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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013. The results have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended 31 December		
	2013	2012	Year-on-year change
	(RMB in millions, unless specified)		
Revenues	**60,437**	43,894	38%
Gross profit	**32,659**	25,687	27%
Operating profit	**19,194**	15,479	24%
Profit for the year	**15,563**	12,785	22%
Profit attributable to equity holders of the Company	**15,502**	12,732	22%
Non-GAAP profit attributable to equity holders of the Company	**17,063**	14,286	19%
EPS (RMB per share)			
- basic	**8.464**	6.965	22%
- diluted	**8.298**	6.833	21%

	Unaudited				
	Three months ended				
	31 December 2013	30 September 2013	Quarter-on-quarter change	31 December 2012	Year-on-year change
	(RMB in millions, unless specified)				
Revenues	**16,970**	15,535	9%	12,153	40%
Gross profit	**8,772**	8,499	3%	6,880	28%
Operating profit	**4,751**	4,815	-1%	3,726	28%
Profit for the period	**3,931**	3,877	1%	3,471	13%
Profit attributable to equity holders of the Company	**3,911**	3,867	1%	3,464	13%
Non-GAAP profit attributable to equity holders of the Company	**4,498**	4,376	3%	4,068	11%
EPS (RMB per share)					
- basic	**2.125**	2.105	1%	1.890	12%
- diluted	**2.092**	2.070	1%	1.856	13%

DIVIDEND

The Board has recommended the payment of a final dividend of HKD1.20 per share (2012: HKD1.00 per share) for the year ended 31 December 2013, subject to the approval of the shareholders at the 2014 AGM. Such proposed dividend will be payable on 30 May 2014 to the shareholders whose names appear on the register of members of the Company on 21 May 2014.

BUSINESS REVIEW AND OUTLOOK

In 2013, the mobile Internet proliferated further and integrated more deeply with users' daily lives in China. The year saw a significant shift in users' traffic from PC to mobile devices, driving substantial changes across different sectors of the Internet industry, including communications, social networking, online games, online media and eCommerce. Mobile applications took the center stage and became the mainstream for many Internet services, reshuffling the competitive landscape.

Market competition intensified as competitors aligned their strategies with the mobile opportunities and made aggressive organic and inorganic investments along the value chain. Although business models on the mobile Internet are still evolving, we saw significant development and clearer paths towards mobile monetisation during the year. In particular, mobile games gained traction and experienced rapid growth in user adoption and spending, capitalising on the network effects of mobile social platforms. Performance-based mobile advertising also showed early signs of adoption. New services, such as O2O services, emerged as mobile platforms achieved critical mass and mobile payment became more widely adopted in China.

Overall Financial Performance

In 2013, we registered solid growth in revenues and profits in a dynamic and competitive marketplace, while strengthening our leadership on the mobile Internet and continuing to invest in emerging opportunities such as O2O services, online video, and international expansion.

- *VAS*. Our online game business achieved healthy growth in revenues, thanks to the strong performance of our major PC game titles in China and LoL in international markets, and the launch of new PC game titles. Our social network revenues grew as the increase in item-based sales within applications on our open platforms offset weakness in subscription services. Revenues from our online games and social networks also benefited from the initial contributions from smart phone games integrated with Mobile QQ and Weixin.

- *Online advertising*. Our online advertising business benefited from the significant growth in performance-based social advertising and online video advertising, as well as solid growth in traditional brand advertising. Search advertising revenues declined as we transferred our search business to Sogou, an associate of the Group, in September 2013.

- *eCommerce transactions.* We achieved significant growth in principal eCommerce transactions revenues under a highly competitive market environment as we expanded our category and geographic coverage. Fees generated from transactions on our marketplaces also increased.

In the fourth quarter of 2013, revenues and profits continued to grow compared to the same period last year.

- *VAS*. Our online game business registered healthy growth, riding on increased popularity of our major PC game titles in China and LoL in international markets, as well as new PC game titles. The business also benefited from new contributions from smart phone games integrated with Mobile QQ and Weixin. Our social networks benefited from growth in item-based sales within applications on our open platforms and new contributions from platform revenues related to smart phone games integrated with Mobile QQ and Weixin, partly offset by a decline in subscription revenues.

- *Online advertising*. The year-on-year revenue growth of our online advertising business accelerated in the fourth quarter versus the previous quarter, mainly driven by the strong increase in revenues from online video advertising. Performance-based social advertising continued to achieve significant revenue growth, while traditional brand advertising also increased. Search advertising revenues declined as we transferred our search business to Sogou in September 2013.

- *eCommerce transactions.* In the fourth quarter of 2013, we achieved significant year-on-year growth in revenues from principal eCommerce transactions. Fees generated from transactions on our marketplaces also increased.

Strategic Highlights

In 2013, we accelerated the mobilisation of our services and reinforced our leadership in mobile applications in China. Building on our strengths in communications and social platforms on mobile devices, we expanded the user base of various mobile applications, such as news, music and utilities, and launched new services on our core mobile platforms, such as Game Center and Weixin Payment, which enhanced user engagement, while opening up monetisation opportunities. We also extended our leadership in online games and open platforms, while expanding our online advertising business and our eCommerce transactions business.

We forged landmark transactions to further develop our search and eCommerce businesses. In September 2013, we announced a strategic partnership with Sogou for our search business, under which we invested in Sogou and merged our SoSo search-related businesses and certain other assets with Sogou. In March 2014, we announced a strategic partnership with JD.com for our eCommerce business, under which we invested in JD.com and merged our relevant eCommerce initiatives with JD.com. In addition to these two transactions which involve transfer of some of our businesses to our partners, we entered into other strategic transactions with partners including CSC, Dianping and Dididache. The strategic transactions with Sogou, JD.com and other partners entail close cooperation at both an investor and a business level, and reinforce 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 Internet industry. These transactions also free up our internal resources, both human and financial, to focus on leveraging the core strengths of our platforms and to develop new products such as O2O services, while enabling us to continue benefiting from the growth potential of the underlying industries via our significant equity stakes.

Divisional and Product Highlights

Key Platforms

In 2013, QQ and Qzone maintained their leading positions in communications and social networking in China. User account growth decelerated as users continued to shift their traffic from PC to mobile devices because fewer mobile users than PC users employ multiple accounts and mobile users' usage pattern is more spread out across day parts as compared to PC users. For QQ, aggregate MAU increased modestly by 1% year-on-year to 808 million at the end of 2013, while PCU increased by 2% year-on-year to 180 million. During the year, we significantly expanded the mobile user base of QQ with enhanced user experience and enriched services such as Game Center. At the end of 2013, smart device MAU[1] of QQ increased by 74% year-on-year to 426 million. For Qzone, aggregate MAU increased by 4% year-on-year to 625 million at the end of 2013. The year saw increased user activity and engagement on mobile. This was evidenced by a significant growth in smart device MAU of Qzone, which increased by 63% year-on-year to 416 million at the end of 2013, as well as a substantial increase in photo uploads on Mobile Qzone.

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1 Since the fourth quarter of 2013, smart device MAU of QQ has been revised to denote the total number of QQ MAU that sent out one or more messages via Mobile QQ application on iOS or Android devices, or conducted other proactive operations via Mobile QQ application on iOS or Android devices, such as logging into Game Center or updating Qzone, at least once during the last calendar month prior to the relevant date. Comparative figures have been restated to conform to the current period's presentation.

