

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

**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 MONTHS ENDED 31 MARCH 2016**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2016. 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>Three months ended</b>				
	<b>31</b>	<b>31</b>	<b>Year-</b>	<b>31</b>	<b>Quarter-</b>
	<b>March</b>	<b>March</b>	<b>on-year</b>	<b>December</b>	<b>on-quarter</b>
	<b>2016</b>	<b>2015</b>	<b>change</b>	<b>2015</b>	<b>change</b>
	(RMB in millions, unless specified)				
Revenues	<b>31,995</b>	22,399	43%	30,441	5%
Gross profit	<b>18,589</b>	13,434	38%	17,780	5%
Operating profit	<b>13,398</b>	9,372	43%	10,888	23%
Profit for the period	<b>9,268</b>	6,930	34%	7,198	29%
Profit attributable to equity holders of the Company	<b>9,183</b>	6,883	33%	7,164	28%
Non-GAAP profit attributable to equity holders of the Company*	<b>10,032</b>	7,202	39%	8,953	12%
EPS (RMB per share)					
- basic	<b>0.981</b>	0.741	32%	0.769	28%
- diluted	<b>0.970</b>	0.733	32%	0.759	28%
Non-GAAP EPS (RMB per share)*					
- basic	<b>1.072</b>	0.776	38%	0.961	12%
- diluted	<b>1.059</b>	0.767	38%	0.949	12%

\* 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.

In the first quarter of 2016, revenues increased by 43% year-on-year to RMB31,995 million.

- *VAS*. Revenues from our VAS business increased by 34% year-on-year to RMB24,964 million. Our online games business achieved 28% growth in revenues, primarily driven by new smart phone games and our key PC titles. Our social networks revenues grew by 48% to RMB7,879 million, reflecting revenue growth from virtual item sales within our social networking platforms, from digital content subscription services, and from QQ Membership subscription services.
- *Online advertising*. Revenues from our online advertising business increased by 73% year-on-year to RMB4,701 million. Performance-based advertising revenues grew by 90% to RMB2,532 million, mainly driven by our mobile social and media platforms. Brand display advertising revenues grew by 56% to RMB2,169 million, reflecting higher revenue contributions from our mobile media platforms such as Tencent News and Tencent Video.

Profit attributable to equity holders of the Company increased by 33% year-on-year to RMB9,183 million. Non-GAAP profit attributable to equity holders of the Company increased by 39% year-on-year to RMB10,032 million.

## BUSINESS REVIEW AND OUTLOOK

### *Operating Information*

	<b>As at 31 March 2016</b>	As at 31 March 2015	Year- on-year change	As at 31 December 2015	Quarter- on-quarter change
MAU of QQ	<b>877.1</b>	831.8	5.4%	853.1	2.8%
Smart device MAU of QQ	<b>658.0</b>	603.2	9.1%	641.5	2.6%
PCU of QQ (for the quarter)	<b>259.5</b>	228.0	13.8%	241.1	7.6%
Combined MAU of Weixin and WeChat	<b>762.4</b>	549.4	38.8%	697.0	9.4%
MAU of Qzone	<b>647.9</b>	667.9	-3.0%	640.1	1.2%
Smart device MAU of Qzone	<b>587.8</b>	567.6	3.6%	572.9	2.6%
Fee-based VAS registered subscriptions	<b>108.4</b>	81.7	32.7%	94.6	14.6%

### *Key Platforms*

- For QQ, smart device MAU increased by 9% year-on-year to 658 million at the end of the quarter, while overall PCU increased by 14% year-on-year to 260 million. Mobile QQ usage benefited from enhanced features in areas such as video messaging and virtual gift exchanging. User activity in Interest Tribes, our interest-based communities embedded in QQ, benefited from enriched content discovery features, such as targeted feed-displays.
- For Qzone, smart device MAU increased by 4% year-on-year to 588 million at the end of the quarter. User activity benefited from enhanced features in areas such as photo editing and video viewing.
- For Weixin and WeChat together, MAU reached 762 million at the end of the quarter, representing year-on-year growth of 39%. User metrics growth benefited from the popularity of red envelope activities during the Lunar New Year holidays in early 2016, and increased original content published on Official Accounts. The volume of commercial payments via Weixin Pay, such as payments for eCommerce and O2O service transactions, grew significantly, accompanying an increasing volume of C2C payment transactions.

In April 2016, we launched Enterprise Weixin, a stand-alone application which is tailored to communication scenarios at work and incorporates mobile office solutions such as calendar and company notice management.

### *Value-Added Services*

In the first quarter of 2016, our social networks business sustained healthy revenue growth as we improved virtual item sales, added premium content to our digital content subscription services, and enhanced mobile privileges for QQ Membership subscription services.

In online games, we extended our market leadership in China.

- For PC client games, we saw increased contributions from key titles and new games launched in the second half of 2015, supported by promotional initiatives such as expansion packs and eSports tournaments.
- For smart phone games, we cultivated eSports user activity via leveraging QQ, Weixin, Tencent Video and Tencent News, and expanded our mid-core game portfolio.

Looking ahead, we aim to strengthen our smart phone game portfolio via leveraging proven PC game IPs, such as Legend of the Swordman and Zhengtu, and via launching new genres, such as fishing games.

### *Online Advertising*

Our online advertising business sustained rapid year-on-year growth in the first quarter of 2016, mainly driven by an enlarged advertiser base, higher traffic on our mobile platforms, and improved monetisation of advertising inventories. Approximately 80% of our total advertising revenues was generated on mobile platforms during the quarter.

Under our new exclusive partnership with NBA, online video views of NBA games grew significantly in China and became increasingly attractive to large-budget advertisers. We introduced self-service advertising tools to monetise Weixin Moments traffic generated in low-tier cities, catering particularly to long-tail advertisers.

