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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 SIX MONTHS ENDED 30 JUNE 2013**

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

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>Unaudited</b>		
	<b>Six months ended</b>		
	<b>30 June</b>	30 June	Year-
	<b>2013</b>	2012	on-year
	<i>(RMB in millions, unless specified)</i>		
			change
Revenues	<b>27,932.1</b>	20,175.1	38.4%
Gross profit	<b>15,388.0</b>	12,027.4	27.9%
Operating profit	<b>9,627.6</b>	7,629.0	26.2%
Profit for the period	<b>7,755.4</b>	6,072.9	27.7%
Profit attributable to equity holders of the Company	<b>7,724.2</b>	6,049.6	27.7%
Non-GAAP profit attributable to equity holders of the Company	<b>8,189.7</b>	6,667.3	22.8%
EPS (RMB per share)			
- basic	<b>4.213</b>	3.316	27.1%
- diluted	<b>4.141</b>	3.252	27.3%

	<b>Unaudited</b>				
	<b>Three months ended</b>				
	<b>30 June 2013</b>	31 March 2013	Quarter- on-quarter change	30 June 2012	Year- on-year change
<i>(RMB in millions, unless specified)</i>					
Revenues	<b>14,384.5</b>	13,547.6	6.2%	10,527.2	36.6%
Gross profit	<b>7,794.2</b>	7,593.8	2.6%	6,215.9	25.4%
Operating profit	<b>4,565.1</b>	5,062.5	-9.8%	3,937.6	15.9%
Profit for the period	<b>3,684.3</b>	4,071.1	-9.5%	3,110.6	18.4%
Profit attributable to equity holders of the Company	<b>3,680.4</b>	4,043.8	-9.0%	3,100.1	18.7%
Non-GAAP profit attributable to equity holders of the Company	<b>4,152.0</b>	4,037.7	2.8%	3,386.3	22.6%
EPS (RMB per share)					
- basic	<b>2.009</b>	2.204	-8.8%	1.698	18.3%
- diluted	<b>1.976</b>	2.166	-8.8%	1.665	18.7%

## **BUSINESS REVIEW AND OUTLOOK**

### **Overall Financial Performance**

In the second quarter of 2013, we registered solid year-on-year growth in revenues and profits, and continued to invest in new opportunities such as mobile platforms, eCommerce and international expansion. Our GAAP operating profit and net profit reduced sequentially mainly due to absence of the special dividend income from our investee company Mail.ru recognised in the previous quarter as well as a significant step up in marketing activities for WeChat in international markets during the second quarter, while our non-GAAP net profit increased sequentially primarily due to revenue growth.

- *VAS*. Our online games business benefited from the growth of our major titles and new self-developed titles in China as well as increased contribution from international markets. Our social networks revenues increased compared to the same period last year, thanks to the growth in item-based sales on our open platforms.
- *Online advertising*. Our online advertising business registered a significant year-on-year revenue increase, driven by growth across brand display and performance display categories. In particular, performance-based social advertising and video advertising continued to enjoy strong growth during the quarter.
- *eCommerce transactions*. The second quarter of 2013 saw the continued expansion of our eCommerce transactions business under a more competitive market environment. Revenues from principal transactions increased significantly compared to the same period last year, as a result of growth in transaction volume and revenue per transaction. Fees generated from transactions on our marketplaces also increased.

## **Financial Highlights**

In June 2013, S&P raised its long-term corporate credit rating on Tencent to ‘A-’ from ‘BBB+’ with stable outlook, the highest rating it had assigned to a non-state-owned enterprise in China. It also raised the issue rating on our senior unsecured notes to ‘A-’ from ‘BBB+’ and its Greater China regional scale ratings on Tencent and the notes to ‘cnAA’ from ‘cnA+’. According to S&P, the improved ratings reflected our stronger competitive position, underpinned by robust growth in business scale, an expanding user base, and improving service diversity, as well as our enhanced financial strength.

## **Divisional and Product Highlights**

### *Communications Platforms*

In the second quarter of 2013, QQ enjoyed a significant year-on-year growth in its smart phone user base as the mobile Internet proliferated further. Its MAU reached 818 million at the end of the quarter, representing a growth rate of 4% compared to the same period last year. Smart phone MAU<sup>1</sup> increased to 478 million at the

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<sup>1</sup> Smart phone MAU of QQ denote the total number of QQ MAU that logged in the community via Mobile QQ application on iOS or Android phones at least once during the last calendar month of the quarter. QQ MAU denote the total number of user accounts that logged in QQ at least once during the last calendar month of the quarter.

end of the quarter, representing a year-on-year growth of over 200%. PCU for the quarter increased by 4% year-on-year to 173 million. As fewer mobile users than PC users employ multiple accounts, QQ experienced a slowdown in the year-on-year growth rates of MAU and PCU, both measured in terms of number of accounts.

At the end of the second quarter of 2013, the combined MAU of Weixin and WeChat reached 236 million, representing a year-on-year growth rate of 177%. Weixin continued to enjoy rapid user growth thanks to its innovative features and compelling user experience, extending its position as the leading smart-phone-only community in China. We stepped up our marketing activities for WeChat in international markets and, as a result, WeChat's user growth accelerated during the quarter. In August 2013, we introduced new versions of Weixin and WeChat which integrate with services such as online games, stickers and payment, allowing us to broaden our service offering to users and explore new business opportunities.

### *Social Platforms*

Qzone registered solid growth in user base, supported by an increasing number of mobile users. Its MAU increased by 5% year-on-year to 626 million at the end of the second quarter of 2013. Smart phone MAU<sup>2</sup> reached 357 million at the end of the quarter, representing 57% of total MAU. Activity of mobile users continued to grow, mainly reflected an expanded smart phone user base as well as enhanced features in areas such as photo and video sharing. Weixin Moments continued to gain popularity among smart phone users.

### *Media Platforms*

In the second quarter of 2013, QQ.com, Tencent Microblog and Tencent Video continued to deliver new content experiences to our users. As users' behaviour changes with growing usage of mobile devices and increasing fragmentation of time spent online, we are enhancing the mobilisation and personalisation of our media platforms, while continuing to upgrade our content. For instance, QQ.com has established a solid footing which addresses the content needs of smart phone users through a widely distributed news plugin linked to Weixin, an increasingly popular full-function news application on smart phones, and a market leading WAP portal which is becoming increasingly smart-phone-enabled.

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<sup>2</sup> Smart phone MAU of Qzone denote the total number of Qzone MAU that logged in the social network via Mobile Qzone applications on iOS or Android phones at least once during the last calendar month of the quarter. Qzone MAU denote the total number of user accounts that logged in Qzone at least twice during the last calendar month of the quarter.

## VAS

Our open platforms registered a robust year-on-year growth in paying users. Cumulative revenues distributed to third-party developers reached RMB3 billion within less than two years, following our launch in June 2011. With strong commitment and consistent efforts in developing a healthy ecosystem, we have become a cradle for innovative developers in China. 26 third-party applications on our platforms have achieved monthly revenues of over RMB10 million and the most successful third-party application has recorded monthly revenues of over RMB30 million. To broaden our user base and diversity of applications, we are enhancing our support offered to developers, particularly for those with large user bases but relatively lower revenue generation or non-game applications.

The second quarter of 2013 saw a year-on-year decline in our VAS subscription count. Some of our users who migrated to smart phones, while continuing to use our basic services such as QQ and Qzone, reduced their consumption of our paid subscriptions, due to fewer smart phone (versus PC or feature phone) privileges within such subscriptions. After initially focusing purely on the free, basic service smart phone experience, we have only recently begun extending our subscriber privileges to smart phone users, adding value to the paid subscriptions. In addition, we tightened our measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection. Towards the end of the second quarter, we launched a ‘Super VIP’ package, which bundles privileges on PCs and smart phones and offers new features, to provide more value to people using QQ on both PCs and smart phones.