Combined MAU of Weixin and WeChat reached 355 million at the end of 2013. During the year, Weixin enjoyed rapid expansion and enhanced user engagement in China. With the launch of new services, such as Game Center, Official Accounts and Weixin Payment, as well as the increasing adoption of Moments, Weixin is evolving from a pure communications service into a multi-functional platform. In international markets, WeChat achieved robust aggregate user growth, but we are increasingly focused on driving engagement in specific target geographic regions. Looking ahead, we aim to further improve user engagement on Weixin and WeChat by enhancing the core communications and social functions. We will also leverage Official Accounts and Weixin Payment to explore O2O and mobile eCommerce opportunities in China.

For our core media platforms, QQ.com, Tencent Microblog and Tencent Video, we sought to upgrade our content and enhance user experience, especially on mobile devices. For example, Tencent News achieved significant user growth during the year via mobile applications and plug-ins on Mobile QQ and Weixin. Going forward, we will further develop our portfolio of mobile media applications and enhance the monetisation of our mobile media traffic. We will also invest more aggressively in video content to further expand Tencent Video's market presence, as we believe the online video industry is still at a formative stage and our massive media traffic provides us with competitive advantage.

VAS

In 2013, our open platforms continued to create value for the Internet industry, and enjoyed significant growth in users and revenues as a result. We believe we have become the partner of choice for application developers in China, offering access to our large logged-in user base, the network effect of our leading social platforms, our targeted advertising solutions, and our proprietary cloud-based infrastructure support. We are extending our open platforms to mobile and targeting to build a cross-platform ecosystem.

The weakness in our VAS subscription services continued in 2013. This was primarily due to rapid adoption of smart phones by users, whereas our paid subscription services are traditionally focused on PC or feature phones. The weakness was also driven by our stringent measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection. To better align our VAS subscription services with the mobile Internet opportunities, we unified the product teams and product experiences between PC and smart phones, and introduced smart phone-oriented subscription services, such as Super VIP, during the year.

For online games, we consolidated our leading position in China in 2013. While major domestic PC game titles continued to deliver solid growth, we benefited significantly from increased contribution from international markets via LoL, and from the launch of new domestic PC game titles. In the fast-growing mobile game market, we launched our Game Center on Mobile QQ and Weixin, including a range of self-developed and third-party smart phone games. Riding on the extensive user reach and social network effect offered by Mobile QQ and Weixin, these games generated a revenue contribution of over RMB600 million for the fourth quarter of 2013, validating the distribution capabilities of our mobile platforms. We will continue to enrich our game portfolios for PC and mobile. In addition, we will strengthen our mobile distribution platforms to complement the rapid growth of our mobile games.

Online Advertising

Leveraging the growth of our media platforms and social platforms, our online advertising business expanded further in 2013, with revenue growth across the brand display and performance display categories. For brand display advertising, revenues from our online video platform achieved strong growth, driven by increased inventories, improved pricing and enhanced recognition from advertisers. Traditional brand advertising also registered solid revenue growth. For performance display advertising, revenues from our social platforms benefited from growth in impression volume and improved targeting. For search advertising, revenues declined as we transferred our search business to Sogou in September 2013. We believe Sogou is well-positioned to grow its share in the PC and mobile search market after the completion of its integration with SoSo towards the end of 2013.

Longer term, we believe the fast-growing user base and traffic of our mobile platforms will increasingly become an attractive proposition for advertisers. We are exploring different formats of mobile advertising on our platforms to capture the emerging opportunities.

eCommerce Transactions

In 2013, our principal eCommerce transactions business experienced strong growth in transaction volume and revenues as we enhanced our geographic presence, expanded our product range and improved our eCommerce infrastructure. Our marketplaces also registered growth in fee income as we improved product selection and customer service.

Under our strategic partnership with JD.com, we transferred our Wanggou B2C and Paipai C2C marketplace businesses, logistics personnel and assets, as well as a minority stake in Yixun to JD.com, and JD.com has a call option to acquire our remaining stake in Yixun in future. We will support JD.com's growth in the physical goods eCommerce business by offering level 1 access points at Mobile QQ and Weixin, as well as support from other key platforms to JD.com. Both parties will also cooperate on online payment services to improve users' online shopping experience.

Outlook and strategies for 2014

During 2014, we intend to leverage our leading communications and social applications to: (1) support a broad portfolio of associated applications spanning activities such as games, entertainment, information, and utilities; (2) popularise our application stores and application distribution platforms; and (3) build a prosperous ecosystem for O2O and mobile eCommerce activities. We also strive to leverage our platforms to accelerate the growth of mobile games, while reinforcing our leadership in PC client games.

We will continue investing heavily in certain long-term projects we deem strategic, including: (1) purchasing content and improving user experience for our online video service; (2) marketing and popularising our WeChat service in selected international markets; and (3) encouraging uptake of our payment solutions, for example via subsidies to consumers and merchants.

We aim to deepen our relationships with strategic business partners such as CSC, Dianping, Dididache, JD.com and Sogou, among others, providing our partners with our full platform support and bringing their products and services to our users.

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:

	As at 31 December 2013	As at 30 September 2013	Quarter-on-quarter change	As at 31 December 2012	Year-on-year change
	(in millions, unless specified)				
MAU of QQ	**808.0**	815.6	-0.9%	798.2	1.2%
PCU of QQ (for the quarter)	**180.3**	178.2	1.2%	176.4	2.2%
Combined MAU of Weixin and WeChat (Note)	**355.0**	336.0	5.7%	160.8	120.8%
MAU of Qzone	**625.2**	623.3	0.3%	602.7	3.7%
PCU of QQ Game Platform (for the quarter)	**8.5**	8.2	3.7%	8.8	-3.4%
Fee-based VAS registered subscriptions	**88.6**	89.0	-0.4%	104.5	-15.2%

Note:

In view of the evolution of Weixin and WeChat from communications services to multi-functional platforms, we have revised the definition of combined MAU of Weixin and WeChat since the fourth quarter of 2013 to denote the total number of user accounts that sent out one or more messages via Weixin/WeChat or conducted other proactive operations on Weixin/WeChat, such as logging into Game Center or updating Moments, at least once during the last calendar month prior to the relevant date. Comparative figures have been restated to conform to the current period's presentation.

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

- MAU and PCU of QQ grew slightly compared to the same period last year, reflecting users' trend of shifting from PCs to mobile devices. User base of Mobile QQ continued to expand, with smart device MAU increasing by 74% year-to-year to 426 million at the end of the fourth quarter of 2013.

- Weixin and WeChat have been evolving from communications services to multi-functional platforms offering not only messaging activities but also social networking activities and mobile games, as evidenced by increased usage of Moments and Game Center.

- MAU of Qzone grew modestly compared to the same period last year. Smart device MAU increased by 63% year-on-year to 416 million at the end of the fourth quarter of 2013.