Looking forward, we will continue growing and monetising advertising inventories on our media and social platforms. While we are optimistic about the long-term growth potential of our online advertising business, our brand advertising business could face near-term challenges due to the uncertainties of macroeconomic environment in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2016 Compared to First Quarter of 2015

The following table sets forth the comparative figures for the first quarter of 2016 and the first quarter of 2015:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2016</b>	<b>2015</b>
	(RMB in millions)	
Revenues	<b>31,995</b>	22,399
Cost of revenues	<u>(13,406)</u>	<u>(8,965)</u>
Gross profit	<b>18,589</b>	13,434
Interest income	<b>703</b>	521
Other gains, net	<b>506</b>	411
Selling and marketing expenses	<b>(2,032)</b>	(1,326)
General and administrative expenses	<u>(4,368)</u>	<u>(3,668)</u>
Operating profit	<b>13,398</b>	9,372
Finance costs, net	<b>(491)</b>	(433)
Share of losses of associates and joint ventures	<u>(1,089)</u>	<u>(310)</u>
Profit before income tax	<b>11,818</b>	8,629
Income tax expense	<u>(2,550)</u>	<u>(1,699)</u>
Profit for the period	<u><b>9,268</b></u>	<u>6,930</u>
Attributable to:		
Equity holders of the Company	<b>9,183</b>	6,883
Non-controlling interests	<u><b>85</b></u>	<u>47</u>
	<u><b>9,268</b></u>	<u>6,930</u>
Non-GAAP profit attributable to equity holders of the Company*	<u><b>10,032</b></u>	<u>7,202</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 43% to RMB31,995 million for the first quarter of 2016 on a year-on-year basis. The following table sets forth our revenues by line of business for the first quarter of 2016 and the first quarter of 2015:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Amount</b>	<b>% of total revenues</b>	<b>Amount</b>	<b>% of total revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>24,964</b>	<b>78%</b>	18,626	83%
Online advertising	<b>4,701</b>	<b>15%</b>	2,724	12%
Others	<b><u>2,330</u></b>	<b><u>7%</u></b>	<u>1,049</u>	<u>5%</u>
Total revenues	<b><u>31,995</u></b>	<b><u>100%</u></b>	<u>22,399</u>	<u>100%</u>

- Revenues from our VAS business increased by 34% to RMB24,964 million for the first quarter of 2016 on a year-on-year basis. Online games revenues grew by 28% to RMB17,085 million. The increase mainly reflected contributions from new smart phone games such as Cross Fire Mobile, Honor of Kings, The Legend of MIR 2 and Naruto Mobile, as well as revenue growth from PC client games, mainly driven by our key titles and newly launched games in the second half of 2015. Social networks revenues increased by 48% to RMB7,879 million. The increase primarily reflected higher subscription revenues from digital content subscription services and QQ Membership, as well as revenue growth from virtual item sales.
- Revenues from our online advertising business increased by 73% to RMB4,701 million for the first quarter of 2016 on a year-on-year basis. Performance-based advertising revenues increased by 90% to RMB2,532 million, primarily driven by growth in advertising revenues from Mobile Qzone, Tencent News, Weixin Moments and Weixin Official Accounts. Brand display advertising revenues grew by 56% to RMB2,169 million, mainly reflecting revenue growth from Tencent News and Tencent Video.

*Cost of revenues.* Cost of revenues increased by 50% to RMB13,406 million for the first quarter of 2016 on a year-on-year basis. The increase primarily reflected greater sharing and content costs, bank handling fees, and channel costs. As a percentage of revenues, cost of revenues increased to 42% for the first quarter of 2016 from 40% for the first quarter of 2015. The following table sets forth our cost of revenues by line of business for the first quarter of 2016 and the first quarter of 2015:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount</b>	<b>% of segment revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>8,590</b>	<b>34%</b>	6,454	35%
Online advertising	<b>2,649</b>	<b>56%</b>	1,662	61%
Others	<u><b>2,167</b></u>	<b>93%</b>	<u>849</u>	81%
Total cost of revenues	<u><b>13,406</b></u>		<u><b>8,965</b></u>	

- Cost of revenues for our VAS business increased by 33% to RMB8,590 million for the first quarter of 2016 on a year-on-year basis. The increase primarily reflected greater sharing and content costs, as well as channel costs.
- Cost of revenues for our online advertising business increased by 59% to RMB2,649 million for the first quarter of 2016 on a year-on-year basis. The increase was mainly driven by greater investment in video content, traffic acquisition costs, and commissions payable to advertising agencies.
- Cost of revenues for our other businesses increased by 155% to RMB2,167 million for the first quarter of 2016 on a year-on-year basis. The increase primarily reflected higher bank handling fees.

*Other gains, net.* We recorded other gains, net of RMB506 million for the first quarter of 2016, which mainly consisted of disposal/deemed disposal gains arising from certain investee companies, as well as subsidies and tax rebates, partly offset by donations made to the Tencent Charity Funds.

*Selling and marketing expenses.* Selling and marketing expenses increased by 53% to RMB2,032 million for the first quarter of 2016 on a year-on-year basis. The increase primarily reflected higher marketing spending on products and platforms such as payment services and online media, as well as greater staff costs. As a percentage of revenues, selling and marketing expenses was 6% for the first quarter of 2016, broadly stable compared to the first quarter of 2015.

*General and administrative expenses.* General and administrative expenses increased by 19% to RMB4,368 million for the first quarter of 2016 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 14% for the first quarter of 2016 from 16% for the first quarter of 2015.

*Finance costs, net.* Finance costs, net increased by 13% to RMB491 million for the first quarter of 2016 on a year-on-year basis. The increase was primarily driven by greater interest expense due to higher amount of indebtedness.