Our online games business registered a healthy year-on-year growth in revenues. This mainly reflected growth of our existing major titles, contribution from new self-developed titles and increased revenues from international markets. Mobile games registered revenue growth as we continued to expand our game portfolio. QQ Game Platform experienced a decline in PCU compared to the same period last year as increasing mobile usage made user activity pattern more dispersed, and as open platforms impacted user activity.

### *Online Advertising*

Our online advertising business registered a significant revenue growth, primarily driven by performance-based social advertising, which benefited from greater impression volume. While traditional brand display advertising continued to deliver growth, video advertising revenue approximately doubled compared to the same period last year, thanks to inventory expansion and higher sell-through rates. Growth of search advertising slowed as we reduced traffic from search distribution partnerships.

## *eCommerce Transactions*

In the second quarter of 2013, price competition in the B2C market intensified. Our principal eCommerce transactions business continued to experience a strong year-on-year revenue growth rate as we enhanced user experience, broadened product range and expanded geographic coverage. Our marketplaces also registered significant revenue growth compared to the same period last year as we improved product selection and customer service.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Information

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

	<b>As at 30 June 2013</b>	As at 31 March 2013	Quarter- on-quarter change	As at 30 June 2012	Year- on-year change
MAU of QQ	<b>818.5</b>	825.4	-0.8%	783.6	4.5%
PCU of QQ (for the quarter)	<b>173.2</b>	173.0	0.1%	166.6	4.0%
Combined MAU of Weixin and WeChat	<b>235.8</b>	194.4	21.3%	85.2	176.8%
MAU of Qzone	<b>626.4</b>	611.0	2.5%	597.6	4.8%
PCU of QQ Game Platform (for the quarter)	<b>8.4</b>	9.2	-8.7%	8.8	-4.5%
Fee-based VAS registered subscriptions	<b>98.7</b>	104.6	-5.6%	109.3	-9.7%

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

- MAU of QQ registered a slight sequential decline and a reduced year-on-year growth rate, reflecting users' trend of shifting from PCs to mobile devices and the lower proportion of mobile users employing multiple accounts as compared to that of PC users. PCU of QQ remained broadly stable on a quarter-on-quarter basis.
- Combined MAU of Weixin and WeChat continued to register robust growth during the quarter. While the user base of Weixin expanded further, the sequential user growth of WeChat accelerated in the quarter as we stepped up marketing activities in international markets.
- PCU of QQ Game Platform declined compared to the same period last year as increasing mobile usage made user activity pattern more dispersed, and as open platforms impacted user activity. The sequential reduction also reflected weaker seasonality.
- The declining trend of VAS registered subscriptions continued in the second quarter of 2013. This reflected that some of our users who migrated to smart phones, while continuing to use our basic services such as QQ and Qzone, reduced their consumption of our paid subscriptions, due to fewer smart phone (versus PC or feature phone) privileges within such subscriptions. During the quarter, we also tightened our measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection.

## Second Quarter of 2013 Compared to First Quarter of 2013

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	<b>31 March</b>
	<b>2013</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenues	<b>14,384,521</b>	13,547,554
Cost of revenues	<b>(6,590,285)</b>	<u>(5,953,761)</u>
Gross profit	<b>7,794,236</b>	7,593,793
Interest income	<b>324,241</b>	276,371
Other gains, net	<b>81,687</b>	350,863
Selling and marketing expenses	<b>(1,234,117)</b>	(962,398)
General and administrative expenses	<b>(2,400,943)</b>	<u>(2,196,111)</u>
Operating profit	<b>4,565,104</b>	5,062,518
Finance income/(costs), net	<b>14,333</b>	(82,198)
Share of profit of associates	<b>46,070</b>	131,381
Share of losses of jointly controlled entities	<b>(15,095)</b>	<u>(11,572)</u>
Profit before income tax	<b>4,610,412</b>	5,100,129
Income tax expense	<b>(926,157)</b>	<u>(1,029,001)</u>
Profit for the period	<b><u>3,684,255</u></b>	<u>4,071,128</u>
Attributable to:		
Equity holders of the Company	<b>3,680,389</b>	4,043,819
Non-controlling interests	<b><u>3,866</u></b>	<u>27,309</u>
	<b><u>3,684,255</u></b>	<u>4,071,128</u>
Non-GAAP profit attributable to equity holders of the Company	<b><u>4,152,001</u></b>	<u>4,037,730</u>

*Revenues.* Revenues increased by 6% to RMB14,385 million for the second quarter of 2013 from the first quarter of 2013. The following table sets forth our revenues by line of business for the second quarter of 2013 and the first quarter of 2013:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2013</b>		<b>31 March 2013</b>	
	<b>Amount</b>	<b>% of total revenues</b>	<b>Amount</b>	<b>% of total revenues</b>
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>10,752,102</b>	<b>74.7%</b>	10,666,080	78.7%
Online advertising	<b>1,297,257</b>	<b>9.0%</b>	849,541	6.3%
eCommerce transactions	<b>2,199,448</b>	<b>15.3%</b>	1,913,341	14.1%
Others	<b>135,714</b>	<b>1.0%</b>	118,592	0.9%
<b>Total revenues</b>	<b><u>14,384,521</u></b>	<b><u>100.0%</u></b>	<b><u>13,547,554</u></b>	<b><u>100.0%</u></b>

- Revenues from our VAS business increased by 1% to RMB10,752 million for the second quarter of 2013 from the first quarter of 2013. Online games revenues increased by 2% to RMB7,594 million, despite weaker seasonality in China as a result of school examinations. This mainly reflected revenue growth from our major titles, such as DnF and LoL, in China as well as higher contribution from international markets. Social networks revenues decreased by 1% to RMB3,158 million. This primarily reflected a decrease in subscription revenues, partly offset by an increase in item-based sales within applications on our open platforms.<sup>3</sup>
- Revenues from our online advertising business increased by 53% to RMB1,297 million for the second quarter of 2013 from the first quarter of 2013. This was primarily driven by more favourable seasonality in the second quarter. It also reflected the continued growth in performance-based social advertising and video advertising.
- Revenues from our eCommerce transactions business increased by 15% to RMB2,199 million for the second quarter of 2013 from the first quarter of 2013. This was primarily driven by seasonal promotional activities, regional expansion, and category expansion.

<sup>3</sup> Under the previous financial disclosure which was adopted prior to the first quarter of 2013, our IVAS revenues for the second quarter of 2013 increased by 1% quarter-on-quarter, within which our online games revenues increased by 2% and our community and open platform revenues decreased by 2%. Our MVAS revenues decreased by 3% quarter-on-quarter.

*Cost of revenues.* Cost of revenues increased by 11% to RMB6,590 million for the second quarter of 2013 from the first quarter of 2013. 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 second quarter of 2013 from 44% for the first quarter of 2013. The following table sets forth our cost of revenues by line of business for the second quarter of 2013 and the first quarter of 2013:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2013</b>		<b>31 March 2013</b>	
	<b>% of</b>		<b>% of</b>	
	<b>segment</b>		<b>segment</b>	
	<b>Amount</b>	<b>revenues</b>	<b>Amount</b>	<b>revenues</b>
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>3,835,347</b>	<b>35.7%</b>	3,593,480	33.7%
Online advertising	<b>600,721</b>	<b>46.3%</b>	503,607	59.3%
eCommerce transactions	<b>2,073,121</b>	<b>94.3%</b>	1,781,700	93.1%
Others	<b><u>81,096</u></b>	<b>59.8%</b>	<u>74,974</u>	63.2%
Total cost of revenues	<b><u>6,590,285</u></b>		<b><u>5,953,761</u></b>	

- Cost of revenues for our VAS business increased by 7% to RMB3,835 million for the second quarter of 2013 from the first quarter of 2013. This was mainly driven by higher operating costs associated with international expansion of our game operations and our business growth in China.
- Cost of revenues for our online advertising business increased by 19% to RMB601 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected greater commissions payable to advertising agencies driven by revenue growth. Video content costs and staff costs also increased.
- Cost of revenues for our eCommerce transactions business increased by 16% to RMB2,073 million for the second quarter of 2013 from the first quarter of 2013. This was mainly driven by an increase in cost of merchandise sold as a result of growth in principal eCommerce transactions.

