

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

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

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

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2013	HKD11.13	4,596,489	HKD65.50	20,633,097	HKD158.50	1,000,000	26,229,586
Exercised	HKD11.46	(2,122,284)	HKD42.77	(6,263,341)	–	–	(8,385,625)
Lapsed	HKD5.50	(75)	HKD119.71	(325,588)	–	–	(325,663)
At 30 September 2013	HKD10.85	<u>2,474,130</u>	HKD74.38	<u>14,044,168</u>	HKD158.50	<u>1,000,000</u>	<u>17,518,298</u>
Exercisable as at 30 September 2013	HKD10.85	<u>2,474,130</u>	HKD52.97	<u>8,808,348</u>	–	<u>–</u>	<u>11,282,478</u>
At 1 January 2012	HKD12.39	8,761,937	HKD59.97	26,156,088	HKD158.50	1,000,000	35,918,025
Granted	–	–	HKD248.80	165,800	–	–	165,800
Exercised	HKD15.82	(2,342,027)	HKD46.61	(4,219,666)	–	–	(6,561,693)
Lapsed	HKD8.17	(157)	HKD45.28	(194,923)	–	–	(195,080)
At 30 September 2012	HKD11.13	<u>6,419,753</u>	HKD61.53	<u>21,907,299</u>	HKD158.50	<u>1,000,000</u>	<u>29,327,052</u>
Exercisable as at 30 September 2012	HKD11.00	<u>6,359,753</u>	HKD40.87	<u>10,752,834</u>	–	<u>–</u>	<u>17,112,587</u>

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

**(b) Share award scheme**

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

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

	<b>Number of shares held for the Share Award Scheme</b>	<b>Number of awarded shares</b>	<b>Total</b>
<b>At 1 January 2013</b>	<b>405,230</b>	<b>18,944,442</b>	<b>19,349,672</b>
Purchased and withheld	951,506	–	951,506
Allotted	4,058,740	–	4,058,740
Granted	(5,090,305)	5,090,305	–
Lapsed	878,339	(878,339)	–
Vested and transferred	<u>–</u>	<u>(4,678,316)</u>	<u>(4,678,316)</u>
<b>At 30 September 2013</b>	<b><u>1,203,510</u></b>	<b><u>18,478,092</u></b>	<b><u>19,681,602</u></b>
<b>Vested but not transferred as at 30 September 2013</b>			<u>–</u>
<b>At 1 January 2012</b>	<b>1,970,840</b>	<b>15,838,999</b>	<b>17,809,839</b>
Purchased and withheld	611,839	–	611,839
Allotted	4,378,400	–	4,378,400
Granted	(7,413,710)	7,413,710	–
Lapsed	669,666	(669,666)	–
Vested and transferred	<u>–</u>	<u>(3,293,922)</u>	<u>(3,293,922)</u>
<b>At 30 September 2012</b>	<b><u>217,035</u></b>	<b><u>19,289,121</u></b>	<b><u>19,506,156</u></b>
<b>Vested but not transferred as at 30 September 2012</b>			<u>5</u>

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

## 7 Borrowings

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings		
- Unsecured (Note)	<b><u>3,442,880</u></b>	<u>2,105,643</u>
<b>Included in current liabilities:</b>		
RMB bank borrowings		
- Secured	—	15,000
- Unsecured	<b>104,900</b>	25,000
USD bank borrowings		
- Unsecured	<b>2,151,800</b>	942,825
Current portion of long-term USD bank borrowings		
- Unsecured (Note)	<b><u>307,400</u></b>	<u>94,283</u>
	<b><u>2,564,100</u></b>	<u>1,077,108</u>
	<b><u>6,006,980</u></b>	<u>3,182,751</u>

Movement in the borrowings is analysed as follows:

	<b>Unaudited</b>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
At beginning of period	<b>3,182,751</b>	7,999,440
Additions of bank borrowings	<b>5,085,527</b>	3,158,220
Repayments of bonds	—	(629,190)
Repayments of bank borrowings	<b>(2,187,275)</b>	(5,334,056)
Exchange difference	<b><u>(74,023)</u></b>	<u>36,911</u>
At end of period	<b><u>6,006,980</u></b>	<u>5,231,325</u>

Note:

Unsecured long-term bank borrowings of carrying amount of RMB3,750,280,000 as at 30 September 2013 were denominated in USD. The aggregate principal amount was USD610,000,000 with interest rates of LIBOR plus 1.05% to 1.97% per annum.

