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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 2015**

The Board is pleased to announce the unaudited consolidated results of the Group for the three and nine months ended 30 September 2015. 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

	Unaudited		
	Nine months ended		
	30 September	30 September	Year-
	2015	2014	on-year
	(RMB in millions, unless specified)		
			change
Revenues	72,422	57,954	25%
Gross profit	43,452	35,413	23%
Operating profit	29,739	23,148	28%
Profit for the period	21,910	17,934	22%
Profit attributable to equity holders of the Company	21,642	17,950	21%
Non-GAAP profit attributable to equity holders of the Company*	23,457	17,842	31%
EPS (RMB per share)			
- basic	2.328	1.948	20%
- diluted	2.298	1.918	20%
Non-GAAP EPS (RMB per share)*			
- basic	2.524	1.936	30%
- diluted	2.490	1.906	31%

	Unaudited				
	Three months ended				
	30 September	30 September	Year-	30 June	Quarter-
	2015	2014	on-year	2015	on-quarter
	(RMB in millions, unless specified)				
			change		change
Revenues	26,594	19,808	34%	23,429	14%
Gross profit	15,580	12,641	23%	14,438	8%
Operating profit	10,331	7,515	37%	10,036	3%
Profit for the period	7,584	5,676	34%	7,396	3%
Profit attributable to equity holders of the Company	7,445	5,657	32%	7,314	2%
Non-GAAP profit attributable to equity holders of the Company*	8,280	6,577	26%	7,975	4%
EPS (RMB per share)					
- basic	0.800	0.612	31%	0.787	2%
- diluted	0.792	0.605	31%	0.778	2%
Non-GAAP EPS (RMB per share)*					
- basic	0.890	0.712	25%	0.858	4%
- diluted	0.881	0.703	25%	0.849	4%

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

BUSINESS REVIEW AND OUTLOOK

Overall Financial Performance

In the third quarter of 2015, revenues increased by 34% year-on-year to RMB26,594 million. Excluding the eCommerce transactions business, revenues increased by 37% year-on-year to RMB26,482 million.

- *VAS.* Revenues from our VAS business increased by 28% year-on-year to RMB20,547 million. Our online game business achieved healthy growth in revenues, mainly driven by new smart phone games and key PC client games. Our social networks revenues expanded, reflecting increased contributions from both subscription services and in-game item sales within our mobile social networking platforms.
- *Online advertising.* Revenues from our online advertising business increased by 102% year-on-year to RMB4,938 million, primarily driven by performance-based social advertising on mobile inventories and by video and news advertising on mobile platforms.

Profit attributable to equity holders of the Company increased by 32% year-on-year to RMB7,445 million. Non-GAAP profit attributable to equity holders of the Company increased by 26% year-on-year to RMB8,280 million.

Strategic Highlights

In the third quarter of 2015, we sought to execute our “Connection” strategy via fostering a healthy mobile ecosystem with enriched O2O user experiences, and via strengthening our relationship with strategic partners, bringing our own and our partners’ products and services to China consumers via various platforms. Key initiatives this quarter included:

- Driving the adoption of our payment services, QQ Wallet and Weixin Pay, via enriching payment scenarios, including highly frequent O2O service transactions;
- Optimizing O2O user experience on our platforms via streamlining user activities, including discovering, selecting, paying for and sharing consumer feedback on O2O services;

- Moving forward in monetizing our mobile traffic via enhanced performance-based advertising services;
- Revamping our smart phone game strategy, which contributed to an uptick in our smart phone game revenue;
- Launching the first 9.9 Charity Day, in which we and our partners facilitated Internet users to donate to a range of charitable initiatives on or around September 9, via leveraging our platforms and payment services.

Divisional and Product Highlights

Operating Information

	As at 30 September 2015	As at 30 September 2014	Year- on-year change	As at 30 June 2015	Quarter- on-quarter change
	(in millions, unless specified)				
MAU of QQ	859.7	819.8	4.9%	843.4	1.9%
Smart device MAU of QQ	639.1	542.2	17.9%	627.0	1.9%
PCU of QQ (for the quarter)	239.1	216.5	10.4%	233.0	2.6%
Combined MAU of Weixin and WeChat	649.5	468.1	38.8%	600.0	8.3%
MAU of Qzone	653.1	628.9	3.8%	659.2	-0.9%
Smart device MAU of Qzone	576.8	506.3	13.9%	573.5	0.6%
Fee-based VAS registered subscriptions	88.5	88.7	-0.2%	84.3	5.0%

Key Platforms

- For QQ, smart device MAU increased by 18% year-on-year to 639 million at the end of the quarter, while overall PCU increased by 10% year-on-year to 239 million. QQ is the most popular social platform for young and entertainment-driven users in China. Mobile QQ usage benefited from enriched QQ Group functionalities for popular user scenarios, such as schoolwork project assignment cooperation for students and a near-by function for finding new friends. QQ Wallet gained popularity mainly due to increased C2C transactions, such as red envelope gifting.

- For Qzone, smart device MAU increased by 14% year-on-year to 577 million at the end of the quarter. User activity benefited from enhanced features in areas such as photo editing.
- For Weixin and WeChat together, MAU reached 650 million at the end of the quarter, representing year-on-year growth of 39%. Weixin is a fast-growing mobile-focused social platform that attracts a broad range of users, including those who did not use instant messaging before. We enhanced user experience by upgrading voice and video communication functions, and by adding user tools for group chatting. We further drove the adoption of Weixin Pay via increased eCommerce and O2O service transactions, and via enhanced popularity of C2C money transfers.

As we enrich payment scenarios and invest in initiatives to deepen users' mobile payment habit, we are incurring significant bank handling fees on the C2C money transfers which we offer to users largely for free. We believe such cost represents a worthwhile investment for the future given the rapid growth in users binding their bank cards to their Weixin Pay or QQ Wallet accounts, and the fast increase in monthly usage of such accounts. The aggregate number of Weixin Pay and QQ Wallet accounts bound with bank cards exceeded 200 million in September.

VAS

In the third quarter of 2015, our social networks business achieved 32% year-on-year revenue growth as we improved mobile privileges and enriched digital content subscription services. We will continue to add premium content for our reading, music and video subscription services.

In online games, we began executing on our new smart phone game strategy and sustained our market leadership.

- For PC client games, we achieved low double-digit year-on-year revenue growth thanks to increased contributions from key titles and enhanced user engagement.
- For smart phone games, we generated 60% year-on-year revenue growth on a gross-to-gross basis, with approximately RMB5.3 billion revenue in the third quarter. We achieved or retained leadership in multiple genres, such as running, MOBA, shooting and board games, as we leveraged our experience operating in multiple categories in PC client games.

Looking forward, we aim to continue developing our smart phone game operations via driving:

- Content: penetrating high-revenue, low-DAU smart phone game genres, such as RPGs, with titles based on proven IPs, such as The Legend of MIR 2;
- Gameplay: pioneering new smart phone game genres, such as shooting and MOBA games, by leveraging our experiences in developing new PC client game genres in China;
- Platform: building player communities for low-ARPU, high-DAU, smart phone game genres, such as playing card and board games, within and on top of our social networks.