Fourth Quarter of 2013 Compared to Third Quarter of 2013

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

	Unaudited Three months ended 31 December 2013	Unaudited Three months ended 30 September 2013
	(RMB in millions)	
Revenues	**16,970**	15,535
Cost of revenues	**(8,198)**	(7,036)
Gross profit	**8,772**	8,499
Interest income	**377**	336
Other gains, net	**405**	66
Selling and marketing expenses	**(2,033)**	(1,465)
General and administrative expenses	**(2,770)**	(2,621)
Operating profit	**4,751**	4,815
Finance income/(costs), net	**6**	(22)
Share of (losses)/profit of associates	**(14)**	50
Share of losses of joint ventures	**(4)**	(11)
Profit before income tax	**4,739**	4,832
Income tax expense	**(808)**	(955)
Profit for the period	**3,931**	3,877
Attributable to:		
Equity holders of the Company	**3,911**	3,867
Non-controlling interests	**20**	10
	3,931	3,877
Non-GAAP profit attributable to equity holders of the Company	**4,498**	4,376

Revenues. Revenues increased by 9% to RMB16,970 million for the fourth quarter of 2013 from the third quarter of 2013. The following table sets forth our revenues by line of business for the fourth quarter of 2013 and the third quarter of 2013:

	Unaudited			
	Three months ended			
	31 December 2013		30 September 2013	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	**11,932**	**70%**	11,635	75%
Online advertising	**1,497**	**9%**	1,390	9%
eCommerce transactions	**3,324**	**20%**	2,359	15%
Others	**217**	**1%**	151	1%
Total revenues	**16,970**	**100%**	15,535	100%

- Revenues from our VAS business increased by 3% to RMB11,932 million for the fourth quarter of 2013 from the third quarter of 2013. Online games revenues remained broadly stable at RMB8,475 million. This mainly reflected the growth and full quarter contribution of revenues from smart phone games integrated with Mobile QQ and Weixin, the increased popularity of LoL across China and international markets, and contributions from new domestic PC game titles such as Blade and Soul, offset by weaker seasonality in China in the fourth quarter. Social networks revenues increased by 8% to RMB3,457 million. This was primarily driven by the growth and full quarter contribution of platform revenues 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 8% to RMB1,497 million for the fourth quarter of 2013 from the third quarter of 2013. This primarily reflected growth in revenues from online video advertising and from performance-based advertising, which more than offset the revenue impact of transferring our online search business to Sogou in September 2013.

- Revenues from our eCommerce transactions business increased by 41% to RMB3,324 million for the fourth quarter of 2013 from the third quarter of 2013. This was mainly driven by growth in our principal eCommerce transactions volume as a result of seasonal effects, including seasonal promotional activities towards the end of the year.

Cost of revenues. Cost of revenues increased by 17% to RMB8,198 million for the fourth quarter of 2013 from the third quarter of 2013. This mainly reflected an increase in cost of merchandise sold. As a percentage of revenues, cost of revenues increased to 48% for the fourth quarter of 2013 from 45% for the third quarter of 2013. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2013 and the third quarter of 2013:

	Unaudited Three months ended			
	31 December 2013		30 September 2013	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	**3,886**	**33%**	4,069	35%
Online advertising	**1,011**	**68%**	662	48%
eCommerce transactions	**3,164**	**95%**	2,220	94%
Others	**137**	**63%**	85	56%
Total cost of revenues	**8,198**		7,036	

- Cost of revenues for our VAS business decreased by 4% to RMB3,886 million for the fourth quarter of 2013 from the third quarter of 2013. This mainly reflected a decrease in sharing and content costs primarily due to weaker seasonality for licensed PC game titles, partly offset by an increase in bandwidth and server custody fees.

- Cost of revenues for our online advertising business increased by 53% to RMB1,011 million for the fourth quarter of 2013 from the third quarter of 2013. This primarily arose from a periodic review of user video viewing patterns, prompting our decision to accelerate the amortisation of video content costs commencing in the fourth quarter of 2013, which resulted in a true up for the shortfall in such amortisation for previous quarters. Excluding the impact of the acceleration of video content costs amortisation and the related true up, which amounted to RMB317 million on aggregate, cost of revenues for our online advertising business would have increased by 5% sequentially.

- Cost of revenues for our eCommerce transactions business increased by 43% to RMB3,164 million for the fourth quarter of 2013 from the third quarter of 2013. This was mainly driven by an increase in cost of merchandise sold due to growth in our principal eCommerce transactions volume.

Other gains, net. Other gains, net for the fourth quarter of 2013 increased to RMB405 million from RMB66 million for the third quarter of 2013. This primarily reflected increases in disposal gains related to certain investees, subsidies and tax rebates as well as dividend income, partially offset by recognition of impairment provision for selected investees in the fourth quarter of 2013.

Selling and marketing expenses. Selling and marketing expenses increased by 39% to RMB2,033 million for the fourth quarter of 2013 from the third quarter of 2013. This was mainly driven by an increase in advertising spending on eCommerce platforms, WeChat, media platforms, and new PC and smart phone games. As a percentage of revenues, selling and marketing expenses increased to 12% for the fourth quarter of 2013 from 9% for the third quarter of 2013.

General and administrative expenses. General and administrative expenses increased by 6% to RMB2,770 million for the fourth quarter of 2013 from the third quarter of 2013. This mainly reflected an increase in staff costs. As a percentage of revenues, general and administrative expenses decreased to 16% for the fourth quarter of 2013 from 17% for the third quarter of 2013.

Finance income/(costs), net. We recorded finance income, net of RMB6 million for the fourth quarter of 2013, compared to finance costs, net of RMB22 million for the third quarter of 2013. The change mainly reflected higher foreign exchange gain on our foreign currency denominated debts due to exchange rate movements in the fourth quarter of 2013.

Income tax expense. Income tax expense decreased by 15% to RMB808 million for the fourth quarter of 2013 from the third quarter of 2013. In the fourth quarter of 2013, no deferred tax liabilities were recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies, whereas RMB135 million was recognised for such deferred tax liabilities in the previous quarter. In addition, a reversal of income tax expense was recorded in the fourth quarter which resulted from the qualification of tax exemption of a subsidiary in China.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 1% to RMB3,911 million for the fourth quarter of 2013 from the third quarter of 2013. Non-GAAP profit attributable to equity holders of the Company increased by 3% to RMB4,498 million for the fourth quarter of 2013 from the third quarter of 2013.

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

The following table sets forth the comparative figures for the years ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013	2012
	(RMB in millions)	
Revenues	**60,437**	43,894
Cost of revenues	**(27,778)**	(18,207)
Gross profit	**32,659**	25,687
Interest income	**1,314**	836
Other gains/(losses), net	**904**	(284)
Selling and marketing expenses	**(5,695)**	(2,994)
General and administrative expenses	**(9,988)**	(7,766)
Operating profit	**19,194**	15,479
Finance costs, net	**(84)**	(348)
Share of profit/(losses) of associates	**213**	(54)
Share of losses of joint ventures	**(42)**	(26)
Profit before income tax	**19,281**	15,051
Income tax expense	**(3,718)**	(2,266)
Profit for the year	**15,563**	12,785
Attributable to:		
Equity holders of the Company	**15,502**	12,732
Non-controlling interests	**61**	53
	15,563	12,785
Non-GAAP profit attributable to equity holders of the Company	**17,063**	14,286

Revenues. Revenues increased by 38% to RMB60,437 million for the year ended 31 December 2013 from the year ended 31 December 2012. The following table sets forth our revenues by line of business for the years ended 31 December 2013 and 2012:

	Year ended 31 December			
	2013		2012	
	Amount	**% of total revenues**	Amount (Restated)	% of total revenues (Restated)
	(RMB in millions, unless specified)			
VAS	**44,985**	**75%**	35,718	81%
Online advertising	**5,034**	**8%**	3,382	8%
eCommerce transactions	**9,796**	**16%**	4,428	10%
Others	**622**	**1%**	366	1%
Total revenues	**60,437**	**100%**	43,894	100%

