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ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2012. The results have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

| | Year ended 31 December | | |
|---|-------------------------------|-------------|----------------------------|
| | 2012 | 2011 | Year-on-year change |
| <i>(RMB in millions, unless specified)</i> | | | |
| Revenues | 43,893.7 | 28,496.1 | 54.0% |
| Gross profit | 25,686.4 | 18,567.8 | 38.3% |
| Operating profit | 15,479.4 | 12,253.6 | 26.3% |
| Profit for the year | 12,784.9 | 10,224.8 | 25.0% |
| Profit attributable to equity holders of the Company | 12,731.9 | 10,203.1 | 24.8% |
| Non-GAAP profit attributable to equity holders of the Company | 14,286.4 | 10,940.2 | 30.6% |
| EPS (RMB per share) | | | |
| - basic | 6.965 | 5.609 | 24.2% |
| - diluted | 6.833 | 5.490 | 24.5% |

| | Unaudited Three months ended | | | | |
|--|---------------------------------|-------------------------|----------------------------------|------------------------|----------------------------|
| | 31 December 2012 | 30 September 2012 | Quarter- on-quarter change | 31 December 2011 | Year- on-year change |
| (RMB in millions, unless specified) | | | | | |
| Revenues | 12,153.1 | 11,565.6 | 5.1% | 7,922.5 | 53.4% |
| Gross profit | 6,880.5 | 6,778.5 | 1.5% | 5,180.9 | 32.8% |
| Operating profit | 3,726.1 | 4,124.4 | -9.7% | 3,091.6 | 20.5% |
| Profit for the period | 3,470.8 | 3,241.1 | 7.1% | 2,551.2 | 36.0% |
| Profit attributable to equity holders of the Company | 3,463.6 | 3,218.7 | 7.6% | 2,537.0 | 36.5% |
| Non-GAAP profit attributable to equity holders of the Company | 4,067.8 | 3,551.3 | 14.5% | 2,899.6 | 40.3% |
| EPS (RMB per share) | | | | | |
| - basic | 1.890 | 1.759 | 7.4% | 1.396 | 35.4% |
| - diluted | 1.856 | 1.727 | 7.5% | 1.370 | 35.5% |

DIVIDEND

The Board has recommended the payment of a final dividend of HKD1.00 per share (2011: HKD0.75 per share) for the year ended 31 December 2012, subject to the approval of the shareholders at the 2013 AGM. Such proposed dividend will be payable on 30 May 2013 to the shareholders whose names appear on the register of members of the Company on 23 May 2013.

BUSINESS REVIEW AND OUTLOOK

2012 was a year of challenge and change, during which Tencent sharpened its focus on mobile Internet experiences.

From a macro perspective, China experienced slower GDP growth amid economic uncertainties in Europe and the US. China's Internet user growth continued to decelerate during the year as the scale of Internet user base expanded further and penetration reached 42% at the end of 2012 according to China Internet Network Information Center, limiting the simple growth brought about by new Internet users. Nevertheless, engagement per user increased further as the Internet deepened its penetration into users' daily lives and the value chains of different business sectors in China. As a result, business opportunities available on the Internet continued to broaden. We have been and will continue making substantial investment in our platforms and services to better serve our users and to catalyse the emergence of these business opportunities.

During the year, there was a significant shift in user activity from PC to mobile, driven by rapid expansion of China's mobile Internet user base, enhanced capabilities of smartphones and increased adoption of compelling mobile applications. Offering a revolutionary user experience, the mobile Internet is reshaping existing business models and the industry value chain. Against this backdrop, Tencent and some peers have been aggressively investing in products and marketing to build their mobile user base, although business models on the mobile Internet remain uncertain and, in areas such as advertising and value-added services, monetisation lags behind traffic growth.

2012 witnessed the continued evolution of other major Internet sectors in China. For the online games sector, mobile games and web games increasingly supplemented client games as drivers of industry user growth, albeit from a relatively low base. In the online advertising sector, advertisers shifted part of their spending to video advertising and, more notably, to performance-based social advertising. For the e-Commerce sector, B2C competition was intense but showed signs of moderation towards the end of the year, while transaction volumes maintained rapid growth.

Overall Financial Performance

We achieved significant growth in revenues and earnings in 2012. Our diversified business portfolio, focus on building user platforms, and commitment to creating healthy industry value chains have enabled Tencent to remain resilient despite rapid and unpredictable value migration within the Internet industry.

- *IVAS*. Our online game business extended its leadership in China via new game genres, and achieved significant revenue contributions from international markets. For our community and open platforms, the year saw healthy revenue growth, primarily driven by a strong increase in item-based sales within applications on our open platforms.
- *MVAS*. The business benefited from revenue growth in mobile games and our bundled SMS packages. Mobile books also demonstrated promising growth potential.
- *Online advertising*. We achieved above-industry-average revenue growth rates, primarily due to performance-based social advertising, as well as market share gains in portal and online video advertising.
- *e-Commerce transactions*. In 2012, we stepped up the scale of our B2C e-Commerce transactions business. Despite a highly competitive environment, we achieved significant growth in transaction volume and revenues through the year.

In the fourth quarter of 2012, the year-on-year growth rates of our revenues and earnings remained robust.

- *IVAS*. On a year-on-year basis, our online game business benefited from increased activity of our major titles, higher contributions from international markets and new self-developed titles launched during 2012. Item-based sales on our open platforms enjoyed strong year-on-year revenue growth.
- *MVAS*. Overall year-on-year revenue growth rate of the business reduced mainly due to slower subscriptions growth for our bundled SMS packages. Mobile games and mobile books continued to grow significantly compared to the same period last year.

- *Online advertising.* The business sustained significant revenue growth on a year-on-year basis, mainly driven by performance-based social advertising, video advertising and search advertising on our e-Commerce platforms. Traditional brand display advertising also registered solid growth.
- *e-Commerce transactions.* Principal transactions grew sequentially as a result of seasonal promotions and geographic expansion in southern China from the original eastern China base. Transaction volume on our marketplaces also increased on a quarter-on-quarter basis.

Strategic Highlights

In 2012, we established strong presence in a wide range of mobile application categories such as communications, social networking, media, security and browser. We have developed some of China's most popular mobile applications, including Wireless QQ and Weixin. While we will continue to invest aggressively in developing and marketing independent mobile services such as our security product and web browser, we are also organically integrating new applications into Weixin, which can enhance our users' experience while leveraging their existing social connections.

We reinforced and extended our social leadership during the year, with continued user expansion on our core platforms. We also deepened the integration of these platforms to further improve user engagement and enhanced the mobilisation of PC-oriented platforms to cater for increasing usage of the mobile Internet. Meanwhile, our open platforms continued to grow and create value for users and third-party developers.

In May 2012, we announced a re-organisation of our business units into six new business groups and a wholly-owned subsidiary focusing on e-Commerce business. This allows us to optimise resource allocation, to reinforce our entrepreneurial spirit, execution and innovation, and to sharpen our focus on users' needs. Each business line continues to leverage company-wide synergies under the new organisational structure.

Our business is increasingly benefitting from investments we have made in companies whose products or services are complementary to our own. For example, Riot Games' LoL has attained widespread popularity, strengthening our game portfolio in China and broadening our game revenue internationally. During 2012, we continued to selectively invest in companies where we see opportunities for long-term strategic benefits, notably businesses which can supply first-class products

into our platforms, and businesses which we see as driving change in the Internet industry. For example, we purchased minority stakes in Epic Games, a US-based development team with a long history of creating popular games and a market-leading game development engine, and in Kakao, a leading mobile messaging service provider in Korea.

We completed a USD600 million senior unsecured notes offering in September 2012. This is our second international bond issue, following our first such transaction in December 2011, reflecting investors' confidence in our business model and financial performance. We remain firmly committed to maintaining our strong credit profile and investment grade credit ratings.

Divisional and Product Highlights

Communications Platforms

QQ IM, the largest online community in China, grew steadily in 2012. MAU reached 798 million at the end of 2012, representing a year-on-year growth rate of 11%, which was broadly in line with the Internet user growth rate in China. PCU increased by 16% year-on-year to 176 million. Driven by increasing adoption of the mobile Internet, our mobile user base grew more rapidly compared to our PC user base.

Weixin enjoyed substantial user growth in 2012, thanks to its innovative features and compelling user experience. It has quickly become a major communications and social platform for smartphone users in China. Beyond the domestic market, we have launched the product "WeChat" which leverages Weixin's technology to serve the international markets. Recently, total registered user accounts of Weixin and WeChat have exceeded 300 million.

Social Platforms

Our leading social networks registered solid growth, with increase in the scale and activity of mobile users. MAU of Qzone increased by 9% year-on-year to 603 million at the end of 2012, while MAU of Pengyou increased by 22% to 247 million. Weixin Moments, a feature within Weixin which enables users to share experiences with friends on their Weixin contact lists, enjoyed rapid user adoption.

Media Platforms

In 2012, our media platforms expanded further with enhanced media influence and brand position. QQ.com maintained its position as the most-visited portal in China with solid traffic growth, leveraging the opportunities presented by the London Olympic Games. We also extended our vertical channels, such as news and finance, to the mobile Internet via vertical-specific smartphone applications. Tencent

Microblog reached 87 million DAU at the end of 2012. As the growth of microblog users in China decelerates, we are exploring integration points between Tencent Microblog and Weixin to deepen our differentiation. Tencent Video gained significant audience share during the year riding on content enrichment and user experience enhancement, and has become one of the leading online video platforms in China in terms of unique visitors and video views.

IVAS

Our IVAS registered subscriptions count declined during 2012, primarily due to stringent measures we launched in the second quarter, which aimed to improve the quality of our subscriber base by cleaning up certain user accounts acquired through mobile channels, for whom fee collection was unlikely. To cater for users' increasing activity on mobile, we are enriching the mobile-related features and privileges of our IVAS subscription services.

We operate multiple open platforms providing third-party application developers with access to a large user base across our diverse product portfolio, including Qzone, QQ Game, and Tencent Microblog. In 2012, we increased significantly the number of third-party applications on our open platforms by collaborating with more developers and enhancing the support we provide to them. With increased user base and user activity, we achieved rapid growth in item-based sales within applications. To position for future growth opportunities, we are extending our open platforms to the mobile Internet and enriching our platforms with a greater diversity of applications.