Online Advertising

In the third quarter of 2015, our online advertising business achieved rapid year-on-year revenue growth, mainly reflecting an enlarged advertiser base and more traffic on our platforms. More than 65% of our total advertising revenues was generated on mobile platforms. Looking forward, we will continue investing in premium video content, expanding our mobile advertising inventory and enhancing our performance-based advertising service capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2015 Compared to Third Quarter of 2014

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

	Unaudited	
	Three months ended	
	30 September	30 September
	2015	2014
	(RMB in millions)	
Revenues	26,594	19,808
Cost of revenues	<u>(11,014)</u>	<u>(7,167)</u>
Gross profit	15,580	12,641
Interest income	559	452
Other gains, net	614	118
Selling and marketing expenses	(2,042)	(1,906)
General and administrative expenses	<u>(4,380)</u>	<u>(3,790)</u>
Operating profit	10,331	7,515
Finance costs, net	(481)	(317)
Share of losses of associates and joint ventures	<u>(702)</u>	<u>(139)</u>
Profit before income tax	9,148	7,059
Income tax expense	<u>(1,564)</u>	<u>(1,383)</u>
Profit for the period	<u>7,584</u>	<u>5,676</u>
Attributable to:		
Equity holders of the Company	7,445	5,657
Non-controlling interests	<u>139</u>	<u>19</u>
	<u>7,584</u>	<u>5,676</u>
Non-GAAP profit attributable to equity holders of the Company*	<u>8,280</u>	<u>6,577</u>

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

Revenues. Revenues increased by 34% to RMB26,594 million for the third quarter of 2015 on a year-on-year basis. Excluding the eCommerce business, revenues increased by 37% to RMB26,482 million. The following table sets forth our revenues by line of business for the third quarter of 2015 and the third quarter of 2014:

	Unaudited			
	Three months ended			
	30 September 2015		30 September 2014	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS ⁽¹⁾	20,547	77%	16,047	82%
Online advertising	4,938	19%	2,440	12%
Others ⁽²⁾	1,109	4%	1,321	6%
Total revenues	<u>26,594</u>	<u>100%</u>	<u>19,808</u>	<u>100%</u>

Note:

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

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

— Revenues from our VAS business increased by 28% to RMB20,547 million for the third quarter of 2015 on a year-on-year basis. Online games revenues increased by 27% to RMB14,333 million. The increase mainly reflected revenue growth from smart phone games, primarily driven by our diversified game portfolio and, to a lesser extent, the impact of the aforementioned adoption of gross revenue recognition. Revenues from PC client games also climbed, mainly driven by our key titles. Social networks revenues grew by 32% to RMB6,214 million. The increase primarily reflected higher subscription revenues from QQ Membership and digital content subscription services, as well as an increase in revenues from in-game item sales. If gross revenue recognition for smart phone games had been adopted for the third quarter of 2014, revenues from our VAS business would have increased by 24%, of which online games revenues would have increased by 22% and social networks revenues would have increased by 28% for the third quarter of 2015.

— Revenues from our online advertising business increased by 102% to RMB4,938 million for the third quarter of 2015 on a year-on-year basis. Brand display advertising revenues increased by 67% to RMB2,552 million, mainly driven by revenue growth from our mobile media platforms such as Tencent Video and Tencent News, which benefited from more traffic. Performance-based advertising revenues grew by 160% to RMB2,386 million, reflecting higher contributions from performance-based social advertising on mobile, primarily due to Mobile Qzone, Weixin Moments and Weixin Official Accounts.

Cost of revenues. Cost of revenues increased by 54% to RMB11,014 million for the third quarter of 2015 on a year-on-year basis. The increase mainly reflected greater sharing and content costs, channel costs, as well as bank handling fees on the C2C money transfers, partially offset by a significant decline in cost of merchandise sold. As a percentage of revenues, cost of revenues increased to 41% for the third quarter of 2015 from 36% for the third quarter of 2014. The following table sets forth our cost of revenues by line of business for the third quarter of 2015 and the third quarter of 2014:

	Unaudited			
	Three months ended			
	30 September 2015		30 September 2014	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	7,364	36%	5,325	33%
Online advertising	2,524	51%	1,177	48%
Others ⁽³⁾	<u>1,126</u>	102%	<u>665</u>	50%
Total cost of revenues	<u>11,014</u>		<u>7,167</u>	

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

- Cost of revenues for our VAS business increased by 38% to RMB7,364 million for the third quarter of 2015 on a year-on-year basis. The increase primarily reflected greater sharing and content costs and channel costs (especially for licensed smart phone games, which increased as a portion of our game revenues), as well as bandwidth and server custody fees. If gross revenue recognition for smart phone games had been adopted for the third quarter of 2014, cost of revenues for our VAS business would have increased by 25%.
- Cost of revenues for our online advertising business increased by 114% to RMB2,524 million for the third quarter of 2015 on a year-on-year basis. The increase mainly reflected greater investment in video content, commissions payable to advertising agencies, and traffic acquisition costs.

Other gains, net. Other gains, net increased to RMB614 million for the third quarter of 2015 on a year-on-year basis. The increase primarily reflected greater deemed disposal gains and actual disposal gains arising from certain investee companies, partly offset by higher impairment provision charges for certain investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 7% to RMB2,042 million for the third quarter of 2015 on a year-on-year basis. The increase was primarily driven by greater staff costs and higher advertising spending on products and platforms such as online games and mobile utilities, partly offset by a decline in marketing expenses for WeChat. As a percentage of revenues, selling and marketing expenses decreased to 8% for the third quarter of 2015 from 10% for the third quarter of 2014.

General and administrative expenses. General and administrative expenses increased by 16% to RMB4,380 million for the third quarter of 2015 on a year-on-year basis. The increase mainly reflected greater research and development expenses as well as staff costs. As a percentage of revenues, general and administrative expenses decreased to 16% for the third quarter of 2015 from 19% for the third quarter of 2014.

Finance costs, net. Finance costs, net increased by 52% to RMB481 million for the third quarter of 2015 on a year-on-year basis. The increase primarily reflected higher interest expense due to a greater amount of indebtedness including notes payable and bank borrowings, as well as foreign exchange losses.

Income tax expense. Income tax expense increased by 13% to RMB1,564 million for the third quarter of 2015 on a year-on-year basis. The increase mainly reflected higher profit before income tax, partly offset by a decrease in deferred tax liabilities in respect of withholding taxes.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 32% to RMB7,445 million for the third quarter of 2015 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 26% to RMB8,280 million for the third quarter of 2015 on a year-on-year basis.