*Share of losses of associates and joint ventures.* Share of losses of associates and joint ventures increased to RMB1,089 million for the first quarter of 2016. The year-on-year increase mainly reflected greater share of losses arising from our certain investee companies engaging in the eCommerce business.

*Income tax expense.* Income tax expense increased by 50% to RMB2,550 million for the first quarter of 2016 on a year-on-year basis. The increase mainly reflected greater profit before income tax.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 33% to RMB9,183 million for the first quarter of 2016 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 39% to RMB10,032 million.



## First Quarter of 2016 Compared to Fourth Quarter of 2015

The following table sets forth the comparative figures for the first quarter of 2016 and the fourth quarter of 2015:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	(RMB in millions)	
Revenues	<b>31,995</b>	30,441
Cost of revenues	<u>(13,406)</u>	<u>(12,661)</u>
Gross profit	<b>18,589</b>	17,780
Interest income	<b>703</b>	649
Other gains, net	<b>506</b>	249
Selling and marketing expenses	<b>(2,032)</b>	(3,024)
General and administrative expenses	<u>(4,368)</u>	<u>(4,766)</u>
Operating profit	<b>13,398</b>	10,888
Finance costs, net	<b>(491)</b>	(363)
Share of losses of associates and joint ventures	<u>(1,089)</u>	<u>(1,329)</u>
Profit before income tax	<b>11,818</b>	9,196
Income tax expense	<u>(2,550)</u>	<u>(1,998)</u>
Profit for the period	<u><b>9,268</b></u>	<u>7,198</u>
Attributable to:		
Equity holders of the Company	<b>9,183</b>	7,164
Non-controlling interests	<u>85</u>	<u>34</u>
	<u><b>9,268</b></u>	<u>7,198</u>
Non-GAAP profit attributable to equity holders of the Company	<u><b>10,032</b></u>	<u>8,953</u>

*Revenues.* Revenues increased by 5% to RMB31,995 million for the first quarter of 2016 on a quarter-on-quarter basis.

- Revenues from our VAS business increased by 8% to RMB24,964 million for the first quarter of 2016 on a quarter-on-quarter basis. Online games revenues increased by 7% to RMB17,085 million. The increase was mainly driven by recently released smart phone games such as Cross Fire Mobile, Honor of Kings and Naruto Mobile. PC client games also contributed to the revenue growth due to positive seasonality and promotional activities. Social networks revenues increased by 11% to RMB7,879 million. The increase primarily reflected growth in revenues from virtual item sales and from our subscription services.
- Revenues from our online advertising business decreased by 18% to RMB4,701 million for the first quarter of 2016 on a quarter-on-quarter basis. The decrease mainly reflected the impact of weaker seasonality on advertisers' spending in the first quarter and the impact of the challenging macroeconomic environment in China.

*Cost of revenues.* Cost of revenues increased by 6% to RMB13,406 million for the first quarter of 2016 on a quarter-on-quarter basis. The increase mainly reflected greater bank handling fees, as well as bandwidth and server custody fees. As a percentage of revenues, cost of revenues was 42% for the first quarter of 2016, broadly stable compared to the fourth quarter of 2015.

- Cost of revenues for our VAS business increased by 2% to RMB8,590 million for the first quarter of 2016 on a quarter-on-quarter basis. The increase was mainly driven by greater sharing and content costs.
- Cost of revenues for our online advertising business decreased by 5% to RMB2,649 million for the first quarter of 2016 on a quarter-on-quarter basis. The decrease primarily reflected lower commissions payable to advertising agencies.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 33% to RMB2,032 million for the first quarter of 2016 on a quarter-on-quarter basis. The decrease mainly reflected a seasonal reduction in advertising and promotional activities.

*General and administrative expenses.* General and administrative expenses decreased by 8% to RMB4,368 million for the first quarter of 2016 on a quarter-on-quarter basis. The decrease was primarily driven by lower research and development expenses, consultancy fees, and staff costs.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 28% to RMB9,183 million for the first quarter of 2016 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 12% to RMB10,032 million.

## Other Financial Information

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2016</b>	2015	2015
	(RMB in millions, unless specified)		
EBITDA (a)	<b>14,329</b>	12,040	9,945
Adjusted EBITDA (a)	<b>15,004</b>	12,831	10,506
Adjusted EBITDA margin (b)	<b>47%</b>	42%	47%
Interest expense	<b>477</b>	409	329
Net cash (c)	<b>27,429</b>	19,114	25,319
Capital expenditures (d)	<b>4,105</b>	1,883	1,332

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:

	<b>Unaudited</b>		
	<b>Three months ended</b>		
	<b>31 March</b>	31 December	31 March
	<b>2016</b>	2015	2015
	(RMB in millions, unless specified)		
Operating profit	<b>13,398</b>	10,888	9,372
Adjustments:			
Interest income	<b>(703)</b>	(649)	(521)
Other (gains)/losses, net	<b>(506)</b>	(249)	(411)
Depreciation of fixed assets and investment properties	<b>869</b>	826	782
Amortisation of intangible assets	<u><b>1,271</b></u>	<u>1,224</u>	<u>723</u>
EBITDA	<b>14,329</b>	12,040	9,945
Equity-settled share-based compensation	<u><b>675</b></u>	<u>791</u>	<u>561</u>
Adjusted EBITDA	<u><b>15,004</b></u>	<u>12,831</u>	<u>10,506</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 Group'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 Group's non-GAAP financial measures for the first quarters of 2016 and 2015, and the fourth quarter of 2015 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 March 2016							
	Adjustments						Non-GAAP
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation	Net (gains)/losses from investee companies	Amortisation of intangible assets	Impairment provision	
	(a)	(b)	(c)	(d)			
(RMB in millions, unless specified)							
Operating profit	13,398	675	32	(728)	47	60	13,484
Profit for the period	9,268	866	32	(786)	356	398	10,134
Profit attributable to equity holders	9,183	857	32	(786)	348	398	10,032
EPS (RMB per share)							
- basic	0.981						1.072
- diluted	0.970						1.059
Operating margin	42%						42%
Net margin	29%						32%