- Revenues from our VAS business increased by 26% to RMB44,985 million for the year ended 31 December 2013 from the year ended 31 December 2012. Online games revenues increased by 34% to RMB31,966 million. The increase primarily reflected growth in our major PC game titles in China and LoL in international markets as well as contribution from launch of new PC game titles. Social networks revenues increased by 9% to RMB13,019 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. Revenues from our online games and social networks also benefited from initial contributions from smart phone games integrated with Mobile QQ and Weixin.
- Revenues from our online advertising business increased by 49% to RMB5,034 million for the year ended 31 December 2013 from the year ended 31 December 2012. This mainly reflected significant growth in revenues from performance-based social advertising and online video advertising. Revenues from traditional brand advertising also increased, though at a more moderate rate. Revenues from search advertising declined as we transferred our search business to Sogou in September 2013.
- Revenues from our eCommerce transactions business increased by 121% to RMB9,796 million for the year ended 31 December 2013 from the year ended 31 December 2012. This was primarily driven by a significant increase in principal eCommerce transactions volume. Fees generated from transactions on our marketplaces also increased.

Cost of revenues. Cost of revenues increased by 53% to RMB27,778 million for the year ended 31 December 2013 from the year ended 31 December 2012. This mainly reflected increases in cost of merchandise sold, as well as sharing and content costs. As a percentage of revenues, cost of revenues increased to 46% for the year ended 31 December 2013 from 41% for the year ended 31 December 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 years ended 31 December 2013 and 2012:

	Year ended 31 December			
	2013		2012	
	Amount	**% of segment revenues**	Amount (Restated)	% of segment revenues (Restated)
	(RMB in millions, unless specified)			
VAS	**15,384**	**34%**	12,064	34%
Online advertising	**2,777**	**55%**	1,733	51%
eCommerce transactions	**9,239**	**94%**	4,192	95%
Others	**378**	**61%**	218	60%
Total cost of revenues	**27,778**		18,207	

- Cost of revenues for our VAS business increased by 28% to RMB15,384 million for the year ended 31 December 2013 from the year ended 31 December 2012. This mainly reflected an increase in sharing and content costs due to business growth. Bandwidth and server custody fees as well as staff costs also increased.

- Cost of revenues for our online advertising business increased by 60% to RMB2,777 million for the year ended 31 December 2013 from the year ended 31 December 2012. The increase partly arose from a periodic review of user video viewing patterns, prompting our decision to accelerate the amortisation of video content costs commencing in the fourth quarter of 2013, which resulted in a true up for the shortfall in such amortisation for previous years. This also reflected higher bandwidth and server custody fees as well as commissions payable to advertising agencies. Excluding the impact of the acceleration of video content costs amortisation and the related true up, which amounted to RMB317 million on aggregate, cost of revenues for our online advertising business would have increased by 42%.

– Cost of revenues for our eCommerce transactions business increased by 120% to RMB9,239 million for the year ended 31 December 2013 from the year ended 31 December 2012. This mainly reflected an increase in cost of merchandise sold due to growth in our principal eCommerce transactions volume.

Other gains/(losses), net. We recorded other gains, net of RMB904 million for the year ended 31 December 2013, compared to other losses, net of RMB284 million for the year ended 31 December 2012. The change primarily reflected a decrease in impairment provision for selected investees, as well as increases in disposal gains related to certain investees and subsidies and tax rebates.

Selling and marketing expenses. Selling and marketing expenses increased by 90% to RMB5,695 million for the year ended 31 December 2013 from the year ended 31 December 2012. This mainly reflected a step up in marketing activities related to WeChat in international markets and an increase in advertising spending on online games, mobile utilities and eCommerce platforms. Staff costs also increased as our business expanded. As a percentage of revenues, selling and marketing expenses increased to 9% for the year ended 31 December 2013 from 7% for the year ended 31 December 2012.

General and administrative expenses. General and administrative expenses increased by 29% to RMB9,988 million for the year ended 31 December 2013 from the year ended 31 December 2012. This primarily 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 year ended 31 December 2013 from 18% for the year ended 31 December 2012.

Finance costs, net. Finance costs, net decreased by 76% to RMB84 million for the year ended 31 December 2013 from the year ended 31 December 2012. This mainly reflected the recognition of foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the year ended 31 December 2013, compared to foreign exchange losses in the last year.

Income tax expense. Income tax expense increased by 64% to RMB3,718 million for the year ended 31 December 2013 from the year ended 31 December 2012. This primarily reflected higher profit before income tax and the absence of a reversal of income tax expense for a subsidiary in China which was qualified in the fourth quarter of 2012 to enjoy a lower CIT rate for 2011 and 2012. The increase was partly offset by a decrease in deferred tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 22% to RMB15,502 million for the year ended 31 December 2013 from the year ended 31 December 2012. Non-GAAP profit attributable to equity holders of the Company increased by 19% to RMB17,063 million for the year ended 31 December 2013 from the year ended 31 December 2012.

Other Financial Information

			Unaudited		
	Year ended		**Three months ended**		
	31 December		**31 December**	30 September	31 December
	2013	2012	**2013**	2013	2012
	(RMB in millions, unless specified)				
EBITDA (a)	**20,566**	17,540	**5,184**	5,257	4,363
Adjusted EBITDA (a)	**21,734**	18,445	**5,467**	5,601	4,641
Adjusted EBITDA margin (b)	**36%**	42%	**32%**	36%	38%
Interest expense	**394**	327	**105**	99	104
Net cash (c)	**36,218**	27,381	**36,218**	34,400	27,381
Capital expenditures (d)	**5,799**	4,493	**1,679**	1,621	1,784

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:

	Year ended 31 December		Unaudited Three months ended		
	31 December 2013	31 December 2012	**31 December 2013**	30 September 2013	31 December 2012
	(RMB in millions)				
Operating profit	**19,194**	15,479	**4,751**	4,815	3,726
Adjustments:					
Interest income	**(1,314)**	(836)	**(377)**	(336)	(266)
Other (gains)/losses, net	**(904)**	284	**(405)**	(66)	202
Depreciation of fixed assets and investment properties	**2,484**	1,880	**680**	644	531
Amortisation of intangible assets	**1,106**	733	**535**	200	170
EBITDA	**20,566**	17,540	**5,184**	5,257	4,363
Equity-settled share-based compensation	**1,168**	905	**283**	344	278
Adjusted EBITDA	**21,734**	18,445	**5,467**	5,601	4,641

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 years ended 31 December 2013 and 2012, the fourth quarters of 2013 and 2012, and the third quarter of 2013 to the nearest measures prepared in accordance with IFRS:

	Year ended 31 December 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 millions, unless specified)							
Operating profit	**19,194**	**1,168**	**618**	**–**	**139**	**87**	**(438)**	**20,768**
Profit for the year	**15,563**	**1,168**	**618**	**–**	**240**	**87**	**(438)**	**17,238**
Profit attributable to equity holders	**15,502**	**1,155**	**547**	**–**	**210**	**87**	**(438)**	**17,063**
Operating margin	**32%**							**34%**
Net margin	**26%**							**29%**

	Year ended 31 December 2012							
		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 millions, unless specified)							
Operating profit	15,479	905	108	5	247	699	(390)	17,053
Profit for the year	12,785	905	108	5	286	699	(390)	14,398
Profit attributable to equity holders	12,732	890	95	5	255	699	(390)	14,286
Operating margin	35%							39%
Net margin	29%							33%