*Other gains, net.* Other gains, net decreased by 77% to RMB82 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected the net impact of the absence of a special dividend income of RMB438 million from our investee company Mail.ru and the absence of a donation of RMB120 million made to the Tencent Charity Fund, both of which were recognised in the previous quarter.

*Selling and marketing expenses.* Selling and marketing expenses increased by 28% to RMB1,234 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected a step up in marketing activities related to WeChat in international markets, which resulted in accelerated user growth. As a percentage of revenues, selling and marketing expenses increased to 9% for the second quarter of 2013 from 7% for the first quarter of 2013.

*General and administrative expenses.* General and administrative expenses increased by 9% to RMB2,401 million for the second quarter of 2013 from the first quarter of 2013. This primarily reflected an increase in staff costs, mainly driven by annual salary increments and certain acquisition-related items. Administrative expenses also increased. As a percentage of revenues, general and administrative expenses increased to 17% for the second quarter of 2013 from 16% for the first quarter of 2013.

*Finance income/(costs), net.* We recorded finance income, net of RMB14 million for the second quarter of 2013, compared to finance costs, net of RMB82 million for the first quarter of 2013. The change primarily reflected higher foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the second quarter of 2013.

*Share of profit of associates.* Share of profit of associates decreased by 65% to RMB46 million for the second quarter of 2013 from the first quarter of 2013. In the first quarter of 2013, share of profit of associates was higher-than-usual as Epic Games benefited from the launch of a new console game in US and Europe.

*Income tax expense.* Income tax expense decreased by 10% to RMB926 million for the second quarter of 2013 from the first quarter of 2013. The second quarter of 2013 saw 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 decreased by 9% to RMB3,680 million for the second quarter of 2013 from the first quarter of 2013. This mainly reflected absence of the special dividend income from Mail.ru recognised in the previous quarter as well as a significant step up in marketing activities for WeChat in international markets during the second quarter. Non-GAAP profit attributable to equity holders of the Company increased by 3% to RMB4,152 million for the second quarter of 2013 from the first quarter of 2013.

## Second Quarter of 2013 Compared to Second Quarter of 2012

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	30 June
	<b>2013</b>	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	<b>14,384,521</b>	10,527,244
Cost of revenues	<b>(6,590,285)</b>	<u>(4,311,379)</u>
Gross profit	<b>7,794,236</b>	6,215,865
Interest income	<b>324,241</b>	196,806
Other gains/(losses), net	<b>81,687</b>	(3,219)
Selling and marketing expenses	<b>(1,234,117)</b>	(609,672)
General and administrative expenses	<b>(2,400,943)</b>	<u>(1,862,165)</u>
Operating profit	<b>4,565,104</b>	3,937,615
Finance income/(costs), net	<b>14,333</b>	(115,256)
Share of profit of associates	<b>46,070</b>	5,411
Share of losses of jointly controlled entities	<b>(15,095)</b>	<u>(9,375)</u>
Profit before income tax	<b>4,610,412</b>	3,818,395
Income tax expense	<b>(926,157)</b>	<u>(707,824)</u>
Profit for the period	<b><u>3,684,255</u></b>	<u>3,110,571</u>
Attributable to:		
Equity holders of the Company	<b>3,680,389</b>	3,100,075
Non-controlling interests	<b><u>3,866</u></b>	<u>10,496</u>
	<b><u>3,684,255</u></b>	<u>3,110,571</u>
Non-GAAP profit attributable to equity holders of the Company	<b><u>4,152,001</u></b>	<u>3,386,266</u>

*Revenues.* Revenues increased by 37% to RMB14,385 million for the second quarter of 2013 from the second quarter of 2012. The following table sets forth our revenues by line of business for the second quarter of 2013 and the second quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2013</b>		<b>30 June 2012</b>	
	<b>% of total</b>		<b>% of total</b>	
	<b>Amount</b>	<b>revenues</b>	<b>Amount</b>	<b>revenues</b>
			<b>(Restated)</b>	<b>(Restated)</b>
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>10,752,102</b>	<b>74.7%</b>	8,715,632	82.8%
Online advertising	<b>1,297,257</b>	<b>9.0%</b>	879,691	8.4%
eCommerce transactions	<b>2,199,448</b>	<b>15.3%</b>	857,526	8.1%
Others	<b>135,714</b>	<b>1.0%</b>	74,395	0.7%
<b>Total revenues</b>	<b><u>14,384,521</u></b>	<b><u>100.0%</u></b>	<b><u>10,527,244</u></b>	<b><u>100.0%</u></b>

- Revenues from our VAS business increased by 23% to RMB10,752 million for the second quarter of 2013 from the second quarter of 2012. Online games revenues increased by 31% to RMB7,594 million. This was primarily driven by revenue growth of our major titles such as DnF and LoL, contribution from our new self-developed titles and increased revenues from international markets. Mobile games also contributed to the growth of the business. Social networks revenues increased by 8% to RMB3,158 million. This mainly reflected an increase in item-based sales within applications on our open platforms, partly offset by decreased subscription revenues.<sup>4</sup>
- Revenues from our online advertising business increased by 47% to RMB1,297 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected the strong growth in revenues from performance-based social advertising. Traditional brand display advertising and video advertising also contributed to the revenue growth of the business.

<sup>4</sup> Under the previous financial disclosure which was adopted prior to the first quarter of 2013, our IVAS revenues for the second quarter of 2013 increased by 26% year-on-year, within which our online games revenues increased by 31% and our community and open platform revenues increased by 13%. Our MVAS revenues increased by 3% year-on-year.

- Revenues from our eCommerce transactions business increased by 156% to RMB2,199 million for the second quarter of 2013 from the second quarter of 2012. This was primarily driven by growth in volume of principal eCommerce transactions and revenue per transaction. Fees generated from transactions on our marketplace also increased.

*Cost of revenues.* Cost of revenues increased by 53% to RMB6,590 million for the second quarter of 2013 from the second quarter of 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 second quarter of 2013 from 41% for the second quarter of 2012, mainly due to a revenue mix shift towards the eCommerce transactions business. The following table sets forth our cost of revenues by line of business for the second quarter of 2013 and the second quarter of 2012:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2013</b>		<b>30 June 2012</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount (Restated)</b>	<b>% of segment revenues (Restated)</b>
	<i>(RMB in thousands, unless specified)</i>			
VAS	<b>3,835,347</b>	<b>35.7%</b>	3,004,309	34.5%
Online advertising	<b>600,721</b>	<b>46.3%</b>	421,288	47.9%
eCommerce transactions	<b>2,073,121</b>	<b>94.3%</b>	836,005	97.5%
Others	<b><u>81,096</u></b>	<b>59.8%</b>	<u>49,777</u>	66.9%
<b>Total cost of revenues</b>	<b><u>6,590,285</u></b>		<b><u>4,311,379</u></b>	

- Cost of revenues for our VAS business increased by 28% to RMB3,835 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected an increase in sharing and content costs. Staff costs as well as bandwidth and server custody fees also increased.
- Cost of revenues for our online advertising business increased by 43% to RMB601 million for the second quarter of 2013 from the second quarter of 2012. This was primarily driven by increases in bandwidth and server custody fees, commissions payable to advertising agencies, as well as video content costs due to our business growth.