Unaudited three months ended 31 December 2015							
	Adjustments						Non-GAAP
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation	Net (gains)/losses from investee companies	Amortisation of intangible assets	Impairment provision	
	(a)	(b)	(c)	(d)			
(RMB in millions, unless specified)							
Operating profit	10,888	791	18	(929)	46	719	11,533
Profit for the period	7,198	959	17	(995)	313	1,525	9,017
Profit attributable to equity holders	7,164	939	16	(995)	304	1,525	8,953
EPS (RMB per share)							
- basic	0.769						0.961
- diluted	0.759						0.949
Operating margin	36%						38%
Net margin	24%						30%

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

\* 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) Including net (gains)/losses on deemed disposals, disposals of investee companies and businesses, and fair value changes on options we own in investee companies
- (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 31 March 2016 and 31 December 2015 are as follows:

	<b>Unaudited 31 March 2016</b>	Audited 31 December 2015
	(RMB in millions)	
Cash and cash equivalents	<b>56,607</b>	43,438
Term deposits	<u>42,752</u>	<u>41,005</u>
	<b>99,359</b>	84,443
Borrowings	<b>(31,175)</b>	(24,351)
Notes payable	<u>(40,755)</u>	<u>(40,978)</u>
Net cash	<u><b>27,429</b></u>	<u>19,114</u>

As at 31 March 2016, the Group had net cash of RMB27,429 million. The sequential increase in net cash was primarily driven by free cash flow generation, partly offset by payments for investments in investee companies and licensed content. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB82 billion as at 31 March 2016.

As at 31 March 2016, RMB29,142 million of our financial resources (cash and cash equivalents and term deposits) were denominated in non-RMB currencies.

For the first quarter of 2016, the Group had free cash flow of RMB13,927 million. This was a result of net cash flow generated from operating activities of RMB16,916 million, offset by payments for capital expenditure of RMB2,989 million.

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2016

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31 March</b>	
	Note	2016	2015
		RMB'Million	RMB'Million
<b>Revenues</b>			
Value-added services		24,964	18,626
Online advertising		4,701	2,724
Others		<u>2,330</u>	<u>1,049</u>
		<b>31,995</b>	22,399
Cost of revenues	4	<u>(13,406)</u>	<u>(8,965)</u>
<b>Gross profit</b>		<b>18,589</b>	13,434
Interest income		703	521
Other gains, net	3	506	411
Selling and marketing expenses	4	(2,032)	(1,326)
General and administrative expenses	4	<u>(4,368)</u>	<u>(3,668)</u>
<b>Operating profit</b>		<b>13,398</b>	9,372
Finance costs, net		(491)	(433)
Share of losses of associates and joint ventures		<u>(1,089)</u>	<u>(310)</u>
<b>Profit before income tax</b>		<b>11,818</b>	8,629
Income tax expense	5	<u>(2,550)</u>	<u>(1,699)</u>
<b>Profit for the period</b>		<b><u>9,268</u></b>	<b><u>6,930</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		9,183	6,883
Non-controlling interests		<u>85</u>	<u>47</u>
		<b><u>9,268</u></b>	<b><u>6,930</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>			
- basic	6	<u>0.981</u>	<u>0.741</u>
- diluted	6	<u>0.970</u>	<u>0.733</u>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Profit for the period</b>	<u><b>9,268</b></u>	<u><b>6,930</b></u>
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates	<b>8</b>	70
Net (losses)/gains from changes in fair value of available-for-sale financial assets	<b>(1,653)</b>	1,764
Currency translation differences	<b>(214)</b>	187
Other fair value losses	<b>(139)</b>	—
<i>Items that may not be subsequently reclassified to profit or loss</i>		
Other fair value losses	<u><b>(262)</b></u>	<u>—</u>
	<u><b>(2,260)</b></u>	<u>2,021</u>
<b>Total comprehensive income for the period</b>	<u><b>7,008</b></u>	<u><b>8,951</b></u>
<b>Attributable to:</b>		
Equity holders of the Company	<b>6,920</b>	8,898
Non-controlling interests	<u><b>88</b></u>	<u>53</u>
	<u><b>7,008</b></u>	<u><b>8,951</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016**

		<b>Unaudited 31 March 2016</b>	Audited 31 December 2015
	Note	RMB' Million	RMB' Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		<b>10,301</b>	9,973
Construction in progress		<b>5,176</b>	4,248
Investment properties		<b>291</b>	292
Land use rights		<b>4,087</b>	2,293
Intangible assets		<b>13,793</b>	13,439
Investments in associates	8(a)	<b>60,747</b>	60,171
Investments in redeemable preference shares of associates	8(b)	<b>7,015</b>	6,230
Investments in joint ventures		<b>537</b>	544
Deferred income tax assets		<b>667</b>	757
Available-for-sale financial assets	9	<b>43,489</b>	44,339
Prepayments, deposits and other assets		<b>6,694</b>	5,480
Term deposits		<b>9,033</b>	3,674
		<b><u>161,830</u></b>	<u>151,440</u>
<b>Current assets</b>			
Inventories		<b>226</b>	222
Accounts receivable	10	<b>7,148</b>	7,061
Prepayments, deposits and other assets		<b>12,723</b>	11,397
Other financial assets	11	<b>928</b>	1,198
Term deposits		<b>33,719</b>	37,331
Restricted cash		<b>85,816</b>	54,731
Cash and cash equivalents		<b>56,607</b>	43,438
		<b><u>197,167</u></b>	<u>155,378</u>
<b>Total assets</b>		<b><u><u>358,997</u></u></b>	<u><u>306,818</u></u>