Third Quarter of 2015 Compared to Second Quarter of 2015

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

	Unaudited	
	Three months ended	
	30 September	30 June
	2015	2015
	(RMB in millions)	
Revenues	26,594	23,429
Cost of revenues	<u>(11,014)</u>	<u>(8,991)</u>
Gross profit	15,580	14,438
Interest income	559	598
Other gains, net	614	612
Selling and marketing expenses	(2,042)	(1,601)
General and administrative expenses	<u>(4,380)</u>	<u>(4,011)</u>
Operating profit	10,331	10,036
Finance costs, net	(481)	(341)
Share of losses of associates and joint ventures	<u>(702)</u>	<u>(452)</u>
Profit before income tax	9,148	9,243
Income tax expense	<u>(1,564)</u>	<u>(1,847)</u>
Profit for the period	<u>7,584</u>	<u>7,396</u>
Attributable to:		
Equity holders of the Company	7,445	7,314
Non-controlling interests	<u>139</u>	<u>82</u>
	<u>7,584</u>	<u>7,396</u>
Non-GAAP profit attributable to equity holders of the Company	<u>8,280</u>	<u>7,975</u>

Revenues. Revenues increased by 14% to RMB26,594 million for the third quarter of 2015 on a quarter-on-quarter basis. Excluding the eCommerce business, revenues increased by 14% to RMB26,482 million.

- Revenues from our VAS business increased by 11% to RMB20,547 million for the third quarter of 2015 on a quarter-on-quarter basis. Online game revenues increased by 11% to RMB14,333 million. The increase was mainly driven by positive seasonality for PC online games, and by the launch of new smart phone games such as The Legend of MIR 2. Social networks revenues increased by 14% to RMB6,214 million. The increase primarily reflected revenue growth from subscription services due to enhancement of mobile privileges and digital content, as well as from in-game item sales within mobile platforms.
- Revenues from our online advertising business increased by 21% to RMB4,938 million for the third quarter of 2015 on a quarter-on-quarter basis. Brand display advertising revenues increased by 27% to RMB2,552 million quarter-on-quarter, mainly driven by higher video advertising, reflecting the positive impact of airing Voice of China 4 TV talent competition. Revenues from Tencent News also contributed to the increase. Performance-based advertising revenues increased by 16% to RMB2,386 million quarter-on-quarter, mainly due to an increase in revenues from performance-based social advertising on mobile devices.

Cost of revenues. Cost of revenues increased by 23% to RMB11,014 million for the third quarter of 2015 from the second quarter of 2015. This primarily reflected greater sharing and content costs, bank handling fees on the C2C money transfers, as well as channel costs. As a percentage of revenues, cost of revenues increased to 41% for the third quarter of 2015 from 38% for the second quarter of 2015.

- Cost of revenues for our VAS business increased by 18% to RMB7,364 million for the third quarter of 2015 on a quarter-on-quarter basis. The increase was mainly driven by higher sharing and content costs and channel costs (especially for licensed smart phone games, which increased as a portion of our game revenues), as well as bandwidth and server custody fees.
- Cost of revenues for our online advertising business increased by 29% to RMB2,524 million for the third quarter of 2015 on a quarter-on-quarter basis. The increase primarily reflected higher investments in video content and commissions payable to advertising agencies.

Selling and marketing expenses. Selling and marketing expenses increased by 28% to RMB2,042 million for the third quarter of 2015 on a quarter-on-quarter basis. The increase was mainly driven by greater advertising spending on products and platforms, such as online games, online media and mobile utilities, some of which are seasonal in nature.

General and administrative expenses. General and administrative expenses increased by 9% to RMB4,380 million for the third quarter of 2015 on a quarter-on-quarter basis. The increase primarily reflected greater research and development expenses.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 2% to RMB7,445 million for the third quarter of 2015 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 4% to RMB8,280 million for the third quarter of 2015 on a quarter-on-quarter basis.

Other Financial Information

	Unaudited		Unaudited		
	Nine months ended		Three months ended		
	30 September	30 September	30 September	30 June	30 September
	2015	2014	2015	2015	2014
	(RMB in millions, unless specified)				
EBITDA (a)	31,009	22,979	10,806	10,258	8,174
Adjusted EBITDA (a)	32,974	24,286	11,569	10,899	8,720
Adjusted EBITDA margin (b)	46%	42%	44%	47%	44%
Interest expense	1,101	602	373	399	266
Net cash (c)	21,239	21,283	21,239	21,663	21,283
Capital expenditures (d)	5,826	3,115	1,653	2,841	1,060

Note:

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

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

	Unaudited Nine months ended		Unaudited Three months ended		
	30 September 2015	30 September 2014	30 September 2015	30 June 2015	30 September 2014
	(RMB in millions, unless specified)				
Operating profit	29,739	23,148	10,331	10,036	7,515
Adjustments:					
Interest income	(1,678)	(1,233)	(559)	(598)	(452)
Other (gains)/losses, net	(1,637)	(2,416)	(614)	(612)	(118)
Depreciation of fixed assets and investment properties	2,333	2,227	781	770	760
Amortisation of intangible assets	2,252	1,253	867	662	469
EBITDA	31,009	22,979	10,806	10,258	8,174
Equity-settled share-based compensation	1,965	1,307	763	641	546
Adjusted EBITDA	<u>32,974</u>	<u>24,286</u>	<u>11,569</u>	<u>10,899</u>	<u>8,720</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, non-GAAP profit attributable to equity holders of the Company, non-GAAP basic EPS and non-GAAP diluted EPS, have been presented in this announcement. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

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

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

Unaudited nine months ended 30 September 2015							
	Adjustments						Non-GAAP [*]
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/ disposals	Amortisation of intangible assets	Impairment provision	
		(a)	(b)	(c)	(d)		
(RMB in millions, unless specified)							
Operating profit	29,739	1,965	67	(3,346)	152	1,654	30,231
Profit for the period	21,910	2,345	68	(3,021)	873	1,660	23,835
Profit attributable to equity holders	21,642	2,282	65	(3,021)	845	1,644	23,457
EPS (RMB per share)							
- basic	2.328						2.524
- diluted	2.298						2.490
Operating margin	41%						42%
Net margin	30%						33%

Unaudited nine months ended 30 September 2014							
	Adjustments						Non-GAAP [*]
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses on deemed disposals/ disposals	Amortisation of intangible assets	Impairment provision	
		(a)	(b)	(c)	(d)		
(RMB in millions, unless specified)							
Operating profit	23,148	1,307	546	(3,958)	46	1,340	22,429
Profit for the period	17,934	1,547	546	(3,923)	476	1,340	17,920
Profit attributable to equity holders	17,950	1,522	501	(3,936)	469	1,336	17,842
EPS (RMB per share)							
- basic	1.948						1.936
- diluted	1.918						1.906
Operating margin	40%						39%
Net margin	31%						31%

Unaudited three months ended 30 September 2015

	Adjustments						Non-GAAP
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses		Impairment provision	
				on deemed disposals/ disposals	Amortisation of intangible assets		
(RMB in millions, unless specified)							
Operating profit	10,331	763	17	(1,020)	46	379	10,516
Profit for the period	7,584	981	18	(783)	275	375	8,450
Profit attributable to equity holders	7,445	959	17	(783)	267	375	8,280
EPS (RMB per share)							
- basic	0.800						0.890
- diluted	0.792						0.881
Operating margin	39%						40%
Net margin	29%						32%