- Cost of revenues for our eCommerce transactions business increased by 148% to RMB2,073 million for the second quarter of 2013 from the second quarter of 2012. This mainly reflected an increase in cost of merchandise sold due to growth in principal eCommerce transactions.

*Other gains/(losses), net.* We recorded other gains, net of RMB82 million for the second quarter of 2013, compared to other losses, net of RMB3 million for the second quarter of 2012. A disposal gain of RMB25 million related to an associate and subsidies and tax rebates of RMB15 million were recognised in the second quarter of 2013.

*Selling and marketing expenses.* Selling and marketing expenses increased by 102% to RMB1,234 million for the second quarter of 2013 from the second quarter of 2012. This primarily reflected a step up in marketing activities related to WeChat in international markets and increased advertising and promotional spending on other products and platforms such as online games and mobile security product. As a percentage of revenues, selling and marketing expenses increased to 9% for the second quarter of 2013 from 6% for the second quarter of 2012.

*General and administrative expenses.* General and administrative expenses increased by 29% to RMB2,401 million for the second quarter of 2013 from the second quarter of 2012. This primarily reflected an increase in staff costs, mainly driven by annual salary increments, growth in headcounts and certain acquisition-related items. Administrative expenses also increased. As a percentage of revenues, general and administrative expenses decreased to 17% for the second quarter of 2013 from 18% for the second quarter of 2012.

*Finance income/(costs), net.* We recorded finance income, net of RMB14 million for the second quarter of 2013, compared to finance costs, net of RMB115 million for the second quarter of 2012. The change mainly reflected the recognition of foreign exchange gains on our foreign currency denominated debts due to exchange rate movements in the second quarter of 2013, compared to foreign exchange losses in the same period last year.

*Income tax expense.* Income tax expense increased by 31% to RMB926 million for the second quarter of 2013 from the second quarter of 2012. This primarily reflected an increase in profit before income tax.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 19% to RMB3,680 million for the second quarter of 2013 from the second quarter of 2012. Non-GAAP profit attributable to equity holders of the Company increased by 23% to RMB4,152 million for the second quarter of 2013 from the second quarter of 2012.

## Other Financial Information

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	30 June	30 June	30 June	31 March	30 June
	2013	2012	2013	2013	2012
	<i>(RMB in thousands, unless specified)</i>				
EBITDA (a)	<b>10,126,062</b>	8,585,869	<b>4,968,600</b>	5,157,462	4,331,322
Adjusted EBITDA (a)	<b>10,666,615</b>	9,020,172	<b>5,228,433</b>	5,438,182	4,558,963
Adjusted EBITDA margin (b)	<b>38.2%</b>	44.7%	<b>36.3%</b>	40.1%	43.3%
Interest expense	<b>190,306</b>	136,922	<b>92,002</b>	98,304	69,344
Net cash (c)	<b>33,556,493</b>	19,631,631	<b>33,556,493</b>	32,730,672	19,631,631
Capital expenditures (d)	<b>2,498,618</b>	1,577,286	<b>1,464,020</b>	1,034,598	915,156

*Note:*

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

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

	Unaudited		Unaudited		
	Six months ended		Three months ended		
	30 June 2013 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>	30 June 2013 <i>RMB'000</i>	31 March 2013 <i>RMB'000</i>	30 June 2012 <i>RMB'000</i>
Operating profit	<b>9,627,622</b>	7,628,973	<b>4,565,104</b>	5,062,518	3,937,615
Less: Interest income	<b>(600,612)</b>	(363,539)	<b>(324,241)</b>	(276,371)	(196,806)
Add: Other losses/(gains), net	<b>(432,550)</b>	66,861	<b>(81,687)</b>	(350,863)	3,219
Add: Depreciation of fixed assets and investment properties	<b>1,160,510</b>	869,000	<b>600,043</b>	560,467	444,830
Add: Amortisation of intangible assets	<b>371,092</b>	384,574	<b>209,381</b>	161,711	142,464
EBITDA	<b>10,126,062</b>	8,585,869	<b>4,968,600</b>	5,157,462	4,331,322
Equity-settled share-based compensation	<b>540,553</b>	434,303	<b>259,833</b>	280,720	227,641
Adjusted EBITDA	<b><u>10,666,615</u></b>	<u>9,020,172</u>	<b><u>5,228,433</u></b>	<u>5,438,182</u>	<u>4,558,963</u>

## Non-GAAP Financial Measures

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

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

Unaudited six months ended 30 June 2013						
	As reported	Adjustments			Non-GAAP	
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)		Special dividend income (c)
<i>(RMB in thousands, unless specified)</i>						
Operating profit	9,627,622	540,553	303,686	77,568	(438,074)	10,111,355
Profit for the period	7,755,383	540,553	303,686	117,256	(438,074)	8,278,804
Profit attributable to equity holders	7,724,208	536,159	267,376	100,062	(438,074)	8,189,731
Operating margin	34.5%					36.2%
Net margin	27.8%					29.6%

Unaudited six months ended 30 June 2012

	As reported	Adjustments			Special dividend income (c)	Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Amortisation of intangible assets (b)		
Operating profit	7,628,973	434,303	57,975	168,511	–	8,289,762
Profit for the period	6,072,901	434,303	57,975	155,752	–	6,720,931
Profit attributable to equity holders	6,049,585	425,609	51,130	141,006	–	6,667,330
Operating margin	37.8%					41.1%
Net margin	30.1%					33.3%

Unaudited three months ended 30 June 2013

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

Unaudited three months ended 31 March 2013

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

Unaudited three months ended 30 June 2012

	Adjustments					Non-GAAP
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation <i>(a)</i>	Amortisation of intangible assets <i>(b)</i>	Special dividend income <i>(c)</i>	
	<i>(RMB in thousands, unless specified)</i>					
Operating profit	3,937,615	227,641	28,081	28,137	–	4,221,474
Profit for the period	3,110,571	227,641	28,081	44,060	–	3,410,353
Profit attributable to equity holders	3,100,075	221,817	24,643	39,731	–	3,386,266
Operating margin	37.4%					40.1%
Net margin	29.5%					32.4%

*Note:*

- (a) Including put options granted to employees of investees on their shares and shares to be issued under investees' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (c) Special dividend income from investees

## Liquidity and Financial Resources

Our net cash positions as at 30 June 2013 and 31 March 2013 are as follows:

	<b>Unaudited 30 June 2013 RMB'000</b>	Unaudited 31 March 2013 RMB'000
Cash and cash equivalents	<b>14,791,822</b>	15,024,047
Term deposits	<b><u>29,001,732</u></b>	<u>28,090,139</u>
	<b>43,793,554</b>	43,114,186
Borrowings	<b>(2,840,415)</b>	(2,871,006)
Long-term notes payable	<b><u>(7,396,646)</u></b>	<u>(7,512,508)</u>
Net cash	<b><u>33,556,493</u></b>	<u>32,730,672</u>

As at 30 June 2013, RMB5,986 million of our financial resources (31 March 2013: RMB7,369 million) were held in deposits and investments denominated in non-RMB currencies. Since there are no cost-effective hedges against the fluctuation of RMB and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

		Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		8,182,143	7,402,766
Construction in progress		918,776	533,691
Investment properties		21,476	21,674
Land use rights		823,789	794,439
Intangible assets		4,798,610	4,719,075
Interests in associates	3	8,073,492	7,310,266
Investment in jointly controlled entities		8,742	35,409
Deferred income tax assets		174,135	168,906
Available-for-sale financial assets	4	6,282,289	5,632,590
Prepayments, deposits and other assets		1,060,129	1,236,129
Term deposits		<u>13,081,000</u>	<u>10,891,718</u>
		<b>43,424,581</b>	<b>38,746,663</b>
<b>Current assets</b>			
Inventories		715,789	568,084
Accounts receivable	5	2,895,327	2,353,959
Prepayments, deposits and other assets		5,240,152	3,877,800
Term deposits		15,920,732	13,805,675
Restricted cash		3,165,791	2,520,232
Cash and cash equivalents		<u>14,791,822</u>	<u>13,383,398</u>
		<b>42,729,613</b>	<b>36,509,148</b>
<b>Total assets</b>		<b><u>86,154,194</u></b>	<b><u>75,255,811</u></b>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2013</b>	2012
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital		199	199
Share premium		2,193,289	2,879,990
Shares held for share award scheme		(674,674)	(667,464)
Other reserves		584,071	815,697
Retained earnings		<u>44,525,134</u>	<u>38,269,085</u>
		<b>46,628,019</b>	<b>41,297,507</b>
<b>Non-controlling interests</b>		<u>823,757</u>	<u>850,759</u>
<b>Total equity</b>		<u>47,451,776</u>	<u>42,148,266</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	2,471,480	2,105,643
Long-term notes payable	8	7,396,646	7,516,766
Deferred income tax liabilities		1,388,002	1,311,562
Long-term payables		<u>1,535,840</u>	<u>1,508,578</u>
		<b>12,791,968</b>	<b>12,442,549</b>
<b>Current liabilities</b>			
Accounts payable	9	6,410,489	4,211,733
Other payables and accruals		7,546,012	6,301,449
Borrowings	7	368,935	1,077,108
Current income tax liabilities		869,441	419,872
Other tax liabilities		579,855	540,095
Deferred revenue		<u>10,135,718</u>	<u>8,114,739</u>
		<b>25,910,450</b>	<b>20,664,996</b>
<b>Total liabilities</b>		<u>38,702,418</u>	<u>33,107,545</u>
<b>Total equity and liabilities</b>		<u>86,154,194</u>	<u>75,255,811</u>
<b>Net current assets</b>		<u>16,819,163</u>	<u>15,844,152</u>
<b>Total assets less current liabilities</b>		<u>60,243,744</u>	<u>54,590,815</u>

**CONSOLIDATED INCOME STATEMENT  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2013**

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenues</b>					
Value-added services		10,752,102	8,715,632	21,418,182	17,011,095
Online advertising		1,297,257	879,691	2,146,798	1,419,804
eCommerce transactions		2,199,448	857,526	4,112,789	1,610,343
Others		135,714	74,395	254,306	133,860
		<b>14,384,521</b>	<b>10,527,244</b>	<b>27,932,075</b>	<b>20,175,102</b>
Cost of revenues	11	(6,590,285)	(4,311,379)	(12,544,046)	(8,147,696)
<b>Gross profit</b>		<b>7,794,236</b>	<b>6,215,865</b>	<b>15,388,029</b>	<b>12,027,406</b>
Interest income		324,241	196,806	600,612	363,539
Other gains/(losses), net	10	81,687	(3,219)	432,550	(66,861)
Selling and marketing expenses	11	(1,234,117)	(609,672)	(2,196,515)	(1,078,872)
General and administrative expenses	11	(2,400,943)	(1,862,165)	(4,597,054)	(3,616,239)
<b>Operating profit</b>		<b>4,565,104</b>	<b>3,937,615</b>	<b>9,627,622</b>	<b>7,628,973</b>
Finance income/(costs), net		14,333	(115,256)	(67,865)	(185,238)
Share of profit/(losses) of associates		46,070	5,411	177,451	(4,342)
Share of losses of jointly controlled entities		(15,095)	(9,375)	(26,667)	(7,995)
<b>Profit before income tax</b>		<b>4,610,412</b>	<b>3,818,395</b>	<b>9,710,541</b>	<b>7,431,398</b>
Income tax expense	12	(926,157)	(707,824)	(1,955,158)	(1,358,497)
<b>Profit for the period</b>		<b>3,684,255</b>	<b>3,110,571</b>	<b>7,755,383</b>	<b>6,072,901</b>

	<i>Note</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2013	2012	2013	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Attributable to:</b>					
Equity holders of the Company		<b>3,680,389</b>	3,100,075	<b>7,724,208</b>	6,049,585
Non-controlling interests		<u>3,866</u>	<u>10,496</u>	<u>31,175</u>	<u>23,316</u>
		<b><u>3,684,255</u></b>	<b><u>3,110,571</u></b>	<b><u>7,755,383</u></b>	<b><u>6,072,901</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>					
- basic	13	<u>2.009</u>	<u>1.698</u>	<u>4.213</u>	<u>3.316</u>
- diluted	13	<u>1.976</u>	<u>1.665</u>	<u>4.141</u>	<u>3.252</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2013**

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	<b><u>3,684,255</u></b>	<b><u>3,110,571</u></b>	<b><u>7,755,383</u></b>	<b><u>6,072,901</u></b>
<b>Other comprehensive income, net of tax:</b>				
Items that may be reclassified to profit or loss				
Share of other comprehensive income of associates	<b>495</b>	—	<b>495</b>	—
Net gains/(losses) from changes in fair value of available-for-sale financial assets	<b>367,783</b>	(530,203)	<b>(238,433)</b>	758,711
Currency translation differences	<b>(28,407)</b>	7,743	<b>(40,151)</b>	13,819
	<b><u>339,871</u></b>	<b><u>(522,460)</u></b>	<b><u>(278,089)</u></b>	<b><u>772,530</u></b>
<b>Total comprehensive income for the period</b>	<b><u>4,024,126</u></b>	<b><u>2,588,111</u></b>	<b><u>7,477,294</u></b>	<b><u>6,845,431</u></b>
<b>Attributable to:</b>				
Equity holders of the Company	<b>4,025,050</b>	2,576,886	<b>7,453,351</b>	6,821,375
Non-controlling interests	<b>(924)</b>	11,225	<b>23,943</b>	24,056
	<b><u>4,024,126</u></b>	<b><u>2,588,111</u></b>	<b><u>7,477,294</u></b>	<b><u>6,845,431</u></b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 January 2013</b>	<u>199</u>	<u>2,879,990</u>	<u>(667,464)</u>	<u>815,697</u>	<u>38,269,085</u>	<u>41,297,507</u>	<u>850,759</u>	<u>42,148,266</u>
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	7,724,208	7,724,208	31,175	7,755,383
Other comprehensive income:								
- share of other comprehensive income of associates	—	—	—	495	—	495	—	495
- net losses from changes in fair value of available-for-sale financial assets	—	—	—	(238,433)	—	(238,433)	—	(238,433)
- currency translation differences	—	—	—	(32,919)	—	(32,919)	(7,232)	(40,151)
<b>Total comprehensive income for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(270,857)</u>	<u>7,724,208</u>	<u>7,453,351</u>	<u>23,943</u>	<u>7,477,294</u>
<b>Transaction with owners</b>								
Capital injection	—	—	—	—	—	—	4,900	4,900
Employee share option schemes:								
- value of employee services	—	47,772	—	22,896	—	70,668	3,449	74,117
- proceeds from shares issued	—	145,782	—	—	—	145,782	—	145,782
Employee share award scheme:								
- value of employee services	—	456,744	—	8,747	—	465,491	945	466,436
- shares purchased for share award scheme	—	—	(20,758)	—	—	(20,758)	—	(20,758)
- vesting of awarded shares	—	(13,548)	13,548	—	—	—	—	—
Repurchase and cancellation of shares	—	(1,323,451)	—	—	—	(1,323,451)	—	(1,323,451)
Dividends ( <i>Note 14</i> )	—	—	—	—	(1,468,159)	(1,468,159)	(54,150)	(1,522,309)
Total contributions by and distributions to owners for the period	<u>—</u>	<u>(686,701)</u>	<u>(7,210)</u>	<u>31,643</u>	<u>(1,468,159)</u>	<u>(2,130,427)</u>	<u>(44,856)</u>	<u>(2,175,283)</u>
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	—	—	7,588	—	7,588	(6,089)	1,499
<b>Total transactions with owners for the period</b>	<u>—</u>	<u>(686,701)</u>	<u>(7,210)</u>	<u>39,231</u>	<u>(1,468,159)</u>	<u>(2,122,839)</u>	<u>(50,945)</u>	<u>(2,173,784)</u>
<b>Balance at 30 June 2013</b>	<u><u>199</u></u>	<u><u>2,193,289</u></u>	<u><u>(674,674)</u></u>	<u><u>584,071</u></u>	<u><u>44,525,134</u></u>	<u><u>46,628,019</u></u>	<u><u>823,757</u></u>	<u><u>47,451,776</u></u>