		<b>Unaudited</b>	Audited
		<b>31 March</b>	31 December
		<b>2016</b>	2015
	Note	<b>RMB' Million</b>	RMB' Million
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		—	—
Share premium		<b>13,670</b>	12,167
Shares held for share award schemes		<b>(2,257)</b>	(1,817)
Other reserves		<b>6,268</b>	9,673
Retained earnings		<b><u>109,185</u></b>	<u>100,012</u>
		<b>126,866</b>	120,035
<b>Non-controlling interests</b>		<b><u>2,243</u></b>	<u>2,065</u>
<b>Total equity</b>		<b><u>129,109</u></b>	<u>122,100</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	<b>18,802</b>	12,922
Notes payable	15	<b>36,886</b>	37,092
Long-term payables		<b>3,774</b>	3,626
Deferred income tax liabilities		<b>3,518</b>	3,668
Deferred revenue		<b><u>2,687</u></b>	<u>3,004</u>
		<b><u>65,667</u></b>	<u>60,312</u>
<b>Current liabilities</b>			
Accounts payable	13	<b>19,748</b>	15,700
Other payables and accruals		<b>98,546</b>	70,199
Borrowings	14	<b>12,373</b>	11,429
Notes payable	15	<b>3,869</b>	3,886
Current income tax liabilities		<b>2,423</b>	1,608
Other tax liabilities		<b>301</b>	462
Deferred revenue		<b><u>26,961</u></b>	<u>21,122</u>
		<b><u>164,221</u></b>	<u>124,406</u>
<b>Total liabilities</b>		<b><u>229,888</u></b>	<u>184,718</u>
<b>Total equity and liabilities</b>		<b><u>358,997</u></b>	<u>306,818</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Balance at 1 January 2016</b>	—	12,167	(1,817)	9,673	100,012	120,035	2,065	122,100
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	9,183	9,183	85	9,268
Other comprehensive income:								
- share of other comprehensive income of associates	—	—	—	8	—	8	—	8
- net losses from changes in fair value of available-for-sale financial assets	—	—	—	(1,653)	—	(1,653)	—	(1,653)
- currency translation differences	—	—	—	(217)	—	(217)	3	(214)
- other fair value losses	—	—	—	(401)	—	(401)	—	(401)
<b>Total comprehensive income for the period</b>	—	—	—	(2,263)	9,183	6,920	88	7,008
<b>Transactions with owners</b>								
Capital injection	—	—	—	—	—	—	149	149
Employee share option schemes:								
- value of employee services	—	48	—	—	—	48	—	48
- proceeds from shares issued	—	75	—	—	—	75	—	75
Employee share award schemes:								
- value of employee services	—	554	—	68	—	622	9	631
- shares withheld for share award schemes	—	—	(496)	—	—	(496)	—	(496)
- vesting of awarded shares	—	(56)	56	—	—	—	—	—
Tax benefit from share-based payments of a subsidiary	—	—	—	102	—	102	—	102
Profit appropriations to statutory reserves	—	—	—	10	(10)	—	—	—
Dividends	—	—	—	—	—	—	(508)	(508)
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	882	—	(1,090)	—	(208)	208	—
Transfer of equity interests of subsidiaries to non-controlling interests	—	—	—	(232)	—	(232)	232	—
<b>Total transactions with owners recognised directly in equity for the period</b>	—	1,503	(440)	(1,142)	(10)	(89)	90	1
<b>Balance at 31 March 2016</b>	—	13,670	(2,257)	6,268	109,185	126,866	2,243	129,109

Unaudited

	Attributable to equity holders of the Company							
	Share capital RMB' Million	Share premium RMB' Million	Shares held for share award schemes	Other reserves RMB' Million	Retained earnings RMB' Million	Total RMB' Million	Non-controlling interests RMB' Million	Total equity RMB' Million
			RMB' Million					
<b>Balance at 1 January 2015</b>	—	5,131	(1,309)	2,129	74,062	80,013	2,111	82,124
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	6,883	6,883	47	6,930
Other comprehensive income:								
- share of other comprehensive income of associates	—	—	—	70	—	70	—	70
- net losses from changes in fair value of available-for-sale financial assets	—	—	—	1,764	—	1,764	—	1,764
- currency translation differences	—	—	—	181	—	181	6	187
<b>Total comprehensive income for the period</b>	—	—	—	2,015	6,883	8,898	53	8,951
<b>Transactions with owners</b>								
Capital injection	—	—	—	—	—	—	5	5
Employee share option schemes:								
- value of employee services	—	63	—	42	—	105	6	111
- proceeds from shares issued	—	40	—	—	—	40	—	40
Employee share award schemes:								
- value of employee services	—	374	—	62	—	436	14	450
- shares withheld for share award schemes	—	—	(63)	—	—	(63)	—	(63)
- vesting of awarded shares	—	(9)	9	—	—	—	—	—
Profit appropriations to statutory reserves	—	—	—	5	(5)	—	—	—
Non-controlling interests arising from business combination	—	—	—	—	—	—	247	247
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	—	—	12	—	12	(12)	—
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	—	—	—	(1,195)	—	(1,195)	—	(1,195)
<b>Total transactions with owners recognised directly in equity for the period</b>	—	468	(54)	(1,074)	(5)	(665)	260	(405)
<b>Balance at 31 March 2015</b>	—	5,599	(1,363)	3,070	80,940	88,246	2,424	90,670