	Unaudited three months ended 31 December 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 millions, unless specified)							
Operating profit	**4,751**	**283**	**180**	**–**	**24**	**87**	**–**	**5,325**
Profit for the period	**3,931**	**283**	**180**	**–**	**66**	**87**	**–**	**4,547**
Profit attributable to equity holders	**3,911**	**278**	**160**	**–**	**62**	**87**	**–**	**4,498**
Operating margin	**28%**							**31%**
Net margin	**23%**							**27%**

	Unaudited three 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 millions, unless specified)							
Operating profit	4,815	344	134	–	38	–	–	5,331
Profit for the period	3,877	344	134	–	58	–	–	4,413
Profit attributable to equity holders	3,867	340	119	–	50	–	–	4,376
Operating margin	31%							34%
Net margin	25%							28%

	Unaudited three months ended 31 December 2012							
		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 millions, unless specified)							
Operating profit	3,726	278	25	–	40	251	–	4,320
Profit for the period	3,471	278	25	–	65	251	–	4,090
Profit attributable to equity holders	3,464	275	22	–	56	251	–	4,068
Operating margin	31%							36%
Net margin	29%							34%

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 31 December 2013 and 30 September 2013 are as follows:

	Audited 31 December 2013	Unaudited 30 September 2013
	(RMB in millions)	
Cash and cash equivalents	**20,228**	18,602
Term deposits, current and non-current	**31,043**	31,021
	51,271	49,623
Borrowings, current and non-current	**(5,912)**	(6,007)
Long-term notes payable	**(9,141)**	(9,216)
Net cash	**36,218**	34,400

As at 31 December 2013, RMB6,039 million of our financial resources (30 September 2013: RMB8,449 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 31 DECEMBER 2013

	Note	As at 31 December **2013** **RMB'Million**	2012 RMB'Million
ASSETS			
Non-current assets			
Fixed assets		**8,693**	7,403
Construction in progress		**2,041**	534
Investment properties		**–**	22
Land use rights		**871**	794
Intangible assets		**4,103**	4,719
Interests in associates	3	**12,170**	7,310
Investment in joint ventures		**9**	35
Deferred income tax assets		**431**	169
Available-for-sale financial assets	4	**12,515**	5,633
Prepayments, deposits and other assets		**1,296**	1,236
Term deposits		**11,420**	10,892
		53,549	38,747
Current assets			
Inventories		**1,384**	568
Accounts receivable	5	**2,955**	2,354
Prepayments, deposits and other assets		**5,365**	3,878
Term deposits		**19,623**	13,806
Restricted cash		**4,131**	2,520
Cash and cash equivalents		**20,228**	13,383
		53,686	36,509
Total assets		**107,235**	75,256

	Note	As at 31 December 2013 RMB'Million	2012 RMB'Million
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**–**	–
Share premium		**2,846**	2,880
Shares held for share award schemes		**(871)**	(667)
Other reserves		**3,746**	816
Retained earnings		**52,224**	38,269
		57,945	41,298
Non-controlling interests		**518**	850
Total equity		**58,463**	42,148
LIABILITIES			
Non-current liabilities			
Borrowings	7	**3,323**	2,106
Long-term notes payable	8	**9,141**	7,517
Deferred income tax liabilities		**1,441**	1,312
Long-term payables		**1,600**	1,508
		15,505	12,443
Current liabilities			
Accounts payable	9	**6,680**	4,212
Other payables and accruals		**10,246**	6,301
Borrowings	7	**2,589**	1,077
Current income tax liabilities		**1,318**	420
Other tax liabilities		**593**	540
Deferred revenue		**11,841**	8,115
		33,267	20,665
Total liabilities		**48,772**	33,108
Total equity and liabilities		**107,235**	75,256
Net current assets		**20,419**	15,844
Total assets less current liabilities		**73,968**	54,591

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 RMB'Million	2012 RMB'Million
Revenues			
Value-added services		**44,985**	35,718
Online advertising		**5,034**	3,382
eCommerce transactions		**9,796**	4,428
Others		**622**	366
		60,437	43,894
Cost of revenues	11	**(27,778)**	(18,207)
Gross profit		**32,659**	25,687
Interest income		**1,314**	836
Other gains/(losses), net	10	**904**	(284)
Selling and marketing expenses	11	**(5,695)**	(2,994)
General and administrative expenses	11	**(9,988)**	(7,766)
Operating profit		**19,194**	15,479
Finance costs, net		**(84)**	(348)
Share of profit/(losses) of associates		**213**	(54)
Share of losses of joint ventures		**(42)**	(26)
Profit before income tax		**19,281**	15,051
Income tax expense	12	**(3,718)**	(2,266)
Profit for the year		**15,563**	12,785

	Note	Year ended 31 December 2013 RMB'Million	 2012 RMB'Million
Attributable to:			
Equity holders of the Company		**15,502**	12,732
Non-controlling interests		**61**	53
		15,563	12,785
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
- basic	13	**8.464**	6.965
- diluted	13	**8.298**	6.833
Dividend per share			
Final dividend proposed	14	**HKD1.20**	HKD1.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Year ended 31 December	
	2013	2012
	RMB'Million	RMB'Million
Profit for the year	**15,563**	12,785
Other comprehensive income, net of tax:		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	**48**	–
Net gains from changes in fair value of available-for-sale financial assets	**2,825**	824
Currency translation differences	**(60)**	10
	2,813	834
Total comprehensive income for the year	**18,376**	13,619
Attributable to:		
Equity holders of the Company	**18,327**	13,567
Non-controlling interests	**49**	52
	18,376	13,619

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	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'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2013	**–**	**2,880**	**(667)**	**816**	**38,269**	**41,298**	**850**	**42,148**
Comprehensive income								
Profit for the year	–	–	–	–	15,502	15,502	61	15,563
Other comprehensive income:								
- share of other comprehensive income of associates	–	–	–	48	–	48	–	48
- net gains from changes in fair value of available-for-sale financial assets	–	–	–	2,825	–	2,825	–	2,825
- currency translation differences	–	–	–	(48)	–	(48)	(12)	(60)
Total comprehensive income for the year	**–**	**–**	**–**	**2,825**	**15,502**	**18,327**	**49**	**18,376**
Transaction with owners								
Capital injection	–	–	–	–	–	–	5	5
Employee share option schemes:								
- value of employee services	–	58	–	62	–	120	9	129
- proceeds from shares issued	–	308	–	–	–	308	–	308
Employee share award schemes:								
- value of employee services	–	999	–	36	–	1,035	4	1,039
- shares purchased for share award schemes	–	–	(278)	–	–	(278)	–	(278)
- vesting of awarded shares	–	(74)	74	–	–	–	–	–
Profit appropriations to statutory reserves	–	–	–	79	(79)	–	–	–
Repurchase and cancellation of shares	–	(1,325)	–	–	–	(1,325)	–	(1,325)
Dividends (Note 14)	–	–	–	–	(1,468)	(1,468)	(77)	(1,545)
Total contributions by and distributions to owners for the year	–	(34)	(204)	177	(1,547)	(1,608)	(59)	(1,667)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	2	2
Non-controlling interests arising from disposal of a subsidiary	–	–	–	–	–	–	(247)	(247)
Acquisition of additional equity interests in non-wholly owned subsidiaries	–	–	–	(72)	–	(72)	(77)	(149)
Total transactions with owners for the year	**–**	**(34)**	**(204)**	**105**	**(1,547)**	**(1,680)**	**(381)**	**(2,061)**
Balance at 31 December 2013	**–**	**2,846**	**(871)**	**3,746**	**52,224**	**57,945**	**518**	**58,463**