Unaudited three months ended 30 June 2015

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

Unaudited three months ended 30 September 2014

	Adjustments						Non-GAAP*
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation	(Gains)/losses		Impairment provision	
				on deemed disposals/ disposals	Amortisation of intangible assets		
		(a)	(b)	(c)	(d)		
(RMB in millions, unless specified)							
Operating profit	7,515	546	152	(159)	15	195	8,264
Profit for the period	5,676	645	152	(187)	146	195	6,627
Profit attributable to equity holders	5,657	635	137	(187)	144	191	6,577
EPS (RMB per share)							
- basic	0.612						0.712
- diluted	0.605						0.703
Operating margin	38%						42%
Net margin	29%						33%

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

Note:

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

Liquidity and Financial Resources

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

	Unaudited 30 September 2015	Unaudited 30 June 2015
	(RMB in millions)	
Cash and cash equivalents	46,714	48,271
Term deposits	<u>28,650</u>	<u>20,948</u>
	75,364	69,219
Borrowings	(13,995)	(8,560)
Notes payable	<u>(40,130)</u>	<u>(38,996)</u>
Net cash	<u>21,239</u>	<u>21,663</u>

As at 30 September 2015, the Group had net cash of RMB21,239 million. The sequential decrease in net cash mainly reflected exchange losses on bank borrowings and notes payable denominated in USD. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB73 billion as at 30 September 2015.

As at 30 September 2015, RMB11,970 million of our financial resources were held in deposits denominated in non-RMB currencies.

For the third quarter of 2015, the Group had free cash flow of RMB6,618 million. This was a result of net cash generated from operating activities of RMB9,945 million, offset by payments for capital expenditure of RMB3,327 million.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

		Unaudited 30 September 2015	Audited 31 December 2014
	Note	RMB' Million	RMB' Million
ASSETS			
Non-current assets			
Fixed assets		8,879	7,918
Construction in progress		4,434	3,830
Investment properties		264	268
Land use rights		2,274	751
Intangible assets		13,184	9,304
Investments in associates	3(a)	57,431	51,131
Investments in redeemable preference shares of associates	3(b)	5,767	2,941
Investments in joint ventures		554	63
Deferred income tax assets		727	322
Available-for-sale financial assets	4	31,446	13,277
Prepayments, deposits and other assets		3,873	1,209
Term deposits		<u>3,674</u>	<u>4,831</u>
		<u>132,507</u>	<u>95,845</u>
Current assets			
Inventories		240	244
Accounts receivable	5	6,821	4,588
Prepayments, deposits and other assets		11,809	7,804
Term deposits		24,976	10,798
Restricted cash		38,810	9,174
Cash and cash equivalents		<u>46,714</u>	<u>42,713</u>
		<u>129,370</u>	<u>75,321</u>
Total assets		<u><u>261,877</u></u>	<u><u>171,166</u></u>

		Unaudited	Audited
		30 September	31 December
		2015	2014
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		—	—
Share premium		6,810	5,131
Shares held for share award schemes		(1,867)	(1,309)
Other reserves		10,286	2,129
Retained earnings		93,059	74,062
		108,288	80,013
Non-controlling interests		2,715	2,111
Total equity		111,003	82,124
LIABILITIES			
Non-current liabilities			
Borrowings	7	7,284	5,507
Notes payable	8	40,130	25,028
Long-term payables		4,409	2,052
Deferred income tax liabilities		3,232	2,942
Deferred revenue		3,307	3,478
		58,362	39,007
Current liabilities			
Accounts payable	9	12,418	8,683
Other payables and accruals		51,467	19,123
Borrowings	7	6,711	3,215
Notes payable	8	—	1,834
Current income tax liabilities		1,993	461
Other tax liabilities		496	566
Deferred revenue		19,427	16,153
		92,512	50,035
Total liabilities		150,874	89,042
Total equity and liabilities		261,877	171,166
Net current assets		36,858	25,286
Total assets less current liabilities		169,365	121,131

**CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2015**

		Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2015	2014	2015	2014
	Note	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added services		20,547	16,047	57,601	46,173
Online advertising		4,938	2,440	11,735	5,681
Others		<u>1,109</u>	<u>1,321</u>	<u>3,086</u>	<u>6,100</u>
		26,594	19,808	72,422	57,954
Cost of revenues	11	<u>(11,014)</u>	<u>(7,167)</u>	<u>(28,970)</u>	<u>(22,541)</u>
Gross profit		15,580	12,641	43,452	35,413
Interest income		559	452	1,678	1,233
Other gains, net	10	614	118	1,637	2,416
Selling and marketing expenses	11	(2,042)	(1,906)	(4,969)	(5,734)
General and administrative expenses	11	<u>(4,380)</u>	<u>(3,790)</u>	<u>(12,059)</u>	<u>(10,180)</u>
Operating profit		10,331	7,515	29,739	23,148
Finance costs, net		(481)	(317)	(1,255)	(909)
Share of losses of associates and joint ventures		<u>(702)</u>	<u>(139)</u>	<u>(1,464)</u>	<u>(72)</u>
Profit before income tax		9,148	7,059	27,020	22,167
Income tax expense	12	<u>(1,564)</u>	<u>(1,383)</u>	<u>(5,110)</u>	<u>(4,233)</u>
Profit for the period		<u>7,584</u>	<u>5,676</u>	<u>21,910</u>	<u>17,934</u>

		Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30 September		30 September	
		2015	2014	2015	2014
Note		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Attributable to:					
		7,445	5,657	21,642	17,950
	Equity holders of the Company				
	Non-controlling interests	<u>139</u>	<u>19</u>	<u>268</u>	<u>(16)</u>
		<u>7,584</u>	<u>5,676</u>	<u>21,910</u>	<u>17,934</u>
Earnings per share for profit					
attributable to equity holders					
of the Company (in RMB per					
share)					
	- basic	13	<u>0.800</u>	<u>0.612</u>	<u>2.328</u>
	- diluted	13	<u>0.792</u>	<u>0.605</u>	<u>2.298</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	7,584	5,676	21,910	17,934
Other comprehensive income, net of tax:				
Items that may be subsequently reclassified to profit or loss				
Share of other comprehensive income of associates	287	30	189	43
Net gains/(losses) from changes in fair value of available-for-sale financial assets	1,298	(959)	7,857	(266)
Currency translation differences	1,303	(15)	1,123	(9)
	2,888	(944)	9,169	(232)
Total comprehensive income for the period	10,472	4,732	31,079	17,702
Attributable to:				
Equity holders of the Company	10,316	4,711	30,808	17,708
Non-controlling interests	156	21	271	(6)
	10,472	4,732	31,079	17,702