Unaudited

Attributable to equity holders of the Company								
	Share capital	Share premium	Shares held for share award scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2012</b>	198	1,950,876	(606,874)	409,266	26,710,368	28,463,834	624,510	29,088,344
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	6,049,585	6,049,585	23,316	6,072,901
Other comprehensive income:								
- net gains from changes in fair value of available-for-sale financial assets	-	-	-	758,711	-	758,711	-	758,711
- currency translation differences	-	-	-	13,079	-	13,079	740	13,819
<b>Total comprehensive income for the period</b>	-	-	-	771,790	6,049,585	6,821,375	24,056	6,845,431
<b>Transaction with owners</b>								
Capital injection	-	-	-	-	-	-	7,220	7,220
Employee share option schemes:								
- value of employee services	-	55,669	-	34,432	-	90,101	18,182	108,283
- proceeds from shares issued	-	113,640	-	-	-	113,640	-	113,640
Employee share award scheme:								
- value of employee services	-	295,814	-	25,792	-	321,606	4,415	326,021
- shares purchased for share award scheme	-	-	(16,946)	-	-	(16,946)	-	(16,946)
- vesting of awarded shares	-	(14,163)	14,163	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	(26)	26	-	-	-
Repurchase and cancellation of shares	-	(20,232)	-	-	-	(20,232)	-	(20,232)
Dividends	-	-	-	-	(1,107,889)	(1,107,889)	(18,180)	(1,126,069)
Total contributions by and distributions to owners for the period	-	430,728	(2,783)	60,198	(1,107,863)	(619,720)	11,637	(608,083)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	(2,455)	(2,455)
Acquisition of an additional equity interest in non-wholly owned subsidiaries	-	-	-	(244,197)	-	(244,197)	(7,050)	(251,247)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	-	-	-	(357,618)	-	(357,618)	-	(357,618)
<b>Total transactions with owners for the period</b>	-	430,728	(2,783)	(541,617)	(1,107,863)	(1,221,535)	2,132	(1,219,403)
<b>Balance at 30 June 2012</b>	198	2,381,604	(609,657)	639,439	31,652,090	34,063,674	650,698	34,714,372

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Net cash flows generated from operating activities</b>	<b>11,952,396</b>	8,945,857
<b>Net cash flows used in investing activities</b>	<b>(7,471,036)</b>	(6,455,778)
<b>Net cash flows used in financing activities</b>	<b><u>(2,962,051)</u></b>	<u>(4,506,408)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,519,309</b>	(2,016,329)
Cash and cash equivalents at beginning of period	<b>13,383,398</b>	12,612,140
Exchange (losses)/gains on cash and cash equivalents	<u>(110,885)</u>	<u>6,640</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>14,791,822</u></b>	<u>10,602,451</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>8,006,981</b>	6,699,446
Term deposits and highly liquid investments with initial term within three months	<u>6,784,841</u>	<u>3,903,005</u>
	<b><u>14,791,822</u></b>	<u>10,602,451</u>

*Note:*

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

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

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

The consolidated financial position as at 30 June 2013, the related consolidated income statement and the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved by the Board on 14 August 2013.

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

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

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

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

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

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

## 2 Segment information

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

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

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

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

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

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

	Unaudited				
	Three months ended 30 June 2013				
	VAS	Online advertising	eCommerce transactions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenues	<u>10,752,102</u>	<u>1,297,257</u>	<u>2,199,448</u>	<u>135,714</u>	<u>14,384,521</u>
Gross profit	<u>6,916,755</u>	<u>696,536</u>	<u>126,327</u>	<u>54,618</u>	<u>7,794,236</u>
Depreciation	401,120	32,996	3,770	4,568	442,454
Amortisation	73,493	71,932	—	—	145,425
Share of profit/(losses) of associates	16,100	—	(3,646)	33,616	46,070
Share of losses of jointly controlled entities	<u>(15,095)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,095)</u>

  

	Unaudited				
	Three months ended 30 June 2012				
	VAS	Online advertising	eCommerce transactions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenues	<u>8,715,632</u>	<u>879,691</u>	<u>857,526</u>	<u>74,395</u>	<u>10,527,244</u>
Gross profit	<u>5,711,323</u>	<u>458,403</u>	<u>21,521</u>	<u>24,618</u>	<u>6,215,865</u>
Depreciation	289,975	24,899	1,940	4,397	321,211
Amortisation	48,315	44,756	—	—	93,071
Share of profit/ (losses) of associates	7,885	—	(8,338)	5,864	5,411
Share of losses of jointly controlled entities	<u>(9,375)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,375)</u>

	Unaudited				
	Six months ended 30 June 2013				
	VAS	Online advertising	eCommerce transactions	Others	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Segment revenues	<u>21,418,182</u>	<u>2,146,798</u>	<u>4,112,789</u>	<u>254,306</u>	<u>27,932,075</u>
Gross profit	<u>13,989,355</u>	<u>1,042,470</u>	<u>257,968</u>	<u>98,236</u>	<u>15,388,029</u>
Depreciation	774,826	63,908	7,316	8,897	854,947
Amortisation	122,467	118,477	—	—	240,944
Share of profit/(losses) of associates	124,540	—	(13,121)	66,032	177,451
Share of losses of jointly controlled entities	<u>(26,667)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(26,667)</u>

	Unaudited				
	Six months ended 30 June 2012				
	VAS	Online advertising	eCommerce transactions	Others	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(Restated)				
Segment revenues	<u>17,011,095</u>	<u>1,419,804</u>	<u>1,610,343</u>	<u>133,860</u>	<u>20,175,102</u>
Gross profit	<u>11,259,124</u>	<u>682,333</u>	<u>42,287</u>	<u>43,662</u>	<u>12,027,406</u>
Depreciation	563,669	48,633	3,697	8,680	624,679
Amortisation	90,206	85,577	—	—	175,783
Share of profit /(losses) of associates	2,570	—	(20,100)	13,188	(4,342)
Share of losses of jointly controlled entities	<u>(7,995)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,995)</u>

### 3 Interests in associates

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
Investments in associates (a)		
- Listed shares	<b>1,375,874</b>	1,481,056
- Unlisted shares	<b>5,532,720</b>	<u>4,829,057</u>
	<b>6,908,594</b>	6,310,113
Investments in redeemable preference shares of associates (b)	<b>951,983</b>	838,226
Loans to associates (c)	<b>212,915</b>	<u>161,927</u>
	<b>8,073,492</b>	<u>7,310,266</u>

*Note:*

#### (a) Investments in associates

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of period	<b>6,310,113</b>	3,764,027
Additions ((i) and (ii))	<b>579,645</b>	746,342
Share of profit/(losses) of associates	<b>177,451</b>	(4,342)
Share of other comprehensive income of associates	<b>495</b>	—
Dividends received from associates	<b>(26,519)</b>	(21,748)
Partial disposal/disposal of associates	<b>(132,591)</b>	<u>(68,263)</u>
At end of period	<b>6,908,594</b>	<u>4,416,016</u>

- (i) In June 2013, the Group acquired additional preference shares in KIS, an existing associate of the Group which is principally engaged in development and sale of Internet security software and antivirus software, for a cash consideration of USD46,980,000 (equivalent to approximately RMB290,318,000), and increased the Group's equity interest in KIS from approximately 10.0% to approximately 18.0%. Since the Group has significant influence in KIS through its representative in the board of directors, KIS is accounted for as an associate of the Group.