Our online game business extended its domestic leadership, supported by growth in our major titles and contribution from self-developed titles launched during the year, including Legend of Yulong and Legend of Xuanyuan. We also achieved significant growth in international markets riding on the success of LoL. Our QQ Game Platform benefited from increased user activity and its PCU reached 8.8 million in the fourth quarter of 2012. In the future, we will focus on strengthening our market leadership by further enriching our game portfolio and by increasing our penetration into the web game and mobile game sectors. We will also continue to explore opportunities in international markets.

MVAS

In 2012, our MVAS business registered steady revenue increase, mainly driven by our bundled SMS packages and mobile games. In addition, mobile books registered strong revenue growth, albeit from a relatively low base.

During the year, we increased our focus on mobile games and expanded our game portfolio as we believe that the sector presents one of the key business opportunities on the mobile Internet. In addition, our mobile browser and mobile security product enhanced their market positions with significant user growth.

For certain key services such as QQ IM, Qzone and games, we managed the PC and mobile versions separately in the past. To deliver a unified user experience across platforms, we are now aligning the product development and management of these services between PC and mobile versions.

Online Advertising

Our online advertising business achieved strong revenue growth in 2012, underpinned by growth in brand display advertising and performance-based social advertising. In addition, search advertising registered growth.

In brand display advertising, we achieved healthy revenue growth and market share gains against a challenging macro environment. We also leveraged the London Olympic Games to better penetrate selected up-scale brand advertisers. Riding on the rapid user and traffic growth of Tencent Video, our online video advertising revenues grew strongly during the year. Traditional brand display advertising experienced solid growth along with increased traffic and the enhanced media influence of our platforms.

In performance-based social advertising, we benefited significantly from the launch of our targeted advertising system on social networks, which was well-received by advertisers such as e-Commerce companies and application developers. Supported by greater impression volume and improved click-through rates, performance-based social advertising has become a significant revenue contributor to our online advertising business.

In search advertising, we benefited from the rapid growth of e-Commerce search and new contributions from mobile search. We are in the process of revamping our search business and will focus on improving our basic search experience and operations.

e-Commerce Transactions

In 2012, we stepped up the scale of our B2C e-Commerce transactions business in certain product categories, such as consumer electronics, and registered significant growth in transaction volume. During the year, we expanded our geographical coverage and increased investments in logistics and fulfillment infrastructure. Our business structure was also re-organised to enable more focused and efficient management.

Although the e-Commerce industry is highly competitive, we believe that it is an appealing downstream opportunity to leverage our competitive advantages which include our massive logged-in user base, our existing billing and payment relationships with consumers, our insight into our users' interests, and our network's ability to enhance "word-of-mouth" effect by users. Looking ahead, we will continue to expand our geographic presence in China, to improve user experience by investing in our business infrastructure and to explore new opportunities such as mobile commerce.

Outlook for 2013

During 2013, we intend to:

- Extend our communications and social leadership from PC to smartphone via applications such as Wireless QQ and Weixin, and enrich user experience by integrating additional services into these applications. Such additional services may include content applications, games, and location-based activities, among others.
- Take advantage of the disruptive opportunities which the mobile Internet creates to expand our product range and reach with users beyond what we have achieved on PC. In China, we are investing aggressively in our mobile security software and mobile browser services. Internationally, we are stepping up our marketing investment to acquire users for WeChat.
- Serve our users relevant content, products, and advertising by making appropriately targeted recommendations at the right time and under the right circumstances. We believe our logged-in relationship with users, together with our users' desire to share experiences with friends via our communications and social platforms, will enable us to provide highly relevant recommendations and customisation, which represent competitive advantages in downstream activities such as e-Commerce, digital entertainment, and media content. We will continue to invest heavily in such downstream activities, including e-Commerce and advertising, so as to fully capture the revenue opportunities surrounding our platforms.

In view of the increasing integration between the PC and mobile Internet, we will combine the IVAS and MVAS segments in our financial reports and merge related revenue categories under IVAS and MVAS from the first quarter of 2013 onwards. We believe that this adjustment in financial reporting better reflects current market trends and our future business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Information

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

| | As at 31 December 2012 | As at 30 September 2012 | Quarter- on-quarter change | As at 31 December 2011 | Year- on-year change |
|---|-----------------------------------|----------------------------|----------------------------------|---------------------------|----------------------------|
| <i>(in millions, unless specified)</i> | | | | | |
| Monthly active IM user accounts | 798.2 | 783.9 | 1.8% | 721.0 | 10.7% |
| Peak simultaneous online IM user accounts (for the quarter) | 176.4 | 167.3 | 5.4% | 152.7 | 15.5% |
| Average daily IM user hours (for the last 16/15 days of the quarter) | 2,798.9 | 2,744.4 | 2.0% | 2,363.9 | 18.4% |
| Monthly active Qzone user accounts | 602.7 | 592.8 | 1.7% | 552.1 | 9.2% |
| Peak simultaneous online QQ Game Platform user accounts (for the quarter) | 8.8 | 9.4 | -6.4% | 8.4 | 4.8% |
| Fee-based IVAS registered subscriptions | 70.9 | 73.8 | -3.9% | 77.2 | -8.2% |
| Fee-based MVAS registered subscriptions | 33.6 | 33.7 | -0.3% | 31.4 | 7.0% |

- *QQ IM*. In the fourth quarter of 2012, the user base of our core IM platform experienced organic growth compared to the same period last year and the previous quarter, mainly driven by the increase in Internet penetration and the expansion of mobile Internet user base in China.
- *Qzone*. MAU of Qzone registered organic growth, both compared to the same period last year and the previous quarter.
- *QQ Game Platform*. Peak simultaneous online user accounts of QQ Game Platform registered organic growth compared to the same period last year. The quarter-on-quarter decrease was primarily due to weaker seasonality and reduced promotional activities.
- *IVAS subscriptions*. IVAS registered subscriptions decreased as compared to the same period last year and the previous quarter. This mainly reflected stringent measures we launched in the second quarter of 2012, which aim to improve the quality of our subscriber base by cleaning up certain user accounts acquired through telecommunications operators, for whom fee collection was unlikely.
- *MVAS subscriptions*. MVAS registered subscriptions increased compared to the same period last year, primarily driven by growth in our bundled SMS packages and mobile books. Sequentially, MVAS registered subscriptions remained broadly stable as growth in mobile books was offset by a decrease in our bundled SMS packages and the closure of certain niche applications.

Fourth Quarter of 2012 Compared to Third Quarter of 2012

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

| | Unaudited Three months ended | |
|--|---|--------------------|
| | 31 December | 30 September |
| | 2012 | 2012 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenues | 12,153,053 | 11,565,556 |
| Cost of revenues | <u>(5,272,571)</u> | <u>(4,787,093)</u> |
| Gross profit | 6,880,482 | 6,778,463 |
| Interest income | 266,351 | 205,781 |
| Other losses, net | (202,248) | (14,791) |
| Selling and marketing expenses | (1,094,775) | (819,790) |
| General and administrative expenses | <u>(2,123,735)</u> | <u>(2,025,298)</u> |
| Operating profit | 3,726,075 | 4,124,365 |
| Finance costs, net | (62,802) | (99,478) |
| Share of losses of associates | (28,856) | (21,188) |
| Share of losses of jointly controlled entities | <u>(12,410)</u> | <u>(6,089)</u> |
| Profit before income tax | 3,622,007 | 3,997,610 |
| Income tax expense | <u>(151,201)</u> | <u>(756,465)</u> |
| Profit for the period | <u>3,470,806</u> | <u>3,241,145</u> |
| Attributable to: | | |
| Equity holders of the Company | 3,463,593 | 3,218,693 |
| Non-controlling interests | <u>7,213</u> | <u>22,452</u> |
| | <u>3,470,806</u> | <u>3,241,145</u> |
| Non-GAAP profit attributable to equity holders of the Company | <u>4,067,756</u> | <u>3,551,337</u> |

Revenues. Revenues increased by 5% to RMB12,153 million for the fourth quarter of 2012 from the third quarter of 2012. The following table sets forth our revenues by line of business for the fourth quarter of 2012 and the third quarter of 2012:

| | Unaudited | | | |
|---|---------------------------|----------------------|--------------------------|----------------------|
| | Three months ended | | | |
| | 31 December 2012 | % of total | 30 September 2012 | % of total |
| | Amount | revenues | Amount | revenues |
| <i>(RMB in thousands, unless specified)</i> | | | | |
| IVAS | 8,455,911 | 69.6% | 8,371,026 | 72.4% |
| MVAS | 933,901 | 7.7% | 946,218 | 8.2% |
| Online advertising | 947,258 | 7.8% | 1,015,266 | 8.8% |
| e-Commerce transactions | 1,683,562 | 13.8% | 1,133,901 | 9.8% |
| Others | 132,421 | 1.1% | 99,145 | 0.8% |
| Total revenues | <u>12,153,053</u> | <u>100.0%</u> | <u>11,565,556</u> | <u>100.0%</u> |

- Revenues from our IVAS business increased by 1% to RMB8,456 million for the fourth quarter of 2012 from the third quarter of 2012. Online game revenues amounted to RMB5,990 million, broadly stable compared to the previous quarter. We registered growth in revenues from international markets and new self-developed titles. These factors were largely offset by the impact of weaker seasonality in China and our focus on future expansion packs for several major titles. Revenues from our community and open platforms climbed by 3% to RMB2,466 million. This primarily reflected an increase in revenues from item-based sales within applications on our open platforms. Revenues from QQ Membership also increased as a result of promotional activities.
- Revenues from our MVAS business decreased by 1% to RMB934 million for the fourth quarter of 2012 from the third quarter of 2012. This mainly reflected a decrease in revenues from our bundled SMS packages, partially offset by revenue growth from our mobile games and mobile books.

- Revenues from our online advertising business decreased by 7% to RMB947 million for the fourth quarter of 2012 from the third quarter of 2012. This primarily reflected a decrease in brand display advertising revenues driven by the absence of the positive impact arising from the London Olympic Games, as well as weaker seasonality, partially offset by increased revenues from performance-based social advertising on our social networks and search advertising on our e-Commerce platforms.
- Revenues from our e-Commerce transactions business increased by 48% to RMB1,684 million for the fourth quarter of 2012 from the third quarter of 2012. This mainly reflected an increase in volume of principal e-Commerce transactions as a result of seasonal promotional activities and geographic expansion in southern China from the original eastern China base. Fees generated from transactions on our marketplaces also increased.