## 8 Long-term notes payable

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

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

On 10 September 2013, the Company issued another long-term notes (the “2013 Notes”) with an aggregate principal amount of USD300,000,000 for general corporate purposes. The 2013 Notes bear an interest at 1.860% per annum from 10 September 2013, payable semi-annually in arrears on 10 March and 10 September of each year, beginning on 10 March 2014. The 2013 Notes are non-publicly issued and will mature on 10 September 2015.

As at 30 September 2013, the carrying amount of these notes was RMB9,216,391,000.

## 9 Accounts payable

Accounts payable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
0 - 30 days	<b>4,214,751</b>	3,573,610
31 - 60 days	<b>993,918</b>	430,408
61 - 90 days	<b>709,090</b>	176,116
Over 90 days	<b><u>645,392</u></b>	<u>31,599</u>
	<b><u>6,563,151</u></b>	<u>4,211,733</u>

## 10 Other gains/(losses), net

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Subsidies and tax rebates	113,122	136,461	168,904	169,297
Dividend income	6,498	390,722	451,230	401,847
Gains/(losses) on partial disposal/disposal of associates	—	(15,596)	24,864	(4,053)
Donation made to Tencent Charity Fund	—	(60,000)	(120,000)	(120,000)
Impairment provision for associates and available-for-sale financial assets	—	(448,000)	—	(448,000)
Others	(52,509)	(18,378)	(25,337)	(80,743)
	<u>67,111</u>	<u>(14,791)</u>	<u>499,661</u>	<u>(81,652)</u>

## 11 Expenses by nature

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefits expenses (Note)	2,713,969	2,069,481	7,715,999	5,667,338
Content costs and agency fees	2,335,233	1,757,865	6,388,561	4,898,356
Costs of merchandises sold	2,153,829	1,044,629	5,890,168	2,568,994
Mobile and telecommunications charges and bandwidth and server custody fees	1,045,741	867,527	3,065,852	2,460,813
Promotion and advertising expenses	987,754	558,628	2,434,823	1,222,072
Depreciation of fixed assets (Note)	643,690	479,971	1,803,967	1,348,743
Operating lease rentals in respect of office buildings	227,181	151,631	642,287	440,305
Amortisation of intangible assets	200,362	178,127	571,454	562,701
Travelling and entertainment expenses	133,473	90,247	298,581	221,360
Other expenses	682,070	434,075	1,649,225	1,084,306
	<u>11,123,302</u>	<u>7,632,181</u>	<u>30,460,917</u>	<u>20,474,988</u>

Note:

Research and development expenses for the three and nine months ended 30 September 2013 were RMB1,352,894,000 and RMB3,793,706,000 (for the three and nine months ended 30 September 2012: RMB1,116,057,000 and RMB3,099,260,000, respectively), which included employee benefit expenses of RMB1,066,331,000 and depreciation of fixed assets of RMB142,905,000 for the three months ended 30 September 2013 (for the three months ended 30 September 2012: RMB902,785,000 and RMB112,156,000, respectively) and employee benefit expenses of RMB3,055,117,000 and depreciation of fixed assets of RMB400,933,000 for the nine months ended 30 September 2013 (for the nine months ended 30 September 2012: RMB2,520,307,000 and RMB329,332,000, respectively). No research and development expenses had been capitalised for the nine months ended 30 September 2013 and 2012.

## **12 Income tax expense**

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

### **(a) Cayman Islands and British Virgin Islands profits tax**

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

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

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

### **(c) PRC CIT**

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

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

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

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

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

United States corporate income tax provision has been provided for the three and nine months ended 30 September 2013 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36%.

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

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

(f) **PRC withholding tax**

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

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Current tax	<b>827,856</b>	691,953	<b>2,596,553</b>	1,928,918
Deferred income tax	<b><u>126,945</u></b>	<u>64,512</u>	<b><u>313,406</u></b>	<u>186,044</u>
	<b><u>954,801</u></b>	<u>756,465</u>	<b><u>2,909,959</u></b>	<u>2,114,962</u>