(ii) In addition to the above, the Group acquired some other associates or made additional investments in existing associates for an aggregate consideration of RMB289,327,000 during the six months ended 30 June 2013. They are principally engaged in provision of online community services, online games development and other Internet-related businesses.

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

As at 30 June 2013, the Group held certain redeemable preference shares in the associates, which are principally engaged in online community services, online games development and other Internet-related businesses. The redemption prices of the relevant shares are agreed at not less than their original subscription prices.

**(c) Loans to associates**

As at 30 June 2013, the aggregate principal amount of the loans to associates was RMB210,687,000 (31 December 2012: RMB159,993,000) with terms of two years generally. These loans are either with interest rates of 4.2% to 6.0% per annum or are interest-free.

**4 Available-for-sale financial assets**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
At beginning of period	<b>5,632,590</b>	4,343,602
Additions ((a) and (b))	<b>815,309</b>	252,063
Transfer to interests in associates	—	(31,139)
(Losses)/gains from changes in fair value	<u><b>(165,610)</b></u>	<u>756,343</u>
At end of period, all non-current	<u><b>6,282,289</b></u>	<u>5,320,869</u>
Market value of listed securities	<u><b>3,917,490</b></u>	<u>4,075,137</u>

*Note:*

(a) In June 2013, the Group acquired certain equity interest in a company incorporated in US which is mainly engaged in the provision of eCommerce services in US and Europe, for a consideration of USD50,000,000 (equivalent to approximately RMB308,980,000).

(b) The Group also acquired some other available-for-sale financial assets at an aggregate consideration of RMB506,329,000 during the six months ended 30 June 2013. They are principally engaged in software development, digital photo sharing and equity investments.

## 5 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 - 30 days	<b>1,622,650</b>	1,406,915
31 - 60 days	<b>475,591</b>	552,772
61 - 90 days	<b>448,567</b>	257,286
Over 90 days	<b><u>348,519</u></b>	<u>136,986</u>
	<b><u>2,895,327</u></b>	<u>2,353,959</u>

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

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

## 6 Share option and share award schemes

### (a) Share option schemes

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

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

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

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

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

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

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

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

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

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	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	HKD11.51	(1,685,849)	HKD39.51	(4,106,272)	-	-	(5,792,121)
Lapsed	-	-	HKD147.04	(91,510)	-	-	(91,510)
At 30 June 2013	HKD10.91	<u>2,910,640</u>	HKD71.54	<u>16,435,315</u>	HKD158.50	<u>1,000,000</u>	<u>20,345,955</u>
Exercisable as at 30 June 2013	HKD10.91	<u>2,910,640</u>	HKD46.38	<u>8,072,784</u>	-	-	<u>10,983,424</u>
At 1 January 2012	HKD12.39	8,761,937	HKD59.97	26,156,088	HKD158.50	1,000,000	35,918,025
Exercised	HKD15.65	(2,026,139)	HKD45.06	(2,404,389)	-	-	(4,430,528)
Lapsed	HKD8.17	(157)	HKD47.31	(85,024)	-	-	(85,181)
At 30 June 2012	HKD11.41	<u>6,735,641</u>	HKD61.53	<u>23,666,675</u>	HKD158.50	<u>1,000,000</u>	<u>31,402,316</u>
Exercisable as at 30 June 2012	HKD11.16	<u>6,615,641</u>	HKD40.87	<u>9,526,152</u>	-	-	<u>16,141,793</u>

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

(b) **Share award scheme**

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

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

	<b>Number of shares held for the Share Award Scheme</b>	<b>Number of awarded shares</b>	<b>Total</b>
<b>At 1 January 2013</b>	<b>405,230</b>	<b>18,944,442</b>	<b>19,349,672</b>
Purchased and withheld	110,343	—	110,343
Granted	(420,337)	420,337	—
Lapsed	460,742	(460,742)	—
Vested and transferred	<u>—</u>	<u>(575,618)</u>	<u>(575,618)</u>
<b>At 30 June 2013</b>	<b><u>555,978</u></b>	<b><u>18,328,419</u></b>	<b><u>18,884,397</u></b>
<b>Vested but not transferred as at 30 June 2013</b>			<u>—</u>
At 1 January 2012	1,970,840	15,838,999	17,809,839
Purchased and withheld	107,981	—	107,981
Granted	(759,400)	759,400	—
Lapsed	321,925	(321,925)	—
Vested and transferred	<u>—</u>	<u>(499,528)</u>	<u>(499,528)</u>
At 30 June 2012	<b><u>1,641,346</u></b>	<b><u>15,776,946</u></b>	<b><u>17,418,292</u></b>
Vested but not transferred as at 30 June 2012			<u>3,005</u>

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

## 7 Borrowings

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
<i>Included in non-current liabilities:</i>		
Non-current portion of long-term USD bank borrowings		
- Unsecured ( <i>Note</i> )	<b><u>2,471,480</u></b>	<u>2,105,643</u>
<i>Included in current liabilities:</i>		
RMB bank borrowings		
- Secured	—	15,000
- Unsecured	<b>60,000</b>	25,000
USD bank borrowings		
- Unsecured	—	942,825
Current portion of long-term USD bank borrowings		
- Unsecured ( <i>Note</i> )	<b><u>308,935</u></b>	<u>94,283</u>
	<b><u>368,935</u></b>	<u>1,077,108</u>
	<b><u>2,840,415</u></b>	<u>3,182,751</u>

Movement in the borrowings is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of period	<b>3,182,751</b>	7,999,440
Additions of bank borrowings	<b>1,893,000</b>	1,893,240
Repayments of bonds	—	(629,190)
Repayments of bank borrowings	<b>(2,187,275)</b>	(4,729,060)
Exchange difference	<b><u>(48,061)</u></b>	<u>23,628</u>
At end of period	<b><u>2,840,415</u></b>	<u>4,558,058</u>

*Note:*

Unsecured long-term bank borrowings of carrying amount of RMB2,780,415,000 as at 30 June 2013 were denominated in USD. The aggregate principal amount was USD450,000,000 with interest rates of LIBOR plus 1.05% to 1.97% per annum.

## 8 Long-term notes payable

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

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

As at 30 June 2013, the carrying amount of these notes was RMB7,396,646,000.