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2015	-	5,131	(1,309)	2,129	74,062	80,013	2,111	82,124
Comprehensive income								
Profit for the period	-	-	-	-	21,642	21,642	268	21,910
Other comprehensive income:								
- share of other comprehensive income of associates	-	-	-	189	-	189	-	189
- net gains from changes in fair value of available-for-sale financial assets	-	-	-	7,857	-	7,857	-	7,857
- currency translation differences	-	-	-	1,120	-	1,120	3	1,123
Total comprehensive income for the period	-	-	-	9,166	21,642	30,808	271	31,079
Transaction with owners								
Capital injection	-	-	-	-	-	-	99	99
Employee share option schemes:								
- value of employee services	-	131	-	127	-	258	18	276
- proceeds from shares issued	-	135	-	-	-	135	-	135
Employee share award schemes:								
- value of employee services	-	1,456	-	194	-	1,650	45	1,695
- shares purchased for share award schemes	-	-	(601)	-	-	(601)	-	(601)
- vesting of awarded shares	-	(43)	43	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	5	(5)	-	-	-
Dividends (Note 14)	-	-	-	-	(2,640)	(2,640)	(171)	(2,811)
Total contributions by and distributions to owners recognised directly in equity for the period	-	1,679	(558)	326	(2,645)	(1,198)	(9)	(1,207)
Non-controlling interests arising from business combination	-	-	-	-	-	-	264	264
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	114	-	114	(132)	(18)
Disposal of equity interests in non-wholly owned subsidiaries	-	-	-	-	-	-	(44)	(44)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	(254)	-	(254)	254	-
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	-	-	-	(1,195)	-	(1,195)	-	(1,195)
Total transactions with owners recognised directly in equity for the period	-	1,679	(558)	(1,009)	(2,645)	(2,533)	333	(2,200)
Balance at 30 September 2015	-	6,810	(1,867)	10,286	93,059	108,288	2,715	111,003

Unaudited

	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2014	-	2,846	(871)	3,746	52,224	57,945	518	58,463
Comprehensive income								
Profit for the period	-	-	-	-	17,950	17,950	(16)	17,934
Other comprehensive income:								
- share of other comprehensive income of associates	-	-	-	43	-	43	-	43
- net losses from changes in fair value of available-for-sale financial assets	-	-	-	(266)	-	(266)	-	(266)
- currency translation differences	-	-	-	(19)	-	(19)	10	(9)
Total comprehensive income for the period	-	-	-	(242)	17,950	17,708	(6)	17,702
Transaction with owners								
Capital injection	-	-	-	-	-	-	44	44
Employee share option schemes:								
- value of employee services	-	118	-	88	-	206	19	225
- proceeds from shares issued	-	244	-	-	-	244	-	244
Employee share award schemes:								
- value of employee services	-	979	-	97	-	1,076	6	1,082
- shares purchased for share award schemes	-	-	(505)	-	-	(505)	-	(505)
- vesting of awarded shares	-	(64)	64	-	-	-	-	-
Repurchase and cancellation of shares	-	(61)	-	-	-	(61)	-	(61)
Dividends	-	-	-	-	(1,761)	(1,761)	(119)	(1,880)
Total contributions by and distributions to owners recognised directly in equity for the period	-	1,216	(441)	185	(1,761)	(801)	(50)	(851)
Non-controlling interests arising from business combination	-	-	-	-	-	-	106	106
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	(653)	-	(653)	36	(617)
Disposal of equity interests in non-wholly owned subsidiaries	-	-	-	230	-	230	4	234
Put option granted to owners of the non-controlling interests lapsed	-	-	-	357	-	357	-	357
Total transactions with owners recognised directly in equity for the period	-	1,216	(441)	119	(1,761)	(867)	96	(771)
Balance at 30 September 2014	-	4,062	(1,312)	3,623	68,413	74,786	608	75,394

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited	
	Nine months ended	
	30 September	
	2015	2014
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	27,240	22,032
Net cash flows used in investing activities	(37,034)	(25,623)
Net cash flows generated from financing activities	<u>13,580</u>	<u>16,937</u>
Net increase in cash and cash equivalents	3,786	13,346
Cash and cash equivalents at beginning of the period	42,713	20,228
Exchange gains/(losses) on cash and cash equivalents	<u>215</u>	<u>(120)</u>
Cash and cash equivalents at end of the period	<u><u>46,714</u></u>	<u><u>33,454</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	18,061	11,904
Term deposits and highly liquid investments with initial term within three months	<u>28,653</u>	<u>21,550</u>
	<u><u>46,714</u></u>	<u><u>33,454</u></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 and online advertising services to users in the PRC.

The consolidated statement of financial position as at 30 September 2015, the related consolidated income statement, the consolidated statement of comprehensive income for the three and nine months then ended, the consolidated statement of changes in equity and the 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 10 November 2015.

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 2014 as set out in the 2014 annual report of the Company dated 18 March 2015 (the “2014 Financial Statements”).

The accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2014 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of assets and liabilities stated at fair value, such as available-for-sale financial assets and derivative financial instruments.

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

The standards adopted by the Group, which are mandatory for the financial year of the Group beginning 1 January 2015, have no material impact on the Group’s Interim Financial Information.

2 Segment information

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

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

- VAS;
- Online advertising; and
- Others

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

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

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

	Unaudited			
	Three months ended 30 September 2015			
	VAS	Online advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>20,547</u>	<u>4,938</u>	<u>1,109</u>	<u>26,594</u>
Gross profit/(losses)	<u>13,183</u>	<u>2,414</u>	<u>(17)</u>	<u>15,580</u>
Depreciation	491	42	9	542
Amortisation	118	654	-	772
Share of (losses)/profits of associates and joint ventures	<u>(190)</u>	<u>67</u>	<u>(579)</u>	<u>(702)</u>

	Unaudited			
	Three months ended 30 September 2014			
	Online			Total
	VAS	advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>16,047</u>	<u>2,440</u>	<u>1,321</u>	<u>19,808</u>
Gross profit	<u>10,722</u>	<u>1,263</u>	<u>656</u>	<u>12,641</u>
Depreciation	488	40	9	537
Amortisation	82	334	–	416
Share of (losses)/profits of associates and joint ventures	<u>(68)</u>	<u>(92)</u>	<u>21</u>	<u>(139)</u>

	Unaudited			
	Nine months ended 30 September 2015			
	Online			Total
	VAS	advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>57,601</u>	<u>11,735</u>	<u>3,086</u>	<u>72,422</u>
Gross profit	<u>37,562</u>	<u>5,588</u>	<u>302</u>	<u>43,452</u>
Depreciation	1,481	127	28	1,636
Amortisation	333	1,619	–	1,952
Share of (losses)/profits of associates and joint ventures	<u>(318)</u>	<u>86</u>	<u>(1,232)</u>	<u>(1,464)</u>

	Unaudited			
	Nine months ended 30 September 2014			
	Online			Total
	VAS	advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>46,173</u>	<u>5,681</u>	<u>6,100</u>	<u>57,954</u>
Gross profit	<u>31,722</u>	<u>2,598</u>	<u>1,093</u>	<u>35,413</u>
Depreciation	1,429	117	28	1,574
Amortisation	171	932	–	1,103
Share of (losses)/profits of associates and joint ventures	<u>31</u>	<u>(131)</u>	<u>28</u>	<u>(72)</u>