Cost of revenues. Cost of revenues increased by 10% to RMB5,273 million for the fourth quarter of 2012 from the third quarter of 2012. This mainly reflected greater cost of merchandise sold and higher bandwidth and server custody fees, partially offset by lower sharing and content costs. As a percentage of revenues, cost of revenues increased to 43% for the fourth quarter of 2012 from 41% for the third quarter of 2012. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2012 and the third quarter of 2012:

| | Unaudited | | | |
|-------------------------|---|-----------------|--------------------------|-----------------|
| | Three months ended | | | |
| | 31 December 2012 | | 30 September 2012 | |
| | % of | | % of | |
| | segment | | segment | |
| | Amount | revenues | Amount | revenues |
| | <i>(RMB in thousands, unless specified)</i> | | | |
| <i>IVAS</i> | | | | |
| IVAS | 2,800,463 | 33.1% | 2,741,307 | 32.7% |
| MVAS | 381,494 | 40.8% | 389,083 | 41.1% |
| Online advertising | 483,688 | 51.1% | 511,545 | 50.4% |
| e-Commerce transactions | 1,539,903 | 91.5% | 1,084,637 | 95.7% |
| Others | 67,023 | 50.6% | 60,521 | 61.0% |
| Total cost of revenues | <u>5,272,571</u> | | <u>4,787,093</u> | |

- Cost of revenues for our IVAS business increased by 2% to RMB2,800 million for the fourth quarter of 2012 from the third quarter of 2012. This mainly reflected an increase in bandwidth and server custody fees as well as equipment depreciation as a result of our business expansion. Sharing and content costs declined mainly due to a mix shift towards self-developed games.
- Cost of revenues for our MVAS business decreased by 2% to RMB381 million for the fourth quarter of 2012 from the third quarter of 2012. This was broadly in line with the change in revenues.
- Cost of revenues for our online advertising business decreased by 5% to RMB484 million for the fourth quarter of 2012 from the third quarter of 2012. This mainly reflected the absence of content costs related to the London Olympic Games as well as lower commissions payable to advertising agencies accompanying the decrease in revenues, partially offset by an increase in bandwidth and server custody fees.
- Cost of revenues for our e-Commerce transactions business increased by 42% to RMB1,540 million for the fourth quarter of 2012 from the third quarter of 2012. This was primarily driven by increased cost of merchandise sold due to growth in principal e-Commerce transactions.

Other losses, net. Other losses, net amounted to RMB202 million for the fourth quarter of 2012, compared to RMB15 million for the third quarter of 2012. This primarily reflected the absence of a special dividend income of RMB390 million from our investee company Mail.ru which was recognised in the previous quarter.

Selling and marketing expenses. Selling and marketing expenses increased by 34% to RMB1,095 million for the fourth quarter of 2012 from the third quarter of 2012. This primarily reflected seasonal e-Commerce promotions, increased marketing of online games as well as more intense marketing initiatives for WeChat in Asian markets, partially offset by a decrease in the spending on our online media platforms due to the absence of the London Olympic Games as compared to the previous quarter. As a percentage of revenues, selling and marketing expenses increased to 9% for the fourth quarter of 2012 from 7% for the third quarter of 2012.

General and administrative expenses. General and administrative expenses increased by 5% to RMB2,124 million for the fourth quarter of 2012 from the third quarter of 2012. This was mainly driven by increases in staff costs and administrative expenses as a result of our business expansion. As a percentage of revenues, general and administrative expenses was 17% for the fourth quarter of 2012, broadly stable compared to the third quarter of 2012.

Finance costs, net. Finance costs, net decreased by 37% to RMB63 million for the fourth quarter of 2012 from the third quarter of 2012. This primarily reflected the recognition of foreign exchange gain on our foreign currency denominated debts resulting from exchange rate movements in the fourth quarter of 2012, partially offset by higher interest expense.

Income tax expense. Income tax expense amounted to RMB151 million for the fourth quarter of 2012, compared to RMB756 million for the third quarter of 2012. This mainly reflected a reversal of income tax expense for a subsidiary in China which was qualified in the fourth quarter of 2012 to enjoy a lower CIT rate, partially offset by an increase in deferred tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 8% to RMB3,464 million for the fourth quarter of 2012 from the third quarter of 2012. Non-GAAP profit attributable to equity holders of the Company increased by 15% to RMB4,068 million for the fourth quarter of 2012 from the third quarter of 2012.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

The following table sets forth the comparative figures for the years ended 31 December 2012 and 2011:

| | Year ended 31 December | |
|--|-------------------------------|--------------------|
| | 2012 | 2011 |
| | RMB'000 | RMB'000 |
| Revenues | 43,893,711 | 28,496,072 |
| Cost of revenues | (18,207,360) | <u>(9,928,308)</u> |
| Gross profit | 25,686,351 | 18,567,764 |
| Interest income | 835,671 | 468,990 |
| Other (losses)/gains, net | (283,900) | 420,803 |
| Selling and marketing expenses | (2,993,437) | (1,920,853) |
| General and administrative expenses | (7,765,272) | <u>(5,283,154)</u> |
| Operating profit | 15,479,413 | 12,253,550 |
| Finance (costs)/income, net | (347,518) | 35,505 |
| Share of losses of associates | (54,386) | (24,255) |
| Share of losses of jointly controlled entities | (26,494) | <u>(165,731)</u> |
| Profit before income tax | 15,051,015 | 12,099,069 |
| Income tax expense | (2,266,163) | <u>(1,874,238)</u> |
| Profit for the year | <u>12,784,852</u> | <u>10,224,831</u> |
| Attributable to: | | |
| Equity holders of the Company | 12,731,871 | 10,203,083 |
| Non-controlling interests | 52,981 | <u>21,748</u> |
| | <u>12,784,852</u> | <u>10,224,831</u> |
| Non-GAAP profit attributable to equity holders of the Company | <u>14,286,423</u> | <u>10,940,208</u> |

Revenues. Revenues increased by 54% to RMB43,894 million for the year ended 31 December 2012 from the year ended 31 December 2011. The following table sets forth our revenues by line of business for the years ended 31 December 2012 and 2011:

| | Year ended 31 December | |
|-------------------------|---|------------------------|
| | 2012 | 2011 |
| | % of total | % of total |
| | Amount revenues | Amount revenues |
| | <i>(RMB in thousands, unless specified)</i> | |
| IVAS | 31,995,183 | 23,042,758 |
| MVAS | 3,722,968 | 3,270,841 |
| Online advertising | 3,382,328 | 1,992,216 |
| e-Commerce transactions | 4,427,806 | — |
| Others | 365,426 | 190,257 |
| Total revenues | 43,893,711 | 28,496,072 |
| | 100.0% | 100.0% |

- Revenues from our IVAS business increased by 39% to RMB31,995 million for the year ended 31 December 2012 from the year ended 31 December 2011. Online game revenues increased by 44% to RMB22,849 million. This was primarily driven by growth in our major titles, contributions from new titles launched in 2012, increased contributions from international markets, and continued growth in our QQ Game Platform. Revenues from our community and open platforms increased by 27% to RMB9,146 million, mainly riding on growth in our open platforms and QQ Membership subscription service. Revenue from our open platforms grew primarily due to a significant increase in usage of third-party applications, and consequently sales of virtual items within such applications. Revenues from QQ Membership benefited from the expansion in our IM user base as well as enhancements in privileges and value-added functions.
- Revenues from our MVAS business increased by 14% to RMB3,723 million for the year ended 31 December 2012 from the year ended 31 December 2011. This was primarily driven by growth in revenues from mobile games and our bundled SMS packages. Mobile books also contributed to the growth of the business.
- Revenues from our online advertising business increased by 70% to RMB3,382 million for the year ended 31 December 2012 from the year ended 31 December 2011. This mainly reflected new revenue contribution from performance-based social advertising and growth in video advertising. Traditional brand display advertising and search advertising also contributed to our business growth.

- Revenues from our e-Commerce transactions business amounted to RMB4,428 million for the year ended 31 December 2012.

Cost of revenues. Cost of revenues increased by 83% to RMB18,207 million for the year ended 31 December 2012 from the year ended 31 December 2011. This mainly reflected the recognition of cost of merchandise sold relating to our e-Commerce transactions business, as well as increases in sharing and content costs and staff costs. As a percentage of revenues, cost of revenues increased to 41% for the year ended 31 December 2012 from 35% for the year ended 31 December 2011. The following table sets forth our cost of revenues by line of business for the years ended 31 December 2012 and 2011:

| | Year ended 31 December | | | |
|-------------------------|--------------------------|-----------------|-------------------------|----------|
| | 2012 | 2011 | | |
| | % of segment | % of segment | | |
| | Amount | revenues | Amount | revenues |
| IVAS | 10,595,967 | 33.1% | 7,633,624 | 33.1% |
| MVAS | 1,468,351 | 39.4% | 1,259,756 | 38.5% |
| Online advertising | 1,732,704 | 51.2% | 794,956 | 39.9% |
| e-Commerce transactions | 4,192,596 | 94.7% | — | — |
| Others | 217,742 | 59.6% | <u>239,972</u> | 126.1% |
| Total cost of revenues | <u>18,207,360</u> | | <u>9,928,308</u> | |

(RMB in thousands, unless specified)

- Cost of revenues for our IVAS business increased by 39% to RMB10,596 million for the year ended 31 December 2012 from the year ended 31 December 2011. This was mainly driven by sharing costs for licensed game titles. Staff costs as well as bandwidth and server custody fees also increased as our business scale grew.
- Cost of revenues for our MVAS business increased by 17% to RMB1,468 million for the year ended 31 December 2012 from the year ended 31 December 2011. This primarily reflected increases in bandwidth and server custody fees, equipment depreciation as well as sharing costs.
- Cost of revenues for our online advertising business increased by 118% to RMB1,733 million for the year ended 31 December 2012 from the year ended 31 December 2011. This mainly reflected the allocation of a significant proportion of costs related to our online video platform, which include content costs as well

as bandwidth and server custody fees, to the online advertising segment since the fourth quarter of 2011. It also reflected increases in staff costs, sharing costs for our search advertising business and commissions payable to advertising agencies.