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Net cash flows generated from operating activities</b>	<b>16,916</b>	9,688
<b>Net cash flows used in investing activities</b>	<b>(9,908)</b>	(9,540)
<b>Net cash flows generated from financing activities</b>	<u><b>6,207</b></u>	<u>12,787</u>
<b>Net increase in cash and cash equivalents</b>	<b>13,215</b>	12,935
Cash and cash equivalents at beginning of the period	<b>43,438</b>	42,713
Exchange losses on cash and cash equivalents	<u>(46)</u>	<u>(65)</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>56,607</b></u>	<u>55,583</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>32,980</b>	20,707
Term deposits and highly liquid investments with initial terms within three months	<u><b>23,627</b></u>	<u>34,876</u>
	<u><b>56,607</b></u>	<u>55,583</u>

**Note:**

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

The Company was incorporated in the Cayman Islands with limited liability. 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 condensed consolidated interim financial information for the three months ended 31 March 2016 comprises the consolidated statement of financial position as at 31 March 2016, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with IFRS, as set out in the 2015 annual report of the Company dated 17 March 2016 (the “2015 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 2015 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 financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair values.

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 on 1 January 2016, have no material impact on the Group’s Interim Financial Information.

## 2 Segment information

The Group has following reportable segments for the three months ended 31 March 2016 and 2015:

- VAS;
- Online advertising; and
- Others

“Others” segment of the Group primarily comprises payment services, cloud services, trademark licensing, software sales and other services.

There were no material inter-segment sales during the three months ended 31 March 2016 and 2015. 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 months ended 31 March 2016 and 2015 is as follows:

	Unaudited			
	Three months ended 31 March 2016			
	VAS RMB'Million	Online advertising RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>24,964</u>	<u>4,701</u>	<u>2,330</u>	<u>31,995</u>
Gross profit	<u>16,374</u>	<u>2,052</u>	<u>163</u>	<u>18,589</u>
Depreciation	447	47	108	602
Amortisation	489	672	–	1,161
Share of (losses)/profits of associates and joint ventures	<u>(296)</u>	<u>14</u>	<u>(807)</u>	<u>(1,089)</u>
	Unaudited			
	Three months ended 31 March 2015			
	VAS RMB'Million	Online advertising RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>18,626</u>	<u>2,724</u>	<u>1,049</u>	<u>22,399</u>
Gross profit	<u>12,172</u>	<u>1,062</u>	<u>200</u>	<u>13,434</u>
Depreciation	499	43	10	552
Amortisation	99	519	–	618
Share of losses of associates and joint ventures	<u>(68)</u>	<u>(8)</u>	<u>(234)</u>	<u>(310)</u>



### 3 Other gains, net

	Unaudited Three months ended 31 March	
	2016	2015
	RMB'Million	RMB'Million
Gains on disposals/deemed disposals of investees and businesses	733	839
Impairment provision for investee companies and intangible assets from acquisition	(60)	(223)
Subsidies and tax rebates	132	9
Dividend income	18	41
Donation to Tencent Charity Funds	(350)	(250)
Others	33	(5)
	<u>506</u>	<u>411</u>

### 4 Expenses by nature

	Unaudited Three months ended 31 March	
	2016	2015
	RMB'Million	RMB'Million
Employee benefits expenses (a)	4,779	4,058
Content costs and agency fees (excluding amortisation of intangible assets)	5,275	3,673
Bandwidth and server custody fees	1,703	1,176
Channel costs	1,587	989
Promotion and advertising expenses	1,416	864
Depreciation of fixed assets (a)	868	780
Amortisation of intangible assets (b)	1,271	723
Operating lease rentals in respect of office buildings	243	213
Travelling and entertainment expenses	165	139

Note:

- (a) Research and development expenses incurred in the three months ended 31 March 2016 were RMB2,333 million (for the three months ended 31 March 2015: RMB2,027 million), which included employee benefits expenses of RMB1,860 million (for the three months ended 31 March 2015: RMB1,645 million) and depreciation of fixed assets of RMB196 million (for the three months ended 31 March 2015: RMB171 million). No development expenses had been capitalised for the three months ended 31 March 2016 and 2015.
- (b) Included the amortisation charge for intangible assets in respect of game licenses and licensed online contents.

## **5 Income Tax expense**

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three months ended 31 March 2016 and 2015.

### **(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 months ended 31 March 2016 and 2015.

### **(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 months ended 31 March 2016 and 2015, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the three months ended 31 March 2016 and 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 months ended 31 March 2016 and 2015 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) Corporate income tax in other countries**

CIT provision has been provided for the three months ended 31 March 2016 and 2015 for the entities within the Group which were incorporated in the United States, 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 36%.

### **(e) 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.

Similar tax regulations are also applicable to certain countries and regions.

The income tax expense of the Group for the three months ended 31 March 2016 and 2015 are analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	2015
	<b>RMB'Million</b>	RMB'Million
Current tax	<b>2,360</b>	1,785
Deferred income tax	<u><b>190</b></u>	<u>(86)</u>
	<u><b>2,550</b></u>	<u>1,699</u>

## **6 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.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	2015
Profit attributable to equity holders of the Company (RMB'Million)	<u><b>9,183</b></u>	<u>6,883</u>
Weighted average number of ordinary shares in issue (million shares)	<u><b>9,357</b></u>	<u>9,287</u>
Basic EPS (RMB per share)	<u><b>0.981</b></u>	<u>0.741</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, and the convertible bonds of the subsidiaries should also have potential dilutive effect on the EPS. During the three months ended 31 March 2016 and 2015, these share options and restricted shares, and the convertible bonds had either anti-dilutive effect or insignificant dilutive effect to the Group.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
Profit attributable to equity holders of the Company (RMB' Million)	<u><b>9,183</b></u>	<u>6,883</u>
Weighted average number of ordinary shares in issue (million shares)	<b>9,357</b>	9,287
Adjustments for share options and awarded shares (million shares)	<u><b>112</b></u>	<u>98</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u><b>9,469</b></u>	<u>9,385</u>
Diluted EPS (RMB per share)	<u><b>0.970</b></u>	<u>0.733</u>

## **7 Dividends**

A final dividend in respect of the year ended 31 December 2015 of HKD0.47 per share (2014: HKD0.36 per share) was proposed pursuant to a resolution passed by the Board on 17 March 2016 and subject to the approval of the shareholders at the 2016 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

The Board did not propose any interim dividend for the three months ended 31 March 2016 and 2015.