3 Interests in associates

	Unaudited	Audited
	30 September	31 December
	2015	2014
	RMB'Million	RMB'Million
Investments in associates (a)		
- Listed shares	36,638	32,064
- Unlisted shares	<u>20,793</u>	<u>19,067</u>
	57,431	51,131
Investments in redeemable preference shares of associates (b)	<u>5,767</u>	<u>2,941</u>
	<u>63,198</u>	<u>54,072</u>

Note:

(a) Investments in associates

	Unaudited	
	Nine months ended	
	30 September	
	2015	2014
	RMB'Million	RMB'Million
At beginning of period	51,131	10,867
Additions ((i), (ii), (iii) and (iv))	8,522	35,923
Deemed disposal gains	1,910	1,226
Share of losses of associates	(1,471)	(71)
Share of other comprehensive income of associates	185	43
Dividends from associates	(233)	(148)
Disposal and transfer	(3,827)	(261)
Impairment provision (v)	(634)	(468)
Currency translation differences	<u>1,848</u>	<u>(180)</u>
At end of period	<u>57,431</u>	<u>46,931</u>

- (i) In April 2015, the Group signed a share purchase agreement with 58.com, an existing associate, to purchase certain of its newly issued shares at USD52 per ADS, at a consideration of approximately USD400 million (equivalent to approximately RMB2,457 million). As a result, the Group's equity interests in 58.com increased to approximately 26.3% on an outstanding basis after the transaction. In August 2015, 58.com issued its new shares in exchange for the equity interests in an investment, as a result, the Group's equity interests in 58.com was diluted to 21.8%, on an outstanding basis.
- (ii) In April 2015, the Group signed a share purchase agreement with Glu Mobile, a mobile games company listed on NASDAQ, to purchase approximately 16.3% of common shares of Glu Mobile on an outstanding basis at a consideration of approximately USD126 million (equivalent to approximately RMB773 million).
- (iii) In August 2015, the Group signed a share purchase agreement with Tongcheng Travel, an existing associate, to purchase its additional equity interests, at a consideration of RMB939 million. As a result, the Group's equity interests in Tongcheng Travel increased to approximately 15.0% after the transaction, on an outstanding basis.
- (iv) The Group also acquired several other associates or made additional investments in existing associates or transferred from available-for-sale financial assets for an aggregate consideration of RMB4,353 million during the nine months ended 30 September 2015. These associates are principally engaged in online gaming businesses and other Internet-related businesses.
- (v) During the nine months ended 30 September 2015, the Group made an impairment provision of RMB634 million (for the nine months ended 30 September 2014: RMB468 million) against the carrying amounts of investments in certain associates, based on the results of assessment performed with reference to their business performance and their underlying recoverable amount.

(b) Investments in redeemable preference shares of associates

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

In January 2015, the Group, entered into a series of agreements with a third party company, primarily engaged in the provision of an online platform for automotive purchase financing business, to subscribe for its convertible redeemable preference shares, representing 26.6% of its total equity interests on a fully-diluted basis, at a cash consideration of USD150 million (equivalent to approximately RMB921 million).

During the nine months ended 30 September 2015, the Group made an impairment provision of approximately RMB286 million (for the nine months ended 30 September 2014: RMB321 million) for investments in redeemable preference shares of certain associates with reference to the business performance and recoverable amount assessed on these investments.

4 Available-for-sale financial assets

	Unaudited 30 September 2015 RMB'Million	Audited 31 December 2014 RMB'Million
Available-for-sale financial assets		
- Listed equity interests ((a), (b), (c) and (e))	8,014	3,631
- Unlisted interests		
- Equity interests	23,407	9,646
- Other investments	<u>25</u>	<u>–</u>
	<u>31,446</u>	<u>13,277</u>

Movement in the unlisted interests is analysed as follows:

	Unaudited Nine months ended 30 September 2015 RMB'Million	2014 RMB'Million
At beginning of period	9,646	6,270
Additions (d)	4,140	1,931
Transfer from investments in associates	3,191	–
Changes in fair value	6,207	1,372
Impairment provision (e)	(65)	(369)
Disposal and transfer	(452)	(71)
Currency translation differences	<u>765</u>	<u>(39)</u>
At end of period	<u>23,432</u>	<u>9,094</u>

Note:

- (a) The gains from changes in fair value recognised for the listed equity interests during the nine months ended 30 September 2015 were RMB1,975 million (for nine months ended 30 September 2014: losses from changes in fair value were RMB1,661 million).

- (b) In January 2015, the Group entered into a series of agreements with a third party company, which is a company listed on the New York Stock Exchange and provides Internet content and marketing services of the automobile industry in the PRC, to subscribe for 3.3% of its outstanding shares, on a fully-diluted basis, at a cash consideration of USD150 million (equivalent to approximately RMB921 million).
- (c) In November 2014, the Group signed a share purchase agreement with Huayi Bros, an existing available-for-sale financial asset, to purchase its newly issued shares at a consideration of approximately RMB1,280 million. The transaction was completed in August 2015, as a result, the Group's aggregate equity interests in Huayi Bros increased to 8.06% after the transaction.
- (d) It mainly represents the Group's acquisition of certain available-for-sale financial assets or additional investments made in certain existing available-for-sale financial assets at an aggregate consideration of RMB4,140 million. These investments are principally engaged in the O2O business and other Internet-related businesses.
- (e) During the nine months ended 30 September 2015, the Group made an impairment provision of RMB586 million (for the nine months ended 30 September 2014: RMB478 million) against the carrying amounts of certain available-for-sale financial assets, with reference to their market value, business performance and assessed recoverable amount.

5 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

	Unaudited	Audited
	30 September	31 December
	2015	2014
	RMB'Million	RMB'Million
0 - 30 days	3,045	2,032
31 - 60 days	2,326	1,464
61 - 90 days	827	667
Over 90 days	<u>623</u>	<u>425</u>
	<u>6,821</u>	<u>4,588</u>

Receivable balances as at 30 September 2015 and 31 December 2014 mainly represented amounts due from telecommunications operators, including China Mobile, China Unicom, China Telecom and their respective branches, subsidiaries and affiliates, other third party online/mobile apps platform providers, as well as brand display advertising customers mainly located in the PRC.

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

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.