- Cost of revenues for our e-Commerce transactions business amounted to RMB4,193 million for the year ended 31 December 2012.

Other (losses)/gains, net. We recorded other losses, net of RMB284 million for the year ended 31 December 2012, compared to other gains, net of RMB421 million for the year ended 31 December 2011. The change primarily reflected the absence of deemed disposal gains of RMB708 million recognised in the previous year as a result of the Riot Games Acquisition and the Gamegoo Acquisition, and an increase in impairment provision against selected investee companies. These factors were partially offset by the recognition of a special dividend income of RMB390 million from our investee company Mail.ru and an increase in subsidies and tax rebates in the year ended 31 December 2012.

Selling and marketing expenses. Selling and marketing expenses increased by 56% to RMB2,993 million for the year ended 31 December 2012 from the year ended 31 December 2011. This mainly reflected an increase in advertising and promotional activities on products and platforms such as online games and mobile applications, as well as spending related to the London Olympic Games. Staff costs also increased along with our business expansion. As a percentage of revenues, selling and marketing expenses was 7% for the year ended 31 December 2012, broadly stable compared to the year ended 31 December 2011.

General and administrative expenses. General and administrative expenses increased by 47% to RMB7,765 million for the year ended 31 December 2012 from the year ended 31 December 2011. This was primarily driven by increases in research and development expenses, staff costs and administrative expenses, partially offset by a decrease in intangible asset amortisation as certain intangible assets acquired through acquisition were fully amortised in the first quarter of 2012. As a percentage of revenues, general and administrative expenses decreased to 18% for the year ended 31 December 2012 from 19% for the year ended 31 December 2011.

Finance (costs)/income, net. We recorded finance costs, net of RMB348 million for the year ended 31 December 2012, compared to finance income, net of RMB36 million for the year ended 31 December 2011. The change was mainly driven by higher interest expense and the recognition of foreign exchange losses on our foreign currency denominated debts due to exchange rate movements in the year ended 31 December 2012.

Income tax expense. Income tax expense increased by 21% to RMB2,266 million for the year ended 31 December 2012 from the year ended 31 December 2011. This primarily reflected: 1) higher profit before income tax; 2) an increase 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; and 3) lower reversal of deferred tax liabilities arising from the Riot Games Acquisition. These factors were partially offset by a reversal of income tax expense for a subsidiary in China which was qualified in the fourth quarter of 2012 to enjoy a lower CIT rate.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 25% to RMB12,732 million for the year ended 31 December 2012 from the year ended 31 December 2011. Non-GAAP profit attributable to equity holders of the Company increased by 31% to RMB14,286 million for the year ended 31 December 2012 from the year ended 31 December 2011.

Other Financial Information

| | Unaudited Three months ended | | | | |
|---|---------------------------------|---------------------|----------------------|---------------------|---------------------|
| | Year ended 31 December 2012 | 31 December 2011 | 30 September 2012 | 31 December 2012 | 31 December 2011 |
| <i>(RMB in thousands, unless specified)</i> | | | | | |
| EBITDA (a) | 17,540,340 | 13,298,239 | 4,362,868 | 4,591,603 | 3,502,553 |
| Adjusted EBITDA (a) | 18,445,132 | 14,030,930 | 4,640,940 | 4,784,020 | 3,722,671 |
| Adjusted EBITDA margin (b) | 42.0% | 49.2% | 38.2% | 41.4% | 47.0% |
| Interest expense | 326,562 | 72,537 | 103,536 | 86,104 | 27,959 |
| Net cash (c) | 27,381,274 | 17,667,030 | 27,381,274 | 23,492,375 | 17,667,030 |
| Capital expenditures (d) | 4,493,430 | 3,689,199 | 1,783,830 | 1,132,314 | 891,994 |

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 year/period end balance and is calculated as cash and cash equivalents, short-term and long-term deposits, and restricted cash pledged for secured bank borrowings, minus total 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 years/periods indicated.

| | Unaudited Three months ended | | | | |
|---|--|---------------------------------------|---------------------------------------|--|---------------------------------------|
| | Year ended 31 December 2012 <i>RMB'000</i> | 31 December 2011 <i>RMB'000</i> | 31 December 2012 <i>RMB'000</i> | 30 September 2012 <i>RMB'000</i> | 31 December 2011 <i>RMB'000</i> |
| Operating profit | 15,479,413 | 12,253,550 | 3,726,075 | 4,124,365 | 3,091,569 |
| Less: Interest income | (835,671) | (468,990) | (266,351) | (205,781) | (137,623) |
| Add: Other losses/(gains), net | 283,900 | (420,803) | 202,248 | 14,791 | (69,725) |
| Add: Depreciation of fixed assets and investment properties | 1,880,078 | 1,208,261 | 530,977 | 480,101 | 390,135 |
| Add: Amortisation of intangible assets | 732,620 | 726,221 | 169,919 | 178,127 | 228,197 |
| EBITDA | 17,540,340 | 13,298,239 | 4,362,868 | 4,591,603 | 3,502,553 |
| Equity-settled share-based compensation | 904,792 | 732,691 | 278,072 | 192,417 | 220,118 |
| Adjusted EBITDA | 18,445,132 | <u>14,030,930</u> | 4,640,940 | <u>4,784,020</u> | <u>3,722,671</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 year/period, non-GAAP net margin and non-GAAP profit attributable to equity holders of the Company, have been presented in this announcement. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of acquisitions. The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2012 and 2011, the fourth quarters of 2012 and 2011, and the third quarter of 2012 to the nearest measures prepared in accordance with IFRS:

| | Year ended 31 December 2012 | | | | | | | |
|---------------------------------------|---|---|---|---|-------------------------|-------------------------------|--------------------------------------|------------|
| | Adjustments | | | | | | | |
| | Equity-settled share-based compensation | Cash-settled share-based compensation | Losses/(gains) on deemed disposal | Amortisation of intangible assets | Impairment provision | Special dividend income | | Non-GAAP |
| | As reported | (a) | (b) | (c) | (d) | (e) | (RMB in thousands, unless specified) | |
| Operating profit | 15,479,413 | 904,792 | 107,600 | 5,150 | 247,272 | 699,000 | (390,472) | 17,052,755 |
| Profit for the year | 12,784,852 | 904,792 | 107,600 | 5,150 | 286,830 | 699,000 | (390,472) | 14,397,752 |
| Profit attributable to equity holders | 12,731,871 | 890,285 | 94,884 | 5,150 | 255,705 | 699,000 | (390,472) | 14,286,423 |
| Operating margin | 35.3% | | | | | | | 38.9% |
| Net margin | 29.1% | | | | | | | 32.8% |
| | Year ended 31 December 2011 | | | | | | | |
| | Adjustments | | | | | | | |
| | Equity-settled share-based compensation | Cash-settled share-based compensation | Losses/(gains) on deemed disposal | Amortisation of intangible assets | Impairment provision | Special dividend income | | Non-GAAP |
| | As reported | (a) | (b) | (c) | (d) | (e) | (RMB in thousands, unless specified) | |
| Operating profit | 12,253,550 | 732,691 | 82,080 | (708,486) | 607,851 | 243,000 | — | 13,210,686 |
| Profit for the year | 10,224,831 | 732,691 | 82,080 | (708,486) | 431,434 | 243,000 | — | 11,005,550 |
| Profit attributable to equity holders | 10,203,083 | 724,266 | 75,749 | (708,486) | 402,596 | 243,000 | — | 10,940,208 |
| Operating margin | 43.0% | | | | | | | 46.4% |
| Net margin | 35.9% | | | | | | | 38.6% |

Unaudited three months ended 31 December 2012

| | Adjustments | | | | | | Non-GAAP | |
|---|--------------------|--|--|--|--|-----------------------------|-----------------|-----------|
| | As reported | Equity-settled share-based compensation | Cash-settled share-based compensation | Losses/(gains) on deemed disposal | Amortisation of intangible assets | Impairment provision | | |
| | | (a) | (b) | (c) | (d) | (e) | | |
| <i>(RMB in thousands, unless specified)</i> | | | | | | | | |
| Operating profit | 3,726,075 | 278,072 | 24,765 | — | 40,267 | 251,000 | — | 4,320,179 |
| Profit for the period | 3,470,806 | 278,072 | 24,765 | — | 65,065 | 251,000 | — | 4,089,708 |
| Profit attributable to equity holders | 3,463,593 | 275,016 | 21,833 | — | 56,314 | 251,000 | — | 4,067,756 |
| Operating margin | 30.7% | | | | | | | 35.5% |
| Net margin | 28.6% | | | | | | | 33.7% |

Unaudited three months ended 30 September 2012

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

Unaudited three months ended 31 December 2011

| | Adjustments | | | | | | Non-GAAP | |
|---|--------------------|--|--|--|--|-----------------------------|-----------------|-----------|
| | As reported | Equity-settled share-based compensation | Cash-settled share-based compensation | Losses/(gains) on deemed disposal | Amortisation of intangible assets | Impairment provision | | |
| | | (a) | (b) | (c) | (d) | (e) | | |
| <i>(RMB in thousands, unless specified)</i> | | | | | | | | |
| Operating profit | 3,091,569 | 220,118 | 24,249 | (249,449) | 185,194 | 243,000 | — | 3,514,681 |
| Profit for the period | 2,551,203 | 220,118 | 24,249 | (249,449) | 140,554 | 243,000 | — | 2,929,675 |
| Profit attributable to equity holders | 2,537,026 | 216,959 | 22,299 | (249,449) | 129,753 | 243,000 | — | 2,899,588 |
| Operating margin | 39.0% | | | | | | | 44.4% |
| Net margin | 32.2% | | | | | | | 37.0% |

Note:

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

Liquidity and Financial Resources

Our net cash positions as at 31 December 2012 and 30 September 2012 are as follows:

| | Audited 31 December 2012 RMB'000 | Unaudited 30 September 2012 RMB'000 |
|---------------------------|---|--|
| Cash and cash equivalents | 13,383,398 | 13,441,768 |
| Short-term deposits | 13,805,675 | 14,281,401 |
| Long-term deposits | <u>10,891,718</u> | <u>8,591,724</u> |
| | 38,080,791 | 36,314,893 |
| Borrowings | (3,182,751) | (5,231,325) |
| Long-term notes payable | <u>(7,516,766)</u> | <u>(7,591,193)</u> |
| Net cash | <u>27,381,274</u> | <u>23,492,375</u> |