## 9 Accounts payable

Accounts payable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
0 - 30 days	<b>4,082,922</b>	3,573,610
31 - 60 days	<b>500,154</b>	430,408
61 - 90 days	<b>586,765</b>	176,116
Over 90 days	<b><u>1,240,648</u></b>	<u>31,599</u>
	<b><u>6,410,489</u></b>	<u>4,211,733</u>

## 10 Other gains/(losses), net

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend income	6,658	11,125	444,732	11,125
Gains on partial disposal/disposal of associates	24,864	—	24,864	11,543
Subsidies and tax rebates	15,268	13,258	55,782	32,836
Donation to Tencent Charity Fund	—	—	(120,000)	(60,000)
Others	34,897	(27,602)	27,172	(62,365)
	<u>81,687</u>	<u>(3,219)</u>	<u>432,550</u>	<u>(66,861)</u>

## 11 Expenses by nature

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefits expenses ( <i>Note</i> )	2,583,036	1,908,491	5,002,030	3,597,857
Content costs and agency fees	2,119,914	1,697,518	4,053,328	3,140,491
Cost of merchandise sold	2,006,328	810,273	3,736,339	1,524,365
Mobile and telecommunications charges and bandwidth and server custody fees	1,028,652	817,869	2,020,111	1,593,286
Promotion and advertising expenses	842,671	386,383	1,447,069	663,444
Depreciation of fixed assets ( <i>Note</i> )	599,928	444,716	1,160,277	868,772
Operating lease rentals in respect of office buildings	210,648	145,827	415,106	288,674
Amortisation of intangible assets	209,381	142,464	371,092	384,574
Travelling and entertainment expenses	94,769	73,669	165,108	131,113
Other expenses	530,018	356,006	967,155	650,231
	<u>10,225,345</u>	<u>6,783,216</u>	<u>19,337,615</u>	<u>12,842,807</u>

*Note:*

Research and development expenses for the three and six months ended 30 June 2013 were RMB1,240,723,000 and RMB2,440,812,000 (for the three and six months ended 30 June 2012: RMB1,042,440,000 and RMB1,983,203,000, respectively) which included employee benefit expenses of RMB1,002,073,000 and depreciation of fixed assets of RMB133,134,000 for the three months ended 30 June 2013 (for the three months ended 30 June 2012: RMB842,449,000 and RMB109,412,000, respectively) and employee benefit expenses of RMB1,988,786,000 and depreciation of fixed assets of RMB258,028,000 for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB1,617,522,000 and RMB217,176,000, respectively). No research and development expenses had been capitalised for the six months ended 30 June 2013 and 2012.

## **12 Income tax expense**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) **PRC withholding tax**

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

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Current tax	<b>866,677</b>	631,810	<b>1,768,697</b>	1,236,965
Deferred income tax	<b><u>59,480</u></b>	<u>76,014</u>	<b><u>186,461</u></b>	<u>121,532</u>
	<b><u>926,157</u></b>	<u>707,824</u>	<b><u>1,955,158</u></b>	<u>1,358,497</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 six months ended 30 June 2013 and 2012, being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Profit before income tax	<b>4,610,412</b>	3,818,395	<b>9,710,541</b>	7,431,398
Share of (profit)/losses of associates and jointly controlled entities	<u>(30,975)</u>	<u>3,964</u>	<u>(150,784)</u>	<u>12,337</u>
	<b>4,579,437</b>	<b>3,822,359</b>	<b>9,559,757</b>	<b>7,443,735</b>
Tax calculated at a tax rate of 25%	<b>1,144,859</b>	955,590	<b>2,389,939</b>	1,860,934
Effects of different tax rates applicable to different subsidiaries of the Group	<b>(423,451)</b>	(308,254)	<b>(849,229)</b>	(672,381)
Effects of tax holiday on assessable profit of subsidiaries	<b>(21,045)</b>	(67,650)	<b>(42,935)</b>	(135,057)
Income not subject to tax	<b>(42,499)</b>	(27,478)	<b>(79,007)</b>	(46,456)
Expenses not deductible for tax purposes	<b>80,827</b>	60,843	<b>154,887</b>	120,092
Withholding tax on earnings expected to be remitted by PRC subsidiaries	<b>70,000</b>	78,603	<b>212,000</b>	171,603
Unrecognised deferred income tax assets	<b>97,688</b>	29,588	<b>149,725</b>	73,180
Others	<u>19,778</u>	<u>(13,418)</u>	<u>19,778</u>	<u>(13,418)</u>
Income tax expense	<u><b>926,157</b></u>	<u>707,824</u>	<u><b>1,955,158</b></u>	<u>1,358,497</u>

## 13 EPS

### (a) Basic

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Profit attributable to equity holders of the Company (RMB'000)	<u>3,680,389</u>	<u>3,100,075</u>	<u>7,724,208</u>	<u>6,049,585</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,831,783</u>	<u>1,826,071</u>	<u>1,833,341</u>	<u>1,824,501</u>
Basic EPS (RMB per share)	<u><u>2.009</u></u>	<u><u>1.698</u></u>	<u><u>4.213</u></u>	<u><u>3.316</u></u>

### (b) Diluted

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

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Profit attributable to equity holders of the Company (RMB'000)	<u><b>3,680,389</b></u>	<u>3,100,075</u>	<u><b>7,724,208</b></u>	<u>6,049,585</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u><b>1,831,783</b></u>	1,826,071	<u><b>1,833,341</b></u>	1,824,501
Adjustments for share options (thousand shares)	<u><b>17,243</b></u>	23,766	<u><b>18,332</b></u>	24,406
Adjustments for awarded shares (thousand shares)	<u><b>13,743</b></u>	<u>11,496</u>	<u><b>13,744</b></u>	<u>11,515</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	<u><b>1,862,769</b></u>	<u>1,861,333</u>	<u><b>1,865,417</b></u>	<u>1,860,422</u>
Diluted EPS (RMB per share)	<u><u><b>1.976</b></u></u>	<u><u>1.665</u></u>	<u><u><b>4.141</b></u></u>	<u><u>3.252</u></u>

#### 14 Dividends

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

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

## OTHER INFORMATION

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

During the six months ended 30 June 2013, the Company repurchased 6,643,000 shares on the Stock Exchange for an aggregate consideration of approximately HKD1,634.3 million before expenses. The repurchased shares were subsequently cancelled. The repurchases were effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the six months ended 30 June 2013	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
March	2,057,300	258.8	239.6	508,772,607
April	<u>4,585,700</u>	251.4	238.4	<u>1,125,505,991</u>
Total	<u>6,643,000</u>			<u>1,634,278,598</u>

Save as disclosed above and in the “Financial Information” section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2013.

### Employee and Remuneration Policies

As at 30 June 2013, the Group had 25,517 employees (30 June 2012: 20,000). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the six months ended 30 June 2013 was RMB5,002 million (for the six months ended 30 June 2012: RMB3,598 million).

## **Audit Committee**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 2013.

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

Save as disclosed in the 2012 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the CG Code during the period from 1 January 2013 to 30 June 2013.

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

## **APPRECIATION**

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

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

Hong Kong, 14 August 2013

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

*Executive Directors:*

Ma Huateng, Lau Chi Ping Martin and Zhang Zhidong;

*Non-Executive Directors:*

Jacobus Petrus Bekker and Charles St Leger Searle; and

*Independent Non-Executive Directors:*

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

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

## Definition

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

<b>Term</b>	<b>Definition</b>
“2013 AGM”	the annual general meeting of the Company held on 15 May 2013
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“B2C”	business to consumer
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
“China Mobile”	China Mobile Communications Corporation
“China Telecom”	China Telecommunications Corporation
“China Unicom”	China United Telecommunications Co. Ltd.
“CIT”	corporate income tax
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Epic Games”	Epic Games, Inc.
“EPS”	earnings per share
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong

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

“S&P”	Standard & Poor’s Rating Services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Fund”	a charity fund established by the Group
“Trustee”	an independent trustee appointed by the Company for managing the Share Award Scheme
“United States” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services
“WAP”	Wireless Application Protocol