	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award scheme RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
	Attributable to equity holders of the Company							
Balance at 1 January 2012	–	1,951	(607)	409	26,710	28,463	625	29,088
Comprehensive income								
Profit for the year	–	–	–	–	12,732	12,732	53	12,785
Other comprehensive income:								
- net gains from changes in fair value of available-for-sale financial assets	–	–	–	824	–	824	–	824
- currency translation differences	–	–	–	11	–	11	(1)	10
Total comprehensive income for the year	–	–	–	835	12,732	13,567	52	13,619
Transaction with owners								
Capital injection	–	–	–	–	–	–	22	22
Employee share option schemes:								
- value of employee services	–	95	–	59	–	154	22	176
- proceeds from shares issued	–	238	–	–	–	238	–	238
Employee share award schemes:								
- value of employee services	–	677	–	45	–	722	7	729
- shares purchased for share award schemes	–	–	(121)	–	–	(121)	–	(121)
- vesting of awarded shares	–	(61)	61	–	–	–	–	–
Profit appropriations to statutory reserves	–	–	–	65	(65)	–	–	–
Repurchase and cancellation of shares	–	(20)	–	–	–	(20)	–	(20)
Dividends (Note 14)	–	–	–	–	(1,108)	(1,108)	(117)	(1,225)
Total contributions by and distributions to owners for the year	–	929	(60)	169	(1,173)	(135)	(66)	(201)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	248	248
Acquisition of additional equity interests in non-wholly owned subsidiaries	–	–	–	(240)	–	(240)	(9)	(249)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	–	–	–	(357)	–	(357)	–	(357)
Total transactions with owners for the year	–	929	(60)	(428)	(1,173)	(732)	173	(559)
Balance at 31 December 2012	–	2,880	(667)	816	38,269	41,298	850	42,148

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Year ended 31 December	
	2013	2012
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	**24,374**	19,429
Net cash flows used in investing activities	**(19,134)**	(16,270)
Net cash flows generated from/(used in) financing activities	**1,708**	(2,386)
Net increase in cash and cash equivalents	**6,948**	773
Cash and cash equivalents at beginning of the year	**13,383**	12,612
Exchange losses on cash and cash equivalents	**(103)**	(2)
Cash and cash equivalents at end of the year	**20,228**	13,383
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**11,093**	8,460
Term deposits and highly liquid investments with initial term within three months	**9,135**	4,923
	20,228	13,383

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 statements of the Group have been approved by the Board on 19 March 2014.

The consolidated financial statements of the Group have been prepared in accordance with IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The Group has adopted the following new/revised standards for the first time for the consolidated financial statements.

Amendment to IAS 1	Financial statement presentation
IAS 19	Employee benefits
Amendment to IFRS 1	First time adoption
Amendment to IFRS 7	Financial instruments: Disclosures
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement

The adoption of the above new/revised standards had no significant financial effect on the consolidated financial statements.

The Group has early adopted Amendment to IAS 36, 'Impairment of assets' for the first time for the consolidated financial statements. The adoption of Amendment to IAS 36 has no significant financial effect on the consolidated financial statements.

The following new and revised standards have been issued but are not effective for the financial year beginning 1 January 2013, and have not been early adopted by the Group.

Amendment to IAS 32	Financial instruments: Presentation
Amendment to IAS 39	Financial Instruments: Recognition and Measurement
IFRS 9	Financial instruments
Amendments to IFRS 10, 12 and IAS 27	Consolidation for investment entities
IFRIC 21	Levies

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 consolidated financial statements of the Group. The comparative figures have been restated to comply with the new presentation. The Board 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 following reportable segments for the years ended 31 December 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 years ended 31 December 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 years ended 31 December 2013 and 2012 is as follows:

	Year ended 31 December 2013				
	VAS RMB'Million	Online advertising RMB'Million	eCommerce transactions RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	**44,985**	**5,034**	**9,796**	**622**	**60,437**
Gross profit	**29,601**	**2,257**	**557**	**244**	**32,659**
Depreciation	**1,656**	**138**	**16**	**19**	**1,829**
Amortisation	**336**	**514**	**–**	**–**	**850**
Share of profit/(losses) of associates	**170**	**(27)**	**(53)**	**123**	**213**
Share of losses of joint ventures	**(42)**	**–**	**–**	**–**	**(42)**

	Year ended 31 December 2012				
	VAS	Online advertising	eCommerce transactions	Others	Total
	RMB'Million (Restated)	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	35,718	3,382	4,428	366	43,894
Gross profit	23,654	1,649	236	148	25,687
Depreciation	1,231	107	9	17	1,364
Amortisation	200	199	–	–	399
Share of (losses)/profit of associates	(85)	–	(33)	64	(54)
Share of losses of joint ventures	(26)	–	–	–	(26)

3 Interests in associates

	As at 31 December	
	2013	2012
	RMB'Million	RMB'Million
Investments in associates (a)		
- Listed shares	**1,426**	1,481
- Unlisted shares	**9,441**	4,829
	10,867	6,310
Investments in redeemable preference shares of associates (b)	**1,119**	838
Loans to associates (c)	**184**	162
	12,170	7,310

Note:

(a) Investments in associates

	2013 RMB'Million	2012 RMB'Million
At beginning of the year	**6,310**	3,764
Additions ((i), (ii) and (iii))	**4,534**	2,969
Share of profit/(losses) of associates	**213**	(54)
Share of other comprehensive income of associates	**48**	–
Disposal of associates	**(152)**	(98)
Impairment provision (iv)	**(44)**	(195)
Dividends received from associates	**(42)**	(33)
Decrease as a result of step-up business combinations	**–**	(43)
At end of the year	**10,867**	6,310

(i) In June 2013, the Group acquired additional non-redeemable preference 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 approximately USD47 million (equivalent to approximately RMB290 million), and increased the Group's equity interest in KIS from approximately 10.0% to approximately 18.0%.

(ii) In 2013, the Group subscribed for ordinary shares and preference shares in Sogou ("Sogou acquisition"), representing 40.9% of the share capital of Sogou and 24.8% 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 approximately USD516 million (equivalent to approximately RMB3,179 million). 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 representative in Sogou's board of directors, Sogou is accounted for as an associate of the Group.

(iii) In addition to the above, the Group acquired some other associates or made additional investments in existing associates for an aggregate consideration of RMB702 million during the year ended 31 December 2013. They are principally engaged in provision of online community services, online game development and other Internet-related businesses.

(iv) During the year ended 31 December 2013, the Group made impairment provision of RMB44 million (2012: RMB195 million) for investments in associates based on the assessment with reference to business performance and recoverable value of 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.

During the year ended 31 December 2013, the Group also made impairment provision of approximately RMB17 million (2012: RMB449 million) for the investments in redeemable preference shares of certain associates based on the assessment made with reference to the business performance and recoverable values of the underlying associates.

(c) Loans to associates

As at 31 December 2013, the carrying amount of the loans to associates of the Group amounted to RMB184 million (2012: RMB162 million). The aggregate principal amount of the loans to associates is RMB179 million (2012: RMB160 million), which are required to be repaid in 2 years. These loans bear interest rates of 4.0% to 6.0% per annum or are interest-free.