As at 31 December 2012, RMB8,055 million of our financial resources (30 September 2012: RMB10,171 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 31 DECEMBER 2012

| | | As at 31 December | |
|---|-------------|--------------------------|-------------------|
| | | 2012 | 2011 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | 7,402,766 | 5,884,952 |
| Construction in progress | | 533,691 | 158,656 |
| Investment properties | | 21,674 | 21,871 |
| Land use rights | | 794,439 | 230,915 |
| Intangible assets | | 4,719,075 | 3,779,976 |
| Interests in associates | 3 | 7,310,266 | 4,433,374 |
| Investment in jointly controlled entities | | 35,409 | 61,903 |
| Deferred income tax assets | | 168,906 | 198,058 |
| Available-for-sale financial assets | 4 | 5,632,590 | 4,343,602 |
| Prepayments, deposits and other assets | | 1,236,129 | 2,187,570 |
| Long-term deposits | | 10,891,718 | — |
| | | <u>38,746,663</u> | <u>21,300,877</u> |
| Current assets | | | |
| Inventories | | 568,084 | — |
| Accounts receivable | 5 | 2,353,959 | 2,020,796 |
| Prepayments, deposits and other assets | | 3,877,800 | 2,211,917 |
| Short-term deposits | | 13,805,675 | 13,716,040 |
| Restricted cash | | 2,520,232 | 4,942,595 |
| Cash and cash equivalents | | 13,383,398 | 12,612,140 |
| | | <u>36,509,148</u> | <u>35,503,488</u> |
| Total assets | | <u>75,255,811</u> | <u>56,804,365</u> |

| | | As at 31 December | |
|--|-------------|-------------------|-------------------|
| | | 2012 | 2011 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| EQUITY | | | |
| Equity attributable to the Company's equity holders | | | |
| Share capital | | 199 | 198 |
| Share premium | | 2,879,990 | 1,950,876 |
| Shares held for share award scheme | | (667,464) | (606,874) |
| Other reserves | | 815,697 | 409,266 |
| Retained earnings | | 38,269,085 | 26,710,368 |
| | | 41,297,507 | 28,463,834 |
| Non-controlling interests | | 850,759 | 624,510 |
| Total equity | | 42,148,266 | 29,088,344 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 7 | 2,105,643 | — |
| Long-term notes payable | 8 | 7,516,766 | 3,733,331 |
| Deferred income tax liabilities | | 1,311,562 | 939,534 |
| Long-term payables | | 1,508,578 | 1,859,808 |
| | | 12,442,549 | 6,532,673 |
| Current liabilities | | | |
| Accounts payable | 9 | 4,211,733 | 2,244,114 |
| Other payables and accruals | | 6,301,449 | 5,014,281 |
| Derivative financial instruments | | — | 20,993 |
| Borrowings | 7 | 1,077,108 | 7,999,440 |
| Current income tax liabilities | | 419,872 | 708,725 |
| Other tax liabilities | | 540,095 | 179,499 |
| Deferred revenue | | 8,114,739 | 5,016,296 |
| | | 20,664,996 | 21,183,348 |
| Total liabilities | | 33,107,545 | 27,716,021 |
| Total equity and liabilities | | 75,255,811 | 56,804,365 |
| Net current assets | | 15,844,152 | 14,320,140 |
| Total assets less current liabilities | | 54,590,815 | 35,621,017 |

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

| | | Year ended 31 December | |
|--|-------------|-------------------------------|-------------------|
| | | 2012 | 2011 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Revenues | | | |
| Internet value-added services | | 31,995,183 | 23,042,758 |
| Mobile and telecommunications | | | |
| value-added services | | 3,722,968 | 3,270,841 |
| Online advertising | | 3,382,328 | 1,992,216 |
| e-Commerce transactions | | 4,427,806 | — |
| Others | | 365,426 | 190,257 |
| | | | |
| | | 43,893,711 | 28,496,072 |
| Cost of revenues | 11 | (18,207,360) | (9,928,308) |
| Gross profit | | | |
| Interest income | | 835,671 | 468,990 |
| Other (losses)/gains, net | 10 | (283,900) | 420,803 |
| Selling and marketing expenses | 11 | (2,993,437) | (1,920,853) |
| General and administrative expenses | 11 | (7,765,272) | (5,283,154) |
| | | | |
| Operating profit | | | |
| Finance (costs)/income, net | | (347,518) | 35,505 |
| Share of losses of associates | | (54,386) | (24,255) |
| Share of losses of jointly controlled entities | | (26,494) | (165,731) |
| | | | |
| Profit before income tax | | | |
| Income tax expense | 12 | (2,266,163) | (1,874,238) |
| | | | |
| Profit for the year | | | |
| | | 12,784,852 | 10,224,831 |

| | | Year ended 31 December | |
|---|-------------|-------------------------------|--------------------------|
| | | 2012 | 2011 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Attributable to: | | | |
| Equity holders of the Company | | 12,731,871 | 10,203,083 |
| Non-controlling interests | | 52,981 | 21,748 |
| | | <u>12,784,852</u> | <u>10,224,831</u> |
| Earnings per share for profit attributable to equity holders of the Company (in RMB per share) | | | |
| - basic | 13 | <u>6.965</u> | <u>5.609</u> |
| - diluted | 13 | <u>6.833</u> | <u>5.490</u> |
| Dividend per share | | | |
| Final dividend proposed | 14 | <u>HKD1.00</u> | <u>HKD0.75</u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Year ended 31 December | |
|--|-------------------------------|--------------------------|
| | 2012 | 2011 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year | <u>12,784,852</u> | <u>10,224,831</u> |
| Other comprehensive income, net of tax: | | |
| Net gains/(losses) from changes in fair value of available-for-sale financial assets | 823,893 | (1,233,873) |
| Currency translation differences | <u>10,065</u> | <u>(34,256)</u> |
| | <u>833,958</u> | <u>(1,268,129)</u> |
| Total comprehensive income for the year | <u>13,618,810</u> | <u>8,956,702</u> |
| Attributable to: | | |
| Equity holders of the Company | 13,566,608 | 8,937,627 |
| Non-controlling interests | <u>52,202</u> | <u>19,075</u> |
| | <u>13,618,810</u> | <u>8,956,702</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

| | 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> |
| Balance at 1 January 2012 | 198 | 1,950,876 | (606,874) | 409,266 | 26,710,368 | 28,463,834 | 624,510 | 29,088,344 |
| Comprehensive income | | | | | | | | |
| Profit for the year | — | — | — | — | 12,731,871 | 12,731,871 | 52,981 | 12,784,852 |
| Other comprehensive income: | | | | | | | | |
| - net gains from changes in fair value of available-for-sale financial assets | — | — | — | 823,893 | — | 823,893 | — | 823,893 |
| - currency translation differences | — | — | — | 10,844 | — | 10,844 | (779) | 10,065 |
| Total comprehensive income for the year | — | — | — | 834,737 | 12,731,871 | 13,566,608 | 52,202 | 13,618,810 |
| Transactions with owners | | | | | | | | |
| Capital injection | — | — | — | — | — | — | 21,920 | 21,920 |
| Employee share option schemes: | | | | | | | | |
| - value of employee services | — | 95,099 | — | 59,431 | — | 154,530 | 21,715 | 176,245 |
| - proceeds from shares issued | 1 | 238,492 | — | — | — | 238,493 | — | 238,493 |
| Employee share award scheme: | | | | | | | | |
| - value of employee services | — | 676,699 | — | 45,292 | — | 721,991 | 6,556 | 728,547 |
| - shares purchased for share award scheme | — | — | (121,534) | — | — | (121,534) | — | (121,534) |
| - vesting of awarded shares | — | (60,944) | 60,944 | — | — | — | — | — |
| Profit appropriations to statutory reserves | — | — | — | 65,265 | (65,265) | — | — | — |
| Repurchase and cancellation of shares | — | (20,232) | — | — | — | (20,232) | — | (20,232) |
| Dividends (<i>Note 14</i>) | — | — | — | — | (1,107,889) | (1,107,889) | (117,483) | (1,225,372) |
| Total contributions by and distributions to owners for the year | 1 | 929,114 | (60,590) | 169,988 | (1,173,154) | (134,641) | (67,292) | (201,933) |
| Non-controlling interests arising from business combinations | — | — | — | — | — | — | 249,181 | 249,181 |
| Acquisition of additional equity interests in non-wholly owned subsidiaries | — | — | — | (240,676) | — | (240,676) | (7,842) | (248,518) |
| Recognition of financial liabilities in respect of the put options granted to non-controlling interests | — | — | — | (357,618) | — | (357,618) | — | (357,618) |
| Total transactions with owners for the year | 1 | 929,114 | (60,590) | (428,306) | (1,173,154) | (732,935) | 174,047 | (558,888) |
| Balance at 31 December 2012 | 199 | 2,879,990 | (667,464) | 815,697 | 38,269,085 | 41,297,507 | 850,759 | 42,148,266 |