## 8 Interests in associates

	<b>Unaudited</b> <b>31 March</b> <b>2016</b> <b>RMB'Million</b>	Audited 31 December 2015 RMB'Million
Investments in associates (a)		
- Listed shares	<b>35,742</b>	36,040
- Unlisted shares	<u><b>25,005</b></u>	<u>24,131</u>
	<b>60,747</b>	60,171
Investments in redeemable preference shares of associates (b)	<u><b>7,015</b></u>	<u>6,230</u>
	<u><b>67,762</b></u>	<u>66,401</u>

Note:

### (a) Investments in associates

	<b>Unaudited</b> <b>Three months ended</b> <b>31 March</b> <b>2016</b> <b>RMB'Million</b>	2015 RMB'Million
At beginning of the period	<b>60,171</b>	51,131
Additions (i)	<b>1,630</b>	2,386
Deemed disposal gains	<b>347</b>	529
Share of losses of associates	<b>(1,092)</b>	(312)
Share of other comprehensive income of associates	<b>8</b>	70
Dividends from associates	<b>(12)</b>	(15)
Disposals and transfers	<b>(14)</b>	(733)
Impairment provision (ii)	<b>(27)</b>	(75)
Currency translation differences	<u><b>(264)</b></u>	<u>180</u>
At end of the period	<u><b>60,747</b></u>	<u>53,161</u>

- (i) The Group acquired interests in associates, made additional investments in existing associates and recategorised from available-for-sale financial assets with an aggregate amount of RMB1,630 million during the three months ended 31 March 2016.

- (ii) During the three months ended 31 March 2016, the Group made an aggregate impairment provision of RMB27 million (for three months ended 31 March 2015: RMB75 million) against the carrying amounts of its investments in certain associates, based on the results of impairment assessment performed on their carrying amounts against their recoverable amounts.

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

The Group held certain redeemable preference shares of the associates. The redemption prices of the relevant shares are agreed at not less than their original subscription prices.

The Group acquired several redeemable preference shares of the associates or made additional investments in existing redeemable preference shares of associates for an aggregate consideration of RMB884 million during the three months ended 31 March 2016.

During the three months ended 31 March 2016, the Group made an impairment provision of approximately RMB33 million (for three months ended 31 March 2015: Nil) for the investments in redeemable preference shares of certain associates based on the impairment assessment made with reference to the business performance and recoverable amount of these investments.

**9 Available-for-sale financial assets**

	<b>Unaudited 31 March 2016 RMB'Million</b>	<b>Audited 31 December 2015 RMB'Million</b>
Listed equity interests (a)	<b>7,958</b>	9,435
Unlisted equity investments (b)	<b>35,506</b>	34,879
Other unlisted investments (b)	<u><b>25</b></u>	<u>25</u>
	<u><b>43,489</b></u>	<u>44,339</u>

Note:

- (a) Fair value losses recognised for the listed equity interests during the three months ended 31 March 2016 of RMB1,801 million (during the three months ended 31 March 2015: fair value gains of RMB754 million) were recognised in the other comprehensive income.

(b) Movement in the unlisted interests is analysed as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	2015
	<b>RMB'Million</b>	RMB'Million
At beginning of the period	<b>34,904</b>	9,646
Additions (Note)	<b>890</b>	790
Changes in fair value	<b>(101)</b>	1,106
Currency translation differences	<b>(162)</b>	35
	<u><b>35,531</b></u>	<u>11,577</u>

Note:

The Group acquired certain unlisted interests or made additional investments in certain existing unlisted interests or transferred from investments in associates with an aggregate amount of RMB890 million during the three months ended 31 March 2016.

## 10 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2016</b>	2015
	<b>RMB'Million</b>	RMB'Million
0 - 30 days	<b>2,936</b>	3,616
31 - 60 days	<b>2,278</b>	2,209
61 - 90 days	<b>956</b>	798
Over 90 days	<b>978</b>	438
	<u><b>7,148</b></u>	<u>7,061</u>

Receivable balances as at 31 March 2016 and 31 December 2015 mainly represented amounts due from brand display advertising customers as well as telecommunications operators and third party online/mobile apps platform providers mainly located in the PRC.

Brand display advertising customers, which are mainly advertising agencies, are usually granted with a credit period of 90 days after full execution of the contracted advertisement orders. 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.

## **11 Other financial assets**

As at 31 March 2016, other financial assets represented call option rights held by the Group which entitled it to acquire additional equity interests in certain investee companies of the Group. They were presented at their fair value.