4 Available-for-sale financial assets

	As at 31 December	
	2013	2012
	RMB'Million	RMB'Million
At beginning of the year	**5,633**	4,344
Additions ((a), (b) and (c))	**3,890**	556
Transfer to interests in associates	**–**	(31)
Gains from changes in fair value	**3,018**	819
Impairment provision	**(26)**	(55)
At end of the year, all non-current	**12,515**	5,633
Market value of listed securities	**6,245**	4,083

Note:

(a) In June 2013, the Group acquired certain equity interests 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 million (equivalent to approximately RMB309 million).

(b) In October 2013, the Group, as a limited partner, subscribed for certain partnership interest of a newly established partnership at a total cash consideration of approximately USD429 million (equivalent to approximately RMB2,638 million). The partnership holds certain equity interests in Activision Blizzard Inc., an US listed company, which is mainly engaged in interactive entertainment business.

(c) In addition to the above, the Group also acquired some other available-for-sale financial assets or made additional investments in existing available-for-sale financial assets for an aggregate consideration of RMB943 million during the year ended 31 December 2013. They are principally engaged in the provision of online community services, online games development and other Internet-related businesses.

5 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

	As at 31 December	
	2013	2012
	RMB'Million	RMB'Million
0 - 30 days	**1,537**	1,407
31 - 60 days	**827**	553
61 - 90 days	**369**	257
Over 90 days	**222**	137
	2,955	2,354

Receivable balances as at 31 December 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 telecommunication operators to pay amounts owed to the Group within a specified period of time, they usually settle the amounts due by them within a period of 30 to 120 days. Brand display advertising customers, which are mainly advertising agencies, are usually granted a credit period of 90 days after full execution of the contracted advertisement orders.

6 Share option and share award schemes

(a) Share option schemes

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

(i) Pre-IPO Option Scheme

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

(ii) Post-IPO Option Scheme I

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

(iii) Post-IPO Option Scheme II

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

(iv) Post-IPO Option Scheme III

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

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	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	**HKD11.10**	**(3,777,146)**	**HKD45.33**	**(7,584,724)**	**–**	**–**	**(11,361,870)**
Lapsed	**HKD5.51**	**(77)**	**HKD125.67**	**(400,368)**	**–**	**–**	**(400,445)**
At 31 December 2013	**HKD11.25**	**819,266**	**HKD75.69**	**12,648,005**	**HKD158.50**	**1,000,000**	**14,467,271**
Exercisable as at 31 December 2013	**HKD11.25**	**819,266**	**HKD53.99**	**7,896,272**	**–**	**–**	**8,715,538**
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	HKD13.81	(4,090,290)	HKD45.49	(5,204,932)	–	–	(9,295,222)
Lapsed	HKD11.54	(75,158)	HKD44.68	(483,859)	–	–	(559,017)
At 31 December 2012	HKD11.13	4,596,489	HKD65.50	20,633,097	HKD158.50	1,000,000	26,229,586
Exercisable as at 31 December 2012	HKD11.13	4,596,489	HKD45.03	9,931,574	–	–	14,528,063

During the years ended 31 December 2013 and 2012, no share option was granted to any directors of the Company.

(b) Share award schemes

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

Movements in the number of shares held for the Share Award Schemes and awarded shares for the years ended 31 December 2013 and 2012 are as follows:

	Number of shares held for the Share Award Schemes	**Number of awarded shares**	**Total**
At 1 January 2013	**405,230**	**18,944,442**	**19,349,672**
Purchased and withheld	**999,306**	**–**	**999,306**
Allotted	**4,058,740**	**–**	**4,058,740**
Granted	**(5,188,175)**	**5,188,175**	**–**
Lapsed	**1,160,558**	**(1,160,558)**	**–**
Vested and transferred	**–**	**(4,906,063)**	**(4,906,063)**
At 31 December 2013	**1,435,659**	**18,065,996**	**19,501,655**
Vested but not transferred as at 31 December 2013			**–**
At 1 January 2012	1,970,840	15,838,999	17,809,839
Purchased and withheld	651,901	–	651,901
Allotted	4,378,400	–	4,378,400
Granted	(7,569,380)	7,569,380	–
Lapsed	973,469	(973,469)	–
Vested and transferred	–	(3,490,468)	(3,490,468)
At 31 December 2012	405,230	18,944,442	19,349,672
Vested but not transferred as at 31 December 2012			5

During the years ended 31 December 2013 and 2012, no awarded share was granted to any directors of the Company.

7 Borrowings

	As at 31 December	
	2013	2012
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings		
- Unsecured (a)	**3,323**	2,106
Included in current liabilities:		
RMB bank borrowings		
- Secured	**–**	15
- Unsecured	**150**	25
USD bank borrowings		
- Unsecured (b)	**2,134**	943
Current portion of long-term USD bank borrowings		
- Unsecured (a)	**305**	94
	2,589	1,077
	5,912	3,183

Note:

(a) The aggregate principal amount of long-term USD bank borrowings was USD595 million. Applicable interest rates are at LIBOR plus 1.05% to 1.97% per annum.

(b) The aggregate principal amount of short-term USD bank borrowings was USD350 million. Applicable interest rates are at LIBOR plus 1.20% to 1.25% 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 million 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 million 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 million 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 31 December 2013, the carrying amount of these notes was RMB9,141 million.

9 Accounts payable

Accounts payable and their ageing analysis are as follows:

	As at 31 December	
	2013	2012
	RMB'Million	RMB' Million
0 - 30 days	**4,063**	3,574
31 - 60 days	**1,147**	430
61 - 90 days	**366**	176
Over 90 days	**1,104**	32
	6,680	4,212

10 Other gains/(losses), net

	2013	2012
	RMB'Million	RMB'Million
Impairment provision for investees	**(87)**	(699)
Dividend income	**509**	407
Gains on disposal of investees	**267**	7
Subsidies and tax rebates	**368**	226
Losses from derivative financial instruments	**–**	(21)
Donation to Tencent Charity Fund	**(124)**	(120)
Others	**(29)**	(84)
	904	(284)

11 Expenses by nature

	2013 RMB'Million	2012 RMB'Million
Employee benefits expenses (a)	**10,364**	7,724
Content costs and agency fees(b)	**8,523**	6,587
Cost of merchandise sold	**8,991**	4,067
Mobile and telecommunications charges and bandwidth and server custody fees	**4,207**	3,409
Promotion and advertising expenses	**3,894**	1,998
Depreciation of fixed assets (a)	**2,484**	1,880
Amortisation of intangible assets (b)	**1,106**	733
Operating lease rentals in respect of office buildings	**867**	615
Travelling and entertainment expenses	**422**	316
Auditor's remuneration		
- Audit services	**18**	15
- Non-audit services	**11**	7

Note:

(a) Research and development expenses for the year ended 31 December 2013 were RMB5,095 million (2012: RMB4,176 million) which included employee benefits expenses of RMB4,000 million (2012: RMB3,358 million) and depreciation of fixed assets of RMB533 million (2012: RMB450 million). No development expenses had been capitalised for the years ended 31 December 2013 and 2012.

(b) Amortisation expense of licenses and licensed online contents were included in amortisation of intangible assets.

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 corporate income tax

The Group was not subject to any taxation in these jurisdictions for the years ended 31 December 2013 and 2012.