Attributable to equity holders of the Company

| | Share capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Shares held for share award scheme <i>RMB'000</i> | Other reserves <i>RMB'000</i> | Retained earnings <i>RMB'000</i> | Total <i>RMB'000</i> | Non-controlling interests <i>RMB'000</i> | Total equity <i>RMB'000</i> |
|---|---------------------------------|---------------------------------|--|----------------------------------|-------------------------------------|--------------------------|---|--------------------------------|
| Balance at 1 January 2011 | <u>198</u> | <u>2,299,965</u> | <u>(258,137)</u> | <u>1,919,695</u> | <u>17,795,225</u> | <u>21,756,946</u> | <u>83,912</u> | <u>21,840,858</u> |
| Comprehensive income | | | | | | | | |
| Profit for the year | — | — | — | — | 10,203,083 | 10,203,083 | 21,748 | 10,224,831 |
| Other comprehensive income: | | | | | | | | |
| - net losses from changes in fair value of available-for-sale financial assets | — | — | — | (1,233,873) | — | (1,233,873) | — | (1,233,873) |
| - currency translation differences | — | — | — | (31,583) | — | (31,583) | (2,673) | (34,256) |
| Total comprehensive income for the year | <u>—</u> | <u>—</u> | <u>—</u> | <u>(1,265,456)</u> | <u>10,203,083</u> | <u>8,937,627</u> | <u>19,075</u> | <u>8,956,702</u> |
| Transaction with owners | | | | | | | | |
| Capital injection | — | — | — | — | — | — | 9,800 | 9,800 |
| Employee share option schemes: | | | | | | | | |
| - value of employee services | — | 110,322 | — | 48,911 | — | 159,233 | — | 159,233 |
| - proceeds from shares issued | — | 159,729 | — | — | — | 159,729 | — | 159,729 |
| Employee share award scheme: | | | | | | | | |
| - value of employee services | — | 517,870 | — | 58,264 | — | 576,134 | — | 576,134 |
| - shares purchased for share award scheme | — | — | (438,714) | — | — | (438,714) | — | (438,714) |
| - vesting of awarded shares | — | (89,977) | 89,977 | — | — | — | — | — |
| Profit appropriations to statutory reserves | — | — | — | 439,650 | (439,650) | — | — | — |
| Repurchase and cancellation of shares | — | (1,047,033) | — | — | — | (1,047,033) | — | (1,047,033) |
| Dividends (<i>Note 14</i>) | — | — | — | — | (838,290) | (838,290) | (56,531) | (894,821) |
| Transfer to reserve | — | — | — | 10,000 | (10,000) | — | — | — |
| Total contributions by and distributions to owners for the year | — | (349,089) | (348,737) | 556,825 | (1,287,940) | (1,428,941) | (46,731) | (1,475,672) |
| Non-controlling interests and deemed consideration arising from business combinations | | | | | | | | |
| Acquisition of additional equity interests in non-wholly owned subsidiaries | — | — | — | (154,732) | — | (154,732) | 581,725 | 426,993 |
| Recognition of financial liabilities in respect of the put options granted to non-controlling interests | — | — | — | 23,919 | — | 23,919 | (13,471) | 10,448 |
| Total transactions with owners for the year | <u>—</u> | <u>(349,089)</u> | <u>(348,737)</u> | <u>(244,973)</u> | <u>(1,287,940)</u> | <u>(2,230,739)</u> | <u>521,523</u> | <u>(1,709,216)</u> |
| Balance at 31 December 2011 | <u><u>198</u></u> | <u><u>1,950,876</u></u> | <u><u>(606,874)</u></u> | <u><u>409,266</u></u> | <u><u>26,710,368</u></u> | <u><u>28,463,834</u></u> | <u><u>624,510</u></u> | <u><u>29,088,344</u></u> |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Year ended 31 December | |
|--|-------------------------------|--------------------------|
| | 2012 | 2011 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net cash flows generated from operating activities | 19,429,457 | 13,358,107 |
| Net cash flows used in investing activities | (16,270,208) | (15,354,758) |
| Net cash flows (used in)/generated from financing activities | (2,385,978) | 4,373,024 |
| Net increase in cash and cash equivalents | 773,271 | 2,376,373 |
| Cash and cash equivalents at beginning of the year | 12,612,140 | 10,408,257 |
| Exchange losses on cash and cash equivalents | (2,013) | (172,490) |
| Cash and cash equivalents at end of the year | <u>13,383,398</u> | <u>12,612,140</u> |
| Analysis of balances of cash and cash equivalents: | | |
| Bank balances and cash | 8,460,459 | 7,833,767 |
| Term deposits and highly liquid investments with initial term within three months | 4,922,939 | 4,778,373 |
| | <u>13,383,398</u> | <u>12,612,140</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 IVAS, MVAS, online advertising services and e-Commerce transactions services to users in the PRC.

The consolidated financial statements of the Group have been approved by the Board on 20 March 2013.

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

The new or revised standards and amendments to the existing standards, which are mandatory for the financial year of the Company beginning 1 January 2012, are either not currently relevant or have no impact on the Group's consolidated financial statements.

The following new and revised standards have been issued but are not effective for the financial year beginning 1 January 2012, and have not been early adopted by the Group.

| | |
|---------|--|
| IFRS 9 | Financial Instruments |
| 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

Due to the fact that the scale of e-Commerce transactions business of the Group increased significantly in 2012, the executive directors of the Company treated e-Commerce transactions business as a separate segment of the Group's operations. As a result, a new line of segment information has been presented since 1 January 2012. No comparative figure of 2011 is presented since the amount involved was insignificant.

The Group has following reportable segments for the years ended 31 December 2012 and 2011:

- IVAS;
- MVAS;
- Online advertising;

- e-Commerce transactions; and
- Others.

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

There were no material inter-segment sales during the years ended 31 December 2012 and 2011. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the years ended 31 December 2012 and 2011 is as follows:

| | Year ended 31 December 2012 | | | | | |
|---|-----------------------------|------------------|------------------------|---------------------------------------|-------------------|-------------------|
| | IVAS RMB'000 | MVAS RMB'000 | advertising RMB'000 | e-Commerce transactions RMB'000 | Others RMB'000 | Total RMB'000 |
| Segment revenues | <u>31,995,183</u> | <u>3,722,968</u> | <u>3,382,328</u> | <u>4,427,806</u> | <u>365,426</u> | <u>43,893,711</u> |
| Gross profit | <u>21,399,216</u> | <u>2,254,617</u> | <u>1,649,624</u> | <u>235,210</u> | <u>147,684</u> | <u>25,686,351</u> |
| Depreciation | 1,117,278 | 113,670 | 106,603 | 9,513 | 17,208 | 1,364,272 |
| Amortisation | 199,681 | – | 198,963 | – | – | 398,644 |
| Share of (losses)/profit of associates | (76,934) | (8,230) | – | (32,982) | 63,760 | (54,386) |
| Share of losses of jointly controlled entities | <u>(26,494)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(26,494)</u> |

| | Year ended 31 December 2011 | | | | |
|---|-----------------------------|------------------|------------------------|-------------------|-------------------|
| | IVAS RMB'000 | MVAS RMB'000 | advertising RMB'000 | Others RMB'000 | Total RMB'000 |
| Segment revenues | <u>23,042,758</u> | <u>3,270,841</u> | <u>1,992,216</u> | <u>190,257</u> | <u>28,496,072</u> |
| Gross profit/(losses) | <u>15,409,134</u> | <u>2,011,085</u> | <u>1,197,260</u> | <u>(49,715)</u> | <u>18,567,764</u> |
| Depreciation | 724,418 | 66,249 | 58,605 | 34,666 | 883,938 |
| Amortisation | 67,056 | – | – | – | 67,056 |
| Share of losses of associates | (23,513) | (742) | – | – | (24,255) |
| Share of losses of jointly controlled entities | <u>(165,731)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(165,731)</u> |

3 Interests in associates

| | As at 31 December | |
|---|--------------------------|------------------|
| | 2012 | 2011 |
| | RMB'000 | RMB'000 |
| Investments in associates (a) | | |
| – Listed shares | 1,481,056 | 1,299,869 |
| – Unlisted shares | 4,829,057 | <u>2,464,158</u> |
| | 6,310,113 | 3,764,027 |
| Investments in redeemable preference shares of associates (b) | 838,226 | 574,048 |
| Loans to associates (c) | 161,927 | <u>95,299</u> |
| | 7,310,266 | <u>4,433,374</u> |

Note:

(a) Investments in associates

| | 2012 | 2011 |
|---|------------------|------------------|
| | RMB'000 | RMB'000 |
| At beginning of the year | 3,764,027 | 1,070,633 |
| Additions ((i), (ii), (iii) and (iv)) | 2,969,858 | 3,066,411 |
| Decrease as a result of step-up business combinations | (43,391) | (257,585) |
| Share of losses of associates | (54,386) | (24,255) |
| Dividends received from associates | (32,798) | (20,000) |
| Disposal of associates | (98,338) | – |
| Impairment provision (v) | (194,859) | <u>(71,177)</u> |
| At end of the year | 6,310,113 | <u>3,764,027</u> |

Note:

- (i) In January 2012, the Group acquired 619,400,000 ordinary shares of ChinaVision Media Group Limited (“ChinaVision”), representing approximately 8.0% of its then issued share capital, for a cash consideration of HKD247,760,000 (equivalent to approximately RMB201,578,000). ChinaVision is a company listed on the main board of the Stock Exchange, and is principally engaged in production and licensing of film and television programmes, and printed media and television advertising businesses. Since the Group has the right to nominate a director to the board of ChinaVision, ChinaVision is accounted for as an associate of the Group.

- (ii) In April 2012, the Group acquired 3,600,000 preference shares of Kakao, a company principally engaged in developing and operating mobile messaging applications, representing approximately 13.8% of its then issued share capital, for a cash consideration of KRW72,000,000,000 (equivalent to approximately RMB401,053,000). Since the Group has significant influence in Kakao through its representative in the board of directors, Kakao is accounted for as an associate of the Group.
- (iii) In July 2012, the Group acquired certain equity shares of Epic Games, representing approximately 48.4% of its then issued share capital, for a cash consideration of USD330,000,000 (equivalent to approximately RMB2,087,217,000). Epic Games is a US incorporated company principally engaged in developing game engine technology, as well as game titles for PC, consoles and mobile devices. Since the Group has the right to nominate directors to the board of Epic Games, Epic Games is accounted for as an associate of the Group.
- (iv) In addition to the above, the Group acquired some other associates or made additional investments in existing associates for an aggregate consideration of RMB280,010,000 during the year ended 31 December 2012. They are principally engaged in provision of online community services, online game development and other Internet-related businesses.
- (v) During the year ended 31 December 2012, the Group made impairment provision of RMB194,859,000 (2011: RMB71,177,000) for investments in associates based on the assessment with reference to business performance and recoverable value of associates.

(b) Investments in redeemable preference shares of associates

As at 31 December, the Group held certain redeemable preference shares of the associates, which are principally engaged in online community services, online game development and other Internet-related businesses. The redemption prices of the relevant shares are agreed at not less than their original subscription prices.

During the year ended 31 December 2012, the Group also made impairment provision of RMB449,431,000 (2011: RMB94,000,000) for the investments in redeemable preference shares of certain associates based on the assessment with reference to business performance and recoverable value of associates.