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	<b>4,830,995</b>	3,997,610	<b>14,541,536</b>	11,429,008
Share of (profit)/losses of associates and jointly controlled entities	<u>(37,695)</u>	<u>27,277</u>	<u>(188,479)</u>	<u>39,614</u>
	<b>4,793,300</b>	<b>4,024,887</b>	<b>14,353,057</b>	<b>11,468,622</b>
Tax calculated at a tax rate of 25%	<b>1,198,325</b>	1,006,222	<b>3,588,264</b>	2,867,156
Effects of different tax rates applicable to different subsidiaries of the Group	<b>(404,773)</b>	(273,417)	<b>(1,254,002)</b>	(945,798)
Effects of tax holiday on assessable profits of subsidiaries	<b>(92,756)</b>	(71,334)	<b>(135,691)</b>	(206,391)
Income not subject to tax	<b>(43,061)</b>	(30,946)	<b>(122,068)</b>	(77,402)
Expenses not deductible for tax purposes	<b>83,681</b>	60,646	<b>238,568</b>	180,738
Withholding tax on earnings expected to be remitted by PRC subsidiaries	<b>135,000</b>	71,186	<b>347,000</b>	242,789
Utilisation of previously unrecognised tax losses	<b>(16,478)</b>	(69,938)	<b>(31,839)</b>	(76,192)
Unrecognised deferred income tax assets	<b>94,863</b>	36,925	<b>259,949</b>	116,359
Others	<u>—</u>	<u>27,121</u>	<u>19,778</u>	<u>13,703</u>
Income tax expense	<b><u>954,801</u></b>	<b><u>756,465</u></b>	<b><u>2,909,959</u></b>	<b><u>2,114,962</u></b>

## 13 EPS

### (a) Basic

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Profit attributable to equity holders of the Company (RMB'000)	<b><u>3,866,662</u></b>	<u>3,218,693</u>	<b><u>11,590,870</u></b>	<u>9,268,278</u>
Weighted average number of ordinary shares in issue (thousand shares)	<b><u>1,837,171</u></b>	<u>1,829,344</u>	<b><u>1,834,632</u></b>	<u>1,826,101</u>
Basic EPS (RMB per share)	<b><u>2.105</u></b>	<u>1.759</u>	<b><u>6.318</u></b>	<u>5.075</u>

### (b) Diluted

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

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Profit attributable to equity holders of the Company (RMB'000)	<b><u>3,866,662</u></b>	<u>3,218,693</u>	<b><u>11,590,870</u></b>	<u>9,268,278</u>
Weighted average number of ordinary shares in issue (thousand shares)	<b>1,837,171</b>	1,829,344	<b>1,834,632</b>	1,826,101
Adjustments for share options (thousand shares)	<b>15,146</b>	22,792	<b>17,408</b>	23,937
Adjustments for awarded shares (thousand shares)	<b><u>15,190</u></b>	<u>11,138</u>	<b><u>15,140</u></b>	<u>12,301</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	<b><u>1,867,507</u></b>	<u>1,863,274</u>	<b><u>1,867,180</u></b>	<u>1,862,339</u>
Diluted EPS (RMB per share)	<b><u>2.070</u></b>	<u>1.727</u>	<b><u>6.208</u></b>	<u>4.977</u>

#### 14 Dividends

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

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

## **OTHER INFORMATION**

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 30 September 2013.

### **Employee and Remuneration Policies**

As at 30 September 2013, the Group had 26,962 employees (30 September 2012: 23,542). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the three months ended 30 September 2013 was RMB2,714 million (for the three months ended 30 September 2012: RMB2,069 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 nine months ended 30 September 2013.

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

Save as disclosed in the 2012 annual report and the 2013 interim 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 July 2013 to 30 September 2013.

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

## APPRECIATION

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

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

Hong Kong, 13 November 2013

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

*Executive Directors:*

Ma Huateng, Lau Chi Ping Martin and Zhang Zhidong;

*Non-Executive Directors:*

Jacobus Petrus Bekker and Charles St Leger Searle; and

*Independent Non-Executive Directors:*

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

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

## DEFINITION

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

<b>Term</b>	<b>Definition</b>
“2013 AGM”	the annual general meeting of the Company held on 15 May 2013
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
“China Mobile”	China Mobile Communications Corporation
“China Telecom”	China Telecommunications Corporation
“China Unicom”	China United Network Communications Group Company Limited
“CIT”	corporate income tax
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC

“IAS”	International Accounting Standard
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“IVAS”	Internet value-added services
“KIS”	Kingsoft Internet Security Software Holdings Limited
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mail.ru”	Mail.ru Group Limited
“MAU”	monthly active user accounts
“MVAS”	mobile and telecommunications value-added services
“PC(s)”	personal computer(s)
“PCU”	peak concurrent user accounts
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“RMB”	the lawful currency of the PRC
“Share Award Scheme”	the share award scheme adopted by the Company on 13 December 2007
“Sogou”	Sogou Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands

“Sohu”	Sohu.com Inc., a Delaware corporation whose shares are listed on NASDAQ
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Fund”	a charity fund established by the Group
“Trustee”	an independent trustee appointed by the Company for managing the Share Award Scheme
“United States” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services