(b) Hong Kong profits tax

Hong Kong profits tax provision has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year ended 31 December 2013.

(c) PRC corporate income tax

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

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 (the "CIT Law"), the CIT rate for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

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 CIT provision was provided during the year ended 31 December 2013 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36% (2012:36%).

(e) Corporate income tax in other countries

CIT provision has been provided for the year ended 31 December 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% (2012: 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 fulfill the aforesaid conditions.

The income tax expense of the Group for the years ended 31 December 2013 and 2012 are analysed as follows:

	2013 RMB'Million	2012 RMB'Million
Current tax	**3,607**	1,747
Deferred income tax	**111**	519
	3,718	2,266

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 year ended 31 December 2013 (2012: 25%), being the tax rate of the major subsidiaries of the Group before enjoying preferential tax treatments. The difference is analysed as follows:

	2013 RMB'Million	2012 RMB'Million
Profit before income tax	**19,281**	15,051
Share of (profit)/losses of associates and joint ventures	**(171)**	80
	19,110	15,131
Tax calculated at a tax rate of 25% (2012: 25%)	**4,777**	3,783
Effects of different tax rates applicable to different subsidiaries of the Group	**(1,657)**	(2,028)
Effects of tax holiday on assessable profits of subsidiaries	**(317)**	(308)
Income not subject to tax	**(125)**	(110)
Expenses not deductible for tax purposes	**358**	275
Withholding tax on earnings expected to be remitted by PRC subsidiaries	**347**	552
Unrecognised deferred income tax assets	**315**	87
Others	**20**	15
Income tax expense	**3,718**	2,266

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 year.

	2013	2012
Profit attributable to equity holders of the Company (RMB'Million)	**15,502**	12,732
Weighted average number of ordinary shares in issue (million shares)	**1,832**	1,828
Basic EPS (RMB per share)	**8.464**	6.965

(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 year ended 31 December 2013, these share options and restricted shares either had anti-dilutive effect or their dilutive effect was insignificant to the Group.

	2013	2012
Profit attributable to equity holders of the Company (RMB'Million)	**15,502**	12,732
Weighted average number of ordinary shares in issue (million shares)	**1,832**	1,828
Adjustments for share options (million shares)	**16**	23
Adjustments for awarded shares (million shares)	**20**	12
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	**1,868**	1,863
Diluted EPS (RMB per share)	**8.298**	6.833

14 Dividends

The dividends paid in 2013 amounted to RMB1,468 million (2012: RMB1,108 million), which excluded the dividends of RMB15 million (2012: RMB11 million) related to the shares held by the Share Scheme Trust for the purposes of the Share Award Schemes.

A final dividend in respect of the year ended 31 December 2013 of HKD1.20 per share (2012: HKD1.00 per share) was proposed pursuant to a resolution passed by the Board on 19 March 2014 and subject to the approval of the shareholders at the 2014 AGM. The consolidated financial statements do not reflect this dividends payable.

15 Subsequent events

Investment in JD.com

In March 2014, the Group entered into a series of agreements (including a share subscription agreement, a call option agreement and certain equity transfer and asset transfer agreements) with JD.com ("JD.com Pre-IPO Subscription"), an online direct sales company operating in the PRC, to purchase 351,678,637 ordinary shares of JD.com, representing 15.0% of the outstanding JD.com ordinary shares immediately after the completion of the JD.com Pre-IPO Subscription, at a total consideration of net cash payment, certain eCommerce related businesses and assets of the Group, 9.9% equity interest in Shanghai Icson with a call option granted to acquire the remaining equity interests held by the Group in Shanghai Icson at the higher of RMB800 million and the then fair value of the interests. In addition, the Group entered into a strategic cooperation agreement with JD.com. On the same day, the Group also entered into an IPO share subscription agreement to agree to subscribe for a further 5.0% of the outstanding JD.com ordinary shares on a post IPO basis immediately after the consummation of the JD.com's IPO. The Group accounted for the investment in JD.com as an investment in associate.

OTHER INFORMATION

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

During the year ended 31 December 2013, the Company repurchased 6,643,000 shares on the Stock Exchange for an aggregate consideration of approximately HKD1,634 million before expenses. The repurchased shares were subsequently cancelled. The repurchases were effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in 2013	No. of shares purchased	Purchase consideration per share Highest price paid HKD	Purchase consideration per share Lowest price paid HKD	Aggregate consideration paid HKD
March	2,057,300	258.8	239.6	508,772,607
April	4,585,700	251.4	238.4	1,125,505,991
Total	6,643,000			1,634,278,598

Save as disclosed above and in the "Financial Information" section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2013.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the 2014 AGM

The register of members will be closed from Monday, 12 May 2014 to Wednesday, 14 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2014 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 May 2014.

(b) Entitlement to the Proposed Final Dividend

The register of members will be closed from Tuesday, 20 May 2014 to Wednesday, 21 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 May 2014.

Employee and Remuneration Policies

As at 31 December 2013, the Group had 27,492 employees (2012: 24,160). 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 year ended 31 December 2013 was RMB10,364 million (2012: RMB7,724 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 audited financial statements for the year ended 31 December 2013.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

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, for any part of the year ended 31 December 2013, complied with the CG Code.

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.

Publication of the Annual Results, Annual Report and Corporate Governance Report

All the financial and other related information of the Company required by the Listing Rules will be published on the website of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.tencent.com) in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincerest appreciation to our employees for their hardwork, valuable dedication and contributions, which are fundamental for the Group's success and future development. I would also like to extend my heartfelt gratitude to our shareholders and stakeholders for their continued trust, support and steadfast confidence in us. Together, we will continue to build a prosperous ecosystem for the Internet industry.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 19 March 2014

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:

Term	Definition
"2014 AGM"	the annual general meeting of the Company to be held on 14 May 2014
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"B2C"	business to consumer
"Board"	the board of directors of the Company
"C2C"	consumer to consumer
"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" or "Tencent"	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
"CSC"	China South City Holdings Limited, a limited liability company incorporated in Hong Kong and the shares of which are listed on the Stock Exchange
"Dianping"	Dianping Holdings Ltd., a limited liability company incorporated in the Cayman Islands
"Dididache"	Xiaoju Science and Technology Limited, a limited liability company incorporated in the Cayman Islands

"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 Standards
"IFRS"	International Financial Reporting Standards
"IPO"	initial public offering
"IVAS"	Internet value-added services
"JD.com"	JD.com, Inc., a limited liability company incorporated in the Cayman Islands
"KIS"	Kingsoft Internet Security Software Holdings Limited, a limited liability company incorporated in the Cayman Islands
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LoL"	League of Legends
"Mail.ru"	Mail.ru Group Limited
"MAU"	monthly active user accounts
"MVAS"	mobile and telecommunications value-added services
"O2O"	online to offline
"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
"Shanghai Icson" or "Yixun"	Shanghai Icson E-Commerce Development Company Limited (上海易訊電子商務發展有限公司), a company formed under the laws of the PRC, a subsidiary of the Group
"Share Award Schemes"	the share award scheme adopted by the Company on 13 December 2007, as amended; and the restricted share award scheme adopted by the Company on 13 November 2013
"Sogou"	Sogou Inc., a limited liability company incorporated in the Cayman Islands
"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 Schemes
"United States" or "US"	the United States of America
"USD"	the lawful currency of the United States
"VAS"	value-added services