(c) Loans to associates

As at 31 December 2012, the carrying amount of the loans to associates of the Group amounted to RMB161,927,000 (2011: RMB95,299,000). The aggregate principal amount of the loans to associates is RMB159,993,000, which is required to be repaid in 2 years (2011: RMB92,631,000). These loans bear interest rates of 4.0% to 6.0% or are interest-free.

The Group presented the loans to its associates as a component of “Interests in associates” in 2012. The comparative figures have also been reclassified to conform to the presentation. Such classification has no impact on the Group’s net profit for the comparative year, as well as net assets of the Group as at 31 December 2011.

4 Available-for-sale financial assets

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|---|-------------------------------|-------------------------|
| At beginning of the year | 4,343,602 | 4,126,878 |
| Additions | 556,564 | 1,487,645 |
| Transfer to interests in associates | (31,139) | — |
| Gains/(losses) from changes in fair value | 818,273 | (1,234,921) |
| Impairment provision | (54,710) | (36,000) |
| At end of the year, all non-current | <u>5,632,590</u> | <u>4,343,602</u> |

5 Accounts receivable

Accounts receivable and their ageing analysis are as follows:

| | As at 31 December | |
|--------------|-------------------------------|------------------------|
| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
| 0 - 30 days | 1,406,915 | 1,103,261 |
| 31 - 60 days | 552,772 | 443,555 |
| 61 - 90 days | 257,286 | 246,501 |
| Over 90 days | <u>136,986</u> | <u>227,479</u> |
| | <u>2,353,959</u> | <u>2,020,796</u> |

Receivable balances as at 31 December 2012 mainly represented amounts due from telecommunications operators, including China Mobile, China Unicom, China Telecom and their respective branches, subsidiaries and affiliates, as well as online 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. Online 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.

(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:

| | Pre-IPO Option | | Post-IPO Option | | Post-IPO Option | | Post-IPO Option | | Total | |
|------------------------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|-------------------|--|
| | Scheme | | Scheme I | | Scheme II | | Scheme III | | | |
| | Average exercise price | No. of options | | |
| At 1 January 2011 | USD0.0935 | 563,193 | HKD12.8579 | 12,805,763 | HKD54.9391 | 28,795,168 | HKD158.5000 | 1,000,000 | 43,164,124 | |
| Granted | - | - | - | - | HKD191.1886 | 771,175 | - | - | 771,175 | |
| Exercised | USD0.0935 | (563,180) | HKD13.8888 | (4,038,282) | HKD44.9126 | (3,022,651) | - | - | (7,624,113) | |
| Lapsed | USD0.1967 | (13) | HKD6.0210 | (5,544) | HKD64.9539 | (387,604) | - | - | (393,161) | |
| At 31 December 2011 | - | <u>—</u> | HKD12.3871 | <u>8,761,937</u> | HKD59.9665 | <u>26,156,088</u> | HKD158.5000 | <u>1,000,000</u> | <u>35,918,025</u> | |
| Exercisable as at 31 December 2011 | - | <u>—</u> | HKD11.4611 | <u>8,173,937</u> | HKD42.9814 | <u>8,996,582</u> | - | <u>—</u> | <u>17,170,519</u> | |
| At 1 January 2012 | - | - | HKD12.3871 | 8,761,937 | HKD59.9665 | 26,156,088 | HKD158.5000 | 1,000,000 | 35,918,025 | |
| Granted | - | - | - | - | HKD248.8000 | 165,800 | - | - | 165,800 | |
| Exercised | - | - | HKD13.8099 | (4,090,290) | HKD45.4858 | (5,204,932) | - | - | (9,295,222) | |
| Lapsed | - | <u>—</u> | HKD11.5430 | <u>(75,158)</u> | HKD44.6799 | <u>(483,859)</u> | - | <u>—</u> | <u>(559,017)</u> | |
| At 31 December 2012 | - | <u>—</u> | HKD11.1348 | <u>4,596,489</u> | HKD65.4953 | <u>20,633,097</u> | HKD158.5000 | <u>1,000,000</u> | <u>26,229,586</u> | |
| Exercisable as at 31 December 2012 | - | <u>—</u> | HKD11.1348 | <u>4,596,489</u> | HKD45.0314 | <u>9,931,574</u> | - | <u>—</u> | <u>14,528,063</u> | |

During the year ended 31 December 2012, no share option (2011: Nil) was granted to any directors 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 years ended 31 December 2012 and 2011 are as follows:

| | Number of shares held for the Share Award Scheme | Number of awarded shares |
|---|---|---|
| At 1 January 2011 | 80 | 13,562,734 |
| Purchased and withheld | 2,773,810 | — |
| Allotted | 4,045,360 | — |
| Granted | (5,995,410) | 5,995,410 |
| Lapsed | 1,147,000 | (1,147,000) |
| Vested and exercised | <u>—</u> | <u>(2,572,145)</u> |
| At 31 December 2011 | <u>1,970,840</u> | <u>15,838,999</u> |
| Exercisable as at 31 December 2011 | <u>14,406</u> | |
| At 1 January 2012 | 1,970,840 | 15,838,999 |
| Purchased and withheld | 651,901 | — |
| Allotted | 4,378,400 | — |
| Granted | (7,569,380) | 7,569,380 |
| Lapsed | 973,469 | (973,469) |
| Vested and exercised | <u>—</u> | <u>(3,490,468)</u> |
| At 31 December 2012 | <u>405,230</u> | <u>18,944,442</u> |
| Exercisable as at 31 December 2012 | <u>5</u> | |

During the year ended 31 December 2012, no awarded share (2011: 35,000 awarded shares) was granted to any directors of the Company.

7 Borrowings

| | As at 31 December | |
|--|--------------------------|------------------|
| | 2012 | 2011 |
| | RMB'000 | RMB'000 |
| <i>Included in non-current liabilities:</i> | | |
| Non-current portion of long-term USD bank borrowings | | |
| - Unsecured (a) | <u>2,105,643</u> | — |
| <i>Included in current liabilities:</i> | | |
| RMB bank borrowings | | |
| - Secured | 15,000 | 2,958,720 |
| - Unsecured | 25,000 | — |
| USD bank borrowings | | |
| - Unsecured (b) | 942,825 | 4,410,630 |
| USD Bonds | | |
| - Unsecured | — | 630,090 |
| Current portion of long-term USD bank borrowings | | |
| - Unsecured (a) | <u>94,283</u> | — |
| | <u>1,077,108</u> | <u>7,999,440</u> |
| | <u>3,182,751</u> | <u>7,999,440</u> |

Note:

- (a) Unsecured long-term bank borrowings of carrying amount of RMB2,199,926,000 as at 31 December 2012 were denominated in USD. The aggregate principal amount was USD350,000,000 with interest rates of LIBOR plus 2.10% to 2.44% per annum.
- (b) Unsecured short-term bank borrowings of carrying amount of RMB942,825,000 as at 31 December 2012 were denominated in USD. The aggregate principal amount was USD150,000,000 with interest rates of LIBOR plus 1.20% to 1.75% 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.

The issue price of the 2012 Notes is 99.771% of the aggregate principal amount. The net proceeds from the issue of the 2012 Notes, after deduction of underwriting fees, discounts, commissions and other expenses payable in connection with the issue of the 2012 Notes, amounted to approximately USD593,826,000 (equivalent to approximately RMB3,767,767,000).

9 Accounts payable

Accounts payable and their ageing analysis are as follows:

| | As at 31 December | |
|--------------|-------------------------------|-------------------------------|
| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
| 0 - 30 days | 3,573,610 | 1,514,155 |
| 31 - 60 days | 430,408 | 351,587 |
| 61 - 90 days | 176,116 | 108,337 |
| Over 90 days | <u>31,599</u> | <u>270,035</u> |
| | <u>4,211,733</u> | <u>2,244,114</u> |

10 Other (losses)/gains, net

| | 2012 RMB'000 | 2011 RMB'000 |
|--|-------------------------|-----------------------|
| Impairment provision for available-for-sale financial assets, associates and jointly controlled entities | (699,000) | (243,000) |
| Dividend income | 407,069 | 15,851 |
| Gains on disposal/deemed disposal of associates | 7,451 | 708,486 |
| Subsidies and tax rebates | 226,148 | 101,406 |
| Losses from derivative financial instruments | (20,767) | (96,790) |
| Donation to Tencent Charity Fund | (120,000) | (100,000) |
| Others | <u>(84,801)</u> | <u>34,850</u> |
| | <u>(283,900)</u> | <u>420,803</u> |

11 Expenses by nature

| | 2012 RMB'000 | 2011 RMB'000 |
|---|--------------------------|--------------------------|
| Employee benefit expenses (<i>Note</i>) | 7,724,266 | 4,865,744 |
| Content costs and agency fees | 6,586,658 | 4,843,784 |
| Cost of merchandise sold | 4,066,513 | — |
| Mobile and telecommunications charges and bandwidth and server custody fees | 3,408,763 | 2,627,106 |
| Promotion and advertising expenses | 1,998,274 | 1,403,699 |
| Depreciation of fixed assets (<i>Note</i>) | 1,879,604 | 1,207,732 |
| Amortisation of intangible assets | 732,620 | 726,221 |
| Operating lease rentals in respect of office buildings | 614,979 | 342,957 |
| Travelling and entertainment expenses | 315,820 | 224,748 |
| Amortisation of land use rights | 7,542 | 4,925 |
| Auditor's remuneration | | |
| - Audit services | 15,050 | 10,760 |
| - Non-audit services | 7,107 | 7,575 |
| Other expenses | <u>1,608,873</u> | <u>867,064</u> |
| | <u>28,966,069</u> | <u>17,132,315</u> |

Note:

Research and development expenses for the year ended 31 December 2012 were RMB4,175,973,000 (2011: RMB2,684,821,000) which included employee benefit expenses of RMB3,358,077,000 (2011: RMB2,243,793,000) and depreciation of fixed assets of RMB449,642,000 (2011: RMB287,968,000). No research and development expenses had been capitalised for the year ended 31 December 2012 (2011: Nil).

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 years ended 31 December 2012 and 2011.

(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 year ended 31 December 2012. No such provision was provided for the year ended 31 December 2011.