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

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 2015 (2)	-	-	HKD57.36	36,432,000	HKD31.70	5,000,000	41,432,000
Granted (2)	-	-	HKD149.22	1,470,875	-	-	1,470,875
Exercised (2)	-	-	HKD18.76	(9,053,283)	-	-	(9,053,283)
Lapsed (2)	-	-	HKD32.62	(504,500)	-	-	(504,500)
At 30 September 2015 (2)	-	-	HKD74.90	28,345,092	HKD31.70	5,000,000	33,345,092
Exercisable as at 30 September 2015 (2)	-	-	HKD48.57	11,029,341	HKD31.70	1,250,000	12,279,341
At 1 January 2014 (1)	HKD11.25	819,266	HKD75.69	12,648,005	HKD158.50	1,000,000	14,467,271
Granted before the Share Subdivision (1)	-	-	HKD572.60	2,307,500	-	-	2,307,500
Granted after the Share Subdivision (2)	-	-	HKD123.95	2,133,050	-	-	2,133,050
Exercised before the Share Subdivision (1)	HKD11.25	(819,224)	HKD46.54	(2,896,392)	-	-	(3,715,616)
Exercised after the Share Subdivision (2)	-	-	HKD8.99	(18,089,583)	-	-	(18,089,583)
Lapsed before the Share Subdivision (1)	HKD14.53	(42)	HKD116.38	(600,000)	-	-	(600,042)
Lapsed after the Share Subdivision (2)	-	-	HKD6.35	(100)	-	-	(100)
Effect of Share Subdivision (3)	-	-	-	45,836,452	-	4,000,000	49,836,452
At 30 September 2014 (2)	-	-	HKD52.63	41,338,932	HKD31.70	5,000,000	46,338,932
Exercisable as at 30 September 2014 (2)	-	-	HKD17.02	16,898,927	-	-	16,898,927

Note:

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

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

(b) Share award schemes

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

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

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

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2015 (ii)	6,650,532	82,035,522	88,686,054
Purchased and withheld (ii)	5,341,992	–	5,341,992
Alloted (ii)	21,756,730	–	21,756,730
Granted (ii)	(28,082,850)	28,082,850	–
Lapsed (ii)	4,795,470	(4,795,470)	–
Vested and transferred (ii)	–	(26,172,920)	(26,172,920)
At 30 September 2015 (ii)	<u>10,461,874</u>	<u>79,149,982</u>	<u>89,611,856</u>
Vested but not transferred as at 30 September 2015 (ii)			<u>–</u>
At 1 January 2014 (i)	1,435,659	18,065,996	19,501,655
Purchased and withheld before the Share Subdivision (i)	31,583	–	31,583
Purchased and withheld after the Share Subdivision (ii)	5,016,225	–	5,016,225
Allotted after the Share Subdivision (ii)	19,520,635	–	19,520,635
Granted before the Share Subdivision (i)	(1,183,445)	1,183,445	–
Granted after the Share Subdivision (ii)	(17,055,300)	17,055,300	–
Lapsed before the Share Subdivision (i)	461,220	(461,220)	–
Lapsed after the Share Subdivision (ii)	2,186,124	(2,186,124)	–
Vested and transferred before the Share Subdivision (i)	–	(226,797)	(226,797)
Vested and transferred after the Share Subdivision (ii)	–	(25,115,469)	(25,115,469)
Effect of Share Subdivision (iii)	<u>2,980,068</u>	<u>74,245,696</u>	<u>77,225,764</u>
At 30 September 2014 (ii)	<u>13,392,769</u>	<u>82,560,827</u>	<u>95,953,596</u>
Vested but not transferred as at 30 September 2014 (ii)			<u>78,495</u>

Note:

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

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

7 Borrowings

	Unaudited 30 September 2015 RMB'Million	Audited 31 December 2014 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings		
- Unsecured (a)	<u>7,284</u>	<u>5,507</u>
Included in current liabilities:		
RMB bank borrowings		
- Unsecured	-	125
USD bank borrowings		
- Unsecured (b)	6,043	1,836
Current portion of long-term USD bank borrowings		
- Unsecured (a)	<u>668</u>	<u>1,254</u>
	<u>6,711</u>	<u>3,215</u>
	<u>13,995</u>	<u>8,722</u>

Note:

- (a) The aggregate principal amount of long-term USD bank borrowings was USD1,250 million (31 December 2014: USD1,105 million). Applicable interest rates are at LIBOR plus 1.25% to 1.52% (31 December 2014: LIBOR plus 1.35% to 1.75%) per annum.

- (b) The aggregate principal amount of short-term USD bank borrowings was USD950 million (31 December 2014: USD300 million). Applicable interest rates are at LIBOR plus 0.75% to 0.85% or an interest rate of 1.125% (31 December 2014: LIBOR plus 0.85% to 1.00%) per annum.

8 Notes payable

	Unaudited 30 September 2015 RMB'Million	Audited 31 December 2014 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	36,693	22,511
Non-current portion of long-term HKD notes payable	<u>3,437</u>	<u>2,517</u>
	<u>40,130</u>	<u>25,028</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>—</u>	<u>1,834</u>
	<u>40,130</u>	<u>26,862</u>

Note:

The aggregate principal amount of USD notes payable and HKD notes payable were USD5,800 million (31 December 2014: USD4,000 million) and HKD4,200 million (31 December 2014: HKD3,200 million), respectively. The interest rate range of the notes payable is from 2.000% to 4.700% (31 December 2014: 1.860% to 4.625%) per annum.

In April 2015, the Company updated the Global Medium Term Note Programme (the “Programme”) and increased the limit on the aggregate principal amount from USD5 billion to USD10 billion.

During the nine months ended 30 September 2015, the Company issued four tranches of senior notes under the Programme with an aggregate principal amount of USD1,100 million, USD900 million, USD100 million and HKD1,000 million, respectively.

In September 2015, the senior notes with an aggregate principal amount of USD300 million issued in September 2013 reached their maturity and were repaid in full by the Group.

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

9 Accounts payable

Accounts payable and their ageing analysis are as follows:

	Unaudited 30 September 2015 RMB'Million	Audited 31 December 2014 RMB'Million
0 - 30 days	7,539	5,775
31 - 60 days	1,786	936
61 - 90 days	1,024	618
Over 90 days	<u>2,069</u>	<u>1,354</u>
	<u>12,418</u>	<u>8,683</u>

10 Other gains, net

	Unaudited Three months ended 30 September 2015		Unaudited Nine months ended 30 September 2015	
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Gains on disposals/deemed disposals of investees and businesses ((a) and (b))	1,020	159	3,346	3,958
Subsidies and tax rebates	41	11	106	63
Dividend income	30	7	244	76
Impairment provision for investee companies and intangible assets from acquisition	(379)	(195)	(1,654)	(1,340)
Donation to Tencent Charity Funds	-	-	(250)	(250)
Others	<u>(98)</u>	<u>136</u>	<u>(155)</u>	<u>(91)</u>
	<u>614</u>	<u>118</u>	<u>1,637</u>	<u>2,416</u>

Note:

- (a) During the nine months ended 30 September 2015, the Group recognised total gains of deemed disposals of investees of RMB1,910 million (Note 3(a)), among which two associates of the Group issued their new shares either for the new round of financing or as part of investment costs for their investments. As a result, the Group's equity interests in these associates were diluted, and dilution gains of RMB668 million and RMB519 million had been recognised accordingly.

- (b) Following the completion of a round of equity financing of a then existing associate during the nine months ended 30 September 2015, the Group's equity interest in that associate decreased to below 20.0%, and the Group also ceased to have board representation or other arrangements to exert significant influence on that associate. Accordingly, the Group reclassified the investment from investments in associates to available-for-sale financial assets, and recognised a step-down gain of approximately USD79 million (equivalent to approximately RMB484 million) from such reclassification.