## **12 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 II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2016	HKD80.59	25,697,305	HKD31.70	5,000,000	30,697,305
Granted	HKD158.10	10,425,000	–	–	10,425,000
Exercised	HKD24.84	(420,962)	HKD31.70	(2,500,000)	(2,920,962)
Lapsed	–	–	–	–	–
<b>At 31 March 2016</b>	<b>HKD103.88</b>	<b><u>35,701,343</u></b>	<b>HKD31.70</b>	<b><u>2,500,000</u></b>	<b><u>38,201,343</u></b>
<b>Exercisable as at 31 March 2016</b>	<b>HKD70.33</b>	<b><u>11,568,571</u></b>	<b>–</b>	<b><u>–</u></b>	<b><u>11,568,571</u></b>
At 1 January 2015	HKD57.36	36,432,000	HKD31.70	5,000,000	41,432,000
Granted	–	–	–	–	–
Exercised	HKD12.75	(4,005,890)	–	–	(4,005,890)
Lapsed	HKD25.14	(212,500)	–	–	(212,500)
<b>At 31 March 2015</b>	<b>HKD63.12</b>	<b><u>32,213,610</u></b>	<b>HKD31.70</b>	<b><u>5,000,000</u></b>	<b><u>37,213,610</u></b>
<b>Exercisable as at 31 March 2015</b>	<b>HKD42.51</b>	<b><u>11,687,512</u></b>	<b>HKD31.70</b>	<b><u>1,250,000</u></b>	<b><u>12,937,512</u></b>

During the three months ended 31 March 2016, 3,750,000 options were granted to one director of the Company (for the three months ended 31 March 2015: Nil).

**(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 as of 31 March 2016. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the three months ended 31 March 2016 and 2015 are as follows:

	<b>Number of awarded shares</b>
<b>At 1 January 2016</b>	<b>91,786,907</b>
Granted	25,025,432
Lapsed	(696,043)
Vested and transferred	<u>(17,660,724)</u>
<b>At 31 March 2016</b>	<b><u>98,455,572</u></b>
<b>Vested but not transferred as at 31 March 2016</b>	<b><u>533,005</u></b>
At 1 January 2015	82,035,522
Granted	328,790
Lapsed	(1,327,215)
Vested and transferred	<u>(2,532,241)</u>
At 31 March 2015	<u>78,504,856</u>
Vested but not transferred as at 31 March 2015	<u>—</u>

During the three months ended 31 March 2016, 50,000 awarded shares were granted to three independent non-executive directors of the Company (for the three months ended 31 March 2015: Nil).

**13 Accounts payable**

Accounts payable and their ageing analysis are as follows:

	<b>Unaudited 31 March 2016 RMB'Million</b>	Audited 31 December 2015 RMB'Million
0 - 30 days	10,455	10,019
31 - 60 days	2,700	1,774
61 - 90 days	3,521	1,518
Over 90 days	<u>3,072</u>	<u>2,389</u>
	<b><u>19,748</u></b>	<b><u>15,700</u></b>

## 14 Borrowings

	<b>Unaudited 31 March 2016 RMB'Million</b>	Audited 31 December 2015 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings, unsecured (a)	<u>18,802</u>	<u>12,922</u>
<b>Included in current liabilities:</b>		
USD bank borrowings, unsecured (b)	<u>9,692</u>	10,715
Current portion of long-term USD bank borrowings, unsecured (a)	<u>2,681</u>	<u>714</u>
	<u>12,373</u>	<u>11,429</u>
	<u>31,175</u>	<u>24,351</u>

Note:

- (a) The aggregate principal amount of long-term USD bank borrowings was USD3,325 million (31 December 2015: USD2,100 million). Applicable interest rates are at LIBOR plus 1.02% to 1.52% (31 December 2015: LIBOR plus 1.02% to 1.52%) per annum.
- (b) The aggregate principal amount of short-term USD bank borrowings was USD1,500 million (31 December 2015: USD1,650 million). Applicable interest rates are at LIBOR plus 0.70% to 0.85% (31 December 2015: LIBOR plus 0.75% to 0.85% or an interest rate of 1.125%) per annum.

## 15 Notes payable

	<b>Unaudited 31 March 2016 RMB'Million</b>	Audited 31 December 2015 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<u>33,428</u>	33,583
Non-current portion of long-term HKD notes payable	<u>3,458</u>	<u>3,509</u>
	<u>36,886</u>	<u>37,092</u>
<b>Included in current liabilities:</b>		
Current portion of long-term USD notes payable	<u>3,869</u>	<u>3,886</u>
	<u>40,755</u>	<u>40,978</u>

Note:

The aggregate principal amount of USD notes payable and HKD notes payable were USD5,800 million (31 December 2015: USD5,800 million) and HKD4,200 million (31 December 2015: HKD4,200 million), respectively. The interest rate range of the notes payable is from 2.000% to 4.700% (31 December 2015: 2.000% to 4.700%) per annum.

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

## **OTHER INFORMATION**

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 31 March 2016.

### **Employee and Remuneration Policies**

As at 31 March 2016, the Group had 31,047 employees (31 March 2015: 27,948). 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 31 March 2016 was RMB4,779 million (for the three months ended 31 March 2015: RMB4,058 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 months ended 31 March 2016.

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

Save as disclosed in the corporate governance report in the 2015 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 2016 to 31 March 2016.

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 our sincere gratitude to our hard-working employees and management team to carry out the Group's strategy with outstanding professionalism, integrity and dedication. I would also like to thank all our shareholders and stakeholders for their continued trust and confidence. We will strive to continue to enhance people's quality of life through products and services provided by us and our partners.

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

Hong Kong, 18 May 2016

*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:

<b>Term</b>	<b>Definition</b>
“2016 AGM”	the annual general meeting of the Company to be held on 18 May 2016 or any adjournment thereof
“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 (or person-to-person)
“CG Code”	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
“CIT”	corporate income tax
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting 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
“NBA”	the National Basketball Association
“O2O”	online-to-offline, or offline-to-online
“PC”	personal computer
“PCU”	peak concurrent user accounts
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“RMB”	the lawful currency of the PRC
“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, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Funds”	charity funds established by the Group
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services