(c) PRC CIT

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

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

The CIT Law also provides a five-year transitional period starting from its effective date for those enterprises which were established before the promulgation of the CIT Law and which were entitled to preferential CIT rates under the then effective tax laws or regulations.

On 26 December 2007, the State Council issued the "Circular to Implementation of the Transitional Preferential Policies for the Corporate Income Tax". Pursuant to this circular, the transitional CIT rates for the Group's subsidiaries established in the Shenzhen Special Economic Zone or the Beijing High Technology Zone before 16 March 2007 are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. Other tax preferential treatments such as reduction of 50% in CIT rates shall be based on the above transitional CIT rates for the respective years.

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. Moreover, one of these subsidiaries was further approved as a national key software enterprise, and accordingly, its CIT rates in 2011 and 2012 were further reduced to 10%.

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 year ended 31 December 2012 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36%. No such provision was provided for the year ended 31 December 2011.

(e) Corporate income tax in other countries

Corporate income tax provision has been provided for the year ended 31 December 2012 for the entities within the Group which were incorporated in Europe, East Asia and South America to the extent that there were assessable profits under these jurisdictions, at applicable tax rates ranging from 12.5% to 35%. No such provision was made for the year ended 31 December 2011.

(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 years ended 31 December 2012 and 2011 are analysed as follows:

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|---------------------|-------------------------------|-------------------------|
| Current tax | 1,746,804 | 1,863,939 |
| Deferred income tax | <u>519,359</u> | <u>10,299</u> |
| | <u>2,266,163</u> | <u>1,874,238</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 year ended 31 December 2012 (2011: 24%), being the tax rate of the major subsidiaries of the Group before preferential tax treatments. The difference is analysed as follows:

| | 2012 <i>RMB'000</i> | 2011 <i>RMB'000</i> |
|--|--------------------------|--------------------------|
| Profit before income tax | 15,051,015 | 12,099,069 |
| Add: Share of losses of associates and jointly controlled entities | <u>80,880</u> | <u>189,986</u> |
| | <u>15,131,895</u> | <u>12,289,055</u> |
| Tax calculated at a tax rate of 25% (2011: 24%) | 3,782,974 | 2,949,373 |
| Effects of different tax rates applicable to different subsidiaries of the Group | (2,027,510) | (1,087,518) |
| Effects of tax holiday on assessable profits of subsidiaries | (308,014) | (464,371) |
| Income not subject to tax | (110,096) | (13,752) |
| Expenses not deductible for tax purposes | 275,440 | 186,196 |
| Withholding tax on earnings expected to be remitted by PRC subsidiaries | 552,500 | 222,500 |
| Utilisation of previously unrecognised tax losses | (75,527) | (23,276) |
| Unrecognised deferred income tax assets | 162,693 | 167,330 |
| Adjustments in respect of CIT filing | <u>13,703</u> | <u>(62,244)</u> |
| Income tax expense | <u>2,266,163</u> | <u>1,874,238</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 year:

| | 2012 | 2011 |
|---|--------------------------|-------------------|
| Profit attributable to equity holders of the Company (RMB'000) | <u>12,731,871</u> | <u>10,203,083</u> |
| Weighted average number of ordinary shares in issue (thousand shares) | <u>1,827,886</u> | <u>1,818,966</u> |
| Basic EPS (RMB per share) | <u>6.965</u> | <u>5.609</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 year ended 31 December 2012, these share options and restricted shares either had anti-dilutive effect or their dilutive effect was insignificant to the Group.

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Profit attributable to equity holders of the Company (RMB'000) | <u>12,731,871</u> | <u>10,203,083</u> |
| Weighted average number of ordinary shares in issue (thousand shares) | 1,827,886 | 1,818,966 |
| Adjustments for share options (thousand shares) | 23,441 | 28,897 |
| Adjustments for awarded shares (thousand shares) | <u>11,963</u> | <u>10,683</u> |
| Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares) | <u>1,863,290</u> | <u>1,858,546</u> |
| Diluted EPS (RMB per share) | <u>6.833</u> | <u>5.490</u> |

14 Dividends

The dividend paid in 2012 was RMB1,107,889,000 (2011: RMB838,290,000), which excluded the dividend of RMB10,684,000 (2011: RMB6,720,000) related to the shares held by the Trustee for the purposes of the Share Award Scheme.

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 subject to the approval of the shareholders at the 2013 AGM. The consolidated financial statements do not reflect this dividend payable.

15 Business combinations

(a) The Level Up! Acquisition

In July 2012, the Group acquired 49% equity interest in Level Up! International Holdings Pte. Ltd. (“Level Up!”), a publisher and operator of online games, from a related party at a consideration of USD26,950,000 (equivalent to approximately RMB170,456,000) (the “Level Up! Acquisition”). According to the terms of the Level Up! Acquisition, the Group also has a currently exercisable call option to acquire additional 18% equity interest (total 67% equity interest together with the aforesaid 49% interest) in Level Up!. Upon completion of the Level Up! Acquisition, Level Up! was accounted for as a subsidiary of the Group.

Goodwill of RMB133,928,000 was recognised as a result of the Level Up! Acquisition based on the finalisation of its fair value assessment. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining operations of the Group and Level Up!. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition and the fair value of the assets acquired and liabilities assumed or recognised as at the closing date of the transaction.

| | <i>RMB'000</i> |
|--|-----------------------|
| Cash consideration paid | 170,456 |
| Fair value of the non-controlling interests | <u>177,612</u> |
| | <u><u>348,068</u></u> |
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Current assets | 86,897 |
| Fixed assets | 18,887 |
| Intangible assets acquired | 224,649 |
| Current liabilities | (58,416) |
| Deferred income tax liabilities | <u>(57,877)</u> |
| Total identifiable net assets | 214,140 |
| Goodwill | <u>133,928</u> |
| | <u><u>348,068</u></u> |

The revenues and net profit contributed by Level Up! from 1 January 2012 or its acquisition date to 31 December 2012 were not material to the Group.

(b) Acquisitions of equity interests in five companies

During the year ended 31 December 2012, the Group acquired the entire equity interests in two companies. One of them is engaged in providing massively multi-players online game information and the other is engaged in developing utility programs on mobile device. In addition, the Group acquired 51% equity interest in a company engaged in book publication and online reading services.

The Group acquired certain additional interest in an associate engaged in e-Commerce business and held 58% equity interest in this company after the acquisition. The Group also acquired additional 60% equity interest in another associate engaged in developing mobile browser and held the entire equity interest in this company after the acquisition. The deemed disposal gains/(losses) derived from these step-up business combinations were not significant.

The considerations and the allocation of such considerations to the fair value of the identifiable net assets acquired and goodwill recognised as at the respective dates of these acquisitions are as follows:

| | <i>RMB'000</i> |
|--|-----------------------|
| Cash consideration paid | 212,264 |
| Fair value of the interests previously held by the Group | 38,240 |
| Fair value of the non-controlling interests | <u>71,569</u> |
| | <u><u>322,073</u></u> |
| Fair value of identifiable net assets acquired | 137,934 |
| Goodwill | <u>184,139</u> |
| | <u><u>322,073</u></u> |

The revenues and net profit contributed by these subsidiaries from 1 January 2012 or their respective acquisition dates to 31 December 2012 were not material to the Group.

OTHER INFORMATION

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

During the year ended 31 December 2012, the Company repurchased 154,400 shares on the Stock Exchange for an aggregate consideration of approximately HKD25 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 2012 | No. of shares purchased | Purchase consideration | | | Aggregate consideration paid HKD |
|------------------------------|-------------------------------|------------------------------|-----------------------------|-----------|---|
| | | Highest price paid HKD | Lowest price paid HKD | per share | |
| January | 128,400 | 153.0 | 151.9 | 1.16 | 19,582,798 |
| May | 26,000 | 205.0 | 204.4 | 7.85 | 5,326,269 |
| Total | <u>154,400</u> | | | | <u>24,909,067</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 year ended 31 December 2012.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the 2013 AGM

The register of members will be closed from Monday, 13 May 2013 to Wednesday, 15 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2013 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2013.

(b) Entitlement to the Proposed Final Dividend

The register of members will be closed from Wednesday, 22 May 2013 to Thursday, 23 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates

must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2013.

Employee and Remuneration Policies

As at 31 December 2012, the Group had 24,160 employees (2011: 17,446). 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 (including capitalised remuneration cost) incurred by the Group for the year ended 31 December 2012 was RMB7,724 million (2011: RMB4,879 million).

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Auditor, has reviewed the Group's audited financial statements for the year ended 31 December 2012.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Compliance with the Corporate Governance Code

Save as disclosed in the 2011 annual report and the 2012 interim report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules during period from 1 January 2012 to 31 March 2012 and the CG Code during the period from 1 April 2012 to 31 December 2012.

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

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

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation and wholehearted gratitude to our employees for their dedication, commitment and their unabated innovation which keep the Group competitive and strong. The same thanks should also extend to our shareholders and stakeholders for their support and confidence which are highly valued both in the past and for the years to come.

By Order of the Board

Ma Huateng

Chairman

Hong Kong, 20 March 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:

| Term | Definition |
|---------------------------|--|
| “2013 AGM” | the annual general meeting of the Company to be 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” or “Tencent” | Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange |
| “DAU” | daily active user accounts |
| “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 |
| “Gamegoo” | Gamegoo Group Limited |

| | |
|-----------------------------|--|
| “Gamegoo Acquisition” | the acquisition of additional equity interest in Gamegoo, which constituted a step-up business combination |
| “GDP” | gross domestic product |
| “Group” | the Company and its subsidiaries |
| “HKD” | the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region, the PRC |
| “IFRS” | International Financial Reporting Standards |
| “IM” | instant messaging |
| “IPO” | initial public offering |
| “IVAS” | Internet value-added services |
| “Kakao” | Kakao Corp. |
| “Korea” | the Republic of Korea |
| “KRW” | the lawful currency of Republic of Korea |
| “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” | 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 |
| “Riot Games” | Riot Games, Inc. |
| “Riot Games Acquisition” | the acquisition of a majority interest in Riot Games by the Group from the existing shareholders, including the founders of Riot Games |
| “RMB” | the lawful currency of the PRC |
| “Share Award Scheme” | the share award scheme adopted by the Company on 13 December 2007 |
| “SMS” | short message service |
| “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 |