11 Expenses by nature

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Employee benefits expenses (a)	4,968	4,215	13,570	11,235
Content costs and agency fees	4,599	2,850	11,854	7,407
Costs of merchandises sold	–	336	193	4,083
Bandwidth and server custody fees	1,471	1,103	3,980	3,145
Channel costs	1,180	419	3,124	1,178
Promotion and advertising expenses	1,457	1,431	3,401	4,199
Depreciation of fixed assets (a)	780	759	2,329	2,224
Amortisation of intangible assets (b)	867	469	2,252	1,253
Operating lease rentals in respect of office buildings	226	256	662	769
Travelling and entertainment expenses	168	141	438	350

Note:

- (a) Research and development expenses for the three and nine months ended 30 September 2015 were RMB2,461 million and RMB6,560 million (for the three and nine months ended 30 September 2014: RMB2,027 million and RMB5,420 million, respectively), which included employee benefit expenses of RMB1,975 million and depreciation of fixed assets of RMB177 million for the three months ended 30 September 2015 (for the three months ended 30 September 2014: RMB1,645 million and RMB163 million, respectively) and employee benefit expenses of RMB5,263 million and depreciation of fixed assets of RMB523 million for the nine months ended 30 September 2015 (for the nine months ended 30 September 2014: RMB4,337 million and RMB475 million, respectively). No development expenses had been capitalised for the three and nine months ended 30 September 2015 and 2014.
- (b) Included the amortisation charge for intangible assets in respect of licenses and licensed online contents.

12 Income Tax expenses

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

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

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

(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 2015 and 2014.

(c) PRC corporate income tax

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the three and nine months ended 30 September 2015 and 2014, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

Pursuant to the PRC Corporate Income Tax Law promulgated by the Tenth National People's Congress on 16 March 2007 (the "CIT Law"), the CIT rate is 25% for domestic and foreign enterprise in 2015.

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 the three and nine months ended 30 September 2015 and 2014 according to the applicable CIT Law.

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

(d) United States corporate income tax

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

(e) Corporate income tax in other countries

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

(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 three and nine months ended 30 September 2015 and 2014 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current tax	1,531	1,096	5,201	2,749
Deferred income tax	33	287	(91)	1,484
	<u>1,564</u>	<u>1,383</u>	<u>5,110</u>	<u>4,233</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 2015 and 2014, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit before income tax	9,148	7,059	27,020	22,167
Share of losses of associates and joint ventures	<u>702</u>	<u>139</u>	<u>1,464</u>	<u>72</u>
	9,850	<u>7,198</u>	28,484	<u>22,239</u>
Tax calculated at a tax rate of 25%	2,462	1,800	7,121	5,560
Effects of different tax rates applicable to different subsidiaries of the Group	(1,121)	(838)	(2,512)	(3,347)
Effects of tax holiday on assessable profits of subsidiaries	(155)	(139)	(370)	(324)
Income not subject to tax	-	-	(11)	-
Expenses not deductible for tax purposes	295	261	583	764
Withholding tax on earnings expected to be remitted by PRC subsidiaries	40	230	40	1,030
Unrecognised deferred income tax assets	43	69	199	547
Others	<u>-</u>	<u>-</u>	<u>60</u>	<u>3</u>
Income tax expense	<u>1,564</u>	<u>1,383</u>	<u>5,110</u>	<u>4,233</u>

13 Earnings per share

(a) Basic

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

	Unaudited Three months ended 30 September 2015		Unaudited Nine months ended 30 September 2015	
	2015	2014	2015	2014
Profit attributable to equity holders of the Company (RMB' Million)	<u>7,445</u>	<u>5,657</u>	<u>21,642</u>	<u>17,950</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,307</u>	<u>9,243</u>	<u>9,295</u>	<u>9,216</u>
Basic EPS (RMB per share)	<u>0.800</u>	<u>0.612</u>	<u>2.328</u>	<u>1.948</u>

(b) Diluted

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

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates should also have potential dilutive effect on the EPS. During the three and nine months ended 30 September 2015 and 2014, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
Profit attributable to equity holders of the Company (RMB' Million)	<u>7,445</u>	<u>5,657</u>	<u>21,642</u>	<u>17,950</u>
Weighted average number of ordinary shares in issue (million shares)	9,307	9,243	9,295	9,216
Adjustments for share options (million shares)	17	29	20	53
Adjustments for awarded shares (million shares)	<u>73</u>	<u>80</u>	<u>105</u>	<u>92</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,397</u>	<u>9,352</u>	<u>9,420</u>	<u>9,361</u>
Diluted EPS (RMB per share)	<u>0.792</u>	<u>0.605</u>	<u>2.298</u>	<u>1.918</u>

14 Dividends

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

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

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 2015.

Employee and Remuneration Policies

As at 30 September 2015, the Group had 30,164 employees (30 September 2014: 26,284). 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 2015 was RMB4,968 million (for the three months ended 30 September 2014: RMB4,215 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 2015.

Compliance with the Corporate Governance Code

Save as disclosed in the corporate governance report in the 2014 annual report, and the 2015 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 2015 to 30 September 2015.

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

APPRECIATION

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

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 10 November 2015

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

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

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

Independent Non-Executive Directors:

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

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

DEFINITION

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

Term	Definition
“58.com”	58.com Inc., a company incorporated under the laws of the Cayman Islands whose ADSs are listed on the New York Stock Exchange
“ADS”	American Depositary Share
“ARPU”	average revenue per user
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“C2C”	customer to customer
“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
“DAU”	daily active user accounts
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“GAAP”	Generally Accepted Accounting Principles

“Glu Mobile”	Glu Mobile Inc., a company existing under the laws of the State of Delaware and the shares of which are listed on NASDAQ
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“Huayi Bros”	Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司), a company incorporated under the laws of the PRC and the shares of which are listed on the Shenzhen Stock Exchange
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“IPO”	initial public offering
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“MOBA”	Multiplayer Online Battle Arena
“NASDAQ”	NASDAQ Global Select Market
“O2O”	online-to-offline, or offline-to-online
“PC”	personal computer
“PCU”	peak concurrent user accounts
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007

“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“RMB”	the lawful currency of the PRC
“RPG”	role-playing game
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, as amended, and the share award scheme adopted by the Company on 13 November 2013
“Share Subdivision”	with effect from 15 May 2014, each existing issued and unissued share of HKD0.0001 each in the share capital of the Company was subdivided into five subdivided shares of HKD0.00002 each, after passing of an ordinary resolution at the annual general meeting of the Company held on 14 May 2014 and granting by the Stock Exchange of the listing of, and permission to deal in, the subdivided shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Funds”	charity funds established by the Group
“Tongcheng Travel”	Tongcheng Network Technology Co., Ltd. (同程網絡科技股份有限公司), a company incorporated under the laws of the PRC
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services
“Voice of China 4”	the fourth season of The Voice of China (中國好聲音), a Chinese reality talent show